The Stanley Gibbons Group plc

Annual Report and Accounts
for the year ended 31 March 2016

Group Annual Report and Financial Statements

for the year ended 31 March 2016

Financial Highlights

	Year ended 31 March 2016	**Year ended 31 March 2015** ***restated***
Group Turnover (£m)	59.1	60.0
Trading profits (£m)	(10.1)	5.4
(Loss)/Profit before taxation (£m)	(28.9)	1.8
Adjusted (loss)/profit before taxation (£m)	(4.9)	5.1
Basic earnings per share (p)	(62.17)	1.54
Adjusted earnings per share (p)	(10.06)	10.28
Dividend per share (p)	–	5.0
Net borrowings (£m)	20.4	11.7
Net assets per share (p)	81.5	143.2
Adjusted Net assets per share (p)*	22.0	n/a

*(as at 1 April 2016)

Contents

Page

2 Directors and Advisers

3-5 Chairman's Statement

6-13 Business Review

14-16 Operating Review

17-18 Financial Review

19-20 Corporate Governance

21-23 Report on Remuneration

24-29 Directors' Report

30 Independent Auditors' Report

32 Consolidated statement of comprehensive income

33 Consolidated statement of financial position

34 Consolidated statement of changes in equity

35 Consolidated statement of cash flows

36-77 Notes to the Financial Statements

78-79 Directors' Biographical Details

80-84 Notice of Annual General Meeting

Financial Calendar

Annual General Meeting 27 October 2016

Directors and Advisers

Directors	H G Wilson	Executive Chairman
	A Cook	Chief Finance Officer
	C P Whiley	Director
	M P Magee	Non-Executive Director*
	H A J Turcan	Non-Executive Director
	** Independent*	

Company Secretary
R K Purkis

Registered Office
2nd Floor
Minden House, Minden Place
St. Helier
Jersey JE2 4WQ
Tel: 01534 766711

Company Registration
Registered in Jersey
Number 13177

Nominated Adviser and Broker
finnCap Limited
60 New Broad Street
London EC2M 1JJ

Auditors
BDO Limited
Windward House
La Route de la Liberation
St Helier
Jersey JE1 1BG

Legal Advisers
Mourant Ozannes
22 Grenville Street
St Helier
Jersey JE4 8PX

Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

Bankers

NatWest	The Royal Bank of Scotland Group PLC
71 Bath Street	3 Hampshire Corporate Park
St Helier	Templars Way
Jersey JE4 8PJ	Chandlers Ford
	SO53 3RY

Registrars
Capita Registrars (Jersey) Limited
Shareholder Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300; from overseas +44 20 8639 3399

Website
Further financial, corporate and shareholder information is available in the investor relations section of the Group's website: www.stanleygibbons.com

Chairman's Statement

Introduction

As the newly appointed Chairman of Stanley Gibbons this is my first annual report for the Group. I joined the Board in May 2016 during a very difficult period for the Group which encompassed the appointment of corporate restructuring specialists to undertake a comprehensive review of all operational aspects of the Group, a subsequent profit warning and a fundraising designed to nurse the Group through a liquidity squeeze. In short, things had gone badly adrift and urgent action was required to recover the situation. The 43% fall in net asset value, reflected in the table in the Financial Review on page 17, has resulted from a combination of both the inadequately integrated and managed acquisitions and internet development activities of recent years alongside the more pervasive impact of the reinvestment profile of the Groups investment contracts which had an element of contractual buy-back. These contracts were sold between 2005 and 2013 and have resulted in a restatement of prior year earnings relating to all open contracts as at 1 April 2014. Although much remains to be done, substantial progress has been made over the last nine months with a reconstituted Board and relocation of Executive Directors to the UK, together with significant operational changes which are described in detail in the Business Review below.

Trading and Operations

As announced today trading conditions have remained difficult since we forecast an adjusted loss before tax of between £1m and £2m, for the year ended 31 March 2016, on 23 February 2016, with:

- a 43% reduction in net assets as a result of a restatement of prior years' results and a significant reduction in the carrying value of certain other assets.
- Turnover at £59.1m, being 28% below budget and 15% lower than the prior year;
- Gross Margin at 40% (2015: 52%) was also lower, partly due to high margins on major collections in the previous year and a reduced auction schedule in both Baldwin's and Dreweatts;
- the adjusted loss before tax, excluding exceptional charges, was £4.9m (after a prior year adjustment of £1.2m) largely attributable to a loss of £2.0m at The Marketplace and a loss of £1.3m at Mallett;

As a consequence of the poor performance outlined above bank debt rose over the year to £21.9m (31 March 2015: £11.7m), with actual debt peaking at £24m in March 2016 and currently at £18m. The intention is to reduce the long-term gearing of the business through a sharp focus on increasing sales and in particular reducing the level of stock held which has grown disproportionately in recent years.

Following the appointment in February 2016 of our new auditors, BDO Limited ("BDO"), the Board has revisited the accounting treatment previously adopted in connection with certain transactions and has concluded that it was not in accordance with the applicable accounting standards. Accordingly the Board has decided to adopt the appropriate accounting policies in these accounts. This has resulted in a restatement of prior years' results and a substantial write-down of balance sheet assets. These changes stem largely from fundamental errors in the accounting treatment previously adopted, most notably of investment product sales in previous years, and adjust for all open contracts in existence as of 1 April 2014. Although the underlying products were conceived in 2005, these changes do not affect the reported cash position at 31 March 2016 and we have not sought to restate earlier accounting periods. In addition to these adjustments, the Board has also reduced the carrying value of certain other assets, in particular goodwill relating to the acquisition of Noble Investments and capitalised IT costs relating to the development of The Marketplace which, following a decision that it was not economically viable, was closed on 7 September 2016.

Furthermore, given the distorting effect of the March fundraising completed on 1 April 2016, we have shown adjusted loss per share and net asset per share figures too.

The restructuring programme, initiated in late December 2015, is progressing to plan with annualised operating cost savings of some £10m identified to date where full benefits will be seen in the financial year to 31 March 2018. The main elements of the cost rationalisation have involved the reduction of office/retail premises, a dramatic down-sizing of the Interiors division together with a relocation of the remaining website development activities for the on-line trading from the USA to the UK. Cessation of the development of The Marketplace accounts for £1.5m of the identified cost savings. The Board remains confident that the Group is now on track to deliver further progress in accordance with the restructuring plan following a year of substantial transition.

Dividend

Given the results for the year, the Board is not recommending the payment of a final dividend for the year to 31 March 2016 (12 months ended 31 March 2015: 5.00p inclusive of a final dividend of 1.75p paid on 17 August 2015). The Board will review the dividend policy regularly taking into account trading conditions, opportunities for reinvestment in future growth and working capital requirements.

Management and Board Changes

The restructuring review identified the need for dramatic changes across the Group which were long overdue and have now been initiated. We remain committed to providing a top quality service to our customers primarily through our world-class experts in their respective fields. Within the internationally recognised brand names the specialists differentiate us from our peers and we will look to grow these teams.

All Executive Directors are now London based where they can provide ongoing support to the individual teams as we rebuild the business. As part of the review, there has been a significant reduction in the head-count at both the Interiors division and The Marketplace with further initiatives underway to reduce central overheads. At Baldwins we have recently appointed a new managing director to galvanise the restoration of the coins division following the departure of a number of staff.

In light of the above I would like to thank all of our staff, on behalf of the Board, for their hard work and support over what has been a difficult time for the Group. The Group is fortunate to have a dedicated workforce, with a great depth of historic knowledge, commitment and expertise, and it is our intention to recognise this contribution and loyalty through the issue of share options to staff to align their interests with our shareholders.

There has been an almost complete change in the Board over the last year. Martin Bralsford, Mike Hall, Donal Duff, Simon Perrée and Clive Jones have all stepped down whilst Clive Whiley, Henry Turcan, Andrew Cook and I have joined the Board. I would particularly like to thank Martin Magee who has remained on the Board during this transitional period and has chaired the Audit Committee very diligently. Martin has indicated that he plans to step down at the AGM.

Strategy for the Future

The objectives of our revised strategy are to ensure that we build long-term relationships with our clients across a wide range of international markets where we can provide differentiated offerings and build brand recognition. By focusing investment on our core businesses and providing premium service to our customers we will seek to deliver long-term value to shareholders in the process. We have already achieved significant progress with the integration of the acquisitions made in recent years, to derive the benefits which should have been gained. This will be a key part of our plans over the coming months as we endeavour to establish a sustainable and profitable business model for the Group.

The Board believes that only by re-focusing on Stanley Gibbons core branded activities, whilst maintaining disciplined capital allocation, will the fortunes of the Group be restored and along with it shareholder value. Investment customers will continue to be a key customer focus for our business, but we will also build on the collector part of our trade which has historically been the foundation of the Company.

Outlook

The market for rare collectibles and fine art remains buoyant for collectors and given the low interest rate environment continues to offer an attractive alternative for investment. The Brexit vote has added a degree of uncertainty over the macro environment but quality collectibles have traditionally maintained their value and appeal over the long-term and particularly in times of uncertainty.

The restructuring of Stanley Gibbons has been unsettling for all concerned with the business, and the Directors would like to thank all our stakeholders for their ongoing support during this transitional period. There will inevitably be more challenges ahead but we have taken definitive action with a view to restoring the business and reputation of the Group.

Harry Wilson
Chairman

3 October 2016

Business Review

The March 2016 fundraising Circular highlighted that the year to 31 March 2016 had been an exceptionally difficult year for the business with a marked downturn in like-for-like revenue, gross margin and trading profits which, amongst other factors, had led to a severely constricted cash position. In late December 2015, the Board had appointed corporate restructuring specialists to undertake an assessment of the banking and fundraising options and to oversee a root and branch review of every facet of the Group's business, targeting annualised operating cost savings of £5m. Clive Whiley, who has been overseeing the restructuring programme, joined the Board as a director following the successful conclusion of the fundraising on 31 March 2016.

The net proceeds of £12.4m, raised in March, were used to repay a temporary bank overdraft, which had been taken out in January 2016 to support the rationalisation exercise, to facilitate the integration of previous acquisitions and to provide additional working capital.

Restructuring Update

Summary

The restructuring process has required a number of difficult decisions including a reduction in headcount, rationalisation of premises and other overhead costs, the closure of cash-consuming business lines and the down-sizing of non-core businesses in order to concentrate resources on supporting activities deemed core to the Group's future. There have also been changes to the senior Board executives.

Harry Wilson was appointed as Chairman, in a non-executive capacity, in May 2016 and as an executive following the board departures in July 2016 of Mike Hall (Chief Executive) and Donal Duff (Chief Financial Officer). At the same time, Andrew Cook, who had been recruited to be the London-based Managing Director, joined the board as Chief Financial Officer.

Significant progress has been made with the restructuring plan including the closure of The Marketplace and the re-scoping and scaling back of our Interiors division, with a view to better aligning revenue and costs before the end of the current financial year, as we completed the rationalisation and integration of the Noble and Mallett acquisitions.

As a result, annualised operating cost reductions already exceed the initial target of £5m, with a total of £10m of cost savings now identified. The full cash benefit will be seen in the full year results to March 2018. The projects requiring wholesale change have either been completed or are currently underway however the rationalisation and continued drive for more efficient correlation between costs and revenue growth will be an ongoing process.

The dramatic changes were necessary and overdue and, notwithstanding the continuing challenges confronting the business, there has been strong internal recognition of the need for change.

Significant accounting changes and balance sheet adjustments

Revenue Recognition

On 30 June 2016 we announced our intention to release results for the year ended 31 March 2016 later than in previous years, reflecting the additional complexity of the audit due to the ongoing restructuring and the appointment of new auditors. There have been some significant adjustments in this year's accounts and these are summarised below:

The Board has revisited the accounting treatment previously adopted in connection with certain transactions and has concluded that it was not in accordance with the applicable accounting standards. Accordingly the Board has decided to adopt some, significantly changed, accounting policies in the presentation of the accounts. These have resulted in a restatement of prior years' results and a substantial write-down of balance sheet assets. These changes

stem largely from fundamental errors in the accounting treatment previously adopted, most notably of investment product "sales" recognised in previous years.

In conjunction with the audit the Board has reviewed its accounting policy and past accounting treatment with regard to the recognition of revenue in the philatelic trading business, specifically in relation to the contractual terms of certain of the investment plans which had been offered by the Group in earlier years and the requirements of International Financial Reporting Standards. The Board concluded that the recognition of revenue in relation to certain of the investment plans had not been in accordance with accounting standards and elected to adopt a new policy in the 31 March 2016 financial statements and to correct the accounting treatment in the financial statements for the period from 1 April 2014 through to 31 March 2016 by way of a prior year adjustment ("PYA"). The consequences of this correction of accounting policy for revenue recognition have been:

- an increase in the amount of creditors at 31 March 2015, by £33.5m, to reflect the revenues that have been written back but some of which is expected to be recognised in future years upon maturity of the plans, and an increase in stock by £18.6m to include those items where the Group has a contractual obligation to repurchase them from clients at the end of the investment plan term (notwithstanding that, historically, the majority of clients have not exercised this option at the end of their contract);
- a reduction of £3.6m in the carrying value of stock, in order to reflect stock which has previously been repurchased from maturing investment plans at original cost instead of at its repurchase price;
- depending on subsequent events, the value of outstanding investment plans, which offer clients an option at the end of the contract term to sell back to Stanley Gibbons (Guernsey) Limited, will fall to be recognised as revenue in later financial periods, including £7.0m in the year ended 31 March 2016;

It is emphasised that there has been no change to the cash position of the Group as a result of the above change in accounting policy and consequential PYA's.

Whilst these and other accounting adjustments discussed elsewhere have resulted in a reduction in the Group's underlying net asset value, to £38.4m, as at 31 March 2016, the Board considers that it is fundamental to the future of the Group that all sales efforts are focused on selling stock on a profitable basis and reducing the average stockholding period. The above changes ensure that the historic inflated carrying value of certain stock items is reversed and will hopefully provide a new basis from which to generate profitable cash sales going forward.

Impairment of Goodwill and intangibles
In addition to the revenue recognition adjustments, the Board has also reviewed the carrying value of certain other assets, in particular goodwill relating to some of its recent investments and capitalised IT costs. This has resulted in a write down, of £13.9m, against the value of intangible assets during the year ended 31 March 2016 although, again, it is emphasised that this has had no impact on the reported cash position of the Group.

Provisions against trade Debtors and Stock
Similarly, following a review of the trade debtor balances, which amount to £12.9m and some of which originate from over 2 years ago, the Board has considered that it would be prudent to make some provision against these amounts due to the Group. Accordingly, it has taken a total provision of £3.0m in the year ended 31 March 2016 but has commenced an active debt collection programme designed to both validate the substance of the debtors and generate cash for the Group.

Additionally, following a review of the stock carrying values certain items had been carried at above their net realisable value, while it should be stressed that this was limited to a small group of items. There was also an issue in physically locating certain stock items particularly within the interiors division, which had accumulated within stocks over several years. The total impact of these provisions was £1.4m

The Marketplace

Notwithstanding the substantial allocation of Group resource since its inception, a full review of the E-Commerce strategy, initiated in February 2016, determined that The Marketplace had failed to deliver the platform hoped for at the outset and was still someway short of doing so.

Accordingly, having consumed £10m over the last three years, in order to significantly reduce the cash-burn, the Board took the decision to:

- cease development in the USA, as per the transition plan outlined earlier, and to decouple all links between The Marketplace and the continuing Stanley Gibbons website, which was transferred contemporaneously to a new UK based platform in September
- the Board continues to believe there is an opportunity to grow online revenues and will now refocus resources upon selling the Group's own proprietary assets of high quality collectibles and world renowned publications.

The closure of The Marketplace on 7 September finally brings to an end an ill conceived, badly managed project which was allowed to severely over-run budgeted expenditure. We will now seek to retrieve as much of the embedded development IP as possible to kick-start our revitalised E-Commerce strategy at Stanley Gibbons.

Litigation

Following its acquisition of Mallett plc in October 2014, the Company learned that government regulators in the United States were investigating transactions that had occurred since 1 January 2010 involving a former client of Mallett Inc., Mallett's New York-based subsidiary. The former client is not a related person or affiliate of the Group. This issue had not been disclosed to the Company by the directors of Mallett plc during the due diligence process prior to the acquisition.

The Group continues to cooperate fully with the U.S. Securities and Exchange Commission (the "SEC") and the Department of Justice ("DOJ"), including responding to a subpoena from the SEC requesting documents and providing information to the Government regulators as requested. Both the SEC and DOJ are aware that Mallett's new owners were not involved in the events underlying the investigation, and there have been discussions with the SEC regarding resolution of these matters.

On 25 August 2015, the DOJ filed criminal charges against the former client, arising in part out of his dealings with Mallett Inc. As it relates to the Group, the former client was alleged to have conspired with a then unnamed New York based employee of Mallett Inc. to defraud a court-appointed receiver and to obstruct the administration of justice in the United States. On 19 May 2016, the DOJ filed criminal charges against Henry Neville, a former director of Mallett plc and the previously unnamed New York based employee of Mallett Inc., arising out of his dealings with the former client, the court-appointed receiver, and the Government's investigation into his conduct. On the same date, Mr Neville pleaded guilty to all criminal charges against him. Mr Neville awaits sentencing, as does the former client who has also pleaded guilty to certain charges against him.

Whilst the investigations are ongoing, no criminal or civil charges have been filed against Mallett Inc. or any Mallett group company to date. The Group continues to retain the services of US legal counsel to advise it in these matters. The investigations are not being conducted in public, and the Directors cannot predict with certainty whether Mallett Inc. or any other company or person in the Mallett group will be named in civil or criminal claims or litigation as a result of the investigations.

Though the transactions pre-dated the acquisition there was no provision in the financial accounts of Mallett plc or its subsidiaries for any costs relating to them. A fair value adjustment was made subsequent to the acquisition as at

that point the costs in responding to the subpoena from the SEC and/or assisting the US authorities with their investigations were unavoidable. The estimate made at the time was £0.9m. Subsequently, with the involvement of the DOJ, this estimate has proved to be inadequate.

At present the Board's best estimate of the subsequent costs as at 31 March 2016 total an additional £1.1m. This amount is the total accrual at the year end. Any further potential costs cannot be estimated with any degree of accuracy and could have a material adverse effect on the Group.

Funding

The existing borrowings and facilities, all of which are secured and guaranteed by various members of the Group, comprise:

- a £8.3m loan facility, originally £10m, taken out to enable the acquisition of Noble in 2013 and currently benefitting from a moratorium on capital repayments, which will recommence at £500,000 per quarter from 31 March 2017 but subject to earlier part-repayment in the event of a major asset disposal; and
- a £10m revolving credit/overdraft facility, which is available until 31 May 2018.

The Group's bank continues to be supportive as reflected in both the moratorium on loan repayments and in the revision of the ongoing banking covenants, at the time of the fundraising, in order to accommodate the sharp decline in trading performance. Furthermore on 20 September 2016 the bank agreed a variation in the asset cover covenants, necessary as a result of the PYA, whilst the restructuring programme is given time to take effect.

What went wrong?

Shareholders deserve an explanation of the combination of events leading to the severely disappointing trading result and significant diminution in shareholder value reflected in these financial statements.

