The Stanley Gibbons Group plc

Annual Report and Accounts
for the year ended 31 March 2018

Group Annual Report and Financial Statements

for the year ended 31 March 2018

Financial Highlights

	Year ended 31 March 2018	Year ended 31 March 2017
Group turnover from continuing operations (£m)	13.4	15.3
Trading loss from continuing operations (£m)	(5.4)	(5.8)
Loss before taxation from continuing operations (£m)	(8.0)	(11.8)
Adjusted (loss)/profit before taxation from continuing operations (£m)	(6.7)	(5.6)
Basic earnings per share – continuing operations (p)	(4.21)	(6.21)
Adjusted earnings per share – continuing operations (p)	(3.58)	(3.10)
Dividend per share (p)	–	–
Total borrowings (£m)	10.0	16.5
Net assets per share (p)	2.9	10.1

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Financial Calendar

Annual General Meeting   Thursday 1 November 2018

Directors and Advisers

Directors	H G Wilson	Non-Executive Chairman
	G E Shircore	Chief Executive Officer
	A Cook	Chief Finance Officer
	C P Whiley	Non-Executive Director
	L E Castro	Non-Executive Director*
	** Independent*	
Company Secretary	R K Purkis	
Registered Office	18 Hill Street St. Helier Jersey JE2 4UA Tel: 01534 766711	
Company Registration	Registered in Jersey Number 13177	
Nominated Adviser and Broker	finnCap Limited 60 New Broad Street London EC2M 1JJ	
Auditors	BDO Limited Windward House La Route de la Liberation St Helier Jersey JE1 1BG	
Legal Advisers	Mourant Ozannes 22 Grenville Street St Helier Jersey JE4 8PX	
	Bird & Bird LLP 12 New Fetter Lane EC4A 1JP	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Registrars	Link Market Services (Jersey) Limited Shareholder Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300; from overseas +44 20 8639 3399	
Website	Further financial, corporate and shareholder information is available in the Company information 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 2018.

The year was another difficult trading period as the results show. However, I am pleased to report that at the end of the financial year a major financial restructuring of the Group was completed which materially changes our future prospects. More details on the transaction are given later on in this report.

The wholesale changes initiated in 2016 to address legacy issues were continued through the year and resulted in the sale of a number of non-core subsidiary businesses and assets. As a result of these disposals, one-off restructuring costs, difficult trading conditions and the overhang of the Group's investment contracts there has been a further 32% fall in net asset value to £12.2m (2017; £18.0m). The trading loss from continuing operations over the period was £5.4m (2017; £5.8m) a disappointing result but not unexpected given the transition which the business has gone through over the year.

This transition has resulted in the sale of several non-core assets, collectively generating cash of £2.9m. In addition, a further decrease in the corporate overhead of £2.0m was achieved during the year together with a reduction in average staff numbers of 42. These reductions, while severe, were considered essential to ensure the survival of the Group going forward.

In November 2017 the Group's wholly owned subsidiary Stanley Gibbons (Guernsey) Limited ("SGG") was put into Administration by the Royal Court of Guernsey. Whilst regrettable, this action was necessary due to the large contingent liabilities that SGG faced arising from legacy buy-back guarantees provided by SGG on various investment products. Although the buy-back guarantees were stopped in August 2016 the increasing number of requests by investment clients to exercise their rights under the guarantees had become unsustainable. A deterioration in sales of investment products – largely as a result of the removal of the buy-back guarantees – meant that SGG had become dependent on its inter-company credit line. However, the Group was no longer in a position to provide further funding and under legal advice the decision to put SGG into Administration was taken.

I am pleased to say that the strategic review initiated in the summer of 2017 resulted in a transformational deal with Phoenix UK Fund Ltd ("Phoenix") in February 2018 under which Phoenix agreed to invest £19.45m into the Group. This was subsequently approved by shareholders on 16th March 2018. The key elements of the transaction are detailed further on in this report.

Phoenix is an experienced investor with considerable knowledge of the collectibles industry. Its intention is to help rebuild the Stanley Gibbons and Baldwins brands to their rightful positions as leaders in the philatelic and numismatic collecting worlds. Phoenix take a long-term approach and we look forward to working with them.

Following the Phoenix transaction Henry Turcan retired from the Board and Graham Shircore was appointed as the Phoenix representative director. I would like to thank Henry for his diligent contribution and support over the last 2 years. More recently we have been able to recruit a number of senior specialists in to the Group and have reorganised several of the retail divisions with senior internal appointments.

In June 2018 Graham Shircore was appointed as Chief Executive Officer of the Group. As a recent appointee to the Board, Graham sets out his views of where we are and his vision for what happens next in the following section of this report. Reading this I hope you will share the enthusiasm he has for the business and what we wish to achieve.

Outlook

The last 2 years have been very tough for all those involved in Stanley Gibbons but I hope that, with the restructuring undertaken and the Phoenix transaction completed, we are now through the low point. The legacy issues we have dealt with were severe and I would like to thank all our stakeholders, particularly our staff, for their hard work and support during this difficult period. While our recent history will continue to play a role, we are now finally in a position where we can look forward and rebuild. It is pleasing to see the tremendous goodwill towards Stanley Gibbons and it is incumbent on us now to repay that faith. We are fortunate to have some of the foremost specialists in their fields at Stanley Gibbons and Baldwin's and are increasingly well positioned to take advantage of these strengths.

Harry Wilson
Chairman

27 September 2018

Chief Executive's Letter to Shareholders

Dear shareholders

Six months since the financial restructuring of your Group, we find ourselves at an intersection between the tumultuous recent history which brought it to the brink and a future which holds many exciting opportunities.

The seeds for this most challenging period in the Group's long and venerable history were sown over the course of the preceding decade and while there is little to be gained by dwelling on the root causes, they will continue to have an impact for a while to come.

That said, their influence is now gradually reducing and in continuing the work which began almost two years ago we are accelerating this process of change. The group structure continues to be simplified, costs continue to be reduced and we are working tirelessly to build greater trust in the brands and restore the Group to underlying profitability.

In the fullness of time all of our efforts will be able to be concentrated on building for the future and while that time is not quite with us, it is now in sight. As we endeavour to write a new, more successful chapter, it is vital that we begin to look forward, replacing the confusion that has gripped the business in recent times with optimism, clarity and a willingness to embrace progress.

We have a clear view of our future direction and this is an opportunity for me to share the main aspects of this with you.

Building for the Future

It is less than four months since I was appointed as Chief Executive Officer of your company I already have a huge affection for our fantastic brands and the global reputation they possess.

Having brands with this reputation, built up over lives which span three centuries, is a wonderful starting point from which to reinvigorate a business. We will focus our efforts on what the core of these businesses has historically been, emphasising their unrivalled history while looking forward and making them more appealing to a new generation of collector.

A key part of this will be exploiting the opportunities which modern technology provides for brands with global recognition like ours. We are, perhaps without exception, the only business in the stamp and coin collecting markets with the scale, breadth of product and market position to be able to create a truly exceptional online experience and we have more to benefit from doing so than anybody else.

To exploit their potential fully however, our brands also need a physical home which they can be proud of. One which strengthens how they are perceived both in the domestic market and abroad. This needs to be somewhere which is renowned as THE place to go for anyone interested in stamp and coin collecting.

These two approaches to engaging with existing and potential customers must be complementary and consistent with each other in all respects. The problems of the past have resulted in far too much inconsistency across the Group and a confused message about what our brands stand for.

We have made steady progress in laying the foundations for the future, but it is fair to say that greater urgency is required if we are to give ourselves the best chance of success and it is my responsibility to ensure that this happens.

People are Key

This success rests on two key groups of people, namely our customers and our colleagues. Both groups have suffered. Both are also rarely given the time, focus and attention they deserve by most businesses. We will be different.

In recent years, customer service levels have fallen and we've forgotten to remind and continually re-enforce through our actions, why people should want and indeed aspire to deal with Stanley Gibbons and Baldwin's.

It is clear from speaking to many customers, past, present and from all parts of the business, that despite this, there remains a lot of goodwill towards us and a genuine desire to see us succeed. We will work tirelessly to capitalise on this, improving the service and offering we provide for our customers. Given the nature of our business and the other inherent strengths we have, if we do well for them, the financial rewards will follow.

Making progress in this regard is essential but it is extremely hard to achieve without colleagues who feel valued by the business and empowered to take responsibility for dealing with the opportunities they encounter on a day to day basis. The relevant knowledge and skills we have within the business are second to none. To make the most of and indeed develop this further, we need to give everybody a clear sense of what we are collectively trying to achieve, the support they need to achieve it and the motivation to work towards it.

With both our customers and colleagues, we have begun the process of making improvements and are starting to see the green shoots of progress. However it is early days and there is an awful lot more work to do if we are going to fulfil our potential.

Our Financial Framework

While we are going back to our roots in terms of what the businesses are focused on, doing so in a way which sets us up for a prosperous future requires significant change.

The benefits of this will only be truly felt over the course of several years. Nevertheless we can be entirely clear today in the approach we will take from a financial perspective.

The key tenets of this are and will continue to be:

- A culture of sensible frugality.

  Our brands do not have the model of being the 'lowest cost producer' but we do need to provide the highest quality of service and experience at the lowest possible cost.

- Our customers need to perceive a value to what they receive from us which is greater than the price we charge. In our businesses there are many different aspects to 'value' and their importance varies between customers. By minimising costs, we can make this equation as attractive as possible for as many people as possible by continually reinvesting in the business while having enough left over to generate a suitable level of profit for you, our owners.

- Over time this process can generate its own momentum and become exceptionally powerful; the two levers we can pull to improve the financial prospects of the business, namely selling more and reducing costs, are thus inextricably linked. For example, savings in one area may free up funds to employ additional staff within the shop which in turn improves customer service and stimulates further sales.

- A focus on return on capital employed.

  Some parts of our business require little capital but in other areas we hold significant amounts of inventory on our balance sheet. In recent times the discipline needed to do this effectively has been lacking and the impact that this can have on shareholder returns has not been well communicated internally.

  There has also been a disproportionate focus on margin at the expense of how rapidly we sell our inventory. This is changing and we are working hard to ensure that everybody fundamentally understands the concepts involved.

- Cash is king.

  Related to this is the need to emphasise that cash returns are what matters. Building a clear understanding around the distinction between cash and accounting profit is vital when giving people the freedom to invest heavily on behalf of the business and negotiate sizable individual transactions.

  At a Group level we will make capital allocation decisions within the same framework, always doing what we believe to be in the best interests of the long-term future of the business as opposed to what may be optically most appealing.

Our Commitment to Shareholders

This approach to capital allocation is reflective of a broader intention to always look towards our long-term future. Our main brands have each been in existence for over 140 years and we will endeavour to put them in a position from which they can flourish for many years to come.

It is also our responsibility to communicate openly, honestly and with humility with all stakeholders. We are fortunate to have a relatively large number of private shareholders alongside our institutional investors and we will do our best to ensure that everybody feels that they are kept fully informed.

Where We Are Now

As well as the inherent strengths which exist in your business, the core end markets in which we operate all have fundamental strengths which the Group will seek to capitalise on fully in the coming years.

The numismatic market remains robust as does the philatelic market for British Commonwealth items. The Great Britain market is experiencing a period of noticeable weakness which has likely been influenced by our own recent history. While no one can say with certainty when it will happen, more positive times will return and we will do all we can to ensure we are in the best shape possible to capitalise on this.

Reasonable progress has been made in recent months but we need to move faster. While the balance sheet has been strengthened, we are not yet profitable and our cash generation profile is not where it should be. There is however light at the end of the tunnel and over time I hope to be able to report on further, more significant progress and an improving financial position.

