

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

**Annual Report and Accounts
for the year ended 31 December 2002**

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Mission Statement

“To exceed the expectations of our customers whilst building the number 1 online stamp community in the world covering all aspects of stamp collecting.”

Financial Highlights

	Year ended 31 December 2002 (Statutory) £'000	Year ended 31 December 2001 (Statutory) £'000	Year ended 31 December 2000 (Proforma) £'000
Group Turnover	8,121	8,079	8,017
Operating profit/(loss) before goodwill impairment and exceptional operating costs	542	4	(639)
Profit/(loss) before taxation	537	314	(893)
Net cash/(debt)	591	141	(305)
Earnings per Ordinary share	1.96p	1.13p	
Net assets per share	26p	24p	22p
Share price – 31 December	16.00p	14.25p	17.75p

Financial Calendar

AGM _____
Interim Results Announced _____

23rd April 2003
31st July 2003

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Directors and Advisers

Directors	P I Fraser, <i>Chairman & Chief Executive</i> M R M Hall B.Acc CA, <i>Deputy Chief Executive & Finance Director</i> R K Purkis, <i>Operations Director</i> T Dunningham FCA, <i>Non-Executive Director</i> S Feigen, <i>Non-Executive Director</i>
Company Secretary	R K Purkis
Registered Office	Pirouet House Union Street St. Helier Jersey JE1 3WF
Head office	399 Strand London WC2R 0LX Tel: 020 7836 8444
Company Registration	Registered in Jersey Number 13177
Nominated Advisor and Broker	Seymour Pierce Limited 29/30 Cornhill London EC3V 3NF
Auditors	Solomon Hare LLP Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Solicitors	Nabarro Nathanson Lacon House 84 Theobald's Road London WC1X 8RW
Principal Bankers	Natwest Bank PLC 32 Corn Street Bristol BS99 7UG
Registrars	Capita Registrars Balfour House 390-398 High Road Ilford Essex IG1 1NQ Tel: 0870 1623100
Website	www.stanleygibbons.com

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Chairman's Statement

I am pleased to report another substantial increase in the Group's profitability. Turnover was slightly higher than last year at £8,121,000 (2001: £8,079,000) producing a profit before tax of £537,000 (2001: £314,000). We have continued to reduce loss making activity and increase turnover on the continuing business. Earnings per Ordinary Share for the year ended 31 December 2002 were 1.96p compared to 1.13p for the previous year. Net assets per share have increased to 26p compared to 24p at 31 December 2001.

The business is cash generative with average monthly bank balances now in excess of £750,000. We are still unable to pay a dividend because of the tax structure between the Channel Islands and UK. If the UK follows the US in not taxing recipients of dividends, this may open the way for payment to shareholders. Once the taxation issues are removed we intend to implement a progressive dividend policy.

We had a great deal of publicity in 2002 concerning stamps as an alternative investment and we have seen a resurgence in interest, especially from past collectors. We successfully introduced the 'SG-100 Stamp Index' which now gives a measure of market performance and is a useful benchmark for the trade and collectors around the world. The SG-100 Stamp Index, which includes the most commonly traded stamps, has increased over the past year by 10.6% comparing favourably to stock market performance and bank term deposit interest rates.

Our organisational structure has been strengthened by several appointments. Mike Hall, Group Finance Director, has also taken on the role of Deputy Chief Executive from 1 January 2003, and is expected to assume the role of Chief Executive by 1 July 2003. Richard Purkis, Company Secretary, has become Operations Director with a seat on the Main Board.

At the operational level, a number of key people have been given titles that reflect their increased management input. Dr Philip Kinns becomes 'Director of Philately' and is the Grantee of the Royal Warrant of Appointment from Her Majesty the Queen, which has just been renewed for a further five years. Trevor Arthur, Director of Finance, who along with Russell Carleton, Director of IT and Doug Roberts, Director of Web/E-Publishing become Directors of our main trading subsidiary, Stanley Gibbons Limited.

Catalogue production continues to be simplified and made more cost effective. Allworldstamps.com has been redesigned based on feedback from our users and a greater need to integrate with our other internet sites. Allworldstamps was relaunched at the beginning of February and has been received well, with a further increase in visitor traffic. We are now experiencing close to 6 million hits per month on our sites and internet sales continue to grow as a percentage of total sales, particularly in respect of sales made to the Rest of the World.

The Queen's Golden Jubilee Year helped to progress the interest and sales in stamp collecting. 2003 commemorates the Coronation and also the 21st birthday of Prince William, which should keep new stamp issues in the spotlight.

We are not alone in witnessing a greater focus by collectors worldwide in the 'classic' era of stamps where there is now a definite scarcity of supply. Prices in the early issues of the key collecting countries continue to rise and it is only those companies with a suitable holding of material that will benefit. Countries where there is an uncontrolled release of new issues in prolific quantities are seeing a decline in interest. We are focussing our buying on 'classic' issues and reducing our holdings of modern stamps.