The commercial logic behind the acquisition of Noble, for £46m in November 2013, appeared compelling:

- the creation of a group of companies offering synergistic goods and services;
- integration and diversification opportunities;
- a complementary, experienced management team with highly incentivised key executives.

The subsequent build-up of debt, from a net cash position post the Noble acquisition, peaked at some £22m in March 2016 and included a number of significant outflows, as follows:

- a £10m loan taken out to fund the acquisition of Mallett in October 2014;
- £10m of cash spend incurred in developing The Marketplace on-line trading platform, a significantly higher amount than budgeted, over the last 3 years; and
- some £8m of additional working capital build-up in the business, partly offset by the receipt of over £4m from the post-acquisition sale of Noble's London premises, at a time when trading was slowing down.

In fact, whilst the new management team has already acted swiftly to resolve the first two cash outflows detailed above, it is the last element which has both proved more complex to isolate and represents a more fundamental deterioration in the Groups core business. It is now clear that the non-cash sale/reinvestment profile of the Stanley Gibbons Investment division's investment contracts, sold between 2005 and 2013, which also retained an element of contractual buy-back, also fuelled the worsening net debt position.

The Group no longer offers investment plans with contractual buy back options of any kind.

Current management believes that the integration process, following the acquisitions of Noble and Mallett, was poorly managed and as a result failed to instil a cohesive, UK based management structure with adequate challenge and competition for capital. In our opinion this in turn led to:

- a failure to integrate and derive synergies and opportunities from the acquisitions;
- an over-investment in an the e-trading platform with no tangible return;
- an over-dependence on too few clients;
- an over-investment in illiquid assets as management time was diverted;
- a Group increasingly leveraged as a consequence of retaining existing customers by novating the customer from one investment product into another alongside the recognition of non-cash revenue;

resulting in a loss of confidence in the management and brands, client and earnings erosion, cash outflows and a materially impaired balance sheet.

In consequence, the rationale for the relocation of the Executive Directors to London, in July 2016, as reinforced with specialist directors with change management, financial, retail and collectibles experience, was to introduce a robust, cash-driven, UK based backbone to the business.

Restructuring Timeline

The key actions addressed in the implementation of the restructuring plan, which encompassed a wide bandwidth, were:

- **January:** commencement of a 90 day review of the Interiors division, alongside stabilization of the financial position, where £6m of additional bank facilities were needed to bridge liquidity through to bank covenant tests due on 31 March 2016;
- **February:** initiation of a review of The Marketplace, based in the USA, and addressing the vacuum created by the untimely resignation of the former auditors, necessitating the appointment of new auditors and professional advisors ahead of a fundraising;
- **March:** issued Circular to shareholders seeking to raise additional funds through the issue of new equity, to allow us to extinguish the £6m temporary bank overdraft and agree a lending package consistent with the difficult trading conditions, extending the bank facilities through to 31 May 2018;
- **April:** receipt of £12.4m (net of costs) from the fundraising, repayment of the temporary bank overdraft, implementation of the restructuring of the Interiors division in parallel with completing the protracted integration of the Noble and Mallett acquisitions;
- **May:** appointments of Harry Wilson, Henry Turcan and Andrew Cook and exchange of contracts for the sale of the Group's Mayfair property leases (net consideration of £2.4m) as well as the sub-letting of a substantial part of the Manhattan, New York premises at a premium;
- **June:** commencement of a review of the investment plans offered by Stanley Gibbons (Guernsey) Limited in earlier years. We also announced a delay in the publication of the preliminary results for the year ended 31 March 2016 owing to the additional complexity of the audit due to the ongoing restructuring and the appointment of new auditors;

- **July:** announcement of the relocation of the Executive Directors to London, the departure of Mike Hall (CEO), Donal Duff (CFO), Martin Bralsford & Simon Perrée as directors and that the Board was reviewing its accounting policy and past accounting treatment with regard to the recognition of revenue in the philatelic trading business, specifically in relation to certain of the investment plans offered in earlier years;
- **August:** the phased closure of the US based activities associated with The Marketplace, together with the decoupling of all links to the continuing Stanley Gibbons website, which was transferred contemporaneously to a new, UK based, e-commerce platform. We also completed on the lease of new premises, in Pall Mall, London for the Interiors division, providing a fulcrum from which the business can resume growth;
- **September:** commencement of the restructuring of the philatelic and coin businesses, announcement of the departure of Clive Jones as a director, consolidation of the security available to support bank facilities and the start to the unwinding of the working capital squeeze. Finally, following the successful completion of the initial phase of the restructuring plan a formal independent review of the business over recent years has been initiated to identify potential avenues of redress for the Group.

Whilst significant progress has been made over the last nine months, as highlighted above, there is no room for complacency as the new management team seeks to:

- complete the realignment of total operating overheads to our sustainable, brand-driven, revenue streams, to ensure that the Company becomes both cash-generative and profitable, providing a financially secure platform upon which to build the less predictable, but incrementally profitable, one-off high value sales or major auction consignments;
- actively manage the investment plan profile in a manner which generates sound returns for both the customer and company;
- exploit product gaps, within the core stamp and coin divisions, alongside harnessing any increased interest in rare collectibles as an alternative investment; and
- identify a capital-light method of tapping into the increasing interest in collectibles in parts of the world outside of the Group's existing areas of operation, principally the UK and the USA, in particular the growing interest from the Asian markets, in all types of high quality collectibles.

Current Corporate Structure

As part of the rationalisation and repositioning of the business the Board is reconsidering the benefits of off-shore status for the Group as a whole, recognising that a majority of the Group's activities, following the acquisitions of recent years, and the closure of the US activities in September, are located in the UK. The above diagram highlights the business entities within our Group structure, as at 30 September, which:

- preserves the Interiors division as a standalone legal entity and aggregates the UK activities associated with the investment business within the philatelic and coins head office at The Strand, London;
- recognises that the UK philatelic and numismatic businesses should remain separate from the Interiors division in order to provide a well-balanced allocation of executive resource;
- protects the current location of the Channel Islands based, client investment plan activities which are ring-fenced in Guernsey; and
- consolidates the Group assets in order to optimise the security available to support the UK based bank facilities.

Operating Structure

Whilst the Group's registered office remains in Jersey, the decision was taken to relocate the Executive Directors to the London head office. This decision was driven by the detailed review of the businesses which identified that performance had deteriorated with an absence of executive direction at the London head office. The new operating structure will enable:

- more effective and cohesive use of existing executives and see Board and Executive Committee costs reduced by over 40%;
- the proposed flat management structure which will see a move to a separate Interiors division operating board, alongside an SG Executive Committee, including embedded stamps/coins representation co-opted from within the business, based in London; and
- marketing support, to be formed on an ad hoc basis, across the various disciplines to support high-level, targeted pitches for large estates, specialist collections and other opportunities.

Finally the Board has elected to follow best practice with all Directors to be re-elected annually.

Interiors Division

The interiors division was formed from the acquisitions of Noble and Mallett, in 2013 and 2014 respectively, and comprises The Fine Art Auction Group ("TFAAG"), the holding company for the sub-group, Dreweatt and Bloomsbury, both auction companies for paintings, books, jewellery, decorative arts, etc and Mallett (UK and US), which is a historically respected firm of fine and decorative art and antiques dealers specialising in 18th Century English Furniture.

There were several senior level departures in 2015, as a result of both management friction and the ongoing Regulatory matters in the USA, and the division was comprehensively restructured in the first half of 2016. Accordingly, of the initial £5m of annualised operating cost savings, most were achieved by premises and staffing rationalisation in this division leading to a significantly reduced cost base, including the disposal of the leasehold interests in New York and London in order to accommodate a more realistic sales budget.

Interiors was first to enter the restructuring phase, in January 2016, and the division has recently stabilised at the operating level, will move into the new Pall Mall premises before the end of the year and management is hopeful that, as the effects of the cost-cutting come through, it will be better positioned to trade profitability by the end of the financial year.

Operating Review

	12 months to 31 March 2016 Sales £'000	2016 Profit £'000	12 months to 31 March 2015 Sales *restated* £'000	2015 Profit *restated* £'000
Investments	22,447	1,151	20,628	4,604
Philatelic	7,545	(113)	9,394	984
Publishing	3,039	320	2,937	773
AH Baldwin	8,213	1,987	9,204	2,532
Interiors	16,961	(7,545)	14,861	1,135
Other	932	(1,819)	3,022	(1,146)
Corporate overheads	–	(3,734)	–	(3,228)
Finance charges	–	(392)	–	(255)
Trading sales and Profits	59,137	(10,145)	60,046	5,399
Amortisation of customer lists	–	(364)	–	(360)
Pension service and share option charges	–	(437)	–	(518)
Finance charges related to pensions	–	(176)	–	(170)
Exceptional operating charges	–	(17,769)	–	(2,530)
Group total sales and (loss)/profit before tax	59,137	(28,891)	60,046	1,821

Overview

Group turnover for the year ended 31 March 2016 was £59.1m (2015: £60.0m as restated) turnover was £0.9m, 2% lower than the prior year.

The gross margin percentage for the year ended 31 March 2016 was 40.3% (2015: 51.5% as restated).

Trading losses, before accounting adjustments including exceptional operating charges and finance charges related to pensions, were £10.1m for the year ended 31 March 2016 (2015: trading profit of £5.4m as restated). The substantial decline in trading profits compared to the prior year was the result of a decline in trading performance in all trading divisions in the Group, particularly investments, philatelic trading and retail operations and the Interiors division (comprising Mallett Antiques and Dreweatts & Bloomsbury Auctions).

Philatelic and investment trading performance suffered from a material reduction in revenues generated from sales of high value philatelic rarities to high net worth clients compared to the prior year. The Interiors division experienced a very challenging second half trading during a period of substantial restructuring and reorganisation.

Loss before tax for the year ended 31 March 2016 was £28.9m (2015: profit before tax of £1.8m as restated). Losses incurred in the year can broadly be attributed to the expenditure on the development of the online marketplace of £2.0m and exceptional charges of £24.0m relating primarily to the write-off of The Marketplace and the impairment of goodwill arising from historic acquisitions.

Investments

Investments sales were £1.8m (9%) higher than last year with profit contribution down by £3.5m (75%).

Our offices in Asia (Hong Kong and Singapore) experienced a strong second half performance following a difficult first half contributing sales for the year of £3.4m (2015: £2.3m). The recovery in trading performance in the second half of the year vindicates our strategy to continue to focus on high-value investment sales business.

Philatelic Trading and Retail Operations

Philatelic trading and retail sales were £1.8m (20%) lower than last year with profit contribution down by £1.1m (111%).

The decline in sales was primarily in the GB stamp market where sales continue to be sluggish.

Publishing and Philatelic Accessories

Publishing and philatelic accessory sales for the year ended 31 March 2016 were £0.1m (3%) higher although profit contribution was down by £0.5m (59%).

The reduction in profit contribution, despite increased sales, was due to lower gross margins, following the decision to outsource distribution of a substantial proportion of our catalogues, albums and accessory stock ranges at the beginning of the financial year. The full cost savings from outsourcing have not yet been fully realised and further overhead reductions planned will increase profit contribution in subsequent financial periods. As a result of outsourcing, the cost of inventories of catalogues, albums and accessories reduced from £1.2m at 31 March 2015 to £0.3m at 31 March 2016.

A H Baldwin

Sales of coins and military medals, through Baldwin's, for the year ended 31 March 2016 were £1.0m (11%) lower and profit contribution was down by £0.5m (22%).

The second half trading performance of Baldwin's suffered to some extent as a result of the unexpected resignation of its Managing Director, who left the business in November 2015 and has now been replaced. Trading performance was specifically held back by lower levels of auction consignments compared to the prior year, but still delivered a reasonable trading performance through stronger retail and trade sales, reflecting the strength of the market for rare coins at this time.

Interiors

Sales of antiques and other collectibles for the year ended 31 March 2016 were £17.0m (2015: £14.9m) incurring a loss of £7.5m (2015: profit of £1.1m). This deterioration was mainly caused by restructuring and exceptional costs mainly through the areas highlighted below.

Dreweatts & Bloomsbury results were lower than anticipated during a period of substantial restructuring and the departure of senior executives within the team. As part of the fundamental review of this part of the business, the fixed cost base has been substantially reduced in terms of salary and property costs to enable the business to operate profitably on reduced forecast revenue assumptions.

The Mallett business underwent a fundamental restructuring in the year, including the departure of the executives and senior management team. Similarly to Dreweatts & Bloomsbury, the fixed cost base has been substantially reduced and there is now a credible business plan in place, which is based on a significantly scaled back business and revenue assumptions.

Corporate Overheads

Corporate overheads for the year ended 31 March 2016 were £3.7m (2015: £3.2m). Corporate overheads include Board costs, executive management and support functions in managing the Group including Finance, HR, Marketing

and Customer Services. Corporate overheads will be materially lower going forward following completion of restructuring plans.

Other Accounting Adjustments & Finance Charges related to pensions

Pension service and share option charges, amortisation of customer lists and finance charges related to pensions for the year ended 31 March 2016 were £0.9m (2015: £1.0m). In the opinion of the Directors, such accounting charges do not form part of the operating performance of the Group.

Exceptional Operating Charges

Exceptional operating charges/(income) can be further analysed as follows:

	Year ended 31 March 2016 £'000	**Year ended 31 March 2015 £'000**
Impairment of intangible assets	13,895	–
Marketplace intangible asset written off	5,986	–
Loss on sale of business	–	2,331
Pension scheme (recovery)/costs	(1,968)	895
Professional fees for corporate activity	819	1,161
Restructuring costs	1,156	–
Stock provisions	1,373	225
Profit on disposal of tangible fixed assets	(189)	(1,543)
Deferred consideration	–	(363)
Impairment of tangible fixed assets	230	–
Impairment of receivables	1,618	500
Other exceptional operating charges	–	49
Legal costs in relation to SEC investigation	1,074	–
	23,994	3,255

The exceptional income of £2.0m recognised in the year relates to the net recovery settlement in respect of legal action against the professional advisers of the Company's defined benefit pension scheme.

The impairment of intangibles comprises Baldwins (£11.0m), Apex (£1.5m goodwill, £0.1m brands and £0.1m customer list) Bid for Wine (£0.2m) and Mallett customer lists and computer software (£0.8m).

As an integral element of the fund raising completed in March 2016, the Board initiated a rationalisation exercise as part of a review of the Group's fixed cost base and effective utilisation of properties and other resources. Exceptional one-off restructuring costs incurred in the year were £1.2m.

Clive Whiley
Director

3 October 2016

Statement of Financial Position

As previously highlighted, there have been several historic and current year accounting adjustments required to be processed in these accounts. The impact of these adjustments on the consolidated net assets is summarised below.

	31 March 2016 £'000
Adjustment due to incorrect revenue recognition – previous years	(15,892)
Adjustment due to incorrect revenue recognition – current year	679
Adjustment to correct incorrect fair value calculation for Mallett	974
Impairment of goodwill and customer list of Noble Group	(13,895)
Marketplace intangible asset written off	(5,986)
Stock higher than net realisable value, and written off	(1,373)
Provisions against historic bad debts	(1,618)
	(37,111)
Consolidated net assets before adjustment listed above	75,503
Final consolidated net assets as at 31 March 2016	38,392

The total adjustments of £37.1m include £19.9m of intangible assets write-downs. The net assets at the balance sheet date of £38.4m equates to 81p per share. On the 1 April, immediately after the issue of new shares and the receipt of the net proceeds of £12.4m, the net assets per share were 22p.

Despite these adjustments the Group continues to own some valuable assets. Apart from the heritage brands, which are not wholly recognised within the balance sheet, as only acquired brands can be recognised, the most significant asset of the Group is its stock which is summarised below.

	31 March 2016 £'000	31 March 2015 *restated* £'000
Philatelic rarities	44,019	50,839
Philatelic stock (general)	4,973	4,226
Coins and medals	6,987	6,553
Autographs, historical documents and related memorabilia	3,027	5,397
Antiques	2,472	4,807
Publications, albums and accessories	326	1,226
	61,804	73,048

Cash Resources

As at the balance sheet date the Group had a net overdraft facility of £6.0m, a short term loan of £0.1m, a revolving credit facility of £10.0m (the "RCF") and an additional loan facility of £9.0m, totalling £25.1m. At the same date the utilised amounts were £5.0m, £0.1m, £8.0m and £9.0m respectively totalling £22.1m.

On the 1 April 2016 the Company received net proceeds from the issue of new shares of £12.4m and £5.0m was applied in repaying the overdraft facility that was subsequently cancelled.

In June 2016 the Group sold a leasehold property for £2.5m and part of these proceeds were used to repay the £9.0m loan facility, which subsequently remained at £8.3m.

As at 27 September 2016 the Group had £1.1m of headroom on the £10.0m revolving credit facility and the loan A Facility was £8.3m.

Following the reduction in the Group's net assets as detailed above the bank covenant relating to net assets, which was a minimum of £75.0m has now been reduced to £40.0m. Whilst the net assets in the balance sheet as at 31 March were £38.4m, the share issue in April 2016 increased this figure by approximately £12.4m so this covenant will be met. The other covenants in the bank facilities relate to stock cover ratios and our forecast show these will continue to be met for the foreseeable future.

Finance costs

Finance costs of £611,000 (2015: £428,000) comprise loan interest and charges on the finance facilities with RBS of £435,000 (2015: £258,000) plus a cost of £176,000 (2015: £170,000), representing the interest on net defined benefit liabilities under IAS19 (Amendment) "Employee Benefits".

Taxation

The tax charge for the year to 31 March 2016 (excluding deferred taxation & capital gains tax) was £0.3m (2015: £0.4m) incurred on UK and overseas profits. Profits from Channel Island trading companies are currently subject to tax at 0%.

Dividend

In light of current trading and liquidity considerations, the Board is not proposing the payment of a dividend in respect of the year ended 31 March 2016 (2015: 5.00p).

Prior year adjustment

These financial statements reflects two prior year adjustments, one in respect of the incorrect fair value exercise on the acquisition of Mallett reflected in the previous year's financial statements and one in respect of the previously highlighted issues regarding the treatment of revenue for some investment products. Details of these prior year adjustments are detailed in note 31 a and b.

Accounting Policies

Accounting policies are detailed in Note 1 to the Financial Statements on pages 36 to 44.

Andrew Cook
Chief Finance Officer

3 October 2016

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

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

Audit Committee

The Audit Committee comprises only independent Non-Executive Directors. Following the resignation of C S Jones as a Director on 13 September 2016 the Board has resolved to vest, as a temporary measure, the powers of the Audit Committee in M P Magee, the sole independent Non-Executive Director and Chairman of the Audit Committee, until further non-executive appointments to the Committee are made.

The Committee met four times during the period since approval of the previous financial statements. It has written terms of reference, which were updated in March 2014, setting out its responsibilities that include:

- monitoring the financial reporting process, the integrity of the company's financial statements and announcements relating to financial performance and reviewing significant financial judgements contained in them;
- keeping under review the company's internal controls and risk management systems;
- considering annually the need for a separate internal audit function and making recommendations to the Board;
- making recommendations to the Board regarding the appointment, re-appointment or removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; and
- reviewing and monitoring the external auditor's independence and the effectiveness of the audit process.

In addition, following the publication of the revised version of the UK Corporate Governance Code, the Board requested that the Committee advise them on whether they believe the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy. M P Magee has concluded that this is the case and has reported this to the Board.