Graham Shircore
Chief Executive Officer

27 September 2018

Business Review

Over the last two years, the Group has undergone a programme of intense rationalisation as the Board has sought to streamline the Group to a business which is capable of trading profitably, reducing its debt burden and seeking to enhance value to Shareholders. During that time, a number of businesses and assets have been sold or closed, overhead costs have been reduced significantly and the Group's focus has been re-aligned to its heritage of serving the philatelic and numismatic collectibles market.

This culminated in the Phoenix transaction announced on the 23 February and detailed below. Accordingly, the Group has reached a fundamental turning point where the Board believes that the Company will finally be in a position to start to rebuild for the future.

Summary Trading and Operations

As the transaction with Phoenix did not complete until the 19th March, during the vast majority of the year under review the Group was trading with limited cash resources. This constraint had an impact on the trading performance of the Group and the decisions taken by the Directors as it continued with its restructuring plans.

A significant part of the restructuring of the Group involved the sale of the brands and businesses previously within our Interiors division. Additionally following the granting of the administration order in relation to Stanley Gibbons (Guernsey) Limited, a wholly owned subsidiary through which our Investment division activities were conducted, the Group lost control of this entity. Both of these divisions have therefore been included as discontinued activities within our results and therefore not included in the individual figures for the continuing operations of the Group. The statement of comprehensive income for the year ended 31 March 2018 has been disclosed accordingly and the comparative figures for 31 March 2017 have been restated.

Summary results:

- Turnover from continuing operations of £13.4m was £1.9m (12.8%) lower than last year with the majority of the reduction attributable to A H Baldwin's;
- Gross margin for the year was 40.0% (2017: 44.1%) as we continued to prioritise cash-flow in reducing the excess stock position;
- Trading losses from continuing operations, before accounting adjustments and exceptional costs reduced to £5.4m from £5.8m, before accounting adjustments largely as a result of cost saving being partially offset by lower margins particularly in the Philatelic division.;
- Loss for the financial year from continuing operations £7.9m compared to £11.1m last year
- Loss for the financial year from discontinued operations £4.3m compared to £17.7m for last year
- a 32% reduction in net assets to £12.2m (2017: £18.0m) due to the losses highlighted above, offset in part by the issue of shares resulting in an increase in equity of £5.9m after costs.
- Borrowings at the balance sheet date reduced from £16.5m to £10.0m in 2018, cash increased from £2.3m to £4.6m.

Phoenix Transaction

As previously announced this transaction with Phoenix was completed on the 19 March 2018, following shareholder approval on the 16 March 2018. Although the initial counterparty to the transaction was Phoenix UK Fund Limited, on 27 March 2018 its interests in the shares, loans and related agreements were transferred to its wholly owned subsidiary Phoenix S. G. Limited. Throughout this report a reference to 'Phoenix' is to the controlling party at that time.

The following is a summary of the transaction:

- Subscription by Phoenix for 248,000,000 new Ordinary Shares at an issue price of 2.5p, representing 58.09% of the enlarged issued share capital of the Company.
- As a result of the above, the Group's cash resources were increased by £5.85m after the payment of costs directly relating to the share issue of £0.35m.
- Phoenix purchased the total Stanley Gibbons (Guernsey) Limited intercompany debt of £6.5m due to the Group, at the point the administration order was granted, for £2.75m.
- The £2.75m consideration for the intercompany debt was used to capitalise a new wholly owned subsidiary, Stanley Gibbons Finance Limited, to enable it to acquire its share of the debt from RBS.
- Of the residual RBS debt, (which at the point of completion stood at £17.5m), £10.5m was assigned to Phoenix and £7.0m was assigned to Stanley Gibbons Finance Limited, a wholly owned subsidiary of the Company.
- The Group immediately repaid £0.5m of the Phoenix loan from the share issue proceeds, reducing the overall debt facility to £10.0m. This is repayable in March 2023.
- Phoenix separately reached agreement with the Administrators of Stanley Gibbons (Guernsey) Limited for the acquisition of the majority of the inventory not owned by third parties. The inventory comprised of stamps and coins.
- On 10 September 2018 Stanley Gibbons Limited acquired the above inventory for £5.2m, payable in cash only as and when sales of the inventory are made and after deduction of a commission payable to Stanley Gibbons Limited.

Phoenix already has a controlling interest in Hornby, which also includes other collectible businesses such as Airfix and is clearly committed to this sector. Phoenix has confirmed that it is supportive of the strategic plans for the Group as previously outlined and it intends to work collaboratively with the management of the Group and the Board of the Company in driving the return of the Group's business to a profitable state.

Restructuring Update

Over the last two years, the Group has undergone a programme of intense rationalisation as the Board has sought to streamline the Group to a business which is capable of trading profitably, reducing its debt burden and seeking to enhance value to Shareholders. During that time, a number of businesses and assets have been sold or closed, overhead costs have been reduced significantly and the Group's focus has been re-aligned to its heritage of serving the philatelic and numismatic collectibles market.

Interiors

On 26 May 2017 the Group sold its 25% interest in Masterpiece London Limited for £1.4m.

On the 1 October the Board announced the sale of Dreweatts 1759 Limited to Gurr Johns 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 associated with the Interiors division). Certain assets and liabilities, intellectual property rights and goodwill in respect of the Group's Interiors division, were transferred to a newly incorporated entity Dreweatts 1759 Limited on 31 July 2017. The sale to Gurr Johns also included the Bloomsbury Auctions brand.

On the 8 December 2017 the Group also sold the Mallett and Made by Meta brands to Gurr Johns Limited for a further £0.1m.

These disposals represented all of the significant trading assets and brands of the Interiors division and its results have therefore been reclassified and disclosed as discontinued operations. The Group has retained the benefit of the rental income from the former Mallett New York leasehold premises, which will allow the Group to derive some additional benefit from the remaining assets of the Interiors division in the coming years. This asset together with any subsequent costs and benefits in relation to Mallett litigation now make up the new Legacy Interiors division. Details of the impact on the results of these discontinued operations are given in Note 29.

Investments

On 21 November 2017 the directors of Stanley Gibbons (Guernsey) Limited applied for and were granted an administration order. Stanley Gibbons (Guernsey) Limited was the entity through which the Group's Investment division activities had been conducted. The administration order meant the Group lost control of this business and its assets and so the Investment division's results have been reclassified as discontinued operations. The assets and liabilities of Stanley Gibbons (Guernsey) Limited that the Group lost control of are given in Note 29. The contingent liability disclosed in last year's Report and Accounts at £54m related to guarantees and undertakings within investment products, previously sold by Stanley Gibbons (Guernsey) Limited and so have also been removed from the Group. The Directors believe that the administration of SG Guernsey has fundamentally limited the exposure of the Group to the buyback liabilities and removed the cashflow burden associated therewith.

Cost savings

The Group has now been comprehensively restructured and the majority of the restructuring and cost savings have now been completed. The Board believes that this has resulted in a more appropriate structure and cost base for the future. Over the last two financial years, cost saving measures have been identified and implemented that are expected to reduce annualised total operating costs, excluding professional fees associated with the restructuring, by over £12.0 million (65%), with employment costs falling by around 75%. Whilst there are still some more areas to be addressed the Board is now progressing with plans to invest in projects already outlined that will support the growth and profitability of the Group over the longer term.

Litigation

The Group continues to cooperate with the U.S. Securities and Exchange Commission (the "SEC"), following the conclusion of the Department of Justice's ("DOJ") criminal prosecution against a former client, (arising in part out of his dealings with Mallett, Inc) and a New York based former director of Mallett plc. 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 no criminal or civil charges have been filed against Mallett Inc. or any Mallett group company to date, we have made an offer to the SEC that would resolve all outstanding issues. We understand that the SEC Staff has recommended acceptance of the settlement offer to the SEC Commission, but as of the date of this Business Review, no decision has been made by the Commission. Any settlement with the SEC will require court approval.

Given the former director's admitted criminal conduct, the Group is pursuing civil action against certain former directors of Mallett plc in respect of losses it has incurred as a result of these matters.

Though the Board cannot predict with certainty the outcome of the situation their best estimate of the future costs associated with the above, as at 31 March 2018, is £0.6m, which excludes any potential recovery from the former directors of Mallett. This amount is the accrual at the year end.

Continuing operations

	12 months to 31 March 2018 Sales £'000	**12 months to 31 March 2018 Profit £'000**	**12 months to 31 March 2017 Sales *Restated* £'000**	**12 months to 31 March 2017 Profit *Restated* £'000**
Philatelic	6,796	(2,101)	7,584	(716)
Publishing	2,213	(29)	2,043	122
A H Baldwin	3,213	502	4,975	955
Legacy interiors property & legal	1,136	33	584	(630)
Other & corporate overheads	–	(3,332)	136	(5,340)
Finance charges	–	(444)	–	(223)
Trading sales and losses	13,358	(5,371)	15,322	(5,832)
Amortisation of customer lists	–	(237)	–	(423)
Pension service & share option charges	–	(200)	–	(623)
Finance charges related to pensions	–	(152)	–	(138)
Exceptional operating charges	–	(6,332)	–	(4,778)
Gain on loan restructuring	–	4,250	–	–
Group total sales and (loss)/profit before tax	13,358	(8,042)	15,322	(11,794)

Overview

Group turnover for continuing operations, for the year ended 31 March 2018 was £13.4m (2017: £15.3m), 12.% lower than the prior year. The gross margin percentage for the year ended 31 March 2018 was 40.0% (2017: 44.1%).

During virtually all of the year ended 31 March 2018 the Group was trading with limited cash resources, which restricted our ability to buy new stock and also meant we were at times selling items to realise cash rather than maximise profits. The lack of new stock particularly reduced the sales of A H Baldwin's coins and our Commonwealth philatelic items, whilst the lower margin sales were more generally of Great Britain ("GB") philatelic items. The consequence was that Philatelic sales held up reasonably well but the margins were lower, whereas A H Baldwin's margins improved from 19% to 22% but the sales were lower.

As a result of the restructuring plan, corporate overheads were reduced by £2.0m, 38%. The trading loss, for continuing operations, before accounting adjustments including exceptional operating charges and finance charges related to pensions, was £5.4m for the year ended 31 March 2018 (2017: trading loss £5.8m).

Philatelic

Whilst sales reduced by 6% the reduction in contribution was more significant. This was largely as a result of selling items at lower margins, particularly high value GB items that would historically have been purchased with a view to sale through the Investment division. Though this generated sales and cash, it reduced our profitability when compared to last year. Additionally the market for GB stamps has been weaker, particularly for very high value philatelic rarities. This may be related, in part, to the reduction in buying and selling of our Investment division, which in the past likely contributed to the increase in the strength of the market for high value items. As a result we conducted a full review of our inventory carrying values, including all of the high value or specialised items, which resulted in an impairment provision of £4m included within exceptional charges, shown in the table below.

Publishing

Whilst the results from this division are relatively consistent they reflect our inability over recent years to generate an appropriate return from our catalogues, albums and magazines. The monetisation of the wealth of unique and historical intellectual property we have is one of our key objectives and we are working on a number of projects which should allow us to do so.

Coins & Medals

Sales were down 35% but this was mainly due to the inability to buy new inventory coupled with our desire to not unnecessarily discount stock simply to realise cash as it may have damaged the longer term prospects of the business, coupled with the fact that the prior period included income from auctions, which are now conducted through Baldwin's of St James's. Nevertheless this division produced a significant profit contribution whilst more than halving its inventory, thus releasing £2m of cash to Group. Baldwin's of St James's, the joint venture that was launched in January 2017 generated £113k in the year. This business is now established and has maintained the market positions of the two brands that combined to form it.

