

**Communitie.com Limited**

**Report and Accounts  
for the year ended 31 December 2001**

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### Mission Statement

**“To build the number 1 online stamp community in the world, covering all aspects of stamp collecting.”**

### Financial Highlights

	Year ended 31 December 2001 (Statutory) £'000	Year ended 31 December 2000 (Proforma) £'000	Year ended 31 December 1999 (Proforma) £'000
Group Turnover	8,079	8,017	8,944
Operating profit/(loss) before goodwill impairment and exceptional operating costs	4	(639)	135
Profit/(loss) before taxation	314	(893)	166
Net cash/(debt)	141	(305)	
Earnings per ordinary share	1.13p		
Earnings per share (adjusted)	1.27p		
Net assets per share	24p	22p	
Share price – 31 December	14.25p	17.75p	

### Financial Calendar

AGM \_\_\_\_\_  
Interim Results Announced \_\_\_\_\_

23<sup>rd</sup> April 2002  
31<sup>st</sup> August 2002

# Communitie.com Limited

## Directors and Advisers

### Directors

#### *Paul Ian Fraser, aged 46 Executive Chairman*

Paul has been engaged in dealing in Collectibles all his adult life. He first invested in Stanley Gibbons Holdings PLC in 1989. He was executive chairman from 1990 to 1998 until the sale of the Company to Flying Flowers Limited. He joined the board of Directors of Flying Flowers as joint chief executive in September of that year. Paul has a varied background of accountancy training, retailing, mail order and property development. Paul is also a non-executive Director of Flying Brands Limited (formerly Flying Flowers).

#### *Michael Robert Montague Hall BAcc CA, aged 31 Finance Director*

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers and Lybrand (now PricewaterhouseCoopers) in Jersey. As a manager, Michael worked on both audit and corporate finance assignments for a variety of listed companies including Flying Flowers. Michael joined Flying Flowers as financial controller of the Collectibles division in July 1999 and was appointed Finance Director of Communitie.com in August 2000.

#### *Timothy Dunningham FCA, aged 48, Non-Executive Director*

Tim is chief executive of Flying Brands (formerly Flying Flowers), having joined the Company in 1984 as Finance Director. Between 1978 and 1985 he was a senior lecturer with The Financial Training Company Limited, a leading firm of accountancy tutors, of which he was also a Director.

#### *Stephen Feigen, aged 54, Non-Executive Director*

Stephen is Managing Director of Abacus Software Limited, a leading UK electronic publishing software and internet/online service developer. He has spent 15 years working in networked information systems and multimedia and has a wide knowledge of general information technology and database technology.

#### **Registered Office**

Pirouet House  
Union Street  
St Helier  
Jersey JE1 3WF

#### **Company Secretary**

Richard Kenneth Purkis

#### **Company Registration**

Registered in Jersey  
Number 13177

#### **Nominated Advisor and Broker**

Beeson Gregory Limited  
The Registry  
Royal Mint Court  
London EC3N 4LB

#### **Auditors**

Solomon Hare  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol BS8 2BN

#### **Solicitors**

Nabarro Nathanson  
Lacon House  
84 Theobald's Road  
London WC1X 8RW

#### **Principal Bankers**

Barclays Bank plc  
PO Box No. 8  
13 Library Place  
St. Helier  
Jersey JE4 8NE

#### **Registrars**

Capita IRG plc  
Balfour House  
390-398 High Road  
Ilford  
Essex IG1 1NG  
Tel: 0870 1623100

#### **Website**

[www.communitie.com](http://www.communitie.com)

# Communitie.com Limited

## Chairman's Statement

It is now fifteen months since demerger from Flying Brands Limited and I believe we are now safely on the right track. Turnover was £8,079,000 producing a profit before tax of £314,000. We have discontinued some activities and turnover has increased on continuing business.

There are still no plans to pay a dividend but we bought back 2,060,919 shares at a total cost of £404,089 reducing shares in issue by 7.67% during the year.

We were able to negotiate the sale and leaseback of our premises at 5/7 Parkside, Ringwood on favourable terms, generating net proceeds of £900,000, eliminating our debt.

The specific impact on our business from the catastrophe in the United States on September 11<sup>th</sup> was that a number of our major US customers held back on purchasing and visitors to our retail premises in the Strand were significantly reduced in September and October. Although there was a short-term effect on our profitability in 2001, business has since returned to normal and there has been no impact on the underlying strength of our business. Our business model and strategy therefore remains in place.

Considerable organisational change has taken place in 2001 and continues in 2002, where we are implementing a combination of structural changes in management reporting and a consolidation of activity back to core competencies, with the emphasis on discarding or reducing unprofitable activities. We have also taken the opportunity to outsource parts of the business which either through technological change or increasing legislation are becoming difficult to manage or add value.

Over the last two years, we have borne the costs of our development of eight Internet sites and the infrastructure needed to support them together with the expense of refurbishing the upper floors at 399 Strand, which are still not currently let. We are now hopeful that we will generate revenue on both these fronts this year, which will quickly pay back our outlay.

Our catalogue production is undergoing major change with the move to electronic storage, updating, pricing and presentation online in All World Stamps.com. This will considerably streamline the publishing process, reduce costs and present the prices in a more current and dynamic way. We believe this will lead to the SG numbering system and prices becoming the industry standard on a global basis, which potentially can be used by 30 million collectors worldwide. We have therefore appointed an E-Publishing/Web Director, Doug Roberts, who will strengthen our management team.

2002 is the year of The Queen's Golden Jubilee and we are confident that, with the various stamp issues and Royal events planned around the world, the profile of stamp collecting will be raised yet again.

As Royal Warrant Holders, we are honoured to be able to contribute to the work involved with the Royal Philatelic Collection. This year though will have the added excitement of seeing The Queen's Collection going on a tour to three Royal Palaces – Holyrood House, Sandringham and Hampton Court – where it will finish on 4<sup>th</sup> June (the special Bank Holiday to commemorate the Golden Jubilee).

We believe that our stamp stock has never been better. We have reduced our holding of modern and new issues and moved our emphasis towards the classics. The purchase of the EHW & Co. business in December 2000 has fed through to all parts of our stock and strengthened its range and quality. We have also focused more clearly on the most popular countries, both in the purchase and sale of stock.

Sales of advertising in our monthly magazine, various catalogues and Internet sites have performed better again in 2001 and look set to increase further in 2002. We have planned a series of initiatives and supplements to our monthly magazine which will be good for our advertisers, our readers and ourselves.

We will continue to actively turnover our current material and clear old stock during 2002. More active management of our catalogue production and print quantities is reducing the publications stock left on the shelf and, in many instances, we have completely sold out. This is allowing further opportunity to sell last year's catalogues, as there are no others available.

