STANLEY GIBBONS
ESTABLISHED 1856

# The Stanley Gibbons Group plc

Annual Report and Accounts
for the year ended 31 March 2020

# Group Annual Report and Financial Statements

for the year ended 31 March 2020

## Financial Highlights

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|
| Group turnover from continuing operations (£m) | 13.2 | 11.7 |
| Trading loss from continuing operations (£m) | (2.5) | (3.3) |
| Loss before taxation from continuing operations (£m) | (2.5) | (4.3) |
| Adjusted (loss)/profit before taxation from continuing operations (£m) | (2.6) | (3.5) |
| Basic earnings per share – continuing operations (p) | (0.59) | (1.01) |
| Adjusted earnings per share – continuing operations (p) | (0.62) | (0.83) |
| Dividend per share (p) | – | – |
| Total borrowings (£m) | 14.2 | 11.5 |
| Net assets per share (p) | 0.9 | 1.7 |

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## Financial Calendar

Annual General Meeting Thursday 10 September 2020

# Directors and Advisers

| | | |
|---|---|---|
| **Current Directors** | H G Wilson | Non-Executive Chairman |
| | G E Shircore | Chief Executive Officer |
| | A M Gee | Chief Finance Officer |
| | L E Castro | Non-Executive Director* |
| | M West | Non-Executive Director* |

** Independent*

**Company Secretary**
R K Purkis

**Registered Office**
18 Hill Street
St. Helier
Jersey JE2 4UA
Tel: +44(0)20 7836 8444

**Company Registration**
Registered and incorporated in Jersey
Number 13177

**Legal Form**
Public Limited Company limited by shares

**Nominated Adviser and Broker**
Liberum Capital Limited
25 Ropemaker Street
London EC2Y 9LY

**Auditors**
Jeffreys Henry LLP
Finsgate
5-7 Cranwood Street
London EC1V 9EE

**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: 0371 664 0300; from overseas +44 (0)37 1664 0300

**Website**
Further financial, corporate and shareholder information is available in the Company information section of the Group's website:
www.stanleygibbonsplc.com

# Chairman's Statement

## Introduction

This report covers the audited results for the year ended 31 March 2020 for The Stanley Gibbons Group plc ("the Group" or "the Company"). Due to the COVID-19 virus lockdown commencing in late March 2020, this report includes significantly more comment than usual on post year-end matters which have clearly had a major impact on our business in recent months.

The last financial year has been mostly about continuing to implement the "rebuild" strategy commenced in 2018 following the financial restructuring of the Group. I am pleased to say that the results show a progressive improvement while at the same time we have widened our customer base as confidence in the Group has grown. Over the last year we have invested significantly in "improvements" particularly the complete refurbishment of the Strand shop and our IT services. We still have much to do to achieve sustainable profitability but the foundations are now in place.

Over the last year, sales have been affected by the planned rebalancing of stock to be more in line with our customers' requirements. Group turnover for the year was £13.2m up 13% from last year (2019: £11.7m) including a significant increase in Philatelic sales as older stock was disposed of. Gross margin was slightly down at 46% (2019: 51%) largely as a result of reducing older inventory. The trading loss from continuing operations before adjustments and exceptional items was further reduced to £2.5m (2019: £3.3m) in part due to further cost savings and efficiencies. The pre-tax loss from continuing operations also improved to £2.5m, which included a positive settlement from a legal claim, for the year - a drop of £1.8m compared to £4.3m in 2019. This resulted in a reduction of net assets to £3.7m (2019: £7.3m) although total inventory levels at £17.5m were broadly comparable to last year. Cash at the year-end was £2.5m (2019: £2.2m) while borrowings were £1.1m less than budget plan at £14.2m (2019: £11.5m).

A further reduction in overheads for the year of 17% down to £2.6m (2019 £3.1m) was achieved while the headcount saw a small drop to 71 from (2019: 74). We will continue to look for further overhead savings, but these are likely to be more modest following the substantial reductions achieved during the restructuring of the Group over the last few years. The performance of staff has been greatly enhanced by the relative stability of teams over the last year and we intend to build on this. In addition to the major rebranding exercise and improvements to our websites, significant advances have been made in the retail and auction departments as well as publishing and our online presence. Our staff now have a sharp focus on what needs to be achieved and a clear plan of how to get there. The Board has remained unchanged since the appointment of Anthony Gee as CFO for the Group in August last year.

## Outlook

The effect of the virus in recent months has been to force structural changes on businesses like ours where flexibility will be a key success factor going forward. Some of these changes were already happening and have been accelerated, such as online commerce and working from home, while others are new for instance social distancing and travel restrictions. It is to the great credit of our staff and management that we have quickly adapted where necessary and changes to individual working arrangements have been made without hesitation. While total sales have unsurprisingly dropped over the first 3 months of the current financial year, online sales have grown by 67% and now represent around 30% of total sales. With more time on their hands, we have seen many clients spending more time & money on their collecting interests while at the same time new customers are testing the waters. In summary things could have been worse and we are better placed now than some of our initial COVID-19 projections anticipated. However, there is no doubt that COVID-19 does create uncertainty and our forecast, based on the current trading trends and without any mitigating actions, indicates we would need to draw down the remaining £2m of our loan funding over the next 12 months.

We have a clear strategy and plan of implementation which our CEO Graham Shircore sets out later in this report. A key to our success will be the ability to adapt quickly where necessary while maintaining a focus on our ultimate goals. The collectibles business has been remarkably resilient over recent months – both stamps and coins are making strong prices particularly at the higher quality end of the market. We see no reason why this should not continue and with our renowned specialists and brands we are in a strong position to take advantage of this. Our plan has been interrupted but we have adapted and remain on course with our rebuilding of the Company. On behalf of the Board, I would like to thank all our staff, customers, and shareholders for their ongoing support through what has been a particularly difficult period recently. I look forward to being able to update you with more news of our progress.

## Annual General Meeting

As you will see from the Notice at the end of these Report & Accounts, the Company's Annual General Meeting will be held at 399 Strand, London WC2R 0LX on Thursday 10th September 2020 commencing at 11.30am.

In the light of the continued Government guidance in relation to COVID-19 the Board has regretfully decided that, in order to protect the health and wellbeing of shareholders and employees, this year's meeting will take place as a closed meeting and shareholders and advisers will not be able to attend in person. The Company will make arrangements so that a minimum quorum of shareholders is present and the legal requirements to hold a valid AGM are satisfied.

The Directors consider that the resolutions, as set out in the Notice of Meeting, are in the best interests of the Company and its shareholders as a whole and unanimously recommend shareholders to vote in favour of the resolutions as they intend to do so in respect of their own beneficial shareholdings. Accordingly we ask all shareholders to appoint the Chairman of the Meeting as their proxy to vote on the resolutions. Proxy voting instructions can be found on page 85 of these Report & Accounts.

Despite these exceptional circumstances, the Board is keen to maintain engagement with shareholders. In order to facilitate this, if you are a shareholder and would like to ask the Board a question on the formal business of the AGM, please email your question to the Company Secretary, rpurkis@stanleygibbons.com by 11.30am on Tuesday 8th September 2020. Answers to questions will be published on our website at: www.stanleygibbonsplc.com/shareholder-information/ as soon as is practicable after the close of the AGM. Additionally shareholders can also view a live stream of the AGM on https://bit.ly/stanleygibbons but will not be able to participate in the meeting or vote using this facility.

We will continue to closely monitor the latest Government guidance, and how this may affect the arrangements for the AGM. Consequently, the date of the AGM is subject to change, possibly at relatively short notice. If it becomes necessary to revise the current arrangements for the AGM, further information will be made available on our corporate website at www.stanleygibbonsplc.com/investor-relations/

**Harry Wilson**
*Chairman*

29 July 2020

# Chief Executive's Letter to Shareholders

Fellow shareholders,

Putting the inevitable mention of COVID-19 to one side, the twelve month period to the end of March 2020 was focused on continuing the journey we began the previous year. Much like last year's report, this gives me an opportunity to update you on the progress we have made, the early effects of some of our initiatives and what you can expect from us going forward.

## Major Developments

In the last annual report, I noted that we really began moving forward in terms of proactive implementation of new initiatives and forward looking projects through the second half of the year.

This year of course, we have had a whole year of doing so, therefore you should expect that more has been achieved and I am glad to say that this is the case.

The first half of the year was, in terms of the number of outwardly visible developments, the busier of the two. Both brands were given a new look and new websites while there were also product and service overhauls for Stanley Gibbons.

The majority of these went well but it is fair to say that the development and implementation of the new SG website did not go as well as we would have hoped. We have learnt from it and I am pleased to say that following a significant amount of effort post launch, it is now making a much more positive contribution. There is still a lot more we can do to improve the digital shopping experience for our customers, appreciating and making the most of the potential of online as both a selling and relationship building tool remains a major focus for us.

Although there have continuously been several projects running in the background, the second half of the year will appear to the outside world to have been quieter with only one development of note, namely the refurbishment of 399 Strand. I am pleased to say that this did go to plan. If you haven't come to visit us yet, please do so, the scale of the change needs to be seen to be believed.

In addition to the building project, technology continued to be a big focus. The aforementioned putting right of some of the places we had erred took up time but we also accelerated the building and population of our new publications database: an asset that we believe will not only save us money over time but has the potential to act as the backbone which will allow us to improve and develop our digital offering further. More recently, we have begun the process of upgrading our computer hardware and infrastructure across the Group as well as making further improvements to our customer offering.

## Cultural Change

While the pace of change and progress has not and cannot be allowed to slow down, both our customers and colleagues, have for the first time in many years began to benefit from a degree of consistency in approach.

Our focus on increasing our leadership in the five key areas we highlighted in the last annual report is unchanged, the importance we place on both our customers and our colleagues is unchanged and the overall long term direction of the Group is unchanged. This allows everybody to look at what we are doing and how we are doing it and decide if it is something which suits them – our customers can choose whether to shop with us and our colleagues can choose whether to work with us, both with greater clarity of what they can expect. It also allows us to deepen these elements and their importance over time and although there remains a lot of work to do here, again tangible progress is being made. Customer service levels and how collaboratively we work with each other are both improving. The benefits of these can be hard to accurately measure but they are no less valuable for that fact.

## COVID-19 and After the Financial Year End

The initial impact on trading of the COVID-19 pandemic began to be felt just before the financial year end but did not play a material role in terms of our full year results. We had by this point however closed the shop – something which even the Blitz was unable to force us to do – and implemented working practices and contingency plans which allowed us to keep all elements of the business trading.

Our aim was to communicate clearly with our customers and provide them with an unmatched level of service – something which is always important but even more highly valued at times of stress and upheaval – and the number of messages of support and thanks we have received is testament to an appreciation of our efforts which will be valuable to us as a business well into the future.

For members of staff this period also has the potential to be one of great uncertainty and concern. Our approach here revolved around frequent, consistent communication, setting things out clearly and honestly both in terms of what was expected of everybody and what they could expect from us. Their response was nothing short of exceptional and they deserve the thanks of each and every one of us as shareholders. I also believe that as a team we have grown stronger as a result and this too is something which will be of benefit to us in the future.

Despite these positives and the significant cost deferral and mitigation efforts we made, there is no denying the impact COVID has had on the wider economy and our business. The COVID-19 pandemic has increased the economic uncertainty that companies and individuals face and as a Group that puts pressure on our funding and liquidity, which the auditors have highlighted in their report. Our forecasts, based on assumptions which include the impact of the pandemic, show that we will be required to draw down the additional £2m of funding in our facility to meet our short term funding requirements, without further mitigating actions. Mitigating actions are available to us if economic conditions become worse, such as selling down the Group's surplus inventory faster and reviewing operating costs and our focus is currently making sure these plans are developed and implemented at the right time. Nevertheless we have not slowed in progressing further with our plans and developments for the future, believing that there is an opportunity to exit the upheaval this has caused in a relatively far stronger position than we entered it.

## Looking Forward

It would be hubristic to say how recent events will impact consumer behaviour in future. However, we showed at the start of the crisis that if necessary we are able to be flexible and adaptable while not losing sight of our longer term direction and goals. It is this framework which we will take with us into the coming months, continuing to focus our efforts on driving the business forward while keeping a keen eye out for challenges coming over the horizon.

As with every year, our goal is to be able to look back at the end of the coming year and be able to say that we are a significantly better business than we were at the start. With this in mind, every part of the business has explicit initiatives aimed at delivering sustainable and profitable growth and I look forward to being able to talk more openly about the progress of these in the near future.

The dedication of your management team and all of our colleagues to the business' long term goals is unwavering and on behalf of all shareholders and the Board, I want to thank everybody at Stanley Gibbons who has worked so hard over the past few months.

**Graham Shircore**
*Chief Executive Officer*

29 July 2020

## Summary Trading and Operations

Summary results:

- Turnover from continuing operations of £13.2m was £1.5m (12.8%) higher than last year with the majority of the improvement attributable to the Philatelic Division.
- Gross margin for the year was 45.9% (2019: 51.0%). Strong margins on the new and ongoing business were impacted by the disposal of some older, low value and duplicate inventory.
- Trading losses from continuing operations, before accounting adjustments and exceptional costs reduced to £2.5m from £3.3m, as the benefit of cost savings and efficiencies continued.
- Loss for the financial year from continuing operations fell by £1.8m to £2.5m compared to £4.3m last year.
- Profit for the financial year from discontinued operations was £0.1m.
- There was a 49% reduction in net assets to £3.7m (2019: £7.3m) as a result of the loss incurred in the year.
- Borrowings at the balance sheet date of £14.2m (2019: £11.5m) partially offset by cash of £2.5m (2019: £2.2m).