Legacy Interiors

The sales from this division all relate to rental income from the leasehold property in New York which was vacated and sublet by Mallett in 2016. The costs relate to the rents and other costs in relation to the property together with the costs of the ongoing litigation detailed above.

Corporate Overheads

As highlighted above, the restructuring plan has delivered significant cost reductions, some of which will only produce a full year impact in the current financial year ending 31 March 2019.

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 2018 were £0.6m (2017: £1.2m). In the opinion of the Directors, such accounting charges do not form part of the operating performance of the Group.

Exceptional Operating Charges

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Stock provisions	4,202	506
Professional fees for corporate activity	1,235	587
Other impairment of intangible assets	541	1,000
Loss on disposal of tangible fixed assets	392	–
Impairment of receivables	288	–
Loss on disposal of philatelic approvals business	171	–
Restructuring and redundancy costs	119	589
Marketplace intangible asset written off	–	2,096
Release of other payables excess provision	(616)	–
	6,332	4,778

The stock provisions largely related to a review of our philatelic realisable values as highlighted above. The professional fees relate to the significant corporate activity carried out during the year including the Phoenix transaction but exclude the element relating to the share issue. The release represents an over provision relating to prior periods.

Inventory

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 2018 £'000	31 March 2017 £'000
Philatelic rarities	14,056	31,039
Philatelic stock (general)	1,457	3,828
Coins and medals	2,148	4,408
Autographs, historical documents and related memorabilia	–	365
Antiques	417	700
Publications, albums and accessories	136	243
Group owned stock	18,214	40,583
Inventory owned by third parties	89	14,642
	18,303	55,225

Cash Resources

As at the balance sheet date the Group had cash balances of £4.6m and a loan of £10.0m repayable in March 2023, provided there is no event of default in the meantime. The loan is due to Phoenix S. G. Limited, the Group's controlling shareholder.

As detailed in note 18 the Group is currently in default on its loan facilities as Stanley Gibbons (Guernsey) Limited (in administration) is in administration. Phoenix was aware of the default at the time of its investment. The loan is also in default due to the qualified audit report in these financial statements for the year ended 31 March 2018. Although during periods of default the facilities are repayable on demand, Phoenix S. G. Limited has not requested repayment.

As at 25 September 2018 the Group had cash balances of £1.6m, this reflects the payment of the creditors at the time of the transaction together with a degree of investment in inventory.

Andrew Cook
Chief Finance Officer

27 September 2018

Corporate Governance

The Directors recognise the importance of and are committed to high standards of corporate governance. The corporate governance framework within which the Stanley Gibbons Group operates, including Board leadership and effectiveness, Board remuneration and internal control is based on practices which the Board believes are appropriate to the size, risks, complexity and operation of the business.

Changes to the AIM Rules effective on 28 September 2018 require AIM companies to apply a recognised corporate governance code. Of the two widely recognised formal codes, the Board has decided to adhere to the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies (the QCA Code) which was revised in April 2018 to meet the new requirements of AIM Rule 26. The Board will apply the principles of the QCA Code.

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 June 2018, 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, 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 HG Wilson.

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 Non-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 CP Whiley and LE Castro.

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.

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 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.

An incentive plan for certain Directors of the Company was adopted on 30 September 2014 when grants of nil cost options were made over ordinary shares of 1p each under the Stanley Gibbons Group plc Value Creation Plan ('VCP'). Vesting of the awards was dependent on the level of total shareholder return over a three year period commencing on the grant of the awards. The performance condition was not achieved and the awards under the plan have therefore not vested.

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 was 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 and A Cook 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 six months.

Directors' Remuneration

For each Director remuneration for the year to 31 March 2018 can be analysed as follows:

	2018 Salary & Fees £'000	2018 Performance Related Bonus £'000	2018 Other Benefits £'000	2018 Pension Contributions £'000	2018 Total £'000	2017 Total £'000
H Wilson	150	–	–	8	158	109
G Shircore	–	–	–	–	–	
A Cook	150	–	–	8	158	128
C Whiley	–	–	–	–	–	–
L Castro	35	–	–	–	35	21
H Turcan	34	–	–	–	34	21
M Bralsford	–	–	–	–	–	23
M Hall	–	–	–	–	–	326
D Duff	–	–	–	–	–	219
J Byfield	–	–	–	–	–	97
M Magee	–	–	–	–	–	20
S Perreé	–	–	–	–	–	10
C Jones	–	–	–	–	–	23
	369	–	–	16	385	997

The periods each Director served during the year are given on page 22.

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry date	Exercise Price (1p shares)	Number at 31 March 2017	Forfeited in period	Number at 31 March 2018
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	10/4/14**	10/4/17	10/4/24	316.5p	157,977	(157,977)	–
	30/9/14***				559,174	(559,174)	–
D Duff	10/4/14**	10/4/17	10/4/24	316.5p	112,164	(112,164)	–
	30/9/14***				372,782	(372,782)	–
					5,202,097	(1,202,097)	4,000,000

** Options granted under Group Share Option Plan 2010.
*** Value creation plan nil cost award.

The closing market price of the Company's shares at 31 March 2018 was 4.5p and the range of market prices during the twelve month period was between 13.125p and 2.875p.

Directors' Report

for the year ended 31 March 2018

The Directors present their report and the consolidated audited financial statements for the year ended 31 March 2018.

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 has 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, auctioneering, the development and operation of collectible websites, philatelic publishing, mail order, retailing, and the manufacture of philatelic accessories.

Business review

Included within the Annual Report is a fair review of the business of the Group during the year ended 31 March 2018 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 4 and the Business Review on pages 8 to 14. 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 was 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.

On 21 November 2017 the directors of Stanley Gibbons (Guernsey) Limited applied for and were granted an administration order. This subsidiary was most exposed to investment product risk and therefore with the deemed loss of control over the subsidiary the level of this risk to the Group is now minimised.

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 and other collectibles 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 recovery plans 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 Business Review on pages 8 to 14.

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 2018 is set out on page 32. The Directors do not recommend a final dividend for the year ended 31 March 2018 (year ended 31 March 2017: nil).

Directors

The following Directors have held office since 1 April 2017:

H G Wilson	
G E Shircore	(appointed 19 March 2018)
A Cook	
C P Whiley	
L E Castro (Non-Executive)	
H A J Turcan (Non-Executive)	(resigned 19 March 2018)

L Castro is considered to be Independent

On 19 March 2017 H G Wilson and CP Whiley relinquished their executive director roles and remain as Non-Executive Chairman and Non-Executive Director respectively.

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

Directors' interests

The interests of the Directors in the shares of the Company, all of which are beneficial, at 31 March 2018 together with their interests at 31 March 2017 were:

	Ordinary 1p Shares 31 March 2018	**Ordinary 1p Shares 31 March 2017**
HG Wilson (1)	2,000,000	2,000,000
GE Shircore (2)*	705,741	–
A Cook	–	–
CP Whiley (3) (4)	500,000	500,000
LE Castro	–	–

* 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) Phoenix Asset Management Partners Limited, Mr Shircore's ultimate employer, is the investment manager to Phoenix SG Limited which holds 248,000,000 Ordinary shares representing 58.09% of the Company's issued share capital.
(3) Held in the name of Zodiac Executive Pension Scheme, of which CP Whiley is a beneficiary.
(4) Evolution Securities China Limited, Mr Whiley's former employer, holds 1,800,000 ordinary shares, representing 1.006% of the Company's issued share capital.

Details of the Directors' share options are given in the Remuneration Report on page 19.

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

Research and development

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 10.

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 14 (Provision for impairment of receivables and collateral held) and note 27 (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 Business Review on pages 8 to 14 along with the financial position of the Group, its cash resources and borrowing. In addition note 27 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 show that it will remain within current loan facility limits for the foreseeable future. However as highlighted above, the Group is currently in default on its banking facilities, due to Stanley Gibbons (Guernsey) Limited (in administration) being in administration and the qualified audit report in these financial statements. During periods of default the loan is repayable on demand. The loan is from the Group's controlling shareholder Phoenix S. G. Limited and due for repayment in March 2023. Phoenix was aware of the default at the time it acquired its interest in the Group and the Directors do not believe it will seek repayment of the loan within the foreseeable although there can be no certainty of this fact. In the event that Phoenix S. G. Limited requested repayment of the loan or trading deteriorates below forecasted levels, the Group would require access to additional liquidity.

The Directors acknowledge that the above risks cast doubt on the Group's ability to continue as a going concern. They recognise that Phoenix S. G. Limited has stated that it intends to be a long term investor, is the controlling shareholder with an interest of just over 58% and has given no indication that it would withdraw its support.

The granting of the administration order on 21 November 2017 for Stanley Gibbons (Guernsey) Limited resulted in the Group's loss of control of the business of that entity and its assets and liabilities. The contingent liability of £54,150,000 at 31 March 2017, disclosed in note 26a relating to guarantees and undertakings have been removed from the Group and have fundamentally limited the exposure of the Group to the related buyback liabilities and associated cash outflows.

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 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 27 September 2017, the Company had been notified of the following interests in 3% or more of its issued share capital:

Phoenix SG Limited	58.09%
Lombard Odier Asset Management (Europe) Limited	10.90%

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 2018 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

27 September 2018

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

Qualified Opinion on the Consolidated Financial Statements of Stanley Gibbons Group plc

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of the Group's loss and for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the consolidated financial statements of The Stanley Gibbons Group Plc (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position as at 31 March 2018,
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and
- notes 1 to 33 to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for Qualified Opinion

In seeking to form an audit opinion on the financial statements, the audit evidence available to us was limited in respect of Property, Plant and Equipment. We were unable to obtain sufficient appropriate audit evidence over the existence, accuracy and valuation of property, plant and equipment with a carrying value of £1.2 million consisting of all of the property, plant and equipment in Mallet, Inc. within the total carrying value of property, plant and equipment of £2.5 million.

Had this information been available, we might have formed a different opinion on the financial statements.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to 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 loan finance facilities, which are due for repayment before the end of March 2023. The facility has been in default since being provided by the lender Phoenix SG Limited, who is also the Group's controlling party, and so the loan is necessarily recorded as a current liability. The directors do not believe they will seek repayment of the loan within the next twelve months however acknowledge there can be no certainty of this. These conditions, along with the other matters referred to in note 2, indicate that a material uncertainty exists which may cast significant doubt on 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1 Carrying value of inventory

KEY AUDIT MATTER

The Group holds material inventory at the year-end. Due to the nature of the inventory (unique and rare philatelics and other collectibles with low trading volumes and long inventory turnover times), the net realisable value of inventory items are subject to significant judgement. Experts employed by the Group determine the values on which the directors base their assessment of net realisable value. The subjectivity of these assessments could result in the net realisable values being overstated and therefore possible inventory impairments may not be provided for, resulting in the overall value of inventory being overstated, and is therefore considered to be a key audit matter.

Refer to Note 1 (accounting policy) and Note 12 (Inventories) of the accompanying financial statements.

AUDIT RESPONSE

Discussions were held with the directors and relevant internal Group experts throughout the audit process to ascertain how value is attributed to individual inventory items.

We selected several random samples across the different inventory lines, splitting these into different categories based on the value of the individual inventory items. The Group's experts provided supporting evidence for each item linked to external data to support cost and carrying value for a sample of inventory items (for example, purchase documentation or corroborative data relating to recent sales of similar items).

2 Valuation of defined benefit pension schemes' obligations

KEY AUDIT MATTER

The Group has used external, independent actuaries to value the obligations for the two defined benefit pension schemes totalling £5.329m (2017: £6.086m) within the consolidated financial statements, based on full member data as at 31 March 2018. Due to the size of the pension scheme obligations compared to the size of the Group, any minor changes in the key assumptions, being the discount factor, inflation and mortality rates, may lead to a significant impact on the valuation of the schemes' liabilities and Group's financial position, and is therefore considered to be a key audit matter.