Advertising sales have held up remarkably well in light of the general downturn in the advertising market. We also believe that we have some exciting propositions for 2003, both for *Gibbons Stamp Monthly* and our internet sites, which should again improve contribution.

On our publishing side, we have matched supply and demand and this has allowed us to reduce our stockholdings and increase our margin. This bodes well for 2003 as we tighten yet again our stock of back issues and we plan to finally retire all old inventory on 30 June 2003 to the wholesalers and stamp trade customers. This will further build demand for current publications and other planned releases.

Communication with our customers is now much more cost effective and focussed, with improved marketing techniques being used to up-sell and cross-sell. Regular e-mail campaigns are utilised for both the whole database and for specialist sections, with response levels increasing with each mailing.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Chairman's Statement

We have recruited almost 9,500 additional customers onto our database in 2002 bringing total sales from new customers of £1.25 million during the year. Recruitment has been at very low cost with the majority of new customers being directed either from our websites or from new visitors to the shop. The latter have been converted to account customers through improved Customer Relationship Management.

All employees embraced the challenges in 2002 and clearly understood the objectives, and delivered a result in line with market expectations. 2003 is another year on the 'road to recovery' and quest to build sustainable and consistent profits back to the levels achieved five years ago. I believe our preparation, research and development and upfront costs should show an accelerating payback in 2003 and beyond.

Paul Fraser
Chairman

6 March 2003

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Operating Review

Operating results for the year

	Statutory		Statutory		Proforma	
	2002	2002	2001	2001	2000	2000
	Sales	Profit	Sales	Profit	Sales	Profit
	£000	£000	£000	£000	£000	£000
Philatelic trading and retail operations	4,742	814	4,591	406	4,568	81
Publishing and philatelic accessories	2,605	679	2,641	598	2,598	331
Dealing in autographs, records and related memorabilia	765	189	824	230	778	250
Exhibitions	-	-	-	-	68	(52)
	8,112	1,682	8,056	1,234	8,012	610
Sale of property		-		388		52
Corporate overheads		(847)		(934)		(836)
New business development	9	(293)	23	(296)	5	(413)
Interest		(5)		(43)		(27)
Before exceptional operating costs and impairment of goodwill	8,121	537	8,079	349	8,017	(614)
Impairment of goodwill		-		-		(200)
Exceptional operating costs		-		(35)		(79)
	8,121	537	8,079	314	8,017	(893)

Sales

Overall Group turnover produced a 0.5% improvement over the previous year. Underlying turnover from continuing activities after adjusting for exceptional income increased by £332,000, (4.3%) from last year as demonstrated in the table below:

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Group turnover as reported	8,121	8,079
Discontinued activity – Public Auctions	-	(119)
Exceptional income – Sale of highest value stock items	(71)	(242)
Underlying turnover	8,050	7,718

The improvement in sales from philatelic trading and retail operations this year was attributable mainly to sales of 'classic' British Commonwealth material which were 25% ahead of 2001. The improved sales are due mainly to the quality of our stockholding in this area which is still reaping the benefits from the EHW & Co. acquisition in December 2000, together with new quality high margin purchases made by our Director of Philately during the year. After a slow first half of the year, sales of Great Britain material recovered in the second half to deliver a result in line with the previous year.

Sales from publishing and philatelic accessories based in our premises in Ringwood, Hampshire were 1% lower than the previous year. The overall sales performance in this area was still encouraging, particularly in light of the disruptions to business activities experienced during the move into one operating unit which was completed during the year, reducing our ongoing fixed costs. Sales of all products in our range performed well, and we have successfully reduced our aged stock lines during the year.

Our direct marketing techniques have substantially improved following the full integration of the Customer Relationship Management system with our stock buying procedures. This has enabled us to focus buying towards the top selling stamp collecting countries and to source registered customer 'wants' and interests more accurately, providing a better service to our customers.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Operating Review

Gross Margins

We have continued to implement our strategy of eliminating loss making activities and improving the gross margins achieved in the continuing core business. The gross margin on sales for the year ended 31 December 2002 was 60.8% compared to 56.2% last year. Improved margins are being achieved through emphasis on higher margin philatelic stock buying, stronger stock control procedures including higher focus on clearance of aged stocks and cost effective electronic catalogue production methods.

Profitability

The profit before tax for the year of £537,000 compares to a profit last year of £314,000, which included a £388,000 profit on the sale and leaseback of our property at 5 & 7 Parkside, Ringwood. Core business activity, excluding new business development (mainly research and development) produced an operating profit of £835,000 (2001: £300,000) for the year.

The key contributors to the increased profitability were improved gross margins together with the benefits realised from reduced staffing levels. We have also benefited from lower marketing costs in 2002 through lower cost direct marketing techniques used to communicate regularly with existing customers, and tighter controls in place over proposed new customer recruitment advertising campaigns.