As announced on 23 February 2016, BDO Limited were appointed as auditors following the resignation of Smith & Williamson Audit Limited because they considered the risks and uncertainties associated with the audit to exceed the level that they were willing to accept.

Non-audit services are reviewed on a case by case basis and also in terms of materiality of the fee. Note 4 to the Financial Statements details the quantum and split of auditor fees.

In the course of its work the Audit Committee meets with the external auditors and reviews the reports from them relating to the financial statements. It also reviews the likely significant issues in advance of publication both of the half and full year results and in particular any critical accounting judgements identified by both the Company and the external auditors most of which are disclosed in Note 2 to the Financial Statements (Critical Accounting Estimates and Judgements).

A number of significant accounting policy changes and balance sheet adjustments were applied in arriving at the final figures in the financial statements and these have been extensively covered elsewhere in this document.

Nomination Committee

A separate Nomination Committee is in operation. It comprises the Executive Chairman and a Non-Executive Director. The committee considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition. A Company wide policy exists on diversity. The board recognises such benefits of and will continue to appoint Executive and Non-Executive Directors to ensure diversity of background and on the basis of their skills and experience.

Members of the Nomination Committee at the date of this report were HG Wilson and M P Magee.

Report on Remuneration

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

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

Members of the Remuneration Committee at the date of the report were M P Magee and HAJ Turcan.

M P Magee is a shareholder and H A J Turcan is employed by Henderson Group plc, a significant shareholder in the Company. Neither of the members of the committee have day to day involvement in the running of the business.

Policy on Executive Directors' Remuneration

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

The Committee has given full consideration to the provisions of Schedule A of the UK Corporate Governance Code.

Options

Executive Share options are granted to Directors and other employees on a phased basis. The value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term.

Options granted under the Group Share Option Plan 2010, Inland Revenue approved 2000 UK Executive Share Option Scheme and the 2000 Jersey Executive Share Option Scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied.

Options issued in 2010 had the target of a minimum EPS of 17.3 pence for the year ended 31 December 2012. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21.5 pence is achieved.

Options issued in 2011 had the target of a minimum EPS of 19.2 pence for the year ended 31 December 2013. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 22.7 pence is achieved.

Options issued in 2012 had the target of a minimum EPS of 21.8 pence for the year ended 31 December 2014. 25% of the granted options vest if this target is reached rising on a straight line basis to 100% of options granted to vest if an EPS of 25.7 pence is achieved.

Options issued in 2014 require that the Company's compound average Total Shareholder Return ("TSR") growth over the performance period must match or exceed 8% per annum. The options shall vest over a number of shares determined as follows:

Compound average annual TSR growth over the performance period	*Percentage of Option which vests (with straight line vesting between each point)*
Less than 8%	0%
8%	25%
15% or more	100%

On 30 September 2014 the following members of the Company's Board were granted nil cost options awards over ordinary shares of 1 pence each ("Ordinary Shares") under the Stanley Gibbons Group plc Value Creation Plan (the "**VCP**") as noted below:

Executive Director	**Maximum number of Ordinary Shares under option**
Michael Hall	559,174
John Byfield	559,174
Donal Duff	372,782

Under the terms of the VCP, the number of Ordinary Shares comprised within the awards that shall vest (if any) will ordinarily be determined based on the level of total shareholder return ("**TSR Growth**") achieved over a three year performance period (that commenced on the grant of the awards) in excess of a threshold level of TSR Growth of 7% per annum.

To the extent an award vests it shall be deemed to comprise three distinct tranches ("**Tranche A**", "**Tranche B**" and "**Tranche C**") each relating to a distinct one-third of the total number of vested Ordinary Shares (if any) determined for the award. The earliest dates from which each tranche may ordinarily become exercisable are as follows:

- in respect of Tranche A, the later of the date on which the number of vested Ordinary Shares subject to the award is determined and the third anniversary of the grant date;
- in respect of Tranche B, the fourth anniversary of the grant date; and
- in respect of Tranche C, the fifth anniversary of the grant date.

Once a tranche becomes exercisable, it shall ordinarily remain exercisable until the eve of the sixth anniversary of the grant date of the awards.

Awards shall ordinarily be forfeited prior to vesting in the event of the grantee's departure from the Company, subject to the terms of the VCP.

No consideration was paid for the grant of the awards and no consideration is due on the vesting and/or exercise of the awards.

An incentive plan for certain senior executives within the Interiors Division (defined as The Fine Art Auction Group Limited and its subsidiaries) was adopted by the Board on 2 February 2015 with grants subsequently made on 4 February 2015. Vesting of awards is dependent on the achievement of a performance condition over a performance period commencing on 1 April 2015 and ending on 31 March 2020 or under shorter period as may apply under the performance condition.

Bonuses

Directors are awarded annual bonuses calculated on the basis of defined criteria relating to Group performance compared to prior year and budget and other specific objectives which contribute to growth in earnings per share, cash generation and return on capital employed.

Other benefits

The Company Secretary is a member of the Group's defined benefit pension scheme, which is now closed. During the year contributions were paid on behalf of M Hall and D Duff to defined contribution schemes.

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

Service contracts

No Director has a notice period exceeding twelve months.

Directors' Remuneration

For each Director remuneration for the year to 31 March 2016 can be analysed as follows:

	2016 Salary & Fees £'000	2016 Performance Related Bonus £'000	2016 Other Benefits £'000	2016 Pension Contributions £'000	2016 Total £'000	2015 Total £'000
M Bralsford	60	–	–	–	60	59
M Hall	275	–	1	27	303	296
D Duff	182	–	3	18	203	202
J Byfield*	88	–	3	10	101	283
M Magee	35	–	–	–	35	35
S Perreé	35	–	–	–	35	44
C Jones	35	–	–	–	35	35
I Goldbart*	–	–	–	–	–	184
	710	–	7	55	772	1,138

* Relates to period of employment as a Director.

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry date	Exercise Price (1p shares)	Number at 31 March 2015	Granted in period	Exercised in period	Forfeited in period	Number at 31 March 2016
M Hall	4/5/12**	4/5/15	3/5/22	227.50p	144,736	–	–	(144,736)	–
	27/1/14**	27/1/17	26/1/24	363.00p	137,741	–	–	–	137,741
	10/4/14**	10/4/17	10/4/24	316.50p	157,977	–	–	–	157,977
	30/9/14***	See Pg 18	See Pg 18	See Pg18	559,174	–	–	–	559,174
D Duff	27/1/14**	27/1/17	26/1/24	363.00p	97,796	–	–	–	97,796
	10/4/14**	10/4/17	10/4/24	316.50p	112,164	–	–	–	112,164
	30/9/14***	See Pg 18	See Pg 18	See Pg18	372,782	–	–	–	372,782
I Goldbart*	27/1/14**	27/1/17	26/1/24	363.00p	110,192	–	–	(110,192)	–
	10/4/14**	10/4/17	10/4/24	316.50p	126,382	–	–	(126,382)	–
	30/9/14***	See Pg 18	See Pg 18	See Pg18	372,782	–	–	(372,782)	–
J Byfield*	27/1/14**	27/1/17	26/1/24	363.00p	90,909	–	–	–	90,909
	10/4/14**	10/4/17	10/4/24	316.50p	104,265	–	–	–	104,265
	30/9/14***	See Pg 18	See Pg 18	See Pg18	559,174	–	–	–	559,174
					2,946,074	–	–	(754,092)	2,191,982

* Relates to period of employment as a Director.
** Options granted under Group Share Option Plan 2010.
*** Options granted under the Stanley Gibbons plc Value Creation Plan

The market price of the Company's shares at 31 March 2016 was 18.5p and the range of market prices during the twelve month period was between 15.5p and 273p.

Directors' Report

for the year ended 31 March 2016

The Directors present their report and the consolidated audited financial statements for the year ended 31 March 2016.

Incorporation

The Company was incorporated in Jersey, Channel Islands on 13 June 1977.

Directors' responsibilities for the financial statements

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

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

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

The maintenance and integrity of the Stanley Gibbons web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

Legislation in Jersey governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

In so far as each of the Directors is aware:

- There is no relevant audit information of which the Group's auditors are unaware; and
- Each of the Directors have taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Principal activities

The principal activities of the Group are those of trading in collectibles, dealing in antiques and works of art, auctioneering, the development and operation of collectible websites, philatelic publishing, mail order, retailing, and the manufacture of philatelic accessories.

Business review

Included within this report is a fair review of the business of the Group during the year ended 31 March 2016 and the position of the Group at the end of the year. This review is contained in the Chairman's Statement on pages 3 to 5 and the Operating and Financial Review on pages 14 to 18. Key Performance Indicators and a description of the principal risks and uncertainties are referred to below

Principal risks and uncertainties

The principal risks faced by the Group, together with the controls in place to manage those risks, are documented by the Executives, Senior Management team, Audit Committee and wider Board and are regularly reviewed throughout the period.

Investment Products

The Group is aware of the potential risk in connection with a commitment to buy-back in the future certain assets sold under collectible investment contracts in previous accounting periods. The Group therefore bears the risk in the event that the underlying assets go down in value during the contract period and continually monitors it. Based on the level of quality and rarity of the assets held under such contracts, and from historic pricing evidence over the past 50 years, the Directors are of the opinion that the risk of the assets going down materially in value in the future is slight.

Further details on investment products containing buy back guarantees is provided in note 1 'Accounting policies and presentation' in the Revenue section.

Competition

The Group's markets are extremely competitive, with threats from other dealers, auctioneers and online marketplaces. The Group combats this risk by maintaining strong client relationships, continued monitoring of competitor activity and a focus on client service.

Key Personnel

The knowledge and expertise of the Group's specialists is critical to maintaining the Group's reputation and success. Accordingly the Group is highly dependent on attracting and retaining appropriately qualified personnel. The Group manages this risk by ensuring that remuneration is benchmarked against market rates to ensure that it is competitive and providing appropriate support and training.

Key Clients

A number of the Group's high value sales are made to a relatively small number of existing key clients. The Group manages this risk by maintaining strong client relationships, focussing on client service and ensuring that it maintains an inventory of highly attractive items.

Stock Valuation

The market in rare stamps, coins, other collectibles and antiques is not a highly liquid trading market. As a result, the realisable value of inventory is relatively subjective and may fluctuate over time. The Group's management keeps a close eye on market conditions and on a periodic basis we consult external parties in our consideration of the carrying value of our inventories.

Retirement Benefit Pension Obligations

Future costs and obligations relating to the Group's defined benefit pension schemes are significantly influenced by changes in interest rates, investment performance and actuarial assumptions, each of which is unpredictable. Actuarial valuations are carried out every three years with a recovery plan agreed with the Trustees.

Key Performance Indicators (KPIs)

The Directors manage the business on a monthly cycle of management reports and information combined with weekly sales and margins reporting. A monthly information pack is provided to the Board incorporating individual reports from each of the executive committee members and commentary on key performance indicators. Appropriate matters are summarised and appropriate decisions made at Board meetings. Key performance measures are disclosed and discussed in the Operating Review on pages 14 to 16.

The diverse nature of the Group's activities dictates that specific financial and non financial performance indicators and reporting templates are in place unique to each department to enable the successful management of each operating division. Examples of some of the most important KPIs used in this reporting environment are:

- Sales and gross margins compared to last year and budget
- Overhead variations against budget
- Personnel and resource matters (eg. performance, attendance and training)
- New customers recruited and marketing response rates
- Value of stock purchases and stock levels at the end of each month against budget
- Website visitor activity statistics

Results and dividends

The consolidated statement of comprehensive income of the Group for the year ended 31 March 2016 is set out on page 32. The Directors do not recommended a final dividend for the year ended 31 March 2016 (year ended 31 March 2015: 1.75p).

Directors

The following Directors have held office since 1 April 2015:

D M Bralsford	(resigned 14 July 2016)
M R M Hall	(resigned 14 July 2016)
D P J Duff	(resigned 14 July 2016)
J Byfield	(resigned 17 September 2015)
M P Magee (Non-Executive)	
S Perrée (Non-Executive)	(resigned 14 July 2016)
C S Jones (Non-Executive)	(resigned 13 September 2016)
C P Whiley	(appointed 31 March 2016)
H G Wilson	(appointed 16 May 2016)
H A J Turcan (Non-Executive)	(appointed 23 May 2016)
A Cook	(appointed 14 July 2016)

M Bralsford, M Magee, S Perrée & C Jones were/are considered to be Independent in accordance with the principles of the UK Corporate Governance Code.

Biographical details of the current Directors are given on pages 78 and 79.

Directors' interests

The interests of the Directors in the shares of the Company, all of which are beneficial, at 31 March 2016 together with their interests at 31 March 2015 were:

	Ordinary 1p Shares 31 March 2016	**Ordinary 1p Shares 31 March 2015**
D M Bralsford	182,800	182,800
M R M Hall	227,648	227,648
D P J Duff	100,000	100,000
M P Magee	9,456	9,456
S Perreé	52,400	52,400
CS Jones	Nil	Nil
CP Whiley	Nil	Nil

Since the year end Zodiac Executive Pension Scheme, of which C P Whiley is a beneficiary, acquired 500,000 ordinary shares on 1 April 2016 under the Firm Placing.

HG Wilson held 2,000,000 ordinary shares in the name of Park Securities Limited for Roselea Limited, both companies in which he is a director and shareholder, at his appointment as a Director on 16 May 2016.

HAJ Turcan does not have any beneficial interest in the ordinary shares of the Company. Henderson Group plc, Mr Turcan's ultimate employer, holds 52,173,987 ordinary shares, representing 29.16% of the Company's issued share capital.

Details of the Directors' share options are given in the Remuneration Report on page 23.

Apart from service contracts and the transactions referred to in note 29 of the financial statements, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Research and development

Costs associated with research and development relate to internal web development work in the creation of an online collectibles marketplace. Research and development costs are capitalised in the year incurred and are disclosed under the heading 'Computer Software' in note 11.

Financial Risk Management

The Group principally finances its operations through the generation of cash from operating activities and has no interest rate exposure on financial liabilities except those disclosed in note 28. Liquidity risk is managed through forecasting the future cash flow requirements of the business. Further disclosure on the company's financial risk management can be found in note 16 (Provision for impairment of receivables and collateral held) and note 28 (Financial instruments).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 14 to 16. The financial position of the Group, its cash resources and borrowing facilities are described in the Financial Review on page 17. In addition note 21 and note 28 in the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The Group's forecasts shows that it will remain in compliance with its banking covenants for the foreseeable period and that it will have access to sufficient liquidity. However the forecasts are dependent upon the liabilities and contingent liabilities, particularly in relation to investment plans redemption profiles, not materialising at a level greater than forecast and trading improving from its current level in line with management's expectations. In the event that either liabilities increased or trading failed to improve, it is likely that the Group would find itself in breach or likely breach of its banking covenants and require access to additional liquidity.

The Directors acknowledge that the above risks may be considered material uncertainties which could cast significant doubt on the Group's ability to continue as a going concern. However the Directors have anticipated a number of mitigating courses of actions, including accelerated asset sales, further cost cutting measures, actively pursuing overdue debt and ultimately they believe that if necessary the company would have the support of alternative capital providers whether it be equity or debt or a combination of both.

As such, having regard to the matters above, and after making reasonable enquiries and taking account of uncertainties discussed above, the Directors have a reasonable expectation that the Company and the Group have access to adequate resources to continue operations and to meet its liabilities, as and when they fall due, for the foreseeable future. For that reason, they continue to adopt the going concern basis in the preparation of the accounts.

Intangible Assets

Except for those acquired in the Noble & Mallett acquisitions, no value is attributed in the Statement of Financial Position to the Group's brand names, the value of the Stanley Gibbons stamp referencing system, editorial intellectual property or its database of customer lists as an accurate valuation of these items would be impractical to establish and the capitalisation of internally generated assets is not allowed under IAS38. External costs incurred in the development of the software for the Digital Asset Management system and the redevelopment of the Group's websites have been capitalised and are being amortised in accordance with IAS38.

Substantial Shareholdings

As at 28 September 2016, the Company had been notified of the following interests in 3% or more of its issued share capital:

Henderson Group plc	29.16%
Richard Griffiths and controlled undertakings	6.71%

Purchase of Own Shares

The Company did not purchase any of its shares for cancellation during the year. The Company has authority to purchase up to 15% of its own shares. A resolution to renew this authority will be proposed at the AGM.

Employees

The Group's policy is to provide equal opportunities to all present and potential employees. The Group gives full consideration to applications for employment from disabled persons and where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions.

The Group operates an annual performance review system with employees to discuss performance against agreed objectives and career development.

The Group believes in respecting individuals and their rights in the workplace. With this in mind, specific policies are in place covering harassment and bullying, whistle-blowing, equal opportunities and data protection.

Secretary

Mr R K Purkis has been secretary for the entire year ended 31 March 2016.

Auditors

Nexia Smith & Williamson Audit Limited resigned as auditors on 10 February 2016 and BDO Limited were appointed by the Directors in their place. BDO Limited have expressed their willingness to continue as auditors and a resolution to reappoint them as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the AGM.

By order of the board

Registered office:
2nd Floor
Minden House,
Minden Place
St Helier, Jersey
JE2 4WQ

R K Purkis
Secretary

3 October 2016

Independent Auditor's Report to the Members of The Stanley Gibbons Group Plc

We have audited the consolidated financial statements (the "financial statements") of The Stanley Gibbons Group plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Basis for qualified opinion on the consolidated financial statements

In seeking to form an audit opinion on the financial statements, the audit evidence available to us was limited due to us being unable to obtain the necessary information prior to the date of signing the financial statements in accordance with management's imposed deadline:

- In respect of stock, we were unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of stock with a carrying value of £1.0 million consisting of all of the stock at Murray Payne Limited with a carrying value of £0.6 million and Mallett Inc. with a carrying value of £0.4 million, within the total carrying value of stock of £61.8 million.

- In respect of trade receivables, we were unable to obtain sufficient appropriate audit evidence in respect of the recoverability of trade receivables with a carrying value of £1.9 million. This consists of trade receivables in The Fine Art Auction Group Limited with a carrying value of £1.2 million, trade receivables in Mallett & Son (Antiques) Limited with a carrying value of £0.5 million and trade receivables in H J Hatfield & Sons Limited with a carrying value of £0.2 million, within the total carrying value of trade receivables of £12.9m.

- In respect of prepayments and accrued income having a total carrying value of £1.7 million, we were unable to obtain sufficient appropriate audit evidence over the recoverability of an amount of £0.2m within Mallett & Son (Antiques) Limited.

- In respect of revenue, we were unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of £7 million of revenue recorded in The Fine Art Auction Group Limited and £0.5 million recorded in Stanley Gibbons Limited, within the total Group revenue of £59.1 million.

- In respect of Bid for Wine Limited, which was acquired by the Group during the year, we were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of the amounts disclosed in note 30 in respect of the assets and liabilities acquired and the revenue and expenditure in the period to 31 March 2016.

- In respect of the contingent liabilities arising from investment products that were sold previously as disclosed in note 27a, we were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of the Director's assessment of the contingent liability being £64.3m.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The Group has reported a net loss for the financial year of £29.3 million. This, together with the other matters explained in note 2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of the Group's loss for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the matters identified above in the Basis of Qualified opinion paragraph:

- we have not received all the information and explanations we require for our audit; and

- we were unable to determine whether proper accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper returns adequate for our audit have not been received from branches not visited by us; and

- the financial statements are not in agreement with the accounting records and returns.