Refer to Note 1 (accounting policy) and Note 25 (Retirement Benefits) of the accompanying financial statements.

AUDIT RESPONSE

The competence and independence of the Group's external, independent actuary was verified through our own research on the qualifications and background of the individual actuary as well as the actuarial firm.

The key assumptions used in the valuations of the defined benefit pension schemes were reviewed by an independent, externally employed actuarial specialist. This included benchmarking the key assumptions used against other comparable companies and externally derived market data with critical assessment of assumptions if they appeared inconsistent with the benchmarks identified.

We also considered whether the disclosures are fully compliant with IAS 19 and appropriately reflect the sensitivity of the obligations to changes in the underlying assumptions.

3 Carrying value of goodwill and other intangible assets

KEY AUDIT MATTER

The Group has a significant level of goodwill, as well as other intangible assets such as computer software, publishing rights, customer lists and brands and trademarks, arising from acquisitions of business combinations in prior periods.

The wider group, including many of the subsidiaries have experienced challenging trading conditions, resulting in poor financial performance, and lower forecast profitability.

There is a risk that these subsidiaries may not achieve the anticipated future financial performance to support the carrying value of these intangibles, leading to a potential impairment charge that has not been recognised by the directors.

The board prepare a detailed impairment assessment for all intangibles, based on a number of assumptions and forecast information.

Significant judgement is required in forecasting the future cash flows of each subsidiary, together with the rate at which they are discounted, and is therefore considered to be a key audit matter.

With specific regard to the computer software recognised as an intangible asset, there is a risk of obsolescence due to ongoing upgrades and releases, resulting in the potential for an omitted impairment charge.

Refer to Note 1 (accounting policy) and Note 10 (Intangible Assets) of the accompanying financial statements.

AUDIT RESPONSE

We used valuation experts to assist in our understanding of the method applied by the directors in performing the impairment test for the goodwill and other intangible assets in respect of the relevant subsidiaries.

We performed sensitivity analyses on the key inputs and assumptions to quantify the required change before an impairment would be triggered and considered the likelihood of this occurring.

Where indicators of impairment were identified, we critically assessed and corroborated the key inputs to the valuations including:

- Analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience.
- Assessing the discount rate by obtaining the underlying data used in the calculation and benchmarking it against available market data.
- Assessing the validity of assumed growth rates for appropriateness through discussion with management to gain a full understanding of the calculation. No data on comparable entities could be identified due to the unique nature of the Group entities.

We considered the adequacy of the Groups disclosures in note 10 against the requirements of IAS 36 (Impairment of Assets).

4 Administration of Stanley Gibbons (Guernsey) Limited

KEY AUDIT MATTER

The Board of Directors of Stanley Gibbons (Guernsey) Limited ('SGG'), a subsidiary of the Group, filed an application for an administration order on 16 November 2017. An administration order was granted by The Royal Court of Guernsey on 21 November 2017 on the basis that SGG was insolvent. The background to the administration order is as follows:

- The SGG's potential liabilities primarily consisted of approximately £54 million in contingent liabilities relating to the buy-back guarantees (or "investment products") that were offered by SGG, and a further £11 million in liabilities included on its balance sheet.
- The removal of the provision of buy-back guarantees by SGG in August 2016 further affected sales and the deterioration in revenues resulted in the Company becoming largely dependent upon financial support from the Group, and further SGG was in default on its bank facilities such that it was dependent upon the ongoing support of its bank, at that time.

Given the above, the Group lost control of SGG once the administration order was granted on 21 November 2017. The Group has had no influence over the actions of the administrators from this date onwards and would derive no further risk or reward from the activities of SGG. Therefore, as of 21 November 2017, the Group effectively disposed of the assets and liabilities of the SGG for no consideration and this disposal has been accounted for accordingly in the Group financial statements, and is therefore considered to be a key audit matter.

The results of SGG for the period to 21 November 2017 have been included in the Group financial statements as a discontinued operation.

Refer to Note 29 (Discontinued operations) of the accompanying financial statements.

AUDIT RESPONSE

We performed a detailed review of the documentation relating to the application for an administration order and the subsequent report from The Royal Court of Guernsey. In addition, extensive discussions were held with management to determine the intended result of the administration (being a liquidation and subsequent winding up of SGG) at the date the application for an administration order was submitted.

We reviewed documentation in relation to material transactions subsequent to the administration date to ensure strategic decisions were independently executed by the administrators.

The results of SGG for the period to 21 November 2017 were subject to audit procedures using materiality for the consolidated financial statements, as set out in the *Our application of materiality* section below.

Using the same materiality, we performed audit procedures over the assets and liabilities of SGG at the administration date to ensure they had been recorded at fair value. This procedure would subsequently provide evidence over the accuracy of the gain on disposal balance included within the Consolidated Statement of Comprehensive Income of The Stanley Gibbons Group Plc.

Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of the audit work and in evaluating the results of our work.

Based on professional judgement, we determined balance sheet materiality for the consolidated financial statements to be £726,000 (2017 – £1,501,000) which represents 2% of total asset value. We determined income statement materiality for the consolidated financial statements to be £524,000 (2017 – £849,000) which represents approximately 2% of total revenue (including discontinued operations). We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £36,000 (2017 – £75,000) with regards to the balance sheet and £26,000 (2017– £42,000) with regards to the income statement. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the consolidated financial statements.

We selected total asset value as a benchmark for balance sheet materiality as the most significant balance in the consolidated financial statements is inventory. Turnover of inventory can be slow in nature and the Group's policy is to hold inventory for sale at a fair market price, even if this results in maintaining items for a prolonged period of time.

We selected revenue as a benchmark for income statement materiality due to the Group being a retail group (with specific focus on cash generation rather than reducing losses in recent years). The Group had both a trading division and an investment division during the year, therefore it is justifiable to calculate a separate materiality for the income statement.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal controls and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The audit approach that enabled us to arrive at our opinion consisted of analytical reviews and substantive testing of material amounts in the consolidated financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the existence, accuracy and carrying value of plant, property and equipment held by the Group. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

continued

Matters on which we are required to report by exception

Due to the matters described in the basis for qualified opinion paragraph:

- we have not received all the information and explanations we required for our audit; and
- We were unable to determine whether proper accounting records had 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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of directors

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Braun
For and on behalf of BDO Limited
Chartered Accountants
Jersey, Channel Islands
27 September 2018

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £'000	Year ended 31 March 2017 *restated* £'000
Revenue			
Cost of sales	1, 3	13,358	15,322
		(8,011)	(8,570)
Gross Profit		5,347	6,752
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(5,517)	(3,285)
Defined benefit pension service costs	25	(171)	(188)
Exceptional operating charges	5	(6,332)	(4,778)
Total administrative expenses		(12,020)	(8,251)
Selling and distribution expenses		(5,288)	(10,072)
Operating loss	4	(11,961)	(11,571)
Finance income		45	43
Finance costs	27	(489)	(266)
Gain on loan restructuring		4,250	–
Share of net profits of joint venture		113	–
Loss before tax		(8,042)	(11,794)
Taxation	8	133	676
Loss from continuing operations		(7,909)	(11,118)
Loss from discontinued operations	29	(4,260)	(17,682)
Loss for the financial year		(12,169)	(28,800)
Other comprehensive income:			
Amounts which may be subsequently reclassified to profit & loss			
Exchange differences on translation of foreign operations		24	319
Amounts which will not be subsequently reclassified to profit & loss			
Revaluation of reference collection	11	–	70
Actuarial (losses)/gains recognised in the pension scheme	25	448	(1,064)
Tax on actuarial gains recognised in the pension scheme		(146)	166
Other comprehensive income/(loss) for the year net of tax		326	(509)
Total comprehensive loss for the year		(11,843)	(29,309)
Loss per share from continuing operations			
Basic loss per Ordinary share	9	(4.21)p	(6.21)p
Diluted loss per Ordinary share	9	(4.21)p	(6.21)p
Loss per share from discontinued operations			
Basic loss per Ordinary share	9	(2.27)p	(9.88)p
Diluted loss per Ordinary share	9	(2.27)p	(9.88)p

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

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

for the year ended 31 March 2018

Assets	Notes	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Intangible assets	10	5,977	7,772
Property, plant and equipment	11	2,535	4,332
Deferred tax asset	19	1,190	1,344
Investments		113	–
Available for sale financial assets		–	6
Total non-current assets		9,815	13,454
Current Assets			
Inventories	12	18,303	55,225
Trade and other receivables	13	3,610	4,044
Cash and cash equivalents (excluding bank overdrafts)	17	4,596	2,349
Total current assets		26,509	61,618
Total assets		36,324	75,072
Current liabilities			
Trade and other payables	15	8,404	29,260
Borrowings	18	10,000	16,501
Total current liabilities		18,404	45,761
Non-current liabilities			
Other payables	16	–	4,676
Retirement benefit obligations	25	5,329	6,086
Deferred tax liabilities	19	408	554
Total non-current liabilities		5,737	11,316
Total liabilities		24,141	57,077
Net assets		12,183	17,995
Equity			
Called up share capital	20	4,269	1,789
Share premium account	22	78,217	74,847
Share compensation reserve	22	2,064	1,883
Capital redemption reserve	22	38	38
Revaluation reserve	22	346	346
Retained earnings	22	(72,751)	(60,908)
Equity shareholders' funds		12,183	17,995

The financial statements on pages 34 to 77 were approved by the board of Directors on 27 September 2018, were authorised for issue on that date and were signed on its behalf by:

H G Wilson
A Cook *Directors*

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2017	1,789	74,847	1,883	346	38	(60,908)	17,995
Loss for the financial year	–	–	–	–	–	(12,169)	(12,169)
Amounts which may be subsequently reclassified to profit & loss							
Exchange differences on translation of foreign operations	–	–	–	–	–	24	24
Amounts which will not be subsequently reclassified to profit & loss							
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	302	302
Total comprehensive loss	–	–	–	–	–	(11,843)	(11,843)
Share issue	2,480	3,370	–	–	–	–	5,850
Cost of share options	–	–	181	–	–	–	181
At 31 March 2018	**4,269**	**78,217**	**2,064**	**346**	**38**	**(72,751)**	**12,183**
At 1 April 2016	471	63,682	1,448	276	38	(31,529)	34,386
Loss for the financial year	–	–	–	–	–	(28,800)	(28,800)
Amounts which may be subsequently reclassified to profit & loss							
Exchange differences on translation	–	–	–	–	–	319	319
Amounts which will not be subsequently reclassified to profit & loss							
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	(898)	(898)
Revaluation of reference collection	–	–	–	70	–	–	70
Total comprehensive loss	–	–	–	70	–	(29,379)	(29,309)
Share issue	1,318	11,165	–	–	–	–	12,483
Cost of share options	–	–	435	–	–	–	435
At 31 March 2017	**1,789**	**74,847**	**1,883**	**346**	**38**	**(60,908)**	**17,995**

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash outflow from operating activities	23	(2,168)	(8,248)
Interest paid		(489)	(626)
Taxes repaid		22	493
Net cash outflow from operating activities		(2,635)	(8,381)
Investing activities			
Purchase of property, plant and equipment		(35)	(301)
Purchase of intangible assets (computer software)		(30)	(118)
Investment in joint venture		(113)	–
Disposal proceeds from discontinued operations		2,681	–
Proceeds from sale of property plant & equipment		236	2,500
Interest received		44	170
Net cash generated from investing activities		2,783	2,251
Financing activities			
Proceeds from issue of ordinary share capital		5,850	12,383
Proceeds from disposal of loan of subsidiary in administration		2,750	–
Repayment of bank loans		(8,300)	(823)
Proceeds from new borrowing		10,500	–
Repayment of new borrowing		(500)	–
Net cash generated from financing activities		10,300	11,560
Net increase in cash and cash equivalents		10,448	5,430
Cash and cash equivalents at start of year		(5,852)	(11,282)
Cash and cash equivalents at end of year	17	4,596	(5,852)

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 March 2018

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 Company'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 2017 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)

IFRS 17, Insurance Contracts (effective for periods beginning on or after 1 January 2021, subject to EU endorsement)

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 IFRS 16 and IFRS 17 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 four 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, with the revaluation amount being recognised in other comprehensive income.