## Continuing operations

| | 12 months to 31 March | | 12 months to 31 March | |
|---|---|---|---|---|
| | **2020 Sales £'000** | **2020 Profit £'000** | **2019 Sales £'000** | **2019 Profit £'000** |
| Philatelic | 6,459 | (90) | 4,942 | (487) |
| Publishing | 1,946 | (99) | 2,199 | 53 |
| A H Baldwin | 3,425 | 553 | 3,216 | 538 |
| Legacy interiors property & legal | 1,345 | 222 | 1,320 | 161 |
| Other & corporate overheads | – | (2,555) | – | (3,086) |
| Finance charges* | – | (529) | – | (497) |
| **Trading sales and losses** | 13,175 | (2,498) | 11,677 | (3,318) |
| Amortisation of customer lists | – | (240) | – | (220) |
| Pension service & share option charges | – | – | – | (389) |
| Finance charges related to pensions | – | (126) | – | (133) |
| Exceptional operating income/(charges) | – | 353 | – | (203) |
| Group total sales and loss before tax | 13,175 | (2,511) | 11,677 | (4,263) |

*Finance charges do not include lease interest charge for IFRS16. This charge has been included in the relevant division to make comparative figures consistent.

## Overview

Group turnover from continuing operations was £13.2m for the year ended 31 March 2020 compared to £11.7m in the prior year. The turnover increase in the year was primarily driven by the planned reduction in stock holding in areas where the management team is rebalancing stock holdings to move away from older, duplicate and low value holdings to provide fresher stock for our customers. This stock was sold at reduced margins, through auctions and trade sales to other dealers. Overall this affected our margins and is a reason for the lower margin percentage in the year. However the cash that this generates will be used to renew our stock in areas where customer interests are higher.

We continued to see a reduction in operating costs from our actions to restructure and improve efficiency. The trading loss, for continuing operations, before accounting adjustments including exceptional operating charges and finance charges related to pensions, fell from £3.3m at 31 March 2019 to £2.5m at 31 March 2020.

## Philatelic

The Philatelic division contains our stamp dealing and auction business. Our Philatelic division was the business where the rebalancing of the stock holding was most focused. As a result sales increased from £4.9m in the year to £6.5m. However gross margins fell from 45% to 36% as some of the inventory was sold below or near to cost. The dealing business' fresher stock sales were higher for the year ended 31 March 2020, with the gross margins maintained at similar percentages to the previous period. During the final quarter of the year there was some disruption to sales as initially our building was undergoing refurbishment leading to some disruption for customers visiting our premises. Towards the end of the financial year there was the impact of COVID-19 pandemic, but this had minimal impact on the performance to March 2020. Our auction business continued its recovery with commissions up in the year and more importantly increasing on a per auction basis. This is an area we will continue to focus on, both with traditional and digital auctions, but has probably been most affected by the COVID-19 "lockdowns". Our overheads in this division continue to reduce as we benefited from the decision to merge auction brands taken previously. Although we will always challenge our cost base, we are now at a point where savings in overheads will begin to slow as the majority of the fundamental reorganisation of the division is complete.

We are aware that our holding of material in this part of the business is significantly larger than is necessary to support the business and it is our aim to reduce this over time. Our aim is to sell through and rebalance our stock holding but we are realistic and expect this to be achieved over more than one financial period. We continue to ensure the new stock that is purchased by our teams is more in line with current customer wants and market trends and so should turn over faster and produce the volume of sales and margins necessary to improve divisional profitability further.

## Publishing

Sales in this division fell by 11.5% during the year. Some of this fall was deliberate as we reorganized the albums and accessories range to focus on a sustainable and cost effective range. Our previous range had become fragmented and sold a wide variety of products which we were continually struggling to supply in the correct quantity and cost. The new range allows us to deliver quality at an affordable level for collectors in the future. Gross margin percentages improved during the year but this division had higher operating costs. This was primarily a result of updating the technology regarding our catalogue database, resulting in some duplication of costs. In the longer term the cost base will be reduced and the database will be an important step in helping the digital development in this division.

## Coins & Medals

Sales increased year on year by 6.5%, with profits improving from £538,000 to £553,000. As in the Philatelic division there were some sales of older material at lower margins which resulted in the sales growth not flowing through to profits but again the gross margins from our fresher stock did improve. Overhead costs were also lower in the year. The division is beginning to build stock levels to allow it to trade at higher volumes but this will take time. The coin markets remain strong and the challenge now is to find new areas of growth to drive profitability in the future. Baldwin's of St James's, the auction joint venture, generated £50,000, the Group's share of the profit, in the year, compared to £109,000 in the previous period.

## 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.

## Corporate Overheads

Corporate overheads continue to fall declining by a further 17% to £2.6m. A significant proportion of the fall during the year was a result of lower depreciation and amortisation charges. The previous lease on our premises in the Strand, London expired in March 2019, so our leasehold improvements were fully written down and no depreciation charge incurred during the year.

We continue to identify areas where we can reduce our corporate overheads further as we recognise that they continue to be too high in relation to the current size of the trading businesses. The restructuring over the last few years has significantly reduced the corporate overheads and each year further savings are more difficult to achieve. We continue to review all our costs and renegotiate all our contracts when they fall due and remain optimistic that further cost savings can be identified.

## 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 2020 were £0.4m (2019: £0.7m). In the opinion of the Directors, such accounting charges do not form part of the operating performance of the Group.

## Exceptional Operating (Income)/Charges

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

| | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|
| Stock provisions | 286 | 8 |
| Settlement of legal case | (850) | – |
| Accelerated impairment of intangible assets | 36 | – |
| Loss on disposal of tangible fixed assets | 42 | – |
| Impairment of receivables | 155 | – |
| Dilapidations on Strand property | (26) | – |
| Restructuring and redundancy costs | – | – |
| Disposal of leased property | – | 18 |
| Exceptional legal fees | – | 39 |
| Legacy wind-down costs of overseas entities | 4 | 138 |
| Release of other payables excess provision | – | – |
| | (353) | 203 |

On 14 June 2019 the Group announced that all outstanding claims involving certain former directors of Mallett plc had now been resolved, bringing the matter to a full and final conclusion. The sum of £850,000 resulting from this agreement has been received in full by the Group.

Exceptional stock provisions relating to the discontinuation of the publication range and a provision against a legacy Interiors item that was found to be a reproduction and not the original were charged to exceptional items during the year. Stock provisions are normally charged in the operating margins of the division unless they are a result of reorganisation or changes in the overall collectibles market environment.

## Discontinued Operations

There continues to be a long tail of stock items that we continue to own from our Interiors division which was discontinued in the year ended 31 March 2018. We continue to sell items through antique and art auctions, although the levels of stock are now minimal. The majority of the remaining stock is now fully provided against but income will still be generated in the next 12 months.

## 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 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Philatelic rarities | 14,145 | 14,178 |
| Philatelic stock (general) | 760 | 1,176 |
| Coins and medals | 2,306 | 1,847 |
| Antiques | 19 | 383 |
| Publications, albums and accessories | 283 | 341 |
| Group owned stock | 17,513 | 17,925 |
| Inventory owned by third parties | – | 76 |
| | 17,513 | 18,001 |

The Group's management continues to focus on the rebalancing of inventory to enable the Group to trade in the most profitable areas of its collectibles businesses. Overall net inventory holding has decreased by £488,000 to £17.5m. This has been primarily driven from the sale of the lower value philatelic stock and the completion of the range review of the publications, albums and accessories inventory. We continue to liquidate the holdings of antiques from the interiors business.

On 21st February 2020 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered in to an agreement with Phoenix S. G. Limited to acquire approximately 780 items, for an initial consideration of £1.07m, which is payable in cash to Phoenix S. G. Limited over the term of the agreement, as and when sales of the items 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 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 S. G. Limited. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix S. G. Limited no further consideration will be due. To the extent that items remain to be sold at the end of the agreement the relevant items will be returned to Phoenix S. G. Limited and no further consideration will be due (see note 13).

Notwithstanding the fact that the agreement was written as a sale from Phoenix S.G. Limited to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix S.G. Limited within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 31 March 2020 of the initial items totaling £1,070,000, all remained unsold.

## Cash Resources

As at the balance sheet date the Group had cash balances of £2.5m and a loan of £14.2m repayable in March 2023. The loan is due to Phoenix S. G. Limited, the Group's controlling shareholder. During the year the Group drew down £2m of its remaining loan facility - headroom of £2m remains to draw - to fund the refurbishment of the premises and the day to day operation of the business. As at the date of this report no further drawings have been made.

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 were reclassified as discontinued operations. Stanley Gibbons (Guernsey) Limited remained in administration during the year ended 31 March 2019. No costs have been incurred in relation to the administration during the year. On 2 April 2019 the Royal Court of Guernsey ordered that Stanley Gibbons (Guernsey) Limited enter liquidation, this process is still ongoing.

On 21 February 2020 the Group signed a deed of release for both the Company and its subsidiaries that are guarantors to the loan facility and confirmation with its lender Phoenix S.G. Limited that releases and discharges Stanley Gibbons (Guernsey) Limited (in liquidation) of its obligations and future obligations and liabilities under the loan agreement.

As a result of Stanley Gibbons (Guernsey) Limited no longer being a guarantor of the Loan Agreement, the Group was no longer in default of its loan facility

As detailed in note 18, as at 31 March 2020, the Group would have been in default of its loan facilities as the Group would have failed to satisfy the financial covenants in the loan agreements

On 27 March 2020 Phoenix S.G. Limited issued a waiver letter to the Group for the above defaults so that at the balance sheet date the Group is no longer in default and the loan facilities are not repayable on demand.

As at 24 July 2020 the Group had cash balances of £1.7m and an outstanding loan balance of £14.2m.

## COVID-19

The Group, like all businesses and organisations, has been affected by the "lockdowns" as a result of the COVID-19 pandemic. From our premises being closed, to shows and exhibitions being cancelled the "lockdowns" have affected our ability to meet with both our customers and our vendors. This has challenged the business in many different ways but has also lead to some opportunities for the Group to bring forward actions.

For the first 3 months of the financial year ending 31 March 2021 our sales are 34% lower than the corresponding period last year. Our auction business has postponed sales, the London International Stamp show was cancelled and the opening of our new showroom in the Strand was delayed. However, when the lockdowns came into force the Group switched its focus to on-line sales. And despite the overall fall on-line sales have grown by 67% for the first 13 weeks of the year compared to last year and are now around 30% of sales compared to 12% in 2020.

The Group has taken mitigating actions to protect its cash position, particularly as the restrictions in place were always going to affect the Group's sales. The Group has made use of the help offered by Government schemes including furloughing workers and deferring VAT payments. The Group has also engaged with its business partners to defer or waive some costs and has had helpful discussions with its lenders and the pension trustees.

Expenditure procedures have been tightened further, but all of this has not stopped the Group progressing projects which will benefit the future. The Group cash balance remains above our early forecasts for the impact of the "lockdowns" and we have yet to draw further on our loan facilities.

The pandemic is having an impact on the properties that the Group sub-lets in Pall Mall, London and Madison Avenue, New York. Both properties are sub-let to non-essential retailers which have been closed during the "lockdowns". The Group's tenants have not paid rent due during the period which has meant that the Group has not been able to pay rent to the landlords. The Group is currently in negotiations with its tenants and landlords to resolve these matters but there is uncertainty as to the outcome of those negotiations and to whether the tenants will continue to occupy the properties in the future. At 31 March 2020 the Group Statement of financial position included leasehold assets of £944,000 and right of use assets of £4,984,000 and lease liabilities of £5,788,000. At 31 March 2020 the Directors believe that these assets are not impaired, however once the outcome of these negotiations is known a further impairment review may be required

Uncertainty remains over the level of future demand and the Directors are aware that as some of the deferred costs unwind pressure remains on the cash resources of the Group. They continue to monitor the changing situation closely so that appropriate and proportionate actions are taken when required.

**Anthony Gee**
*Chief Finance Officer*

29 July 2020

# 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.

The Board continues to adhere to the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies (the QCA Code) on the basis that it is most suited to the size and requirements of the business. The Board will apply the principles of the QCA Code.

Full details of the application of the code are disclosed on our corporate website: https://www.stanleygibbonsplc.com/corporate-governance/.

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.

The Board met 13 times during the year and the Directors attendance at those Board meetings was as follows:

| | Attendance |
|---|---|
| H Wilson | 12 |
| G Shircore | 13 |
| A Gee (appointed 1 August 2019) | 8 |
| L Castro | 11 |
| M West | 11 |

## 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).

The Audit Committee also reviews updates on significant accounting policies and the impact that this has on the Group and, during the year, established a Cyber sub-committee with appropriate in-house expertise to scrutinise this specialist subject.

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.

By order of the Board

**RK Purkis**
*Secretary*

29 July 2020

# Report on Remuneration

## Remuneration Committee

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

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

Members of the Remuneration Committee at the date of the report were M West 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 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 2016 were granted at market value and are not subject to a performance condition.

Options issued in 2018 were granted at market value and are not subject to a performance condition.

