The Stanley Gibbons Group plc

Annual Report and Accounts
for the year ended 31 March 2017

Group Annual Report and Financial Statements

for the year ended 31 March 2017

Financial Highlights

	Year ended 31 March 2017	Year ended 31 March 2016 *restated*
Group Turnover (£m)	42.5	59.1
Trading loss (£m)	(8.8)	(3.9)
Loss before taxation (£m)	(30.2)	(27.9)
Adjusted (loss)/profit before taxation (£m)	(11.1)	(4.9)
Basic earnings per share (p)	(16.10)	(60.03)
Adjusted earnings per share (p)	(5.32)	(10.06)
Dividend per share (p)	–	–
Total borrowings (£m)	16.5	21.9
Net assets per share (p)	10.1	73.0
Adjusted net assets per share (p) as at 1 April 2016	n/a	19.2

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Financial Calendar

Annual General Meeting Wednesday 1 November 2017

Directors and Advisers

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

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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

This report relates to the audited results for the year ended 31 March 2017.

The year was another difficult period for the Group as the accounts demonstrate. To recap, the Board went through wholesale change during 2016 following a strategic review initiated to address the very difficult trading and cash-flow position. As the restructuring work progressed it became clear that the problems identified were deeper than initially thought and new issues were uncovered. There has been a further 48 % fall in net asset value as shown in the table in the Financial Review on page 13. This has resulted from a combination of one-off restructuring costs, continued difficult trading conditions and the ongoing legacy of the Group's investment contracts which included guaranteed buy-backs.

Over the year a huge amount was achieved as detailed more fully in the Business Review below. Most notably the annualised operating costs were reduced by over £10m and receipts of £5.2m have been successfully achieved from the sale of non-core assets. While revenues have reduced by 28% during the rationalisation process, some £8.3m of the reduction in sales and £5.2m of the trading losses are associated with the Interiors division. These will reduce dramatically in future periods as a direct result of the disposal of the Interiors division referred to below. This will allow the stamp & coin dealing activities to re-emerge following the disposal of the various non-core businesses.

What has been achieved would not have been possible without the support of the Group's bank, over the last eighteen months, which has allowed the new management team the latitude to accommodate the decline in trading performance, at the same time as progressing the restructuring of the business. Due to the qualified audit report in these financial statements and the Group's net assets being below £20m, the Group is currently in default on its bank facilities and the Company remains dependent upon the bank's ongoing support. There can be no guarantee that the bank will provide facilities beyond 31 May 2018 and the Company is likely to require access to further liquidity in the intervening period. The Company remains in constructive discussions with the bank, regarding its short-term liquidity requirements, and the terms of such funding in such form as it may become available. Failing this the Board have reasonable grounds to believe that alternative finance will be available via further asset disposals or from an alternative finance provider.

The Board is pleased to confirm the completion on 1 October 2017 of the sale of Dreweatts 1759 Limited, into which certain assets and liabilities of Dreweatts and the intellectual property rights and goodwill in respect of the Mallett brand, all part of the Group's Interiors division, were transferred on 31 July 2017. The Mallett and Made by Meta brands, originally part of the agreed disposal to Millicent Holdings Limited (which, as announced on 4 August 2017 failed to proceed to completion), have not been included in the sale and those assets remain within the Group. However the sale does include the Bloomsbury Auctions brand. The purchaser of Dreweatts 1759 Limited is Gurr John's Limited and the terms for the disposal comprise cash of £1.25m paid on completion, plus a maximum additional consideration of £0.4m, payable over the next 24 months (alongside the assumption of other liabilities currently associated with the Interiors division).

In June 2017, the Board decided to initiate a full strategic review including a Formal Sale Process ("FSP") to explore the commercial options available in order to unlock incremental long-term value within the Group. This review led to discussions with various interested parties and is nearing completion. As detailed in the Business Review, the Company has to date received a number of proposals for all or some of the business. Given the complicated restructuring which the business has gone through and certain legacy liabilities which remain, it is the Board's current view that an asset sale or strategic investment may potentially provide a more favourable outcome for shareholders than an offer for the Company as a whole. We remain in negotiation with several parties in this regard and an offer for all of the shares in the Company (though considered less likely) can not be discounted entirely at this stage. We will provide a further update as these discussions progress.

Trading and Operations

As announced in the results today, trading conditions have remained difficult since the update given on 9 May 2017. Overall, Group trading continues to be subdued in large part due to legacy issues and, in particular, a reduction in investment sales of high end collectibles.

Summary results:

- a 48 % reduction in net assets to £18.0 m (2016: £34.4 m) due primarily to the £12.0m impairment of goodwill and other intangibles arising from historic acquisitions, £2.9m write-down of stock related to the Interiors division and impairment of receivables by £0.7m;
- turnover of £42.5 m was 28 % lower than last year with half of the reduction attributable to the Interiors division;
- a substantial increase in trading losses, before accounting adjustments to £8.8m (2016: trading loss of £3.9m) as a result of a decline in trading performance in all trading divisions, particularly investments and AH Baldwin;
- the adjusted loss before tax and exceptional operational charges was £11.1 m (2016: £4.9m loss) (after a prior year adjustment reducing net assets by £4.0 m);
- gross margin for the year was 32 % (2016: 40%) as we continued to prioritise cash-flow in reducing the excess stock position;

Despite the challenging environment, the Group has managed to reduce the bank debt over the year from £21.9m to £16.5m at 31 March 2017 (currently at £17.0 m).

Annualised operating cost savings of over £10m have been achieved to date through the restructuring programme and the full benefit of this will be seen in the current financial year (to 31 March 2018). Further savings are expected to be made as the restructuring programme reaches its conclusion. Over the last 18 months there has been a significant reduction in office premises and annualised employment costs across the Group. The Board recognise that this has been a particularly testing time for staff and I would like to thank them for their commitment and loyalty during this period.

Dividend

Given the results for the year, the Board is not recommending the payment of a final dividend for the year ended 31 March 2017 (year ended 31 March 2016: nil). The Board will review the dividend policy on a regular basis taking into account trading conditions, working capital requirements and commercial opportunities for reinvestment.

Management and Board Changes

As covered in previous reports, there has been a complete change of directors on the Board during 2016. All of the executive team are now London based.

More recently there has been significant restructuring of the Philatelic division including management changes which we believe will help to revitalise this core part of the Group. In order to improve the efficiency of our philatelic auctions, Apex Auctions is being amalgamated into Stanley Gibbons Auctions.

Strategy for the Future

The restructuring of the Group is allowing us to focus on our core activities – stamps and coins. In these markets, we have two key brands: Stanley Gibbons and Baldwin's. These businesses both operate in large markets with a global presence where integrity, expertise and heritage are at a premium. These attributes lie at the heart of our business and are synonymous with our brands. Our strategy is to improve the efficiency of our businesses while

maintaining disciplined capital allocation and growing brand recognition in broader markets internationally. We believe this will enable us to establish a sustainable and profitable business model for the Group and deliver long term value to shareholders in the process.

The Group's E-commerce capability has historically been weak and we see improvements in this area as key to the future of the business. Our website has undergone significant enhancements over the last year and more recently we relaunched My Collection an online programme for philatelists to catalogue and manage their collections which has received very good reviews.

Investment products remain an important part of our business but we no longer offer guaranteed portfolios and the emphasis in the future will be on the heritage value of collectibles. Our plan is to reconnect with collectors who have historically been the bedrock support for the Group.

We recognise that the delivery of a premium service to our customers is dependent on having specialist staff who are experts in their field. Whilst we have maintained a strong specialist capability, we have unfortunately lost a number of staff over the last year as part of the restructuring. Our plan is to rebuild these teams within the new structure as trading conditions improve.

Outlook

Against a backdrop of political and market uncertainty, both domestically and internationally, the market for rare collectibles has remained surprisingly robust. In particular, the higher quality items continue to be sought after and steadily increase in value over the medium to long term. The key to identifying such items is having specialists who know the difference – we are fortunate at Stanley Gibbons to have a number of such specialists.

The last 18 months have been difficult for everyone involved with Stanley Gibbons and the Directors would like to thank all our stakeholders, particularly our hard-working staff, for their continued support. The restructuring undertaken to date has put the Group in a position where it is hoped its fortunes and reputation can be restored, however there are immediate challenges that still need to be overcome. It is hoped that the conclusion of the FSP will finally allow a line to be drawn under the problems of the past.

Harry Wilson
Chairman

1 October 2017

The Board believes that, notwithstanding another difficult year as highlighted above and the possible need for short-term liquidity, we are close to reaching a turning point for the Group.

This is as a direct result of the dramatic changes introduced since early 2016, alongside the increasing impact of operating cost savings, where the full benefits will be seen in the financial year to 31 March 2018. These measures are feeding through to day-to-day trading, allowing management to build upon the core strengths of our specialist staff. As it emerges, this culture change is reinforcing the undoubted value of our brands.

Restructuring Update

The Company has now been comprehensively restructured. Annualised operating costs have been reduced by over £10m and we have generated cash of £5.2m from the sale of parts of the Interiors Division to date. The Group has a clear focus and understanding of its competitive advantages and achievable corporate goals. The core activities of the Group are conducted via Baldwin's, Stanley Gibbons and Murray Payne, which share similar characteristics and benefit from commercial advantages associated with being market leaders in the numismatic and philatelic markets respectively, including:

- large global markets;
- brand integrity and leadership;
- loyal collector customer base;
- invaluable industry expertise which is revered worldwide; and
- heritage.

The Board's success in achieving divestments from non-core assets to generate working capital for the Group and the subsequent approach in June 2017, from Disruptive Capital, left the Board determined to ensure that the underlying strength of the core business is fully reflected in shareholder value.

The Directors believe that Stanley Gibbons with its heritage brands and expertise, has significant strategic value, not only in its existing core markets but also across the broader global collectibles market, particularly the Middle East and Asia. Unlocking this incremental long-term value is likely to require further investment capital and the Directors believe that it is likely therefore that this is best delivered within a larger group or alongside a financially strong strategic partner.

Strategic Review and Formal Sale Process

On 12 June 2017, to maximise the effectiveness of the strategic review initiated in 2016, the Board announced that it had commenced an FSP to be conducted in accordance with the Rules of the Takeover Code. This was specifically designed to identify the full bandwidth of parties with an interest in contributing to the future development of the Group. The process has been run throughout the summer and the Board and the Company's financial advisors, finnCap, have identified the preferred parties with which to progress.

We are pleased to report that the Company has received several proposals. In the opinion of the Board, at this stage given the complex restructuring and the legacy liabilities identified since 2016, those proposals which will provide the most favourable outcome for shareholders are likely to entail the sale of assets or a strategic investment in the Company rather than an offer for the Company as a whole, although the latter cannot be ruled out at this stage. We remain in negotiations with several parties as set out above.

In the opinion of the Board, the FSP has facilitated a significant level of interest in the future development of the core stamp & coin dealing activities, which would allow a return to a more normalised trading environment, unfettered by the obvious cash constraints apparent over the last two years.