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.

Inventories

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

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

The purchase of stamp, coins and antiques into inventory can be classified in the way in which they are purchased. Some items will be bought on itemised invoices from other dealers and auctioneers. These items 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.

1 Accounting policies and presentation continued

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.

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 movements.

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.

1 Accounting policies and presentation continued

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.

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 or 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.

1 Accounting policies and presentation continued

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 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 previously 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 decides 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 Group's 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. The GMRC and CPGP contracts ceased to be sold in April 2011 and December 2013 respectively.

1 Accounting policies and presentation continued

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 26a).

Investment plans including contractual buy back options at any level ceased to be sold in July 2016 and as a result of the granting of an administration order for Stanley Gibbons (Guernsey) Limited on 21 November and the Group's deemed loss of control, the revenue and associated costs of the investment plans has been included in discontinued operations for the period up to 21 November 2017 and for the prior year ended 31 March 2017.

Sale of goods – auctions

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

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

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

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

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 Business Review on pages 8 to 14.

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 reliably 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.

1 Accounting policies and presentation continued

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.

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 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 equals 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 and Judgements

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

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

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position together with the financial position of the Group, its cash resources and borrowing facilities are set out in the Business Review on pages 8 to 14. In addition note 27 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 show that it will remain within current loan facility limits for the foreseeable future. However as highlighted above, the Group is currently in default on its banking facilities, due to Stanley Gibbons (Guernsey) Limited (in administration) being in administration and the qualified audit report in these financial statements. During periods of default the loan is repayable on demand. The loan is from the Group's controlling shareholder Phoenix S. G. Limited and due for repayment in March 2023. Phoenix was aware of the default at the time it acquired its interest in the Group and the Directors do not believe it will seek repayment of the loan within the foreseeable although there can be no certainty of this fact. In the event that Phoenix S. G. Limited requested repayment of the loan or trading deteriorates below forecasted levels, the Group would require access to additional liquidity.

The Directors acknowledge that the above risks cast doubt on the Group's ability to continue as a going concern. They recognise that Phoenix S. G. Limited has stated that it intends to be a long term investor, is the controlling shareholder with an interest of just over 58% and has given no indication that it would withdraw its support.

The granting of the administration order on 21 November 2017 for Stanley Gibbons (Guernsey) Limited resulted in the Group's loss of control of the business of that entity and its assets and liabilities. The contingent liability of £54,150,000 at 31 March 2017, disclosed in note 26a relating to guarantees and undertakings have been removed

2 Critical Accounting Estimates and Judgements continued

from the Group and have fundamentally limited the exposure of the Group to the related buyback liabilities and associated cash outflows.

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. The GMRC and CPGP contracts ceased to be sold in April 2011 and December 2013 respectively. One of the options within these products is a contractual buy back option to re-acquire at a level equal to or above the original purchase price. These transactions are considered by management not to meet the criteria for a sale until such time as the underlying items are irrevocably sold. This is because insufficient risk and reward is considered to have passed to the client. For all other sales, including investment plans with guarantee buy-back options at 75% of catalogue or market value, revenue is recognised immediately as the risks and rewards of ownership are deemed to have passed to the buyer.

As a result of the granting of an administration order for Stanley Gibbons (Guernsey) Limited on 21 November and the Group's deemed loss of control the revenue and associated costs of the investment plans has been included in discontinued operations for the period up to 21 November 2017 and for the prior year ended 31 March 2017.

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 25. 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

2 Critical Accounting Estimates and Judgements continued

value. The carrying amount of goodwill at 31 March 2018 was £2,310,000 (2017: £2,568,000) after an impairment loss of £258,000 (2017: £8,697,000) was recognised in the year. Details of the carrying value of goodwill and the impairment losses are set out in note 10.

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.

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
- Legacy Interiors property & legal

3 Segmental Analysis continued

The Group has disposed of the majority of its assets of the Interiors division and therefore the Directors have classified this operating segment as discontinued operation.

As a result of the granting of an administration order on 21 November 2017 the Group lost control of the business and assets of its Investment division and therefore this operating segment has also been classified as a discontinued operation.

The comparatives in this note have been amended to show only continuing operations. The result for the year ended 31 March 2018 of the discontinued operations and comparatives for the year ending 31 March 2017 are shown in note 29.

Legacy Interiors includes continuing items from the discontinued Interiors operation, specifically the leasehold property in New York and the ongoing legal matters related to the Mallett entities (see note 26b – Litigation section). The activities, products and services of the reportable segments are detailed in the Business Review on pages 8 to 14.

Segmental income statement	Investments* £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Legacy Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2018							
Revenue	–	6,796	2,213	3,213	1,136	–	13,358
Operating costs	–	(8,897)	(2,242)	(2,711)	(1,103)	(3,921)	(18,874)
Exceptional costs	–	(4,017)	29	(582)	(37)	2,525	(2,082)
Net finance costs	–	–	–	–	(126)	(318)	(444)
Profit/(loss) before tax	–	(6,118)	–	(80)	(130)	(1,714)	(8,042)
Tax	-	(3)	–	166	–	(30)	133
Profit/(loss) for the year from continuing operations	**–**	**(6,121)**	**–**	**86**	**(130)**	**(1,744)**	**(7,909)**
Segmental balance sheet as at 31 March 2018							
Total assets	–	16,163	–	18,111	383	1,667	36,324
Total liabilities	–	(17,365)	–	(569)	(55)	(6,152)	(24,141)
Net assets/(liabilities)	**–**	**(1,202)**	**–**	**17,542**	**328**	**(4,485)**	**12,183**
Other segmental items							
Depreciation	–	327	–	1	–	350	678
Amortisation of other intangible assets	–	307	–	–	–	237	544
Capital expenditure	–	65	–	–	-	-	65

3 Segmental Analysis continued

Segmental income statement	Investments* £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Legacy Interiors £'000	Unallocated £'000	Total £'000
Year ended 31 March 2017							
Restated							
Revenue	–	7,584	2,043	4,975	584	136	15,322
Operating costs	–	(8,300)	(1,921)	(4,020)	(1,274)	(6,600)	(22,115)
Exceptional costs	–	(1,358)	–	(506)	–	(2,914)	(4,778)
Net finance costs	–	(140)	–	(5)	(121)	43	(223)
Profit/(loss) before tax	–	(2,214)	122	444	(811)	(9,335)	(11,794)
Tax	–	186	–	965	(134)	(341)	676
Profit/(loss) for the year from continuing operations	–	(2,028)	122	1,409	(945)	(9,676)	(11,118)
Segmental balance sheet as at 31 March 2017							
Total assets	–	19,305	–	18,059	315	37,393	75,072
Total liabilities	–	(22,445)	–	(336)	(309)	(33,987)	(57,077)
Net assets/(liabilities)	**–**	**(3,140)**	**–**	**17,723**	**6**	**3,406**	**17,995**
Other segmental items							
Depreciation	–	359	–	30	–	179	619
Amortisation of other intangible assets	–	259	–	28	–	397	684
Capital expenditure	–	102	–	29	-	288	419

*- results for the Investment division are included in discontinued operations (see note 29)

Geographical information

Analysis of revenue by origin and destination

	Year ended 31 March 2018 Sales by destination £'000	**Year ended 31 March 2018 Sales by origin £'000**	Year ended 31 March 2017 Sales by destination Restated £'000	Year ended 31 March 2017 Sales by origin Restated £'000
Channel Islands	364	–	664	10
United Kingdom	9,178	12,222	10,868	14,685
Hong Kong	284	–	123	–
Europe	522	–	915	–
North America	2,209	1,136	1,816	627
Singapore	147	–	87	–
Rest of Asia	88	–	172	–
Rest of the World	566	–	677	–
	13,358	13,358	15,322	15,322

3 Segmental Analysis continued

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 2018 or 2017 from which the Group earned more than 10% of its revenues.

Property, plant and equipment of £2,535,000 was split between the UK £2,492,000 (2017: £4,244,000) and the Channel Islands £43,000 (2016: £88,000).

Intangible assets of £5,977,000 (2017: £7,772,000) are all held in the UK.

4 Operating loss

The following table shows the material costs by nature charged to cost of sales, administrative expenses and selling and distribution costs for the continuing operations for year ending 31 March 2018 and the comparative figures for the prior year.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 Restated £'000
Cost of inventories recognised as an expense	8,011	8,570
Employee benefit costs expensed (see note 7)	3,793	6,301
Depreciation of property plant and equipment	490	784
Amortisation of intangible assets	543	588
Advertising & marketing expenses	624	1,282
Distribution & transport costs	433	494
Operating lease charges – leased premises	1,207	1,521
IT operating expenses	535	814
Other property operating costs	817	518
Impairment of trade receivables	129	57
Other administrative expenses	1,282	257
Fees payable to the Group's auditor for the audit of the Group's annual accounts, including subsidiaries	303	460
Fees payable to the Group's auditor for other advisory services	–	1
Other professional fees	758	624
Foreign exchange losses	62	(156)
	18,987	22,115

The comparatives in this note have been amended to show only continuing operations. The result for the year ended 31 March 2018 of the discontinued operations and comparatives for the year ending 31 March 2017 are shown in note 29.

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 of the continuing operation for the year ended 31 March 2018 and the comparative figures for the prior year.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 Restated £'000
Stock provisions	4,202	506
Professional fees for corporate activity	1,235	587
Other impairment of intangible assets	541	1,000
Loss on disposal of tangible fixed assets	392	–
Impairment of receivables	288	–
Loss on disposal of philatelic approvals business	171	–
Restructuring and redundancy costs	119	589
Marketplace intangible asset written off	–	2,096
Release of other payables excess provision	(616)	–
	6,332	4,778

The stock provisions largely related to a review of our philatelic realisable values as highlighted above. The professional fees relate to the significant corporate activity carried out during the year including the Phoenix transaction but exclude the element relating to the share issue. The release represents an over provision relating to prior periods.

The comparatives in this note have been amended to show only continuing operations. The result for the year ended 31 March 2018 of the discontinued operations and comparatives for the year ending 31 March 2017 are shown in note 29.

6 Directors' emoluments

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

	Year ended 31 March 2018	Year ended 31 March 2017
Fees	–	150
Salaries	369	804
Short-term employee benefits	369	954
Post-employment benefits	16	43
Share-based payment	69	181
Key management personnel compensation	454	1,178
Number of Directors included in the defined benefit pension scheme (note 25)	–	–

6 Directors' emoluments continued

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on page 19. The charge to profit in respect of share options and awards issued to the Directors was £69,000 (2017: £181,000).

During the year the Group made payments into the personal pension schemes of H Wilson and A Cook. Total cost of these pension contributions to the Group were £16,000 (2017: £43,000).

Details of share options forfeited by Directors during the period are disclosed in the Report on Remuneration on page 19.

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 93 (2017: 135).