Philip Braun
For and on behalf of BDO Limited
Chartered Accountants
Jersey, Channel Islands
3 October 2016

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 Restated £'000
Revenue	1, 3	59,137	60,046
Cost of sales		(35,304)	(29,108)
Gross Profit		23,833	30,938
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(4,808)	(3,768)
Defined benefit pension service costs	26	194	(368)
Exceptional operating charges	5	(23,994)	(3,255)
Total administrative expenses		(28,608)	(7,391)
Selling and distribution expenses		(23,544)	(21,302)
Operating (loss)/profit	4	(28,319)	2,245
Finance income		39	4
Finance costs	28	(611)	(428)
(Loss)/profit before tax		(28,891)	1,821
Taxation	8	(403)	(1,099)
(Loss)/profit for the financial year		(29,294)	722
Other comprehensive income:			
Amounts which may be subsequently reclassified to profit & loss			
Exchange differences on translation of foreign operations		89	(165)
Revaluation of financial assets for sale		(58)	(109)
Reclassification of realised loss on disposal		68	–
Amounts which will not be subsequently reclassified to profit & loss			
Revaluation of reference collection	12	22	–
Actuarial gains/(losses) recognised in the pension scheme	26	132	(1,074)
Tax on actuarial gains/(losses) recognised in the pension scheme		121	178
Other comprehensive income/(loss) for the year net of tax		374	(1,170)
Total comprehensive (loss)/income for the year		(28,920)	(448)
Basic earnings per Ordinary share	10	(62.17)p	1.54p
Diluted earnings per Ordinary share	10	(62.17)p	1.47p

Total comprehensive income is attributable to the owners of the parent.

The notes on pages 36 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 Restated £'000	1 April 2014 Restated £'000
Non-current assets				
Intangible assets	11	19,631	37,846	32,571
Property, plant and equipment	12	4,916	7,974	6,294
Deferred tax asset	20	1,929	2,120	1,016
Available for sale financial assets		–	1,364	1,473
		26,476	49,304	41,354
Current Assets				
Inventories	13	61,804	73,048	63,999
Trade and other receivables	14	15,574	19,604	14,144
Assets held for sale	15	2,545	1,800	–
Current tax receivable		–	–	135
Cash and cash equivalents		1,542	–	9,499
		81,465	94,452	87,777
Total assets		107,941	143,756	129,131
Current liabilities				
Trade and other payables	17	30,409	31,991	19,858
Deferred consideration		–	–	2,153
Borrowings	19	5,159	2,522	276
Current tax payable		392	569	–
		35,960	35,082	22,287
Non-current liabilities				
Other payables	18	9,802	24,368	33,546
Retirement benefit obligations	26	5,222	5,816	3,285
Borrowings	19	16,788	9,173	528
Deferred tax liabilities	20	1,777	1,831	760
		33,589	41,188	38,119
Total liabilities		69,549	76,270	60,406
Net assets		38,392	67,486	68,725
Equity				
Called up share capital	21	471	471	466
Share premium account	23	63,682	63,682	62,565
Shares to be issued		–	–	209
Share compensation reserve	23	1,448	798	648
Capital redemption reserve	23	38	38	38
Revaluation reserve	23	276	244	353
Retained earnings	23	(27,523)	2,253	4,446
Equity shareholders' funds		38,392	67,486	68,725

The financial statements on pages 32 to 77 were approved by the board of Directors on 3 October 2016, were authorised for issue on that date and were signed on its behalf by:

H G Wilson
A Cook *Directors*

The notes on pages 36 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Called up share capital £'000	Share premium account £'000	Shares to be issued £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2015	471	63,682	–	798	244	38	2,253	67,486
(Loss)/profit for the financial year	–	–	–	–	–	–	(29,294)	(29,294)
Amounts which may be subsequently reclassified to profit & loss								
Exchange differences on translation of foreign operations	–	–	–	–	–	–	89	89
Revaluation of financial asset	–	–	–	–	(58)	–	–	(58)
Reclassification on sale of financial asset	–	–	–	–	68	–	–	68
Amounts which will not be subsequently reclassified to profit & loss								
Revaluation of reference collection	–	–	–	–	22	–	–	22
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	–	253	253
Total comprehensive income/(loss)	–	–	–	–	32	–	(28,952)	(28,920)
Dividends	–	–	–	–	–	–	(824)	(824)
Cost of share options	–	–	–	650	–	–	–	650
Share options exercised	–	–	–	–	–	–	–	–
At 31 March 2016	**471**	**63,682**	**–**	**1,448**	**276**	**38**	**(27,523)**	**38,392**
At 1 April 2014 – as previously stated	466	62,565	209	648	353	38	19,666	83,945
Prior year adjustment (see note 31 b)	–	–	–	–	–	–	(15,220)	(15,220)
At 1 April 2014 – restated	466	62,565	209	648	353	38	4,446	68,725
Profit for the financial year	–	–	–	–	–	–	722	722
Amounts which may be subsequently reclassified to profit & loss								
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(165)	(165)
Revaluation of financial asset	–	–	–	–	(109)	–	–	(109)
Amounts which will not be subsequently reclassified to profit & loss								
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	–	(896)	(896)
Total comprehensive income	–	–	–	–	(109)	–	(339)	(448)
Dividends	–	–	–	–	–	–	(3,385)	(3,385)
Cost of share options	–	–	–	150	–	–	–	150
Adjustment to fair value (see note 31 a)	–	–	–	–	–	–	557	557
Adjustment to fair value (see note 31 a)	–	–	–	–	–	–	974	974
Share options exercised	3	541	–	–	–	–	–	544
Shares issued as deferred consideration	2	576	(209)	–	–	–	–	369
At 31 March 2015	**471**	**63,682**	**–**	**798**	**244**	**38**	**2,253**	**67,486**

The notes on pages 36 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Cash outflow from operating activities	24	(5,208)	(7,400)
Interest paid		(611)	(258)
Taxes paid		(322)	(367)
Net cash outflow from operating activities		(6,141)	(8,025)
Investing activities			
Purchase of property, plant and equipment		(888)	(1,442)
Purchase of intangible assets (computer software)		(2,450)	(2,692)
Overdraft acquired with subsidiary		–	(1,190)
Acquisition of business		(218)	(8,615)
Sale of financial asset		1,306	–
Sale of freehold property		466	4,411
Interest received		39	4
Net cash used in investing activities		(1,745)	(9,524)
Financing activities			
Proceeds from issue of ordinary share capital		–	544
Dividends paid to company shareholders	9	(824)	(3,385)
Net borrowings		6,455	9,652
Net cash generated from financing activities		5,631	6,811
Net increase/(decrease) in cash and cash equivalents		(2,255)	(10,738)
Cash and cash equivalents at start of year		(1,239)	9,499
Cash and cash equivalents at end of year		(3,494)	(1,239)

The notes on pages 36 to 77 are an integral part of these consolidated financial statements.

1 Accounting policies and presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards as approved for use in the European Union applied in accordance with the provisions of Companies (Jersey) Law 1991 on a historical cost basis except where otherwise indicated.

The Group is listed on AIM, a market operated by the London Stock Exchange. These financial statements have also been prepared in accordance with AIM Rules.

The company has not prepared separate company accounts, as permitted under Jersey Company Law 1991 Amendment 4 Part 16 (substituted), as consolidated accounts are prepared.

The consolidated financial statements are presented in British Pounds Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

Accounting standards and interpretations adopted during the period

The following Standards and amendments have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2015:

IFRS 10 'Consolidated Financial Statements'
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosure of Interests in Other Entities'
IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
IAS 27 (revised) 'Separate Financial Statements'
IAS 28 (revised) 'Investments in Associates and Joint Ventures'

The adoption of the amendments did not have any impact on the financial statements of the Group for the current period of any prior period and is not likely to affect future periods.

Standards, amendments and interpretations that are effective for periods beginning on or after 1 April 2015 for standards, amendments subject to EU endorsement:

IFRS 9, Financial Instruments, effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement. The standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement

IFRS 15, Revenue from contracts with customers (effective for periods beginning on or after 1 January 2017, subject to EU endorsement)

IFRS 16, Leases (effective for periods beginning on or after 1 January 2019)

IAS 16 and IAS 38 (amended) 'Clarification of Acceptable Methods of Depreciation and Amortisation' – effective for accounting periods beginning on or after 1 January 2016

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact the measurement of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will have an impact on operating leases. Beyond the information above, it is not practicable to provide a reasonable estimation of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

1 Accounting policies and presentation continued

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicated that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable Where the carrying value of an asset exceeds its recoverable amount (i.e the higher of value in use or fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Intangible Assets

Computer software

In accordance with IAS 38, purchased computer software that will generate economic benefit beyond one year is capitalised as an intangible asset and amortised over its expected useful economic life of four years on a straight-line basis. This charge is allocated to administrative expenses in the consolidated statement of comprehensive income. The purchase and development of software related to the Group's websites and the Digital Asset Management system is capitalised and amortised over its expected useful economic life of between five and ten years on a straight line basis.

Brands

In accordance with IAS 38, brands acquired in a business combination are recognised at fair value at the acquisition date. The brands acquired are considered to have an indeterminate life because of their longevity and heritage. As such, these brands are not amortised but are the subject of an annual impairment review.

1 Accounting policies and presentation continued

Trademarks
Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are amortised using the straight line method over their estimated useful life of 8 years.

Customer lists
In accordance with IAS 38, customer lists acquired have been capitalised as an intangible asset and are amortised on a straight line basis over 8 years. Internally generated customer lists are not capitalised or shown as an intangible asset.

Goodwill
Goodwill represents the excess of the costs of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of intangible assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquire plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible assets with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Internally generated goodwill is not recognised as an intangible asset.

Publishing rights
Publishing rights represent the cost paid to third parties to acquire copyright of publications. Publishing rights are not amortised but tested annually for impairment and carried at cost less accumulated impairment losses.

Property, plant and equipment and depreciation

Tangible fixed assets other than the reference collection
Tangible fixed assets, other than the reference collection, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, their purchase price, including any incidental expenses of acquisition. Depreciation is calculated to write down the net book value of tangible fixed assets less their residual value on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

1 Accounting policies and presentation continued

Freehold buildings	2%
Vehicles, plant and machinery	20-25%
Fixtures, fittings, tools and equipment	10-25%
Leasehold improvements	Over period of lease

Freehold land is not depreciated.

Reference collection
Fixed assets include a reference collection of certain stamps & coins held on a long term basis. The reference collection for stamps is subject to a full valuation every five years by a qualified external valuer. The carrying value of the numismatic reference library is revalued each year. Therefore not all the reference collection is valued annually.

Where a reference collection or part of a collection has been revalued the assets will be carried at the revised valuation.

Leased assets
When substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Available for sale financial assets
Available for sale financial assets comprise investments in quoted equity instruments and are measured at level 1 of the fair value hierarchy, as outlined in note 2 below. Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to buy or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets are subsequently carried at fair value. The fair values of quoted investments are determined based upon current bid price.

Changes in the value of securities classified as available for sale are recognised within other comprehensive income.

The balance as at 31 March 2015 relates to an investment in Avarae Global Coins Plc which was disposed of on 18 May 2015.

Assets and businesses classified as held for sale
Assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent re-measurements are included in the statement of comprehensive income. No depreciation is charged on assets and businesses classified as held for sale.

Assets and businesses are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset or business must be available for immediate sale and the sale must be highly probable within one year.

1 Accounting policies and presentation continued

The balance held at 31 March 2016 relates to leasehold properties held with Mallett that were disposed of in June 2016. The balance as at 31 March 2015 relates to the assets of the Benham first day cover business, the Plastic Wax retail business and the general auction business of Dreweatts that were disposed of in May 2016.

Inventories
Inventories are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items.

Due to the nature of collectibles and antiques it is not always practicable to ascertain individual costs for items purchased.

The purchase of stamp, coins and antiques into inventory can be classified in the way in which they are purchased. Some items will be bought on itemised invoices from other dealers and auctioneers. This will be costed based on these invoices. Other items will be purchased via collections or group of assets where a price is determined for the collection. These collections will often be split into individual items and cost is apportioned between the items purchased on the basis of the opinion of the Group's dealers and experts

Work in progress
Work in progress comprises philatelic and other collectible material which has been acquired but which has not yet been described by our philatelic experts and therefore is unavailable for sale at the balance sheet date.

Financial Instruments
Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets
Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised as an exceptional item in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value for the asset is written off against the associated provision.

Cash and cash equivalents comprise cash held by the company and short term bank deposits with an original maturity of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

1 Accounting policies and presentation continued

Financial liabilities issued by the Group are classified in accordance with the contractual arrangements entered into and the definitions of a financial liability.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax relating to charges made directly to equity is recognised in other comprehensive income.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

On consolidation, the results of overseas operations are translated at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening comprehensive income.

Retirement benefits

The Group operates two defined benefit pension schemes. The assets of the schemes are held and managed separately from those of the Group. In accordance with IAS 19 (Amendment) for Employee Benefits, the liability in the statement of financial position represents the present value of the defined benefit obligations at that date less the fair value of plan assets. The defined benefit obligation is calculated periodically by an independent actuary.

Current service costs are recognised in administrative expenses in the statement of comprehensive income. Interest costs on plan liabilities and the expected return on plan assets are recognised in finance charges. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

Pension scheme assets are measured at their market value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are performed by a qualified

1 Accounting policies and presentation continued

actuary on a triennial basis and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately as a non-current asset or liability on the face of the statement of financial position.

Under IAS 19 the retirement benefit obligation is presented gross of deferred tax.

The Group also maintains a number of defined contribution pension schemes. For these schemes the Group has no further obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the statement of comprehensive income in the year when they are due.

Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability of financial asset.

The Group's ordinary shares are classified as equity instruments.

Share options and awards
The fair value of share options and awards granted to certain employees and Directors is recognised as an expense. The total amount to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the options and awards determined at the grant date. The performance conditions (other than market conditions) are reflected in assumptions about the number of options and awards that are expected to become exercisable. The estimate is revised at each reporting date and any adjustments are charged or credited to profit or loss, with the corresponding adjustment to equity.

The proceeds received on exercise of the options are credited to equity.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Revenue
Revenue represents amounts invoiced by the Group in respect of goods sold and services provided during the year falling within the Group's ordinary activities, excluding intra-group sales, estimated and actual sales returns, trade discounts and any applicable value added tax. Revenue from the provision of all goods and services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured.

Sale of goods retail
Revenue from the provision of goods is recognised when substantially all the risks and rewards of ownership of goods have transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are allocated to a customer and that customer has made an irrevocable commitment to complete the purchase.

Sale of goods – Investment contracts
In respect of certain investment products offered by the Group, income is recognised at the point of customer commitment in line with the normal course of trade but not when there is a contractual buyback commitment on the Company as part of the transaction to buy back the products at the full sale price or higher amount. These contracts do not pass the risk or reward of ownership to the customer until the customer accepts stock at the end

1 Accounting policies and presentation continued

of the initial contract term (between 5 and 10 years). At the point where the contract matures the client has options to take a guaranteed cash sum, keep or auction the assets of the contract or reinvest in another of the Group's investment contracts. Until the point of maturity the contractual buyback amount is shown in other payables on the Group's balance sheet and the stock contained in these contracts is reported in the Group's inventory numbers. At maturity, if the customer reinvests or decided to keep the collectible assets the contract is recognised in revenue and the inventory released form the balance sheet.

A number of the Groups previous investment contracts, Guaranteed Minimum Return Contract ("GMRC" and the Capital Protection Growth Plan ("CPGP") both were contracts that had an element of contractual buyback. The contractual buy backs within the CPGPs were at a level of the original purchase price and within the GMRCs were above the purchase price to include a finance charge. This finance charge is recognised in the profit and loss throughout the period of the contract. These contracts were sold between 2005 and 2013 and have resulted in a restatement of prior year earnings relating to open contracts as at April 2014, as described in note 31b). The GMRC and CPGP contracts ceased to be sold in April 2011 and December 2013 respectively.

Investment contracts which transfer the risk and rewards of ownership with the customer are recognised as revenue on completion of the contract. These investment contracts do not offer a full guaranteed return or protection of the principal invested.

Investment products sold in the year under review include Capital Growth Plans (CGP), Flexible Trading Portfolios (FTP), Portfolio Builders (PB) and Personal Managed Funds (PMF). The FTPs and CGPs also include a buy back option of 75% of the Stanley Gibbons catalogue value where appropriate or otherwise market value. The Directors consider that the likelihood of these investment plan holders exercising this right to accept a value lower than market value to be remote.

Investment plans including contractual buy back options at any level ceased to be sold in July 2016.

Sale of goods – auctions

In its role as auctioneer, the Group accepts property on consignment and matches sellers to buyers through the auction process. Following the auction, the Group invoices the buyer for the purchase price of the property (including the commission owed by the buyer), collects payment from the buyer, and remits to the consignor the net sale proceeds after deducting its commissions, expenses and applicable taxes and royalties.

The Groups auction commissions include those paid by the buyer ("buyer's premium") and those paid by the seller (vendors commission") (collectively, "auction commission revenue"), both of which are calculated as a percentage of the hammer price of the property sold at auction.

On the fall of the auctioneer's hammer, the highest bidder becomes legally obligated to pay the full purchase price, which includes the hammer price of the property purchased plus the buyer's premium, and the seller is legally obligated to relinquish the property in exchange for the hammer price less any seller's commissions. Therefore both buyer's premium and vendors commission is recognised on the date of the auction sale upon the fall of the auctioneer's hammer.

The Group is not obligated to pay the consignor for property that has not been paid for by the buyer. If a buyer defaults on payment, the sale may be cancelled, and the property will be returned to the consignor.

1 Accounting policies and presentation continued

The Group's management evaluates the collectability of amounts due from individual buyers. If management determines that it is probable that the buyer will default, a credit note is recorded in the period in which this judgement is made and any commission due to the Group from the buyer and the vendor is reversed.

Further detail of the Group's revenue streams can be found in the operating review on pages 14 to 16.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation to transfer economic resources as a result of past events. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are discounted if the effect of the time value of money is material.

Rental Income

The Group sublets some of its property that it occupies under operating leases. The rental income is recognised on an accruals basis.

2 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 14 to 16. The financial position of the Group, its cash resources and borrowing facilities are described in the Financial Review on page 17. In addition note 28 in the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The Group's forecasts shows that it will remain in compliance with its banking covenants for the foreseeable period and that it will have access to sufficient liquidity. However the forecasts are dependent upon the liabilities and contingent liabilities, particularly in relation to investment plans redemption profiles, not materialising at a level greater than forecast and trading improving from its current level in line with management's expectations. In the event that either liabilities increased or trading failed to improve, it is likely that the Group would find itself in breach or likely breach of its banking covenants and require access to additional liquidity.

The Directors acknowledge that the above risks may be considered material uncertainties which could cast significant doubt on the Group's ability to continue as a going concern. However the Directors have anticipated a number of mitigating courses of actions, including accelerated asset sales, further cost cutting measures, actively pursuing overdue debt and ultimately they believe that if necessary the company would have the support of alternative capital providers whether it be equity or debt or a combination of both.

