



The Stanley Gibbons Group plc

**Interim Report and Accounts
for the six months ended 30 September 2021**

Contents

Page

- 2** Directors and Advisers
- 3** Chairman's Statement
- 4** Chief Executive's Report
- 10** Financial Statements and notes

Directors and Advisers

Directors	H G Wilson G E Shircore K Fitzpatrick L E Castro M West <i>* Independent</i>	Non-Executive Chairman Chief Executive Officer Chief Finance Officer Non-Executive Director* Non-Executive Director*
Company Secretary	K Fitzpatrick	
Registered Office	22 Grenville Street St. Helier Jersey JE4 8PX Tel: +44(0)20 7836 8444	
Company Registration	Registered 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 Finnsgate 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 London EC4A 1JP	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Registrars	Link Market Services (Jersey) Limited Shareholder Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300; from overseas +44(0)37 1664 0300	
Website	Further financial, corporate and shareholder information is available in the investor relations section of the Group's website: www.stanleygibbonsplc.com .	

Chairman's Statement

The last 6 months have seen a slow but steady improvement in the trading environment as the impact of Covid-19 has lessened and mobility has started to increase. We are however not yet back to pre-pandemic conditions.

Over the last 20 months we have had to adapt our working practices to limit the disruption to our business and I am pleased to say that our staff have risen to the challenges. While all our efforts are aimed at achieving sustainable profitability in the near term, we are fortunate in having shareholder support to invest in the Group and take on new business. The purchase of the unique 1c Magenta for £6.3m and the return of Baldwin's auctions are exciting developments described more fully in the Chief Executive's report. Day-to-day we continue to improve our communications with customers both for buying and selling material together with significant enhancements to our websites and data base which have resulted in online sales now representing 18% of total sales.

The results are again affected by several extraordinary items in the period but encouragingly, sales are up 8% to £4.81m for the period (2020 : £4.46m) including an impressive 34% increase in Philatelic sales. This has contributed to a decreased total loss for the period of £0.48m (2020 : £2.22m). An increase in loss per share from continuing operations to 0.35p (2020 : 0.30p) was offset by earnings per share from discontinued operations of 0.23p (2020: (0.22p)). Cash at the end of the period was £1.4m (2020 : £2.5m) with an additional £1.00m remaining under our loan facility with Phoenix.

Corporate overheads have increased by 7% to £1.13m this period (2020 : £1.06m) largely as a result of various government incentives (furlough, rates) falling away together with the reversal of salary waivers and deferrals generously taken by staff during the worst of the pandemic. Additional professional costs have also been incurred during the period particularly in relation to the purchase of the 1c Magenta. Staff numbers have remained largely unchanged, and we continue to benefit from the highly regarded stamp and coin specialists who are key to our future plans. I am pleased to welcome Kevin Fitzpatrick who recently joined the Board as Chief Financial Officer, replacing Anthony Gee who is taking on a new corporate role within the Group.

External events have delayed the recovery plan we began implementing 3 years ago but our strategy of developing and investing in the business and our brands remains unchanged. The market for stamps and coins remains strong, particularly so for rarer items where our specialists add significant value, and we continue to see a growing interest from returning and new collectors. We have a number of good things to look forward to, starting with the shop where we have still to see the full benefits of last year's extensive refurbishment. As travel restrictions ease and footfall increases, particularly with foreign visitors, we can expect a strong increase in sales across the counter. Following the successful relaunch of Baldwin's auctions, we look forward to an increasing schedule of auctions and the rebuilding of the Baldwin's brand. I shall also be keenly following our joint venture with Showpiece where the recent launch of fractional ownership of the 1c Magenta generated huge publicity, attracting interest from both collectors and the general public. This innovative technology is particularly appealing to younger collectors who we look forward to welcoming as new customers to Stanley Gibbons.

I would like to thank all our stakeholders for their continued support during this uniquely difficult period. In particular, our staff deserve thanks for their continuing hard work and commitment in a challenging environment. We have set ourselves an ambitious target for next year - I look forward to being able to report that this has been met. Meanwhile, I wish you all a very happy Christmas and a Covid free New Year.

Harry Wilson
Chairman

8 December 2021

Chief Executive's Report

Introduction

This report covers what has once again been an eventful 6 months in the history of our two wonderful brands.