Salary overhead reduced by £284,000 (11.5%) compared to last year. This was facilitated by the lower Directors' salaries, outsourcing of certain activities and a general reduction in staff numbers. The staff headcount at 31 December 2002 was 106 compared to 130 at 31 December 2001. The significant reduction in our fixed cost base over the past two years has been achieved without sacrificing customer service or key business processes, and puts the Group in a very strong position going forward to achieve increased profitability through development of new business opportunities and organic sales growth.

New Business Development

Direct sales generated through our web sites represented 5.5% of total sales for the year compared to 3.3% last year. We have introduced over 50,000 new philatelic stock items of lower value stamps on stanleygibbons.com during the year which have attracted new non-specialised collectors to our business.

We successfully produced our major catalogue title 'Stamps of the World' electronically this year and will be releasing a new title in full colour in March, 'Simplified Commonwealth Catalogue 2003' for which we already have registered demand. By the end of 2003 all our catalogue data will be held electronically and be capable of cost effective and controlled editorial management. The full benefits of our investment in this area will be realised as existing products will be produced more efficiently at a lower cost, and we will have the ability and flexibility to release new products directed towards areas of researched demand to create quickly new revenue streams.

We continue to make progress towards building our integrated stamp community online, which is gaining momentum with the relaunch of the redesigned allworldstamps.com website. We will be making significant improvements to our gibbonsstampmonthly.com website in 2003 with the implementation of a Content Management System (CMS), which will allow us to produce an online version of our already successful *Gibbons Stamp Monthly* magazine. The site improvements will also allow users much more versatility and enhanced search functionality when using the site.

Corporate Overheads

Corporate overheads of £847,000 have reduced by £87,000 from last year. The reduction in overhead is due to the lower Directors' salaries.

Accounting Policies

Accounting policies are detailed in note 1 to the financial statements on pages 17 to 18. These policies are in accordance with UK generally accepted accounting principles.

The Stanley Gibbons Group Limited (formerly 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 cash funds at 31 December 2002 were £709,000, compared with £331,000 at the end of last year. The Group changed bankers during the year from Barclays Bank PLC, Jersey to Natwest Bank PLC, Bristol at which time the overdraft facility in place was cancelled. Current funding available is sufficient to meet planned operational and capital expenditure.

Should the Group require funding in the future to support a potential acquisition or major capital project, additional funding could be obtained based on a debenture formula over our current assets which were £6,383,000 at 31 December 2002 together with security over the Group's remaining freehold property included in the balance sheet at £119,000 less depreciation of £5,000.

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 although we do not expect any requirement for additional funding during this period in 2003.

The total debt at 31 December 2002 of £118,000 is covered by cash at bank balances of £709,000. The mortgage with Eagle Star of £55,000 attracts interest at 11.25% although can be redeemed upon giving six month's notice which was given on 16 January 2003.

Balance Sheet and Cashflow

All movements are detailed in the Consolidated Cash Flow Statement on page 16. The Group continues to generate strong cashflows from normal operating activities, generating £936,000 in 2002 achieved through operating profits after adding back depreciation of £327,000. Our working capital management continues to be strong and trade debtors are now fully under control with debtors days outstanding at 31 December 2002 of 16 days, compared to creditor payment days outstanding of 45 days.

The Group invested £230,000 in capital expenditure during the year, (compared to £614,000 in 2001) which included ongoing IT development costs and capital costs surrounding the building of our electronic catalogue database, the benefits of which are already being realised through reduced production costs.

Interest

Interest payable during the year related mainly to lease purchase interest which has now been fully paid, and interest on loans. Details on prevailing interest rates are included in note 27 to the financial statements. We are investing surplus funds in an 'AAA Rated Treasury Fund' which earns an average of 3.5% interest per annum net of charges.

Taxation

The tax charge for the year is analysed in note 8 of the financial statements.

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.

The Stanley Gibbons Group Limited (formerly 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 meets 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 2002 were as follows:

T Dunningham, Chairman

S Feigen

Report on Remuneration

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.

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 2002 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 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 contributed towards his personal pension plan.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Report on Remuneration

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.

Directors' Remuneration

For each Director remuneration can be analysed as follows:

	2002 Basic Remun- eration £'000	2002 Performance Related Bonus £'000	2002 Pension £'000	2002 Other Benefits £'000	2002 Fees £'000	2002 Total £'000	2001 Total £'000
P I Fraser	85	-	8	1	-	94	94
A M McQuillan	-	-	-	-	-	-	93
M R M Hall	55	5	-	1	-	61	53
T Dunningham	-	-	-	-	-	-	-
S Feigen	-	-	-	-	7	7	6
	140	5	8	2	7	162	246

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry date	Exercise price (1p shares)	Number at 31 Dec 2001	Granted in year	Exercised in year	Number at 31 Dec 2002
P Fraser	26/9/00	26/9/02	25/9/10	18.5p	540,540	-	-	540,540
M Hall	27/11/00	28/11/03	26/11/10	18p	50,000	-	-	50,000
	26/3/02	26/3/04	25/3/12	12.75p	-	392,156	-	392,156
					590,540	392,156	-	982,696

The options granted to P Fraser on 26 September 2000 and M Hall on 26 March 2002 were granted under Enterprise Management Incentive Option Agreements. The options granted to M Hall on 27 November 2000 were granted under the Inland Revenue approved UK Executive Share Option Scheme.