**Bonuses**

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

**Other benefits**

The Company Secretary is a member of the Group's defined benefit pension scheme, which is now closed. During the year contributions were paid on behalf of A Gee 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 2020 can be analysed as follows:

| | 2020 Salary & Fees £'000 | 2020 Performance Related Bonus £'000 | 2020 Other Benefits £'000 | 2020 Pension Contributions £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|---|---|---|---|---|---|
| H Wilson | 60 | – | – | – | 60 | 84 |
| G Shircore | – | – | – | – | – | – |
| A Gee | 123 | – | – | 12 | 135 | – |
| A Cook | – | – | – | – | – | 158 |
| L Castro | 35 | – | – | – | 35 | 35 |
| M West | 35 | – | – | – | 35 | 12 |
| | 253 | – | – | 12 | 265 | 289 |

The periods each Director served during the year are given on page 20.

## Directors' Share Options

| | Date of grant | Earliest exercise date | Expiry date | Exercise Price (1p shares) | Number at 31 March 2019 | Forfeited in period | Number at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| H Wilson | 5/10/16** | 5/10/19 | 5/10/26 | 11p | 2,000,000 | – | 2,000,000 |
| A Gee | 5/10/16** | 5/10/19 | 5/10/26 | 11p | 400,000 | – | 400,000 |
| | | | | | 2,400,000 | – | 2,400,000 |

** Options granted under Group Share Option Plan 2010.

No Directors options forfeited or lapsed during the period.

The highest paid director, being A Gee, did not exercise any share options during the year.

The closing market price of the Company's shares at 31 March 2020 was 1.55p and the range of market prices during the twelve month period was between 1.5p and 3.95p.

By order of the Board

**RK Purkis**
*Secretary*

29 July 2020

# Directors' Report

for the year ended 31 March 2020

The Directors present their report and the consolidated audited financial statements for the year ended 31 March 2020.

## 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;
- 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;
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- The management report includes a fair review of the Group's development.

## 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 2020 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 7 to 12. 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 below by the Executives, Senior Management team, Audit Committee and wider Board and are regularly reviewed throughout the period.

## 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, focusing 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.

## 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 bore the risk in the event that the underlying assets go down in value during the contract period and continually monitors it.

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.

## Controlling interest

The Group's largest shareholder is also the Group's primary lender. The Group is aware of the risk that continued support is required from Phoenix S.G. Limited and ensures it complies with all requirements of its lending agreement.

## Brexit

The Director's do not believe that any of the potential scenarios of Brexit have a specific risk to the Group. The Group will be impacted by any changes in the general economic conditions affecting both the UK and the European Union.

## COVID-19

The Directors have been closely reviewing the impact of the COVID-19 pandemic and the subsequent lockdown on the Group's trading performance and impact on the Groups rental properties that it sub-leases to third party retailers. The lockdowns have directly impacted the Group's trading due to the restrictions on both employees and customers movement impacting both trading at the Group's premises and shows and exhibitions in both the UK and overseas locations. The Directors have been and continue to take actions to mitigate the impact on trading by minimizing expenditure through all available options open to them. The risks from the pandemic continue to create uncertainty which the Directors have addressed in the going concern review (page 21) and estimates and assumptions in preparation of financial statements (see note 2). For further details on the impact of the pandemic to date on the Group see note 32.

## 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 7 to 12.

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 2020 is set out on page 32. The Directors do not recommend a final dividend for the year ended 31 March 2020 (year ended 31 March 2019: nil).

## Directors

The following Directors have held office since 1 April 2019:

H G Wilson (Non-Executive)
G E Shircore
L E Castro (Non-Executive)
M West (Non-Executive)
A M Gee (appointed 1 August 2019)

L Castro and M West are considered to be Independent.

Biographical details of the current Directors are given on pages 80 and 81.

## Directors' interests

The interests of the Directors in the shares of the Company, all of which are beneficial, at 31 March 2020 together with their interests at 31 March 2019 were:

| | **Ordinary 1p Shares 31 March 2020** | **Ordinary 1p Shares 31 March 2019** |
|---|---|---|
| HG Wilson (1) | 2,000,000 | 2,000,000 |
| GE Shircore (2) | 705,741 | 705,741 |
| A Gee* | – | – |
| LE Castro | – | – |
| M West | – | – |

* On appointment

(1) Held in the name of Park Securities Limited 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.

Details of the Directors' share options are given in the Remuneration Report on page 16.

Apart from service contracts and the transactions referred to in note 26 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 through a loan from its major shareholder, Phoenix S.G. Limited and has no interest rate exposure on financial liabilities except those disclosed in note 25. 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 15 (Provision for impairment of receivables and collateral held) and note 25 (Financial instruments).

## Going concern

The Group's forecasts shows that it will remain within current loan facility limits for the foreseeable future. Although the Directors have built the forecast based on current trading trends, including the impact of the COVID-19 pandemic, and historical knowledge of the business, the Directors recognise that forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

The COVID-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The impact of the pandemic has impacted consumer confidence in the wider economy, which has directly led to a fall in the Group's revenue and impacted other areas of the Groups operations. The Group's forecast indicates that the remaining £2m facility will be drawn down in the next 12 months. The Directors have mitigating courses of actions which are available to them to limit the impact of the pandemic including operating cost initiatives, the faster sell down of Group's large inventory holding and approaching lenders for further short term funding.

The loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and are due for repayment in March 2023. The Group would have been in default of the financial covenants at 31 March 2020, which would result in the loan becoming payable on demand. On 27 March 2020 the Group sought and was granted a waiver from Phoenix S.G. Limited for the default. The forecast, taking into account of the implications on the Group's demand of the COVID-19 pandemic, shows the Group will fail to meet its financial covenants in March 2021.

The Directors recognise that Phoenix S. G. Limited has granted the waiver of the default, stated that it intends to be a long term investor, is the Group's controlling party with an interest of just over 58%, granted a waiver of interest for the period March to July 2020, and has given no indication that it would withdraw its support before March 2023 when the loan facility is repayable.

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 24 July 2020, 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 | 4.94% |

## 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.

## Capital Structure

Details of the issued share capital are set out in note 20. The Company has one class of share being Ordinary Shares with a par value of 1p each. This entitles the holder to participate in dividends in proportion to the number of shares held. The holder is also entitled to, on a show of hands of shareholders present at a general meeting in person or by proxy, one vote and upon a poll each share is entitled to one vote.

Subject to the Companies (Jersey) Law and the provisions of the Articles of Association, the Directors are generally and unconditionally authorised to exercise all powers of the Company to issue such number of Shares as the Company may from time to time by Ordinary Resolution determine. The Annual General Meeting held in 2019 authorised the Directors to allot shares in the capital of the Company within certain limits. A renewal of this authority will be proposed at the forthcoming Annual General Meeting.

## Articles of Association

In accordance with the Companies (Jersey) Law 1991, the Company's Articles of Association may only be amended by a Special Resolution of the Company's shareholders.

## Political Donations

The Group made no political donations during the current or previous year.

## 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 2020 and to the date of approval of the financial statements.

## Independent Auditors

Jeffreys Henry LLP 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

**RK Purkis**
*Secretary*

29 July 2020

# S172 Directors statement

A director of a company must act in the way he or she considers, in good faith, would likely promote the success of the company for the benefit of the shareholders. In doing so, the director must have regard, amongst other matters, to the following issues:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the company's business relationships with suppliers/customers and others;
- impact of the company's operations on the community and environment;
- the Group's reputation for high standards of business conduct; and
- need to act fairly between members of the Group.

## Culture

Our values and leadership behaviours are a vital part of our culture to ensure that through good governance, our conduct and decision making we do the right thing for the business and our stakeholders. The Board acknowledges that every decision it makes may not necessarily result in a positive short-term outcome for all of the Group's stakeholders. We believe in creating solid foundations for the future, so there is a balance between short term success and longer-term prosperity.

## Shareholders

The primary mechanism for engaging with our shareholders is through the Company's AGM and also through the publication of the Group's financial results for the half year and full year. Further information is disclosed in the Corporate Governance Statement on pages 13 to 14. Shareholders showed their support for the Board and its strategy by passing all resolutions at the AGM. We encourage our shareholders to ask questions at the AGM and participate in discussion about our performance and products.

## Customers

Understanding our customers and what matters to them is key to the success of the Group. We listen and talk to them at every opportunity, including many opportunities to meet with them as we attend shows around the world. In addition to direct contact we have increased the flow of digital communications, particularly during the COVID-19 "lockdown". Many of our philatelic customers also contribute to our publications using their extensive knowledge of the hobbies.

## Suppliers/Vendors

We operate in a way that safeguards against unfair business practices and encourages suppliers to adopt reasonable business practices for mutual benefit. Many of our customers are also our vendors, whether that is collectors or other collectible dealers. Relationships are the key to building a successful collectibles business and vendors are a valued partner in our success.

## Employees

We have an experienced, skilled and dedicate workforce which we recognize as a crucial asset of the Group. A key to the Group's renewed success has been its engaged workforce. The Group's Directors, alongside our management teams, work hard to provide a positive working environment. During the COVID-19 pandemic the Directors introduced enhanced flexible working. Regular update emails have been circulated together with online briefings. It is important for us to provide opportunities for all of our staff to allow them to grow and achieve their potential.

## Community and environment

We are proud to employ people in the communities that we operate. As a Group we offer the collecting community the assurance of the authenticity of our products based on our experts knowledge which enable the collecting community to be confident in the provenance of material that bears the Group's trading names. We use environmentally friendly suppliers and products where possible.

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

## Opinion

We have audited the financial statements of The Stanley Gibbons Group Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as in accordance with the provisions of the Companies (Jersey) Law 1991.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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 opinion.

## Material uncertainty related to going concern

We draw your attention to the primary statements within these financial statements, which indicates that the group incurred a loss after tax of £2,368,000 and had net cash outflows from operating activities of £1,064,000 for the year ended 31 March 2020.

We further draw attention to note 2 in the financial statements, which indicates that the Group will require draw down of the remaining £2m funding in order to continue trading.

As detailed within note 2 and note 32, the Covid-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The impact of the pandemic has impacted consumer confidence in the wider economy, which has directly led to a fall in the Group's revenue and impacted other areas of the Groups operations. It remains difficult to assess reliably whether there will be any material disruption in the future which could adversely impact the Group's forecast.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

- Carrying value of Goodwill and other intangible assets
- Carrying value of inventories
- Valuation of defined benefit pension schemes' obligations
- Going concern assumption

These are explained in more detail below.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying value of Goodwill and other intangible assets**<br>– The Group held a significant balance of goodwill and other intangibles as at the year end, with a total carrying value of £5,170,000 (2019: £5,600,000).<br>– Of these a number of balances relate to intangibles with an indefinite estimated useful life, such as goodwill and publishing rights and brands.<br>– The board undertakes impairment assessments annually for all intangible assets, based on a number of assumptions and forecasts. These require judgement and so are considered a key audit matter | **Our audit procedures:**<br>– We discussed with management, and undertook a full review of the underlying assets, to establish if there was any indication of impairment.<br>– We reviewed management's impairment workings such as forecasts which included their approach and methodology.<br>– We considered whether management had exercised any bias in assumptions used or the outputs produced in the forecasts prepared.<br>– We considered the appropriateness of the Group's disclosures in relation to intangibles in the financial statements |
| **Carrying value of inventories**<br>– The Group held a significant balance of inventories as at the year end, with a total carrying value of £17,513,000 (2019: £18,001,000).<br>– Inventory is held at the lower of cost and net realisable value. The nature of the inventory, being highly specialist, with large inventory turnover times, means that the net realisable value is highly subjective.<br>– The Group employ experts to value their stock on a regular basis which are used to establish the net realisable value. Given the judgement required in arriving at a value, inventories are considered a key audit matter. | **Our audit procedures:**<br>– We discussed with management to establish how values were allocated to individual items of inventory.<br>– A sample of inventory items have been vouched to expert valuations to ensure they were being held at the lower of cost and net realisable value.<br>– Review of expert evidence undertaken to ensure assumptions used are reasonable. The majority of valuations were based on recent similar sales and so appear reasonable. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of defined benefit pension schemes' obligations**<br>– The Group had a net retirement benefit obligation as at the year-end of £6,289,000 (2019: £5,523,000).<br>– The Group employed external, independent actuaries to provide the value of the obligation for the two defined benefit schemes in operation.<br>– The actuaries employed valuation techniques based on a number of assumptions (which can be seen in note 24). Given the magnitude of the obligation any change in the assumptions could a have significant impact on the obligation and so are considered to be a key audit matter. | **Our audit procedures:**<br>– We undertook a review of the actuaries qualifications to ensure that they were suitably competent to undertake the valuation.<br>– Work undertaken to ensure the actuaries were independent of the company.<br>– A review was undertaken on the assumptions used to calculate the obligations, including with reference to industry benchmarking and other data available. |
| **Going concern assumption**<br>– The Group is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading.<br>– The Directors have considered the cash requirements of the business for the following 12 months. As part of this process, they have taken into account existing liabilities, along with detailed operating cashflow requirements.<br>– The key assumptions that impact the conclusions are the levels of future revenue, the ability to control the operating costs, and draw down of the balance of the loan facility £2m.<br>– There are therefore inherent risks that the forecasts may overstate future revenue or understate future costs, and that the Group will not be able to operate within its cash resources and continue to operate as a going concern.<br>– The Group needs to be generating sufficient revenues to sustain its position. The going concern assumption is dependent on future growth of the current business. No future capital raises were being considered to maintain the business.<br>– The COVID-19 pandemic has created a great deal of uncertainty regarding the future outlook of the business. | **Our audit procedures:**<br>– We obtained and reviewed the directors' assessment, including challenging the liquidity position;<br>– We assessed the reliability of forecasts to date by agreeing historical actuals to budgets, and challenging the current forecasts;<br>– We agreed the assumed cash flows to the business plan, walked through the business planning process and tested the central assumptions and external data;<br>– We tested the clerical accuracy of management's forecast;<br>– We challenged management's forecast assumptions, including reviewing the forecast revenue and the levels of costs that are forecast;<br>– We assessed the sensitivities of the underlying assumptions;<br>– We considered the appropriateness of the Group's disclosures in relation to going concern in the financial statements<br>– We have enquired with management as to the impact of COVID-19 and the steps being taken to limit the impact of the pandemic on the business. We have reviewed forecasts and latest bank balances to ensure the group can cover its overheads. The forecasts have been stress tested by management and the assumptions have been challenged. However, due to the risks outlined above, a material uncertainty relating to going concern is highlighted in the auditors report. |

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

| | **Group financial statements** |
|---|---|
| **Overall materiality** | £292,000 (2019: £250,000) |
| **How we determined it** | 2% of revenue. |
| **Rationale for benchmark applied** | We believe that revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £69,500 and £223,400.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £14,600 (2019: £12,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of numerous reporting units, comprising the Group's operating businesses and holding companies.