Throughout the pandemic we reiterated our intentions not to postpone or slow down the development of and investment in those things which we felt were necessary to give us the best opportunity to get this business back to sustained, significant and profitable long-term growth.

With the worst impacts of the pandemic hopefully behind us and many of the necessary foundations in place, we now move into a period where the time, effort and investment of previous years needs to be justified.

With this in mind, there are two specific developments on which I wish to focus, not only due to their importance in their own right but also for what they represent in terms of where we are and the ongoing long-term commitment of all concerned.

The first of these was the return to full control of our Baldwin's auction business following the early termination of the joint venture agreement we were previously in. While it did not come in this fiscal half, the first auction back at 399 Strand was a major success and needs to be a building block from which we can re-establish this part of the business alongside our dealing business.

It is also reflective of an increasing focus on the auction business for Stanley Gibbons, an area where our competitive strengths give us a significant advantage over the majority of our peers but for reasons which I find hard to explain, had been neglected and not given the focus it deserved for many, many years.

The second was of course our purchase of the world's most valuable stamp which is now exhibited at our store on the Strand. Ever since my first days here, I have heard from almost everybody involved with the hobby about the need to try and raise its profile and appeal to new collectors, yet collectively there seems to have been very little done to try and achieve this.

In combination with the first of its kind offering of fractional ownership of this iconic item, the level of publicity around the hobby in recent months in mainstream channels has dwarfed anything we have seen in recent years, something which we believe can only be a good thing.

It is also representative of an increasing belief that the use of modern technology and changing collector behaviour more broadly provides us with a wonderful opportunity with which we can make fundamental strides in attracting new collectors while simultaneously improving the experience of existing hobbyists.

Our underlying desire to make rapid and meaningful advances in terms of both the business and the hobbies which we serve will require a significant level of dedication and hard work just as getting us to this point has done and I wish to thank everybody within the Group for their efforts so far.

Operating Review

The Covid-19 pandemic continued to impact the results for the 6 months to 30 September 2021. Although restrictions were lifted in July, the first quarter of the year was still impacted from the restrictions that were put in place in early 2021. The Group's performance has benefited from the looser operating restrictions but there is still a lingering impact on the Group's performance. The table below summarised the performance of the operating divisions for the period.

Chief Executive's Report

continued

Continuing Operations

	6 months to 30 Sep 2021		6 months to 30 Sep 2020		12 months to 31 Mar 2021	
	Sales £000	Profit/ (Loss) £000	Sales £000	Profit/ (Loss) £000	Sales £000	Profit/ (Loss) £000
Philatelic	2,397	44	1,783	(60)	4,791	(71)
Publishing	789	(71)	868	(50)	1,989	102
Coins & medals	1,560	104	1,747	167	3,335	321
Legacy interiors property	63	(46)	64	(47)	119	84
Other & corporate overheads	–	(1,129)	–	(1,059)	–	(2,193)
Net finance charges on borrowings*	–	(467)	–	(109)	–	(462)
Trading sales and losses	4,809	(1,565)	4,462	(1,158)	10,234	(2,219)
Amortisation of customer lists	–	(94)	–	(120)	–	(240)
Finance charges related to pensions	–	–	–	–	–	(135)
Exceptional operating income/(charges)	–	178	–	–	–	(21)
Group sales and loss from continuing operations	4,809	(1,481)	4,462	(1,278)	10,234	(2,615)

* excludes IFRS16 interest costs.

Philatelic

The Philatelic division reflects the results for our stamp dealing, retail and auctions business. Total sales for the division were 34% up at £2,397,000 compared to £1,783,000. The auction commissions were 61% ahead of the prior year and dealing division sales were 26% ahead of 2020. The number of auctions held was higher than last year and the hammer achieved and sell through rates were better. The Philatelic business has benefitted the most from the easing of the Covid-19 restrictions. Margins at 44% (2020: 51%) were lower than those achieved in prior year. However the division generated a profit of £44,000 (2020: loss £60,000).

Publishing

The publications division benefited from customers who began to return to the hobby during the "lockdown" period in spring 2020. Therefore it was always anticipated that the same period in 2021 would not be as strong. Revenue for the 6 months to 30 September 2021 was £789,000 (2020: £868,000), 9% lower. The loss in the period was £71,000 compared to £50,000. We continue to populate the stamp database and will produce all four of our main catalogue titles and release some of our country titles in the financial year. There are also new stamp album and accessory products which will be released in the second half of the year to enhance our product range.