The market price of the Company's shares at 31 December 2002 was 16p and the range of market prices during the year was between 12.25p and 18.5p.

No options were granted to or exercised by any Director in the period since 31 December 2002 and the signing date of these financial statements.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Directors' report For the year ended 31 December 2002

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

Incorporation

The Company is incorporated in Jersey, Channel Islands. It changed its name from Communitie.com Limited to The Stanley Gibbons Group Limited on 23 April 2002.

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 2002 is set out on page 13. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2002, (2001: Nil).

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Directors' report For the year ended 31 December 2002

Directors

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

Mr P I Fraser
Mr M R M Hall BAAcc CA
Mr T Dunningham FCA (non-executive)
Mr S Feigen (non-executive)

Mr R K Purkis was appointed a Director of the Company on 1 January 2003.

Biographical details of the Directors are given on page 32.

Directors' interests

The interests of the Directors in the shares of the Company at 31 December 2002 together with their interests at 1 January 2002 were:

Shares	Ordinary 1p Shares 1 January 2002	Ordinary 1p Shares 31 December 2002
P I Fraser	7,301,719	7,301,719
M R M Hall	20,000	20,000
T Dunningham	2,904,500	2,904,500
S Feigen	50,000	50,000

The Directors' interests in shares are all beneficial. There were no changes in the interests set out above between 31 December 2002 and 6 March 2003.

Details of the Directors' share options are given in the Remuneration Report on page 8.

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.

Research and development

The Group continued development work in the building of knowledge using new technology including the designing and writing of software to enable the production of online catalogues and the creation of an online integrated stamp collecting community. Costs associated with research and development are disclosed under the heading 'New Business Development' in the Operating Review on page 5.

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 2002 were 45 days, (2001: 42 days).

Economic and Monetary Union

The Directors continue to review the operational and financial impact of the European Monetary Union. Incremental costs to date are not significant and are being written off as incurred.

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

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Directors' report For the year ended 31 December 2002

Charitable and political donations

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

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 3 March 2003, 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: 3.07%

Purchase of Own Shares

The Company purchased and subsequently cancelled 450,000 of its own shares during the year with a nominal value of £4,500 for a total consideration of £78,750. This represents 1.81% of the Company's issued share capital at 1 January 2002. 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 2002.

Auditors

Solomon Hare transferred its business to Solomon Hare LLP on 30 September 2002 and resigned as auditors. Solomon Hare LLP were appointed by the Directors in their place. A resolution to appoint Solomon Hare LLP 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

6 March 2003

Registered office:

Pirouet House
Union Street
St Helier
Jersey, JE1 3WF

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Independent Auditors' Report to the shareholders of The Stanley Gibbons Group Limited

We have audited the financial statements of The Stanley Gibbons Group Limited for the year ended 31 December 2002 set out on pages 13 to 31. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 9 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. This information comprises only the Directors' Report, the Chairman's Statement, and the Chief Executive's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 2002 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 LLP

Registered Auditors, Chartered Accountants

Bristol

6 March 2003

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

**Consolidated Profit and Loss account
For the year ended 31 December 2002**

	<i>Notes</i>	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Turnover	1,2	8,121	8,079
Cost of sales		(3,184)	(3,539)
Gross profit		4,937	4,540
Administration expenses		(1,242)	(1,224)
Selling and distribution expenses		(3,153)	(3,312)
Exceptional operating costs	3	-	(35)
Operating profit/(loss)	4	542	(31)
Operating profit before exceptional operating costs		542	4
Exceptional operating costs		-	(35)
Profit on sale of property		-	388
Interest receivable and similar income		5	8
Interest payable and similar charges	7	(10)	(51)
Profit on ordinary activities before taxation		537	314
Tax on profit on ordinary activities	8	(53)	(23)
Profit for the financial year	19	484	291
Earnings per Ordinary share	9	1.96p	1.13p
Exceptional operating costs		-	0.14p
Adjusted earnings per Ordinary share		1.96p	1.27p
Diluted earnings per Ordinary share	9	1.95p	1.13p

Continuing operations: all items dealt with in arriving at the operating profit/(loss) for 2002 and 2001 relate to continuing operations.