Sale of certain assets & liabilities of the Interiors division

On 9 May 2017 the Board announced the sale of a major part of the Interiors division to Millicent Holdings Limited ("Millicent"), which transaction subsequently failed to complete as reported on 4 August 2017.

The Board is today pleased to confirm completion of the sale of Dreweatts 1759 Limited. The sale is to Gurr John's Limited ("Gurr Johns") for a consideration of £1.25m paid in cash on completion, plus a maximum additional consideration of £0.4m, payable over the next 24 months (alongside the assumption of certain other liabilities currently associated with the Interiors division). Certain assets and liabilities of Dreweatts and the intellectual property rights and goodwill in respect of the Mallett brand, all part of the Group's Interiors division, were transferred to Dreweatts 1759 Limited on 31 July 2017 in anticipation of the proposed sale to Millicent. However, the sale to Gurr Johns does not include the Mallett and Made by Meta brands (which have been transferred back to the Group) but it does include the Bloomsbury Auctions brand.

In addition to the Mallett and Made by Meta brands, the Group retains Mallett inventory, against which Gurr Johns has agreed an interest free advance of £300,000 ahead of auction in November 2017. The Group also retains the benefit of the rental income from the former Mallett New York premises, which will allow the Group to derive additional benefit from the remaining assets of the Interiors division in the coming years. As announced on 4 August, a termination fee is now payable to the Company by Millicent under the terms of the relevant agreement and the Company intends to seek recovery of this by enforcing certain collateral that was provided to the Company.

The proceeds of the sale from the disposal of the Interiors division will be used to provide additional working capital for the Group.

The Interiors division, which (for these purposes include the Dreweatts, Malletts and Bloomsbury businesses), made an operating loss before exceptional costs of £5.2m in the year to March 2017.

Funding

The total bank debt at 31 March 2017 was £16.5m (31 March 2016: £21.9m), reduced from a peak of £24m during March 2016. Management have worked hard on improving the liquidity of the Group's assets as the Board is determined to significantly further reduce debt in the current year.

The Group has the following bank facilities, all of which are secured and guaranteed by various members of the Group:

- a £8.3m loan facility, originally £10m, taken out to enable the acquisition of Noble in 2013 and currently benefiting from a moratorium on capital repayments, which is scheduled to recommence at £500,000 per quarter from December 2017 but subject to earlier part-repayment in the event of a major asset disposal (although this obligation does not apply to the proceeds of sale from the Interiors disposal); and
- a £10m revolving credit/overdraft facility, which is available until 31 May 2018.

On 20 September 2016 the bank agreed a variation in the asset cover covenants, necessary as a result of the reduction in net asset value caused by the prior year adjustment, whilst the restructuring programme is given time to take effect.

Support from the Group`s bank, over the last eighteen months, has allowed the new management team the opportunity to accommodate the decline in trading performance, at the same time as finalising the restructuring of the business. Due to the qualified audit report in these financial statements and the Group's net assets being below £20m, the Group is currently in default on its bank facilities and the Company remains dependent upon the bank's ongoing support. There can be no guarantee that the bank will provide facilities beyond 31 May 2018 and the Company is likely to require access to further liquidity in the intervening period. The Company remains in constructive discussions with the bank, regarding its short-term liquidity requirements, and the terms of such funding in such form as it may become available. Failing this, the Board has reasonable grounds to believe that alternative finance will be available via further asset disposals generated through the FSP or from an alternative finance provider.

Group Corporate Structure

On 1 February 2017 the Board adopted new Articles of Association at an Extraordinary General Meeting which, amongst other things, allowed the Board to exercise management of the Company from within the United Kingdom where all of the Directors and the vast majority of the Company's management function is now located.

As a consequence of these changes the Company's tax residency moved to the United Kingdom, allowing for the more efficient management of the Company, outweighing any potential taxation benefits that may occur in the future.

Management and Board Changes

The initial restructuring review in 2016, identified the need for dramatic management changes across the Group which were long overdue and all of which took place last year. Hence the Board composition, as reinforced with specialist directors with change management, financial, retail and collectibles experience, has now been stable for the last year. In consequence, allowing the introduction of a robust, cash-driven, UK based backbone to the business.

Strategy for the Future

The objectives of our revised strategy remain 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, long overdue, integration of the acquisitions made in recent years, to derive the benefits which should have been gained earlier.

In January 2017 Baldwin's launched a joint-venture with St James's, the well-established numismatic auction house, for its auction activities. Trading as Baldwin's of St James's this complemented the growth profile of our retail coin business already reinvigorated by the appointment of a new Managing Director a year ago.

This provided a useful template as to the options open to us for an enhanced retail/auction model for the larger philatelic activities, which were the final parts of the business to be restructured.

The Board now has a clear line-of-sight to achieve its goal of a market leading, capital light, stamp & coin dealing platform designed to allow the intrinsic value of those activities to be more readily identified.

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 Marketplace

A full review of Group E-Commerce strategy led to the closure of The Marketplace, based in the USA, on 7 September 2016 bringing to an end a project which had consumed some £10m cash over the last few years.

The Board believes there remains an opportunity to grow online revenues substantially. This will ultimately be best achieved via a cohesive strategy linking online sales of the Group's own, high quality collectibles assets, with our world renowned publications business.

Significant accounting changes and balance sheet adjustments

Revenue Recognition

As has been previously announced the Group had, over several years, been incorrectly recording and reporting sales and profits in relation to some of the investment plans. Since the prior year adjustment made in the March 2016 financial statements to correct these errors, the Group has been validating the legacy information used to quantify these adjustments. This exercise showed that there were additional errors in relation to certain investment plans which were offered by the Group in earlier years.

As stated in last year's financial statements 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 was corrected by way of a prior year adjustment. The further adjustment made this year is for the same reasons as detailed below.

The correction of the error impacts the opening net assets of the Group at 1 April 2015 as explained below and detailed in note 31 a. The net impact of the review is to reduce net assets at 1 April 2015 by £5.0m.

The Group (through its subsidiary Stanley Gibbons Guernsey Limited) 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 and in some cases with a guaranteed return, to Stanley Gibbons Guernsey Limited.

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 recognising 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 these plans should be reversed.

Depending on subsequent events (the decision that the client makes at the end of the contract term), the value of outstanding 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.

A further prior year adjustment to that booked in the previous year has therefore been made. The impact of which at 1 April 2015 is, an increase in the amount of creditors by £6.3m and a decrease in debtors by £3.4m, 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, coupled with an increase in stock by £4.7m 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).

Reclassification of bank borrowings

As a result of the default due to the breach in covenant as at 31 March 2016, described in note 20 the bank borrowings were repayable on demand. Although the defaults were subsequently rectified, the Group's borrowings were previously incorrectly disclosed as non-current liabilities as at 31 March 2016, to correct this error the borrowings of £16.8m have been reclassified as current liabilities as at 31 March 2016.

Impairment of Goodwill and intangibles

Due to the disposal of elements of the Interiors division highlighted above and the related decision not to continue to trade some of the other Interior's brands, the goodwill and intangible assets of the Interiors division were impaired by £11.0m. A further £1.0m of goodwill relating to Baldwin's was also impaired.

Additionally as in the previous year the intangible created in relation to the Marketplace was fully impaired resulting in a charge of £2.1m in the year.

Stock provisions and losses

The majority of the remaining stock held by Mallett will be auctioned over the coming months. Mallett has not actively traded for several months and this decision was made as the additional costs incurred in selling this stock at retail prices are likely to outweigh the incremental profits. The stock has therefore been reduced in value to the expected hammer prices that will be realised at auction and coupled with other stock from the Interiors division that has been sold at a loss to realise cash, this has resulted in a charge of £2.9m in the year within exceptional charges and £1.1m within cost of sales, a total of £4.1m.

A full count of the Baldwin's stock was completed after the year end. A full stock count had not been undertaken for approximately 10 years and the resultant loss was £0.4m. The Baldwin's stock will now been included in the continuous rolling count process that is performed on the philatelic rarities.

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 22 December 2016, the DOJ concluded its criminal prosecution against the former client, (arising in part out of his dealings with Mallett Inc.), when the former client was sentenced to two years in prison, ordered to forfeit his interest in certain antiques and pay US$657,000 in restitution.

On 28 April 2017 the DOJ concluded its criminal prosecution (arising in part out of a former client's dealings with Mallett Inc.), when Henry Neville, a New York based former director of Mallett plc, was sentenced to two years' probation and ordered to pay US$160,000 in restitution arising out of his dealings with the former client, the court-appointed receiver and the Government's investigation into his conduct.

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.

At present the Board's best estimate of the costs in responding to the subpoena from the SEC and/or assisting the US authorities with their investigations, as at 31 March 2017 total £0.7m. This amount is the total accrual at the year end.

Operating Review

	12 months to 31 March		12 months to 31 March	
	2017	2017	2016	2016
	Sales	Profit	Sales	Profit
			restated	*restated*
	£'000	£'000	£'000	£'000
Investments	18,778	989	22,447	3,166
Philatelic	7,881	(419)	7,545	(113)
Publishing	2,043	122	3,039	370
AH Baldwin	4,975	955	8,213	2,139
Interiors	8,650	(5,174)	16,961	(4,320)
Other & corporate overheads	136	(4,967)	932	(4,770)
Finance charges		(318)		(392)
Trading sales and Profits	42,464	(8,812)	59,137	(3,920)
Amortisation of customer lists		(423)	–	(364)
Pension service and share option charges	–	(623)	–	(437)
Finance charges related to pensions		(138)	–	(176)
Exceptional cost of sales	–	(1,144)		
Exceptional operating charges	–	(19,017)		(22,986)
Group total sales and (loss)/profit before tax	42,464	(30,157)	59,137	(27,883)

Overview

Group turnover for the year ended 31 March 2017 was £42.5m (2016: £59.1m), 28.2% lower than the prior year. The gross margin percentage for the year ended 31 March 2017 was 31.6% (2016: 40.3%).

We have experienced reduced turnover across almost all divisions in the Group but particularly at A H Baldwin (down 39%) and in Interiors (down 49%), both of which have undergone substantial restructuring and have suffered a temporary loss of business. 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.

In consequence, the operating profit from our trading divisions has fallen by some £4.7m. Coupled with an increase in corporate overheads of £0.2m associated with the restructuring plan and resolution of legacy issues, this has resulted in the significantly increased trading loss, before accounting adjustments including exceptional operating charges and finance charges related to pensions, of £8.8m for the year ended 31 March 2017 (2016: trading loss £3.9m).

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 2017 were £1.2m (2016: £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 and Cost of Sales

Exceptional operating charges/(income) and cost of sales, can be further analysed as follows:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 *restated* £'000
Impairment of intangible assets relating to the Interiors division	10,980	–
Other impairment of intangible assets	1,000	14,125
Marketplace intangible asset written off	2,096	5,986
Pension scheme (recovery)/costs		(1,968)
Professional fees for corporate activity	587	819
Restructuring and redundancy costs	589	1,156
Other stock provisions	100	1,373
Profit on disposal of tangible fixed assets	(325)	(189)
Stock provisions resulting from Interiors disposal	2,934	–
Stock provisions resulting from historical lost stock	406	–
Impairment of receivables	650	610
Legal costs in relation to SEC investigation	–	1,074
	19,017	22,986
Losses on realising inventory within Interiors division	1,144	

The impairment of intangible assets relating to the Interiors division comprises The Fine Art Auction Group (£8.6m) and Mallett (£2.4m).