Chief Executive's Report

continued

Coins & Medals

Sales at £1,560,000 (2020: £1,747,000) were 11% down on the prior year. This was a result of fewer fixed price list during the first half year as the business geared up to hold its first auction in October 2021. The margin was stronger in the first six months of the year at 30% compared to 26% in the prior period. Overheads are higher as they include the development costs of the auctions and some of the early marketing costs relating to the launch. As a result profit has fallen from £167,000 to £104,000.

Legacy interiors

The property lease at Pall Mall, that the Group sub-let was surrendered on 3 September 2021. At 31 March 2021 the Group carried a right of use asset of £1,352,000 and a lease liability of £1,500,000. On surrender of the lease an exceptional gain was released to the income statement of £170,000.

Corporate Overheads

Corporate overheads in the six months to 30 September 2021 increased to £1,129,000 compared to £1,059,000 in the previous period. Some of the increase was a result of the reversal of some of the cost benefits that were provided in 2020 to ease the burden of the pandemic on businesses. Furlough receipts were lower and rates higher in the current year and the prior year also saw salary waivers and deferrals taken by the Groups employees. In 2021 there were additional professional fees as a result of the corporate activity related to the purchase of the 1c Magenta and some other corporate matters.

Exceptional operating income

Exceptional income in the six months to 30 September 2021 of £178,000 comprised of £170,000 relating to the surrender of the Pall Mall lease, £54,000 relating to the amendments to the lease in 399 Strand offset by £46,000 of costs relating to litigation and other legal and corporate matters.

Net finance charges on borrowings

The cost of borrowing, excluding IFRS 16 lease interest, in the six months to 30 September 2021 was £467,000 (2020: £109,000). Due to the impact of the COVID-19 pandemic on the Group's cashflow, Phoenix S.G. Limited waived the interest cost on the loan for the 4 months from April to July 2020. The six months to 30 September 2021 also includes an additional amount of £93,000 relating to interest required to be calculated by IFRS 9 on the interest-free 1c Magenta loan (see note 8).

Discontinued operations

The Company's wholly owned subsidiary Mallett Inc (Mallett) has been involved in a legal dispute regarding a leasehold property in New York which it sub-let as described in the Company's Annual Report announced on 10 August 2021. In August 2021 Mallett reached a settlement agreement with the tenant which terminated their tenancy. Mallett has been unable to negotiate a settlement with the landlord for the outstanding rental arrears and has been unable to negotiate early termination of the lease. On 15 September, following advice from its US attorneys, the Directors of Mallett agreed to enter Mallett into a Chapter 11 bankruptcy process in the United States.

Chief Executive's Report

continued

On 15 September Mallett had approximately \$3.5m in cash and owed approximately \$1.4m to the landlord, as well as owing large amounts to other Group companies. The bankruptcy process will allow Mallett to liquidate the assets in order of priority required by the US federal bankruptcy code, with timing and amounts paid to creditors approved by the New York Bankruptcy Court before distributions are made. There is no update as to when this will be completed.

As a result of the filing for Chapter 11 the Directors consider they have lost control of the subsidiary and have accounted for Mallett as a discontinued operation. In the period ended 30 September 2021 profit from discontinued operations was £1.0m (2020: loss £0.9m). See note 9 for further details.

Funding & Cash Flow

As at the balance sheet date the Group had cash balances of £1.4m and a loan of £16.0m repayable in March 2023. Mallett Inc is a cross-guarantor of the loan and as a result of Mallett entering a Chapter 11 bankruptcy the Group is in default of this loan. This loan is due to Phoenix S. G. Limited, the Group's controlling shareholder. The Group's Directors requested and have received from Phoenix S.G. Limited a signed letter of intent stating their intention not to call in the loans and to continue to support the Group. This letter is consistent with the support that Phoenix have offered throughout their involvement as lender to the Group but is not a waiver of the default and the loan facility is payable on demand. At 30 September 2021 there was £1m headroom remaining on the facility.

