

THIS DOCUMENT IS IMPORTANT. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. If you are a resident of the United Kingdom then you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document which comprises a prospectus has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations") and the rules of the Alternative Investment Market of the London Stock Exchange ("AIM"). A copy of this document has been delivered to the registrar of companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations and also to the registrar of companies in Jersey in accordance with Article 6 of the Companies (General Provisions) (Jersey) Order 1992 and he has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of shares in the Company. It must be distinctly understood that, in giving those consents, neither the registrar of companies in Jersey nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Company or for the correctness of any statements made, or opinions expressed, with regard to it.

The Directors (whose names appear on page 6 of this document) accept responsibility for the information contained in this document. The Directors have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinions. All the Directors accept responsibility accordingly.

This document has been prepared in connection with the Demerger and unless the context otherwise requires, assumes that the Demerger has become effective.

**Application has been made for the Ordinary Shares to be admitted to trading on AIM. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the UK Listing Authority has not itself approved the contents of this document.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The AIM Rules are less demanding than those of the Official List. It is expected that dealings in the Ordinary Shares will commence on AIM on 19 September 2000.**

**It should be remembered that the price of securities and the income from them can go down as well as up.**

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## Communitie.com Limited

### Introduction to AIM

#### Nominated Adviser and Broker to the Company: Beeson Gregory Limited

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Authorised		Share Capital	Issued and fully paid	
Amount	Number		Amount	Number
£350,000.00	35,000,000	Ordinary Shares of 1p each	£268,887.65 <sup>(1)</sup>	26,887,655 <sup>(1)</sup>

<sup>(1)</sup> immediately prior to Admission

The Ordinary Shares rank *pari passu* in all respects.

Beeson Gregory Limited, which is regulated by The Securities and Futures Authority Limited, is acting exclusively for Communitie.com Limited in connection with the introduction to AIM and for no-one else. Beeson Gregory Limited will not be responsible to anyone other than Communitie.com Limited for providing the protections afforded to customers of Beeson Gregory Limited or for advising any other person in connection with the introduction to AIM and the transactions and arrangements described in this document.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Beeson Gregory Limited, The Registry, Royal Mint Court, London EC3N 4LB for a period of 14 days from 19 September 2000.

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## DEFINITIONS

“Act”	the Companies Act 1985 as amended
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective pursuant to paragraph 16.6 of the AIM Rules
“AIM Rules”	the rules set out in Chapters 16 and 17 of the Rules of the London Stock Exchange
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Beeson Gregory”	Beeson Gregory Limited, a member of the London Stock Exchange and The Securities and Futures Authority Limited, and nominated adviser and nominated broker to the Company
“Benhams”	Benham A. Buckingham Limited, a subsidiary of Flying Flowers
“Board” or “Directors”	the directors of the Company
“Collector Café”	Collector Café Limited, a wholly owned subsidiary of Communitie.com and the holding company of Stanley Gibbons. Collector Café is a private company incorporated in Jersey under company number 76003
“Communitie.com” or “Company”	Communitie.com Limited, a public company incorporated in Jersey under company number 13177
“Group”	Communitie.com and its subsidiaries
“Companies Law”	the Companies (Jersey) Law 1991 (as amended)
“Court”	the Royal Court of the Island of Jersey
“Court Meeting”	the meeting convened by order of the Court to be held on 11 September 2000
“CREST”	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo Limited
“Demerger”	the proposed demerger of the Communitie.com Group from Flying Flowers
“DPA Direct”	DPA Direct Limited, a subsidiary of Flying Flowers
“Executive Scheme”	the Communitie.com Limited 2000 UK Executive Share Option Scheme
“Extraordinary General Meeting”	the extraordinary general meeting of Flying Flowers to be held on 11 September 2000
“Frasers”	a division within Stanley Gibbons
“Flying Flowers”	Flying Flowers Limited, a public company incorporated in Jersey under company number 2044
“Flying Flowers Group”	Flying Flowers and its subsidiaries at the date of this document
“Flying Flowers Units”	units comprising one Flying Flowers Share and one “A” ordinary share of 0.005p in the capital of Flying Flowers Holdings (U.K.) plc, a subsidiary of Flying Flowers, each
“Jersey Scheme”	the Communitie.com Limited 2000 Jersey Executive Share Option Scheme
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary Shares of 1p each in the Company
“Proflowers”	Proflowers Inc
“Qualifying Shareholders”	holders of Flying Flowers Shares appearing on the register of members of Flying Flowers as at 5.30 pm on the Scheme Record Date

“Reduction of Capital”	the reduction of capital of Flying Flowers pursuant to Article 61 of the Companies Law, details of which are set out in part V of the circular to shareholders of Flying Flowers Units dated 17 August 2000
“Scheme”	the scheme of arrangement under Article 125 of the Companies Law set out in part VII of the circular to shareholders of Flying Flowers Units dated 17 August 2000 (with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court)
“Scheme Record Date”	the business day immediately preceding the date on which the Scheme becomes effective
“Share Option Schemes”	the Executive Scheme and the Jersey Scheme
“Stanley Gibbons”	Stanley Gibbons Limited
“Stanley Gibbons Group”	Stanley Gibbons Holdings plc and its subsidiaries
“Stanley Gibbons International”	Stanley Gibbons International Limited, a subsidiary of Stanley Gibbons
“Urch Harris”	a division of Benhams
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America

## EXPECTED TIMETABLE

The following is the expected timetable of the principal events connected with the Demerger and admission of the Ordinary Shares to AIM:

Event	2000
Court Meeting	Monday 11 September at 10.00am
Extraordinary General Meeting <sup>(1)</sup>	Monday 11 September at 10.15am
Court hearing of petition to sanction the Scheme	Friday 15 September at 3.00pm
Court hearing of petition to confirm the Reduction of Capital	Friday 15 September at 3.00pm
Scheme Record Date	Friday 15 September
Scheme becomes effective <sup>(2)</sup>	Monday 18 September
Dealings in the Ordinary Shares expected to commence <sup>(2)</sup>	Tuesday 19 September
Expected date for CREST accounts to be credited <sup>(2)</sup>	Tuesday 19 September
Expected date for despatch of definitive share certificates in respect of the Ordinary Shares, where applicable <sup>(2)</sup>	Monday 25 September

### Notes

1. To commence at the time fixed, or, if later, as soon as may be following the conclusion or adjournment of the Court Meeting.
2. These dates are indicative only and will depend on the date on which the Court approves the Scheme and the date on which the registration of the "Acte" (the formal document) sanctioning the Scheme issued by the Court is registered with the registrar of companies in Jersey thus making the Scheme effective. Shareholders will be notified as soon as the Scheme becomes effective by way of the London Stock Exchange's regulatory news service.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Paul Ian Fraser, <i>Executive Chairman</i> Anthony Michael McQuillan, <i>Chief Executive</i> Michael Robert Montague Hall, BAcc CA, <i>Finance Director</i> Timothy Dunningham, FCA, <i>Non-Executive Director</i> Stephen Feigen, <i>Non-Executive Director</i>  All of Pirouet House, Union Street, St Helier, Jersey JE1 3WF Channel Islands	
<b>Company Secretary:</b>	Richard Kenneth Purkis of Pirouet House, Union Street, St Helier, Jersey JE1 3WF	
<b>Registered Office:</b>	Pirouet House Union Street St Helier Jersey JE1 3WF	
<b>Nominated Adviser and Nominated Broker:</b>	Beeson Gregory Limited The Registry Royal Mint Court London EC3N 4LB	
<b>Reporting Accountants:</b>	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP	
<b>Auditors:</b>	Grant Thornton International House 7 High Street Ealing London W5 5DX	
<b>Solicitors to the Company:</b>	<i>As to English Law</i> Nabarro Nathanson Lacon House 84 Theobald's Road London WC1X 8RW	<i>As to Jersey Law</i> Viberts Pirouet House Union Street St. Helier Jersey, JE1 3WF
<b>Solicitors to Beeson Gregory:</b>	<i>As to English Law</i> Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA	<i>As to Jersey Law</i> Ogier & Le Masurier Whiteley Chambers Don Street St. Helier Jersey, JE4 9WG
<b>Registrars:</b>	Capita IRG plc Balfour House 390-398 High Road Ilford Essex IG1 1NG	
<b>Principal Bankers:</b>	Barclays Bank PO Box No. 8 13 Library Place St. Helier Jersey JE4 8NE	

## PART I

### INTRODUCTION

On 28 March 2000, the directors of Flying Flowers announced to the public their intention to demerge the Stanley Gibbons Group in order to provide a new focus and purpose to the two separate entities. The details of the Demerger are contained in the circular which accompanies this document.

Upon the Demerger becoming effective, Communitie.com will be the holding company of Collector Café which in turn will own the Stanley Gibbons Group. Further details of the Demerger are set out in Part III of this document and the circular which accompanies this document. Application will be made for the whole of the ordinary share capital of Communitie.com to be admitted to AIM and it is anticipated that trading in the Ordinary Shares will commence on 19 September 2000.

Communitie.com aims to become the leading community-based trading environment on the internet for the stamp and collectibles market. Its operations include Stanley Gibbons a renowned stamp business with a trading history of more than 140 years, and Fraser's, a leading dealer in autographs and associated memorabilia. Both operations have access to an extensive database of over 155,000 customers world-wide.

Collecting has for many years formed an important part of the leisure market. Market research suggests that there are 1.8 million stamp collectors in the USA and 350,000 in the UK, with over 20 million worldwide. It is a pursuit that attracts a wide spectrum of support, from the serious collector buying specialist items, to the casual collector purchasing the modern new issues which catch his attention.

The Group intends to develop its operations by using the internet strategy which will enable it to reach a much wider audience of collectors. Stanley Gibbons intends to act as host to the global stamp collecting community and will utilise its knowledge, expertise and reputation to provide on-line catalogues and prices, auctions, article archives, and up to date news developments in the philatelic world. The Stanley Gibbons website was launched in March 2000 and [stampcafe.com](http://stampcafe.com), which the Directors believe is the world's first on-line catalogue listing approved new issue stamps, started in May 2000.

[Collectorcafe.com](http://Collectorcafe.com), also launched in May 2000, represents the Group's first step into the wider internet collectibles arena. [Collectorcafe.com](http://Collectorcafe.com) is a non-competitive site which aims to be the recognised portal through which traffic can be directed to specialist areas quickly, and efficiently. It provides news, free classified advertising, and the opportunity to communicate online, with over 90 separate collecting categories.

The Directors believe that the inherent value of the Stanley Gibbons brand should enable the Group to extend its range of specialist collector community websites and to become a leader in the collectibles market.