As such, having regard to the matters above, and after making reasonable enquiries and taking account of uncertainties discussed above, the Directors have a reasonable expectation that the Company and the Group have

2 Critical Accounting Estimates and Judgements continued

access to adequate resources to continue operations and to meet its liabilities, as and when they fall due, for the foreseeable future. For that reason, they continue to adopt the going concern basis in the preparation of the accounts.

Revenue recognition

Within the investment sales are a number of different products. These include GMRCs and CPGPs. One of the options within these products is a contractual buy back option to re-acquire at a level equal to or above the original purchase price. These transactions are considered by management not to meet the criteria for a sale until such time as the underlying items are irrevocably sold. This is because insufficient risk and reward is considered to have passed to the client. For all other sales, including investment plans with guarantee buy-back options at 75% of catalogue or market value, revenue is recognised immediately as the risks and rewards of ownership are deemed to have passed to the buyer.

Retirement benefits

The costs, assets and liabilities of the defined benefit retirement schemes operating within the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 26. The Directors take advice from independent actuaries relating to the appropriateness of the assumptions and challenge the reasonableness and appropriateness of these assumptions before adapting them in these financial statements. It is important to note, however, that comparatively small changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the statement of financial position.

Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Cost comprises all costs of purchase, including auction buyers premium where applicable. Where necessary, provision is made for slow-moving and damaged stock. This provision represents the difference between the cost of the stock and its estimated market value, based upon stock turn rates, market conditions and trends in consumer demand. For rare collectibles and antiques this includes monitoring of sales of similar items and a degree of judgement being applied by our specialists as to the relevance for items held in stock.

Reference Collections

Reference collections of philatelic items are carried at cost or valuation. Where the carrying value is above cost this will be supported by an independent external valuation. If the carrying value is below cost or independent value this will be as a result of a review performed either by external or internal specialists.

Intangible Assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgments which may differ from the actual outcome.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires judgments which may differ from the actual outcome.

The estimates and judgments made in relation to both acquired intangible assets and capitalised development costs, cover future growth rates, expected inflation rates and the discount rate used.

2 Critical Accounting Estimates and Judgements continued

Trade receivables – investment sales

Included within trade receivables are £4.1m (2015 – £5.7m) of investment sales that are on credit terms which expire within the next 12 months. The largest investment balance outstanding at the year end was £1.7m (2015 – £3.6m). In most cases, the recoverability of these balances is dependent on the ability of the investors to realise these or other investment portfolios. The directors are confident that these balances are recoverable but the timing and value of these portfolio sales is currently uncertain. Should the investors be unable to realise their portfolios within the credit period the balances may not be recoverable when they fall due.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

– Level 1: Quoted prices in active markets for identical items (unadjusted)
– Level 2: Observable direct or indirect inputs other than Level 1 inputs
– Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value. Any differences between these valuations would not be material.

3 Segmental Analysis

IFRS 8 requires operating segments to be identified based on internal reporting. Accordingly, the determination of the Group's operating segments is based on the following organisation units for which management accounting information is reported to the Group's management and used to make strategic decisions. The operating units have changed from those disclosed in previous years to ensure they meet this basis and the previous year comparative has been amended accordingly.

- Sale of investment contracts;
- Sale of investment contracts;
- Philatelic trading and retail operations;
- Publishing and philatelic accessories;
- Coins and medals
- Interiors

Interiors encompasses autographs, historical documents, memorabilia, rare books, records, antiques, watches, fine wine, jewellery and Benham first day covers. The activities, products and services of the reportable segments are detailed in the Operating Review on pages 14 to 16.

3 Segmental Analysis continued

Segmental income statement	Investments £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2016							
Revenue	22,447	7,545	3,039	8,213	16,961	932	59,137
Operating costs	(19,281)	(7,658)	(2,669)	(6,074)	(21,041)	(6,740)	(63,463)
Exceptional costs	(2,015)	–	(50)	(152)	(3,225)	(18,552)	(23,994)
Net finance costs	–	–	–	–	(240)	(331)	(571)
Profit/(loss) before tax	1,151	(113)	320	1,987	(7,545)	(24,691)	(28,891)
Tax	–	(37)	–	(36)	(201)	(129)	(403)
Profit/(loss) for the year	**1,151**	**(150)**	**320**	**1,951**	**(7,746)**	**(24,820)**	**(29,294)**
Segmental balance sheet as at 31 March 2016							
Total assets	28,479	17,975	168	29,682	25,974	5,663	107,941
Total liabilities	(24,994)	(10,867)	–	(7,632)	(24,928)	(1,128)	(69,549)
Net assets	**3,485**	**7,108**	**168**	**22,050**	**1,046**	**4,535**	**38,392**
Other segmental items							
Depreciation	–	331	43	94	409	34	911
Amortisation of other intangible assets	–	–	–	–	–	1,002	1,002
Capital expenditure	–	119	–	–	847	2,590	3,556

Segmental income statement	Investments £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2015 *Restated*							
Revenue	20,628	9,394	2,937	9,204	14,861	3,022	60,046
Operating costs	(15,524)	(8,185)	(2,164)	(6,672)	(13,623)	(8,378)	(54,546)
Exceptional costs	(500)	(225)	–	–	–	(2,530)	(3,255)
Net finance cost	–	–	–	–	(103)	(321)	(424)
Profit/(loss) before tax	4,604	984	773	2,532	1,135	(8,207)	1,821
Tax	–	–	–	(943)	(203)	47	(1,099)
Profit/(loss) for the year	**4,604**	**984**	**773**	**1,589**	**932**	**(8,160)**	**722**
Segmental balance sheet as at 31 March 2015							
Total assets	35,343	23,365	(153)	26,235	26,678	32,288	143,756
Total liabilities	(33,010)	(16,107)	–	(6,137)	(17,886)	(3,132)	(76,270)
Net assets	**2,333**	**7,258**	**(153)**	**20,098**	**8,792**	**29,156**	**67,486**
Other segmental items							
Depreciation	–	348	–	91	300	39	778
Amortisation of other intangible assets	–	–	–	–	69	692	761
Capital expenditure	–	1,455	–	24	485	2,170	4,134

3 Segmental Analysis continued

Geographical information

Analysis of revenue by origin and destination

	Year ended 31 March 2016 Sales by destination £'000	**Year ended 31 March 2016 Sales by origin £'000**	Year ended 31 March 2015 *Restated* Sales by destination £'000	Year ended 31 March 2015 *Restated* Sales by origin £'000
Channel Islands	2,062	19,930	2,491	18,111
United Kingdom	34,549	36,562	32,577	39,586
Hong Kong	3,115	2,645	2,686	2,349
Europe	4,063	–	4,172	–
North America	10,678	–	10,208	–
Singapore	1,257	–	3,149	–
Rest of Asia	474	–	2,157	–
Rest of the World	2,939	–	2,606	–
	59,137	59,137	60,046	60,046

Destination is defined as the location of the customer. Origin is defined as the country of domicile of the Group company making the sale. All of the sales relate to external customers.

There were no other customers in either 2016 or 2015 from which the Group earned more than 10% of its revenues.

Property, plant and equipment of £4,916,000 was split between the UK £4,766,000 (2015 : £7,786,000) and the Channel Islands £150,000 (2015: £188,000).

Intangible assets and available for sale financial assets of £19,631,000 were split between the UK £19,631,000 (2015: £34,310,000) and the Channel Island £nil (2015: £3,536,000).

4 Operating (loss)/profit

The following table shows the material costs by nature charged to cost of sales, administrative expenses and selling and distribution costs.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 *Restated* £'000
Cost of inventories recognized as an expense	35,304	29,108
Employee benefit costs expensed (see note 7)	13,920	13,169
Depreciation of property plant and equipment	911	778
Amortisation of intangible assets	1,002	761
Advertising & marketing expenses	4,592	3,524
Distribution & transport costs	511	254
Operating lease charges – leased premises	2,685	1,827
IT operating expenses	936	522
Other property operating costs	1,213	605
Fees payable to the Group's auditor for the audit of the Group's annual accounts, including subsidiaries	420	171
Fees payable to the Group's auditor for tax compliance & advisory services	–	1
Fees payable to the Group's auditor for other advisory services	30	12
Other professional fees	636	416
Foreign exchange losses	170	18

Fees paid to the auditors in respect of non-audit work in the year to 31 March 2016 are in respect of a review of inventory valuations regarding a specific project commissioned by the Company's bankers. These services are reviewed by the Directors to ensure that the independence of the auditors is not compromised.

5 Exceptional operating charges

The items of income and expenditure listed below are either non-recurring or unusual in size and therefore distort the view of the normal trading activities of the Group. They have therefore been separately identified to give more clarity on the underlying trend of the trading performance.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Impairment of intangible assets	13,895	–
Marketplace intangible asset written off	5,986	–
Loss on sale of business	–	2,331
Pension scheme (recovery)/costs	(1,968)	895
Professional fees for corporate activity	819	1,161
Restructuring costs	1,156	–
Stock provisions	1,373	225
Profit on disposal of tangible fixed assets	(189)	(1,543)
Deferred consideration	–	(363)
Impairment of tangible fixed assets	230	–
Impairment of receivables	1,618	500
Other exceptional operating charges	–	49
Legal costs in relation to SEC investigation	1,074	–
	23,994	3,255

6 Directors' emoluments

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Fees	165	173
Salaries	546	895
Benefits	6	7
Short-term employee benefits	717	1,075
Post-employment benefits	55	63
Share-based payment	140	71
Key management personnel compensation	912	1,209
Number of Directors included in the defined benefit pension scheme (note 26)	–	–

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on page 23. The charge to profit in respect of share options and awards issued to the Directors was £140,000 (2015: £71,000).

M Hall and D Duff are members of the Company's defined contribution pension scheme which they joined in 2010. The company made payments into a personal pension plan of J Byfield which came into effect in 2012. Total cost of these pension contributions to the company were £55,000 (2015: £63,000). The Company made no other pension contributions in respect of any Directors in the period or the preceding year.

Details of share options forfeited by Directors during the period are disclosed in the Report on Remuneration on page 23.

Management consider that the key management personnel comprise the Directors.

7 Employee information

The average number of persons (including executive Directors) employed by the Group during the period was 252 (2015: 293).

	Year ended 31 March 2016 No.	Year ended 31 March 2015 No.
Management and Administration	92	108
Sales	115	119
Production and Editorial	17	46
Distribution	16	9
Marketing	12	11
	252	293

7 Employee information continued

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Wages and salaries	11,868	10,969
Social security costs	1,284	1,047
Pension costs – defined benefit scheme (note 26)	(18)	538
Pension costs – defined contribution scheme	486	465
Share option cost	300	150
	13,920	13,169

8 Taxation

UK corporation tax and overseas tax on profits for the year

Current tax:	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 *restated* £'000
UK corporation tax at 20% (2015: 21%)	30	348
Capital gains tax on sale of property	–	500
Overseas tax	115	66
Adjustment relating to earlier periods	–	5
	145	919
Deferred taxation	258	227
Deferred taxation movement on pension scheme liability	–	(47)
Tax charge	403	1,099

The Company is registered in the Channel Islands and has subsidiaries in the Channel Islands, the UK, Hong Kong, Singapore and the USA. However a significant proportion of the profits in the Group are taxed in the UK. Accordingly, the difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit is as follows:

Tax charge reconciliation

	Year ended 31 March 2016 %	Year ended 31 March 2015 %
The standard rate of corporation tax in the UK	20.0	21.0
Effects of:		
Item subject to capital gains tax	–	15.9
Disallowable exceptional items	(4.1)	4.6
Overseas profits taxable at lower rates	(16.2)	15.3
Losses for which no deferred asset recognised	(0.3)	2.4
Adjustments relating to prior years charge	–	0.1
Other	(0.8)	1.1
Effective rate of corporation tax for year/period	(1.4)	60.4

The main rate of corporation tax in the UK was 21% for financial year starting on 1 April 2014 and it was 20% from 1 April 2015.

9 Dividends

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Amounts recognised as distribution to equity holders in the period/year:		
Dividend declared and paid in respect of prior year	824	3,385
Dividend paid per share	1.75p	7.25p
Dividend proposed but not paid at balance sheet date	–	825
Dividend proposed per share	–	1.75p

10 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the weighted average number of shares in issue during the period. Adjusted earnings per share has been calculated to exclude the effect of exceptional operating costs, pension service costs, share option charges and the amortisation of customer lists. The Directors believe this gives a more meaningful measure of the underlying performance of the Group.

Indicative new issue earnings per share, is purely an indicative measure and simply increases the number of shares by those issued on the 1 April 2016 and makes no adjustment to earnings.

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

	Year ended 31 March 2016	Year ended 31 March 2015 *restated*
Weighted average number of ordinary shares in issue (No.)	47,120,357	46,774,755
Dilutive potential ordinary shares: Employee share options (No.)	1,770,977	2,293,308
(Loss)/profit after tax (£)	(29,294,000)	722,000
Pension service cost (net of tax)	(14,220)	425,020
Cost of share options (net of tax)	650,000	150,000
Amortisation of customer lists	360,000	360,000
Exceptional operating costs (net of tax)	23,556,710	3,152,014
Adjusted (loss)/profit after tax (£)	(4,741,510)	4,809,034
Basic earnings per share – pence per share (p)	(62.17)p	1.54p
Diluted earnings per share – pence per share (p)	(62.17)p	1.47p
Adjusted earnings per share – pence per share (p)	(10.06)p	10.28p
Adjusted diluted earnings per share – pence per share (p)	(10.06)p	9.80p
Weighted average number of ordinary shares in issue (No.)	47,120,357	46,774,755
Dilutive potential ordinary shares: Employee share options (No.)	1,770,977	2,293,308
Number of ordinary shares issued 1 April 2016 (No.)	131,796,286	131,796,286
Indicative new issue basic earnings per share – pence per share (p)	(16.37)p	0.40p
Indicative new issue diluted earnings per share – pence per share (p)	(16.37)p	0.40p

Net assets per share, as disclosed in the financial highlights, are calculated using the net assets per the statement of financial position divided by the number of shares at 31 March 2016 per note 21.

11 Intangible assets

	Goodwill £'000	Publishing rights £'000	Computer Software £'000	Customer Lists £'000	Brands & trademarks £'000	Total £'000
Cost						
At 1 April 2014	24,306	19	3,752	2,765	3,442	34,284
Additions – internally developed	–	–	2,692	–	–	2,692
Additions – business combinations	–	–	162	828	2,610	3,600
Disposals	(256)	–	–	–	–	(256)
At 31 March 2015	**24,050**	**19**	**6,606**	**3,593**	**6,052**	**40,320**
Additions – internally developed	–	–	2,450	–	–	2,450
Additions – business combinations	218	–	–	–	–	218
Disposals	–	–	–	–	–	–
At 31 March 2016	**24,268**	**19**	**9,056**	**3,593**	**6,052**	**42,988**
Accumulated amortisation and impairment						
At 1 April 2014	–	–	1,584	127	2	1,713
Amortisation charge	–	–	380	360	21	761
At 31 March 2015	**–**	**–**	**1,964**	**487**	**23**	**2,474**
Impairment losses	13,003	–	6,202	676	–	19,881
Amortisation charge	–	–	538	447	17	1,002
At 31 March 2016	**13,003**	**–**	**8,704**	**1,610**	**40**	**23,357**
Net book value						
At 31 March 2016	**11,265**	**19**	**352**	**1,983**	**6,012**	**19,631**
At 31 March 2015	24,050	19	4,642	3,106	6,029	37,846
At 31 March 2014	24,306	19	2,168	2,638	3,440	32,571

The brought forward goodwill of £24,050,000 related to the acquisition of the Noble Investments Group (£23,682,000), the acquisition of Murray Payne (£221,000), the acquisition of the magazine 'Philatelic Exporter' (£87,000), the album producer 'Frank Godden' (£23,000), the trade of an independent stamp dealer (£10,000) and the acquisition of Stampwants.com (£36,000). On 29 May 2015 the Group, through its wholly owned subsidiary, The Fine Art Auction Group Limited, ("TFAAG") purchased 100% of Bid For Wine Ltd . Details of the acquisition are outlined in note 30.

Goodwill has undergone an impairment review with reference to expected future cash flows generated by these business units. Management looks at five year projections, using a cost of capital of 8.7% (2015: 5.8%), when determining if any impairment is likely. The key assumptions used by management derived from current budgets and forecast, are the growth in revenue and costs of between 2% to 3% (2015: 2% to 3%) over the period in question.

The forecasted levels of profits used in the impairment tests are lower than in the past due to recent trading performance, which coupled with the application of a higher cost of capital has resulted in an impairment of goodwill relating to the Noble Investments Group of £13,003,000 as at 31 March 2016. For these reasons an impairment test was performed on the remaining intangible assets, which resulted in an impairment of customer lists relating to the Noble Group of £676,000 as at 31 March 2016.

Publishing rights represent the cost paid to third parties to acquire copyright of publications.

The net book value of internally generated intangible assets as at 31 March 2016 was £nil (2015: £3,536,000)

12 Property, plant and equipment

	Reference collection £'000	Freehold land and buildings £'000	Leasehold property and improvements £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, plant and machinery £'000	Total £'000
Cost or valuation						
At 1 April 2014	1,527	3,187	1,849	1,327	967	8,857
Acquired on acquisition	–	–	3,925	8	21	3,954
Additions	38	79	1,049	241	35	1,442
Disposals	–	(2,904)	–	–	–	(2,904)
Assets written off in the year	–	–	–	–	(70)	(70)
At 31 March 2015	**1,565**	**362**	**6,823**	**1,576**	**953**	**11,279**
Additions	–	–	323	163	402	888
Revaluation	22	–	–	–	–	22
Disposals	–	(362)	–	–	–	(362)
Assets written off in the year	–	–	(210)	(320)	(52)	(582)
Transferred to current assets	–	–	(2,672)	–	–	(2,672)
At 31 March 2016	**1,587**	**–**	**4,264**	**1,419**	**1,303**	**8,573**
Accumulated depreciation						
At 1 April 2014	150	56	935	654	768	2,563
Charge for the year	–	56	362	272	88	778
Depreciation on disposal	–	(36)	–	–	–	(36)
At 31 March 2015	**150**	**76**	**1,297**	**926**	**856**	**3,305**
Charge for the year	–	3	639	114	155	911
Impairment for year	230	–	–	–	–	230
Depreciation on disposal	–	(79)	(193)	(338)	(52)	(662)
Transferred to current assets	–	–	(127)	–	–	(127)
At 31 March 2016	**380**	**–**	**1,616**	**702**	**959**	**3,657**
Net book value						
At 31 March 2016	**1,207**	**–**	**2,648**	**717**	**344**	**4,916**
At 31 March 2015	1,415	286	5,526	650	97	7,974
At 31 March 2014	1,377	3,131	914	673	199	6,294

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

The last independent valuation of a part of the reference collection was carried out in March 2016 by A F Norris, Philatelic Consultant. The basis of the revaluation used was replacement value. The surplus of £22,000 was transferred to the revaluation reserve.

The revalued element of the reference collection is £366,000 (2015: £344,000). All other fixed assets are stated at historic cost. If the reference collection had not been revalued it would have been included at a net book value based on historic cost of £841,000 (2014: £1,071,000).

A leasehold property was transferred to current assets as it was sold after the balance sheet date, as disclosed in note 15.

Fully written down Property, Plant and Equipment with a cost of £568,000 (2015: £835,000) remains in use by the Group.