The stock provisions and the cost of sale losses on realising inventory within Interiors, relate to the decision to no longer continue to trade certain brands in the Interiors division and the resultant sale of the inventory in a much shorter time period.

C P Whiley
Director

1 October 2017

Statement of Financial Position

The table below shows the impact on net assets of the disposal of the elements of the Interiors division coupled with the adjustments required to correctly account for the historical legacy issues that the Group has faced.

	Year ended 31 March 2017 £'000
Impairment of intangible assets relating to the Interiors division	(10,980)
Stock provisions and losses relating to the Interiors division	(4,078)
Impact on net assets of Interiors disposal	(15,058)
Adjustment due to incorrect revenue recognition – prior years	(4,006)
Marketplace intangible asset written off	(2,096)
Other impairment of intangible assets	(1,000)
Stock provisions resulting from historical lost stock	(406)
	(22,566)
Consolidated net assets before adjustments listed above	40,561
Consolidated net assets as at 31 March 2017	17,995

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 2017 £'000	31 March 2016 *restated* £'000
Philatelic rarities	31,039	33,417
Philatelic stock (general)	3,828	4,973
Coins and medals	4,408	6,987
Autographs, historical documents and related memorabilia	365	3,027
Antiques	700	2,472
Publications, albums and accessories	243	326
Group owned stock	40,583	51,202
Inventory owned by third parties	14,642	14,719
	55,225	65,921

The third party stock shown above is owned by holders of investment plans that are not recognised as sales as explained within Sale of goods – Investment contracts accounting policy in note 1.

Cash Resources

As at the balance sheet date the Group had a revolving credit facility of £10.0m and an additional loan facility of £8.3m, totalling £18.3m. At the same date the utilised amounts were £8.2m, £8.3m respectively totalling £16.5m (2016: £22.9m).

On the 30 May 2017 the Group sold its interest in Masterpiece London Limited and part of these proceeds were used to reduce the loan to £7.6m.

As at 27 September 2017, before the receipt of the initial consideration of £1.25m for the Interiors disposal, the Group had £0.6m of headroom on the £10.0m revolving credit facility and the loan facility was £7.6m.

As detailed in note 20 the Group is currently in default on its bank facilities due to the qualified audit report in these financial statements and the Group net assets being below £20m. Additionally the facilities were in default as at March 2016 and so should have been shown as a current liability in the balance sheet at that date and accordingly have now been restated. The bank has continued to support the Group throughout the period, by waiving previous defaults and although during periods of default the facilities are repayable on demand, they have not requested repayment.

Finance costs

Finance costs of £0.6m (2016: £0.6m) comprise loan interest and charges on the finance facilities with RBS of £0.4 (2016: £0.4m) plus a cost of £0.2m (2016: £0.2m), representing the interest on net defined benefit liabilities under IAS19 (Amendment) "Employee Benefits".

Taxation

Due to repayments of previous tax overpayments, coupled with overprovisions in previous years, for the year to 31 March 2017 (excluding deferred taxation & capital gains tax) there was a tax credit of £0.9m (2016: charge of £0.3m). Profits from Channel Island trading companies are currently subject to tax at 0%.

Prior year adjustment

These financial statements reflect prior year adjustments in respect of the previously highlighted issues regarding the treatment of revenue for some investment products. The adjustment was necessary following further analysis of the legacy information used to quantify the adjustments booked in the March 2016 Report and Accounts. Details of this prior year adjustment are given in note 31 a. The impact of the prior year adjust adjustment required to reflect the error on the classification of the borrowings as at 31 March 2016 is detailed in note 31 b.

Accounting Policies

Accounting policies are detailed in note 1 to the Financial Statements on pages 30 to 33.

Andrew Cook
Chief Finance Officer

1 October 2017

Corporate Governance

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 Non-Executive Directors.

The Committee met three times during the period since approval of the previous financial statements. It has written terms of reference, which were updated in October 2016, 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. The Committee has concluded that this is the case and has reported this to the Board.

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.

Members of the Audit Committee at the date of this report were LE Castro and HAJ Turcan.

Nomination Committee

A separate Nomination Committee is in operation. It has written terms of reference, which were updated in October 2016, setting out its responsibilities. 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 LE Castro.

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 HAJ Turcan and LE Castro.

H A J Turcan is employed by Lombard Odier Asset Management (Europe) Limited, 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 are exercisable between the third and tenth anniversaries of the date of grant.

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 was 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 was 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 was achieved.

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

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

Options issued in 2016 were granted at market value and are not subject to a performance condition.

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
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. The performance condition was not achieved on the sale of the Interiors Division and the awards under the plan have therefore not vested.

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 H Wilson, A Cook, M Hall and D Duff to defined contribution personal pension 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 2017 can be analysed as follows:

	2017 Salary & Fees £'000	2017 Performance Related Bonus £'000	2017 Other Benefits £'000	2017 Pension Contributions £'000	2017 Total £'000	2016 Total £'000
H Wilson	106	–	–	3	109	–
A Cook	126	–	–	2	128	–
C Whiley	–	–	–	–	–	–
L Castro	21	–	–	–	21	–
H Turcan	21	–	–	–	21	–
M Bralsford	23	–	–	–	23	60
M Hall	306	–	–	20	326	303
D Duff	210	–	–	9	219	203
J Byfield	88			9	97	101
M Magee	20	–	–	–	20	35
S Perreé	10	–	–	–	10	35
C Jones	23	–	–	–	23	35
	954	–	–	43	997	772

The periods each Director served during the year are given on page 21.

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry date	Exercise Price (1p shares)	Number at 31 March 2016	Granted 2016	Exercised in period	Forfeited in period	Number at 31 March 2017
H Wilson	5/10/16**	5/10/19	5/10/26	11p	–	2,000,000	–	–	2,000,000
A Cook	5/10/16**	5/10/19	5/10/26	11p	–	2,000,000	–	–	2,000,000
M Hall	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 19	See Pg 19	See Pg 19	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 19	See Pg 19	See Pg 19	372,782	–	–	–	372,782
					1,437,634	4,000,000	–	(235,537)	5,202,097

** Options granted under Group Share Option Plan 2010.
*** Options granted under the Stanley Gibbons plc Value Creation Plan.

The closing market price of the Company's shares at 31 March 2017 was 8.75p and the range of market prices during the twelve month period was between 18.25p and 8.5p.

Directors' Report

for the year ended 31 March 2017

The Directors present their report and the consolidated audited financial statements for the year ended 31 March 2017.

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; and
- 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 2017 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 12 to 15. 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 12 to 13.

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 2017 is set out on page 28. The Directors do not recommended a final dividend for the year ended 31 March 2017 (year ended 31 March 2016: nil).

Directors

The following Directors have held office since 1 April 2016:

D M Bralsford	(resigned 14 July 2016)
M R M Hall	(resigned 14 July 2016)
D P J Duff	(resigned 14 July 2016)
M P Magee (Non-Executive)	(resigned 27 October 2016)
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)
L E Castro (Non-Executive)	(appointed 4 October 2016)

M Bralsford, M Magee, S Perrée, C Jones and L Castro 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 76 and 77.

Directors' interests

The interests of the Directors in the shares of the Company, all of which are beneficial, at 31 March 2017 together with their interests at 31 March 2016 were:

	Ordinary 1p Shares 31 March 2017	Ordinary 1p Shares 31 March 2016
HG Wilson (1)	2,000,000	2,000,000*
A Cook	–	–
CP Whiley (2),(3)	500,000	
LE Castro		
HAJ Turcan (4)	–	–

* On appointment

(1) Held in the name of Park Securities Limited for Roselea Limited, both companies in which H Wilson is a director and shareholder.

(2) Held in the name of Zodiac Executive Pension Scheme, of which CP Whiley is a beneficiary.

(3) Evolution Securities China Limited, Mr Whiley's ultimate employer, holds 1,800,000 ordinary shares, representing 1.006% of the Company's issued share capital.

(4) HAJ Turcan does not have any beneficial interest in the ordinary shares of the Company. Lombard Odier Asset Management (Europe) Limited, Mr Turcan's ultimate employer, holds 52,173,988 ordinary shares, representing 29.161% of the Company's issued share capital.

Details of the Directors' share options are given in the Remuneration Report on page 18.

Apart from service contracts and the transactions referred to in note 30 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 29. 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 29 (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 12 to 13. The financial position of the Group, its cash resources and borrowing facilities are described in the Financial Review on page 14. In addition note 22 and note 29 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 within current banking facility limits for the foreseeable future, until the existing facilities have expired in May 2018. However as highlighted above, the Group is currently in default on

its banking facilities, due to the qualified audit report in these financial statements and the breach of the net asset covenant, as the Group's net assets are currently below £20m. These facilities are due for repayment before the end of May 2018. Additionally 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. In the event that either these liabilities increased or trading deteriorates or the Group is unable to renegotiate a new banking facility with the existing lender, the Group would 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. They recognise that the bank has remained supportive across the recent period and have additionally anticipated a number of mitigating courses of actions, including: a conclusion to the current formal sales process, outlined on page 6 above, that results in the provision of the required funding; use of the inventory as security or for sale to a new provider of funds or investor and 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 consolidated 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 29 September 2017, the Company had been notified of the following interests in 3% or more of its issued share capital:

Lombard Odier Asset Management (Europe) Limited	29.16%
FMR LLC and FIL Limited	9.04%

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 2017 and to the date of approval of the financial statements.

Independent Auditors

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:
18 Hill Street St Helier, Jersey JE2 4UA **R K Purkis**

Secretary

1 October 2017

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 ('the Company', and together with its subsidiaries, 'the Group') for the year ended 31 March 2017 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 34. 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 Standard 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 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 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 Property, Plant & Equipment, we were unable to obtain sufficient appropriate audit evidence over the existence, accuracy and valuation of fixed assets with a carrying value of £1.5 million consisting of all of the fixed assets in Mallet, Inc. within the total carrying value of Property, Plant & Equipment of £4.3 million.
- In respect of inventories, we were unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of inventories with a carrying value of £1.3 million consisting of all of the stock at Murray Payne Limited with a carrying value of £0.6 million, and all of the stock in Mallet & Son (Antiques) Limited of £0.7 million, within the total carrying value of inventories of £55.2 million.

- In respect of the £0.7 million of stock within Mallet & Son (Antiques) Limited, this balance is presented after a £2.0 million impairment which is included in the exceptional operating charges of £19.0 million. We were unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of this impairment.

- 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 £0.9 million. This consists of trade receivables in Mallett & Son (Antiques) Limited with a carrying value of -£0.2 million and trade receivables in Stanley Gibbons (Guernsey) Limited with a carrying value of £1.1 million, within the Group total carrying value of trade and other receivables of £4.0 million.