### KEY STRENGTHS

The Directors consider that the key strengths of Communitie.com are:

- the brand name of Stanley Gibbons, which is recognised globally;
- a trading history of over 140 years;
- a stamp numbering system used worldwide;
- a comprehensive stock of stamps, with particular emphasis on Great Britain and the Commonwealth;
- a significant and active customer base;
- an experienced team of staff; and
- a high value, portable product, that lends itself to mail order.

### THE BUSINESS

#### History

The Stanley Gibbons business commenced trading in 1856 and originally floated on the London Stock Exchange in 1968 as Stanley Gibbons Limited. It was then acquired by Letraset International Limited in 1979 which in turn was acquired by Esselte AB in 1982. A management buyout followed of Stanley Gibbons International through Stanley Gibbons Holdings plc in 1982. Stanley Gibbons Holdings plc attempted a flotation in 1984 which was subsequently aborted.

Paul Fraser first invested in Stanley Gibbons Holdings plc in 1989. Following further share purchases in 1995, he was required to make a mandatory cash offer for those ordinary shares in Stanley Gibbons Holdings plc that he did not own, pursuant to which he acquired the remaining ordinary shares in the company.

Stanley Gibbons Holdings plc purchased Plastic Wax Records Limited, the private collectibles business of Paul Fraser, in March 1996 and in May 1998 Stanley Gibbons was acquired by Flying Flowers, subsequently transferred to Flying Flowers (U.K.) Limited, a subsidiary of Flying Flowers, for an aggregate consideration of approximately £13.5 million.

### **The Stanley Gibbons Group**

The principal activity of Stanley Gibbons Holdings plc is that of a holding company for its main trading subsidiary, Stanley Gibbons.

Stanley Gibbons runs as three separate trading divisions:

#### ***Philatelic***

Stamp collectors are served by Stanley Gibbons' comprehensive range of trading facilities based at 399 Strand, London. Here Stanley Gibbons' rare stamp specialists discuss the needs of collectors and advise and deal in multiple aspects of philately and postal history. Stanley Gibbons has an international reputation for maintaining extensive stocks and for its expertise in the stamps of Great Britain and the Commonwealth. A spacious shop also offers a wide range of albums, publications and accessories to customers from around the world.

The mail order activity offers collectors not only free stamp listings covering a wide range of countries and themes but also foundation collections which can be built up over time with regular mailings.

Auctions of all world material are currently held about three times a year at the Strand, with specialised sections for Great Britain, Commonwealth and Foreign. Additionally, Stanley Gibbons operates a postbid auction every other month which includes over 3,000 lots per sale, with estimates from £7 to in excess of £1000. Stanley Gibbons also runs a number of roadshows around the country, where collectors can bring their stamps for a free valuation, sale or consignment to auction.

One of Stanley Gibbons' principal assets is its extensive database of stamp collectors and dealers which enables Stanley Gibbons to market its philatelic products and services to its target customers effectively.

Stanley Gibbons holds the Royal Warrant, which was first granted to the Company in 1914.

#### ***Publications***

The first Stanley Gibbons catalogue was published in 1865 as a monthly price list. Today the Publications Division, based in Ringwood, Hampshire, produces a comprehensive range of catalogues, albums and accessories covering all areas of stamp collecting. From the prestigious "British Commonwealth" and "Stamps of the World" to specialist and foreign sectionals, the catalogues have received numerous international awards and in many cases are considered as the industry standard. Under constant editorial revision, they contain detailed illustrations, extensive information and updated market prices, with each stamp classified according to the Stanley Gibbons stamp numbering system which is recognised worldwide. In addition, a wide selection of albums and accessories are available, both own and other leading brands. Sales are made via wholesalers, overseas agents and direct to retailers, with a significant number of sales made via mail order and through the internet.

The division also publishes Gibbons Stamp Monthly, the leading UK stamp magazine with average circulation of approximately 15,000 copies per month.

Since 1995, Stanley Gibbons has also run stamp and collectible exhibitions targeted at both the established collector and new converts to the hobby.

#### ***Fraser's***

Fraser's is one of the largest European dealers in autographs and memorabilia. The division's activities comprise retail, mail order and auction of autographs, memorabilia and rare records carried out from the Strand showroom and at Stanley Gibbons' Plastic Wax Records shop in Bristol.



Currently, approximately 80% of turnover is derived from autograph and memorabilia sales. Separate retail and postal auction catalogues are produced every other month. The autograph inventory can now be accessed, and orders and auction bids accepted, online.

An area currently being developed is that of in-person signings with contemporary celebrities, both through the retail showroom and the internet autograph agency.

### **Stanley Gibbons and the Internet**

The Directors believe that the internet provides the opportunity to release the dormant value of the Stanley Gibbons brand and to significantly improve its position in the world-wide collectibles market by building community portal websites supported by the Stanley Gibbons brand.

The following sites have recently been launched onto the internet:

#### ***Stanleygibbons.com***

Stanleygibbons.com was launched in March 2000 and presently offers collectors access to over 15,000 stamps from Stanley Gibbons' specialist stock. It is intended that this will increase substantially when other sections of the inventory are online. Collectors can now view the items of interest to them, fully described and illustrated, and buy them online. The site offers a wide range of Stanley Gibbons products and services and allows Stanley Gibbons to reach a global audience of collectors which is many times larger than the domestic UK market.

#### ***Frasersautographs.com***

Frasersautographs.com offers an online catalogue of stock drawn from the items available at Fraser's gallery in the Strand. Dealing exclusively in rare autographs and associated memorabilia, Fraser's is able to offer its customers a lifetime guarantee of authenticity for their purchases. This unconditional 'peace of mind' policy, coupled with easily downloadable digital images of the collectible stock on offer, makes Fraser's specialised business suited to the new world of e-commerce. Frasersautographs.com also boasts an internal search engine so customers can access all items relating to a wide range of specialist subjects. This site is constantly updated and registered customers benefit from regular e-mail bulletins and special offers.

#### ***Stampcafe.com***

Stampcafe.com was launched in May 2000 and offers what the Directors believe to be the world's first online catalogue listing approved new issue stamps. New issues are very popular with collectors yet there can be delays of up to 18 months before they are included in conventional printed stamp catalogues. Working closely with stamp administrations worldwide, Stampcafe.com provides a platform for this information to be freely available online to collectors and offers a marketing arena for administrations, agents and dealers in this growing area. Stampcafe.com is hyperlinked to Stanleygibbons.com and will help promote the Stanley Gibbons brand and stamp numbering system.

#### ***Collectorcafe.com***

Collectorcafe.com is an information portal site which aims to become the world's largest online collecting community. It distinguishes itself from other collectible sites by being non-competitive. Rather than posing a threat to other dealers, auctioneers and special interest publishers, Collectorcafe.com assists them in finding new clients. With 90 different collecting areas within the site Collectorcafe.com offers an environment in which collectors can read informative articles and gather information on dealers and specialist publishers worldwide; visitor interactivity is heavily encouraged throughout the site. User response has been enthusiastic and recently Collectorcafe.com has attracted interest from other internet businesses looking to form commercial relationships.

### **STRATEGY**

The Group's intention is to evolve from a retailer into an internet based trading provider which will help facilitate sales and supply services to the collecting community. The Directors believe that this transition will enable the Group to take a significant share of a larger potential market and will give the Group the opportunity to achieve consistent growth whilst slowly reducing its dependence on stockholding and personal trading.

The Group intends to strengthen Stanley Gibbons' position as one of the world's leading authorities on stamp collecting with the Stanley Gibbons' stamp numbering system becoming the industry standard through electronic publishing on the internet.

The Directors believe that the Stanley Gibbons on-line catalogues, offering collectors the opportunity to compile virtual collections with instant valuations, will revolutionise the information available to collectors and that the hyperlinks connecting dealers will improve the market's liquidity and encourage increased trading volumes. The Directors, who believe the catalogues will be the world's first offering real-time prices and valuations, are not currently aware of any directly competing websites.

It is intended that the current on-line auction services will be expanded during 2001 and the move into other collectible areas will gain pace with the support of both the Stanley Gibbons name and the brand building exercise of Collectorcafe.com.

An advisory board of noted experts and collectors will be set up in order to release the full value of the Group's reputation and expertise and promote it internationally. In addition, it is anticipated that the new management structure will improve communication and management information, and allow timely decision making.

Currently, Stanley Gibbons has under 1% of the worldwide stamp market with its sales being heavily UK based. The Directors believe that the internet will enable the Group to promote itself more successfully both in the UK and overseas and at a lower cost than has been hitherto possible.

It is intended that advertising revenues from the sites will be built up using the inhouse sales expertise and the Directors believe that it will be possible to attract increased advertising from the specialist collector organisations and retail outlets.

## **THE MARKET**

Historically, the market for collectibles has been a fragmented one with independent magazines, catalogues, retail shops, mail order, trade shows and internet sites. Communitie.com intends to bring together international collectors into a single community.

The internet gives an opportunity for recognised brands to reach worldwide audiences without the high costs associated with publications and distribution.

### **Stamps**

The worldwide stamp industry turns over \$10 billion per annum with over 20 million collectors. The Directors estimate that Stanley Gibbons represents less than 1% of global sales and believe that the internet offers substantial growth potential and provides Stanley Gibbons with the opportunity of commanding a truly international presence.

### **Other collectibles**

The Directors believe that the marketplace for autographs and memorabilia in Europe is not as yet fully developed. The US is still considered the principal "collector market" having experienced rapid growth in recent years. Fraser's aims to exploit the potential growth within the UK as well as expanding its overseas presence.

Autographs and memorabilia are seen to offer an alternative investment opportunity to high-wealth individuals in a low inflation and low interest rate economy. Prices have risen in recent years and should continue to grow as information and access to artefacts improves.

## **COMPETITION**

There are numerous on-line competitors to challenge Stanley Gibbons' market penetration, particularly in the US, including Philatelic.com. Having been launched in the 1990s, these have a longer established internet presence than Stanley Gibbons. However, the Directors believe that the world-renowned Stanley Gibbons catalogues, publications and exhibitions provide the Group with a key competitive advantage and plans to give free access to catalogues on-line will further increase the Group's profile and market penetration. Gibbons Stamp Monthly typically sells 20,000 copies per month and the Group's extensive database will ensure that contact is maintained with existing customers and those without access to the internet.

The Directors are not aware of any direct competition to Collectorcafe.com that provides a community-based trading environment for the stamp and collectibles market.

It is the Directors' intention to promote other collectibles to current philatelists to encourage a single collecting community. With this in mind Stanleygibbons.com will be linked to other sites within the Group.