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

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

**Statement of total recognised gains and losses for the year ended
31 December 2002**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Profit for the financial year	484	291
Surplus on revaluation of assets (see note 10)	-	169
Total gains and losses recognised since last financial statements	484	460

**Reconciliation of movements in equity shareholders' funds for the year
ended 31 December 2002**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Profit for the financial year	484	291
Purchase of own shares (see note 17)	(79)	(404)
Other recognised gains (see note 10)	-	169
Net increase in shareholders' funds	405	56
Opening equity shareholders' funds	6,013	5,957
Closing equity shareholders' funds	6,418	6,013

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Balance sheets at 31 December 2002

		Group	Group	Company	Company
		31 December	31 December	31 December	31 December
		2002	2001	2002	2001
		£'000	£'000	£'000	£'000
	<i>Notes</i>				
Fixed Assets					
Tangible assets	10	1,455	1,553	-	-
Investments	11	223	223	5,811	5,811
		1,678	1,776	5,811	5,811
Current assets					
Stocks	12	4,547	4,633	-	-
Debtors: amounts falling due after more than one year	13	296	330	-	-
Debtors: amounts falling due within one year	13	831	908	316	395
Cash at bank and in hand		709	331	-	-
		6,383	6,202	316	395
Creditors: amounts falling due within one year	14	(1,486)	(1,831)	-	-
Net current assets		4,897	4,371	316	395
Total assets less current liabilities		6,575	6,147	6,127	6,206
Creditors: amounts falling due after more than one year	15	(118)	(134)	-	-
Provision for liabilities and charges	16	(39)	-	-	-
Net assets		6,418	6,013	6,127	6,206
Capital and reserves					
Called up share capital	17	244	248	244	248
Share premium account	19	5,834	5,909	5,834	5,909
Capital redemption reserve	19	25	21	25	21
Revaluation reserve	19	169	169	-	-
Profit and loss account	19	146	(334)	24	28
Equity shareholders' funds		6,418	6,013	6,127	6,206

The financial statements on pages 13 to 31 were approved by the board of Directors on 6 March 2003 and were signed on its behalf by:

P I Fraser)
M R M Hall) Directors

**Consolidated Cash Flow Statement
For the year ended 31 December 2002**

	<i>Notes</i>	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Net cash inflow from operating activities	<i>21</i>	936	737
Returns on investment and servicing of finance			
Interest received		5	8
Interest paid		(3)	(40)
Finance lease interest paid		(7)	(11)
		(5)	(43)
Taxation			
UK corporation tax paid		-	(19)
Group relief received		-	145
		-	126
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(230)	(614)
Receipts from sales of tangible fixed assets		3	900
		(227)	286
Acquisitions and disposals			
Purchase of business		(175)	(175)
Payment of demerger costs		-	(81)
		(175)	(256)
Net cash inflow before financing		529	850
Financing			
Purchase of own ordinary shares		(79)	(404)
Capital element of finance leases		(56)	(91)
Loan note repayments		(16)	(15)
Net cash outflow from financing		(151)	(510)
Increase in cash	<i>22</i>	378	340

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting standards currently applicable in the United Kingdom. The Directors consider that the accounting policies set out below are suitable, have been consistently applied, and are supported by reasonable and prudent judgements and estimates.

(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.

(f) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

(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) Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. During the year, the Group has adopted FRS19 "Deferred Tax". The previous policy provided for deferred tax to the extent that it was likely to become payable in the foreseeable future in accordance with SSAP15 "Accounting for Deferred Tax". The change in accounting policy is to make full provision for certain deferred tax assets and liabilities.

This has not had a material impact on the taxation charge for the period and has not required the restatement of the results for prior periods.

(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.

In November 2000 the Accounting Standards Board (ASB) issued FRS 17 'Retirement Benefits', replacing SSAP 24 'Accounting for Pension Costs'. In 2002 the ASB extended the transitional arrangements of FRS 17 for accounting periods beginning on or after 1 January 2005. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Company will take advice to ensure that it continues to adopt best practice in respect of accounting for retirement benefits. The Company is in the second year of the transitional arrangements under FRS 17 and the required disclosures are made in note 25 of the financial statements.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

2 Segmental Analysis

The Directors 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 2002 Sales by destination £'000	Year ended 31 December 2002 Sales by origin £'000	Year ended 31 December 2001 Sales by destination £'000	Year ended 31 December 2001 Sales by origin £'000
United Kingdom	5,890	8,121	6,359	8,079
Europe	717	-	728	-
Outside Europe	1,514	-	992	-
	8,121	8,121	8,079	8,079

3 Exceptional operating costs

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Reorganisation costs	-	35

Exceptional costs in 2001 comprise exceptional redundancy costs during the Group reorganisation following the demerger from Flying Brands Limited on 18 September 2000 which were exceptional by size and incidence and are non recurring in nature.