- In respect of prepayments and accrued income, we were unable to obtain sufficient appropriate audit evidence over the recoverability of an amount of £0.2 million within Mallett & Son (Antiques) Limited, within the Group total carrying value of trade and other receivables of £4.0 million.

- In respect of trade and other payables, we were unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of trade payables and accruals with a carrying value of £1.3 million within Mallett & Son (Antiques) Limited, and trade payables of £0.8 million of trade payables within AH Baldwins and Sons Limited, within Group trade and other payables having a total carrying value of £29.2 million.

- In respect of cost of sales, we were unable to obtain sufficient appropriate audit evidence over existence and accuracy of £0.9 million of cost of sales recorded in The Fine Art Auction Group Limited, within the total Group cost of sales of £29.1 million.

- In respect of operating expenses, we were unable to obtain sufficient appropriate audit evidence over existence and accuracy of £1.2 million of operating expenses recorded in The Fine Art Auction Group Limited, within the total selling and distribution expenses of £17.9 million.

- In respect of the contingent liabilities arising from investment products that were sold previously as disclosed in note 28a, 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 £54.2m.

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 2017 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.

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 is currently in default of its banking facilities, which are due for repayment before the end of May 2018. The board have produced forecasts which assume that the bank facility is extended or refinanced. Whilst we are aware that management are investigating numerous courses of action, at present none of these are certain. These conditions, along with the other matters referred to in note 2, indicate 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.

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
1 October 2017

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 £'000	Year ended 31 March 2016 *restated* £'000
Revenue	1, 3	42,464	59,137
Cost of sales		(29,060)	(35,304)
Gross Profit		13,404	23,833
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(6,048)	(4,808)
Defined benefit pension service costs	27	(188)	194
Exceptional operating charges	5	(19,017)	(22,986)
Total administrative expenses		(25,253)	(27,600)
Selling and distribution expenses		(17,852)	(23,544)
Operating loss	4	(29,701)	(27,311)
Finance income		170	39
Finance costs	29	(626)	(611)
Loss before tax		(30,157)	(27,883)
Taxation	8	1,357	(403)
Loss for the financial year		(28,800)	(28,286)
Other comprehensive income:			
Amounts which may be subsequently reclassified to profit & loss			
Exchange differences on translation of foreign operations		319	89
Revaluation of financial assets held for sale		–	(58)
Reclassification of realised loss on disposal			68
Amounts which will not be subsequently reclassified to profit & loss			
Revaluation of reference collection	12	70	22
Actuarial (losses)/gains recognised in the pension scheme	27	(1,064)	132
Tax on actuarial gains recognised in the pension scheme		166	121
Other comprehensive (loss)/income for the year net of tax		(509)	374
Total comprehensive loss for the year		(29,309)	(27,912)
Basic loss per Ordinary share	10	(16.10)p	(60.03)
Diluted loss per Ordinary share	10	(16.10)p	(60.03)

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

The notes on pages 34 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

for the year ended 31 March 2017

Assets	Notes	31 March 2017 £'000	31 March 2016 *restated* £'000	1 April 2015 *restated* £'000
Non-current assets				
Intangible assets	11	7,772	19,631	37,846
Property, plant and equipment	12	4,332	4,916	7,974
Deferred tax asset	21	1,344	1,929	2,120
Available for sale financial assets		6	–	1,364
Total non-current assets		13,454	26,476	49,304
Current Assets				
Inventories	13	55,225	65,921	77,776
Trade and other receivables	14	4,044	13,786	16,197
Assets held for sale	15	–	2,545	1,800
Current tax receivable		–	–	
Cash and cash equivalents (excluding bank overdrafts)	19	2,349	1,542	–
Total current assets		61,618	83,794	95,773
Total assets		75,072	110,270	145,077
Current liabilities				
Trade and other payables	17	29,260	34,837	36,419
Borrowings	20	16,501	21,947	2,522
Current tax payable		–	392	569
Total current liabilities		45,761	57,176	39,510
Non-current liabilities				
Other payables	18	4,676	11,709	26,275
Retirement benefit obligations	27	6,086	5,222	5,816
Borrowings	20	–	–	9,173
Deferred tax liabilities	21	554	1,777	1,831
Total non-current liabilities		11,316	18,708	43,095
Total liabilities		57,077	75,884	82,605
Net assets		17,995	34,386	62,472
Equity				
Called up share capital	22	1,789	471	471
Share premium account	24	74,847	63,682	63,682
Share compensation reserve	24	1,883	1,448	798
Capital redemption reserve	24	38	38	38
Revaluation reserve	24	346	276	244
Retained earnings	24	(60,908)	(31,529)	(2,761)
Equity shareholders' funds		17,995	34,386	64,472

The financial statements on pages 30 to 75 were approved by the board of Directors on 1 October 2017, were authorised for issue on that date and were signed on its behalf by:

H G Wilson
A Cook ***Directors***

The notes on pages 34 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2017

	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 2016 – restated	471	63,682	–	1,448	276	38	(31,529)	34,386
(Loss)/profit for the financial year	–	–	–	–	–	–	(28,800)	(28,800)
Amounts which may be subsequently reclassified to profit & loss								
Exchange differences on translation of foreign operations	–	–	–	–	–	–	319	319
Revaluation of financial asset	–	–	–	–	–	–	–	–
Reclassification on sale of financial asset	–	–	–	–	–	–	–	–
Amounts which will not be subsequently reclassified to profit & loss								
Revaluation of reference collection	–	–	–	–	70	–	–	70
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	–	(898)	(898)
Total comprehensive income/(loss)	–	–	–	–	70	–	(29,379)	(29,309)
Dividends	–	–	–	–	–	–	–	–
Share issue	1,318	11,165	–	–	–	–	–	12,483
Cost of share options	–	–	–	435	–	–	–	435
Share options exercised	–	–	–	–	–	–	–	–
At 31 March 2017	**1,789**	**74,847**	**–**	**1,883**	**346**	**38**	**(60,908)**	**17,995**
At 1 April 2015 (previously stated)	471	63,682	–	798	244	38	2,253	67,486
Prior year adjustment (see note 31)	–	–	–	–	–	–	(5,014)	(5,014)
At 1 April 2015 (restated)	471	63,682	–	798	244	38	(2,761)	62,472
Profit for the financial year	–	–	–	–	–	–	(28,286)	(28,286)
Amounts which may be subsequently reclassified to profit & loss								
Exchange differences on translation	–	–	–	–	–	–	89	89
Revaluation of financial assets	–	–	–	–	(58)	–	–	(58)
Reclass of financial asset	–	–	–	–	68	–	–	68
Amounts which will not be subsequently reclassified to profit & loss								
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	–	253	253
Revaluation of reference collection	–	–	–	–	22	–	–	22
Total comprehensive income	–	–	–	–	32	–	(27,944))	(27,912)
Dividends	–	–	–	–	–	–	(824)	(824)
Cost of share options	–	–	–	650	–	–	–	650
Share options exercised	–	–	–	–	–	–	–	–
At 31 March 2016	**471**	**63,682**	**–**	**1,448**	**276**	**38**	**(31,529)**	**34,386**

The notes on pages 34 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 £'000	Year ended 31 March 2016 *restated* £'000
Cash outflow from operating activities	25	(8,248)	(5,208)
Interest paid		(626)	(611)
Taxes repaid/(paid)		493	(322)
Net cash outflow from operating activities		(8,381)	(6,141)
Investing activities			
Purchase of property, plant and equipment		(301)	(888)
Purchase of intangible assets (computer software)		(118)	(2,450)
Acquisition of business		–	(218)
Sale of financial asset			1,306
Proceeds from sale of freehold property		2,500	466
Interest received		170	39
Net cash used in investing activities		2,251	(1,745)
Financing activities			
Proceeds from issue of ordinary share capital		12,383	
Dividends paid to company shareholders	9	–	(824)
Net borrowings		(823)	(1,333)
Net cash generated from financing activities		11,560	(2,157)
Net increase/(decrease) in cash and cash equivalents		5,430	(10,043)
Cash and cash equivalents at start of year		(11,282)	(1,239)
Cash and cash equivalents at end of year	19	(5,852)	(11,282)

The notes on pages 34 to 75 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.

Standards, amendments and interpretations that are effective for periods beginning on or after 1 April 2016 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 2018, 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 2017

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.

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.

1 Accounting policies and presentation continued

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated 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 intangible assets with indefinite useful economic lives are undertaken annually at the financial year end or more frequently if events or changes in circumstances indicate that they might be impaired. 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

Goodwill

Goodwill is measured as the excess of the costs of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. 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.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 3).

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.

1 Accounting policies and presentation continued

Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. In accordance with IAS 38, purchased computer software that will generate economic benefit beyond one year is capitalised as an intangible asset.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when management intends to use the software for its business operations, the development costs can be reliably measured and that it is technically feasible for the Group to complete the software so that it will be available for use. The Group would also only recognise the software as an intangible asset if it can be demonstrated that the software will generate probable future economic benefits. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. These development costs are recorded as an intangible asset.

Capitalised software costs are amortised over its expected useful economic life. For purchased computer software assets impairment is charged to the consolidated statement of comprehensive income on a straight-line basis over 4 years. The purchase and development of software related to the Group's websites and 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.

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.

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.

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. They are subsequently carried at cost less accumulated amortisation and 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:

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.

1 Accounting policies and presentation continued

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.

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 consolidated 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.

The balance held at 31 March 2017 relates to leasehold properties held with Mallett that were disposed of in June 2016. The balance as at 31 March 2016 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 2015.

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.

1 Accounting policies and presentation continued

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.

Financial Instruments

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

Financial assets

Trade and other receivables and assets held for sale are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment. 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 consolidated 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 Group 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

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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

1 Accounting policies and presentation continued

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Any investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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

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

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 consolidated 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 of foreign operations are recognised in the consolidated statement of comprehensive income as other comprehensive income which may be reclassified to profit and loss.

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 consolidated 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.

1 Accounting policies and presentation continued

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 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 consolidated 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 employee benefits expense with a corresponding increase in equity. The total amount to be apportioned is determined by reference to the fair value of the options granted including the Group's share price, the impact of the group's trading performance, the grantee remaining an employee over a specified time period and any impact of non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the Group's profitability and the number of remaining employees in each grant. It recognises the impact of the revision of original estimates, if any, in profit and loss, with a 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 is measured at the fair value of the consideration received or receivable. 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

1 Accounting policies and presentation continued

value added tax. Revenue from the provision of all goods and services is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

The specific accounting policies for the Group's main types of revenue are explained below.

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 Group 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 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 from the consolidated statement of financial position.

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 1 April 2015, as described in note 31a). 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 to 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 historically include Capital Growth Plans (CGP) and Flexible Trading Portfolios (FTP). 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 and are therefore recognised as a contingent liability (see note 28a).

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

1 Accounting policies and presentation continued

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.