The customer databases have undergone a rigorous de-duplication and cleansing exercise and we are about to introduce a Customer Relationship Management (CRM) package which will enable more focussed mailings and give us the ability to analyse quickly and accurately the results.

## **Communitie.com Limited**

### **Chairman's Statement**

The Internet continues to be our most cost efficient route to market and the best means of servicing the full needs of stamp collectors. However as the Internet is only one of many routes to market available to us to raise the profile of our worldwide 'Stanley Gibbons' brand, we will be proposing a Resolution at our Annual General Meeting to change our name to 'The Stanley Gibbons Group Limited'. We expect the change in name to raise our profile amongst investors.

I am very pleased with progress and would like to thank our motivated, talented and committed team of people who have risen to the challenge and taken ownership of the plan. We have made significant progress in 2001 in pursuing our strategic objectives and we remain confident that we will achieve further growth in sales and profitability in 2002.

***Paul Fraser***  
**Chairman**

15 March 2002

# Communitie.com Limited

## Operating Review

### Operating results for the year

	Statutory		Proforma		Proforma	
	2001	2001	2000	2000	1999	1999
	Sales	Profit	Sales	Profit	Sales	Profit
	£000	£000	£000	£000	£000	£000
Philatelic trading and retail operations	4,591	406	4,568	81	4,853	239
Publishing and philatelic accessories	2,641	598	2,598	331	2,624	392
Dealing in autographs, records and related memorabilia	824	230	778	250	718	226
Exhibitions	-	-	68	(52)	237	(22)
Urch Harris New Issues	-	-	-	-	512	(2)
	<b>8,056</b>	<b>1,234</b>	8,012	610	8,944	833
Sale of property		388		52		85
Corporate overheads		(934)		(836)		(698)
New business development	23	(296)	5	(413)		-
Interest		(43)		(27)		(54)
Before exceptional operating costs and impairment of goodwill	<b>8,079</b>	<b>349</b>	8,017	(614)	8,944	166
Impairment of Goodwill		-		(200)		-
Exceptional operating costs		(35)		(79)		-
	<b>8,079</b>	<b>314</b>	8,017	(893)	8,944	166

The proforma results for the years ended 31 December 1999 and 31 December 2000 above do not represent the statutory results of Communitie.com as the Collector Café Group was acquired on 16 August 2000 from Flying Brands Limited. In order to present a more meaningful analysis the full year comparative results are presented which have been extracted from the audited consolidated financial statements of Stanley Gibbons Holdings PLC, the holding Company of the trading activities of the Communitie.com Group.

### Sales

Overall Group turnover reported was consistent with that achieved last year. Underlying turnover from continuing activities after adjusting for exceptional income increased £378,000 (5%) from last year as demonstrated in the table below:

	Year ended 31 December 2001	Year ended 31 December 2000
	£'000	£'000
Group turnover as reported	8,079	8,017
Discontinued activity – Public Auctions	(119)	(309)
Discontinued activity – Exhibitions	-	(68)
Exceptional income – May 2000 stamp show (held every 10 years)	-	(300)
Exceptional income – Sale of highest value stock item to Royal Philatelic Collection	(242)	-
<b>Underlying turnover from continuing operations (excluding exceptional income)</b>	<b>7,718</b>	<b>7,340</b>

We successfully consolidated our trading position in 2001, ceasing non-profit making activities and achieving improved gross margins on the continuing core business. Close control over the return achieved from marketing campaigns and direct mailings resulted in reduced activity this year. We have now successfully integrated our customer databases and customer interest categories into one database. Over 100,000 names were de-duplicated as a result of this exercise which will enable us to produce more accurate and focussed direct mailings at a lower cost in 2002.

# Communitie.com Limited

## Operating Review

We expect to achieve sales growth in 2002 from improved customer database management facilitated through our newly implemented CRM (Customer Relationship Management) system. Recruitment of new customers will be driven from our websites, currently attracting between 36,000 and 41,000 unique visitors per month together with more proactive selling by the newly formed sales department in London following the restructuring process undertaken in 2001.

### Profitability

The profit before tax for the year of £314,000 includes a £388,000 profit on the sale and leaseback of our property at 5 & 7 Parkside, Ringwood. The sale was unconditional and the leaseback is on two 15 year operating leases at a total annual rent of £87,500 with upward only rent reviews every 5 years. Core business activity, excluding new business development and exceptional operating costs, achieved an operating profit of £300,000 for the year.

The return to profitability has primarily been achieved through improved reporting and controls over operating units which has enabled accurate business decisions to be made including the curtailing of non profit making activities. The decision made last year to cease the holding of public auctions and organising of exhibitions had the effect of increasing profit by £238,000 from last year.

Improved profitability is expected in 2002 with overhead reductions from outsourcing of certain activities currently performed in-house which can be performed more efficiently and at a lower cost by external suppliers. Furthermore, we expect to obtain annual rental income in the region of £135,000 per annum from the 2<sup>nd</sup> – 4<sup>th</sup> floors of 399 Strand once suitable tenants have been secured.

### New Business Development

Direct sales generated through our web sites represented 3.3% of total sales for the year compared to 1.2% last year. With the launch of stampsatauction.com in March 2002, phase I development of our eight websites is now complete. Phase II development in 2002 will include the enhancement of stanleygibbons.com to improve the ease of use of the site and an improved sales focus with more proactive management of the site content. The introduction of our wide range of lower value philatelic material to the site which will progressively be added in 2002 is expected to bring substantial improvements to sales and new customers generated from this site.

The creation of allworldstamps.com enables us for the first time to publish electronically our major catalogue titles which will bring substantial savings in production costs. We launched our first digitally printed 'one country catalogue' in November 2001 produced from the website database with positive results. We intend to introduce further titles throughout 2002 which will meet the specific needs of a number of our customers.

### Acquisitions

Sales of EHW & Co. philatelic material acquired in December 2000 were in excess of £350,000 for the year at a gross margin of 65% compared to our average philatelic margins of 50%. We will continue to see the benefits of this purchase in 2002 as we begin to process the vast quantity of lower value material acquired into our stock database.

### Corporate Overheads

Corporate overheads have increased from last year by £98,000. The increased overhead reflects the strengthening of the central management team and professional fees associated with being a public Company.

### Profit for the financial year; total recognised gains and losses

All gains and losses are reflected through the Consolidated Profit and Loss account except a £169,000 gain on the revaluation of the Group's reference collection of philatelic material which is included in the Statement of Total Recognised Gains and Losses.

### Accounting Policies

Accounting policies are detailed in note 1 to the financial statements on pages 18 to 19. These policies are in accordance with UK generally accepted accounting principles.