4 Operating profit/(loss)

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned assets	260	226
- leased assets	67	68
Gain on sale of fixed assets	2	-
Auditors' remuneration	25	25
Auditors' remuneration (non-audit services)	11	3
Operating lease charges – leased premises	398	321
Property rental income – leased premises	(18)	-
Foreign exchange losses	9	4
License fee income	(12)	(7)

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

5 Directors' emoluments

The remuneration paid to the Directors of The Stanley Gibbons Group Limited was:

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Fees	7	6
Salaries and benefits	147	232
Pension	8	8
	162	246
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 7 and 8 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 112, (2001: 132). Staff costs relating to those persons during the year amounted to:

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Wages and salaries	2,027	2,275
Social security costs	142	178
Pension costs	42	25
	2,211	2,478

7 Interest payable and similar charges

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Interest payable on overdrafts and bank loans	-	36
Interest payable on loan notes	3	4
Finance lease interest payable	7	11
	10	51

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

8 Tax on profit on ordinary activities

The Company has adopted FRS 19, Deferred Taxation in the current year. Accordingly, the tax charge for 2001 has been restated to reflect the position had the Company accounted for deferred tax on a fully provided basis in that year.

a) UK corporation tax on profits for the year

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Current tax:		
UK corporation tax at 30% (2001: 30%)	14	-
Adjustment in respect of over provision of Group relief receivable in prior year	-	23
	14	23
Deferred taxation (see note 16)	39	-
	53	23

b) Tax charge reconciliation

	Year ended 31 December 2002 %	Year ended 31 December 2001 %
The standard rate of corporation tax	30.0	30.0
Effects of:		
Capital allowances (in excess of)/less than depreciation	(3.2)	(23.9)
Expenses not deductible	2.0	2.4
Income not taxable	(0.1)	(40.4)
Research and development enhanced relief	(5.2)	(11.5)
Losses (used)/carried forward	(19.6)	43.4
Small Company relief	(1.4)	0.0
	2.5	0.0

c) Factors which may effect future tax charges

There are unrelieved tax losses of £620,000, (2001: £593,000) available to offset against future taxable trading profits.

9 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the weighted average number of shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

9 Earnings per ordinary share (continued)

	Year ended 31 December 2002	Year ended 31 December 2001
Weighted average number of ordinary shares in issue (No.)	24,672,626	25,762,555
Dilutive potential ordinary shares: Employee share options (No£)	138,620	-
Profit after tax (£)	484,000	291,000
Basic earnings per share – pence per share (p)	1.96p	1.13p
Diluted earnings per share – pence per share (p)	1.95p	1.13p

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
Cost						
At 1 January 2002	484	119	681	799	1,451	3,534
Additions	25	-	10	66	129	230
Disposals	-	-	-	(36)	(1)	(37)
At 31 December 2002	509	119	691	829	1,579	3,727
Accumulated depreciation						
At 1 January 2002	31	3	398	652	897	1,981
Charge for the year	15	2	25	34	251	327
Disposals	-	-	-	(35)	(1)	(36)
At 31 December 2002	46	5	423	651	1,147	2,272
Net book value						
At 31 December 2002	463	114	268	178	432	1,455
At 31 December 2001	453	116	283	147	554	1,553

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 was transferred to the revaluation reserve. The revaluation had 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 net book value of vehicles, plant and machinery includes £23,000, (2001: £90,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets amounted to £67,000, (2001: £68,000).

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 £294,000, (2001: £284,000).

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

11 Fixed asset investments

	31 December 2002	31 December 2001
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 1.88%, (2001: 1.95%) fully diluted holding. The market value of the investment at 31 December 2002 was £314,000, (2001: £233,000).

	31 December 2002	31 December 2001
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

* Indirect holding.

12 Stocks

	31 December (Group)		31 December (Company)	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Raw materials and consumables	21	30	-	-
Work in progress	39	40	-	-
Finished goods and goods for resale	4,487	4,563	-	-
	4,547	4,633	-	-

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

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

13 Debtors

	31 December (Group)		31 December (Company)	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year				
Trade debtors	583	635	-	-
Other debtors	71	51	-	-
Prepayments and accrued income	161	192	-	-
Amounts owed by Group undertakings (see note below)	-	-	316	395
ACT recoverable	16	30	-	-
	831	908	316	395
Amounts falling due after more than one year				
Pension prepayment (see note 25)	252	286	-	-
Other debtors	44	44	-	-
	296	330	-	-
Total debtors	1,127	1,238	316	395

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)	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade creditors	817	898	-	-
Other creditors	253	298	-	-
Other taxes and social security	151	110	-	-
Accruals and deferred income	265	294	-	-
Deferred consideration	-	175	-	-
Finance leases (see note 24)	-	56	-	-
	1,486	1,831	-	-

15 Creditors: amounts falling due after more than one year

	31 December (Group)		31 December (Company)	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Loan notes (see below)	63	79	-	-
Eagle Star Endowment Mortgage (see below)	55	55	-	-
	118	134	-	-

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 Eagle Star Endowment Mortgage is secured on the Group's freehold property. The mortgage is payable in full on 30 October 2012 but can be redeemed early upon six months notice which was given on 16 January 2003. Interest is charged at 11.25% reducing to 10.25% on punctual repayment.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

16 Provision for liabilities and charges

Deferred tax

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Accelerated capital allowances	126	27
Pension prepayment	76	86
Overprovision of Group relief receivable in prior year	23	23
Trading losses	(186)	(136)
Full provision	39	-

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
(Asset)/Provision at 1 January 2002	-	-
Deferred tax charge in profit and loss account	39	-
Provision at 31 December 2002	39	-

17 Called up share capital

	31 December 2002	31 December 2001
	£'000	£'000
Authorised		
35,000,000 ordinary shares of 1p each	350	350
Allotted, issued and fully paid (all equity):		
24,376,736 (2001: 24,826,736) ordinary shares of 1p each	244	248

On 29 August 2002 the Company repurchased and subsequently cancelled 450,000 ordinary shares of 1p each with a nominal value of £4,500 for a total consideration of £78,750.