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 12 to 13.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation to transfer economic resources as a result of past events and the amount can be reliable estimated. 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 properties that it occupies under operating leases. Lease income from operating leases where the group is a lessor is recognised in the Income Statement on a straight-line basis over the lease term). The respective leased assets are included in the balance sheet in leasehold properties.

Contingent liabilities
The Group recognises liabilities when there is a present obligation as a result of past events and settlement is expected to result in a payment. The Group disclose contingent liabilities where there is a possible obligation depending on whether some uncertain event occurs or there is a present obligation but the payment is not probable or cannot be measure reliably.

The Group sold a number of investment products historically that includes a buy back option of 75% of the Stanley Gibbons catalogue value where appropriate or otherwise market value. The Directors consider the likelihood of the plan holders exercising their right as remote and therefore the Group has disclosed the possible contingent liability (see note 28a).

Joint ventures
The Group accounts for joint ventures using the equity method of accounting. The initial investment is recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and the Group's share of the movements in other comprehensive income in the entity. Dividends received or receivable from the

1 Accounting policies and presentation continued

joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equal or exceeds its interest in the entity the Group does not recognise further losses, unless it incurs obligations or make payments on behalf of the entity.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the Group's impairment policy.

2 Critical Accounting Estimates, Judgements and Errors

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 12 to 13. The financial position of the Group, its cash resources and borrowing facilities are described in the Financial Review on page 14. In addition note 29 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 within current banking facility limits for the foreseeable future, until the existing facilities have expired in May 2018. However as highlighted above, the Group is currently in default on its banking facilities, due to the qualified audit report in these financial statements and the breach of the net asset covenant, as the Group's net assets are currently below £20m. These facilities are due for repayment before the end of May 2018. Additionally 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. In the event that either these liabilities increased or trading deteriorates or the Group is unable to renegotiate a new banking facility with the existing lender, the Group would 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. They recognise that the bank has remained supportive across the recent period and have additionally anticipated a number of mitigating courses of actions, including: a conclusion to the current formal sales process, outlined on page 6 above, that results in the provision of the required funding; use of the inventory as security or for sale to a new provider of funds or investor and 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.

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

2 Critical Accounting Estimates, Judgements and Errors continued

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 27. 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 consolidated 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.

Goodwill Impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 March 2017 was £2,568,000 (2016: £11,265,000) after an impairment loss of £8,697,000 (2016: £ 13,003,000) was recognised in the year. Details of the carrying value of goodwill and the impairment losses are set out in note 11.

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, re-assessing useful life of the assets and the discount rate used.

2 Critical Accounting Estimates, Judgements and Errors continued

Trade receivables – investment sales

Included within trade receivables are £0m (2016 – £4.1m) 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 £0m (2016 – £1.7m). 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.

Errors – prior year adjustment

As previously announced the Group had, over several years, been incorrectly recording and reporting sales and profits in relation to some of the investment plans. Since the adjustments made in the March 2016 financial statements, the Group has been validating the legacy information used to quantify these adjustments. This exercise showed that there were additional errors in relation to certain investment plans which were offered by the Group in earlier years. Full disclosure of this reversal of sale and the impact on the prior periods result is included in note 31a.

Additionally as detailed in note 20 the bank facilities were in default as at 31 March 2016 and the borrowings, which were therefore incorrectly shown as non-current liabilities have now been reclassified as current liabilities. The impact of this adjustment is included in note 31b.

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.

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

Notes to the Financial Statements

continued

3 Segmental Analysis continued

Interiors encompasses autographs, historical documents, memorabilia, rare books, records, antiques, watches, fine wine, jewellery. The activities, products and services of the reportable segments are detailed in the Operating Review on pages 12 to 13.

Segmental income statement	Investments £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2017							
Revenue		7,881	2,043	4,975	8,650	136	42,464
	18,779	(8,300)	(1,921)	(4,020)	(13,824)	(7,293)	(53,148)
		(1,358)		(506)	(1,290)	(14,664)	(19,017)
Operating costs		(140)	–	(5)	(354)	43	(456)
Profit/(loss) before tax	(210)	(1,917)	122	444	(6,818)	(21,778)	(30,157)
Tax		186	–	965	(1)	207	1,357
Profit/(loss) for the year	**(210)**	**(1,731)**	**122**	**1,409**	**(6,819)**	**(21,571)**	**(28,800)**
Segmental balance sheet as at 31 March 2017							
Total assets	25,332	19,305	–	18,059	10,034	2,342	75,072
Total liabilities	(21,449)	(22,445)		(336)	(24,304)	11,457	(57,077)
Net assets	**3,883**	**(3,140)**	**–**	**17,723**	**(14,270)**	**13,799**	**17,995**
Other segmental items							
Depreciation	51	359	–	30	120	59	619
Amortisation of other intangible assets	–	259	–	28	97	300	684
Capital expenditure	–	102	–	29	265	23	419

Segmental income statement	Investments £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2016							
Restated							
Revenue	22,447	7,545	3,039		16,961	932	59,137
Operating costs	(19,281)	(7,658)	(2,669	8,213	(21,041)	(6,740)	(63,463)
Exceptional costs	(1,007)		) (50)	(6,074)	(3,225)	(18,552)	(22,986)
Net finance cost	–	–	–	(152) –	(240)	(331)	(571)
Profit/(loss) before tax	2,159	(113)	320	1,987	(7,545)	(24,691)	(27,883)
Tax		(37)	–	(36)	(201)	(129)	(403)
Profit/(loss) for the year	**2,159**	**(150)**	**320**	**1,951**	**(7,746)**	**(24,820)**	**(28,286)**
Segmental balance sheet as at 31 March 2016							
Total assets	30,807	17,975	168	29,682	25,974	5,664	110,270
Total liabilities	(31,329)	(10,867)	–	(7,632)	(24,928)	(1,128)	(75,884)
Net assets	**(522)**	**7,108**	**168**	**22,050**	**1,046**	**4,536**	**34,386**
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

3 Segmental Analysis continued

Geographical information

Analysis of revenue by origin and destination

	Year ended 31 March 2017 Sales by destination £'000	**Year ended 31 March 2017 Sales by origin £'000**	Year ended 31 March 2016 Sales by destination £'000	Year ended 31 March 2016 Sales by origin £'000
Channel Islands	654	19,145	2,062	19,930
United Kingdom	31,235	21,888	34,549	36,562
Hong Kong	725	–	3,115	2,645
Europe	1,934	37	4,063	–
North America	4,838	1,394	10,678	–
Singapore	463	–	1,257	–
Rest of Asia	662	–	474	–
Rest of the World	1,953	–	2,939	–
	42,464	42,464	59,137	59,137

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 customers in either 2017 or 2016 from which the Group earned more than 10% of its revenues.

Property, plant and equipment of £4,332,000 was split between the UK £4,244,000 (2016: £4,766,000) and the Channel Islands £88,000 (2016: £150,000).

Intangible assets and available for sale financial assets of £7,772,000 were split between the UK £7,772,000 (2016: £19,631,000) and the Channel Island £nil (2016: £ nil).

4 Operating loss

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 2017 £'000	Year ended 31 March 2016 £'000
Cost of inventories recognised as an expense	29,060	35,304
Employee benefit costs expensed (see note 7)	10,553	13,920
Depreciation of property plant and equipment	619	911
Amortisation of intangible assets	684	1,002
Advertising & marketing expenses	3,794	4,592
Distribution & transport costs	600	511
Operating lease charges – leased premises	1,276	2,685
IT operating expenses	985	936
Other property operating costs	1,342	1,213
Fees payable to the Group's auditor for the audit of the Group's annual accounts, including subsidiaries	460	420
Fees payable to the Group's auditor for other advisory services	3	30
Other professional fees	1,477	636
Foreign exchange losses	107	170

4 Operating loss continued

Fees paid to the auditors in respect of non-audit work in the year to 31 March 2017 are in respect of assisting in 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 2017 £'000	Year ended 31 March 2016 *restated* £'000
Impairment of intangible assets relating to the Interiors division	10,980	–
Other impairment of intangible assets	1,000	14,125
Marketplace intangible asset written off	2,096	5,986
Pension scheme (recovery)/costs		(1,968)
Professional fees for corporate activity	587	819
Restructuring and redundancy costs	589	1,156
Other stock provisions	100	1,373
Profit on disposal of tangible fixed assets	(325)	(189)
Stock provisions resulting from Interiors disposal	2,934	–
Stock provisions resulting from historical lost stock	406	–
Impairment of receivables	650	610
Legal costs in relation to SEC investigation	–	1,074
	19,017	22,986

6 Directors' emoluments

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

	Year ended 31 March 2017	Year ended 31 March 2016
Fees	150	165
Salaries	804	546
Benefits	–	6
Short-term employee benefits	954	717
Post-employment benefits	43	55
Share-based payment	181	140
Key management personnel compensation	1,178	912
Number of Directors included in the defined benefit pension scheme (note 27)		

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on page 18. The charge to profit in respect of share options and awards issued to the Directors was £181,000 (2016: £140,000).

During the year the Group made payments into the personal pension schemes of H Wilson, A Cook, M Hall and D Duff. Total cost of these pension contributions to the Group were £43,000 (2016: £55,000). The Group made no other pension contributions in respect of any Directors in the period or the preceding year.

6 Directors' emoluments continued

Details of share options forfeited by Directors during the period are disclosed in the Report on Remuneration on page 18.

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 222 (2016: 252).

	Year ended 31 March 2017	Year ended 31 March 2016
Management and Administration	102	92
Sales	86	115
Production and Editorial	21	17
Distribution	2	16
Marketing	11	12
	222	252

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

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Wages and salaries	8,640	11,868
Social security costs	844	1,284
Pension costs – defined benefit scheme (note 27)	188	(18)
Pension costs – defined contribution scheme	446	486
Share option cost	435	300
	10,553	13,920

8 Taxation

UK corporation tax and overseas tax on profits for the year

Current tax:	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
UK corporation tax at 20% (2016: 20%)	–	30
Capital gains tax on sale of property	–	–
Overseas tax	–	115
Deferred taxation	–	258
Current year tax charge	–	403
Adjustment relating to earlier periods	(885)	–
Deferred taxation – amounts relating to earlier periods (see note 21)	(472)	
Tax (credit)/charge	(1,357)	403

Notes to the Financial Statements

continued

8 Taxation continued

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 2017 %	Year ended 31 March 2016 %
The standard rate of corporation tax in the UK	20.0	20.0
Effects of:		
Item subject to capital gains tax	(0.5)	–
Disallowable items	(0.9)	(4.1)
Overseas profits taxable at lower rates	(0.3)	(16.2)
Losses for which no deferred asset recognised	(10.0)	(0.3)
Capital amortisation and provisions	(8.3)	
Other permanent differences	–	(0.8)
Effective rate of corporation tax for year/period		(1.4)

The main rate of corporation tax in the UK was 20% for financial years starting on or after 1 April 2016.