13 Inventories

	31 March 2016	31 March 2015
		restated
	£'000	£'000
Raw materials and consumables	–	–
Work in progress	3,155	3,465
Finished goods and goods for resale	58,649	69,583
	61,804	73,048

Included within the above inventories as at 31 March 2016 is £14,719,000 owned by third parties (2015: £22,225,000). As at 31 March 2016 £38,557,000 (2015: £40,479,000) of the above inventories were part of the security given in relation to the borrowings detailed in note 19.

During the year £1,373,000 was charged to P&L for the write down of inventories (2015:£225,000) following a review of the Group's carrying value of its inventories, as a result of comparison to net realisable value and checks for physical existence.

The impact of the prior year adjustments on inventories are given in note 31 a and b.

14 Current trade and other receivables

	31 March 2016	31 March 2015
	£'000	£'000
Amounts falling due within one year		
Trade receivables	12,935	15,685
Other receivables	972	1,042
Prepayments and accrued income	1,667	2,877
	15,574	19,604

15 Current assets held for sale

	31 March 2016	31 March 2015
	£'000	£'000
Leasehold property	2,545	–
Stock	–	1,630
Fixed assets	–	70
Intangibles	–	100
	2,545	1,800

Included within the leasehold property at 31 March 2016 is a property that was sold on the in June 2016 for £2,500,000.

16 Provision for impairment of receivables and collateral held

A provision is established for irrecoverable amounts where there is objective evidence that amounts due under the original payment terms will not be collected. Indications that the trade receivable may become irrecoverable would include financial difficulties of the debtor, likelihood of the debtor's insolvency and default or significant failure of payment.

Provision for impairment of receivables

	31 March 2016 £'000	31 March 2015 £'000
Relating to debt over 6 months past due	1,323	515

As at 31 March 2016, excluding balances due under extended payment terms detailed below, £2,249,000 (2015: £1,894,000) of trade receivables, excluding those provided for by the impairment provision, were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	31 March 2016 £'000	31 March 2015 £'000
Up to 3 months past due	644	843
3 to 6 months past due	926	718
Over 6 months past due	679	333
	2,249	1,894

The Group retains possession of the material sold under extended payment terms, thus limiting credit risk from entering into such arrangements to the margin achieved on the transaction. In most cases the customers sign a formal credit agreement and pay a minimum 10% non-refundable deposit. The balances fall due a maximum of 24 months in the future although the option to settle early does exist. There was an outstanding balance of £3,588,000 at 31 March 2016 (31 March 2015: £6,763,000) in respect of such extended payment plans. Of the outstanding balance, £2,908,000 was past their settlement date (31 March 2015: £923,000) but not impaired.

There are instances where receivables have had their terms renegotiated however the group has not had to call upon its security due to default by customers at any time during the year. Trade receivables that are neither past due nor impaired are considered to be fully recoverable.

17 Current trade and other payables

	31 March 2016 £'000	31 March 2015 *restated* £'000
Trade payables	10,424	13,373
Other payables	15,741	12,991
Other taxes and social security	1,246	1,681
Accruals and deferred income	1,924	3,946
Provisions	1,074	–
	30,409	31,991

18 Non-current other payables

	31 March 2016 **£'000**	31 March 2015 *restated* £'000
Non-current		
Due between 1 and 2 years	5,105	14,117
Due between 2 and 5 years	4,598	10,060
Due > 5 years	99	191
	9,802	24,368

The above amounts, together with £9,322,000 (2015: 3,930,000) within current payables are the amounts credited following the de-recognition (see note 31b) of revenue on certain investment plans. These total amounts represent the value of the relevant extant investment plans and will be payable if the plan holder chooses either not to hold their collectibles nor to reinvest in other collectibles on expiry of the investment scheme.

19 Borrowings

Current	**31 March 2016** **£'000**	31 March 2015 £'000
Bank loans	123	1,283
Bank overdraft	5,036	1,239
	5,159	2,522
Non-current		
Bank loans	9,000	9,173
Bank overdraft	7,788	–
	16,788	9,173

The bank loans outstanding at 31 March 2016 are repayable as follows:

	Amount £'000	**Due < 1 year £'000**	**Due > 1 year £'000**	**Rate**
Facility A loan with The Royal Bank of Scotland plc	9,000	–	9,000	Libor + margin varying between 1.3% and 2.75%
Murray Payne acquisition loan with The Royal Bank of Scotland plc	123	123	–	Libor + 1.5%
	9,123	**123**	**9,000**	

The Facility A loan was increased to £9.5m in April 2016 and there is a moratorium on capital repayments until May 2017 unless there is a disposal of a fixed asset, in which case 50% of the proceeds will be applied in reducing the loan balance, subject to any repayments being restricted to not more than £2.5m before May 2017. Amortisation of this loan commences at £0.5m per quarter from May 2017 until May 2018 when the facilities are due for review.

The Group also has a £10m revolving credit facility with The Royal Bank of Scotland PLC repayable in May 2018. Interest is charged at margins over LIBOR ranging between 1.3% and 2.75%. The Group is required to satisfy stock cover and net asset cover covenants until May 2017. The stock covenant is to maintain 2 times cover for total stock to the combined total of the Facility A loan and the revolving credit facility and 1.5 times cover for both the philatelic stock and stock held by UK entities. The net asset covenant is to maintain Group consolidated net assets of at least

19 Borrowings continued

£40,000,000, after the share issue on the 1 April 2016. Thereafter, there are also fixed cost cover and interest cover covenants to be calculated by reference to the Group's budget for the year ended 31 March 2018.

Additionally the Group had an overdraft facility of £6m on the 31 March 2016, the balance as at 31 March 2016 was £5,036,000, which was repaid with part of the proceeds from the shares issued on 1 April 2016 and the overdraft facility was cancelled.

During the year the Group paid arrangement facility fees of £210,000 (2015: £200,000) for the above facilities

The borrowings are secured by a full fixed and floating charge debenture over the core assets of the group.

20 Deferred tax assets and liabilities

	Assets		Liabilities	
	2016	2015 *restated*	**2016**	2015 *restated*
	£'000	£'000	**£'000**	£'000
Defined benefit pension scheme (note 26)	940	981	–	–
Other timing differences	238	238	–	–
Unutilised tax losses	751	901	–	–
Deferred tax on revalued fixed assets	–	–	941	941
Accelerated capital allowances	–	–	836	890
Full provision	1,929	2,120	1,777	1,831

21 Called up share capital

	31 March 2016 £'000	31 March 2015 £'000
Authorised		
250,000,000 (2015: 75,000,000) ordinary shares of 1p each	2,500	750
Allotted, issued and fully paid (all equity):		
47,120,357 (2015: 47,120,357) ordinary shares of 1p each	471	471

During the year ended 31 March 2015, 304,650 ordinary shares were issued at £1.79 to satisfy the exercise of options.

91,588 ordinary shares were issued at £2.28p on 15 October 2014 to satisfy deferred consideration obligations following the acquisition of Stampwants.com Inc on 31 October 2012.

126,260 ordinary shares were issued at £2.95p on 1 December 2014 to satisfy deferred consideration of Noble Investments (UK) Limited following the acquisition of the The Fine Art Group Limited on 18 December 2012.

Capital risk management

Capital is managed to ensure that the entities within the Group will be able to continue as a going concern whilst maximising the returns to stakeholders through the optimisation of debt and equity balances. Detail on capital structure is presented in the Statement of Financial Position. Notes 21 and 22 provide details on equity. Details of loans and overdrafts at the year end are disclosed on page 17 in the Financial Review and further disclosure can be found in note 19 and note 28. There are no externally imposed capital requirements on the Group. Further detail on capital risk management can be found in the Operating and Financial reviews on pages 14 to 18.

22 Options in shares of The Stanley Gibbons Group plc

Executive Share options are granted to Directors and other employees on a phased basis. The value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term. Options granted under the Inland Revenue approved UK Executive Share Option Scheme and the Jersey Executive Share Option Scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied.

Options issued in 2010 had the target of a minimum EPS of 17.3 pence for the year ended 31 December 2012. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21.5 pence is achieved.

Options issued in 2011 had the target of a minimum EPS of 19.2 pence for the year ended 31 December 2013. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 22.7 pence is achieved.

Options issued in 2012 had the target of a minimum EPS of 21.8 pence for the year ended 31 December 2014. 25% of the granted options vest if this target is reached rising on a straight line basis to 100% of options granted to vest if an EPS of 25.7 pence is achieved.

Options issued in 2014 require that the Company's compound average Total Shareholder Return (TSR) growth over the performance period must match or exceed 8% per annum. The options shall vest over a number of shares determined as follows:

Compound average annual TSR growth over the performance period	*Percentage of Option which vests (with straight line vesting between each point)*
Less than 8%	0%
8%	25%
15% or more	100%

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

Date of grant	Earliest exercise date	Expiry Date	Exercise price (1p shares)	Number at 31 March 2015	Granted in Year	Exercised in Year	Forfeited In Year	Number at 31 March 2016
01/6/10	01/6/13	31/5/20	123.5p	22,830	–	–	–	22,830
06/5/11	06/5/14	05/5/21	179.0p	116,398	–	–	–	116,398
06/12/11	06/12/14	05/12/21	165.0p	4,774	–	–	–	4,774
04/5/12	04/5/15	03/5/22	227.5p	172,334	–	–	(172,334)	–
06/11/12	06/11/15	05/11/22	220.5p	170,493	–	–	(170,493)	–
27/01/14	27/01/17	26/01/24	363.0p	504,856	–	–	(168,501)	336,355
10/04/14	10/04/17	10/01/24	316.50p	129,855	–	–	(73,301)	56,554
18/12/14	18/12/14	18/12/24	294.5p	97,530	–	–	(23,562)	73,968
				1,219,070	–	–	(608,191)	610,879

22 Options in shares of The Stanley Gibbons Group plc continued

Movements in the number of share options outstanding including Directors share options and their related weighted average exercise prices are as follows:

	31 March 2016 Average exercise price per share	**31 March 2016 Options (thousands)**	31 March 2015 Average exercise price per share	31 March 2015 Options (thousands)
At 1 April	169p	4,165	276p	2,154
Granted	–	–	92p	2,638
Forfeited/lapsed	206p	(1,362)	269p	(244)
Exercised	–	–	177p	(383)
At 31 March	151p	2,803	169p	4,165

Share options outstanding at the end of the period have the following expiry date and exercise price:

Expiry date	**Exercise price per share**	**Options (thousands) 31 March 2016**	Options (thousands) 31 March 2015
31 May 2020	123.5p	23	23
5 May 2021	179.0p	116	116
5 December 2021	165.0p	5	5
3 May 2022	227.5p	–	317
5 November 2022	220.5p	–	170
26 January 2024	363.0p	663	941
10 April 2024	316.5p	431	631
30 September 2020	nil	1,491	1,864
18 December 2024	294.5p	74	98
		2,803	4,165

Binomial and Black-Scholes models have been used to value the awards. The awards issued in the year ended 31 March 2016 and the year ended 31 March 2015 are set out below:

Dates of grant	**18/12/14**	**30/09/14**	**10/04/14**
Number of options granted	97,530	1,863,912	676,653
Weighted average fair value at date of grant (per share)	30.03	nil	22.01p
Weighted average share price on date of grant	295.5p	277.5p	314.0p
Weighted average exercise price	294.5p	nil	316.5p
Expected term (from date of grant)	6.5 years	3 years	6.5 years
Expected volatility	20.4%	22.5%	18.95%
Expected dividend yield	2.68%	2.52%	2.68%
Risk-free interest rate	1.22%	1.22%	1.22%

Expected volatility was determined by calculating historical volatility of the Group's share price over a minimum 10 year period.

On 2 February 2015 the Board approved the adoption by the Company of an incentive plan for senior executives within the Interiors Division (The Fine Art Auction Group Limited and its subsidiaries). Awards were subsequently made on 4 February 2015. Under the terms of the plan participants share in the growth in value of the Interiors Division measured over the period 1 April 2015 to 31 March 2020. Pay out under the plan, which can be in cash or shares, requires the value of the Interiors Division to achieve a minimum compound annual growth rate of 10% above £28.5m. Participants are entitled to share in a plan pool determined as a percentage of the growth in value in excess

22 Options in shares of The Stanley Gibbons Group plc continued

of this minimum requirement. The value at payout is referred to in the plan as the "End Value". The minimum requirement is referred to as the "Threshold Value". The maximum number of shares which can be issued under the plan when added to the number of shares which can be issued under any other plan operated by the Company cannot exceed 10% of the Company's issued share capital. Any additional entitlement would be paid in cash. Payouts are subject to appropriate deductions for tax and national insurance.

If all or part of the Interiors Division is sold during the performance period or the Company is subject to a change of control then there can be an earlier payout under the plan. The maximum payout under the plan is £12.5m. Vesting other than following a sale or change of control is in two tranches.

The plan pool will be calculated as follows:

On or before 31 March 2016 – 18% of the End Value minus the Threshold Value
On or before 31 March 2020 – 14% of the End Value minus the Threshold Value
On or after 1 April 2020 – 13% of the End Value minus the Threshold Value.

The fair value of awards granted under this scheme has been calculated at 9.6p based on an assumed maximum share number of 4,610,042 and the following assumptions:

Weighted average share price on grant date – 292p
Weighted average exercise price –nil
Expected term – 5 years
Expected volatility – 20%
Expected dividend yield – 2.00%
Risk free interest rate – 0.984%

23 Share premium and reserves

Share premium account
The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

Share compensation reserve
The share compensation reserve relates to the fair value of options granted which has been charged to the statement of comprehensive income over the vesting period of the options.

Revaluation reserve
The revaluation reserve relates to the reserve movement in respect of the revaluation of property, plant and equipment and available for sale financial assets.

Capital redemption reserve
The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled by the Group.

Retained earnings
Retained earnings represents the accumulated profits not distributed to shareholders.

24 Cash outflows from operating activities

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 *Restated* £'000
Operating (loss)/profit	(28,319)	2,245
Profit on sale of property	(183)	(1,613)
Impairment of tangibles assets	–	70
Depreciation	911	778
Amortisation	1,002	761
Loss on sale of financial asset	58	–
Impairment of intangible assets	19,881	156
Impairment of tangible assets	230	–
Decrease in provisions	(462)	(375)
Cost of share options	650	150
Decrease/(increase) In inventories	11,244	(7,170)
Decrease/(increase) in trade and other receivables	5,830	(3,250)
(Decrease)/increase in trade and other payables (less deferred consideration)	(16,139)	848
Net exchange differences	89	–
Cash outflows from operating activities	(5,208)	(7,400)

25 Capital and other commitments

Lease commitments

At 31 March 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Payable:	**Land and Buildings 31 March 2016 £'000**	Land and Buildings 31 March 2015 £'000
Within one year	2,552	2,501
Between two and five years	6,691	6,313
In five years or more	7,145	7,112
	16,388	15,926

These figures represent the aggregate payable until expiration of all non-cancellable operating leases.

At 31 March 2016 the Group had future minimum rental payments receivable under non-cancellable operating leases as follows:

Receivable:	**Land and Buildings 31 March 2016 £'000**	Land and Buildings 31 March 2015 £'000
Within one year	907	129
Between two and five years	4,395	388
In five years or more	6,501	–
	11,803	517

These operating leases are all sub leases and the lease terms are coterminous with those of the company. The above rentals relate to the sub lease at premises in Strand, London and Hill Street, Jersey.

26 Retirement benefits

The Stanley Gibbons Group of Companies operates two defined benefit pension schemes namely:

(a) The Stanley Gibbons Holdings PLC Pension and Assurance Scheme ("the Scheme")

The scheme closed to new members with effect from 1 September 2002 and to future accrual with effect from 1 July 2014. All employer costs are borne by Stanley Gibbons Limited. The assets of the scheme are held under the provisions of a trust deed and are invested in AAA rated Corporate Bonds and unitised equity funds managed by two UK institutions. This investment policy mitigates the actuarial risks that the scheme is exposed to such as longevity, interest rate, inflation and investment risks. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The Scheme is funded with the assets held in separate trustee administered funds. Employees are entitled to retirement benefits based on their final pensionable salary and length of service.

The costs of insurance of the death-in-service benefits and all administration expenses and levies to the Pension Protection Fund are paid for by the employer.

The IAS19 disclosures for the year to 31 March 2016 are based on the results of the actuarial valuation as at 30 June 2012 which also encompassed the cleansing of member data. The actuarial valuation of the Scheme as at 30 June 2015 is close to being finalised. Previous valuations were based on a roll forward of the Scheme's actuarial valuation as at 30 June 2009 as adjusted to reflect benefit and data changes which subsequently came to light.

Scheme assets are stated at their market value at 31 March 2016. The Group currently pays deficit reduction contribution of £250,000 per annum under a Recovery Plan agreed in June 2015.

(b) The Mallett Retirement Benefits Scheme

This is a separate trustee administered scheme holding the pension plan assets to meet long term pension liabilities for employees and former employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation.

A full actuarial valuation was carried out as at 1 May 2013 and the funding of the plan is agreed between the company and the trustees in line with those requirements. This actuarial valuation showed a deficit of £1,602,000. The company agreed with the trustees that it will aim to eliminate the deficit over a period of 9 years and 10 months from 1 June 2014 by the payment of monthly contributions of £17,033 in respect of the deficit which includes an allowance of £1,200 towards Friends Life's expenses of administration. The company will also meet expenses of the plan and levies to the Pension Protection Fund.

The IAS19 disclosures for the year to 31 March 2016 are based on the actuarial valuation as at 1 May 2013 and updated on an approximate basis to 31 March 2016.

26 Retirement benefits continued

The amounts recognised in the statement of financial position are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Present value of funded obligation	(18,232)	(18,946)
Fair value of scheme assets	13,010	13,130
Net obligation	(5,222)	(5,816)
Deferred tax asset	940	981
Retirement benefit obligation	(4,282)	(4,835)

	£'000	£'000
Cumulative amount of actuarial losses recognised in other comprehensive income	(1,748)	(1,880)

The amounts recognised in the statement of comprehensive income for the period are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Current service cost	(194)	368
Interest cost on net benefit obligations	176	170
Total included in employee benefit expense	(18)	538
Actual return on scheme assets	(106)	322

The amounts recognised in other comprehensive income are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Actuarial gains/(losses) on scheme obligations from financial assumptions	659	(2,052)
Actuarial (losses)/gains on fair value of scheme assets	(527)	978
Remeasurement (losses)/gains	132	(1,074)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Present value of obligations at start of year/period	18,946	10,579
Liabilities acquired at fair value	–	6,114
Current service cost	(194)	368
Interest cost	596	563
Contributions by employees	–	5
Remeasurement losses/(gains)	(659)	2,052
Charges paid	194	(324)
Benefits paid	(651)	(411)
Present value of obligations at end of year/period	18,232	18,946

26 Retirement benefits continued

Changes in the fair value of scheme assets are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Fair value of scheme assets at start of year/period	13,130	7,294
Assets acquired at fair value	–	4,971
Expected return on scheme assets	420	393
Remeasurement gains/(losses)	(527)	978
Contributions by employees	–	5
Contributions by company	444	224
Charges paid	194	(324)
Benefits paid	(651)	(411)
Fair value of scheme assets at end of year/period	13,010	13,130

The Group currently expects to contribute £474,000 to its defined benefit schemes in the financial year to 31 March 2017.