# Communitie.com Limited

## Financial Review

### Treasury

The main financial risks faced by the Group are liquidity and interest rate fluctuations. The Board will continue to assess and manage the risks associated with the treasury functions as the business develops although the current size of the business dictates that treasury management is an integral part of the overall management of the Group.

### Liquidity and Funding

The Group has approved written policies covering the following:

- 1 Authorisation requirements for all bank accounts and financial instruments.
- 2 Authorisation limits for all payments made by Group companies.
- 3 Quarterly forecasting of the Group's profit and loss, balance sheet and cashflow position and daily comparison of the actual cash position to forecast.

The Group's overdraft was cleared following the sale of our property at 5 & 7 Parkside, Ringwood for a net consideration of £900,000 in December 2001. The Group has a bank overdraft facility of £320,000 with Barclays Bank plc which is sufficient to meet planned operational and capital expenditure. The overdraft facility is due for its next annual review in January 2003.

The business of stamp collecting is seasonal and working capital requirements are greater in the period from May to August due to lower volumes of trade at that time. Furthermore, costs attributable to Catalogue production are incurred in advance. Additional working capital requirements during this period are adequately covered by the current overdraft facility.

The total debt at 31 December 2001 of £190,000 is covered by cash at bank balances of £331,000. Of the total debt, £56,000 relating to finance leases is payable within one year and the remainder is payable in over five years.

### Balance Sheet and Cashflow

All movements are detailed in the Consolidated Cash Flow Statement on page 17. The Group continues to generate strong cashflows from normal operating activities, generating £737,000 in 2001 achieved through operating profits after adding back depreciation of £294,000 and improved working capital management demonstrated by significant reductions in stock and debtors.

The Group invested £614,000 in capital expenditure during the year which related mainly to refurbishments to 399 Strand and development costs capitalised in respect of the building of stampsatauction.com. We expect to obtain a return on both these investments in 2002.

### Interest

Net interest payable increased during the year as a result of the use of the overdraft facility during the year to finance capital projects and the re-purchase of own shares. Details on prevailing interest rates are included in note 27 to the financial statements.

### Taxation

The tax charge for the year is analysed in note 8 of the financial statements. Capital Gains Tax was not payable on the sale of the property during the year due to capital losses brought forward being utilised.

### Going Concern

The Directors have considered the relevant information up to the date of approving these financial statements and have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future.

# **Communitie.com Limited**

## **Corporate Governance**

So far as is appropriate, the Board aims to apply the underlying principles of the Combined Code, having regard to the size of the Company. The principal areas where these underlying principles are applied in the running of the Company are set out below.

The Company holds board meetings regularly throughout the year at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Audit Committee comprises only two non-executive Directors. The Company feels this is appropriate for its size. The Committee meet at least twice a year and is responsible for ensuring that the financial performance of the Group is properly maintained and reported on. It is also responsible for meeting the auditors and reviewing the report from the auditors relating to the financial statements.

Members of the Audit Committee at 31 December 2001 were as follows:

**T Dunningham, Chairman**  
**S Feigen**

The Remuneration Committee comprises the non-executive Directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders.

# **Communitie.com Limited**

## **Report on Remuneration**

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board.

Members of the Remuneration Committee as at 31 December 2001 were as follows:

**S Feigen, Chairman**  
**T Dunningham**

Both members are independent non-executive Directors. Neither of them has any personal financial interest in the matters to be decided (other than as shareholders) or any day to day involvement in the running of the business.

### **Policy on Executive Directors' Remuneration**

The Committee reviews remuneration of executive Directors and senior management each year. The main aim of the Group's executive pay policy is to provide an appropriate reward for their work and which is sufficient to attract and retain the Directors needed to meet the Group's objectives and satisfy shareholder expectations.

The Committee has given full consideration to the provisions of Schedule A and Schedule B of the Combined Code.

Executive Share options are granted to Directors and other employees on a phased basis, the value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term. Options granted under the share option scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied; the average annual increase in the Company's share price over a period of three consecutive financial periods of the Company (commencing no earlier than one year prior to the date of grant) is at least 5%.

Only the Chairman currently receives a pension contribution of 9% of his basic annual salary paid into his personal pension plan. Other executive Directors are entitled to participate in the Stanley Gibbons defined benefit pension scheme full details of which are disclosed in note 25 of the financial statements.

Directors are awarded annual bonuses subject to a maximum bonus not exceeding 20% of annual salary. Bonuses are calculated on the basis of defined criteria agreed at the beginning of the year relating to Group performance compared to prior year and budget and other specific objectives which contribute to growth in earnings per share.

Benefits include the provision of private healthcare insurance and death in service insurance.

### **Service contracts**

No Director has a notice period exceeding twelve months.

# Communitie.com Limited

## Report on Remuneration

### Directors' Remuneration

For each Director remuneration during the year can be analysed as follows:

	<b>Basic Remuneration</b>	<b>Performance Related Bonus</b>	<b>Pension</b>	<b>Other Benefits</b>	<b>Fees</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000
P I Fraser	85	-	8	1	-	94
A M McQuillan	84	8	-	1	-	93
M R M Hall	52	-	-	1	-	53
T Dunningham	-	-	-	-	-	-
S Feigen	-	-	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	221	8	8	3	6	246

### Directors' Share Options

	<b>Date of grant</b>	<b>Earliest Exercise date</b>	<b>Expiry date</b>	<b>Exercise Price</b>	<b>Number at 31 Dec 2000</b>	<b>Granted in year</b>	<b>Exercised in year</b>	<b>Number at 31 Dec 2001</b>
				(1p shares)				
P Fraser	26/9/00	26/9/02	26/9/10	18.5p	540,540	-	-	540,540
M Hall	27/11/00	27/11/03	27/11/10	18p	50,000	-	-	50,000
					<hr/>	<hr/>	<hr/>	<hr/>
					590,540	-	-	590,540

The options granted to P Fraser were granted under an Enterprise Management Incentive Option Agreement. The options granted to M Hall were granted under the Inland Revenue approved UK Executive Share Option Scheme. Options over 540,540 shares granted to A McQuillan under an Enterprise Management Incentive Option Agreement lapsed on his resignation on 31 December 2001.

The market price of the Company's shares at 31 December 2001 was 14.25p and the range of market prices during the year was between 12.5p and 19.5p.

No options had an exercise price below the average market price and therefore there is no dilutive effect on the earnings per share.

# **Communitie.com Limited**

## **Directors' report For the year ended 31 December 2001**

The Directors present their report and the audited financial statements for the year ended 31 December 2001.

### **Incorporation**

The Company is incorporated in Jersey, Channel Islands.