## FINANCIAL INFORMATION

The trading record of the Stanley Gibbons Group, for the three financial periods ended 31 December 1999 which has been extracted from the Accountants' Reports set out in Part II is summarised below:

	<i>18 months ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>31 December</i>
	<i>1998</i>	<i>1999</i>
	<i>30 June 1997</i>	<i>30 June 1997</i>
	<i>£'000</i>	<i>£'000</i>
Turnover	9,368	14,644
Gross profit	5,496	7,823
Operating profit	1,218	905
Profit before taxation	1,205	903
Taxation	(376)	(157)
Profit after taxation	829	746
	<u>829</u>	<u>746</u>
	<u>14,644</u>	<u>8,944</u>

Turnover reduced in the year ended 31 December 1999 due mainly to the transfer of the Urch Harris division to Benhams on 1 July 1999. The sales figures include Urch Harris sales of £512,000 in 1999 compared to £1,857,000 for the eighteen months to 31 December 1998.

Sales from the key business segments (philatelic and publications) has increased during the three year period, however 1999 income from Frasers has declined against the 1997 results due to increasing competition. The division has however now launched its own e-commerce site and evidence of increased sales through this medium can be seen.

Gross margins include exceptional stock adjustments in 1998 of £374,000 and £80,000 in 1999, which were applied as a result of introducing tighter controls and adopting a different view of values in certain areas of philatelic stock. After adjusting for exceptional items, margins and production costs have been relatively consistent.

Operating profits were consistent at 13 per cent. of turnover up to 30 June 1998. Following the acquisition of the Stanley Gibbons Group by Flying Flowers, additional overheads were added to the cost base without a commensurate increase in sales. These included a significant increase in salaries and marketing. In addition the Company replaced its IT systems in July 1999 and this is now resulting in higher depreciation and support costs. However this investment has been long overdue and will provide ongoing benefits in both stock control, stock purchase and sales.

## CURRENT TRADING AND PROSPECTS

Sales in 2000 are below budget but are running slightly ahead of 1999. Increased overheads are impacting on profitability however the Communitie.com management team have identified a clear course of action to bring costs under control and keep them in line with future sales income. The unaudited results for the six months to 30 June 2000 show a turnover of £4,075,000 with a pre tax loss of £353,000. This loss is stated after Collector Café start up and running costs of £170,000. The Directors are confident that Communitie.com will offer a sharper focus on this specialist business.

## DIRECTORS AND SENIOR MANAGEMENT

The Directors are:

### *Paul Fraser, age 44, Executive Chairman*

Paul has been engaged in dealing in collectibles all his adult life. Paul Fraser first invested in Stanley Gibbons Holdings plc in 1989 when he also joined the board of directors as a non-executive director. In November 1990, he became executive chairman and following the purchase of Stanley Gibbons by Flying Flowers in 1998, 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. In addition to the chairmanship of Communitie.com, he will remain as a director of Flying Flowers.

***Tony McQuillan, age 49, Chief Executive***

Tony worked for Stanley Gibbons as consultant, director and chief executive between 1991 and 1998. He has therefore acquired considerable knowledge of the dealing and publishing business. For the past 15 months he has been acting as project manager for the internet development of the Flying Flowers Group. Between 1988 and 1991, he was a lecturer in Business Development at the University of Bristol. Throughout the period from 1984 until early 2000 he also operated a specialist publishing company producing promotional material and training programmes for building societies and other clients. He was general manager for Free Newspapers Limited between 1983 and 1984, and for Hawk Publishing in UAE between 1982 and 1983. Prior to this he worked for Thomson Yellow Pages for over 11 years in various roles including regional manager.

***Michael Hall BA CA, age 30, Finance Director***

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers and Lybrand (now PricewaterhouseCoopers) in Jersey in 1995. As a manager, Michael worked in 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 in August 2000.

***Tim Dunningham, age 46, Non-Executive Director***

Tim is currently joint chief executive of Flying Flowers, having joined the company in 1984 as finance director and having been appointed managing director in 1989. 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. He joined Flying Flowers as finance director in 1985. It is proposed that following the Demerger, he will be chief executive of Flying Brands Limited.

***Stephen Feigen, age 52, 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 14 years working in networked information systems and multimedia and has a wide knowledge of general information technology and database technology. In 1997, Stephen became a director of Connectingbusiness.com, a business to business free ISP, to which Abacus provides technical support. He is also a non-executive director of Sea.net Limited, a business to business web service for the world wide shipping industry.

The senior management of the Company includes:

***David Crocker, age 49, Philatelic Managing Director***

David joined Stanley Gibbons Auctions Limited (“SGA”) in 1975 following an early career in the airline industry. He became manager of the describing and valuing department in 1978 and was appointed director of SGA in May 1979. As well as dealing with stamps and collectable sales in the UK, he has been involved in successful auctions and exhibitions overseas as Stanley Gibbons’ senior auctioneer. David’s widening responsibilities were reflected in his appointment as philatelic sales director in January 1999 and he was appointed philatelic managing director in May 2000.

***Richard Purkis, age 45, Group Operations Director and Company Secretary.***

Richard joined Stanley Gibbons in 1977 after an early career in the bloodstock industry. Following Stanley Gibbons’ acquisition by Letraset International Limited in 1981, he was appointed company secretary of the Stanley Gibbons Group. In May 2000, he was appointed group operation director of Stanley Gibbons.

## **EMPLOYEES**

The total number of employees of the Group as at 8 August 2000, excluding the Directors, was 140.

## **CORPORATE GOVERNANCE**

The Directors recognise the value of the Principles of Good Governance and the Code of Best Practice prepared by the Committee on Corporate Governance chaired by Sir Richard Hampel published in June 1998 (“the Combined Code”).

The Company intends, following Admission, to comply with the Combined Code so far as is practicable and appropriate for a public company of its size. The Company also proposes to follow the recommendations on corporate governance of the Executive Committee of Quoted Companies Alliance.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The audit committee will comprise Tim Dunningham and Stephen Feigen, and will be chaired by Mr Dunningham. The remuneration committee will comprise Tim Dunningham and Stephen Feigen, and will be chaired by Mr Feigen.

The audit committee will receive and review reports from management and the Group's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The audit committee will have unrestricted access to the Group's auditors.

The remuneration committee will review the scale and structure of the executive directors' remuneration and the terms of their contracts. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the Board. The committee will also administer the Share Option Schemes.

The Company will adopt the Model Code for directors' dealings as applicable to AIM companies and will take all reasonable steps to ensure compliance by Directors and relevant employees.

The Board has also considered the guidance published by the Institute of Chartered Accountants in England and Wales concerning the internal control requirements of the Combined Code and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

### **REASONS FOR ADMISSION**

The Directors believe that the Group has now reached an appropriate stage in its development where its future growth will be enhanced by the Admission. The Admission will help to raise the profile of the Group amongst its customers, enable investors to share in Communitie.com's future and allow for the introduction of the Share Option Schemes which will assist in incentivising employees.

### **SHARE OPTION SCHEMES**

The Directors believe that the commitment shown by employees has played a major role in the Group's development to date. The Directors propose to offer key employees the opportunity to participate in the future success of Communitie.com through the Share Option Schemes. Particulars of the Share Option Schemes are set out in paragraph 6 of Part IV of this document.

### **DIVIDEND POLICY**

In the medium term, the Directors intend to retain any future income to finance the development of its business and accordingly do not anticipate paying any dividends on its ordinary share capital in the foreseeable future. In the long term, the Directors intend to pursue a dividend policy in line with the growth over time in earnings per share achieved by the Group.

### **CREST**

The Company's articles of association permit the Company to issue shares in uncertificated form in accordance with the Companies (Share Certificates) (Exemption) (Jersey) Order 1992 and for shares to be transferred without written instrument in accordance with Article 51A of the Companies Law and the Companies (Uncertificated Securities) (Jersey) Order 1999.

CRESTCo Limited is recognised by the Jersey Financial Services Commission as an overseas operator under the Companies (Uncertificated Securities) (Jersey) Order 1999.

Application has been made for permission for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if relevant shareholders so wish.

ACCOUNTANT'S REPORT

Grant Thornton 

The Directors  
Communitie.com Limited  
Pirouet House  
Union Street  
St Helier  
Jersey JE1 3WF  
Channel Islands

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

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

17 August 2000

Dear Sirs,

**COMMUNITIE.COM LIMITED (“THE COMPANY”)**

**1. INTRODUCTION**

We report on the financial information set out in paragraph 2. The financial information has been prepared for inclusion in the Admission document dated 17 August 2000 of the Company (the “Prospectus”).

***Basis of preparation***

The financial information set out below is based on the transactions of the Company from incorporation to the date of this report. The Company has been dormant since its incorporation on 13 June 1977.

***Responsibility***

The financial information in this report is the responsibility of the Directors and has been approved by them. The directors of Communitie.com Limited are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report, to form an opinion on the financial information and to report our opinion to you.

***Basis of opinion***

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

***Opinion***

In our opinion the financial information, as set out below, gives, for the purposes of the Prospectus dated today, a true and fair view of the state of affairs of the Company as at the date of this report.

### ***Consent***

We consent to the inclusion in the Prospectus dated today of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **2. FINANCIAL INFORMATION**

The Company was incorporated in Jersey on 13 June 1977 as a private company with the name Trident Horticultural Limited with an authorised share capital of 5,000 ordinary shares of £1 each. It changed its name from Trident Horticultural Limited to Flying Flowers Limited on 23 January 1981 and from Flying Flowers Limited to Trident (Jersey) Limited on 15 July 1993 and from Trident (Jersey) Limited to Communitie.com Limited on 26 July 2000. It has not traded between incorporation and the date of this report. The Company has not prepared any accounts for presentation to its members or declared or paid a dividend.

No statutory financial statements have been prepared, audited or filed with the registrar of companies since incorporation to the date of this report.

As at today's date the Company has carried out no trading and the only transactions of the Company have been as follows:

- on 1 January 2000, nine ordinary shares of £1 each were in issue.
- as at 16 August 2000, the Company had an issued share capital of £9.

Yours faithfully

GRANT THORNTON

PART II – B

ACCOUNTANT'S REPORT

Grant Thornton 

The Directors  
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EC3N 4LB

17 August 2000

Dear Sirs,

**STANLEY GIBBONS HOLDINGS PLC (“THE COMPANY”) AND ITS SUBSIDIARY  
UNDERTAKINGS (“THE GROUP”)**

**1. INTRODUCTION**

We report on the financial information set out in paragraphs 2 to 6. This financial information has been prepared for inclusion in the Admission document dated 17 August 2000 of Communitie.com Limited (the “Prospectus”).