9 Dividends

	Year ended 31 March 2017	Year ended 31 March 2016
Amounts recognised as distribution to equity holders in the period/year:		
Dividend declared and paid in respect of prior year (£'000)	–	824
Dividend paid per share	–	1.75p
Dividend proposed but not paid at balance sheet date (£'000)		
Dividend proposed per share		

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.

10 Earnings per ordinary share continued

	Year ended 31 March 2017	Year ended 31 March 2016
Weighted average number of ordinary shares in issue (No.) Dilutive	178,916,643	47,120,357
potential ordinary shares: Employee share options (No.)	323,959	1,770,977
Loss after tax (£)	(28,800,000)	(28,286,000)
Pension service cost (net of tax)	150,000	(14,220)
Cost of share options (net of tax)	435,000	650,000
Amortisation of customer lists	423,000	360,000
Exceptional operating costs (net of tax)	18,276,000	22,548,710
Adjusted loss after tax (£)	(9,516,000)	(4,741,510)
Basic loss per share – pence per share (p)	(16.10)p	(60.03)p
Diluted loss per share – pence per share (p)	(16.10)p	(60.03)p
Adjusted loss per share – pence per share (p)	(5.32)p	(10.06)p
Adjusted diluted loss per share – pence per share (p)	(5.32)p	(10.06)p
Weighted average number of ordinary shares in issue (No.)		47,120,357
Dilutive potential ordinary shares: Employee share options (No.)		1,770,977
Number of ordinary shares issued 1 April 2017 (No.)		131,796,286
Indicative new issue basic earnings per share – pence per share (p)	n/a	(15.81)p
Indicative new issue diluted earnings per share – pence per share (p)	n/a	(15.81)p

Net assets per share, as disclosed in the financial highlights, are calculated using the net assets per the consolidated statement of financial position divided by the number of shares at 31 March 2017 per note 22.

11 Intangible assets

	Goodwill £'000	Publishing rights £'000	Computer Software £'000	Customer Lists £'000	Brands & trademarks £'000	Total £'000
Cost						
At 1 April 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**
Additions – internally developed	–	–	118	–	–	118
Reclassification from tangible assets business combinations	–	–	687	–	–	687
Disposals	–	–	–	–	–	–
At 31 March 2017	**24,268**	**19**	**9,861**	**3,593**	**6,052**	**43,793**
Accumulated amortisation and impairment						
At 1 April 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**
Impairment losses	8,697	–	–	362	2,921	11,980
Amortisation charge	–	–	261	423	–	684
At 31 March 2017	**21,700**	**–**	**8,965**	**2,395**	**2,961**	**36,021**
Net book value						
At 31 March 2017	**2,568**	**19**	**896**	**1,198**	**3,091**	**7,772**
At 31 March 2016	11,265	19	352	1,983	6,012	19,631

The brought forward goodwill of £24,268,000 related to the acquisition of the Noble Investments Group (£23,682,000), the acquisition of Murray Payne (£212,000), 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), the acquisition of Stampwants.com (£36,000) and the acquisition of Bid For Wine (£218,000).

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 10.9% (2016: 8.7%), 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 1% and 3% (2016: 0.5% to 3%) over the period in question.

The cost of capital used for the impairment reviews was increased to more appropriately reflect the risk position of the Group. This increase coupled with revisions to the levels of profits used in the impairment tests has resulted in an impairment of goodwill relating to the Noble Investments Group of £1,000,000 as at 31 March 2017. The intangible assets relating to the elements of the Interiors Division that were sold have been impaired down to their realisable value. This resulted in an impairment of goodwill, customer lists and brands relating to the Noble Investments Group of £7,697,000, £362,000 and £2,921,000 respectively as at 31 March 2017.

Assets of £687,000 which had previously been shown within property, plant and equipment were transferred in to computer software in the year to more accurately disclose the nature of the assets.

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 2017 was £nil (2016: £ nil).

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 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**
Additions	15	–	222	64	–	301
Revaluation	70	–	–	–	–	70
Disposals				(3)	(45)	(48)
Exchange differences			355	–	–	355
Reclassification to intangible assets				(423)	(264)	(687)
At 31 March 2017	**1,672**	**–**	**4,841**	**1,057**	**994**	**8,564**
Accumulated depreciation						
At 1 April 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**
Charge for the year	–	–	523	62	34	619
Impairment for year						
Depreciation on disposal					(44)	(44)
Transferred to current assets	–	–	–	–	–	–
At 31 March 2017	**380**	**–**	**2,139**	**764**	**949**	**4,232**
Net book value						
At 31 March 2017	**1,292**	**–**	**2,702**	**293**	**45**	**4,332**
At 31 March 2016	1,207	–	2,648	717	344	4,916

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 for the collection in London and in July 2017 by D R Seaby Philatelic Consultant for the Ringwood collection. The basis of the revaluation used was replacement value. The surplus of £70,000 was transferred to the revaluation reserve.

The revalued element of the reference collection is £436,000 (2016: £366,000). All other fixed assets are stated at historic cost less depreciation. If the reference collection had not been revalued it would have been included at a net book value based on historic cost of £856,000 (2016: £841,000).

12 Property, plant and equipment continued

In the year ended 31 March 2016 a leasehold property was transferred to current assets. This lease was subsequently assigned with a lease premium of £2,500,000 in June 2016.

Fully written down Property, Plant and Equipment with a cost of £691,000 (2016: £568,000) remains in use by the Group.

13 Inventories

	31 March 2017	31 March 2016 *restated*	1 April 2015 *restated*
	£'000	£'000	£'000
Work in progress	1,131	3,155	3,465
Finished goods and goods for resale	54,094	62,766	74,311
	55,225	65,921	77,776

Included within the above inventories as at 31 March 2017 is £14,642,000 owned by third parties (2016: £14,719,000). As at 31 March 2017 £27,683,000 (2016: £38,557,000) of the above inventories were part of the security given in relation to the borrowings detailed in note 20.

During the year £3,440,000 was charged to cost of sales for the write down of inventories (2016: £1,373,000) 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 31a.

14 Current trade and other receivables

	31 March 2017	31 March 2016 *restated*	1 April 2015 *restated*
	£'000	£'000	£'000
Trade receivables	7,572	16,357	16,200
Provision for impairment	(5,105)	(5,210)	(3,922)
Net trade receivables	2,467	11,147	12,278
Other receivables	129	972	1,042
Prepayments and accrued income	1,448	1,667	2,877
	4,044	13,786	16,197

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current, unless specific agreement are in place for investment sales (see note 2). The Group's impairment and other accounting policies for trade and other receivables are outlined in note 1.

15 Current assets held for sale

	31 March 2017 £'000	31 March 2016 £'000
Leasehold property	–	2,545

Current assets held for sale at 31 March 2016 were the leasehold property, Ely House, one of the Group's leased London premises. This short life lease was sold 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

Relating to debt over 6 months past due

	31 March 2017 £'000	31 March 2016 £'000
Opening provision	5,210	3,922
Impairments in the year	–	1,288
Amounts utilised in the year	(105)	
Closing provision	5,105	5,210

As at 31 March 2017, excluding balances due under extended payment terms detailed below, £3,010,000 (2016: £2,249,000) 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 2017 £'000	31 March 2016 £'000
Up to 3 months past due	1,594	644
3 to 6 months past due	398	926
Over 6 months past due	1,018	679
	3,010	2,249

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 2017 £'000	31 March 2016 *restated* £'000
Trade payables	11,204	15,259
Other payables	11,705	15,334
Other taxes and social security	1,587	1,246
Accruals and deferred income	4,764	1,924
Provisions	–	1,074
	29,260	34,837

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

18 Non-current other payables

	31 March 2017 £'000	31 March 2016 £'000
Non-current		
Due between 1 and 2 years	1,965	6,376
Due between 2 and 5 years	2,669	5,234
Due > 5 years	42	99
	4,676	11,709

The above amounts, together with £11,705,000 (2016: 9,322,000) within current payables are the liabilities recognised in relation to 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 Cash and cash equivalents

	31 March 2017 £'000	31 March 2016 *restated* £'000
Cash at bank and in hand	2,349	1,542
Bank overdraft	(8,201)	(12,824)
Cash and cash equivalents	(5,852)	(11,282)

20 Borrowings

Current	31 March 2017 £'000	31 March 2016 *restated* £'000
Bank loans	8,300	9,123
Bank overdraft	8,201	12,824
	16,501	21,947

Interest on both the loans and overdrafts are charged at margins over LIBOR ranging between 1.3% and 2.75%.

As at 31 March 2017 the loan was £8.3m, which was £9.5m as at 31 March 2016. It was reduced from £9.5m to £8.3m after applying 50% of the proceeds from the property sale in June 2016. After the balance sheet date, the loan was further reduced by 50% of the proceeds from the sale of Masterpiece in May 2017, reducing the balance to £7.6m. Amortisation of this loan commences at £0.5m per quarter from December 2017 until May 2018 when the loan is due for repayment.

The Group also has a £10m revolving credit facility with The Royal Bank of Scotland PLC repayable in May 2018.

The Group is required to satisfy stock cover and net asset cover covenants. The stock covenant is to maintain 2 times cover for total stock to the combined total of the 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 to maintain Group consolidated net assets of at least £75m, was reduced to £40m in September 2016 and then to £20m in March 2017. The facility was therefore in default due to the breach of this covenant as at March 2016 due to the prior year adjustments and whilst it was rectified with the bank subsequently amending the covenant level, the facility should have been shown as a current liability in the balance sheet as at 31 March 2016 and has now been restated. There are also fixed cost cover and interest cover covenants to be calculated by reference to the Group's results for the year ended 31 March 2018.

20 Borrowings continued

These facilities are currently in default due to the qualified audit report in these financial statements for the year ended 31 March 2017 and the breach of the net asset covenant, as the Group's net assets are currently below £20m. The qualified audit report on the Group consolidated financial statements for the year to 31 March 2016, meant that the Group was in technical default on both facilities until this default was rectified by a waiver from the bank in March 2017. During a period of default and until the default is rectified the facilities are repayable on demand, however the bank has continued to support the Group and has not requested repayment.

During the year the Group paid arrangement facility fees of £nil (2016: £210,000) for the above facilities. The borrowings are secured by a full fixed and floating charge debenture over the core assets of the group.

21 Deferred tax assets and liabilities

	Assets		Liabilities	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Defined benefit pension scheme (note 27)	706	940	–	–
Other timing differences	165	238	–	–
Unutilised tax losses	473	751	–	–
Deferred tax on revalued fixed assets	–	–	113	941
Accelerated capital allowances	–	–	441	836
Full provision	1,344	1,929	554	1,777

The movement on deferred tax assets is shown below

	2016 £'000	(Charge)/ credit to Profit and loss £'000	Comprehensive income £'000	**2017 £'000**
Defined benefit pension scheme (note 27)	940	(400)	166	706
Other timing differences	238	(73)		165
Unutilised tax losses	751	(278)		473
Deferred tax on revalued fixed assets	(941)	828	–	(113)
Accelerated capital allowances	(836)	395		(441)
Full provision	152	472	166	790

22 Called up share capital

	31 March 2017 £'000	31 March 2016 £'000
Authorised		
250,000,000 (2016: 250,000,000) ordinary shares of 1p each	2,500	2,500
Allotted, issued and fully paid (all equity):		
178,916,643 (2016: 47,120,357) ordinary shares of 1p each	1,789	471

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 Group. Clive Whiley is managing director of ESCL, which company is his ultimate employer. The net proceeds of this issue were £12,350,000.