### **Directors' responsibilities for the financial statements**

Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the Group profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

### **Principal activities**

The principal activities of the Group are those of dealing in stamps, autographs, rare records and related memorabilia, the development and operation of collectible websites, philatelic publishing, auctioneering, mail order, retailing, and the manufacture of philatelic accessories.

### **Business review and future prospects**

A commentary of the Group's progress during the year and its future prospects are set out in the Chairman's statement on pages 2 and 3, and the Operating Review and Financial Review on pages 4 to 6.

### **Results and dividends**

The profit and loss account of the Group for the year ended 31 December 2001 is set out on page 14. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2001.

# Communitie.com Limited

## Directors' report For the year ended 31 December 2001

### Directors

The Directors of the Company during the year were as follows:

Mr P I Fraser  
Mr A M McQuillan (resigned 31 December 2001)  
Mr M R M Hall BAcc CA  
Mr T Dunningham FCA (non-executive)  
Mr S Feigen (non-executive)

Biographical details of the Directors are given on page 1.

### Directors' interests

The interests of the Directors in the shares of the Company at 31 December 2001 together with their interests at 1 January 2001 were:

Shares	Ordinary 1p Shares 1 January 2001	Ordinary 1p Shares 31 December 2001
P I Fraser	6,001,719	7,301,719
M R M Hall	-	20,000
T Dunningham	2,410,000	2,904,500
S Feigen	-	50,000

The Directors' interests in shares are all beneficial. There were no changes in the interests set out above between 31 December 2001 and 15 March 2002.

Details of the Directors' share options are given in the Remuneration Report on page 9.

Apart from service contracts and the related parties referred to in note 28 of the financial statements, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

### Policy on payment of creditors

It is Group policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. The creditor payment days outstanding for the Group at 31 December 2001 were 42 days, (2000: 44 days).

### Economic and Monetary Union

The Group has prepared and implemented plans as necessary to address the operational and financial impact of the introduction of European Monetary Union. Incremental costs to date are not significant and are being written off as incurred.

Should the United Kingdom, however, adopt Euro in the future, this would involve additional costs.

### Charitable and political donations

The Group did not make any charitable or political donations during the year.

# **Communitie.com Limited**

## **Directors' report For the year ended 31 December 2001**

### **Intangible Assets**

No value is attributed in the balance sheet to the Group's brand names, the value of the Stanley Gibbons stamp referencing system, editorial intellectual property or its database of customers.

### **Substantial Shareholdings**

As at 11 March 2002, other than the Directors' holdings noted above, the Company had been notified of the following interests in 3% or more of its issued share capital:

Merseyside Pension Fund: 3.01%

Mr JW & Mrs M Ashdown: 4.03%

### **Purchase of Own Shares**

The Company purchased 2,060,919 of its own shares during the year with a nominal value of £20,609 for a total consideration of £404,089. This represents 7.67% of the Company's issued share capital at 1 January 2001. The Company has authority to purchase up to 15% of its own shares. A resolution to renew this authority will be proposed at the AGM.

### **Secretary**

Mr R K Purkis has been secretary for the entire year ended 31 December 2001.

### **Auditors**

Grant Thornton resigned as auditors on 17 December 2001 and Solomon Hare were appointed by the Directors in their place. A resolution to appoint Solomon Hare as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the AGM.

### **By order of the board**

**R K Purkis**  
Secretary

15 March 2002

### **Registered office:**

Pirouet House  
Union Street  
St Helier  
Jersey, JE1 3WF

# **Communitie.com Limited**

## **Auditors' Report**

### **Report of the auditors to the members of Communitie.com Limited**

We have audited the financial statements on pages 14 to 30 which have been prepared under the accounting policies set out on pages 18 to 19.

#### **Respective responsibilities of Directors and Auditors**

The directors are responsible for preparing the Annual Report. As described on page 10 this includes responsibility for preparing the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

#### **Solomon Hare**

Registered Auditors  
Chartered Accountants

Bristol  
15 March 2002

# Communitie.com Limited

## Consolidated Profit and Loss account For the year ended 31 December 2001

	Notes	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
<b>Turnover</b>	1	<b>8,079</b>	3,184
Cost of sales		<b>(3,539)</b>	(1,375)
<b>Gross profit</b>		<b>4,540</b>	1,809
Administration expenses		<b>(1,224)</b>	(438)
Selling and distribution expenses		<b>(3,312)</b>	(1,532)
Impairment of Goodwill	20	-	(496)
Exceptional operating costs	3	<b>(35)</b>	-
<b>Operating loss</b>	4	<b>(31)</b>	(657)
Operating profit/(loss) before exceptional operating costs and impairment of goodwill		<b>4</b>	(161)
Impairment of Goodwill		-	(496)
Exceptional operating costs		<b>(35)</b>	-
Profit on sale of property		<b>388</b>	52
Interest receivable and similar income		<b>8</b>	9
Interest payable and similar charges	7	<b>(51)</b>	(8)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>314</b>	(604)
Tax on profit/(loss) on ordinary activities	8	<b>(23)</b>	-
<b>Profit/(loss) for the financial year</b>	19	<b>291</b>	(604)
<b>Earnings/(loss) per ordinary share</b>	9	<b>1.13p</b>	(2.25)p
Impairment of Goodwill		-	1.84p
Exceptional operating costs		<b>0.14p</b>	-
<b>Adjusted earnings/(loss) per ordinary share</b>		<b>1.27p</b>	(0.41)p

The statutory profit and loss account for the year ended 31 December 2000 includes the trading period from 16 August 2000 (the date of acquisition of Collector Café Limited from Flying Brands Limited) to 31 December 2000. For information purposes, a full year proforma profit and loss account for the year ended 31 December 2000 is also presented on page 31 which has been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding Company of the trading activities of the Communitie.com Group.

**Continuing operations:** all items dealt with in arriving at the operating loss for 2001 and 2000 relate to continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

## Communitie.com Limited

### Statement of total recognised gains and losses for the year ended 31 December 2001

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Profit/(loss) for the financial year	291	(604)
Surplus on revaluation of assets (see note 10)	169	-
Total gains and losses recognised since last Financial Statements	460	(604)

### Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2001

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Profit/(loss) for the financial year	291	(604)
Demerger from Flying Brands Limited	-	7,161
Issue costs	-	(600)
Purchase of own shares (see note 17)	(404)	-
Other recognised gains (see note 10)	169	-
Net increase in shareholders' funds	56	5,957
Opening equity shareholders' funds	5,957	-
<b>Closing equity shareholders' funds</b>	<b>6,013</b>	<b>5,957</b>