18 Options in shares of The Stanley Gibbons Group 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 2001	Granted in year	Lapsed in year	Number at 31 Dec 2002
27/11/00	28/11/03	26/11/10	18p	475,000	-	(110,000)	365,000
15/3/02	16/3/05	14/3/12	12.75p	-	435,000	(75,000)	360,000
30/9/02	1/10/05	29/9/12	15.25p	-	50,000	-	50,000

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

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
At 1 January 2002	5,909	169	21	(334)	5,765
Retained profit for the year	-	-	-	484	484
Repurchase of own shares	(75)	-	4	(4)	(75)
At 31 December 2002	5,834	169	25	146	6,174

The Company

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	5,909	-	21	28	5,958
Repurchase of own shares	(75)	-	4	(4)	(75)
At 31 December 2002	5,834	-	25	24	5,883

20 Goodwill

	Acquisitions £'000
Cost	
At 31 December 2001 and 31 December 2002	496
Amortisation/Amounts written off	
At 31 December 2001 and 31 December 2002	496
Net book value	
At 31 December 2001 and 31 December 2002	-

21 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Operating profit/(loss)	542	(31)
Depreciation	327	294
Gain on sale of fixed assets	(2)	-
Decrease in stocks	86	350
Decrease in debtors	97	335
Decrease in creditors	(114)	(211)
Net cash inflow from operating activities	936	737

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

22 Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2002	Year ended 31 December 2001
	£'000	£'000
Increase in cash in the year	378	340
Cash outflow from reduction in debt and lease financing	72	106
Change in net debt resulting from cash flows	450	446
Net funds at 1 January 2002	141	(305)
Net funds at 31 December 2002	591	141

23 Analysis of changes in net funds

	At 1 January 2002	Cash Flows	At 31 December 2002
	£'000	£'000	£'000
Cash in hand, at bank	331	378	709
Debt due after 1 year	(134)	16	(118)
Finance Leases	(56)	56	-
Total	141	450	591

24 Capital and other commitments

The Group had no capital commitments at 31 December 2002, (2001: Nil).

Lease commitments

Group	31 December 2002	31 December 2001
	£'000	£'000
Obligations under finance leases and hire purchase contracts are due as follows:		
In one year or less	-	56

At 31 December 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 31 December 2002	Land and Buildings 31 December 2001
	£'000	£'000
Date of lease termination:		
Between two and five years	14	14
In five years or more	388	388
	402	402

There were no capital or lease commitments relevant to the Company at 31 December 2002, (2001 Nil).

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

25 Pension and similar obligations

SSAP 24 disclosures

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.

The regular employers' pension contribution cost for the year ended 31 December 2002 of £93,000 has been reduced by interest of £25,000 accrued on the pension scheme surplus and £34,000 amortisation relating to the net surplus arising from the most recent valuation, resulting in a net profit and loss account charge of £34,000. 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.

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 July 2000 and updated by the same qualified independent actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002. Scheme assets are stated at their market value at 31 December 2002. The principal assumptions used are shown below:

	31 December 2002	31 December 2001
Rate of increase in salaries (per annum)	3.75%	4.00%
Inflation assumption (per annum)	2.25%	2.50%
LPI pension increases (per annum)	2.50%	2.50%
Discount rate for scheme liabilities	5.50%	5.75%
Mortality	PA(90)-5	PA(90)-5
Assumed retirement age	65	65
Equities (long term expected rate of return)	8.50%	7.50%
AAA rated corporate bonds (long term expected rate of return)	5.25%	5.50%
Fixed interest gilts/cash (long term expected rate of return)	4.50%	5.00%

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

25 Pension and similar obligations (continued)

The assets and liabilities of the Scheme were as follows:

	31 December 2002	31 December 2001
	£'000	£'000
Assets		
L&G AAA Over 15-Year Corporate Bonds	2,222	2,072
Schroder Institutional Managed Balanced Fund	2,206	2,731
Total market value of scheme assets	4,428	4,803
Liabilities		
Present value of scheme liabilities	(4,729)	(4,351)
Pension (liability)/asset before deferred tax	(301)	452
Related deferred tax asset/(liability)	90	(136)
Net pension (liability)/asset	(211)	316

Reconciliation of net assets and reserves under FRS 17:

Net assets

Group	31 December 2002	31 December 2001
	£'000	£'000
Net assets as stated in balance sheet	6,418	6,013
SSAP 24 prepayment	(252)	(286)
Net assets excluding defined benefit assets/liabilities	6,166	5,727
FRS 17 pension (liability)/asset	(211)	316
Net assets including defined benefit assets/liabilities	5,955	6,043