It is our responsibility for the direction, supervision and performance of the group audit and we remain solely responsible for the audit opinion.

We have audited all components within the Group, and no unaudited components remain.

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

continued

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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.or.uk/auditorsresponsibilities. This description forms part of our audit report.

## Other matters which we are required to address

We were re-appointed by the board of directors on 23 October 2019 to audit the financial statements for the period ending 31 March 2020. Our total uninterrupted period of engagement is two years, covering the period ending 31 March 2020.

The audit has been designed to detect all material irregularities, including fraud. We believe our tests are sufficient in this regard. The engagement team has remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

## Use of this report

This report is made solely to the company's members, as a body, in accordance 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.

**Sanjay Parmar**
*Senior Statutory Auditor*

**For and on behalf of Jeffreys Henry LLP, statutory auditor**

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date: 29 July 2020

# Consolidated statement of comprehensive income

for the year ended 31 March 2020

| | Notes | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|---|
| **Revenue** | 1, 3 | 13,175 | 11,677 |
| Cost of sales | | (7,132) | (5,711) |
| **Gross Profit** | | 6,043 | 5,966 |
| Administrative expenses before defined benefit pension service costs and exceptional operating costs | | (4,421) | (5,320) |
| Defined benefit pension service costs | 24 | (126) | (438) |
| Exceptional operating charges | 5 | 353 | (203) |
| Total administrative expenses | | (4,194) | (5,961) |
| Selling and distribution expenses | | (3,480) | (3,880) |
| **Operating loss** | 4 | (1,631) | (3,875) |
| Finance income | | 113 | 45 |
| Finance costs | 25 | (1,043) | (542) |
| Share of net profits of joint venture | 12 | 50 | 109 |
| **Loss before tax** | | (2,511) | (4,263) |
| Taxation | 8 | 11 | (36) |
| **Loss from continuing operations** | | (2,500) | (4,299) |
| **Profit from discontinued operations** | 27 | 132 | 74 |
| **Loss for the financial year** | | (2,368) | (4,225) |
| **Other comprehensive income:** | | | |
| *Amounts which may be subsequently reclassified to profit & loss* | | | |
| Exchange differences on translation of foreign operations | | 2 | – |
| *Amounts which will not be subsequently reclassified to profit & loss* | | | |
| Actuarial (losses)/gains recognised in the pension scheme | 24 | (1,153) | (246) |
| Tax on actuarial (losses)/gains recognised in the pension scheme | | (95) | (465) |
| **Other comprehensive loss for the year net of tax** | | (1,246) | (711) |
| **Total comprehensive loss for the year** | | (3,614) | (4,936) |
| **Loss per share from continuing operations** | | | |
| **Basic loss per Ordinary share** | 9 | (0.59)p | (1.01)p |
| **Diluted loss per Ordinary share** | 9 | (0.59)p | (1.01)p |
| Profit per share from discontinued operations | | | |
| Basic profit per Ordinary share | 9 | 0.03p | 0.02p |
| Diluted profit per Ordinary share | 9 | 0.03p | 0.02p |

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

The notes on pages 36 to 79 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

as at 31 March 2020

| Assets | Notes | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 10 | 5,170 | 5,600 |
| Property plant and equipment | 11 | 2,376 | 2,099 |
| Deferred tax asset | 19 | 158 | 281 |
| Right of use asset | 28 | 7,762 | – |
| Investments | 12 | 39 | 95 |
| **Total non-current assets** | | 15,505 | 8,075 |
| **Current Assets** | | | |
| Inventories | 13 | 17,513 | 18,001 |
| Trade and other receivables | 14 | 1,957 | 2,187 |
| Cash and cash equivalents (excluding bank overdrafts) | 17 | 2,483 | 2,160 |
| **Total current assets** | | 21,953 | 22,348 |
| **Total assets** | | 37,458 | 30,423 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 4,238 | 6,040 |
| Lease liability | 28 | 810 | – |
| **Total current liabilities** | | 5,048 | 6,040 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 14,166 | 11,529 |
| Lease liability | 28 | 7,731 | – |
| Retirement benefit obligations | 24 | 6,289 | 5,523 |
| Trade and other payables | 16 | 507 | – |
| **Total non-current liabilities** | | 28,693 | 17,052 |
| **Total liabilities** | | 33,741 | 23,092 |
| **Net assets** | | 3,717 | 7,331 |
| **Equity** | | | |
| Called up share capital | 20 | 4,269 | 4,269 |
| Share premium account | 22 | 78,217 | 78,217 |
| Share compensation reserve | 22 | 2,122 | 2,148 |
| Capital redemption reserve | 22 | 38 | 38 |
| Revaluation reserve | 22 | 346 | 346 |
| Retained earnings | 22 | (81,275) | (77,687) |
| **Equity shareholders' funds** | | 3,717 | 7,331 |

The financial statements on pages 32 to 79 were approved by the board of Directors on 29 July 2020, were authorised for issue on that date and were signed on its behalf by:

**A M Gee**
**G E Shircore**
*Directors*

The notes on pages 36 to 79 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 March 2020

| | 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 2019 | 4,269 | 78,217 | 2,148 | 346 | 38 | (77,687) | 7,331 |
| Loss for the financial year | – | – | – | – | – | (2,368) | (2,368) |
| *Amounts which may be subsequently reclassified to profit & loss* | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | 2 | 2 |
| *Amounts which will not be subsequently reclassified to profit & loss* | | | | | | | |
| Remeasurement of pension scheme net of deferred tax | – | – | – | – | – | (1,248) | (1,248) |
| **Total comprehensive loss** | – | – | – | – | – | (3,614) | (3,614) |
| Cost of share options | – | – | (26) | – | – | 26 | – |
| **At 31 March 2020** | **4,269** | **78,217** | **2,122** | **346** | **38** | **(81,275)** | **3,717** |
| At 1 April 2018 | 4,269 | 78,217 | 2,064 | 346 | 38 | (72,751) | 12,183 |
| Loss for the financial year | – | – | – | – | – | (4,225) | (4,225) |
| *Amounts which may be subsequently reclassified to profit & loss* | | | | | | | |
| Exchange differences on translation | – | – | – | – | – | – | – |
| *Amounts which will not be subsequently reclassified to profit & loss* | | | | | | | |
| Remeasurement of pension scheme net of deferred tax | – | – | – | – | – | (711) | (711) |
| **Total comprehensive loss** | – | – | – | - | – | (4,936) | (4,936) |
| Share issue | – | – | – | – | – | – | – |
| Cost of share options | – | – | 84 | – | – | – | 84 |
| **At 31 March 2019** | **4,269** | **78,217** | **2,148** | **346** | **38** | **(77,687)** | **7,331** |

The notes on pages 36 to 79 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 March 2020

| | Notes | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|---|---|---|---|
| **Cash outflow from operating activities** | 23 | (67) | (3,361) |
| Interest paid | | (1,043) | (542) |
| Taxes received | | 46 | – |
| **Net cash outflow from operating activities** | | (1,064) | (3,903) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (541) | (1) |
| Purchase of intangible assets (computer software) | | (155) | (124) |
| Investment in joint venture | | 56 | 18 |
| Proceeds from sale of property plant & equipment | | 123 | – |
| Interest received | | 113 | 45 |
| **Net cash (decrease)/generated from investing activities** | | (404) | (62) |
| **Financing activities** | | | |
| Principal elements of lease payments | | (845) | – |
| Proceeds from new borrowing | | 2,636 | 1,529 |
| **Net cash generated from financing activities** | | 1,791 | 1,529 |
| **Net (decrease)/increase in cash and cash equivalents** | | 323 | (2,436) |
| Cash and cash equivalents at start of year | | 2,160 | 4,596 |
| **Cash and cash equivalents at end of year** | 17 | 2,483 | 2,160 |

The notes on pages 36 to 79 are an integral part of these consolidated financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2020

## 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's shares are admitted to 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 Companies (Jersey) 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.

**New and amended statements adopted by the Group**

This year, the IFRS 16 standard on leases came into effect, which had a material effect on the Group. The Group had to change accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but not adjust prior periods (see note 28).

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 April 2019 and have not been early adopted. The Directors anticipate that the adoption of these standard and the interpretations in future periods will have no material impact, unless disclosed below, on the financial statements of the Company.

The new standards include:

| | |
|---|---|
| IFRS 3 | Business Combinations[1] |
| IFRS 17 | Insurance Contracts[2] |
| IAS 1 | Presentation of Financial Statements[1] |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors[1] |
| Improvements to IFRSs | Annual Improvements 2015-2017 Cycle1: Amendments to 2 IFRSs and 2 IASs |
| | Revised conceptual framework for Financial reporting |

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

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.

## 1 Accounting policies and presentation continued

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

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the 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 programs 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 capitalized, 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 three 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**

The group leases various offices and equipment. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

**Inventories**

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

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

## 1 Accounting policies and presentation continued

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

## 1 Accounting policies and presentation continued

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.

**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.

## 1 Accounting policies and presentation continued

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.

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 recognition**

Revenue comprises the fair value of the consideration received or receivable in relation to the proceeds of the sale of goods and services provided during the year. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. When a contract is entered into with a customer, the contract value is allocated to specific performance obligations. The criteria of allocating performance obligations for different revenue streams are discussed below. Revenue is recognised when these performance obligations are satisfied. Standard payment terms are that payments are required within 30 days of invoicing. The Group does not consider that any contract assets or liabilities arise from the revenue recognition policy.

## 1 Accounting policies and presentation continued

The directors consider that there are four revenue generating segments, being the sale of philatelic goods, publishing goods, coins and medals, and rental income. Revenue from the sale of goods are recognised in two separate ways, depending on transaction.

**Sale of goods – retail**

The Group sells assets from its retail premises, by mail order and online. 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 and the Group has delivered or the customer has collected the goods. The Group sells philatelic and numismatic goods to customers with a guarantee of authenticity of inventory sold. The Group has been doing this for a number of years and has details of returns. The returns the Group receives under this guarantee are minimal and as a result no provision is currently made. The performance obligation of the sale of retail goods is considered satisfied when substantially all the risks and rewards of ownership of goods have transferred to the customer. The contract value is derived from the selling price of the assets sold.

**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 (vendor's 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 vendor's commissions. Therefore, both buyer's premium and vendor's 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.

The performance obligation for the sale of auction goods is considered satisfied when substantially all the risks and rewards of ownership of goods have transferred to the customer. The contract value is derived from the buyer's premium adjusted for by the selling price of the assets sold.

Further detail of the Group's revenue streams can be found in the Business Review on pages 7 to 12.

**Rental income**

The Group sublets some of its properties that it occupies. Lease income from leases where the group is a lessor is recognised in the Income Statement on a straight-line basis over the lease term. The Directors consider this in line with when the Company's performance obligation is satisfied. The contract value is derived from gross rental income over the terms of the leases.

## 1 Accounting policies and presentation continued

**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.

**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.

**COVID-19 Pandemic and "lockdowns"**

With the declaration that COVID-19 was a pandemic on 11 March 2020 and the UK "lockdown" being announced on 24 March 2020 falling before the 31 March 2020 the Directors have adopted that COVID-19 pandemic is a current period event. As a result the Directors have considered the impact of the COVID-19 (see note 32) pandemic on all areas of judgment that impact the current accounting period including all the areas of judgment included in note 2. Where appropriate to do so the Directors have made adjustments to estimates as a result of COVID-19 as a post balance sheet adjusting event and considered this in all areas requiring review of impairment including property, plant and equipment, intangibles assets, trade receivables and inventory carrying values. The impact of the pandemic has also been considered in the preparation of the forecast for the review of the going concern assumptions.

**Going concern**

The Group's forecasts shows that it will remain within current loan facility limits for the foreseeable future. Although the Directors have built the forecast based on current trading trends, including the impact of the COVID-19 pandemic, and historical knowledge of the business, the Directors recognise that forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

The COVID-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The impact of the pandemic has impacted consumer confidence in the wider economy, which has directly led to a fall in the Group's revenue and impacted other areas of the Groups operations. The Group's forecast indicates that the remaining £2m facility will be drawn down in the next 12 months. The Directors have mitigating courses of actions which are available to them to limit the impact of the pandemic including operating cost initiatives, the faster sell down of Group's large inventory holding and approaching lenders for further short term funding.