	Year ended 31 March 2018	Year ended 31 March 2017
Management and Administration	35	61
Sales	38	53
Production and Editorial	17	16
Marketing	3	5
	93	135

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Wages and salaries	3,020	4,905
Social security costs	323	523
Pension costs – defined benefit scheme (note 25)	171	188
Pension costs – defined contribution scheme	98	250
Share option cost	181	435
	3,793	6,301

The comparatives in this note have been amended to show only continuing operations. The result for the year ended 31 March 2018 of the discontinued operations and comparatives for the year ending 31 March 2017 are shown in note 29.

8 Taxation

UK corporation tax and overseas tax on profits for the year

Current tax:	**Year ended 31 March 2018 £'000**	Year ended 31 March 2017 Restated £'000
UK corporation tax at 19% (2017: 20%)	–	–
Overseas tax	–	–
Deferred taxation (note 19)	(138)	–
Current year tax credit	(138)	–
Adjustment relating to earlier periods	(22)	(886)
Deferred taxation – amounts relating to earlier periods (see note 19)	–	(472)
Tax credit	(160)	(1,358)
Income tax attributable to:		
Profit from continuing operations	(133)	(676)
Profit from discontinued operations	(27)	(682)
	(160)	(1,358)

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 2018 %	Year ended 31 March 2017 %
The standard rate of corporation tax in the UK	19.0	20.0
Effects of:		
Item subject to capital gains tax	–	(0.5)
Disallowable items	(0.9)	(0.9)
Overseas profits taxable at lower rates	(7.0)	(0.3)
Losses for which no deferred asset recognised	(9.4)	(10.0)
Capital amortisation and provisions	(1.2)	(8.3)
Other permanent differences	0.6	–
Effective rate of corporation tax for year	1.1	–

The main rate of corporation tax in the UK was 19% for financial years starting on or after 1 April 2017.

9 Earnings per ordinary share

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

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

	Year ended 31 March 2018	Year ended 31 March 2017 Restated
Weighted average number of ordinary shares in issue (No.)	184,749,520	178,916,643
Dilutive potential ordinary shares: Employee share options (No.)	931,956	323,959
Continuing operations		
Loss after tax (£)	(7,909,000)	(11,118,000)
Pension service cost (net of tax)	139,000	150,000
Cost of share options (net of tax)	147,000	435,000
Amortisation of customer lists(net of tax)	192,000	423,000
Exceptional operating costs (net of tax)	708,000	4,559,,000
Adjusted loss after tax (£)	(6,723,000)	(5,551,000)
Basic loss per share – pence per share (p)	(4.21)p	(6.21)p
Diluted loss per share – pence per share (p)	(4.21)p	(6.21)p
Adjusted loss per share – pence per share (p)	(3.58)p	(3.10)p
Adjusted diluted loss per share – pence per share (p)	(3.58)p	(3.10)p
Discontinued operations		
Loss after tax (£)	(4,260,000)	(17,682,000)
Basic loss per share – pence per share (p)	(2.27)p	(9.88)p
Diluted loss per share – pence per share (p)	(2.27)p	(9.88)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 2018 per note 20.

10 Intangible assets

	Goodwill £'000	Publishing rights £'000	Computer Software £'000	Customer Lists £'000	Brands & trademarks £'000	Total £'000
Cost						
At 1 April 2016	24,268	19	9,056	3,593	6,052	42,988
Additions – internally developed	–	–	118	–	–	118
Reclassification from tangible assets	–	–	687	–	–	687
Disposals	–	–	–	–	–	–
At 31 March 2017	**24,268**	**19**	**9,861**	**3,593**	**6,052**	**43,793**
Additions – internally developed	–	–	30	–	–	30
Disposals	(7,936)	–	(7,349)	(1,386)	(3,524)	(20,195)
At 31 March 2018	**16,332**	**19**	**2,542**	**2,207**	**2,528**	**23,628**
Accumulated amortisation and impairment						
At 1 April 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**
Impairment losses	258	19	–	167	97	541
Amortisation charge	–	–	307	237	–	544
Disposals	(7,936)	–	(7,349)	(1,386)	(2,784)	(19,455)
At 31 March 2018	**14,022**	**19**	**1,923**	**1,413**	**274**	**17,651**
Net book value						
At 31 March 2018	**2,310**	**–**	**619**	**794**	**2,254**	**5,977**
At 31 March 2017	2,568	19	896	1,198	3,091	7,772

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 11.0% (2017: 10.9%), 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% (2017: 1% to 3%) over the period in question. The impairment review did not result in any additional impairment other than for that relating to Murray Payne and Stampwants.com, which are no longer used by the Group.

The disposals of goodwill, customer lists and brands were the elements of the Interiors Division that were sold and related to The Fine Art Auction Group Limited and Dover Street Limited (formerly Mallett Limited). The computer software disposal related to the Marketplace.

11 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 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**
Additions	6	–	17	10	2	35
Revaluation	–	–	–	–	–	–
Disposals	(483)	–	(277)	(461)	(120)	(1,341)
Exchange differences	–	–	(159)	–	–	(159)
Reclassification between asset categories	–	162	–	(162)	–	–
At 31 March 2018	**1,195**	**162**	**4,422**	**444**	**876**	**7,099**
Accumulated depreciation						
At 1 April 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**
Charge for the year	–	–	519	153	6	678
Impairment for year	–	–	151	–	2	153
Depreciation on disposal	–	–	(83)	(330)	(86)	(499)
Transferred to current assets	–	–	154	(154)	–	–
At 31 March 2018	**380**	**–**	**2,880**	**433**	**871**	**4,564**
Net book value						
At 31 March 2018	**815**	**162**	**1,542**	**11**	**5**	**2,535**
At 31 March 2017	1,292	–	2,702	293	45	4,332

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 (2017: £436,000). 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 £379,000 (2017: £856,000).

Fully written down Property, Plant and Equipment with a cost of £1,706,000 (2017: £691,000) remains in use by the Group.

12 Inventories

	31 March 2018 £'000	31 March 2017 £'000
Work in progress	200	1,131
Finished goods and goods for resale	18,103	54,094
	18,303	55,225

As at 31 March 2018 £89,000 of the above inventories were owned by third parties, (2017: £14,642,000). As at 31 March 2018 £14,990,000 (2017: £27,683,000) of the above inventories were part of the security given in relation to the borrowings detailed in note 18.

During the year £4,202,000 was charged to exceptional costs for the write down of inventories (2017: £3,440,000 of which £506,000 related to continuing operations) 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.

13 Current trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Trade receivables	2,160	7,572
Provision for impairment	(593)	(5,105)
Net trade receivables	1,567	2,467
Other receivables	1,332	129
Prepayments and accrued income	711	1,448
	3,610	4,044

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. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 1.

14 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 2018 £'000	31 March 2017 £'000
Opening provision	5,105	5,210
Discontinued operations	(4,812)	–
Impairments in the year	304	–
Amounts utilised in the year	(4)	(105)
Closing provision	593	5,105

As at 31 March 2018, excluding balances due under extended payment terms and those provided for by the impairment provision, £477,000 (2017: £3,010,000) of trade receivables, were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	31 March 2018 £'000	31 March 2017 £'000
Up to 3 months past due	198	1,594
3 to 6 months past due	58	398
Over 6 months past due	221	1,018
	477	3,010

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.

15 Current trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Trade payables	2,823	11,204
Other payables	1,837	11,705
Other taxes and social security	214	1,587
Accruals and deferred income	3,530	4,764
	8,404	29,260

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.

16 Non-current other payables

	31 March 2018 £'000	31 March 2017 £'000
Non-current		
Due between 1 and 2 years	–	1,965
Due between 2 and 5 years	–	2,669
Due > 5 years	–	42
	–	4,676

The above amounts, together with £nil (2017: 11,705,000) 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.

17 Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Cash at bank and in hand	4,596	2,349
Bank overdraft (as included in borrowings in note 18)	–	(8,201)
Cash and cash equivalents	4,596	(5,852)

18 Borrowings

Current	31 March 2018 £'000	31 March 2017 £'000
Loans	10,000	8,300
Bank overdraft	–	8,201
	10,000	16,501

The loan at 31 March 2018 of £10m is due to Phoenix S. G. Limited, the controlling party of the Group. Interest on the loan is 5% per annum added to the loan. The loan is due for repayment in March 2023, provided there is no event of default in the meantime.

The loans and overdrafts due to The Royal Bank of Scotland as at 31 March 2017 totalling £16.5m, upon which interest was charged at margins over LIBOR ranging between 1.3% and 2.75%, had increased to £17.5m by 16 March 2018 when they were part of the Phoenix transaction whereby £7m of this debt was assigned to Stanley Gibbons Finance Limited and £10.5m was assigned to Phoenix UK Fund Limited and subsequently to Phoenix S.G. Limited(see note 31).

In relation to the Phoenix S. G. Limited loan, the Group is required to satisfy financial conditions relating to cashflow and EBITDA. Commencing for the year ended 31 March 2019, the cashflow and EBITDA each need to exceed £1.0m, increasing to £1.5m for the year to 2020, £2.0m for the year to 2021, £2.5m for the year to 2022.

The Group is currently in default on its loan facilities as Stanley Gibbons (Guernsey) Limited (in administration) is in administration. Phoenix was aware of the default at the time of its investment resulting in an interest of just over 58% in the Company's share capital, the loan is also in default due to the qualified audit report in these financial statements for the year ended 31 March 2018. Although during periods of default the facilities are repayable on demand and hence classified as current borrowings, Phoenix S. G. Limited has not requested repayment.

During the year the Group paid arrangement facility fees of £nil (2017: £nil) for the above facilities. The borrowings are secured by a full fixed and floating charge debenture over the core assets of the group.

19 Deferred tax assets and liabilities

	Assets		Liabilities	
	31 March 2018 £'000	31 March 2017 £'000	**31 March 2018 £'000**	31 March 2017 £'000
Defined benefit pension scheme (note 25)	560	706	–	–
Other timing differences	121	165	–	–
Unutilised tax losses	509	473	–	–
Deferred tax on revalued fixed assets	–	–	70	113
Accelerated capital allowances	–	–	338	441
Full provision	1,190	1,344	408	554

The movement on deferred tax assets is shown below:

	31 March 2017 £'000	(Charge)/ credit to Profit and loss £'000	Comprehensive income £'000	**31 March 2018 £'000**
Defined benefit pension scheme (note 25)	706	–	(146)	560
Other timing differences	165	(43)	–	122
Unutilised tax losses	473	36	–	509
Deferred tax on revalued fixed assets	(113)	43	–	(70)
Accelerated capital allowances	(441)	102	–	(339)
Full provision	790	138	(146)	782

20 Called up share capital

	31 March 2018 £'000	31 March 2017 £'000
Authorised		
500,000,000 (2017: 250,000,000) Ordinary Shares of 1p each	5,000	2,500
Allotted, issued and fully paid (all equity):		
426,916,643 (2017: 178,916,643) Ordinary Shares of 1p each	4,269	1,789

On 16 March 2018 the Company increased its authorised share capital to 500,000,000 ordinary shares of 1p each and on 19 March issued a further 248,000,000 ordinary shares at an issue price of 2.5p a share. These shares were admitted to the Alternative Investment Market on that date. The net proceeds of this issue were £5,850,000.

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

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 21 and 22 provide details on equity. Details of loans and overdrafts at the year end are disclosed on page 9 in the Business Review and further disclosure can be found in note 18 and note 27. The external capital requirements imposed on the Group in relation to borrowings, are disclosed in note 18. Further detail on capital risk management can be found in the Directors' Report on pages 20 to 25.

21 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 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.