The major categories of scheme assets as a percentage of the fair value of total scheme assets are as follows:

	31 March 2016 %	31 March 2015 %
Equities	26.4%	31.1
Corporate bonds	33.9%	28.9
Diversified growth funds	13.3%	12.2
Insurance policies	20.8%	21.1
Gilts/cash/other	5.6%	5.7

Principal actuarial assumptions at the reporting date:

	31 March 2016	31 March 2015
Future salary increases	2.00%	2.00%
Price inflation – RPI	2.80%	2.80%
Price inflation – CPI	1.80%	1.80%
Future pension increases – pension accrued before 6 April 1997 (per annum)	0.00%	0.00%
Future pension increases – pension accrued after 6 April 1997 (per annum)	1.80%	1.80%
Discount rate	3.40%	3.20%
Equities (long term expected rate of return)	3.40%	3.20%
Corporate bonds (long term expected rate of return)	3.40%	3.20%
Fixed interest gilts (long term expected rate of return)	3.40%	3.20%
Cash (long term expected rate of return)	3.40%	3.20%

Mortality Assumptions

The mortality trends of the scheme were assessed at 31 March 2016 by the actuary using the mortality tables SAPS projected by birth year, with an allowance for medium cohort mortality improvements, and an underpin of 1%. The Directors consider that, statistically, this table gives the best indicators of the life expectancy of pension scheme members taking into account their employment history, lifestyle and job location.

The mortality assumptions imply the following life expectation:

26 Retirement benefits continued

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme

	31 March 2016 In years	31 March 2015 In years
Retiring at 60 at reporting date		
Male	26.7	26.6
Female	29.4	29.3
Retiring at 60 at reporting date + 20 years		
Male	28.8	28.7
Female	31.4	31.3

The Mallett Retirement Benefits Scheme

	31 March 2016 In years	31 March 2015 In years
Retiring at 65 at reporting date		
Male	21.9	21.5
Female	24.5	24.1
Retiring at 65 at reporting date + 20 years		
Male	23.8	23.4
Female	26.3	26.0

Sensitivity of results

The value placed on the benefit obligation is particularly sensitive to changes in some of the key assumptions as detailed below:

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme

	Change in the benefit Obligation – %	(Deficit) £'000s
Assumption as per IAS 19 disclosures	n/a	(3,911)
0.25% p.a. reduction in discount rate	3.8%	(4,355)
0.25% increase in CPI inflation	2.1%	(4,165)
Pensions payable for 1 year longer due to mortality assumptions	2.0%	(4,142)

The Mallett Retirement Benefits Scheme

	Change in the benefit Obligation – %	(Deficit) £'000s
Assumption as per IAS 19 disclosures	n/a	(1,311)
0.25% p.a. reduction in discount rate	4.4%	(1,541)
0.25% increase in inflation	1.9%	(1,427)
Pensions payable for 1 year longer due to mortality assumptions	3.0%	(1,400)

26 Retirement benefits continued

Amounts for the current and previous four periods are as follows:

	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000	31 December 2012 £'000 *restated*	31 December 2011 £'000
Present value of defined benefit obligations	(18,232)	(18,946)	(10,579)	(9,941)	(8,942)
Fair value of scheme assets	13,010	13,130	7,294	6,780	6,181
Deficit	(5,222)	(5,816)	(3,285)	(3,161)	(2,761)
Experience adjustments on scheme assets	(527)	978	544	544	(492)
Effects of changes in the demographic and financial assumptions underlying scheme liabilities					
– Amount	659	(2,077)	(297)	(664)	(342)
– Percentage of benefit obligation	3.6%	-10.9%	-2.80%	-6.68%	-3.83%

Future profile of the Stanley Gibbons Holdings PLC Pension and Assurance Scheme

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme closed to new members with effect from 1 September 2002. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate IAS 19 liabilities, the future cost in relation to this Scheme will rise in the long-term.

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has decreased from £4,285,000 at 31 March 2015 to £3,911,000 at 31 March 2016 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

Future profile of the Mallet Retirements Benefits Scheme

The Mallet Retirements benefits Scheme was closed to new members in 2002. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate IAS 19 liabilities, the future cost in relation to this Scheme will rise in the long-term.

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has decreased from £1,531,000 at 31 March 2015 to £1,311,000 at 31 March 2016 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

27 a Contingent liability – Investment Plans

The Group's wholly owned subsidiary Stanley Gibbons (Guernsey) Ltd, has potential liabilities that would be due to customers of certain previously sold investment products still extant. They will become payable if the customer chooses to exercise a guarantee or undertaking within their contracts to require the Group to buy back their collectibles at 75% of the latest Stanley Gibbons catalogue price where appropriate, or otherwise at 75% of the market value. As at 31 March 2016 the maximum potential liability was £64,300,000 (2015: £51,400,000). These amounts will not become due if the customer chooses to either hold their collectibles, reinvest in other collectibles or sell their collectibles to a third party at above these discounted levels. Any payments made in relation to this liability would mean that the collectibles would be returned to stock and could be resold at full market value at a profit. It is expected that once the collectible item is resold the long term impact to assets and particularly cash would be significantly lower.

27 b Contingent liability – Litigation

Following its acquisition of Mallett plc in October 2014, the Company learned that government regulators in the United States were investigating transactions that had occurred since 1 January 2010 involving a former client of Mallett Inc., Mallett's New York-based subsidiary. The former client is not a related person or affiliate of the Group. This issue had not been disclosed to the Company by the directors of Mallett plc during the due diligence process prior to the acquisition.

The Group continues to cooperate fully with the U.S. Securities and Exchange Commission (the "SEC") and the Department of Justice ("DOJ"), including responding to a subpoena from the SEC requesting documents and providing information to the government regulators as requested. Both the SEC and DOJ are aware that Mallett's new owners were not involved in the events underlying the investigation, and there have been discussions with the SEC regarding resolution of these matters.

Whilst the investigations are ongoing, no criminal or civil charges have been filed against Mallett Inc. or any Mallett group company to date. The Group continues to retain the services of special legal counsel to advise it in these matters. The investigations are not being conducted in public, and the Directors cannot predict with certainty whether Mallett Inc. or any other company or person in the Mallett group will be named in civil or criminal claims or litigation as a result of the investigations.

Though the transactions pre-dated the acquisition there was no provision in the financial accounts of Mallett plc or its subsidiaries for any costs relating to them. A fair value adjustment was made subsequent to the acquisition as at that point the costs in responding to the subpoena from the SEC and/or assisting the US authorities with their investigations were unavoidable.

The estimate made at the time was £0.9m. Subsequently, with the involvement of the DOJ, this estimate has proved to be inadequate. At the year end the Group had an accrual of £1.1m, which represents the Board's best estimate for subsequent costs. There is a possibility that costs may exceed this level, though they may be covered by insurance or counter claims. The Board consider the likelihood of additional costs to be both remote and difficult to measure so are unable to meaningfully quantify.

28 Financial instruments

The Group is exposed through its operations to the following risks:

- Credit risk
- Interest rate risk
- Liquidity risk

The Group is exposed to the risk that arises from its use of financial instruments. The Group's financial instruments comprise cash and available banking facilities and various items such as trade receivables and trade payables which arise directly from operations. The Group financed its operations with a bank loan, details of the loan facility can be found in note 19. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's policies and procedures in managing these risks are detailed in the Financial Review on pages 17 to 18.

28 Financial instruments continued

Summary of financial assets and liabilities by category
The principal financial instruments used by the Group, from which financial instrument risk arises are shown below summarised by category:

	31 March 2016 £'000	31 March 2015 £'000 *(restated)*
Financial assets – Loans and receivables		
Available for sale financial assets (see below)	–	1,364
Trade and other receivables	15,574	19,604
Cash at bank	1,542	–
	17,116	20,968
Financial liabilities measured at amortised cost		
Trade and other payables	40,211	56,359
Borrowings	21,947	11,695
	62,158	68,054
	(45,042)	(47,086)

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or contractual party to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. In order to manage risk the Group has implemented policies that require appropriate credit checks on potential customers before sales are made. These checks are performed at a local level. The amount of any exposure to any individual counterparty is subject to a limit which is regularly reviewed by the Directors.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised in the statement of financial position as noted in the above table.

The Directors of the Company consider that all the above financial assets for each of the statement of financial position dates under review are of a good credit quality, including those past due settlement dates. See note 16 for more information on financial assets that are past due settlement dates.

Interest rate risk
The Group finances its operations through a combination of bank loans and overdraft (see note 19), and through the generation of cash from operating activities and has no interest rate exposure on any other financial liabilities.

The finance charge of the Group for the year to 31 March 2016 of £611,000 (2015: £428,000) comprised loan interest & charges of £435,000 (2015: £258,000) and net finance costs from its defined benefit pension scheme liabilities of £176,000 (2015: £170,000).

The bank loans are linked to LIBOR. A 0.05% (5 basis point movement) movement in LIBOR would have resulted in an additional interest charge of £8,000 (2015: £3,000).

28 Financial instruments continued

Foreign exchange risk

The Group had no material exposure to foreign exchange risk in the year ended 31 March 2016. The Group did have assets and liabilities denominated in foreign currencies relating to its USA activities for both the internet and Mallett. Neither of these activities was deemed as a material risk of foreign currency exposure to the group. Liabilities that arises in US $ are managed from cash generated by the sale of assets in these currencies or by the use of foreign currency earnings generated elsewhere within the Group.

Following the closure of the USA marketplace activities and the significant reduced USA Mallett activities post 31 March 2016 the exchange rate risk to the Group has diminished further.

Liquidity risk

Liquidity risk arises from the Group's management of its working capital and the finance charges and principal repayment on its bank borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Group's liquidity risk is managed by the Group finance function. Budgets and forecasts are prepared throughout the year for the Directors. These are monitored to ensure that the Group has sufficient headroom within its cash facilities to meet liabilities as they fall due. The Group's forecasts shows that it will remain in compliance with its banking covenants throughout the foreseeable period and that it will have access to adequate resources to continue operations and to meet its liabilities, as and when they fall due. However the forecasts are dependent upon the liabilities and contingent liabilities, particularly in relation to investment plans redemption profiles, not materialising at a level greater than forecast and trading improving from its current level in line with management's expectations.

The Group's financial liabilities have contractual maturities (representing undiscounted contractual cash flows) as summarised below:

	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Total £'000
At 31 March 2016				
Trade and other payables	21,986	8,423	9,802	40,211
Borrowings	5,431	271	17,726	23,428
	27,417	8,694	27,528	63,639
At 31 March 2015 (restated)				
Trade and other payables	24,642	7,349	24,368	56,359
Borrowings	577	1,394	10,937	12,908
	25,219	8,743	34,855	68,817

Included within trade and other payables is an amount of £23,918,000 (£33,546,000 – 31 March 2015) relating to previous customers of certain investment plans and will be payable if the customer chooses not to hold their collectibles or reinvest in other collectibles. During the year ended 31 March 2016 £9,628,000 of these contracts fell due and off these contracts £1,450,000 was paid to customers who chose not to hold or reinvest.

The Directors monitor these liabilities as they fall due and have procedures in place to ensure that the liquidity risk from these maturing investments in minimised.

A further liquidity risk is disclosed in note 27 and relates to investment plans which the Group has a £64,300,000 (2015: £51,400,000) contingent liability exposure. The Director's current opinion is that an event to crystalise this liability is remote.

29 Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 33). The Group also had a related party relationship with its Directors.

Transactions between parent and subsidiaries

The parent company charged management fees of £3,239,000 in the year to 31 March 2016 (2015: £3,231,000) to its subsidiaries.

Transactions with Directors and key management personnel

The remuneration of the Directors and details of share options granted are disclosed in the Report on Remuneration and in note 6. There are no key management personnel, as defined in IAS 24, aside from the Directors.

Year ended 31 March 2016

M Hall forfeited share options during the year to 31 March 2016 as follows:

	Shares forfeited	
	No	Price
M Hall	144,736	227.50p

M Hall, Director, made purchases during the year to the value of £17,657. He had a net sales ledger balance of £13,359 at the year end.

H G Wilson had a purchase ledger balance of £21,415 at the year end.

The Group received rental income of £21,600 during the year from Marbral Limited, a company 100% owned by Mr Bralsford.

During the year the Group paid £75,000 to Evolution Securities China Ltd for corporate consultancy services. C P Whiley is the Managing Director of this company.

Year ended 31 March 2015

M Hall & D Duff exercised share options during the year to 31 March 2015 as follows:

	Shares acquired		Shares disposed	
	No	Price	No	Price
M Hall	112,000	179.0p	112,000	310.0p
D Duff	70,000	179.0p	70,000	310.0p

M Hall, Director, had a purchase ledger balance of £865 at the year end.

J Byfield, Director, redeemed portfolios to the value of £409,777 during the year and there was £8,786 due to him at the year end.

I Goldbart, former Director, purchased and sold coins from/to A H Baldwin & Sons Limited to the value of £3,750 and £1,550 respectively during the year. Relatives of I Goldbart, former Director, purchased and sold coins from/to A H Baldwin & Sons Limited to the value of £8,333 and £1,030 during the year. There was £2,118 owed by AH Baldwin & Sons Limited to relatives of Mr Goldbart at the year end.

On 21 November 2014, I Goldbart sold 122,853 Ordinary 1p shares at £3.00.

30 Acquisitions

On 29 May 2015, the Group, through its wholly owned subsidiary, The Fine Art Auction Group Limited, ("TFAAG") purchased 100% of the share capital of Bid for Wine Limited for £217.500. A further £300,000 of consideration is deferred depending on the business achieving gross merchandise value of £1,500,000 per annum.

Bid for Wine Limited is a peer to peer wine sales platform with auction capabilities. The Group has used the auction capability to hold on line auctions for its Dreweatts business.

The provisional fair values of the assets acquired at the time along with the final fair values determined in the current year are as follows:

At date of acquisition

	Bid for Wine £000
Intangible assets	12
Inventories	36
Trade debtors	43
Loan	(91)
Book and fair value of net assets at acquisition date	–
Goodwill	218
Consideration paid	218

After completion the Loan which was with the previous Directors of Bid for Wine Limited was repaid.

In the period from acquisition to 31 March 2016 Bid for Wine contributed £62,000 of revenue and a loss of £300,000.

At 31 March 2016 the Directors reviewed the carrying value of the business based on its performance since 29 May 2015 and its predicted future profits. As a result of this review the Directors required a full impairment (£218,000) against the carrying value of goodwill.

As a result of this review it is the Directors opinion that the deferred consideration is unlikely to be paid and therefore no provision has been made in the Group accounts.

31 a Prior year adjustment – fair value on acquisition

On 20 October 2014, the Group, through its wholly owned subsidiary, The Fine Art Auction Group Limited, ("TFAAG") purchased 100% of Mallett plc ("Mallett"). Provisional fair values were calculated for inclusion in 31 March 2015.

A review of the provisional fair value adjustments was conducted at 31 March 2016. From this review the Directors concluded that the interpretation of fair value accounting adjustments at the date of acquisition had been incorrectly applied and a number of the assets and liabilities were misstated.

As a result the Directors felt that it was appropriate to restate net assets of the acquired company, fair value adjustments and goodwill on acquisition by way of a prior year adjustment. The following amendments to net assets and fair value at acquisition have been applied.

31 a Prior year adjustment – fair value on acquisition continued

At date of acquisition

	Mallett	
	Net assets at acquisition as stated in 31 March 2015 Financial Statements £'000	**Net assets at acquisition restated 31 March 2016 £000**
Property, plant & equipment	2,508	2,508
Intangible assets	162	162
Financial assets	6	6
Inventories	11,252	8,305
Trade debtors	1,182	1,182
Other debtors	335	335
Cash	(1,190)	(1,190)
Trade payables	(945)	(945)
Tax	6	6
Accruals	(2,104)	(2,104)
Pensions	(1,417)	(1,417)
Book value of net assets at acquisition date	**9,795**	**6,848**

Fair value adjustments	**Fair value adjustments as at 31 March 2015**	**Final FV adjustments as at 31 March 2016**
Customer relationships	828	828
Brands	2,610	2,610
Property	–	1,446
Inventory	(5,805)	(324)
Debtors	(175)	(175)
Deferred tax asset	3,147	1,087
Deferred tax liability	(687)	(976)
Accruals	(1,304)	(1,304)
Pensions	212	212
Fair value of net assets acquired	8,621	10,252
Goodwill	–	(1,631)
Consideration paid	8,621	8,621

Impact on the financial statements of the fair value prior year adjustment

The correction of net assets and fair values on acquisition results in negative goodwill of £1,631,000 as a result of net assets being higher than consideration.

As the business was acquired at 20 October 2014 there is no impact on opening reserves at 1 April 2014. However, there is an impact on both the statement of comprehensive income and the statement of financial position at 31 March 2015.

31 a Prior year adjustment – fair value on acquisition continued

Impact on Statement of Comprehensive income

As a result of the changes in stock fair value provision there is an impact on comprehensive income for the year ending 31 March 2015. The previous year's financial statements included a fair value stock provision release of £655,000 and a deferred tax asset release associated with this of £98,000.

The impact of this prior year adjustment on the statement of comprehensive income and statement of financial position as at 31 March 2015 shown in the table at the end of note 31 b.

31 b Prior year adjustment – revenue recognition

As part of the audit process the Board reviewed its accounting policy and past accounting treatment with regard to the recognition of revenue in relation to certain of the investment plans which were offered by the Group in earlier years. This review was undertaken in light of the contractual terms of those investment plans and the appropriate accounting standards.

The Board considers that the previous recognition of revenue related to certain of the investment plans was not in line with appropriate accounting standards and this has been corrected by way of a prior year adjustment.

The review of the accounting policy impacts the opening net assets of the Group at 31 March 2014 as explained below. The net impact of the review is to reduce net assets at 31 March 2014 by £15,220,000.

Revenue recognition on investment plans – The Group offered investment plans to clients which included at the end of the contract term an option to sell back the items at the original purchase price (Capital Protected Growth Plan "CPGP") and in some cases with a guaranteed return (Guaranteed Minimum Return Contract "GMRC"), to Stanley Gibbons. These contracts were over a fixed period between 1-10 years, with the majority being 5 year contracts.

At the end of the contract the buyback is one option open to clients, along with other options such as where the client chooses to sell the item at market value, reinvests in other items or retains the item. On reviewing the appropriate accounting standards against the contractual terms of these plans it was the Directors opinion that the recognizing the revenue from these investment plans at the contract inception was incorrect and that revenue that had been recognised in previous accounting periods relating to the CPGP and GMRC products should be reversed.

Depending on subsequent events (the decision that the client makes at the end of the contract term), the value of outstanding the CPGP and GMRC investment plans, would fall to be recognised as revenue in later financial periods, if the buyback option is not chosen. Although the trading results of later years are likely to be beneficially effected, the historic reported revenue and profit have been materially reduced as a consequence of the unwinding of a material part of the previously reported investment plan revenues and profits.

The accounting adjustment applied to the opening balance sheet at 1 April 2014 brings back into stock those items where the Group retains a contractual obligation to repurchase the items from clients at the end of the investment plan term and the value of the potential obligations are recorded as a liability on the balance sheet. Therefore a creditor was created for the potential obligations to clients of £37,101,000. Inventory brought back into stock as a result of these investment plans was £24,930,000.