## 2 Critical Accounting Estimates and Judgements continued

The loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and are due for repayment in March 2023. The Group would have been in default of the financial covenants at 31 March 2020, which would result in the loan becoming payable on demand. On 27 March 2020 the Group sought and was granted a waiver from Phoenix S.G. Limited for the default. The forecast, taking into account of the implications on the Group's demand of the COVID-19 pandemic, shows the Group will fail to meet its financial covenants in March 2021.

The Directors recognise that Phoenix S. G. Limited has granted the waiver of the default, stated that it intends to be a long term investor, is the Group's controlling party with an interest of just over 58%, granted a waiver of interest for the period March to July 2020, and has given no indication that it would withdraw its support before March 2023 when the loan facility is repayable.

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.

**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 24. 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 buyer's 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 is supported by an independent external valuation. If the carrying value is below cost or independent value this will be as a result of a review performed either by external or internal specialists.

**Goodwill impairment**
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 March 2020 was £2,310,000 (2019: £2,310,000). There was no impairment provision made in the year (2019: £nil). 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

## 2 Critical Accounting Estimates and Judgements continued

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.

- Philatelic trading and retail operations;
- Publishing and philatelic accessories;
- Coins and medals; and
- Legacy Interiors property & legal

Legacy Interiors includes continuing items from the discontinued Interiors operation, specifically the leasehold property in New York and legal matters related to the Mallett entities. The activities, products and services of the reportable segments are detailed in the Business Review on pages 7 to 12.

| Segmental income statement | Philatelic £'000 | Publishing £'000 | Coins & medals £'000 | Legacy interiors £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2020** | | | | | | |
| Sale of goods | 5,493 | 1,501 | 3,425 | – | – | 10,419 |
| Sale of services (inc Commissions) | 944 | 403 | – | – | – | 1,347 |
| Other income | 22 | 42 | – | 1,345 | – | 1,409 |
| **Revenue** | **6,459** | **1,946** | **3,425** | **1,345** | **–** | **13,175** |
| Operating costs | (6,549) | (2,045) | (2,872) | (829) | (2,814) | (15,109) |
| Exceptional | (197) | (162) | (4) | 691 | 25 | 353 |
| Net finance cost | – | – | – | (693) | (237) | (930) |
| Profit/(loss) before tax | (287) | (261) | 549 | 514 | (3,026) | (2,511) |
| Tax | 9 | – | 2 | – | – | 11 |
| **Profit/(loss) for the year from continuing operations** | **(278)** | **(261)** | **551** | **514** | **(3,026)** | **(2,500)** |
| **Segmental balance sheet As at 31 March 2020** | | | | | | |
| Total assets | 21,435 | 250 | 8,888 | 4,745 | 2,140 | 37,458 |
| Total liabilities | (14,522) | – | (575) | (4,351) | (14,293) | (33,741) |
| **Net assets/(liabilities)** | **6,913** | **250** | **8,313** | **394** | **(12,153)** | **3,717** |
| **Other segmental items** | | | | | | |
| Depreciation | 4 | – | – | 127 | – | 131 |
| Amortisation of intangible items | 331 | – | 14 | – | 240 | 585 |
| Capital expenditure | 149 | 22 | – | – | 525 | 696 |

## 3 Segmental Analysis continued

| Segmental income statement | Philatelic £'000 | Publishing £'000 | Coins & medals £'000 | Legacy interiors £'000 | Unallocated £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2019** | | | | | | |
| Sale of goods | 4,064 | 1,779 | 3,149 | – | – | 8,992 |
| Sale of services (inc Commissions) | 869 | 420 | – | – | – | 1,289 |
| Other income | 9 | – | 67 | 1,320 | – | 1,396 |
| **Revenue** | **4,942** | **2,199** | **3,216** | **1,320** | **–** | **11,677** |
| Operating costs | (5,429) | (2,146) | (2,678) | (1,159) | (3,828) | (15,240) |
| Exceptional | – | – | (53) | 61 | (211) | (203) |
| Net finance cost | – | – | – | (394) | (103) | (497) |
| Profit/(loss) before tax | (487) | 53 | 485 | (172) | (4,142) | (4,263) |
| Tax | 34 | – | 17 | – | (87) | (36) |
| **Profit/(loss) for the year from continuing operations** | **(453)** | **53** | **502** | **(172)** | **(4,229)** | **(4,299)** |
| **Segmental balance sheet As at 31 March 2019** | | | | | | |
| Total assets | 20,004 | – | 8,464 | 1,719 | 236 | 30,423 |
| Total liabilities | (9,388) | – | (752) | (939) | (12,013) | (23,092) |
| **Net assets/(liabilities)** | **10,616** | **–** | **7,712** | **780** | **(11,777)** | **7,331** |
| **Other segmental items** | | | | | | |
| Depreciation | 334 | – | 1 | 131 | 37 | 503 |
| Amortisation of intangible items | 281 | – | – | – | 220 | 501 |
| Capital expenditure | – | 124 | – | – | 1 | 125 |

**Geographical information**

**Analysis of revenue by origin and destination**

| | **Year ended 31 March 2020 Sales by destination £'000** | **Year ended 31 March 2020 Sales by origin £'000** | Year ended 31 March 2019 Sales by destination £'000 | Year ended 31 March 2019 Sales by origin £'000 |
|---|---|---|---|---|
| Channel Islands | 35 | – | 172 | – |
| United Kingdom | 7,806 | 12,018 | 7,130 | 10,553 |
| Europe | 1,290 | – | 796 | – |
| North America | 2,593 | 1,157 | 2,331 | 1,124 |
| Asia | 952 | – | 743 | – |
| Rest of the World | 499 | – | 505 | – |
| | 13,175 | 13,175 | 11,677 | 11,677 |

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 2020 or 2019 from which the Group earned more than 10% of its revenues.

Property, plant and equipment of £1,432,000 was held in the UK (2019: £978,000 in the UK) and £944,000 (2019: £1,121,000) was held in the USA. No assets were held in other countries.

## 3 Segmental Analysis continued

Intangible assets of £5,170,000 (2019: £5,600,000) are all held in the UK. Rights-of-use assets of £3,501,000 are held in the USA with £4,261,000 being 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 2020 and the comparative figures for the prior year.

| | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Cost of inventories recognised as an expense | 7,132 | 5,711 |
| Employee benefit costs expensed (see note 7) | 2,903 | 3,625 |
| Depreciation of property plant and equipment | 131 | 503 |
| Amortisation of intangible assets | 585 | 501 |
| Depreciation of IFRS16 Right of Use Asset | 890 | - |
| Advertising & marketing expenses | 496 | 466 |
| Distribution & transport costs | 171 | 153 |
| Operating lease charges – leased premises | 50 | 1,254 |
| IT operating expenses | 554 | 537 |
| Other property operating costs | 819 | 803 |
| Impairment of trade receivables | 15 | 13 |
| Other administrative expenses | 375 | 1,254 |
| Fees payable to the Group's auditor for the audit of the Group's annual accounts, including subsidiaries | 65 | 65 |
| Fees payable to the Group's auditor for other advisory services | 13 | 10 |
| Other professional fees | 607 | 658 |
| | 14,806 | 15,553 |

## 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 2020 and the comparative figures for the prior year.

| | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Stock provisions | 286 | 8 |
| Settlement of legal case | (850) | – |
| Accelerated impairment of intangible assets | 36 | – |
| Loss on disposal of tangible fixed assets | 42 | – |
| Impairment of receivables | 155 | – |
| Dilapidations on Strand property | (26) | – |
| Disposal of leased property | – | 18 |
| Exceptional legal fees | – | 39 |
| Legacy wind-down costs of overseas entities | 4 | 138 |
| | (353) | 203 |

On 14 June 2019 the Group announced that all outstanding claims involving certain former directors of Mallett plc had been resolved, bringing the matter to a full and final conclusion. The Group received £850,000 in relation to this settlement, net of fees and release of pension accruals relating to one of the directors.

## 6 Directors' emoluments

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

| | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Fees | – | – |
| Salaries | 253 | 256 |
| **Short-term employee benefits** | 253 | 256 |
| Post-employment benefits | 12 | 8 |
| Share-based payment | – | 25 |
| **Key management personnel compensation** | 265 | 289 |
| Number of Directors included in the defined benefit pension scheme (note 24) | – | – |

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on page 16. The charge to profit in respect of share options and awards issued to the Directors was £nil (2019: £25,000).

During the year the Group made payments into the personal pension schemes of A Gee. Total cost of these pension contributions to the Group were £12,000 (2019: £8,000 into the scheme of then-current director A Cook).

Details of share options forfeited by Directors during the period are disclosed in the Report on Remuneration on page 17.

Management considers that the key management personnel comprise the Directors.

## 6 Directors' emoluments continued

GE Shircore's ultimate employer is Phoenix Asset Management Partners Limited which 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. Mr Shircore received no remuneration from the Group.

## 7 Employee information

The average number of persons (including executive Directors) employed by the Group during the period was 71 (2019: 74).

| | **Year ended 31 March 2020** | Year ended 31 March 2019 |
|---|---|---|
| Management and Administration | 23 | 30 |
| Sales | 23 | 22 |
| Production and Editorial | 22 | 21 |
| Marketing | 3 | 1 |
| | 71 | 74 |

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

| | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Wages and salaries | 2,451 | 2,714 |
| Social security costs | 252 | 278 |
| Pension costs – defined benefit scheme (note 24) | 126 | 438 |
| Pension costs – defined contribution scheme | 74 | 111 |
| Share option cost | – | 84 |
| | 2,903 | 3,625 |

## 8 Taxation

**UK corporation tax and overseas tax on profits for the year**

| Current tax: | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| UK corporation tax at 19% | – | – |
| Overseas tax | – | – |
| Deferred taxation (note 19) | 28 | 36 |
| Current year tax charge/(credit) | 28 | 36 |
| Adjustment relating to earlier periods | (39) | – |
| **Tax charge/(credit)** | (11) | 36 |
| Income tax attributable to: | | |
| Profit from continuing operations | (11) | 36 |
| Profit from discontinued operations | – | – |
| | (11) | 36 |

The Company is registered in the Channel Islands and has subsidiaries in the Channel Islands, the UK, Hong Kong 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 2020 %** | Year ended 31 March 2019 % |
|---|---|---|
| The standard rate of corporation tax in the UK | 19.0 | 19.0 |
| Effects of: | | |
| Disallowable items | (0.1) | (2.9) |
| Overseas profits taxable at lower rates | (1.6) | (1.1) |
| Losses for which no deferred asset recognised | (21.9) | (12.0) |
| Capital amortisation and provisions | (1.9) | (1.0) |
| Other permanent differences | 6.9 | (2.9) |
| **Effective rate of corporation tax for year** | 0.4 | (0.9) |

The main rate of corporation tax in the UK was 19% for financial years starting on or after 1 April 2017. The Group has recognized a deferred tax asset of £158,000 (2019: £152,000) relating to unutilised tax losses. At the year end the usable tax losses within the Group are £19,916,000 (2019: £16,698,000)

## 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 2020** | Year ended 31 March 2019 |
|---|---|---|
| Weighted average number of ordinary shares in issue (No.) | 426,916,643 | 426,916,643 |
| Dilutive potential ordinary shares: Employee share options (No.) | – | – |
| **Continuing operations** | | |
| Loss after tax (£) | (2,500,000) | (4,299,000) |
| Pension service cost (net of tax) | 102,000 | 355,000 |
| Cost of share options (net of tax) | – | 68,000 |
| Amortisation of customer lists( net of tax) | 194,000 | 178,000 |
| Exceptional operating (income)/costs (net of tax) | (442,000) | 168,000 |
| Adjusted loss after tax (£) | (2,646,000) | (3,530,000) |
| Basic loss per share – pence per share (p) | (0.59)p | (1.01)p |
| Diluted loss per share – pence per share (p) | (0.59)p | (1.01)p |
| Adjusted loss per share – pence per share (p) | (0.62)p | (0.83)p |
| Adjusted diluted loss per share – pence per share (p) | (0.62)p | (0.83)p |
| **Discontinued operations** | | |
| Profit after tax (£) | 132,000 | 74,000 |
| Basic earnings per share – pence per share (p) | 0.03p | 0.02p |
| Diluted earnings per share – pence per share (p) | 0.03p | 0.02p |

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 2020 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 2018 | 16,332 | 19 | 2,542 | 2,207 | 2,528 | 23,628 |
| Additions – internally developed | – | – | 124 | – | – | 124 |
| **At 31 March 2019** | **16,332** | **19** | **2,666** | **2,207** | **2,528** | **23,752** |
| Additions – internally developed | – | – | 155 | – | – | 155 |
| **At 31 March 2020** | **16,332** | **19** | **2,821** | **2,207** | **2,528** | **23,907** |
| **Accumulated amortisation and impairment** | | | | | | |
| At 1 April 2018 | 14,022 | 19 | 1,923 | 1,413 | 274 | 17,651 |
| Amortisation charge | – | – | 281 | 220 | – | 501 |
| **At 31 March 2019** | **14,022** | **19** | **2,204** | **1,633** | **274** | **18,152** |
| Amortisation charge | – | – | 345 | 240 | – | 585 |
| **At 31 March 2020** | **14,022** | **19** | **2,549** | **1,873** | **274** | **18,737** |
| **Net book value** | | | | | | |
| **At 31 March 2020** | **2,310** | **–** | **272** | **334** | **2,254** | **5,170** |
| At 31 March 2019 | 2,310 | – | 462 | 574 | 2,254 | 5,600 |

The carrying value of goodwill of £2,310,000 related to the acquisition of the Noble Investments Group (£2,200,000 – original cost £15,746,000), the acquisition of the magazine 'Philatelic Exporter' (£87,000 – carrying value and original cost), the album producer 'Frank Godden' (£23,000 – carrying value and original cost).