Excluding the Directors' share options disclosed in the Report on Remuneration on page 19, 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 2017**	**Granted in Year**	**Exercised in Year**	**Forfeited in Year**	**Number at 31 March 2018**
01/6/10	01/6/13	31/5/20	123.5p	22,830	–	–	(22,830)	–
06/5/11	06/5/14	05/5/21	179.0p	116,398	–	–	(63,900)	52,498
06/12/11	06/12/14	05/12/21	165.0p	4,774	–	–	(4,774)	–
10/04/14	10/04/17	10/01/24	316.5p	42,366	–	–	(42,366)	–
05/10/16	05/10/19	05/10/26	11.0p	10,630,000	–	–	(1,620,000)	9,010,000
				10,816,368	–	–	(1,753,870)	9,062,498

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

	31 March 2018 Average exercise price per share	**31 March 2018 Options (thousands)**	31 March 2017 Average exercise price per share	31 March 2017 Options (thousands)
At 1 April	18p	16,018	151p	2,803
Granted	–	–	11p	14,950
Forfeited/lapsed	45p	(2,956)	175p	(1,735)
Exercised	–	–	–	–
At 31 March	12p	13,062	18p	16,018

21 Options in shares of The Stanley Gibbons Group plc continued

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 2018	Options (thousands) 31 March 2017
31 May 2020	123.5p	–	23
30 September 2020	nil	–	932
5 May 2021	179.0p	52	116
5 December 2021	165.0p	–	5
10 April 2024	316.5p	–	312
5 October 2026	11.0p	13,010	14,630
		13,062	16,018

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

Dates of grant	05/10/2016
Number of options granted	14,950,000
Weighted average fair value at date of grant (per share)	5.20
Weighted average share price on date of grant	11.25p
Weighted average exercise price	11.0p
Expected term (from date of grant)	6.5 years
Expected volatility	46.77%
Expected dividend yield	0.00%
Risk-free interest rate	0.42%

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

An incentive plan for certain Directors of the Company was adopted on 30 September 2014 when grants of nil cost options were made over ordinary shares of 1p each under the Stanley Gibbons Group plc Value Creation Plan ('VCP'). Vesting of the awards was dependent on the level of total shareholder return over a three year period commencing on the grant of the awards. The performance condition was not achieved and the awards under the plan have therefore not vested.

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

22 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.

23 Cash outflows from operating activities

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 Restated £'000
Operating loss (including discontinued operations)	(11,998)	(29,701)
Profit on sale of property	–	(325)
Profit on sale of discontinued operations	(2,139)	–
Loss on sale of property, plant and equipment	392	–
Depreciation of tangible assets	678	619
Amortisation of intangible assets	544	684
Impairment of intangible assets	541	11,980
Impairment of tangible assets	153	–
Decrease in provisions	(308)	(200)
Income from joint venture	113	–
Cost of share options	181	435
Decrease in inventories	14,522	10,696
(Increase)/decrease in trade and other receivables	(487)	9,742
Decrease in trade and other payables (less deferred consideration)	(4,543)	(12,141)
Net exchange differences	183	(37)
Cash outflows from operating activities	(2,168)	(8,248)

24 Capital and other commitments

Lease commitments

At 31 March 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Payable:	**31 March 2018 £'000**	31 March 2017 £'000
Within one year	1,389	2,201
Between two and five years	3,459	4,877
In five years or more	4,211	6,892
	9,059	13,970

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

At 31 March 2018 the Group had future minimum rental payments receivable under non-cancellable operating leases as follows:

Receivable:	**Land and Buildings 31 March 2018 £'000**	Land and Buildings 31 March 2017 £'000
Within one year	1,372	1,344
Between two and five years	5,040	5,067
In five years or more	5,042	7,027
	11,454	13,438

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 and Pall Mall, London, and Madison Avenue, New York.

25 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 a range of different asset classes including equities, a diversified growth fund, property, corporate bonds, absolute return bond funds and liability driven investment funds. These funds are managed by different investment managers and are all held on the Mobius Life Investment Platform. 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 2018 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 2018. The Group currently pays deficit reduction contributions of £256,000 per annum under a Recovery Plan agreed on 10 April 2017.

25 Retirement benefits continued

(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 2018 are based on the actuarial valuation as at 1 May 2016 and updated on an approximate basis to 31 March 2018.

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

	31 March 2018 £'000	31 March 2017 £'000
Present value of funded obligation	(19,685)	(20,390)
Fair value of scheme assets	14,356	14,304
Net obligation	(5,329)	(6,086)
Deferred tax asset	560	706
Retirement benefit obligation	(4,769)	(5,380)
	£'000	£'000
Cumulative amount of actuarial losses recognised in other comprehensive income	(2,450)	(2,898)

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

	31 March 2018 £'000	31 March 2017 £'000
Current service cost	19	19
Interest cost on net benefit obligations	152	169
Total included in employee benefit expense	171	188
Actual return on scheme assets	366	1,339

25 Retirement benefits continued

The amounts recognised in other comprehensive income are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Actuarial gains/(losses) on scheme obligations from financial assumptions	98	(2,943)
Actuarial gains/(losses) on scheme obligations from demographic assumptions	101	487
Actuarial gains/(losses) on scheme obligations from experience	251	411
Actuarial (losses)/gains on fair value of scheme assets	(2)	981
Remeasurement (losses)/gains	448	(1,064)

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

	31 March 2018 £'000	31 March 2017 £'000
Present value of obligations at start of year	20,390	18,376
Liabilities acquired at fair value	–	–
Current service cost	19	19
Interest cost	520	613
Contributions by employees	–	–
Remeasurement losses/(gains)	(450)	2,045
Charges paid	(19)	(19)
Benefits paid	(775)	(644)
Present value of obligations at end of year	19,685	20,390

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

	31 March 2018 £'000	31 March 2017 £'000
Fair value of scheme assets at start of year	14,304	13,154
Assets acquired at fair value	–	–
Expected return on scheme assets	368	444
Remeasurement gains/(losses)	(2)	895
Contributions by employees	–	–
Contributions by company	480	474
Charges paid	(19)	(19)
Benefits paid	(775)	(644)
Fair value of scheme assets at end of year	14,356	14,304

The Group currently expects to contribute £493,000 to its defined benefit schemes in the financial year to 31 March 2019.

25 Retirement benefits continued

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

	31 March 2018 %	31 March 2017 %
Equities	15.4%	33.5%
Corporate bonds	11.7%	31.9%
LLDI	9.3%	–%
Multi Asset Credit	18.5%	–%
Property	6.7%	–%
Gilts/cash	0.6%	0.8%
Insurance policies	16.3%	19.3%
Diversified growth funds	20.5%	13.5%
Insured Annuitants	1.0%	1.0%

Principal actuarial assumptions at the reporting date:

	31 March 2018	31 March 2017
Future salary increases	2.15%	2.20%
Price inflation – RPI	3.15%	3.20%
Price inflation – CPI	2.15%	2.20%
Revaluation of deferred pensions	2.15%	2.20%
Pension Increase – Non Directors		
Pre 1988 GMP	0.00%	0.00%
Post 1988 GMP	3.00%	3.00%
Pre 1997	0.00%	0.00%
Post 1997	2.15%	2.20%
Post 2005	2.15%	2.20%
Pension Increase – Directors		
Pre 1997	3.00%	3.00%
Post 1997	3.15%	3.20%
Post 2005	3.15%	3.20%
Discount rate	2.60%	2.60%
Equities (long term expected rate of return)	2.60%	2.60%
Corporate bonds (long term expected rate of return)	2.60%2	2.60%
Fixed interest gilts (long term expected rate of return)	2.60%	2.60%
Cash (long term expected rate of return)	2.60%	2.60%

25 Retirement benefits continued

The mortality assumptions adopted at 31 March 2018 imply the following life expectations:

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme

	31 March 2018 In years	31 March 2017 In years
Retiring at 65 at reporting date		
Male	21.8	22.0
Female	23.7	23.8
Retiring at 65 at reporting date + 20 years		
Male	22.9	23.0
Female	24.9	25.0

The Mallett Retirement Benefits Scheme

	31 March 2018 In years	31 March 2017 In years
Retiring at 65 at reporting date		
Male	21.8	22.0
Female	23.7	23.8
Retiring at 65 at reporting date + 20 years		
Male	22.9	23.0
Female	24.9	25.0

Sensitivity of results

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

The Stanley Gibbons Holdings PLC Pension and Assurance Scheme

	Change in the benefit Obligation – %	(Deficit) £'000s
Assumption as per IAS 19 disclosures	n/a	(3,554)
0.25% p.a. reduction in discount rate	3.5%	(3,996)
0.25% increase in CPI inflation	2.0%	(3,810)
Pensions payable for 1 year longer due to mortality assumptions	3.1%	(3,941)

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	(1,775)
0.25% p.a. reduction in discount rate	4.7%	1.2%	(2,058)
0.25% increase in inflation	3.5%	0.3%	(2,000)
Pensions payable for 1 year longer due to mortality assumptions*	3.3%	2.2%	(1,897)

* 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.

25 Retirement benefits continued

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

	31 March 2018 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000	31 December 2013 £'000
Present value of defined benefit obligations	(19,685)	(20,390)	(18,232)	(18,946)	(10,579)
Fair value of scheme assets	14,356	14,304	13,010	13,130	7,294
Deficit	(5,329)	(6,086)	(5,222)	(5,816)	(3,285)
Experience adjustments on scheme assets	(2)	895	(527)	978	544
Effects of changes in the demographic and financial assumptions in the underlying scheme liabilities					
– Amount	199	(2,456)	659	(2,077)	(297)
– Percentage of benefit obligation	1.0%	–12.0%	3.6%	–10.9%	–2.8%

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 £3,832,000 at 31 March 2017 to £3,554,000 at 31 March 2018 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

Future profile of the Mallet Retirements Benefits Scheme

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

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has decreased from £2,254,000 at 31 March 2017 to £1,775,000 at 31 March 2018 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

26 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. The granting of the administration order on 21 November 2017 for Stanley Gibbons (Guernsey) Limited resulted in the Group's loss of control of the business and its assets and liabilities. This also resulted in the contingent liabilities no longer becoming payable by the Group and as a result at 31 March 2018 the maximum potential liability was £nil (2017: £54,150,000).

26 b Contingent liability – Litigation

The Group continues to cooperate with the U.S. Securities and Exchange Commission (the "SEC"), following the conclusion of the Department of Justice's ("DOJ") criminal prosecution against a former client, (arising in part out of his dealings with Mallett, Inc) and a New York based former director of Mallett plc. 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 no criminal or civil charges have been filed against Mallett Inc. or any Mallett Group company to date, we have made an offer to the SEC that would resolve all outstanding issues. We understand that the SEC Staff has recommended acceptance of the settlement offer to the SEC Commission, but as of the date of this disclosure, no decision has been made by the Commission. Any settlement with the SEC will require court approval.

Given the former director's admitted criminal conduct, the Group is pursuing civil action against certain former directors of Mallett plc in respect of losses it has incurred as a result of these matters.

Though the Board cannot predict with certainty the outcome of the situation their best estimate of the future costs associated with the above, as at 31 March 2018, is £0.6m, which excludes any potential recovery from the former directors of Mallett. This amount is the accrual at the year end.

27 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 until 16 March 2018 with a bank loan and overdrafts. Following the refinancing the Group is financed by a fixed interest loan provided by Phoenix SG Limited, details of the loan facility can be found in note 18. 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 Business Review on pages 8 to 14.

27 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 2018 £'000	31 March 2017 £'000
Financial assets – Loans and receivables		
Trade and other receivables	3,610	4,044
Cash at bank	4,596	2,349
	8,206	6,393
Financial liabilities measured at amortised cost		
Trade and other payables	8,404	33,936
Borrowings	10,000	16,501
	18,404	50,437
	(10,198)	(44,044)

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 18), 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 2018 of £489,000 (2017: £266,000) comprised loan interest & charges of £444,000 (2017: £223,000).