# Communitie.com Limited

## Balance sheets at 31 December 2001

		Group	Group	Company	Company
		31 December	31 December	31 December	31 December
		2001	2000	2001	2000
		£'000	£'000	£'000	£'000
	<i>Notes</i>				
<b>Fixed Assets</b>					
Tangible assets	10	1,553	1,576	-	-
Investments	11	223	223	5,811	5,811
		<b>1,776</b>	1,799	<b>5,811</b>	5,811
<b>Current assets</b>					
Stocks	12	4,633	4,983	-	-
Debtors: amounts falling due after more than one year	13	330	303	-	-
Debtors: amounts falling due within one year	13	908	1,438	395	750
Cash at bank and in hand		331	186	-	-
		<b>6,202</b>	6,910	<b>395</b>	750
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,831)</b>	(2,372)	-	-
<b>Net current assets</b>		<b>4,371</b>	4,538	<b>395</b>	750
<b>Total assets less current liabilities</b>		<b>6,147</b>	6,337	<b>6,206</b>	6,561
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(134)</b>	(380)	-	-
<b>Net assets</b>		<b>6,013</b>	5,957	<b>6,206</b>	6,561
<b>Capital and reserves</b>					
Called up share capital	17	248	269	248	269
Share premium account	19	5,909	6,292	5,909	6,292
Capital redemption reserve	19	21	-	21	-
Revaluation reserve	19	169	-	-	-
Profit and loss account	19	(334)	(604)	28	-
<b>Equity shareholders' funds</b>		<b>6,013</b>	5,957	<b>6,206</b>	6,561

The financial statements on pages 14 to 30 were approved by the board of Directors on 15 March 2002 and were signed on its behalf by:

P I Fraser            )  
M R M Hall         ) Directors

# Communitie.com Limited

## Consolidated Cash Flow Statement For the year ended 31 December 2001

	Notes	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
<b>Net cash inflow from operating activities</b>	21	737	135
<b>Returns on investment and servicing of finance</b>			
Interest received		8	9
Interest paid		(40)	(3)
Finance lease interest paid		(11)	(5)
		(43)	1
<b>Taxation</b>			
UK corporation tax paid		(19)	-
Group relief received		145	-
		126	-
<b>Capital expenditure and financial investments</b>			
Payments to acquire tangible fixed assets		(614)	(131)
Receipts from sales of tangible fixed assets		900	117
		286	(14)
<b>Acquisitions and disposals</b>			
Purchase of business		(175)	(400)
Net cash inflow relating to demerger		-	806
Payment of demerger costs		(81)	(499)
		(256)	(93)
<b>Net cash inflow before financing</b>		850	29
<b>Financing</b>			
Purchase of own ordinary shares		(404)	-
Capital element of finance leases		(91)	(38)
Loan note repayments		(15)	-
<b>Net cash outflow from financing</b>		(510)	(38)
<b>Increase/(decrease) in cash</b>	22	340	(9)

The statutory cash flow statement for the year ended 31 December 2000 includes the trading period from 16 August 2000 (the date of acquisition of Collector Café Limited from Flying Brands Limited) to 31 December 2000.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 1 Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the accounting standards currently applicable in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary companies, which are listed in note 11, and all of whose financial statements are made up to 31 December. The results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of their acquisition using the acquisition method of accounting.

Intra-Group sales and profits are eliminated on consolidation, and all sales and profit figures relate to external transactions only.

The Company has taken advantage of the exemption from presenting its own profit and loss account. The administration costs of the Company are borne by a fellow subsidiary Company.

#### (b) Goodwill

Purchased goodwill, representing the excess of fair value of the consideration over the fair values of the identifiable net assets acquired, is capitalised, classified as an asset and amortised over its estimated useful economic life. Any impairment is recognised by immediate write off through the profit and loss account.

#### (c) Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold and services provided during the period excluding value added tax. In respect of auctions held by the Group, turnover represents amounts invoiced in respect of vendors' commissions and buyers' premiums, excluding value added tax.

#### (d) Tangible fixed assets and depreciation

Tangible fixed assets, other than the reference collection, are stated at their purchase price, including any incidental expenses of acquisition. The reference collection is stated at depreciated replacement cost. Fixed assets held under finance leases are stated at the present value of the minimum lease payments due at the inception of the lease, or at fair value where this is considered a sufficiently close approximation to present value.

Fixed assets include a reference collection of certain stamps held on a long term basis. Additions to the collection are depreciated by 50% immediately on acquisition to provide for the usage of such items. No further depreciation is charged thereafter because in the opinion of the Directors the residual value is expected to exceed net book value for the foreseeable future.

Depreciation is calculated to write down the net book value of tangible fixed assets less their residual value on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Motor vehicles and plant and machinery	10 – 50%
Fixtures, fittings, tools and equipment	4 – 25%
Leasehold improvements	Over period of lease

#### (e) Investments

Investments are stated at cost less any impairment in value.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### **(f) Stocks**

Stocks are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. In the case of stamp stocks it is not always practicable to ascertain individual costs. The cost of parcels of high value stamps is apportioned between the items purchased on the basis of the expert opinion of the Group's stamp dealers. Lower value stamp stocks are valued as a proportion of their anticipated realisable value, as a best estimate of cost, based on the expert opinion of the Group's stamp dealers.

### **(g) Deferred taxation**

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

### **(h) Taxation**

The charge for taxation is based on the profit for the year as adjusted for tax purposes.

### **(i) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

### **(j) Finance leases**

Leasing agreements, which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against the profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets purchased under finance leases are depreciated over their expected useful lives.

### **(k) Operating leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### **(l) Pension costs**

The Company operates a defined benefit pension scheme. Expected pension costs calculated using an actuarial method are provided over the service lives of the employees in the scheme. The contributions are determined by a qualified and independent actuary on the basis of triennial valuations using the Minimum Funding Requirement basis. The last actuarial valuation of the scheme was at 1 July 2000. The Company has adopted the transitional provisions of Financial Reporting Standard No. 17 which are disclosed in note 25 of the financial statements.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 2 Segmental Analysis

The Directors of Communitie.com Limited are of the opinion that all the business of the Group is operated within the retail segment.

Turnover by geographical area

	Year ended 31 December 2001 Sales by destination £'000	Year ended 31 December 2001 Sales by origin £'000	Year ended 31 December 2000 Sales by destination £'000	Year ended 31 December 2000 Sales by origin £'000
United Kingdom	6,359	8,079	2,613	3,184
Europe	728	-	196	-
Outside Europe	992	-	375	-
	8,079	8,079	3,184	3,184

### 3 Exceptional operating costs

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Reorganisation costs	35	-

Exceptional costs comprise exceptional redundancy costs during the Group reorganisation following the demerger from Flying Brands Limited on 18 September 2000 which are exceptional by size and incidence and are non recurring in nature.