***Basis of preparation***

The financial information set out below is based on the audited consolidated financial statements of the Company for the year ended 30 June 1997 and the unaudited consolidated financial statements for the 18 month period ended 31 December 1998 and the year ended 31 December 1999, and has been prepared on the basis set out in Section 2. No adjustments were considered necessary. The consolidated financial statements for the 18 month period ended 31 December 1998 and the year ended 31 December 1999 were based on the audited financial statements of the Company and Stanley Gibbons Limited. The 1997 consolidated financial statements were audited by Solomon Hare of Oakfield House, Oakfield Grove, Clifton, Bristol BS8 2BN and the 1998 and 1999 financial statements of the Company and its subsidiary Stanley Gibbons Limited were audited by PricewaterhouseCoopers Channel Islands of 22 Colomberie, St. Helier, Jersey JE1 4XA, Channel Islands.

***Responsibility***

The financial statements of the Group are the responsibility of the Company who approved their issue.

The directors of Communitie.com Limited are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.



### ***Basis of opinion***

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

### ***Opinion***

In our opinion the financial information as set out below, gives, for the purposes of the Prospectus, a true and fair view of the results of the Group for the periods ended 30 June 1997, 31 December 1998 and 31 December 1999 and the state of affairs of the Group at the end of each of those periods.

### ***Consent***

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) (read together with paragraph 45(9)) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **2. ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, modified to include the revaluation of certain fixed assets.

### **Basis of consolidation**

The consolidated accounts incorporate the accounts of the Company and each of its subsidiaries, and exclude all intra group transactions. The Company has taken advantage of the exemption from presenting its own profit and loss account.

Statutory consolidated financial statements were not prepared for the 18 month period ended 31 December 1998 and year ended 31 December 1999. As a result, the comparatives represent non-statutory consolidated figures taken from the individual group companies' audited financial statements and adjusted where necessary for consolidation purposes.

### **Turnover**

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

### **Tangible fixed assets and depreciation**

The Company has not complied with the requirements of FRS 15, Accounting for depreciation, in that depreciation has not been provided for in respect of its freehold buildings. However it is company policy to maintain its properties in a continual state of sound repair and any depreciation is not considered material. Provision will be made in full should any permanent diminution in value occur.

The cost of other tangible fixed assets is written off using the straight line method at the following annual rates:

Motor vehicles, plant and machinery	10% – 25%
Fixtures and fittings, tools and equipment	4% – 25%

Fixed assets include a reference collection of certain stamps held on a long-term basis. These are included at cost and not depreciated because in the opinion of the directors the residual value is expected to exceed the cost for the foreseeable future.

### **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 group's dealers. Lower value stamp stocks are valued as a proportion of their expected realisable value, as a best estimate of cost, based on the expert opinion of the Group's dealers.

### **Deferred taxation**

Provision is made, using the liability method, for material timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a material liability or asset will crystallise in the foreseeable future.

### **Foreign exchange**

Transactions in foreign currencies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

### **Fixed assets held under leases**

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases.

Depreciation on leased assets is charged to the profit and loss account on the same basis as shown above.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account on a straight line basis over the lease term.

### **Pension costs**

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the pension costs over employees' working lives with the Group. The contributions are determined by a qualified and independent actuary on the basis of triennial valuations using the attained age method.

### 3. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>For the year ended 30 June 1997 £'000</i>	<i>For the 18 months ended 31 December 1998 £'000</i>	<i>For the year ended 31 December 1999 £'000</i>
<b>Turnover</b>	6.1	9,368	14,644	8,944
Cost of sales		(3,872)	(6,821)	(3,973)
<b>Gross profit</b>		5,496	7,823	4,971
Profit on sale of property		—	—	85
Selling and distribution expenses		(3,560)	(5,759)	(3,911)
Administrative expenses		(718)	(1,159)	(925)
<b>Operating profit</b>		1,218	905	220
Interest receivable		30	44	7
Interest payable and similar charges	6.5	(43)	(46)	(61)
<b>Profit on ordinary activities before taxation</b>	6.2	1,205	903	166
Tax on profit on ordinary activities	6.6	(376)	(157)	16
<b>Profit on ordinary activities after taxation</b>		829	746	182
Dividends paid and proposed	6.7	—	(736)	—
<b>Retained profit for the financial year</b>	6.16	829	10	182

There are no recognised gains or losses other than those as set out above.

Turnover is wholly derived from continuing activities.

The notes on pages 20 to 27 form part of these accounts.

### 4. CONSOLIDATED BALANCE SHEETS

		<i>As at 30 June 1997 £'000</i>	<i>As at 31 December 1998 £'000</i>	<i>As at 31 December 1999 £'000</i>
<b>Fixed assets</b>				
Tangible assets	6.8	1,686	1,580	1,622
<b>Current assets</b>				
Stocks	6.10	4,326	5,539	4,557
Debtors: amounts falling due after more than one year	6.11	1,402	1,786	1,757
Debtors: amounts falling due within one year	6.11	324	288	305
Cash at bank and in hand		525	16	84
		6,577	7,629	6,703
Creditors: Amounts falling due within one year	6.12	(2,186)	(3,441)	(2,256)
<b>Net current assets</b>		4,447	4,188	4,447
<b>Total assets less current liabilities</b>		6,133	5,768	6,069
Creditors: Amounts falling due after more than one year	6.13	(512)	(193)	(312)
		5,565	5,575	5,757
<b>Capital and reserves</b>				
Called up share capital	6.15	3,289	3,289	3,289
Share premium account	6.16	5	5	5
Other reserves	6.16	461	486	486
Profit and loss account	6.16	1,810	1,795	1,977
<b>Shareholders' funds</b>	6.17	5,565	5,575	5,757

## 5. CASH FLOW STATEMENT

		<i>As at</i> 30 June 1997 £'000	<i>As at</i> 31 December 1998 £'000	<i>As at</i> 31 December 1999 £'000
Net cash flow from operating activities	6.17	340	812	(89)
<b>Return on investment and servicing of finance</b>				
Interest received		30	44	7
Interest paid		(43)	(46)	(61)
		(13)	(2)	(54)
<b>Taxation</b>		(221)	(424)	(108)
<b>Capital expenditure and financial investment</b>				
Sale of fixed assets		18	160	178
Purchase of tangible fixed assets		(174)	(257)	(412)
		(156)	(97)	(234)
Dividends paid		—	(736)	—
<b>Financing</b>				
Receipt/repayment of borrowings		(92)	(292)	(28)
Capital element of finance lease		(12)	(18)	224
Net cash inflow/(outflow) from financing		(104)	(310)	196
<b>(Decrease)/Increase in cash</b>		<u>(154)</u>	<u>(757)</u>	<u>(289)</u>

## 6. NOTES TO THE FINANCIAL INFORMATION

### 6.1 Profit on ordinary activities before taxation

	<i>1997</i> £'000	<i>1998</i> £'000	<i>1999</i> £'000
Profit on ordinary activities before taxation is arrived at after charging:			
Directors' remuneration	213	250	53
Depreciation – owned	128	141	168
– assets held under finance leases	6	6	24
Auditors' remuneration	25	48	30
Operating leases – plant and machinery	2	2	—
– property	233	403	356
Interest payable on finance leases and hire purchase contracts	5	4	6
	<u>5</u>	<u>47</u>	<u>82</u>
and after crediting:			
Profit on sale of fixed assets	5	47	82

### 6.2 Directors' remuneration

The remuneration paid to the directors of Stanley Gibbons Holdings plc was:

	<i>1997</i> £'000	<i>1998</i> £'000	<i>1999</i> £'000
Aggregate emoluments	<u>213</u>	<u>250</u>	<u>53</u>
Number of directors included in defined benefit pension scheme (note 6.21)	1	1	1

Of aggregate emoluments £ nil (1998: £3,076) was receivable by third parties for making available the services of a person as director.

	<i>1997</i> £'000	<i>1998</i> £'000	<i>1999</i> £'000
Remuneration excluding pension scheme contributions	89	72	53
Highest paid director	<u>89</u>	<u>72</u>	<u>53</u>

The highest paid director was not a member of a defined benefit pension scheme.

### 6.3 Staff numbers and costs

The average number of persons (including executive directors) employed by the Group was 146 (1998: 138)

The aggregate payroll costs of these persons were as follows:

	1997	1998	1999
	£'000	£'000	£'000
Wages and salaries	1,938	2,780	2,192
Social security costs	146	228	168
	<u>2,084</u>	<u>3,008</u>	<u>2,360</u>

### 6.4 Interest payable and similar charges

	1997	1998	1999
	£'000	£'000	£'000
Interest payable on overdrafts and bank loans	24	30	49
Interest payable on loan notes	9	15	6
Finance lease interest payable	10	1	6
	<u>43</u>	<u>46</u>	<u>61</u>

### 6.5 Tax on profit on ordinary activities

	1997	1998	1999
	£'000	£'000	£'000
UK corporation tax at 30% (1998: 31%)			
– Current year	360	108	—
– Prior year	(8)	—	4
Amounts payable to fellow subsidiaries in respect of Group tax relief	—	112	—
Adjustment in respect of over provision of group relief payable in prior year	—	—	(7)
Adjustment in respect of prior year	—	(1)	(13)
Transfer to/(from) deferred taxation	24	(62)	—
ACT previously written off now written back	—	—	—
	<u>376</u>	<u>157</u>	<u>(16)</u>

### 6.6 Dividends

	1997	1998	1999
	£'000	£'000	£'000
Dividend on equity shares:			
Interim paid per ordinary share £0.25 per share: Nil (1998: 5.59p)	—	736	—
	<u>—</u>	<u>736</u>	<u>—</u>

## 6.7 Tangible fixed assets

	<i>Freehold land and buildings £'000</i>	<i>Reference collection £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Vehicles, plant and machinery £'000</i>	<i>Total £'000</i>
<b>Cost or valuation</b>					
<b>At 30 June 1997</b>	1,022	227	1,110	927	3,286
Additions	3	21	21	212	257
Disposals	(176)	—	—	(1)	(177)
<b>At 31 December 1998</b>	849	248	1,131	1,138	3,366
Additions	—	14	10	388	412
Disposals	(140)	—	(32)	(591)	(763)
<b>At 31 December 1999</b>	709	262	1,109	935	3,015
<b>Depreciation</b>					
<b>At 30 June 1997</b>	—	—	878	722	1,600
Charge for the period	—	—	95	108	203
Disposals	—	—	(16)	(1)	(17)
<b>At 31 December 1998</b>	—	—	957	829	1,786
Charge for the year	—	—	58	134	192
Relating to disposals	—	—	(25)	(560)	(585)
<b>At 31 December 1999</b>	—	—	990	403	1,393
<b>Net book value</b>					
At 31 December 1999	709	262	119	532	1,622
At 31 December 1998	849	248	174	309	1,580
At 30 June 1997	1,022	227	232	205	1,686

The net book amount of tangible fixed assets includes £238,902 (1998: £21,846) in respect of assets held under finance leases and hire purchase contracts.