22 Called up share capital continued

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 consolidated statement of financial position. Notes 22 and 23 provide details on equity. Details of loans and overdrafts at the year end are disclosed on page 13 in the Financial Review and further disclosure can be found in note 20 and note 29. The external capital requirements imposed on the Group in relation to borrowings, are disclosed in note 20. Further detail on capital risk management can be found in the Operating and Financial reviews on pages 12 to 15.

23 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 Group Share Option Plan 2010 are exercisable between the third and tenth anniversaries of the date of grant.

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 was 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 was 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 was achieved.

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

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

Options issued in 2016 were granted at market value and are not subject to performance condition.

23 Options in shares of The Stanley Gibbons Group plc continued

Excluding the Directors' share options disclosed in the Report on Remuneration on page 18, 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 2016	Granted in Year	Exercised in Year	Forfeited in Year	Number at 31 March 2017
01/6/10	01/6/13	31/5/20	123.5p	22,830				
06/5/11	06/5/14	05/5/21	179.0p	116,398				
06/12/11	06/12/14	05/12/21	165.0p	4,774				4,774
27/01/14	27/01/17	26/01/24	363.0p	427,264	–	–	(427,264)	–
10/04/14	10/04/17	10/01/24	316.50p	160,819		–	(118,483)	42,336
30/09/14	See pg 19	See pg 19	See pg 19	559,174			(559,174)	–
18/12/14	18/12/14	18/12/24	294.5p	73,968	–	–	(73,968)	–
05/10/16	05/10/19	05/10/26	11.0p	–	10,950,000	–	(320,000)	10,630,000
				1,365,227	10,950,000	–	(1,498,889)	10,816,338

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

	31 March 2017 Average exercise price per share	**31 March 2017 Options (thousands)**	31 March 2016 Average exercise price per share	31 March 2016 Options (thousands)
At 1 April	151p	2,803	169p	4,165
Granted	11p	14,950	–	–
Forfeited/lapsed	175p	(1,735)	206p	(1,362)
Exercised	–	–	–	–
At 31 March	18p	16,018	151p	2,803

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 2017**	Options (thousands) 31 March 2016
31 May 2020	123.5p	23	23
30 September 2020	nil	932	1,491
5 May 2021	179.0p	116	116
5 December 2021	165.0p	5	5
26 January 2024	363.0p	–	663
10 April 2024	316.5p	312	431
18 December 2024	294.5p	–	74
5 October 2026	11.0p	14,630	–
		16,018	2,803

23 Options in shares of The Stanley Gibbons Group plc continued

Stochastic and Black-Scholes models have been used to value the awards. The awards issued in the year ended 31 March 2017 and those still outstanding for the year ended 31 March 2016 are set out below:

Dates of grant	05/10/2016	30/09/14	10/04/14
Number of options granted	14,950,000	1,863,912	676,653
Weighted average fair value at date of grant (per share)	5.20	nil	22.01p
Weighted average share price on date of grant	11.25p	277.5p	314.0p
Weighted average exercise price	11.0p	nil	316.5p
Expected term (from date of grant)	6.5 years	3 years	6.5 years
Expected volatility	46.77%	22.5%	31.8%
Expected dividend yield	0.00%	2.52%	2.23%
Risk-free interest rate	0.42%	1.22%	1.94%

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.

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 performance condition was not achieved on the sale of the Interiors Division and the awards under the plan have therefore not vested.

24 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.

25 Cash outflows from operating activities

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Operating (loss)/profit	(29,701)	(27,311)
Profit on sale of property	(325)	(183)
Depreciation	619	911
Amortisation	684	1,002
Loss on sale of financial asset		58
Impairment of intangible assets	11,980	19,881
Impairment of tangible assets	–	230
Decrease in provisions	(200)	(462)
Cost of share options	435	650
Decrease in inventories	10,696	11,855
Decrease in trade and other receivables	9,742	4,211
(Decrease)/increase in trade and other payables (less deferred consideration)	(12,141)	(16,139)
Net exchange differences	(37)	89
Cash outflows from operating activities	(8,248)	(5,208)

26 Capital and other commitments

Lease commitments

At 31 March 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Payable:	**31 March 2017 £'000**	31 March 2016 £'000
Within one year	2,201	2,552
Between two and five years	4,877	6,691
In five years or more	6,892	7,145
	13,970	16,388

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

At 31 March 2017 the Group had future minimum rental payments receivable under non-cancellable operating leases as follows:

Receivable:	**Land and Buildings 31 March 2017 £'000**	Land and Buildings 31 March 2016 £'000
Within one year	1,344	907
Between two and five years	5,067	4,395
In five years or more	7,027	6,501
	13,438	11,803

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, Madison Avenue, New York and Raleigh, North Carolina.

27 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 2017 are based on the results of the actuarial valuation as at 30 June 2015.

Scheme assets are stated at their market value at 31 March 2017. The Group currently pays deficit reduction contributions of £256,000 per annum under a Recovery Plan agreed in April 2017.

(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 2016 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 £1,409,000. The Company agreed with the trustees that it will aim to eliminate the deficit over a period of 9 years and 1 month from 1 May 2016 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 2017 are based on the actuarial valuation as at 1 May 2016 and updated on an approximate basis to 31 March 2017.

27 Retirement benefits continued

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

	31 March 2017 £'000	31 March 2016 £'000
Present value of funded obligation	(20,390)	(18,232)
Fair value of scheme assets	14,304	13,010
Net obligation	(6,086)	(5,222)
Deferred tax asset	706	940
Retirement benefit obligation	(5,380)	(4,282)

	£'000	£'000
Cumulative amount of actuarial losses recognised in other comprehensive income	(2,898)	(1,748)

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

	31 March 2017 £'000	31 March 2016 £'000
Current service cost	19	(194)
Interest cost on net benefit obligations	169	176
Total included in employee benefit expense	188	(18)
Actual return on scheme assets	1,339	(106)

The amounts recognised in other comprehensive income are as follows:

	31 March 2017 £'000	31 March 2016 £'000
Actuarial gains/(losses) on scheme obligations from financial assumptions	(2,943)	659
Actuarial gains/(losses) on scheme obligations from demographic assumptions	487	
Actuarial gains/(losses) on scheme obligations from experience	411	
Actuarial (losses)/gains on fair value of scheme assets	981	(527)
Remeasurement (losses)/gains	(1,064)	132

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

	31 March 2017 £'000	31 March 2016 £'000
Present value of obligations at start of year/period	18,376	18,946
Liabilities acquired at fair value	–	
Current service cost	19	(194)
Interest cost	613	596
Contributions by employees	–	–
Remeasurement losses/(gains)	2,045	(659)
Charges paid	(19)	194
Benefits paid	(644)	(651)
Present value of obligations at end of year/period	20,390	18,232

27 Retirement benefits continued

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

	31 March 2017 £'000	31 March 2016 £'000
Fair value of scheme assets at start of year/period	13,154	13,130
Assets acquired at fair value	–	–
Expected return on scheme assets	444	420
Remeasurement gains/(losses)	895	(527)
Contributions by employees	–	–
Contributions by company	474	444
Charges paid	(19)	194
Benefits paid	(644)	(651)
Fair value of scheme assets at end of year/period	14,304	13,010

The Group currently expects to contribute £446,000 to its defined benefit schemes in the financial year to 31 March 2018.

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

	31 March 2017 %	31 March 2016 %
Equities	33.5%	26.4%
Corporate bonds	31.9%	33.9%
Property	–%	0.8%
Gilts/cash	0.8%	4.8%
Insurance policies	19.3%	20.8%
Diversified growth funds	13.5%	13.3%
Insured Annuitants	1.0%	–%

Principal actuarial assumptions at the reporting date:

	31 March 2017	31 March 2016
Future salary increases	2.20%	2.00%
Price inflation – RPI	3.20%	2.80%
Price inflation – CPI	2.20%	1.80%
Revaluation of deferred pensions	2.20%	1.80%
Pension in payment increases of CPI or 5% p.a. if less	2.20%	1.80%
Pension in payment increases of CPI or 2.50% p.a. if less	2.20%	1.80%
Pension in payment increases of CPI minimum 3.00% maximum 5%	3.00%	3.00%
Discount rate	2.60%	3.40%
Equities (long term expected rate of return)	2.60%	3.40%
Corporate bonds (long term expected rate of return)	2.60%	3.40%
Fixed interest gilts (long term expected rate of return)	2.60%	3.40%
Cash (long term expected rate of return)	2.60%	3.40%

Mortality Assumptions

The mortality trends of the scheme were assessed at 31 March 2017 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.

27 Retirement benefits continued

The mortality assumptions imply the following life expectation:

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme

	31 March 2017 In years	31 March 2016 In years
Retiring at 65 at reporting date		
Male	22.0	21.9
Female	23.8	24.5
Retiring at 65 at reporting date + 20 years		
Male	23.0	23.8
Female	25.0	26.4

The Mallett Retirement Benefits Scheme

	31 March 2017 In years	31 March 2016 In years
Retiring at 65 at reporting date		
Male	22.0	21.9
Female	23.8	24.5
Retiring at 65 at reporting date + 20 years		
Male	23.0	23.8
Female	25.0	26.3

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	(3,832)
0.25% p.a. reduction in discount rate	3.6%	(4,283)
0.25% increase in CPI inflation	2.0%	(4,090)
Pensions payable for 1 year longer due to mortality assumptions	3.0%	(4,208)

The Mallett Retirement Benefits Scheme

	Change in the benefit Obligation – %	Change in the benefit Asset – %	(Deficit) £'000s
Assumption as per IAS 19 disclosures	n/a	n/a	(2,254)
0.25% p.a. reduction in discount rate	4.5%	1.2%	(2,536)
0.25% increase in inflation	2.5%	0.3%	(2,431)
Pensions payable for 1 year longer due to mortality assumptions*	3.3%	2.2%	(2,384)

* The change to the mortality assumption increase member's life expectancy by assuming each member was born one year later and therefore has the life expectancy of someone aged one year younger.

27 Retirement benefits continued

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

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000	31 December 2013 £'000	31 December 2012 £'000
Present value of defined benefit obligations	(20,390)	(18,232)	(18,946)	(10,579)	(9,941)
Fair value of scheme assets	14,304	13,010	13,130	7,294	6,780
Deficit	(6,086)	(5,222)	(5,816)	(3,285)	(3,161)
Experience adjustments on scheme assets	895	(527)	978	544	544
Effects of changes in the demographic and financial assumptions underlying scheme liabilities					
– Amount	(2,456)	659	(2,077)	(297)	(664)
– Percentage of benefit obligation	-12.0%	3.6%	-10.9%	-2.80%	-6.68%

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 £3,911,000 at 31 March 2016 to £3,832,000 at 31 March 2017 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 increased from £1,311,000 at 31 March 2016 to £2,254,000 at 31 March 2017 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

28 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 2017 the maximum potential liability was £54,150,000 (2016: £64,300,000). 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.