### 4 Operating loss

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
<b>Operating loss is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets		
- owned assets	226	97
- leased assets	68	26
Impairment of goodwill	-	496
Auditors' remuneration	25	24
Auditors' remuneration (non-audit services)	3	15
Operating lease charges – leased premises	321	178
License fee income	(7)	(5)

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 5 Directors' emoluments

The remuneration paid to the Directors of Communitie.com Limited was:

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Fees	6	6
Salaries and benefits	232	81
Pension	8	3
	<b>246</b>	<b>90</b>
Number of Directors included in the defined benefit pension scheme (note 25)	-	-

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on pages 8 and 9 and forms part of these financial statements.

### 6 Employee information

The average number of persons (including executive Directors) employed by the Group during the year was 132 (2000: 134).

Staff costs relating to those persons during the year amounted to:

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Wages and salaries	2,275	847
Social security costs	178	74
Pension costs	8	3
	<b>2,461</b>	<b>924</b>

### 7 Interest payable and similar charges

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Interest payable on overdrafts and bank loans	36	1
Interest payable on loan notes	4	2
Finance lease interest payable	11	5
	<b>51</b>	<b>8</b>

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 8 Tax on profit/(loss) on ordinary activities

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
UK corporation tax at 30% (2000: 30%)		
Adjustment in respect of over provision of Group relief receivable in prior year	23	-

Unrelieved tax losses of £375,005 (2000: £250,000) remain available to offset against future taxable trading profits.

### 9 Earnings/(loss) per Ordinary Share

Basic earnings/(loss) per share is calculated by dividing the earnings of £291,000 (2000: loss £604,000) attributable to ordinary shareholders by the weighted average of 25,762,555 (2000: 26,887,655) ordinary shares in issue during the year.

Adjusted earnings/(loss) per share has been calculated to exclude the effect of impairment of goodwill and exceptional operating costs. The Directors believe this gives a more meaningful measure of the underlying performance of the Group.

There is no difference between the basic earnings/(loss) per share and the diluted earnings/(loss) per share since share options granted to employees are anti-dilutive as the exercise prices are above market value.

### 10 Tangible fixed assets

#### The Group

	Reference collection £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, plant and machinery £'000	Total £'000
<b>Cost</b>						
At 1 January 2001	290	644	387	734	1,234	3,289
Additions	25	-	294	65	230	614
Surplus on revaluation	169	-	-	-	-	169
Disposals	-	(525)	-	-	(13)	(538)
<b>At 31 December 2001</b>	<b>484</b>	<b>119</b>	<b>681</b>	<b>799</b>	<b>1,451</b>	<b>3,534</b>
<b>Accumulated depreciation</b>						
At 1 January 2001	14	-	387	634	678	1,713
Charge for the year	17	16	11	18	232	294
Disposals	-	(13)	-	-	(13)	(26)
<b>At 31 December 2001</b>	<b>31</b>	<b>3</b>	<b>398</b>	<b>652</b>	<b>897</b>	<b>1,981</b>
<b>Net book value</b>						
<b>At 31 December 2001</b>	<b>453</b>	<b>116</b>	<b>283</b>	<b>147</b>	<b>554</b>	<b>1,553</b>
At 31 December 2000	276	644	-	100	556	1,576

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 10 Tangible fixed assets (continued)

The reference collection was revalued in June 2001 by A F Norris, Philatelic Consultant. The basis of the revaluation used was replacement value. The surplus of £169,000 has been transferred to the revaluation reserve. The revaluation has no effect on the depreciation charge for the year.

The reference collection will be subject to a full valuation every five years by a qualified external valuer and an interim valuation will be carried out in year three by the Group's expert stamp dealers.

The revalued element of the reference collection is £169,000. All other fixed assets are stated at historic cost. If the reference collection had not been revalued it would have been included at a net book value based on cost of £284,000.

The net book value of vehicles, plant and machinery includes £90,000 (2000: £158,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets amounted to £68,000 (2000: £26,000).

### 11 Fixed Asset Investments

	31 December 2001	31 December 2000
The Group	£'000	£'000
Investments at cost		
Proflowers Inc. (formerly Flower Farm Direct Inc)	223	223

Collector Café Limited holds 671,101 ordinary \$0.001 shares in the above company representing a 1.95% fully diluted holding. The market value of the investment at 31 December 2001 was £233,000 (2000: £223,000).

	31 December 2001	31 December 2000
The Company	£'000	£'000
Investments in subsidiary undertakings at cost		
Collector Café Limited 100 ordinary £1 shares	5,811	5,811

### Interests in principal Group undertakings

The principal subsidiary undertakings of the Company, all of which are 100% owned are as follows:

Name:	Country of incorporation	Description of shares held	Principal activity
Collector Café Limited	Jersey	Ordinary £1 shares	Community internet portal
Stanley Gibbons Holdings PLC	England	Ordinary £0.25 shares	Holding Company
Stanley Gibbons Limited	England	Ordinary £1 shares	Philatelic dealer and retailer, and dealer in memorabilia

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 12 Stocks

	31 December (Group)		31 December (Company)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Raw materials and consumables	30	23	-	-
Work in progress	40	54	-	-
Finished goods and goods for resale	4,563	4,906	-	-
	<b>4,633</b>	4,983	-	-

The nature of the stock held by the Group is such that replacement cost cannot be readily ascertained.

### 13 Debtors

	31 December (Group)		31 December (Company)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Amounts falling due within one year</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	635	992	-	-
Other debtors	51	268	-	-
Prepayments and accrued income	192	148	-	-
Amounts owed by Group undertakings (see note below)	-	-	395	750
ACT recoverable	30	30	-	-
	<b>908</b>	1,438	<b>395</b>	750
<b>Amounts falling due after more than one year</b>				
Pension prepayment (see note 25)	286	303	-	-
Other debtors	44	-	-	-
	<b>330</b>	303	-	-
<b>Total debtors</b>	<b>1,238</b>	1,741	<b>395</b>	750

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

### 14 Creditors: amounts falling due within one year

	31 December (Group)		31 December (Company)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft (see note below)	-	195	-	-
Trade creditors	898	1,135	-	-
Other creditors	298	127	-	-
Other taxes and social security	110	127	-	-
Accruals and deferred income	294	503	-	-
Deferred consideration	175	175	-	-
Finance leases (see note 24)	56	91	-	-
ACT payable	-	19	-	-
	<b>1,831</b>	2,372	-	-

Barclays Bank PLC has a right to full set off between all companies within the Communitie.com Group. The Group has an overdraft facility of £320,000 (2000: £1,300,000) that was granted in February 2002. This facility is due for review on 31 January 2003.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 14 Creditors: amounts falling due within one year (continued)

The Group's overdraft facilities are secured by a second charge over the Group's freehold property and a charge over the two leases relating to the property Units 5 & 7 Parkside, Christchurch Road, Ringwood together with a Group cross-guarantee with debentures from the UK companies within the Group. The overdraft must at all times be covered by eight times current assets, (see note 26).