Reserves

Group	31 December 2002	31 December 2001
	£'000	£'000
Profit and loss reserve as stated in balance sheet	146	(334)
SSAP 24 prepayment	(252)	(286)
Profit and loss reserve excluding defined benefit assets/liabilities	(106)	(620)
FRS 17 pension (liability)/asset	(211)	316
Profit and loss reserve including defined benefit assets/liabilities	(317)	(304)

Had FRS 17 been fully implemented, an adjustment of £116,000 would have been shown as a charge against the profit and loss account for current service cost and £58,000 would have been shown as a credit in the profit and loss account as other finance income, being the net of £309,000 expected return on assets less £251,000 interest on liabilities.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

25 Pension and similar obligations (continued)

The actuarial loss which would have been recognised in the statement of total recognised gains and losses would have been as follows:

	31 December 2002
	£'000
Actual return less expected return on assets	(684)
Experience gains on liabilities	46
Impact of changes in assumptions	(57)
Actuarial loss	(695)

Movement in surplus/(deficit) during the year:

The movement in the surplus/(deficit) during the year ended 31 December 2002 would have been as follows:

	31 December 2002
	£'000
Surplus at 1 January 2002	452
Current service cost	(116)
Other finance income	58
Actuarial loss recognised in statement of total recognised gains and losses	(695)
Deficit at 31 December 2002	(301)

History of experience gains and losses:

	% of Scheme	31 December 2002
	Assets	£'000
Difference between actual and expected return on scheme assets	(15.4)%	(684)
Experience gains on scheme liabilities	1.0%	46
Amounts recognised in statement of total recognised gains and losses	(15.7)%	(695)

Future profile of the Stanley Gibbons Holdings PLC Pension Scheme

The Stanley Gibbons Holdings PLC pension scheme closed to new members with effect from 1 September 2002. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate FRS 17 liabilities, the future cost in relation to this Scheme will reduce in the long-term.

The Group has considered the impact of the FRS 17 deficit in respect of the Group, its employees and pensioners. The deficit arises mainly as a result of the poor performance of equity investments which have been subject to significant market fluctuations during the year. Equity investments represent 40% of the total Scheme assets invested. In the context of the overall net assets of the Group, the Group is in a strong position to manage this long-term liability to the satisfaction and benefit of all stakeholders.

26 Contingent liabilities

The Company has provided a guarantee in respect of an operating lease commitment by Stanley Gibbons Limited. The lease is for £88,000 per annum and expires in 2016.

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Notes to the financial statements For the year ended 31 December 2002

27 Financial instruments

The Group policy is currently that no trading in financial instruments will be undertaken. The Group's financial instruments comprise loans, 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.

Interest rate risk

The Group finances its operations through the generation of cash from operating activities. With the exception of fixed interest rates payable on 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	Fixed rate borrowings	
				Weighted Average Interest rate %	Weighted average time for which rate is fixed Years
At 31 December 2002	55	63	118	11.25	10
At 31 December 2001	111	79	190	11.5	6

Liquidity risk

The Board does not at present consider that it is necessary to adopt a detailed borrowings policy as there are sufficient funds available within cash funds generated from operating activities.

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 £32,000, (2001: £163,000) 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 £4,000, (2001: £79,000).

The Company owes loan notes totalling £63,000, (2001: £79,000) to the minor children of the Chairman, Mr P Fraser, (see note 15).

The Stanley Gibbons Group Limited (formerly Communitie.com Limited)

Directors' Biographical Details

Paul Ian Fraser, aged 47 Chairman & Chief Executive

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 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, aged 32 Deputy Chief Executive & Finance Director

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers & 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. He was appointed Finance Director of Communitie.com Limited in August 2000 and Deputy Chief Executive of The Stanley Gibbons Group Limited from 1 January 2003.

Richard Kenneth Purkis, aged 47 Operations Director

Richard first joined Stanley Gibbons International Limited in 1977. He was appointed a Director of Stanley Gibbons Limited, the main trading subsidiary in October 1996 and became Company Secretary of Communitie.com Limited in May 1999. He was appointed Operations Director of The Stanley Gibbons Group Limited with effect from 1 January 2003.

Timothy Dunningham FCA, aged 49 Non-Executive Director

Tim is a Director 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 55 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 and database technology.

Members of the Executive Committee

Directors and Associate Directors of our main trading subsidiary, Stanley Gibbons Limited:

Dr Philip Kinns, Director of Philately

Trevor Arthur, Director of Finance

Russell Carleton, Director of IT

Douglas Roberts, Director of Web/E-Publishing

Adrian Roose, Associate Director of Philatelic Sales

Colin Avery, Associate Director of Auctions

Hugh Jefferies, Associate Director of Editorial

David Hardy, Associate Director of Production

Vincent Cordell, Associate Director of GB Purchasing

Further financial, corporate and shareholder information is available on the Investor Relations section of the Group's website, www.stanleygibbons.com.