One of the freehold properties has been included at the directors' valuation. The directors have based this on a valuation performed on 16 December 1994 for the Group's bankers by Goadsby and Harding, Valuers and Building Surveyors, at open market value. This freehold building was valued at £525,000. The original cost of this building was £532,000.

## 6.8 Principal subsidiary undertakings:

	<i>Class of shares held</i>	<i>Proportion of shares held %</i>	<i>Nature of business</i>
Stanley Gibbons International Limited	Ordinary	100	Leaseholder of group premises
Stanley Gibbons Limited	Ordinary	100	Philatelic dealer and retailer and dealer in memorabilia
Stanley Gibbons Auctions Limited	Ordinary	100	Dormant
Stanley Gibbons Publications Limited	Ordinary	100	Dormant
Stanley Gibbons Museum Arts Limited	Ordinary	100	Dormant
Plastic Wax Records Limited	Ordinary	100	Dormant

## 6.9 Stocks

	1997	1998	1999
	£'000	£'000	£'000
Raw materials and consumables	128	51	57
Work in progress	92	53	103
Finished goods and goods for resale	4,106	5,435	4,397
	<u>4,326</u>	<u>5,539</u>	<u>4,557</u>

The nature of the stock held by the Group is such that replacement cost cannot be readily ascertained. The directors believe, however, that stock could be replaced for an amount not materially different from the carrying value.

## 6.10 Debtors

	1997	1998	1999
	£'000	£'000	£'000
Trade debtors	1,149	1,382	1,330
Other debtors	41	80	92
Prepayments and accrued income	261	234	149
ACT recoverable		90	30
Corporation tax		—	156
Pension prepayments	275	288	305
	<u>1,726</u>	<u>2,074</u>	<u>2,062</u>

Included in debtors are the following amounts which are due after one year:

Pension prepayment	275	288	305
--------------------	-----	-----	-----

## 6.11 Creditors (amounts falling due within one year)

	1997	1998	1999
	£'000	£'000	£'000
Overdraft (see note below)	—	248	605
Bank loan	56	—	—
Trade creditors (see note below)	1,298	1,102	801
Amounts owed to group undertakings (see note below)	—	1,352	177
Other creditors	78	14	87
Other taxes and social security	47	121	110
Accruals and deferred income	304	468	387
Obligations under finance leases and hire purchase agreements	12	12	89
Corporation tax	391	124	—
	<u>2,186</u>	<u>3,441</u>	<u>2,256</u>

Barclays Bank plc has a right to full set off between all companies within the Flying Flowers Limited group. The Group has an overdraft facility of £4,000,000 that was granted in January 2000. This facility is due for review in December 2000.

The Group's overdraft facilities are secured by unregistered promissory notes over the Group's freehold properties in Jersey and registered land charges over the Group's freehold properties in the UK, together with a Group cross-guarantee.

## 6.12 Creditors (amounts falling due after more than one year)

	1997 £'000	1998 £'000	1999 £'000
Bank loan	236	—	—
Loan notes	136	136	108
Finance leases	20	2	149
Eagle Star Endowment Mortgage	55	55	55
Provisions and liabilities	65	—	—
	<u>512</u>	<u>193</u>	<u>312</u>

The loan note repayments are as follows:

	1997 £'000	1998 £'000	1999 £'000
In more than five years	<u>136</u>	<u>136</u>	<u>108</u>

The loan notes are redeemable in full or in part, after giving one month's notice. Interest is payable half yearly by instalments 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 one of the Company's freehold properties. The mortgage is payable in full on 30 October 2112 but can be redeemed early upon six months' notice. Interest is charged at 11.25% reducing to 10.25% on punctual repayment.

## 6.13 Deferred taxation

	<i>Unprovided</i> 1998 £'000	<i>Unprovided</i> 1999 £'000
Fixed asset timing differences	4	(37)
Pension prepayment	85	92
Other timing differences	(12)	—
Deferred tax asset	<u>77</u>	<u>55</u>

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.

## 6.14 Called up share capital

	1997 <i>Number of</i> <i>shares</i>	1997 £'000	1998 <i>Number of</i> <i>shares</i>	1998 £'000	1999 <i>Number of</i> <i>shares</i>	1999 £'000
Authorised:						
Ordinary shares of 25p each	<u>16,224,000</u>	<u>4,056</u>	<u>16,224,000</u>	<u>4,056</u>	<u>16,224,000</u>	<u>4,056</u>
Allotted and fully paid:						
Ordinary shares of 25p each	<u>13,156,395</u>	<u>3,289</u>	<u>13,156,395</u>	<u>3,289</u>	<u>13,156,395</u>	<u>3,289</u>



## 6.15 Reserves

	<i>Share premium account £'000</i>	<i>Other reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 31 December 1998	5	486	2,243	2,734
Prior year adjustment	—	—	(448)	(448)
At 31 December 1998, as restated	5	486	1,795	2,286
Transfer to profit for the financial year	—	—	182	182
At 31 December 1999	<u>5</u>	<u>486</u>	<u>1,977</u>	<u>2,468</u>

## 6.16 Reconciliation of movements in shareholders' funds

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Profit for the financial period	829	746	182
Dividends	—	(736)	—
Net addition to shareholders' funds	829	10	182
Opening shareholders' funds	4,736	5,565	5,575
Closing shareholders' funds	<u>5,565</u>	<u>5,575</u>	<u>5,757</u>

## 6.17 Net cash flow from operating activities

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Operating profit	1,218	905	220
Depreciation	134	203	192
Profit on sale of fixed assets	(5)	—	—
Movement in stocks	(915)	(1,213)	982
Movement in debtors	(342)	(348)	12
Movement in creditors	250	1,265	(1,495)
	<u>340</u>	<u>812</u>	<u>(89)</u>

## 6.18 Reconciliation of net cash flow to movement in net debt

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Change in cash in year	(154)	(757)	(289)
Cash inflow from increase in debt and lease finance	66	(310)	196
Change in net debt cash flows	(88)	(1,067)	(93)
Net funds at 1 January	98	10	(437)
Net funds at 31 December	<u>10</u>	<u>(1,057)</u>	<u>(530)</u>

## 6.19 Capital and other commitments

	<i>1998</i> <i>Computer</i> <i>equipment</i> <i>£'000</i>	<i>1999</i> <i>Capital</i> <i>commitments</i> <i>£'000</i>
<b>Capital commitments</b>		
Authorised	334	23
	<u>1998</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
<b>Lease commitments</b>		
Obligations under finance leases and hire purchase contracts are due as follows:		
In one year or less	12	89
Between two and five years	2	149
	<u>14</u>	<u>238</u>

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
<b>Date of lease termination</b>		
Within one year	—	333
Within two and five years	333	—
	<u>333</u>	<u>333</u>

## 6.20 Pensions

The Group's companies operate the Stanley Gibbons Holdings plc Pension and Assurance Scheme ("the scheme") to which the Group companies and certain employees contribute. 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 funds managed by two UK institutions. Contributions to the scheme are charged to the profit and loss account so as to spread the pension cost over employees' working lives with the Group. The contributions are determined by a qualified and independent actuary on the basis of triennial valuations using the attained age method.

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 8.5% per annum, that the salary increase would average 7% per year and that the dividends would grow at 4.5% per year.

In accordance with Statement of Standard Accounting Practice Number 24 the pension scheme surplus at 1 July 1998 of £376,000 was recognised in the Group 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 effect of the increased surplus is to reduce the overall pension charge for the Group.

The most recent valuation at 1 July 1998 carried out on the basis of minimum funding requirement, disclosed an actuarial surplus of £1,498,000. The valuation showed that the market value of the scheme's assets was £4,118,000 and the market value of these assets represented 157% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The net surplus of £438,000, over and above the unamortised pension payment, 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 effect of the surplus has been to create a credit to the profit and loss account during the period being reported on.

The regular employer's pension contribution cost for the year ended 31 December 1999 of £56,807 has been reduced by interest of £24,516 accrued on the pension scheme surplus and £48,738 amortisation relating to the net surplus arising from the recent valuation, resulting in a net credit of £16,447.

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

**6.21 Transactions with directors**

Transactions with directors of a subsidiary company, Stanley Gibbons Holdings plc, were as follows:

	<i>Travel loans</i>	
	<i>Outstanding at 31 December 1999</i>	<i>Maximum outstanding during the period</i>
	<i>£</i>	<i>£</i>
Mr D Crocker	2	1
Dr P Kinns	4	4
Mr R K Purkis	2	—
	<hr/>	<hr/>
	8	5
	<hr/> <hr/>	<hr/> <hr/>

Consultancy fees of £21,400 were paid to a director of a subsidiary company, Mr D J Springbett, during the year.

**6.22 Related party transactions**

The company owes loan notes totalling £108,000 (1998: £136,000) to the minor children of Mr P Fraser, a director of Communitie.com.

Yours faithfully

GRANT THORNTON

ACCOUNTANT'S REPORT

Grant Thornton 

The Directors  
Communitie.com Limited  
Pirouet House  
Union Street  
St Helier  
Jersey JE1 3WF  
Channel Islands

Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

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

17 August 2000

Dear Sirs,

**COLLECTOR CAFÉ LIMITED (“THE COMPANY”)**

**1. INTRODUCTION**

We report on the financial information set out in paragraph 2. This financial information has been prepared for inclusion in the Admission document dated 17 August 2000 of Communitie.com Limited (the “Prospectus”).

***Basis of preparation***

The financial information set out below is based on the transactions of the Company from incorporation to the date of this report. The Company has been dormant since its incorporation on 14 January 2000.

***Responsibility***

The financial information in this report is the responsibility of the directors of the Company and has been approved by them. The directors of Communitie.com Limited are responsible for the contents of the Prospectus dated today in which this report is included.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

***Basis of opinion***

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

***Opinion***

In our opinion the financial information, as set out below, gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at the date of this report.

*Consent*

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

**2. FINANCIAL INFORMATION**

No statutory financial statements have been prepared, audited or filed with the registrar of companies in Jersey since incorporation to the date of this report.