The carrying value of brands and trademarks of £2,254,000 is the value of the brands purchased in the acquisition of Noble Investment Group (£2,391,000 – original cost).

The Group carries out a review at each year end date to establish the economic value of each asset in the portfolio. If the economic value of the asset is believed to be lower than the carrying value, the carrying value is reduced accordingly. The economic value is based on estimated future income potential considering risks and external information on the likely impact on market demand.

Goodwill and brands have undergone an impairment review with reference to expected future cash flows generated by these business units. Management looks at five year projections, using a cost of capital of 8.8% (2019: 7.8%), when determining if any impairment is likely. The key assumptions used by management derived from current budgets and forecast, are the growth in revenue and costs of between 0% and 3% (2019: 1% to 3%) over the period in question. These assumptions are based on past experiences of management. The forecasts have also been adapted to take account on the trading trends seen during the "lockdown" for the COVID-19 pandemic.

## 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** | | | | | | |
| At 1 April 2018 | 1,195 | 162 | 4,422 | 444 | 876 | 7,099 |
| Additions | – | – | – | 1 | – | 1 |
| Disposals | – | – | (313) | (71) | (19) | (403) |
| Exchange differences | – | – | 198 | – | – | 198 |
| **At 31 March 2019** | **1,195** | **162** | **4,307** | **374** | **857** | **6,895** |
| Additions | – | – | 525 | 16 | – | 541 |
| Disposals | – | (162) | – | (33) | – | (195) |
| Exchange differences | – | – | – | – | – | – |
| **At 31 March 2020** | **1,195** | **–** | **4,832** | **357** | **857** | **7,241** |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2018 | 380 | – | 2,880 | 433 | 871 | 4,564 |
| Charge for the year | – | – | 475 | 24 | 4 | 503 |
| Exchange differences | – | – | 127 | – | – | 127 |
| Depreciation on disposal | – | – | (292) | (84) | (22) | (398) |
| **At 31 March 2019** | **380** | **–** | **3,190** | **373** | **853** | **4,796** |
| Charge for the year | – | – | 127 | – | 4 | 131 |
| Exchange differences | – | – | (29) | – | – | (29) |
| Depreciation on disposal | – | – | – | (33) | – | (33) |
| **At 31 March 2020** | **380** | **–** | **3,288** | **340** | **857** | **4,865** |
| **Net book value** | | | | | | |
| **At 31 March 2020** | **815** | **–** | **1,544** | **17** | **–** | **2,376** |
| At 31 March 2019 | 815 | 162 | 1,117 | 1 | 4 | 2,099 |

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 (2019: £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 (2019: £379,000).

During the year the Group sold its freehold property in Axbridge Somerset for £123,000. After fees related to the sale a loss of £42,000 was incurred.

Fully written down Property, Plant and Equipment with a cost of £3,672,000 (2019: £3,602,000) remains in use by the Group.

## 12 Investments

On 6 January 2017, the Group launched a corporate joint-venture with St James's Auctions, the well-established numismatic auction house, named Baldwin's of St James's Limited. Baldwin's of St James's Limited auctions coins, medals, medallions, bank notes, tokens and other related items owned by the parties or by 3rd parties wishing to auction material. The Group owns 50 A shares, 50% of the total issued A ordinary shares in Baldwin's of St James's for a consideration of £50. The joint venture is accounted for under the equity method as the Group does not have control of the entity. Baldwin's of St James's is incorporated in England and trades from a location in London. The company's accounting date is 30 April 2020, as per the joint venture agreement.

The investment in the joint venture is shown below:-

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| As at 1 April | 95 | 113 |
| Share of profit retained by joint venture | 50 | 109 |
| Dividend paid by joint venture | (106) | (127) |
| | 39 | 95 |

The share of profit retained by the joint venture is an estimate based on the management accounts at 30 April 2020. Based on the audited financial statement at 30 April 2019 Baldwin's of St James's generated £1,298,000 (2018: £1,400,000) of revenue and £232,000 (2018: £277,000) of profit. The company had net assets of £100 with current assets of £2,780,601 and current liabilities of £2,780,501.

## 13 Inventories

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Work in progress | 1,777 | 1,086 |
| Finished goods and goods for resale | 15,736 | 16,915 |
| | 17,513 | 18,001 |

As at 31 March 2020 £nil (2019 - £76,000) of the above inventories were owned by third parties. As at 31 March 2020 £17,513,000 (2019: £17,858,000) of the above inventories were part of the security given in relation to the borrowings detailed in note 18.

At 31 March 2020 the carrying value of the inventory held at fair value was £3,258,000 (2019: £3,928,000).

On 10th September 2018 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered in to an agreement with Phoenix S. G. Limited to acquire approximately 1,900 items, for an initial consideration of £5.20m, which is payable in cash to Phoenix S. G. Limited over the term of the agreement, as and when sales of the items 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. Phoenix S. G. Limited had acquired the items from the administrators of Stanley Gibbons (Guernsey) Limited. 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 S. G. Limited. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix S. G. Limited no further consideration will be due. To the extent that items remain to be sold at the end of the agreement the relevant items will be returned to Phoenix S. G. Limited and no further consideration will be due.

## 13 Inventories continued

Notwithstanding the fact that the agreement was written as a sale from Phoenix S.G. Limited to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix S.G. Limited within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 31 March 2020 of the initial items totaling £5.20m, £4,623,000 (2019: £5,060,000) remained unsold.

On 21st February 2020 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered in to an agreement with Phoenix S. G. Limited to acquire approximately 780 items, for an initial consideration of £1.07m, which is payable in cash to Phoenix S. G. Limited over the term of the agreement, as and when sales of the items 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 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 S. G. Limited. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix S. G. Limited no further consideration will be due. To the extent that items remain to be sold at the end of the agreement the relevant items will be returned to Phoenix S. G. Limited and no further consideration will be due.

Notwithstanding the fact that the agreement was written as a sale from Phoenix S.G. Limited to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix S.G. Limited within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 31 March 2020 of the initial items totaling £1.07m, £1,070,000 remained unsold.

The cost of inventory recognised as an expense in the year was £7,132,000 (2019: £5,711,000)

## 14 Current trade and other receivables

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Trade receivables | 1,480 | 1,446 |
| Provision for impairment | (437) | (724) |
| Net trade receivables | 1,043 | 722 |
| Other receivables | 321 | 797 |
| Prepayments and accrued income | 593 | 668 |
| | 1,957 | 2,187 |

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.

## 15 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 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Opening provision | 724 | 593 |
| Impairments in the year | 73 | 235 |
| Amounts utilised in the year | (360) | (104) |
| Closing provision | 437 | 724 |

As at 31 March 2020, excluding balances due under extended payment terms and those provided for by the impairment provision, £526,000 (2019: £210,000) of trade receivables, were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Up to 3 months past due | 110 | 138 |
| 3 to 6 months past due | 186 | 52 |
| Over 6 months past due | 230 | 20 |
| | 526 | 210 |

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.

## 16 Trade and other payables

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Trade payables | 2,888 | 2,918 |
| Other payables | 624 | 344 |
| Other taxes and social security | 45 | 189 |
| Accruals and deferred income | 681 | 2,589 |
| | 4,238 | 6,040 |

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.

An amount of trade payables of £507,000 (2019: £nil) is not due within 12 months and has been classified as a long term liability. The Group has agreed extended credit terms for a collection that it purchased in December 2020 to be paid by installment, over the next 24 months. The profile of payment is disclosed in note 25.

## 17 Cash and cash equivalents

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Cash at bank and in hand | 2,483 | 2,160 |
| Bank overdrafts | – | – |
| Cash and cash equivalents | 2,483 | 2,160 |

## 18 Borrowings

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| **Long term liabilities** | | |
| Loan – Facility A | 11,045 | 10,518 |
| Loan – Facility C | 3,121 | 1,011 |
| Total long term liabilities | 14,166 | 11,529 |

The Facility A loan outstanding at 31 March 2020 of £11.0m 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.

On the 21 December 2018 the Group announced it had agreed an additional £5m of funding (Facility C) in the form of an extension to the existing loan facility with Phoenix S. G. Limited. The terms of the extension are the same as the existing facility and the intention is that it will be drawn down by the Group in several tranches as needed.

On 21 February 2020 the Group signed a deed of release for both the Company and its subsidiaries that are guarantors to the loan facility and confirmation with its lender Phoenix S.G. Limited that releases and discharges Stanley Gibbons (Guernsey) Limited (in liquidation) of its obligations and future obligations and liabilities under the loan agreement.

As a result of Stanley Gibbons (Guernsey) Limited no longer being a guarantor of the Loan Agreement, the Group was no longer in default of its loan facility.

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 2020, the cashflow and EBITDA each need to exceed £1.5m, increasing to, £2.0m for the year to 2021 and £2.5m for the year to 2022.

On 27 March 2020 Phoenix S. G. Limited issued a waiver letter to the Group for the failure to satisfy the financial conditions and as a result at 31 March 2020 the Group was not in default and the loan has been classified as a long term liability.

During the year the Group paid arrangement facility fees of £nil (2018: £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 2020 £'000** | 31 March 2019 £'000 | **31 March 2020 £'000** | 31 March 2019 £'000 |
| Defined benefit pension scheme (note 24) | – | 95 | – | – |
| Other timing differences | – | 34 | – | – |
| Unutilised tax losses | 158 | 152 | – | – |
| Full provision | 158 | 281 | – | – |

| | 31 March 2019 £'000 | (Charge)/ credit to Profit and loss £'000 | Comprehensive income £'000 | **31 March 2020 £'000** |
|---|---|---|---|---|
| Defined benefit pension scheme (note 24) | 95 | – | (95) | – |
| Other timing differences | 34 | (34) | – | – |
| Unutilised tax losses | 152 | 6 | – | 158 |
| Full provision | 281 | (28) | (95) | 158 |

The Directors reviewed the carrying value of the deferred tax asset in relation to the defined benefit pension scheme. Based on the prior trading history and taking in to account the anticipated profits in foreseeable future, the carrying value of the asset was reduced to £nil (2019: £95,000), resulting in a charge to other comprehensive income of £95,000 (2019: £465,000).

## 20 Called up share capital

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| **Authorised** | | |
| 500,000,000 (2019: 500,000,000) Ordinary Shares of 1p each | 5,000 | 5,000 |
| **Allotted, issued and fully paid (all equity):** | | |
| 426,916,643 (2019: 426,916,643) Ordinary Shares of 1p each | 4,269 | 4,269 |

The Company has one class of share being Ordinary Shares with a par value of 1p each. This entitles the holder to participate in dividends and repayment of capital in proportion to the number of shares held. The holder is also entitled to, on a show of hands of shareholders present at a meeting in person or by proxy, one vote and upon a poll each share is entitled to one vote.

**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 at the year-end are disclosed on page 11 in the Business Review and further disclosure can be found in note 18 and note 25. 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 17 to 23.

## 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 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 2016 and 2018 were granted at market value and are not subject to performance condition.

All options are settled with the issue of equity.

Excluding the Directors' share options disclosed in the Report on Remuneration on page 17, 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 2019 | Granted in year | Forfeited in year | Number at 31 March 2020 |
|---|---|---|---|---|---|---|---|
| 06/5/11 | 06/5/14 | 05/5/21 | 179.0p | 34,999 | – | – | 34,999 |
| 05/10/16 | 05/10/19 | 05/10/26 | 11.0p | 8,385,000 | – | (100,000) | 8,285,000 |
| 03/04/18 | 03/04/21 | 03/04/28 | 4.4p | 500,000 | – | (500,000) | – |
| | | | | 8,919,999 | – | (600,000) | 8,319,999 |

The weighted average remaining contractual life of options outstanding at 31 March 2020 is 4.7 years (2019: 5.7 years)

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

| | **31 March 2020 Average exercise price per share** | **31 March 2020 Options (thousands)** | 31 March 2019 Average exercise price per share | 31 March 2019 Options (thousands) |
|---|---|---|---|---|
| At 1 April | 12p | 11,320 | 12p | 13,062 |
| Granted | – | – | 4p | 500 |
| Forfeited/lapsed | 6p | (600) | 12p | (2,242) |
| Exercised | – | – | – | – |
| **At 31 March** | 12p | 10,720 | 12p | 11,320 |

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

## 21 Options in shares of The Stanley Gibbons Group plc continued

Stochastic and Black-Scholes models have been used to value the awards. The awards issued and still outstanding in the year ended 31 March 2020 are set out below:

| Date of grant | 06/05/2011 | 05/10/2016 |
|---|---|---|
| Number of options granted | 593,710 | 14,950,000 |
| Weighted average fair value at date of grant (per share) | 48.45p | 5.20p |
| Weighted average share price on date of grant | 175p | 11.25p |
| Weighted average exercise price | 179p | 11.00p |
| Expected term (from date of grant) | 6.5 years | 6.5 years |
| Expected volatility | 36.6% | 46.77% |
| Expected dividend yield | 3.15% | 0.00% |
| Risk-free interest rate | 2.67% | 0.42% |

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

## 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 represent the accumulated profits not distributed to shareholders.