### 15 Creditors: amounts falling due after more than one year

	31 December (Group)		31 December (Company)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Loan notes (see below)	79	94	-	-
Finance leases (see note 24)	-	56	-	-
Eagle Star Endowment Mortgage (see below)	55	55	-	-
Deferred consideration	-	175	-	-
	<b>134</b>	<b>380</b>	<b>-</b>	<b>-</b>

The loan notes are redeemable in full or in part, after giving one month's notice by the lender. Interest is payable half yearly by installments at National Westminster Bank PLC's Base Rate. The loan notes are due for redemption on 29 February 2006.

The finance lease creditor is secured on the specific assets that are being purchased under such contracts.

The Eagle Star Endowment Mortgage is secured on the Company's freehold property. The mortgage is payable in full on 30 October 2012 but can be redeemed early upon six months notice. Interest is charged at 11.25% reducing to 10.25% on punctual repayment.

### 16 Provision for liabilities and charges

	Provided		Unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Deferred tax</b>				
Accelerated capital allowances	-	-	27	(21)
Pension prepayment	-	-	86	91
Overprovision of group relief receivable in prior year	-	-	23	-
Trading losses	-	-	(178)	(70)
<b>Deferred tax asset</b>	-	-	<b>(42)</b>	-

The Directors have made no provision for deferred tax as they do not believe there is a material liability which will crystallise in the foreseeable future. The amounts unprovided are calculated using a tax rate of 30%, (2000: 30%).

### 17 Called up share capital

	31 December 2001 £'000	31 December 2000 £'000
<b>Authorised</b>		
35,000,000 ordinary shares of 1p each	<b>350</b>	350
<b>Allotted, issued and fully paid (all equity):</b>		
24,826,736 (2000: 26,887,655) ordinary shares of 1p each	<b>248</b>	269

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

On 4 May 2001 the Company repurchased 190,919 ordinary shares of 1p each with a nominal value of £1,909 for a total consideration of £31,024. On 20 June 2001 the Company repurchased 1,870,000 ordinary shares of 1p each with a nominal value of £18,700 for a total consideration of £373,065.

### 18 Options in shares of Communitie.com Limited

In addition to the Directors' share options disclosed in the Report on Remuneration detailed below are options which have been granted to employees together with the periods in which they may be exercised:

Date of grant	Earliest Exercise date	Expiry date	Exercise Price (1p shares)	Number at 31 Dec 2000	Granted In year	Lapsed in year	Number at 31 Dec 2001
27/11/00	27/11/03	27/11/10	18p	535,000	-	(60,000)	475,000

### 19 Share premium and reserves

#### The Group

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2001</b>	6,292	-	-	(604)	5,688
Retained profit for the year	-	-	-	291	291
Repurchase of own shares	(383)	-	21	(21)	(383)
Surplus on revaluation of assets	-	169	-	-	169
<b>At 31 December 2001</b>	<b>5,909</b>	<b>169</b>	<b>21</b>	<b>(334)</b>	<b>5,765</b>

#### The Company

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and Loss account £'000	Total £'000
<b>At 1 January 2001</b>	6,292	-	-	-	6,292
Retained profit for the year	-	-	-	49	49
Repurchase of own shares	(383)	-	21	(21)	(383)
<b>At 31 December 2001</b>	<b>5,909</b>	<b>-</b>	<b>21</b>	<b>28</b>	<b>5,958</b>

### 20 Goodwill

	Acquisitions £'000
<b>Cost</b>	
<b>At 31 December 2000 and 31 December 2001</b>	<b>496</b>
<b>Amortisation/Amounts written off</b>	
<b>At 31 December 2000 and 31 December 2001</b>	<b>496</b>
<b>Net book value</b>	
<b>At 31 December 2000 and 31 December 2001</b>	<b>-</b>

Goodwill of £200,000 arose on the acquisition of EHW & Co on 1 December 2000. An impairment review of the goodwill was conducted which highlighted that the future revenue streams and expected cash flows did not support its value. As a result, the full value of goodwill acquired was written off at 31 December 2000.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 21 Reconciliation of operating loss to net cash inflow from operating activities

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Operating loss	(31)	(657)
Depreciation	294	123
Decrease in stocks	350	293
Decrease/(increase) in debtors	335	(456)
(Decrease)/increase in creditors	(211)	336
Goodwill impairment	-	496
<b>Net cash inflow from operating activities</b>	<b>737</b>	<b>135</b>

### 22 Reconciliation of net cash flow to movement in net funds/(debt)

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Increase/(decrease) in cash in the year	340	(9)
Net debt on acquisition	-	(334)
Cash outflow from reduction in debt and lease financing	106	38
Change in net debt resulting from cash flows	446	(305)
Net debt at 1 January 2001	(305)	-
<b>Net cash/(debt) at 31 December 2001</b>	<b>141</b>	<b>(305)</b>

### 23 Analysis of changes in net funds/(debt)

	At 1 January 2001 £'000	Cash Flows £'000	At 31 December 2001 £'000
Cash in hand, at bank less bank overdraft	(9)	340	331
Debt due after 1 year	(149)	15	(134)
Finance Leases	(147)	91	(56)
<b>Total</b>	<b>(305)</b>	<b>446</b>	<b>141</b>

### 24 Capital and other commitments

	31 December 2001 Computer Equipment £'000	31 December 2000 Computer Equipment £'000
<b>Group</b>		
<b>Capital commitments</b>		
Authorised and contracted for	-	50

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### Lease commitments

	31 December 2001	31 December 2000
Group	£'000	£'000
Obligations under finance leases and hire purchase contracts are due as follows:		
In one year or less	56	91
Between two and five years	-	56
	<b>56</b>	<b>147</b>

At 31 December 2001 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 31 December 2001	Land and Buildings 31 December 2000
Date of lease termination:	£'000	£'000
Within one year	14	-
In five years or more	388	300
	<b>402</b>	<b>300</b>

There were no capital or lease commitments relevant to the Company at 31 December 2001, (2000 Nil).

### 25 Pension and similar obligations

The Stanley Gibbons Group of companies (incorporating Stanley Gibbons Holdings PLC and its wholly owned subsidiaries) operates the Stanley Gibbons Holdings PLC Pension and Assurance Scheme ('the Scheme') to which the employer and certain employees contribute. All employer costs are borne by Stanley Gibbons Holdings PLC. The scheme is a defined benefit scheme. The assets of the scheme are held under the provisions of a trust deed and are invested in UK Government stocks and unitised equity funds managed by two UK institutions. Contributions to the scheme are charged to the profit and loss account so as to spread the pensions cost over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Minimum Funding Requirement basis.