The total authorised share capital of the Company is £10,000 comprising 10,000 ordinary shares of £1 each.

As at today's date the Company has carried out no trading.

– on 24 January 2000, Flying Flowers Limited became the registered holder of 100 ordinary shares of £1 each.

– as at 16 August 2000, the Company had an issued share capital of £100.

Yours faithfully

GRANT THORNTON

## PART III

### OUTLINE OF THE DEMERGER

1. The Demerger involves the separation of the business, assets and liabilities of the Communitie.com Group from that of Flying Flowers.

It is proposed to effect the Demerger by way of a Court sanctioned scheme of arrangement pursuant to Article 125 of the Companies Law and a Court approved reduction of share capital pursuant to Article 61 of the Companies Law.

If the Demerger becomes effective each Qualifying Shareholder will receive:

**for each Flying Flowers Unit**

**one Communitie.com Share**

The Communitie.com Shares will be issued in addition to existing Flying Flowers Units which will retain their separate listing on the Official List following the Demerger. After the Demerger each Qualifying Shareholder will continue to hold exactly the same number of Flying Flowers Units as presently held and in addition will hold the same number of shares in Communitie.com.

2. Assuming that the Court sanctions the Scheme and confirms the Reduction of Capital, it is expected that the Demerger will become effective on Monday 18 September 2000 and that dealings in the Communitie.com shares will begin on 19 September 2000. It is expected that definitive share certificates in respect of the Communitie.com Shares will be despatched by 25 September 2000 to Qualifying Shareholders who currently hold their Flying Flowers Units in certificated form. Qualifying Shareholders who wish to hold their Communitie.com Shares through CREST will receive uncertificated Communitie.com Shares in their CREST accounts immediately following Admission.

## PART IV

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

(a) The Company was incorporated under the Companies Law and registered in Jersey on 13 June 1977, under company number 13177 as a private company, with the name Trident Horticultural Limited. It changed its name from Trident Horticultural Limited to Flying Flowers Limited on 23 January 1981 and from Flying Flowers Limited to Trident (Jersey) Limited on 15 July 1993 and then from Trident (Jersey) Limited to Communitie.com Limited on 26 July 2000.

(b) The Company is the ultimate holding company of the Group.

Details of all its principal subsidiaries (directly or indirectly held) all of which will be included in the consolidated accounts of the Group are set out below.

<i>Name of Subsidiary</i>	<i>Country of incorporation or registration</i>	<i>Principal activity</i>	<i>Proportion held by the Company</i> %
Collector Café Limited	Jersey	community internet portal	100
Stanley Gibbons Holdings plc	UK	holding company	100
Stanley Gibbons Limited	UK	stamp and autograph dealer, auctioneer, publisher	100
Stanley Gibbons International Limited	UK	non trading	100

(c) The registered office of the Company is Pirouet House, Union Street, St. Helier, Jersey, JE1 3WF.

(d) The liability of the members of the Company is limited.

#### 3. SHARE CAPITAL

(a) At incorporation, the authorised share capital of the Company was £5,000 divided into 5,000 ordinary shares of £1 each of which 9 such ordinary shares were issued to the subscribers of the memorandum of association.

(b) Immediately prior to an extraordinary general meeting of the Company held on 16 August 2000 (the "EGM") the issued share capital of the Company was 9 shares of £1 each, fully paid.

(c) By special resolution passed at the EGM the members resolved, *inter alia*:

(i) That the authorised share capital of the Company be reduced to £9 by cancelling the unissued authorised share capital in the Company being 4,991 ordinary shares of £1.00 each.

(ii) That the remaining 9 issued ordinary shares of £1 each be sub-divided into 900 ordinary shares of one penny (1p) each.

(iii) That the Company's authorised share capital be increased from £9 to £350,000 by the creation of 34,999,100 ordinary shares of one penny (1p) which are unissued and to rank *pari passu* with the 900 issued shares.

(iv) That pursuant to Article 16 of the Companies Law that the Company become a public company, with its name to remain unchanged.

(v) That the existing memorandum and articles of association of the Company be deleted in their entirety and replaced with a new memorandum and articles of association.

- (d) Save as disclosed in paragraph 5(c) below, so far as the Directors are aware no share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.
- (e) The existing Ordinary Shares are in registered form.
- (f) There are no Jersey statutory provisions which require for rights of pre-emption. The articles of association do not provide for rights of pre-emption to attach to the Ordinary Shares.

#### **4. MEMORANDUM AND ARTICLES OF ASSOCIATION**

The memorandum of association of the Company provides that the Company shall have all the powers of a natural person.

The articles of association of the Company contain provisions, *inter alia*, to the following effect:

##### **(a) Voting Rights**

On a show of hands every member who is present in person or being a corporation is represented by a duly authorised representative and in each case is entitled to vote shall have one vote and upon a poll every member present in person or by proxy and entitled to vote shall have one vote for every share of which he is the registered holder.

##### **(b) Variation of Class Rights and Changes in Capital**

Whenever the capital is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may, subject to the provisions of the Companies Law, be modified, varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class. At any such separate general meeting (other than an adjourned meeting) the necessary quorum is two persons personally present and holding or representing either by proxy or as the duly authorised representative of a corporate member one-third of the capital paid up on the issued shares of the class in question.

The Company may, by altering its memorandum of association:

- (i) increase its share capital by creating new shares of such amount and in such currency or currencies as it thinks expedient;
- (ii) consolidate and divide all or any of its shares (whether issued or not) into shares of larger amount than its existing shares;
- (iii) subject to the Companies Law, sub-divide its shares, or any of them into shares of smaller amount than is fixed by its memorandum of association;
- (iv) subject to the Companies Law, convert any of its fully paid up shares the nominal amount of which is expressed in one currency into fully paid up shares of a nominal amount of another currency; and
- (v) cancel shares which at the date of the passing of the resolution to cancel them have not been taken or agreed to be taken by any person, and diminish the amount of the Company's share capital by the amount of the shares so cancelled.

##### **(c) Dividends**

Subject to any preferential or other special rights attached to any shares issued by the Company the profits of the Company available for dividend and which the Company shall so determine to distribute by way of dividend shall be apportioned and paid to the members entitled thereto proportionately to the amounts paid up on the shares.

Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall be forfeited and shall revert to the Company.

##### **(d) Distribution of Assets on Winding-up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, subject to the Companies Law, divide among the members in specie the whole or any part of the assets of the Company and may determine how such divisions shall be carried out as between the members or different classes of members (if any).



**(e) Transfer of Shares**

Subject to the Companies Law, the Company may issue shares, and other securities, which do not have certificates, may allow existing shares, and other securities, to be held without certificates and may allow any shares, or other securities, to be transferred without using a transfer form.

The Board may adopt procedures for recording, transferring and evidencing title to its shares without a written instrument provided that such procedure shall be in accordance with the Companies Law.

A transfer of the shares shall be effected by transfer in writing in the usual common form or in any other form approved by the Board. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered into the register of members in respect thereof.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register the transfer of a share which is not fully paid up provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register any transfer of any share:

- (i) unless the instrument of transfer is duly stamped and is accompanied by the certificate for the shares to which it relates (save in the case of a recognised investment exchange to whom no certificate was issued) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) where the instrument of transfer is in respect of more than one class of share;
- (iii) which is in favour of more than four persons jointly; and
- (iv) which is in favour of a minor or a person who is then suffering from a mental disorder.

The Company through the directors may by notice in writing require any person who is or has at any time during the three years immediately preceding the date on which the notice is issued been a member to give to the Company information concerning the past or present interests of such person or any other person (of whose interests such person is aware) in accordance with the Articles of Association. The definitions of interests for the purpose of the Articles of Association are based on the provisions of the Act.

If any person fails to supply to the Company the information required within 14 days after service of the notice in question or such longer period as may be specified in such notice or in purported compliance with such notice has made a statement which in the reasonable opinion of the directors is false or misleading in any material respect and fails to correct such statement so as to make it neither false nor misleading within a further period of 14 days after service of written notice requiring him to correct such statement, the directors may direct that the shares in question shall be subject to all or any of certain restrictions set out in the Articles of Association relating to the refusal to register any transfer of shares, the suspension of voting rights in respect of such shares and the withholding of payment of dividends or other distributions on or in respect of such shares, provided that those restrictions will cease to apply in relation to the shares in question where it is provide to the reasonable satisfaction of the directors that such shares have been sold to a new beneficial owner thereof in the market on the London Stock Exchange or any other stock exchange on which the Company's share are listed or regularly traded or where such shares are acquired pursuant to a general offer made to all holders of shares in the Company or when the information referred to above has been supplied or corrected as set out above.

**(f) Power to issue redeemable shares and purchase its own shares**

Subject to the provisions of the Companies Law and Articles of Association, the Company may:

- (i) issue or convert existing non-redeemable shares whether issued or not, into shares which are to be redeemed or are liable to be redeemed at the option of the Company or of the shareholders; and
- (ii) with the sanction of such special resolution as may be required by the Companies Law and Articles of Association, purchase its own shares (including any redeemable shares) or enter into such agreement (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be approved by such resolutions and permitted by the Companies Law and Articles of Association.

(g) **Dividends**

Subject to the Companies Law and the articles of association, the Company may by ordinary resolution declare a dividend to be paid to the members according to their restrictive rights and interests.

**5. INTERESTS OF DIRECTORS AND OTHERS**

- (a) The Directors have a duty to notify the Company in writing of the nature and extent of their interests in any transaction within the context of article 75 of the Companies Law and in accordance with the Articles of Association [and to date no such notices have been received by the Company].
- (b) In accordance with Part I (5) of the Companies (General Provisions) Jersey Order 1992, full particulars of the nature and extent of the interest of every Director (or firm of which a Director is a partner) in the promotion of the Company, and details of all sums paid or agreed to be paid to him in cash or shares or otherwise by any person to induce him to become, or to qualify him as a director or otherwise for services rendered by him (or by a firm of which he is a partner) in connection with the promotion of the Company are detailed in paragraph 5(e) below.
- (c) The interests of the Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act in the share capital of the Company, all of which are beneficial (which have been notified to the Company as if section 324 of the Act applied to the Company and entered in a register of Directors' interests maintained as if the provisions of section 325 of the Act applied to the Company) or which could, with reasonable diligence, be ascertained by the Directors are as follows:

<i>Name</i>	<i>Number of Ordinary Shares following the Demerger</i>	<i>Percentage of issued share capital %</i>	<i>No. of Ordinary Shares under option</i>
P Fraser	4,896,719	18.21	(1)
A McQuillan	—	—	(1)
M Hall	—	—	50,000 <sup>(2)</sup>
T Dunningham	2,410,000	8.96	—
S Feigen	—	—	—

<sup>(1)</sup> It is proposed that following Admission each of Mr McQuillan and Mr Fraser will be granted options pursuant to enterprise management incentive option agreements over such number of Ordinary Shares as shall be equal to £100,000 based on an exercise price calculated by reference to the average closing middle market quotation of such Ordinary Shares over the three dealing days prior to the date of grant. The options are exercisable after two years from the date of grant. The exercise of the options will be subject to performance criteria set by the remuneration committee of the Board.