During the year ended March 2015, holders of these plans that chose to retain their collectible items after their GMRC or GPGP expired, would result in revenue being now being recognised in that year that previously would have been recognised in previous years.

31 b Prior year adjustment – revenue recognition continued

The Group's exposure to such contracts is limited to those contracts still extant and the GMRC and CPGP ceased to be sold in April 2011 and December 2013, respectively.

Stock repurchased on expired plans – Additionally in the past where guarantees were exercised, the transaction was recorded as a purchase of stock at the guaranteed value . As the original transaction is no longer recognised as a sale, the item should have remained in stock at its original purchase price, albeit the exercise of the guarantee would have passed legal title back to the Stanley Gibbons.

The accounting adjustment, relating to the items exercised under the guarantee, is for the carrying value of the related element of stock to be reduced from the price at which it was repurchased back to original cost and results in a decrease in the Group's inventory of £3,049,000 at 1 April 2014.

The net adjustment to the Group's inventory as a result of the two transactions is an increase in stock of £21,881,000.

The impact of this prior year adjustment on the statement of comprehensive income and statement of financial position as at 31 March 2015 was as follows:

Statement of comprehensive income (extract)	31 March 2015 (previously stated) £'000	Increase/ (Decrease) note 31a £'000	Increase/ (Decrease) note 31b £'000	31 March 2015 (Restated) £'000
Sales	56,865		3,181	60,046
Cost of sales	(24,600)	(655)	(3,853)	(29,108)
Profit before tax	**3,148**	**(655)**	**(672)**	**1,821**
Taxation	(1,197)	98		(1,099)
(Loss)/profit before tax	**1,951**	**(557)**	**(672)**	**722**

Statement of financial position (extract)	31 March 2015 (previously stated) 31 March 2015 £'000	Increase/ (Decrease) note 31a £'000	Increase/ (Decrease) note 31b £'000	31 March 2015 (Restated) £'000	1 April 2014 (previously stated £'000	Increase/ (Decrease) note 31b £'000	1 April 2014 (restated) £'000
Property, plant & equipment	6,528	1,446	–	7,974	6,528	–	6,528
Deferred tax assets	4,063	(1,943)	–	2,120	1,016	–	1,016
Inventories	53,822	1,878	17,348	73,048	42,118	21,881	63,999
Total assets	**125,027**	**1,381**	**17,348**	**143,756**	**107,250**	**21,881**	**129,131**
Trade and other payables – current	22,363	–	9,628	31,991	15,928	3,930	19,858
Other payables – non current	756	–	23,612	24,368	375	33,171	33,546
Deferred tax liabilities	1,424	407	–	1,831	1,424	–	1,424
Total liabilities	**42,623**	**407**	**33,240**	**76,270**	**23,305**	**37,101**	**60,406**
Net assets	**82,404**	**974**	**(15,892)**	**67,486**	**83,945**	**(15,220)**	**68,725**
Retained earnings	17,171	974	(15,892)	2,253	19,666	(15,220)	4,446
Total equity shareholders funds	**82,404**	**974**	**(15,892)**	**67,486**	**83,945**	**(15,220)**	**68,725**

32 Post Balance Sheet Events

Issue of share capital
On 1 April 2016, the Company issued 131,796,286 Ordinary Shares at an issue price of 10p a share. These shares were admitted to the Alternative Investment Market on that date. 129,996,286 shares were issued to shareholders by way of a fundraising exercise and 1,800,000 shares were issued to Evolution Securities China Limited (ESCL) for consultancy services supplied by ESCL to the Company. Clive Whiley is managing director of ESCL. The net proceeds of this issue were £12,350,000

At the date of this report the Company's issued and fully paid share capital stands at 178,916,643 ordinary shares of 1p each with a value of £1,789,166.

Sale of lease
During May 2016 the Group sold its leases over Ely House, Dover Street, London and an adjacent property for £2.5m. After costs, this reduced the Group's indebtedness by £2.4, The Group also sublet a substantial part of its New York premises.

Resignation of Directors
On 14 July 2016 D M Bralsford, S Perrée, M R M Hall and D P J Duff resigned as Directors of the company. On 13 September 2016 C S Jones resigned as a Director of the company.

33 Principal subsidiaries

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

Name	Country of incorporation	Description of shares held	Principal activity
Stanley Gibbons (Guernsey) Limited	Guernsey	Ordinary £1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons (Jersey) Limited	Jersey	Ordinary £1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons E-commerce Limited	Jersey	Ordinary £1 shares	E-commerce retailing
Stanley Gibbons Holdings Limited	England	Ordinary £0.25 shares	Holding Company
Stanley Gibbons Limited*	England	Ordinary £1 shares	Philatelic dealer and retailer, and dealer in memorabilia
Stanley Gibbons (Asia) Limited	Hong Kong	Ordinary HK$1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons (SEA) Pte Limited	Singapore	Ordinary S$1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons US, Inc*	United States	Common stock US$0.0001	Web development
Minden House Limited	Jersey	Ordinary £1 shares	First day cover dealer
Concept Court Limited	England	Ordinary £1 shares	First day cover dealer
Murray Payne Limited	England	Ordinary £1 shares	Philatelic dealer and auctioneer
Noble Investments (UK) Limited	England	Ordinary 1p shares	Holding Company
AH Baldwin & Sons Limited*	England	Ordinary £1 shares	Dealer and auctioneer in rare coins and other collectibles
Greenfield Auctions Limited*	England	Ordinary £1 shares	Auctioneers of works on paper

33 Principal subsidiaries continued

Name	Country of incorporation	Description of shares held	Principal activity
The Fine Art Auction Group Limited*	England	Ordinary £0.45 shares Preferred £1 shares Preferred £0.25 shares Deferred £0.25 shares	Auctioneers and valuers of art, antiques and collectibles
Mallett Limited*	England	Ordinary £0.05 shares	Holding company
Mallett & Son (Antiques) Limited*	England	Ordinary £1 shares	Antique dealers
Mallett Overseas Limited*	England	Ordinary £1 shares	Antique dealers
Mallett, Inc*	United States	Common stock US$1	Antique dealers
H J Hatfield & Sons Limited* (1)	England	Ordinary £1 shares	Restorers
Masterpiece London Limited* (2)	England	Ordinary £1 shares	Exhibition organiser

* Indirect holding
1 60% holding
2 23.75% holding

Directors' Biographical Details

Henry George Wilson, Director and Executive Chairman
Date of Birth: 18 September 1952. Date of Appointment as Director: 16 May 2016.

Harry Wilson received a BSc in physics from Manchester University in 1973. Following graduation he spent 17 years in various roles at British Petroleum and attended the Executive Programme at the INSEAD Business School in France in 1985.

Harry has over 35 years business experience, initially in the oil industry but successively in a wide range of business sectors. He has been founder, CEO and Chairman of a number of independent oil companies and led public listings for five companies including Dragon Oil Plc and Eland Oil & Gas Plc. He has been an executive and non-executive director of listed companies in the UK and abroad and has built up an extensive range of London and international contacts in the investment, broking and advisory communities.

Throughout his business career Harry has taken a keen interest in collectibles, particularly stamps and antiques. He is a longstanding member of the Royal Philatelic Society London, the Malaya Study Group and the India Study Group.

Harry was appointed a Director on 16 May 2016 and became Executive Chairman on 14 July 2016. He is a member of the Nomination Committee.

Andrew Cook, Chief Financial Officer
Date of Birth: 24 March 1963. Date of Appointment as Director: 14 July 2016.

Andrew Cook, who was appointed Group Managing Director on 31 May 2016, joined the Board as Chief Financial Officer on 14 July 2016.

Andrew is an experienced finance executive having previously held the position of Group Finance Director at Orchard & Shipman Group plc and at Medina Dairy Ltd. Prior to this Andrew held senior finance, commercial and executive roles for various companies including Kelly Services, The Body Shop and The Virgin Group.

Clive Peter Whiley, Director
Date of Birth: 16 June 1960. Date of Appointment as Director: 31 March 2016.

Clive Whiley became a Member of The London Stock Exchange in 1983 and a Fellow of the Securities Institute in 1995. He has extensive main board executive director experience across a broad range of financial services, engineering, manufacturing, distribution & leisure businesses covering the UK, Europe, North America, Australasia and the People's Republic of China.

Mr Whiley is currently Managing Director of Evolution Securities China Limited, and Chief Executive of Camper & Nicholsons Marinas Ltd and a Director of Camper & Nicholsons Marina Investments Limited.

He is also Chairman of China Venture Capital Management Limited, First China Venture Capital Limited and Y-Lee Limited.

Martin Paul Magee, Non-Executive – Independent
Date of birth: 26 June 1960. Date of appointment as Director: 1 August 2012

Martin qualified as a Chartered Accountant in Scotland in 1984. Following qualification he worked for nine years with Stakis plc, (now part of the Hilton Hotels Group) and then with Scottish Power plc in a variety of senior finance roles. In 2002 he was appointed Finance Director of Jersey Electricity plc.

He is also Non-Executive Chairman of the Standard Life Offshore Strategy Fund Limited, Chairman of Jersey Deep Freeze Limited and a Director of the Channel Islands Electricity Grid Limited. Additionally, Martin was a member of the States of Jersey Public Accounts Committee for five years until 2011.

He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Henry Arthur John Turcan, Non-Executive
Date of Birth: 31 January 1974. Date of Appointment as Director: 23 May 2016.

Henry Turcan is an experienced corporate financier based in London, having worked in the City for approaching two decades. In 2015, he joined Henderson Volantis Capital as a director of UK Smaller Companies. Before joining Henderson Volantis Capital, he was a director of Novum Securities, an independent UK based stockbroking house which he cofounded in 2006. Prior to this, Henry was a corporate finance director at Evolution Group.

His focus areas are corporate finance advice and broking within equity capital markets and he has extensive experience on a broad range of transactions including IPOs on the Main Market and AIM, rights issues, takeovers and corporate finance advice to unquoted companies. Henry is Chairman of the Remuneration Committee.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Stanley Gibbons Group plc ("**Company**") will be held at Banjo Jersey, 8 Beresford Street, St Helier, Jersey JE2 4WN on Thursday 27 October 2016 at 11.30 a.m. for the purpose of considering and, if thought fit, adopting the following resolutions relating to the ordinary and special business of the Company at the Annual General Meeting or any adjournment thereof:

Ordinary Business

To consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions:

1. "THAT the Company's audited accounts for the year ended 31 March 2016 and the Directors' and Auditors' Reports thereon be approved and adopted."

2. "THAT HG Wilson, who retires in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."

3. "THAT A Cook, who retires in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."

4. "THAT CP Whiley, who retires in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."

5. "THAT HAJ Turcan, who retires in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."

6. "THAT BDO Limited be appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration."

Special Business

To consider, and if thought fit, to pass the following resolution as a Special Resolution:

Authority to purchase own Ordinary Shares

7. "THAT the Company be generally and unconditionally authorised to make one or more market purchases of its own Ordinary Shares, such purchases to be of Ordinary Shares of one pence (1p) each in the capital of the Company ("**Ordinary Shares**"), provided that:

   (a) the maximum number of Ordinary Shares authorised to be purchased shall be 26,000,000 Ordinary Shares, being approximately 15 per cent of the issued capital of the Company; and

   (b) the minimum price which may be paid for any such Ordinary Shares shall be 1p per Ordinary Share (exclusive of expenses); and

   (c) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be an amount equal to 5 per cent above the average middle market quotations of an Ordinary Share as derived from the Daily Official List of the UKLA for the five business days immediately preceding the day on which any such Ordinary Shares are purchased or contracted to be purchased;

   (d) unless otherwise varied renewed or revoked the authority hereby conferred shall expire at the earlier of 31 January 2018 and the conclusion of the Annual General Meeting of the Company to be held in 2017; and

   (e) prior to expiry of the authority hereby conferred the Company may enter into a contract or contracts for the purchase of Ordinary Shares which may be executed in whole or in part after such expiry and may

purchase Ordinary Shares pursuant to such contract or contracts as if the authority hereby conferred had not so expired."

To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

Authority to allot Ordinary Shares

8. "THAT the Directors be generally and unconditionally authorised to exercise all powers of the Company to issue or grant equity securities (as defined in the articles of association of the Company (the "**Articles**")) in accordance with article 2.2(b) of the Articles:

(a) up to a maximum number of 71,083,357 Ordinary Shares (such number to be reduced by the number of Ordinary Shares allotted pursuant the authority in sub-paragraph (b) below) in connection with an offer by way of a rights issue:

(1) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

(2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) in any other case, up to a maximum of 59,000,000 Ordinary Shares (such number to be reduced by the number of any Ordinary Shares allotted pursuant to the authority in sub-paragraph (a) above in excess of 59,000,000),

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of 31 January 2018 and the conclusion of the Annual General Meeting of the Company to be held in 2017, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be issued or granted and the Directors may issue or grant equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired."

To consider, and if thought fit, to pass the following resolution as a Special Resolution:

Disapplication of pre-emption rights

9. THAT, subject to the passing of the ordinary resolution numbered 8 in this notice of Annual General Meeting, the Directors be given the general power to issue or grant equity securities (as defined in the Articles) for cash either pursuant to the authority conferred by the ordinary resolution numbered 8 in this notice of Annual General Meeting or by way of a sale of treasury shares, as if the pre-emption rights contained in article 2.7 of the Articles did not apply to any such issue or grant, provided that this power shall be limited to:

(a) the allotment or grant of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under sub-paragraph (a) of the ordinary resolution numbered 8 in this notice of Annual General Meeting, by way of a rights issue only):

(1) to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

(2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment or grant (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to a maximum of 44,500,000 Ordinary Shares.

The power granted by this resolution will expire on the earlier of 31 January 2018 and the conclusion of the Annual General Meeting of the Company to be held in 2017 (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted or granted after such expiry and the Directors may allot or grant equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired."

by order of the board of Directors of
The Stanley Gibbons Group plc
RK Purkis, *Secretary*

Dated: 3 October 2016

Registered Office Address: 2nd Floor, Minden House, Minden Place, St Helier, Jersey JE2 4WD, Channel Islands.

NOTES:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to exercise all or any of your rights to attend, speak (with permission of the Chairman) and vote on your behalf at a general meeting of the Company.
2. An instrument for the purposes of appointing a proxy is enclosed. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint a person other than the Chairman of the meeting as your proxy, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of Ordinary Shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining Ordinary Shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one Ordinary Share. To appoint more than one proxy you must complete a separate Form of Proxy for each proxy or, if appointing multiple proxies electronically, follow the instructions given on the relevant electronic facility. Members can copy their original Form of Proxy, or additional Forms of Proxy can be obtained from Capita Registrars (Jersey) Limited, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.
4. The return of a completed proxy form, other such instrument or any CREST proxy instruction (as described in paragraph 13 below) does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. To be valid any proxy form or other instrument appointing a proxy must be:
   - completed and signed;
   - sent or delivered to Capita Registrars (Jersey) Limited, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF; and
   - received by Capita Registrars (Jersey) Limited no later than 11.30 am on 25 October 2016.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.
9. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
10. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 11.30 am on 25th October 2016.
11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 27 October 2016 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
    In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Asset Services (CREST Participant ID: **RA10**), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
    CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertified Securities) (Jersey) Order 1999.
14. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company specifies that only those members entered on the register of members of the Company as at close of business on 25 October 2016 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after close of business on 25 October 2016 or, if the meeting is adjourned, on the register of members 48 hours before the time fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
15. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same Ordinary Shares.
16. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:
    - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question, or;
    - it is undesirable in the interests of the company or the good order of the meeting to answer the question.
17. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

EXPLANATORY NOTES

Resolutions 2 – 5: Directors seeking re-election

Harry Wilson, Andrew Cook, Clive Whiley and Henry Turcan, each of whom was appointed as a Director by the Board after the last Annual General Meeting of the Company, will retire from office, and offer himself for re-election, at this year's Annual General Meeting in accordance with the Company's Articles of Association. Martin Magee will retire, and will not seek re-election as a Director at the Annual General Meeting.

Biographical details of the Directors seeking re-election are contained in the Annual Report 2016.

Resolution 6: Appointment of auditor
At each general meeting at which the accounts are laid before the members, the Company is required to appoint an auditor to serve until the next such meeting. The resolution also authorises the Board to determine the remuneration of the Company's auditor.

Resolution 7: Authority for Company to purchase its own Ordinary Shares
The previous authority granted by the shareholders to the Directors for the Company to purchase its own Ordinary Shares will shortly expire and the Directors recommend that a further authority in this respect be obtained. The authority, if renewed at the Annual General Meeting, would permit the Company to purchase up to approximately 15% of its issued Ordinary Shares for a price (exclusive of expenses) which is not less than the nominal value of an Ordinary Share and not more than 5% above the average market value of an Ordinary Share for the five business days prior to the day the purchase is made. The authority granted by this resolution will expire on the earlier of 31 January 2018 and the conclusion of the next Annual General Meeting of the Company.

The Board would only authorise such purchases after careful consideration, taking account of other investment opportunities, appropriate gearing levels, the overall financial position of the group and whether the effect would be an increase on earnings per share and in the best interests of shareholders generally.

Resolution 8: Authority to allot Ordinary Shares
This resolution deals with the Directors' authority to allot Ordinary Shares in accordance with article 2.2 of the Articles and will, if passed, authorise the Directors to allot: (a) in relation to a pre-emptive rights issue only, up to a maximum of 71,083,357 Ordinary Shares (which represents the Company's unissued Ordinary Shares as at the date of this notice. This maximum is reduced by the number of Ordinary Shares allotted under the authority referred to in sub-paragraph (b) below; and (b) in any other case, up to a maximum of 59,000,000 Ordinary Shares (which represents approximately one-third of the Company's issued Ordinary Shares as at the date of this notice). This maximum is reduced by the number of Ordinary Shares allotted under the authority referred to in sub-paragraph (a) above in excess of 59,000,000 Ordinary Shares. Therefore, the maximum number of Ordinary Shares which may be allotted under this resolution is 71,083,357 Ordinary Shares. The authority granted by this resolution will expire on the earlier of 31 January 2018 and the conclusion of the next Annual General Meeting of the Company.

Resolution 9: Disapplication of pre-emption rights
This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 8, to allot Ordinary Shares or sell treasury shares for cash up to a maximum of 44,500,000 of Ordinary Shares (which represents approximately 25% of the Company's issued Ordinary Shares as at the date of this notice) without first offering them to existing shareholders in proportion to their existing holdings. The power granted by this resolution will expire on the earlier of 31 January 2018 and the conclusion of the next Annual General Meeting of the Company.

Perivan Financial Print 242519

The Stanley Gibbons Group plc
2nd Floor, Minden House, Minden Place,
St Helier, Jersey JE2 4WQ, Channel Islands
Tel: 01534 766711

and

399 Strand,
London WC2R 0LX
Tel: 020 7836 8444

Email: info@stanleygibbons.com
www.stanleygibbons.com

BALDWIN'S
The Name for Numismatics
www.baldwin.co.uk

MALLETT
LONDON • NEW YORK
www.mallett.co.uk

Dreweatts & Bloomsbury
www.dreweatts.com

STANLEY GIBBONS
THE COLLECTIBLES MARKETPLACE
www.stanleygibbons.com

www.murraypayne.com

APEX
The Name for Philatelics
www.apexstamps.com

FRASER'S
AUTOGRAPHS
www.frasersautographs.com