## 23 Cash outflows from operating activities

| | **Year ended 31 March 2020 £'000** | Year ended 31 March 2019 £'000 |
|---|---|---|
| Operating loss (including discontinued operations) | (1,499) | (3,802) |
| Loss on sale of property, plant and equipment | 38 | – |
| Depreciation of tangible assets | 131 | 503 |
| Amortisation of intangible assets | 585 | 501 |
| Depreciation on IFRS16 Right of Use Asset | 890 | – |
| Decrease in provisions | (387) | (52) |
| Income from joint venture | 50 | 109 |
| Cost of share options | – | 84 |
| Decrease in inventories | 488 | 302 |
| Decrease in trade and other receivables | 236 | 1,424 |
| Decrease in trade and other payables (less deferred consideration) | (561) | (2,364) |
| Net exchange differences | (38) | (66) |
| Cash outflows from operating activities | (67) | (3,361) |

## 24 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. The scheme is exposed to the following risks:

- Financial risks from changing economic conditions e.g. inflation and interest rate risks
- Longevity, i.e. the risk of benefits costing more due to members living longer
- Additional liabilities arising from the unknown factors such as ineffective Scheme documentation or Regulatory change.

Under UK pensions legislation the Group subsidiary is responsible for funding the Scheme benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme liabilities are assessed at least every three years by the Scheme Actuary. It is the Group's subsidiary funding policy to annually contribute an amount agreed between the Group's subsidiary and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. The volatility of contribution amounts can be to the detriment of the Group's cashflows. The volatility of the Scheme's liabilities against these assets held impacts on the Group's balance sheet.

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.

## 24 Retirement benefits continued

A full actuarial valuation was carried out at 30 June 2018. 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 2020 are based on the results of the actuarial valuation as at 30 June 2018.

Scheme assets are stated at their market value at 31 March 2020. The Group paid £282,240 (payable monthly) in the year to 31 March 2020. From 1 April 2020, the Group pays contributions of £296,352 per annum (payable monthly), increasing at 5% per annum, until 1 November 2029, as noted in the Recovery Plan dated 29 March 2019, agreed as part of the actuarial valuation at 30 June 2018.

Following the recently published legal judgment in the UK the scheme has to equalize Guaranteed Minimum Pensions built up after 17 May 1990. An estimate of the likely additional reserve was provided in the accounts at 31 March 2019.

*(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 scheme is exposed to the following risks:

- Financial risks from changing economic conditions e.g. inflation and interest rate risks
- Longevity, i.e. the risk of benefits costing more due to members living longer
- Additional liabilities arising from the unknown factors such as ineffective Scheme documentation or Regulatory change.

A full actuarial valuation was carried out as at 30 June 2018 and the funding of the plan is agreed between the Company and the trustees in line with those requirements.

Under UK pensions legislation the Group subsidiary is responsible for funding the Scheme benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme liabilities are assessed at least every three years by the Scheme Actuary. It is the Group's subsidiary funding policy to annually contribute an amount agreed between the Group's subsidiary and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. The volatility of contribution amounts can be to the detriment of the Group's cashflows. The volatility of the Scheme's liabilities against these assets held impacts on the Group's balance sheet.

The Group paid annual contributions of £231,233 in the year to 31 March 2020. From 1 April 2020, the Group will pay contributions of £224,910 p.a. (payable monthly), increasing by 5% p.a. until 1 May 2028, in line with the

## 24 Retirement benefits continued

Recovery Plan dated 20 March 2019. In addition to this, the Company also pays administration expenses and levies to the Pension Protection Fund.

The IAS19 disclosures for the year to 31 March 2020 are based on the actuarial valuation as at 30 June 2018.

Following the recently published legal judgment in the UK the scheme has to equalize Guaranteed Minimum Pensions built up after 17 May 1990. An estimate of the likely additional reserve was provided in the accounts at 31 March 2019.

**The amounts recognised in the statement of financial position for both schemes are as follows:**

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Present value of funded obligation | (20,298) | (19,612) |
| Fair value of scheme assets | 14,009 | 14,089 |
| **Net obligation** | (6,289) | (5,523) |
| Deferred tax asset (see note 19) | – | 95 |
| **Retirement benefit obligation** | (6,289) | (5,428) |

| | **£'000** | £'000 |
|---|---|---|
| Cumulative amount of actuarial losses recognised in other comprehensive income | (3,850) | (2,697) |

**The amounts recognised in other comprehensive income are as follows:**

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Actuarial gains/(losses) on scheme obligations from financial assumptions | 518 | (812) |
| Actuarial gains/(losses) on scheme obligations from demographic assumptions | (53) | 66 |
| Actuarial gains/(losses) on scheme obligations from experience | (1,352) | 739 |
| Actuarial (losses)/gains on fair value of scheme assets | (266) | (239) |
| Remeasurement (losses)/gains | (1,153) | (246) |

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

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Present value of obligations at start of year | 19,612 | 19,685 |
| Current service cost | – | 5 |
| Interest cost | 462 | 500 |
| Contributions by employees | – | – |
| Remeasurement losses/(gains) on scheme obligations | 870 | 8 |
| Charges paid | – | (5) |
| Benefits paid | (646) | (881) |
| Allowance for GMP equalisation | – | 300 |
| **Present value of obligations at end of year** | 20,298 | 19,612 |

## 24 Retirement benefits continued

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

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Fair value of scheme assets at start of year | 14,089 | 14,356 |
| Assets acquired at fair value | – | – |
| Expected return on scheme assets | 336 | 369 |
| Actuarial losses on fair value of scheme assets | (283) | (239) |
| Contributions by employees | – | – |
| Contributions by company | 513 | 489 |
| Charges paid | – | (5) |
| Benefits paid | (646) | (881) |
| **Fair value of scheme assets at end of year** | 14,009 | 14,089 |

The Group currently expects to contribute £521,000 to its defined benefit schemes in the financial year to 31 March 2021.

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

| | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---|---|---|
| Current service cost | – | 5 |
| Interest cost on net benefit obligations | 126 | 133 |
| Allowance for GMP equalisation | – | 300 |
| **Total included in employee benefit expense** | 126 | 438 |
| **Actual return on scheme assets** | 53 | 129 |

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

| | 31 March 2020 % | 31 March 2019 % |
|---|---|---|
| **Assets with a quoted market price in an active market** | | |
| Equities | 16.7% | 15.3% |
| Corporate bonds | 7.0% | 12.3% |
| LLDI | 18.7% | 9.1% |
| Multi Asset Credit | 22.7% | 18.4% |
| Diversified growth funds | 12.0% | 22.8% |
| Gilts/cash | 1.0% | 1.1% |
| **Other** | | |
| Insurance policies | 13.4% | 13.0% |
| Property | 8.5% | 7.1% |
| Insured Annuitants | 10% | 1.0% |

## 24 Retirement benefits continued

**Principal actuarial assumptions at the reporting date:**

| | **31 March 2020** | 31 March 2019 |
|---|---|---|
| Future salary increases | 1.81% | 2.30% |
| Price inflation – RPI | 2.81% | 3.30% |
| Price inflation – CPI | 1.81% | 2.30% |
| Revaluation of deferred pensions | 1.81% | 2.30% |
| **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 | 1.81% | 2.30% |
| Post 2005 | 1.81% | 2.30% |
| **Pension Increase – Directors** | | |
| Pre 1997 | 3.00% | 3.00% |
| Post 1997 | 3.00% | 3.30% |
| Post 2005 | 3.00% | 3.30% |
| Discount rate | 2.24% | 2.40% |
| Equities (long term expected rate of return) | 2.24% | 2.40% |
| Corporate bonds (long term expected rate of return) | 2.24% | 2.40% |
| Fixed interest gilts (long term expected rate of return) | 2.24% | 2.40% |
| Cash (long term expected rate of return) | 2.24% | 2.40% |

The mortality assumptions adopted at 31 March 2020 imply the following life expectations:

*The Stanley Gibbons Holdings PLC Pension and Assurance Scheme*

| | **31 March 2020 In years** | 31 March 2019 In years |
|---|---|---|
| **Retiring at 65 at reporting date** | | |
| Male | 21.8 | 21.7 |
| Female | 24.1 | 23.9 |
| **Retiring at 65 at reporting date + 20 years** | | |
| Male | 22.8 | 22.7 |
| Female | 25.2 | 25.0 |

*The Mallett Retirement Benefits Scheme*

| | **31 March 2020 In years** | 31 March 2019 In years |
|---|---|---|
| **Retiring at 65 at reporting date** | | |
| Male | 21.8 | 21.7 |
| Female | 24.1 | 23.9 |
| **Retiring at 65 at reporting date + 20 years** | | |
| Male | 22.8 | 22.7 |
| Female | 25.2 | 25.0 |

## 24 Retirement benefits continued

**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 | (3,468) |
| 0.25% p.a. reduction in discount rate | 3.3% | (3,582) |
| 0.25% increase in CPI inflation | (1.9%) | (3,402) |
| Pensions payable for 1 year longer due to mortality assumptions | 3.4% | (3,586) |

*The Mallett Retirement Benefits Scheme*

| | Change in the benefit Obligation – % | (Deficit) £'000s |
|---|---|---|
| Assumption as per IAS 19 disclosures | n/a | (2,821) |
| 0.25% p.a. reduction in discount rate | 4.3% | (2,943) |
| 0.25% increase in inflation | 2.1% | (2,763) |
| Pensions payable for 1 year longer due to mortality assumptions* | 3.9% | (2,932) |

* 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.

The sensitivities show the effects of a change in the significant actuarial assumptions used to measure the Scheme's Defined Benefit Obligation. Limitations to the sensitivities are in line with the limitations on actuarial assumptions, being that they are estimates.

The average duration of the Schemes Obligation is approximately 14 years.

The weighted average duration of the Stanley Gibbons Holdings Plc Pension and Assurance Scheme and the Mallett Retirement Benefit scheme is 15.5 years.

## 24 Retirement benefits continued

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

| | **31 March 2020 £'000** | 31 March 2019 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | (20,298) | (19,612) | (19,685) | (20,390) | (18,232) |
| Fair value of scheme assets | 14,009 | 14,089 | 14,356 | 14,304 | 13,010 |
| Deficit | (6,289) | (5,523) | (5,329) | (6,086) | (5,222) |
| Experience adjustments on scheme assets | (283) | (239) | (2) | 895 | (527) |
| Effects of changes in the demographic and financial assumptions in the underlying scheme liabilities | | | | | |
| – Amount | 482 | (746) | 199 | (2,456) | 659 |
| – Percentage of benefit obligation | 2.4% | -3.8% | 1.0% | -12.0% | 3.6% |

**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 £3,775,000 at 31 March 2019 to £3,468,000 at 31 March 2020 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

**Future profile of the Mallet Retirements Benefits Scheme**

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

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has increased from £1,749,000 at 31 March 2019 to £2,821,000 at 31 March 2020 principally arising from changes in scheme data and a change from the approximate methodology used in previous disclosures.

## 25 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 loan 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 7 to 12.

**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 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| **Financial assets – Loans and receivables** | | |
| Trade and other receivables | 1,364 | 1,519 |
| Cash at bank | 2,483 | 2,160 |
| | 3,847 | 3,679 |
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables | 4,745 | 6,040 |
| Borrowings | 14,166 | 11,529 |
| Lease liability | 8,541 | – |
| | 27,452 | 17,569 |
| | (23,605) | (13,890) |

**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.

## 25 Financial Instruments continued

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 15 for more information on financial assets that are past due settlement dates.

**Interest rate risk**

The Group finances its operations through a combination of loans (see note 18), and through the generation of cash from operating activities.

The finance charge of the Group for the year to 31 March 2020 of £1,043,000 (2019: £542,000) comprised loan interest & charges of £636,000 (2019: £512,000), and lease finance charges of £401,000 (2019: £nil).

The loans provided by Phoenix SG Limited from 16 March 2018 are a fixed interest loan (5% per annum).

**Foreign exchange risk**

The Group had no material exposure to foreign exchange risk in the year ended 31 March 2020. The Group did have assets and liabilities denominated in foreign currencies relating to USA activities of Mallett Inc. This was deemed as a material exposure to foreign currency risk for 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 deteriorated the Group may require access to additional liquidity.

## 25 Financial Instruments continued

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 2020** | | | | |
| Trade and other payables | 4,023 | 215 | 507 | 4,745 |
| Borrowings | – | – | 14,166 | 14,166 |
| Lease liability | 403 | 407 | 7,731 | 8,541 |
| | 4,426 | 622 | 22,404 | 27,452 |
| **At 31 March 2019** | | | | |
| Trade and other payables | 6,040 | – | – | 6,040 |
| Borrowings | – | – | 11,529 | 11,529 |
| | 6,040 | – | 11,529 | 17,569 |

Included within trade and other payables is an amount of £nil (2019: £155,000) relating to previous customers of certain investment plans which will be payable if the customer chooses not to hold their collectibles or reinvest in other collectibles.

## 26 Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 30). The Group also has a related party relationship with its Directors.

**Transactions between parent and subsidiaries**

The parent company charged management fees of £550,000 in the year to 31 March 2020 (2019: £835,000) to its subsidiaries.