<sup>(2)</sup> It is proposed following Admission to grant options to Michael Hall and to a number of employees of the Company over an aggregate of 50,000 and 535,000 Ordinary Shares respectively pursuant to the terms of the Share Option Schemes representing 2.17 per cent. of the issued share capital of the Company. It is intended that these options over Ordinary Shares will be granted by the remuneration committee of the Board. The exercise price per Ordinary Share under these options will be calculated in accordance with the rules of the Share Option Schemes as summarised in paragraph 6(d) below.

Save as disclosed in this paragraph 5, no Director nor any member of their respective immediate families, nor any person connected with them within the meaning of section 346 of the Act, has a beneficial or non-beneficial interest in any share capital of the Company.

- (d) No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director or any person connected with them.
- (e) The following service agreements and letters of appointment will be entered into by the Company:
- (i) Paul Fraser will enter into a service agreement with the Company immediately prior to Admission which provides for him to act as the executive chairman of the Company at a salary of £85,000 per annum continuing unless terminated by either party giving not less than twelve months' notice. The agreement makes provision for a discretionary annual bonus to be paid to Mr Fraser in such amount as shall be determined by the remuneration committee of the Board subject to the maximum bonus not exceeding 20 per cent. of his annual salary. The agreement

also provides that the Company shall contribute to Mr Fraser's personal pension scheme in each year a sum equivalent to 9 per cent. of his basic annual salary. The salary will be reviewed by the remuneration committee of the Board annually.

- (ii) Tony McQuillan will enter into a service agreement with the Company immediately prior to Admission which provides for him to act as chief executive of the Company at a salary of £75,000 per annum continuing unless terminated by either party giving not less than six months' notice. The agreement makes provision for a discretionary annual bonus to be paid to Mr McQuillan in such amount as shall be determined by the remuneration committee of the Board subject to the maximum bonus not exceeding 20 per cent. of his annual salary. The salary will be reviewed by the remuneration committee of the Board annually.
- (iii) Michael Hall will enter into a service agreement with the Company immediately prior to Admission which provides for him to act as finance director of the Company at a salary of £50,000 per annum and continuing unless terminated by either party giving not less than six months notice. The agreement makes provision for a discretionary annual bonus to be paid to Mr Hall in such amount as shall be determined by the remuneration committee of the Board subject to the maximum bonus not exceeding 20 per cent. of his annual salary. The salary will be reviewed by the remuneration committee of the Board annually. Mr Hall will also be entitled to participate in any pension scheme which is established by the Company, such pension contributions to be determined by the remuneration committee of the Board.
- (iv) Flying Flowers has agreed to make available to the Company the services of Tim Dunningham as a non-executive director of the Company for an annual fee of £12,000. The terms of his engagement require him to sit on the audit and remuneration committees of the Board. His appointment is subject to 12 months' notice by either side.
- (v) Abacus Software Limited ("Abacus") has agreed to make available to the Company the services of Stephen Feigen as a non-executive director of the Company for an annual fee of £6,000. The terms of his engagement require him to sit on the audit and remuneration committees of the Board. His appointment is subject to six months' notice by either side.
- (f) The aggregate emoluments (including benefits in kind and pension contributions of the latter of which there were none) of the Directors for the period ended 31 December 1999 was £0, and in respect of the current financial year ending 31 December 2000, is estimated to amount to £85,000 under the arrangements in force at the date the Demerger becomes effective.
- (g) Stephen Feigen is a director of Abacus which provides software support and internet services to the Group for which Abacus has received fees in respect of the year ending 31 December 1999. Save as aforesaid, no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Company or its subsidiaries and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains in any respect outstanding or unperformed.
- (h) No person (excluding trade suppliers and professional advisers whose fees are taken into account in the estimate of expenses of the Admission) has received directly or indirectly from the Company in the preceding 12 months or has entered into any contractual arrangements whereby that person is entitled to receive, indirectly or directly from the Company on or after Admission, any of the following:
  - (i) fees totalling £10,000 or more; or
  - (ii) securities in the Company to the value of £10,000 or more calculated by reference to the expected opening price; or
  - (iii) any other benefit with a value of £10,000 or more as at the date of Admission.
- (i) The Company is aware of the following persons, in addition to those disclosed in paragraph 5(c) above, who, following Admission, directly or indirectly, jointly or severally, hold or will hold 3% or more of the ordinary share capital of the Company:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Meg Holdings Limited	815,869	3.03
The Wellcome Trust	966,000	3.59

Save as disclosed above in this paragraph 5 the Company is not aware of any other person who, immediately following Admission, will, directly or indirectly, be interested in 3% or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- (j) The current directorships and partnerships held by the Directors and the directorships and partnerships held by them over the five years preceding the date of this document, other than a directorship of the Company, are as follows:

<i>Name</i>	<i>Current</i>	<i>Past</i>
<b>Stephen Feigen</b>	Abacus Software Limited Connecting Business Limited Speed 6388 Limited Sea.Net Limited Bell Mediterranean Limited (Malta)	None
<b>Timothy Dunningham</b>	Flying Flowers Limited Flying Flowers Holdings (U.K.) Plc Flying Flowers (U.K.) Limited Anello & Davide Direct Limited Anello & Davide Bespoke and Theatrical Limited The Pilgrim Cover Club Limited Benham Covers Limited Benham (A. Buckingham) Limited Anello & Davide (Beauchamp Place) Limited Kelway-Bamber Hailstone Limited	Anello & Davide Limited (In liquidation)
<b>Paul Fraser</b>	Fraser Investments (Guernsey) Limited	None
<b>Anthony Michael McQuillan</b>	None	First Move (UK) Limited (Dissolved) Property Titles Limited (Dissolved) Property Information & Mailing Limited (Dissolved)
<b>Michael Hall</b>	None	None

- (k) Timothy Dunningham became the major investor in and a director of Anello & Davide Limited in November 1995. The company had been loss making for some years and at the time of Mr Dunningham's appointment, had just entered into a company voluntary arrangement. The scheme for voluntary arrangement was satisfactorily concluded in November 1998. The company continued to make substantial losses and was finally put into creditors voluntary liquidation in July 1999. The deficit in respect of creditors was approximately £2 million, nearly all of which was due to Mr Dunningham as the major creditor.

- (l) Save as disclosed above, none of the Directors has:

- (i) any unspent convictions in relation to indictable offences; or
- (ii) ever had any bankruptcy order made against him or entered into any individual voluntary arrangements; or
- (iii) ever been a director of a company which had been placed in receivership, compulsory liquidation, creditors voluntary liquidation or administration or been subject to any voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company; or

- (iv) ever been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- (v) ever been the owner of or been a partner in a partnership which owned, any asset which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- (vi) ever been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) ever been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

## **6. SUMMARY OF THE COMMUNITIE.COM SHARE OPTION SCHEMES**

### **(a) Administration**

The Company's Remuneration Committee ("the Committee") is responsible for administering the Share Option Schemes.

The Executive Scheme is divided into two parts : the approved part, for which it is intended to seek the Inland Revenue's approval, and the non-approved part. The Jersey Scheme will not be approved by the Inland Revenue.

### **(b) Grant of Options and Eligibility**

The Committee may grant options to acquire Ordinary Shares in the Company to any employees and full-time directors of the Group (other than those due to retire within two years). Options are granted free of charge and are non-transferable.

### **(c) Period for the Grant of Options**

The first grant of options under the Executive Scheme may be made within 42 days following the Inland Revenue's approval of the approved part of the share option scheme ("the approval date"). The first grant of options under the Jersey Scheme may be made within 42 days following the date on which the Company adopt the Jersey Scheme. Thereafter, options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

### **(d) Exercise Price**

The exercise price per Ordinary Share is determined by the Committee but must be no less than its market value at the date of grant (as agreed with the Inland Revenue for the purposes of the approved part of the Executive Scheme) or its nominal value, if higher.

### **(e) Performance Test**

The Committee shall impose an objective condition on the exercise of options, requiring a sustained and significant improvement in the Group's financial performance over a continuous period.

### **(f) Individual Limits**

An individual's overall participation under both schemes is limited so that the aggregate market value at the date of grant of the shares over which options have been granted to him in any ten year period, under all Group share options schemes (except savings-related schemes) cannot exceed four times his remuneration excluding any benefits in kind. In addition, an individual's participation under the approved part of the Executive Scheme is limited so that the aggregate market value at the date of grant of the shares comprised in subsisting options granted to him under all Inland Revenue approved schemes (except savings-related schemes) established by the Company or any associated company of the Company cannot exceed £30,000.

### **(g) Share Option Schemes Limits**

- (i) The number of Ordinary Shares issuable pursuant to options granted under the Share Option Schemes, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all selective Group share option schemes within the previous period of ten years, may not exceed 5% of the Company's issued ordinary share capital at the date of grant.

- (ii) The number of Ordinary Shares issuable pursuant to options under the Share Option Schemes when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group share option schemes within the previous period of ten years may not exceed 10% of the Company's issued ordinary share capital at the date of grant.

**(h) Exercise and Lapse of Options**

- (i) General position

An option is normally exercisable between three and ten years from the date of grant, provided the performance test has been satisfied.

- (ii) Special Circumstances

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the committee exercises its discretion in the participant's favour. Exercise is also permitted in special circumstances such as a take-over. The satisfaction of the performance test will not be required except in the case of retirement.

- (iii) Exchange of options on a take-over

In the event of a take-over, a participant may be permitted to exchange his options for options over shares in the acquiring company.

**(i) Variations of Share Capital**

On certain variations of the ordinary share capital of the Company the Directors may, subject to the approval of the Company's auditors and the Inland Revenue, adjust the exercise price and the number of Ordinary Shares comprised in existing options.

**(j) Amendment**

- (i) The Directors may amend the Executive Scheme to obtain and maintain Inland Revenue approval.

- (ii) The Directors may make amendments to the Share Option Schemes with the consent of the Company in general meeting (and in the case of the Executive Scheme with the approval of the Inland Revenue) except that shareholder approval is not required for minor amendments to benefit the administration of the Share Option Schemes or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for future participants or for participating companies.