28 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.

At the year end the Group had an accrual of £709,000, 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.

29 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 20. 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 14 to 15.

29 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 2017 £'000	31 March 2016 £'000 restated
Financial assets – Loans and receivables		
Available for sale financial assets (see below)	–	–
Trade and other receivables	4,044	13,786
Cash at bank	2,349	1,542
	6,393	15,328
Financial liabilities measured at amortised cost		
Trade and other payables	33,936	46,546
Borrowings	16,501	21,947
	50,437	68,493
	(44,044)	(53,165)

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 consolidated 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 consolidated 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 20), 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 2017 of £456,000 (2016: £611,000) comprised loan interest & charges of £318,000 (2016: £435,000) and net finance costs from its defined benefit pension scheme liabilities of £138,000 (2016: £176,000).

The bank loans are linked to LIBOR. A 0.05% (5 basis point movement) (2016: 0.05%) movement in LIBOR would have resulted in an additional interest charge of £8,000 (2016: £8,000).

29 Financial instruments continued

Foreign exchange risk

The Group had no material exposure to foreign exchange risk in the year ended 31 March 2017. 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 2017 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 within current banking facility limits for the foreseeable future, until the existing facilities have expired in May 2018. 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 these liabilities increased or trading deteriorates or the Group is unable to renegotiate a new banking facility with the existing lender, the Group would require access to additional liquidity.

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 2017				
Trade and other payables	28,125	1,135	4,676	33,936
Borrowings	16,501	–	–	16,501
	44,626	1,135	4,676	50,437
At 31 March 2016 (restated)				
Trade and other payables	26,036	8,801	11,709	46,546
Borrowings	21,947	–	–	21,947
	47,983	8,801	11,709	68,493

Included within trade and other payables is an amount of £16,381,000 (2016 (restated): £25,416,000) 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 2017 £12,594,000 of these contracts fell due and of these contracts £1,350,000 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 28a and relates to investment plans which the Group has a £54,150,000 (2016: £64,300,000) contingent liability exposure. The Director's current opinion is that an event to crystalise this liability is remote.

30 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 £2,221,000 in the year to 31 March 2017 (2016: £3,239,000) 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 2017

M Hall and D Duff forfeited share options during the year to 31 March 2017 as follows:

	Shares forfeited	
	No.	Price
M Hall	137,741	363.0p
D Duff	97,796	363.0p

H G Wilson made purchases during the year to the value of £31,126, he had a purchase ledger balance of £3,289 at the year end.

The Group received rental income of £6,300 during the year from Marbral Limited, a company 100% owned by Mr Bralsford.

During the year the Group paid £304,000 to Evolution Securities China Ltd for corporate consultancy services. C P Whiley is the Managing Director of this company.

Year ended 31 March 2016

M Hall & D Duff exercised share options during the year to 31 March 2016 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

31 a Prior year adjustment – revenue recognition

As has been previously announced the Group had, over several years, been incorrectly recording and reporting sales and profits in relation to some of the investment plans. Since the prior year adjustment made in the March 2016 financial statements to correct these errors, the Group has been validating the legacy information used to quantify these adjustments. This exercise showed that there were additional errors in relation to certain investment plans which were offered by the Group in earlier years.

As stated in last year's financial statements 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 was corrected by way of a prior year adjustment. The further adjustment made this year is for the same reasons as detailed below.

The correction of the error impacts the opening net assets of the Group at 1 April 2015 as explained below. The net impact of the review is to reduce net assets at 1 April 2015 by £5,014,000.

31 a Prior year adjustment – revenue recognition continued

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 and in some cases with a guaranteed return, to Stanley Gibbons.

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 recognising 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 these plans should be reversed.

Depending on subsequent events (the decision that the client makes at the end of the contract term), the value of outstanding 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 2015 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. Additionally the value of the potential obligations are either recorded as a liability on the balance sheet or for those plans that were sold on extended credit, the debt previously recorded on the balance sheet is fully impaired. Therefore a creditor was created for the potential obligations to clients of £6,335,000. Inventory brought back into stock as a result of these investment plans was £4,728,000 and receivables of £3,407,000 were impaired.

During the year ended March 2016, 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. The impairment provisions charged to the consolidated statement of comprehensive income in the year ended March 2016 against receivables resulting from the sale of these plans on extended credit of £1,008,000 has been reversed as these receivables are now fully impaired as a result of the prior year adjustment. This has resulted in an increase in profit before tax of £1,008,000 in the year to 31 March 2016.

31 b Prior year adjustment – borrowings

As a result of the default due to the breach in covenant as at 31 March 2016, described in note 20 the bank borrowings were repayable on demand. Although the defaults were subsequently rectified, the Group's borrowings were previously incorrectly disclosed as non-current liabilities as at 31 March 2016, to correct this error the borrowings of £16,788,000 have been reclassified as current liabilities as at 31 March 2016.

Statement of comprehensive income (extract)	31 March 2016 (previously stated) £'000	Increase/ (Decrease) note 31a £'000	31 March 2016 *restated* £'000
Exceptional items	(23,994)	1,008	(22,986)
Loss before tax	**(28,891)**	**1,008**	**(27,883)**

31 b Prior year adjustment – borrowings continued

Consolidated Statement of financial position (extract)	31 March 2016 (previously stated) £'000	Increase/ (Decrease) – note 31a £'000	Increase/ (Decrease) – note31b £'000	31 March 2016 *Restated* £'000	1 April 2015 (previously stated £'000	Increase/ (Decrease) £'000	1 April 2015 *restated* £'000
Inventories	61,804	4,117	–	65,921	73,048	4,728	77,776
Trade and other receivables	15,574	(1,788)	–	13,786	19,604	(3,407)	16,197
Total assets	**107,941**	**2,329**	**–**	**110,270**	**143,756**	**1,321**	**145,077**
Trade and other payables – current	(30,409)	(4,428)		(34,837)	(31,991)	(4,428)	(36,419)
Borrowings – current liabilities	(5,159)	–	(16,788)	(21,947)	(2,522)	–	(2,522)
Borrowings – non current	(16,788)	–	16,788	–	(9,173)	–	(9,173)
Other payable non-current	(9,802)	(1,907)	–	(11,709)	(24,368)	(1,907)	(26,275)
Total liabilities	**(69,549)**	**(6,335)**	**–**	**(75,884)**	**(76,270)**	**(6,335)**	**(82,605)**
Net assets	**38,392**	**(4,006)**	**–**	**34,386**	**67,486**	**(5,014)**	**62,472**
Retained earnings	(27,523)	(4,006)	–	(31,529)	2,253	(5,014)	(2,761)
Total equity shareholders funds	**38,392**	**(4,006)**	**–**	**34,386**	**67,486**	**(5,014)**	**62,472**

32 Post Balance Sheet Events

Sale of certain assets and liabilities of the Interiors division

On 1 October the Group sold certain assets and liabilities of Dreweatts and the intellectual property rights and goodwill in respect of the Bloomsbury brands, all currently part of the Group's Interiors division.

The sale was for a consideration of £1.25m million in cash payable on completion, plus a maximum additional consideration of £0.4m, payable over the next 24 months, alongside the assumption of other liabilities currently associated with the Interiors division.

Sale of interest in Masterpiece London Limited

In May 2017 the Group sold its 25 per cent. interest in Masterpiece London Limited ("Masterpiece"), the operator of the annual Masterpiece London art and antiques fair, to Masterpiece for a total consideration of £1,400,000 payable in cash.

In the year to 31 March 2017 a dividend of £40,000 was received from Masterpiece and the 25 per cent. interest was held on the Group's balance sheet at £6,000.

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
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 25% holding

Subsidiary company audit exemption

Bid For Wine Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Concept Court Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

33 Principal subsidiaries continued

Ely House Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

H J Hatfield & Sons Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Mallett Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under statutory audit conferred under Section 479A of the Companies Act 2006.

Mallett Overseas Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Murray Payne Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Stanley Gibbons Holdings Limited is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

34 Controlling party

In the opinion of the directors there was no single controlling party of the Group in the current or prior period.

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 Chairman 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.

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 and moved to Lombard Odier Asset Management in 2017. 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 and a member of the Audit Committee.

Louis Emmanuel Castro BSc, BComm (Hons), FCA, Non- Executive Director - Independent Date of Birth: 12 August 1958 Date of Appointment as Director: 3 October 2016.

Louis has over 30 years' experience in accounting and corporate finance both in the UK and overseas. Most recently he has been the Chief Financial Officer at Eland Oil & Gas, a publicly quoted company where he was one of two executive directors. Previously he was the Managing Director of Northland Capital Partners in London and before this he was Head of Corporate Finance at Matrix Corporate Capital and at Insinger de Beaufort. He started his career by qualifying as a Chartered Accountant with Coopers & Lybrand (now PWC).

Louis has widespread international experience having advised the Boards of companies worldwide including companies in the retail sector. He has led on numerous public listings and has been a non-executive director and chairman of the audit committee at Eland Oil & Gas and at Pan European Terminals.

Mr Castro is a Fellow of the Institute of Chartered Accountants in England and Wales. He graduated in 1980 from Birmingham University with a BSc & BComm (Hons) in Engineering Production & Economics. He is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

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 399 Strand, London WC2R 0LX on Wednesday 1 November 2017 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 2017 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 LE Castro, 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 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."

7. "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

8. "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 the expiry of 15 months from the date of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018; 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

9. "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 at the earlier of the expiry of 15 months from the date of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018, 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

10. "THAT, subject to the passing of the ordinary resolution numbered 9 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 9 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 9 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 at the earlier of the expiry of 15 months from the date of this Resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018 (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: 1 October 2017

Registered Office Address: 18 Hill Street, St Helier, Jersey JE2 4UA, 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 or 12 Castle Street, St. Helier, Jersey JE2 3RT; and
   - received by Capita Registrars (Jersey) Limited no later than 11.30 am on 30 October 2017.
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.signalshares.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 11.30 am on 30 October 2017.
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 1 November 2017 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 30 October 2017 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 30 October 2017 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 – 6: Directors seeking re-election

The entire Board of Directors comprising Harry Wilson, Andrew Cook, Clive Whiley, Louis Castro and Henry Turcan, will retire from office and offer itself for re-election, at this year's Annual General Meeting.

Biographical details of the Directors seeking re-election are contained in the Annual Report 2017.

Resolution 7: 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 8: 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 at the earlier of the expiry of 15 months from the date of this Resolution 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 9: 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 at the earlier of the expiry of 15 months from the date of this Resolution and the conclusion of the next Annual General Meeting of the Company.

Resolution 10: Disapplication of pre-emption rights

This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 9, 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 at the earlier of the expiry of 15 months from the date of this Resolution and the conclusion of the next Annual General Meeting of the Company.

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