The bank loans in place until 16 March 2018 were linked to LIBOR. A 0.05% (5 basis point movement) (2017: 0.05%) movement in LIBOR would have resulted in an additional interest charge of £9,000 (2017: £8,000). The refinance resulted in the bank loans being replaced by a £10,000,000 fixed interest loan (5% per annum) provided by Phoenix SG Limited.

27 Financial instruments continued

Foreign exchange risk

The Group had no material exposure to foreign exchange risk in the year ended 31 March 2018. The Group did have assets and liabilities denominated in foreign currencies relating to USA activities of Mallett Inc. This activity was deemed as a material risk of foreign currency exposure to the group. Liabilities that arise 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.

After the discontinuation of the Mallett trading business the only significant foreign asset is a lease on a New York property. The property is sub-let and generates income to cover associated costs and therefore the foreign exchange risk is minimal.

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 current cash balance to meet liabilities as they fall due. The forecasts are dependent upon the liabilities, 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 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 2018				
Trade and other payables	8,404	–	–	8,404
Borrowings	10,000	–	–	10,000
	18,404	–	–	18,404
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

Included within trade and other payables is an amount of £189,000 (2017: £16,381,000) 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.

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.

28 Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 32). The Group also had a related party relationship with its Directors.

Transactions between parent and subsidiaries
The parent company charged management fees of £1,771,170 in the year to 31 March 2018 (2017: £2,221,000) 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 2018
H G Wilson made purchases during the year to the value of £23,514, he had a purchase ledger balance of £5,818 at the year end.

During the year the Group paid £254,820 to Evolution Securities China Ltd for corporate consultancy services. C P Whiley was the Managing Director of this company.

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.

29 Discontinued Operations

During the year ended 31 March 2018 the company began to dispose of various assets of its Interiors division resulting in the cessation of trading in this segment. As a result the financial information relating to the Interiors division has been reported as a discontinued operation and that information is presented in the note below.

On 21 November 2017 the directors of Stanley Gibbons (Guernsey) Limited applied for and were granted an administration order. Stanley Gibbons (Guernsey) Limited was the entity through which the Groups Investment division activities had been conducted. The administration order resulted in the Group losing control of this business and its assets and so the Investment division's results have been reclassified as discontinued operations. The assets and liabilities of Stanley Gibbons (Guernsey) Limited that the Group lost control of are shown below. The contingent liability disclosed in note 26a at £54m related to guarantees and undertakings within investment products, previously sold by Stanley Gibbons (Guernsey) Limited and so have also been removed from the Group.

29 Discontinued Operations continued

Financial performance and cash flow information

The financial performance and cash flow information of the Interiors division for the year ending 31 March 2018 and the financial performance and cash flow information of the Investment division up until the date of administration on 21 November 2017 are shown in the note below:

	Investments 31 March 2018 £'000	**Interiors** 31 March 2018 £'000	**Total** 31 March 2018 £'000	**Investments** 31 March 2017 £'000	**Interiors** 31 March 2017 £'000	**Total** 31 March 2017 £'000
Revenue	8,420	3,828	12,248	19,076	8,066	27,142
Expenses	(13,030)	(5,644)	(18,674)	(19,250)	(26,581)	(45,831)
Loss before income tax	(4,610)	(1,816)	(6,426)	(174)	(18,515)	(18,689)
Income tax credit	–	27	27	–	682	682
Loss after income tax of discontinued operation	(4,610)	(1,789)	(6,399)	(174)	(17,833)	(18,007)
Gain on disposal of assets	269	1,870	2,139	–	325	325
Loss/profit from discontinued operation	(4,341)	81	(4,260)	(174)	(17,508)	(17,682)
Net cash outflow from operating activities	(1,469)	(2,802)	(4,271)	(579)	(3,703)	(4,282)
Net cash – sales proceeds	(87)	2,740	2,653	–	2,500	2,500
Net decrease in cash from discontinued operations	(1,556)	(62)	(1,618)	(579)	(1,203)	(1,782)

Details of the sale of assets

Details of the assets disposed of and the detail of the balance sheet of the Investment division at the date of administration are shown in the note below.

	Investments 31 March 2018 £'000	**Interiors** 31 March 2018 £'000	**Total** 31 March 2018 £'000
Consideration received			
Cash	(87)	2,768	2,681
Fair value of consideration	–	(713)	(713)
Total disposal consideration	(87)	2,055	1,968
Amount of net (assets)/liabilities sold	356	(185)	171
Gain/(loss) on sale	269	1,870	2,139

The carrying value of assets and liabilities for the Investments division is shown as at the date of administration, 21 November 2017. The Interiors division trade and assets was disposed of in a number of transfers during the year. The assets and liabilities below is the consolidation of those disposals.

29 Discontinued Operations continued

	Investments 31 March 2018 £'000	Interiors 31 March 2018 £'000	Total 31 March 2018 £'000
Property plant & equipment	–	209	209
Intangible assets	–	740	740
Investments	–	11	11
Inventories	22,379	21	22,400
Trade and other receivables	11,748	320	12,068
Total assets	34,127	1,301	35,428
Liabilities			
Trade and other payables	(34,483)	(1,116)	(35,599)
Net assets/(liabilities)	(356)	185	(171)

Deferred consideration

An amount of £713,000 is payable to the purchaser of the Dreweatts business and is based on the net liabilities of the Dreweatts business at the date of disposal being 30th September 2017.

30 Post Balance Sheet Events

Agreement to Purchase Inventory from Phoenix S. G. Limited

On 10 September 2018 Stanley Gibbons Limited (SGL) entered into an agreement with Phoenix S.G. Limited (Phoenix SG) under which Stanley Gibbons Limited acquired certain philatelic and numismatic the items from Phoenix SG for an initial consideration of £5.2 million.

The consideration is payable in cash to Phoenix SG over the term of the agreement, as and when sales of the inventory are made to third parties and will be the net proceeds, after deduction of a commission payment to be made to SGL, on completed sales. The commission payment is in line with that which SGL would earn on similar deals with unrelated parties.

The items purchased from Phoenix SG had been acquired by them from the administrators of Stanley Gibbons (Guernsey) Limited (in administration) and represented the majority of the stock owned by Stanley Gibbons (Guernsey) when it went into administration. The agreement is for a total term of 10 years and any sale at a value that is less than the base cost of an inventory item can only be made with the specific permission of Phoenix SG. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix SG no further consideration will be due. To the extent that inventory remains to be sold at the end of the agreement the relevant inventory will be returned to Phoenix SG and no further consideration will be due.

31 Refinancing

The Group carried out a refinancing which was completed on the 19 March 2018, following shareholder approval on the 16 March 2018. The initial counterparty was Phoenix UK Fund Limited and on 27 March 2018 the shares, loans and related agreements were transferred to its wholly owned subsidiary Phoenix S. G. Limited. Throughout this note a reference to 'Phoenix' is to the controlling party at that time.

Phoenix subscribed to 248,000,000 new Ordinary Shares at an issue price of 2.5p, representing 58.09% of the enlarged issued share capital of the Company. As a result of the above the Group's cash resources were increased by £5.85m after the payment of costs directly relating to the share issue of £0.35m.

Phoenix purchased the total Stanley Gibbons (Guernsey) Limited intercompany debt of £6.5m due to the Group, at the point the administration order was granted, for £2.75m. The £2.75m was used to capitalise a new wholly owned subsidiary, Stanley Gibbons Finance Limited, to enable it to acquire its share of the debt from RBS.

The RBS debt, which at the point of completion stood at £17.5m, £10.5m was assigned to Phoenix and £7.0m was assigned to Stanley Gibbons Finance Limited, a wholly owned subsidiary of the Company.

The Group immediately repaid £0.5m of the Phoenix loan from share issue proceeds, reducing the loan to £10.0m, which is repayable in March 2023.

32 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 (in administration)**	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
Dover Street Limited* (formerly Mallett Limited)	England	Ordinary £0.05 shares	Holding company
Milsom Street Limited* (formerly Mallett & Son (Antiques) Limited)	England	Ordinary £1 shares	Antique dealers
Octagon Chapel Limited* (formerly Mallett Overseas Limited)	England	Ordinary £1 shares	Antique dealers
Mallett, Inc*	United States	Common stock US$1	Antique dealers
Stanley Gibbons Finance Limited	England	Ordinary £1 shares	Loan finance

* Indirect holding
** Not controlled due to administration

33 Controlling party

In the opinion of the directors the controlling party of the Group after the 19 March 2018 was Phoenix UK Fund Limited and after 27 March 2018 was Phoenix S. G. Limited. There was no controlling party prior to 19 March 2018 or in the prior period.

Directors' Biographical Details

Henry George Wilson, Director and Non-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. Following completion of the debt restructuring and subscription for new shares by Phoenix he resumed his role as Non-Executive Chairman on 19 March 2018. He is Chairman of the Nomination Committee and member of the Audit Committee.

Graham Elliott Shircore, Chief Executive Officer
Date of Birth: 24 October 1981. Date of Appointment as Director: 19 March 2018.

Graham Shircore graduated from Bath University with a BSc (Hons.) degree in Business Administration in 2005. During his time at University he completed internships with Fidelity, Principal Investment Management and Motorola Finance as well as passing the IMC exam.

Following graduation he joined Aviva Investors, subsequently becoming a UK Equity Analyst there. Having passed all three levels of the CFA exam he became a UK Equity Fund Manager in 2008 and later also managed European funds before moving to Rothschild Wealth Management in 2013 as a Senior Equity Analyst. There he helped shape and implement the equity research process.

Graham joined Phoenix Asset Management Partners in January 2017 and was heavily involved in the due diligence process which ultimately led to Phoenix taking a 58% equity stake in The Stanley Gibbons Group.

Graham was appointed a Director on 19 March 2018 and Chief Executive Officer on 4 June 2018.

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.

Directors' Biographical Details

continued

Clive Peter Whiley, Non-exectutive 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 Executive Chairman of Mothercare PLC, and a Non-Executive Director of Camper & Nicholsons Marina Investments Limited and Grand Harbour Marina PLC.

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

Clive was appointed an Executive Director on 31 March 2016. Following completion of the debt restructuring and subscription for new shares by Phoenix on 19 March 2018 he became a Non-Executive Director of the Company. He also chairs the Remuneration 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 investment banking and broking 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 board directors. Previously he was Chief Executive 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 of several quoted companies.

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 Thursday 1 November 2018 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.

NB: You will not receive a form of proxy for the Annual General Meeting in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You will still be able to vote in person at the Annual General Meeting, and may request a hard copy proxy form directly from the registrars, Link Asset Services, 34 Beckenham Road, Beckenham, BR3 4TU (telephone number: 0871 664 0300).

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 2018 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 GE Shircore, 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 64,000,000 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 2019; 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 73,083,357 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 142,000,000 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 142,000,000),

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 2019, 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 106,500,000 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 2019 (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: 26 September 2018

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.

   You can vote either:

   - online, by logging on to www.signalshares.com and following the instructions;

- by requesting a hard copy form of proxy directly from the registrars, Link Asset Services by calling tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a proxy instruction must be completed. In each case the proxy instruction must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 11.30 am on 30th October 2018.

2. 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).
3. 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.
4. 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.
5. 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.
6. 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.
7. 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 2018 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, Link 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.
8. 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 2018 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 2018 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.
9. 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.
10. 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.
11. 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, Graham Shircore, Andrew Cook, Clive Whiley and Louis Castro 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 2018.

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 73,083,357 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 142,000,000 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 142,000,000 Ordinary Shares. Therefore, the maximum number of Ordinary Shares which may be allotted under this resolution is 73,083,357 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 106,500,000 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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