**(k) Termination**

The Share Option Schemes will terminate ten years after the adoption date or earlier, if the Directors so determine. Termination shall not affect outstanding rights of participants.

## **7. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

- (a) an agreement dated 16 August 2000 between (1) Flying Flowers and (2) Collector Café whereby Collector Café acquired from Flying Flowers the entire issued share capital of Stanley Gibbons Holdings plc for a cash consideration of £5,620,290 which sum was left outstanding on inter company loan account payable on demand.
- (b) an agreement dated 16 August 2000 between (1) Flying Flowers and (2) the Company whereby the Company acquired from Flying Flowers the entire issued share capital of Collector Café for a cash consideration of £5,620,390 which sum was left outstanding on inter company loan account payable on demand.
- (c) an agreement dated 16 August 2000 between (1) Flying Flowers and (2) the Company whereby the Company acquired from Flying Flowers its investment in Proflowers for a cash consideration of £343,000 which sum was left outstanding on inter company loan account payable on demand.
- (d) a Demerger agreement dated 16 August 2000 and made between (1) Flying Flowers and its subsidiaries and (2) the Company and its subsidiaries, conditional upon the Scheme becoming effective and Admission pursuant to which, *inter alia*:

- (i) the obligations and rights of each of the companies forming the Group to and against any of the companies forming part of the Flying Flowers Group shall be transferred to the Company;
  - (ii) the obligations and rights of each of the companies forming the Flying Flowers Group to and against any of the companies forming part of the Group shall be transferred to Flying Flowers;
  - (iii) certain of the parties will enter into transitional arrangements regarding the provision of certain information technology services to the others details of which are summarised in paragraph 7(c) below;
  - (iv) certain intellectual property rights will be assigned between certain of the parties as a consequence of the Demerger;
  - (v) Flying Flowers has undertaken to procure the release of certain cross guarantees for the Flying Flowers Group in so far as they apply to the Company and its subsidiaries and Flying Flowers has agreed to indemnify the Company and its subsidiaries in respect of any such cross-guarantees pending such release;
  - (vi) certain administrative services will be provided between the various companies including the Company providing the services of its company secretary to Flying Flowers to act as its company secretary for a fee of £20,000 per annum which arrangement is subject to termination by either party on not less than 6 months notice; and
  - (vii) Flying Flowers has agreed to indemnify the Company and its subsidiaries against certain taxation liabilities arising outside of the ordinary course of business prior to the date upon which the Demerger becomes effective.
- (e) the Company will, prior to Admission, enter into a transitional information technology services deed ("IT Services Deed") with DPA Direct. The parties have entered this deed to govern their respective rights and obligations with respect to the management of shared information technology services and to facilitate implementation and completion of various separation matters.

The shared information technology services comprise those Internet access services currently provided to DPA Direct by PSINet (UK) Limited ("PSINet") pursuant to an agreement between DPA Direct and PSINet dated 21 February 2000 ("PSINet Services"), and the web-hosting services currently provided by The Public IP Exchange Limited (trading as "UUNet") to DPA Direct under an agreement between DPA Direct and UUNet dated 1 October 1999 ("UUNet Services").

The IT Services Deed provides that for a period of six weeks from the demerger date or until Communitie.com has established its own internet access link, whichever is the earlier, DPA Direct will provide the Group with full access to the PSINet Services on normal arm's length basis. Communitie.com shall indemnify DPA Direct against all liabilities or costs arising out of Communitie.com's use of the PSINet Services during this period.

In relation to the UUNet Services, DPA Direct is to provide Communitie.com with full access to UUNet Services on normal arm's length basis until a direct agreement between UUNet and Communitie.com is entered into. Until that date Communitie.com is to provide an indemnity to DPA Direct against all claims, liabilities, losses, expenses, costs arising out of Communitie.com's use of the UUNet services. Once the new agreement with Communitie.com is entered into, Communitie.com is to provide full access to the new services provided by UUNet to DPA Direct until the Flying Flowers websites are transferred to a separate server. Consideration will be paid by DPA Direct to Communitie.com in this respect. After the new agreement has been entered into, DPA Direct is to indemnify Communitie.com from any costs or claim arising out of its access to the new UUNet services.

The indemnities in respect of the provision of the PSINet Services and the UUNet Services are all expressed to be limited to one year from the date on which DPA Direct provides access to the respective service to Communitie.com (albeit, in the case of DPA Direct's indemnification of Communitie.com in respect of UUNet Services, the indemnity shall cease to have effect one year after the date on which Communitie.com ceases to provide access to the UUNet Services to DPA Direct).

The IT Services Deed makes provision for a number of other, minor, separation matters aimed at ensuring that the website platform for each of the Flying Flowers and Communitie.com websites are separated and that each of the party migrates its websites to a separate server.

- (f) a nominated adviser and nominated broker agreement dated 16 August 2000 between (1) the Company (2) the Directors (3) Flying Flowers and (4) Beeson Gregory pursuant to which the Company appointed Beeson Gregory as its nominated adviser and nominated broker for the purposes of the introduction of the whole of the issued share capital of the Company to trading on AIM and otherwise for the purposes of the AIM Rules for an initial period of six months and thereafter unless and until terminated by either the Company or Beeson Gregory giving to the other not less than three months notice in consideration for, *inter alia*, a fee of £15,000 per annum for the six months following Admission and £20,000 thereafter, which shall, provided that the Company remains within the scope of any applicable VAT exemptions or zero-rating of VAT be inclusive of any applicable VAT thereon which is payable by four equal instalments quarterly in advance. In the agreement, the Company, Flying Flowers and two of the Directors, Paul Fraser and Tim Dunningham, have also agreed to give certain warranties and/or indemnities in favour of Beeson Gregory.

## 8. TAXATION

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in Jersey and the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation, the UK Inland Revenue and Jersey Comptroller of Income Tax. Any Shareholder who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than Jersey and the UK, should consult his own professional adviser immediately.

### Jersey

(a) *Dividends and other distributions*

Dividends paid by Jersey companies are paid out of post tax income and are deemed to be paid under deduction of tax at the Jersey standard rate of 20 per cent. and a certificate will be issued by the paying company to that effect. Therefore no further Jersey tax is due or payable in respect of such dividends. Depending on the circumstances of the recipient of the dividend, in certain situations the tax deducted may be reclaimed by the recipient.

(b) *Inheritance and estate taxes*

There are no estate or inheritance taxes in Jersey.

(c) *Stamp duty*

No stamp duty is payable by the shareholder on the issue or transfer of shares in Jersey companies.

### United Kingdom

(a) *Dividends*

Under the UK Jersey double taxation convention, persons who are UK tax resident are not entitled to any credit against UK tax in respect of the Jersey tax deducted from any dividends paid. UK resident corporate shareholders owning less than 10 per cent. of the voting power of the Company and individuals will therefore be liable to UK taxation on the net amount of the cash dividend received. UK resident corporate shareholders owning 10 per cent. or more of the voting power of the Company will be liable to UK corporation tax on the amount of the cash dividend received as increased by the amount of any underlying tax credit relief available in accordance with Section 790 Income & Corporation Taxes Act 1988, unless the shareholder elects under Section 805 Income & Corporation Taxes Act 1988 that such credit shall not apply. In those circumstances the shareholder would be liable to tax only on the amount of the net cash dividend received.

As dividends paid by a Jersey company are paid out of post tax income and under deduction of Jersey tax, no further Jersey tax is due in respect of such dividends payable by any UK resident recipients.

In certain circumstances, UK charities and other exempt institutions may recover from the Jersey Comptroller of Income Tax the income tax deducted from dividends received.



(b) *Taxation of Chargeable Gains*

If a shareholder disposes of all or some of his shares, a liability to tax on chargeable gains may arise. Shareholders will normally be liable to tax on chargeable gains unless they are neither resident nor ordinarily resident in the UK.

(c) *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax will be payable on the issue of shares in the Demerger.

**Persons who are not resident in Jersey or the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.**

**These comments are intended only as a general guide to the current tax position in Jersey and the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade.**

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than Jersey or the UK, you should consult your professional adviser.**

## 9. WORKING CAPITAL

In the Director's opinion, having made due and careful enquiry, the working capital available to the Company and the Group will, from Admission be sufficient for its present requirements, that is, for at least the next twelve months.

## 10. PROPERTIES

The following are the principal establishments owned or leased by the Group:

<i>Property</i>	<i>Tenure</i>	<i>Term</i>	<i>Rent</i>	<i>Use</i>
399 Strand London WC2	Leasehold	10 years from 25 March 1999	£300,000 per annum	Offices and shop
222 Cheltenham Road St Andrews, Bristol BS6 5QU	Freehold	—	—	Shop and storage
Units 5/7 Parkside Christchurch Road Ringwood Hampshire	Freehold	—	—	Offices and factory
90 West Street Old Market Bristol BS2 0BW	Freehold	—	—	Shop

## 11. LITIGATION

No member of the Group has been engaged in, nor is it currently engaged in, any legal or arbitration proceeding which has or may have a significant effect on the financial position of the Group and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

## 12. SIGNIFICANT CHANGES

Save as disclosed in this document, there have been no material changes in the financial or trading position of the Group since 31 December 1999, the date to which the latest audited accounts of Stanley Gibbons for the period then ended were made up.

## 13. GENERAL

(a) The accounting reference date of the Company is 31 December.

- (b) Grant Thornton has given and not withdrawn its written consent to the inclusion of its reports on the Group in the form set out in Part II of this document and the reference to such reports in the form and context in which they appear and accept responsibility for such reports in accordance with paragraphs 45(2)(b)(iii), 45(1)(b)(iii) (read together with paragraph 45(9)) and 45(8)(b) respectively of Schedule 1 to the Public Offers of Securities Regulations 1995.
- (c) The total costs and expenses payable by the Company in connection with Admission (including professional fees, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £600,000 (including estimated irrecoverable VAT).
- (d) The financial information for the relevant accounting period set out in the Accountants' Reports in Part II concerning the Group do not constitute statutory accounts of the Group within the meaning of section 240 of the Act.

#### **14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Viberts, Pirouet House, Union Street, St. Helier, Jersey, Channel Islands, JE1 3WF and Nabarro Nathanson, Lacon House, 84 Theobalds Road, London WC1X 8RW for a period of 14 days from the date of this document.

- (a) the Memorandum and Articles of Association of the Company;
- (b) the reports from the reporting accountants set out in Part II of this document;
- (c) the material contracts referred to in paragraph 7 of this Part IV; and
- (d) the consent letter referred to in paragraph 13 of this Part IV.

Date: 17 August 2000