**Transactions between controlling party, parent and subsidiaries**

On 10th September 2018 the Group announced that its subsidiary, Stanley Gibbons Limited had entered into an agreement with Phoenix S.G. Limited (the Group's controlling party) to acquire approximately 1,900 items, for an initial consideration of £5.20m, which is payable in cash to Phoenix SG Limited over the term of the agreement, as and when sales of the items 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. (see note 13)

On 21st February 2020 the Group announced that its subsidiary, Stanley Gibbons Limited had entered into an agreement with Phoenix S.G. Limited to acquire approximately 780 items, for an initial consideration of £1.07m, which is payable in cash to Phoenix SG Limited over the term of the agreement, as and when sales of the items 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. (see note 13)

Details of the loan facility between the Group, its subsidiaries and Phoenix S. G. Limited are disclosed in note 18.

**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.

G E Shircore was appointed a Director on 19 March 2018 and Chief Executive Officer on 4 June 2018. He does not receive any remuneration from the Group. Phoenix Asset Management Partners Limited, Mr Shircore's ultimate

## 26 Identity of related parties continued

employer, is the investment manager to Phoenix S.G. Limited which holds 248,000,000 Ordinary shares representing 58.09% of the Company's issued share capital.

**Year ended 31 March 2020**
H G Wilson, the Group's Chairman, made purchases during the year to the value of £68,530; he had a sales ledger balance of £9,390. Mr Wilson is owed an amount of £4,023 and the net amount outstanding at 31 March 2020 of £5,367. The net amount outstanding at the date of this report was £nil.

G E Shircore made purchases of £768 during the year. There amount outstanding was £nil at 31 March 2020.

M West, a non-Executive director, purchased £277 of goods from the Group during the year. No amount was outstanding at 31 March 2020.

**Year ended 31 March 2019**
H G Wilson made purchases during the year to the value of £49,052; he had a sales ledger balance of £11,333 at the year end.

## 27 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.

**Financial performance and cash flow information**
During the year ended 31 March 2020, the Group sold down further some of the remaining inventory balance from the Interiors division, which offset some of the costs associated in closing the remainder of the division. The financial performance is shown below:

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Revenue | 180 | 250 |
| Expenses | (48) | (176) |
| Profit/(loss) before income tax | 132 | 74 |
| Income tax credit | – | – |
| Profit/(loss) after income tax of discontinued operation | 132 | 74 |
| Gain on disposal of assets | – | – |
| Profit/(loss) from discontinued operation | 132 | 74 |
| Net cash outflow from operating activities | 132 | 74 |
| Net cash – sales proceeds | – | – |
| Net decrease in cash from discontinued operations | 132 | 74 |

## 28 Leases

**Right of use assets and lease liability**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and the new accounting policies that have been applied from 1 April 2019 can be found in note 1. The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

**Adjustments recognised on adoption of IFRS 16**

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%, the discount rate on the Group's borrowings. In the Directors opinion this is the discount rate that the Group would obtain any further borrowings, as this is the discount rate applied to the Phoenix loan (see note 18). Phoenix has secured these borrowings against the Group's assets. Without further security available the Group would be unlikely to secure funding from other sources and therefore the Directors believe the 5% rate applied is the most appropriate basis on which to base the IFRS 16 calculations.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

| | **31 March 2020 £'000** | 31 March 2019 £'000 |
|---|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | – | 8,075 |
| Discounted using incremental borrowing rate at date of initial application | 6,425 | 6,425 |
| Additions to leases in period | 2,962 | – |
| Lease payments | (846) | – |
| **Lease liability recognized in statement of financial position** | 8,541 | 6,425 |
| Of which: | | |
| Current lease liabilities | 810 | 591 |
| Non-current lease liabilities | 7,731 | 5,834 |
| | 8,541 | 6,425 |

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the following types of assets:

| | **31 March 2020 £'000** | 1 April 2019 £'000 |
|---|---|---|
| Properties | 7,762 | 5,691 |

On 4 July 2019, a new lease was signed on the Group's main trading address, Basement to 1st Floor, 399 Strand, London, WC2R 0LX, on that date a liability and right-of-use asset of £2,962,000 was recognised.

## 28 Leases continued

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets – Increased by £5,691,000
- Accruals and deferred income – Decreased by £734,000
- Lease liabilities – Increased by £6,425,000

There was no impact on retained earnings on 1 April 2019

**Impact on segment disclosures and earnings per share**
Adjusted EBITDA, segment assets and segment liabilities for March 2020 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

| | Adjusted EBITDA £'000 | Segment. assets £'000 | Segment liabilities £'000 |
|---|---|---|---|
| Philatelic | 333 | 2,733 | 2,713 |
| Publishing | 29 | 45 | 40 |
| Interiors | 861 | 4,984 | 5,788 |
| | 1,223 | 7,762 | 8,541 |

Right of use asset depreciation of £890,000 was charged in the year. As a result of the adoption of IFRS 16, Earnings per share decreased by 0.04p per share for the year to 31 March 2020.

**Practical expedients applied**
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

## 28 Leases continued

**Minimal future rental payments for sub-let properties**

The Group sub-lets two of its properties in Pall Mall, London and Madison Avenue, New York. At 31 March 2020 the Group had future minimum rental payments receivable under non-cancellable operating leases as follows:

| *Receivable:* | **Land and Buildings 31 March 2020 £'000** | Land and Buildings 31 March 2019 £'000 |
|---|---|---|
| Within one year | 1,230 | 1,200 |
| Between two and five years | 4,623 | 4,664 |
| In five years or more | 2,339 | 3,527 |
| | 8,192 | 9,391 |

## 29 Contingent liabilities

In previous years the Group had significant uncertainty resulting from investment contract guarantees and undertakings given by its subsidiary Stanley Gibbons (Guernsey) Limited. 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 resulted in a significant contingent liability, approximately £54,150,000 at 31 March 2017 (the last accounting date prior to administration), relating to these guarantees and undertakings, which have been removed from the Group and fundamentally limited the exposure of the Group to the related buyback liabilities and associated cash outflows.

On 2 April 2019 the Royal Court of Guernsey ordered that Stanley Gibbons (Guernsey) Limited enter liquidation and the winding up process is continuing but has been delayed by the COVID-19 pandemic.

## 30 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 liquidation)** | 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 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 |
| 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 in rare coins and other collectibles |
| Greenfield Auctions Limited* | England | Ordinary £1 shares | Auctioneer of works on paper |
| The Fine Art Auction Group Limited* | England | Ordinary £0.45 shares<br>Preferred £1 shares<br>Preferred £0.25 shares<br>Deferred £0.25 shares | Auctioneer and valuer 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 |
| 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 being in liquidation

## 31 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.

## 32 Impact of COVID-19 pandemic and global "lockdown" post balance sheet date

The COVID-19 pandemic impact on the Group has been significant. As a result of the "lockdown" imposed in the UK, the Group's retail premises in London were closed. A considerable part of our interaction with customers is face-to-face so the closing of our premises and the cancellation of a number of exhibitions and shows significantly reduced our opportunities to meet with both customers and vendors.

The "lockdowns" also resulted in our employees in both our office locations, London and Hampshire, having to work from home.

To mitigate the impact of the pandemic, the Group adapted its marketing and selling strategy for its dealing and publications operations to focus more on distance selling through its webstore and direct communication with its customers. With the flexible approach of its employees the Group has improved it's on-line and distance selling revenue considerably during the first part of 2020. Our dealing business has a significant inventory from which to trade and has also been able to continue to source material from on-line auctions and its regular dealer network.

However, the impact on the business' retail store and auctions business has been significant. Our retail store remained closed from 24 March to 29 June 2020 and apart from one "stay at home" on-line auction no other auctions will be held until the end of July.

Our sales by nature are volatile as we have a small number of large value transactions where timings can impact on reporting, but there is no doubt that the pandemic has impacted revenue. The Group's revenue from its philatelic, publications and coins business at 12 July 2020 was 34% lower than for the same period in the previous financial year.

The Group has taken mitigating actions to reduce the impact of the lower demand on its operating results and its liquidity. They include:

- Use of the UK government furlough scheme for a number of employees.
- Business rates holiday for a year on the retail premises in London.
- Delayed VAT payments.
- Interest holiday for 4 months to end of July 2020 negotiated with our lender.
- Deferment of pension contributions until August 2020.
- Deferment and some sacrifice of employees and Directors salaries to June 2020.

All of these mitigating actions have resulted in the Group's liquidity position not deteriorating further and not having to drawdown further on its borrowing facilities during this period. The Group has also been able to maintain its long term investment in its digital strategy.

## 32 Impact of COVID-19 pandemic and global "lockdown" post balance sheet date

**continued**

Depending on the duration of the COVID-19 pandemic and the continued negative impact on economic activity the Group might experience further negative impact on its operating results, liquidity position and impairment of its assets. The pandemic is having an impact on the properties that the Group sub-lets in Pall Mall, London and Madison Avenue, New York. Both properties are sub-let to non-essential retailers which have been closed during the "lockdowns". The Group's tenants have not paid rent due during the period which has meant that the Group has not been able to pay rent to the landlords. The Group is currently in negotiations with its tenants and landlords to resolve these matters but there is uncertainty to the outcome of those negotiations and to whether the tenants will continue to occupy the properties in the future. At 31 March 2020 the Group Statement of financial position included leasehold assets of £944,000 and right of use assets of £4,984,000 and lease liabilities of £5,788,000. At 31 March 2020 the Directors believe that these assets are not impaired, however once the outcome of these negotiations is known a further impairment review may be required.

With the ongoing uncertainties in the general economy and the impact on demand for the Group and the implications for its sub-let properties the exact impact on the Groups liquidity is uncertain (see note 2 Going Concern). The Group has £2m of headroom remaining in its facility at 24 July 2020 but will continue to be reliant on the support of its lender. The Group's forecasted performance is likely to see it breach its loan covenants when tested in March 2021.

# Directors' Biographical Details

**Henry George Wilson, Director and Non-executive Chairman**
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 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.

**Anthony Michael Gee FCA, Chief Finance Officer**
Date of Appointment as Director: 1 August 2019.

Anthony Gee graduated in 1990 with a BSc in Accountancy and qualified as a Chartered Accountant with Ernst & Young.

He joined the Stanley Gibbons Group in 2012 and has since held a variety of finance and operational roles, most recently as Group Chief Operating Officer. He was appointed Interim CFO on 29 March 2019 and joined the Board as Chief Finance Officer on 1 August 2019.

Mr Gee is an experienced finance executive having previously held senior positions at Hilton International and latterly at Flying Brands, where he became finance director.

**Louis Emmanuel Castro BSc, BComm (Hons), FCA, Non- Executive Director – Independent**
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.

**Mark West, MBA, Non-Executive Director – Independent**
Date of Appointment as Director: 3 December 2018.

Mark is an experienced retail executive with a proven track record of delivery across a range of product categories and business disciplines. Most recently until June 2018 he was Chief Technology Officer for JAB Luxury GmbH (LABELUX), a European private luxury group, the former owner of Jimmy Choo and Belstaff and shareholder of Bally.

Prior to this, Mark worked for more than 24 years in various senior management and director roles at Harrods as well as working as a Consultant/Advisor for a number of retail brands such as Aquascutum, Burberry, Liberty, Hamleys and Fat Face. He is Chairman of the Remuneration Committee.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of The Stanley Gibbons Group plc ("Company") will be held at 399 Strand, London WC2R 0LX on Thursday 10 September 2020 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 AGM or any adjournment thereof.

**NB: In the light of the continued Government guidance in relation to Covid-19 this year's meeting will take place as a closed meeting and shareholders will not be able to attend in person.**

You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You may request a hard copy proxy form directly from the registrars, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone number: 0371 664 0391).

**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 2020 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 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."

4. "THAT AM Gee, 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 M West, 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 Jeffreys Henry LLP 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 2021; 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),

(d) 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 2021, 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 2021 (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: 29 July 2020

Registered Office Address: 18 Hill Street, St Helier, Jersey JE2 4UA, Channel Islands.

**NOTES:**

1. The AGM will take place as a closed meeting and shareholders will not be able to attend the meeting in person. The Company will make arrangements so that a minimum quorum of shareholders is present and the legal requirements to hold a valid AGM are satisfied.
2. 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 vote on your behalf at a general meeting of the Company.

   Given the restrictions on attendance, in order to ensure that your vote is exercised shareholders who wish to appoint a proxy are encouraged to appoint the Chairman of the meeting as their proxy, rather than a named person who will not be permitted to attend.

   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 0391. Calls are charged at the standard geographic rate and will vary by provider. 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 8th September 2020.
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 appointments, 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 10 September 2020 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 8 September 2020 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 8 September 2020 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.

    As this year's meeting will take place as a closed meeting, shareholders will not be able to attend in person. If you are a shareholder and wish to ask the Board a question on the formal business of the AGM, please email your question to the Company Secretary, rpurkis@stanleygibbons.com by 11.30am on Tuesday 8th September 2020. Answers to questions will be published on our website at: www.stanleygibbonsplc.com/shareholder-information/ as soon as is practicable after the close of the AGM. Additionally shareholders can also view a live stream of the AGM on https://bit.ly/stanleygibbons but will not be able to participate in the meeting or vote using this facility.
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 from the date of this Notice up to the conclusion of the AGM. Due to restrictions, if shareholders wish to inspect any of these documents they should email rpurkis@stanleygibbons.com.

## EXPLANATORY NOTES

**Resolutions 2 – 6: Directors seeking re-election**
The entire Board of Directors comprising Harry Wilson, Graham Shircore, Anthony Gee, Louis Castro and Mark West 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 2020.

**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.

STANLEY GIBBONS
ESTABLISHED 1856

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and

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