The assumptions which have the most significant effect on the pension contributions are those relating to the rate of return on investments, the rate of increase in salaries and the rate of dividend growth. It is assumed that the rate of return would be 9% per annum on equities and 8% per annum on gilts, that salary increases would average 7% per annum and that dividends would yield 3.25% per annum.

In accordance with the Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs', the pension scheme surplus as at 1 July 1988 of £376,000 was recognised in the accounts for the year ended 30 June 1989 by setting up a pension prepayment which is being written off to the profit and loss account over the average remaining service lives of the current members.

The most recent valuation at 1 July 2000 carried out on the basis of minimum funding requirement, disclosed an actuarial surplus of £1,505,000. The valuation showed that the market value of the scheme's assets was £5,271,000 and the market value of these assets represented 140% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The net surplus of £305,000, over and above the unamortised pension prepayment, at the date of the most recent valuation is being spread over the average remaining service lives of the current members based on a calculation by the actuaries.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### 25 Pension and similar obligations (continued)

The regular employers' pension contribution cost for the year ended 31 December 2001 of £78,000 has been reduced by interest of £26,000 accrued on the pension scheme surplus and £36,000 amortisation relating to the net surplus arising from the most recent valuation, resulting in a net profit and loss account charge of £17,000. The liabilities include an allowance for the "Barber judgement" of around £65,000.

The costs of insurance of the death-in-service benefits and certain administration expenses are paid for by the scheme.

In accordance with Financial Reporting Standard No. 17 the actuarial valuation has been reviewed and updated as at 31 December 2001 based upon the following annual financial assumptions: salary growth: 4% per annum; Inflation: 2.5% per annum; LPI pension increases: 2.5% per annum; Mortality: PA(90)-5; Retirement age: 65; discount rate for scheme liabilities: 5.75%; return on equities: 7.5%; return on AAA rated corporate bonds: 5.5%; return on fixed interest gilts/cash: 5%.

The Group's total equity shareholders' funds, which were £6,013,000 at 31 December 2001, would have been £6,043,000 if the FRS 17 net scheme surplus of £316,000 disclosed below had been accounted for as an asset of the Group at that date, (after writing back the SSAP 24 asset at 31 December 2001 of £286,000):

	<b>31 December 2001</b>
	<b>£'000</b>
<b>Assets</b>	
L&G AAA Over 15-Year Corporate Bonds	<b>2,072</b>
Schroder Institutional Managed Balance Fund	<b>2,731</b>
Total market value of scheme assets	<b>4,803</b>
<b>Liabilities</b>	
Present value of scheme liabilities	<b>(4,351)</b>
Surplus	<b>452</b>
Related deferred tax liability	<b>(136)</b>
<b>Net scheme surplus</b>	<b>316</b>

Asset data is based on the investment reports for the fourth quarter of 2001 obtained from the investment managers. There were no monies owed to the pension fund by the Company at the year end.

### 26 Contingent liabilities

This Company together with all other companies within the Group has given unlimited guarantees to Barclays Bank PLC in respect of facilities provided to the Group (see note 14).

### 27 Financial instruments

The Group policy is currently that no trading in financial instruments will be undertaken. The Group's financial instruments comprise loans, an overdraft facility, cash and liquid resources, and various items such as trade debtors and trade creditors which arise directly from operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's policies and procedures in managing these risks are detailed in the Financial Review on page 6.

#### Short term debtors and creditors

As permitted under FRS13 short term debtors and creditors have been excluded.

# Communitie.com Limited

## Notes to the financial statements For the year ended 31 December 2001

### Interest rate risk

The Group finances its operations through the generation of cash from operating activities with a bank overdraft facility of £320,000 available to finance new business development. The overdraft facility attracts interest at 2.5% over the Barclays Bank Base Rate. With the exception of fixed interest rates payable on finance leases and the Eagle Star endowment mortgage, all other borrowings are negotiated at variable rates of interest. The effects of interest rate fluctuations are not considered by the Directors to be a risk at the current borrowing levels.

The interest rate exposure of the financial liabilities of the Group were:

	Fixed rate Borrowings £'000	Floating rate borrowings £'000	Total gross Borrowings £'000	<u>Fixed rate borrowings</u>	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
<b>At 31 December 2001</b>	111	79	190	11.5	6
At 31 December 2000	202	94	296	11.5	4

### Liquidity risk

The Group ensures short term flexibility through the use of the overdraft facilities. The Board does not at present consider that it is necessary to adopt a detailed borrowings policy as there are sufficient funds available within the current facilities.

### Financial assets and liabilities

The Group has no financial assets other than debtors and cash at bank. The balance sheet values for financial assets and liabilities are not considered materially different to the fair values.

## 28 Related party transactions

Internet development services were provided during the year at a cost of £163,000 (2000: £85,000) by Abacus Software Limited, a Company in which Mr S Feigen is a Director. Amounts owed to Abacus Software Limited at the year end were £79,000 (2000: £73,000).

The Company owes loan notes totalling £79,000 (2000: £94,000) to the minor children of the Chairman, Mr P Fraser, (see note 15).

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## Proforma Consolidated Profit and Loss Account

	Audited Year ended 31 December 2001		Proforma Year ended 31 December 2000	
	£'000	£'000	£'000	£'000
<b>Turnover</b>		<b>8,079</b>		8,017
Cost of sales		<b>(3,539)</b>		(3,554)
<b>Gross profit</b>		<b>4,540</b>		4,463
Administration expenses		<b>(1,224)</b>		(1,115)
Selling and distribution expenses		<b>(3,312)</b>		(3,987)
Impairment of Goodwill		-		(200)
Exceptional operating costs		<b>(35)</b>		(79)
<b>Operating loss</b>		<b>(31)</b>		(918)
Operating profit/(loss) before exceptional operating costs and impairment of goodwill	<b>4</b>		<b>(639)</b>	
Impairment of goodwill	-		<b>(200)</b>	
Exceptional operating costs	<b>(35)</b>		<b>(79)</b>	
Profit on sale of property		<b>388</b>		52
Interest receivable and similar income		<b>8</b>		14
Interest payable and similar charges		<b>(51)</b>		(41)
<b>Profit/(loss) on ordinary activities before Taxation</b>		<b>314</b>		(893)
Tax on profit/(loss) on ordinary activities		<b>(23)</b>		120
<b>Profit/(loss) for the financial year</b>		<b>291</b>		(773)

The proforma profit and loss account for the year ended 31 December 2000 has been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding Company of the trading activities of the Communitie.com Group. The proforma statement is included for information purposes only.