The Group has a further loan which was taken out by the Company's subsidiary, Stanley Gibbons Limited. This loan was used to purchase the 1c Magenta and the stamp acts as security for this loan. The amount outstanding at 30 September 2021 is £6.6m

Net cash outflows from operating activities for the six months ended 30 September 2021 were £5.9m (2020: £0.2m inflow). The majority of this outflow related to the £6.3m purchase of the 1c Magenta. The purchase of the stamp was funded by a £6.5m loan from Phoenix S.G. Limited

As a result of the Chapter 11 process entered by Mallett Inc the Group has lost control of £2.5m of cash relating to that subsidiary (see note 9). Depending on the agreed liability position some of this cash should be returned to the Group through the Chapter 11 process.

As at 26 November 2021 the Group had net cash balances of £0.8m and £1.0m of headroom remaining on the facility, although £0.5m of the facility had been requested by the Group. Repayments on the loan for the purchase of the 1c Magenta to 26 November 2021 amounted to £0.99m.

Going Concern

The Group's forecasts shows that it will remain within current loan facility limits for the foreseeable future, although this will exhaust the headroom in the Group's current lending facilities. The Directors have built the forecasts based on current trading trends, including loosening of restrictions related to the Covid-19 pandemic, and historical knowledge of the business, the Directors recognise that its forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

Chief Executive's Report

continued

Going Concern (continued)

The Covid-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The impact of the pandemic and particularly the restrictions imposed by governments have over the past 12 months impacted the financial performance of parts of the Group's operations and could do so again if restrictions are re-imposed. The Directors have mitigating courses of actions which are available to them to limit the impact of the restrictions including operating cost initiatives, the faster sell down of Group's large inventory holding and approaching lenders for further short term funding.

The Directors are also fully aware of the potential impacts on the business from potential unsuccessful defense of the litigation in the Guernsey courts. The Directors are also aware of the uncertainty surrounding the outcome of the Mallett Inc Chapter 11 process. The Directors have gathered information from the Group's advisors to understand the risk and uncertainties arising as a result of these matters. These matters are not directly in the control of the Directors and the Directors have therefore made their judgment based on the evidence provided to them when assessing the impact on the going concern assumption.

The Group's loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and the loans, excluding the loan for the 1c Magenta, fall due for repayment in March 2023. The Group is currently in default of the loans due to Mallett Inc, a cross-guarantor of the facility, being in Chapter 11 bankruptcy proceedings, and therefore the loan is repayable on demand. The Group would have been in default of the financial covenants at 31 March 2021, which would result in the loan becoming payable on demand. On 24 March 2021, the Group sought and was granted a waiver from Phoenix S.G. Limited for the above defaults. The forecast, taking into account the implications on the Group's demand of the Covid-19 pandemic, shows the Group will fail to meet its financial covenants in March 2022.

The Directors recognise that Phoenix S. G. Limited has granted the waiver of the defaults, stating that it intends to be a long term investor. Phoenix S.G. Limited is the Group's controlling party with an interest of just over 58%, has granted a waiver of interest for the period April to July 2020 and has provided £6,500,000 of funds for the purchase of the British Guiana 1c Magenta. The Director's were provided with a letter of support by Phoenix S.G. Limited when Mallett Inc entered Chapter 11 and also a further letter of support was provided on 6 December 2021 to the Directors giving an undertaking that Phoenix S.G. Limited would continue to support the Group whilst the refinancing negotiations continue. From this the Director's have drawn the conclusion that Phoenix S.G. Limited has given no indication that it would withdraw its support before March 2023 when the loan facility is repayable.

The Directors have commenced discussion with its long term creditors, including pension trustees and Phoenix S.G. Limited. This will include discussions to review its long term capital requirements and reduce its longer term liabilities and will be actively engaging with its lenders and pension trustees over the next 6 months. The Director's realise that the discussions are reliant on agreement with third parties and outcomes are uncertain. However, the longer term creditors have been supportive of the Group during the past 12 months and there is no indication that they will not continue to do so.

In view of all of the above, the Directors believe there is a material uncertainty relating to the Group's position as a going concern. However, having regard to all of the matters above, and after making all reasonable enquiries, the Directors currently have a reasonable expectation that the Company and the Group will 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.

Chief Executive's Report

continued

Litigation

As previously reported in the Annual Report and Accounts 31 March 2021, the Group received a letter before action from a previous investor of Stanley Gibbons (Guernsey) Limited (In liquidation). The Group sought counsel opinion which stated the claim was without merit, and the Group responded to the investor rejecting the claims in the letter.

On 24 September 2021 this matter was filed as a claim by the investor against the Company in the courts of Guernsey. The Group has opted to defend this claim. The value of the claim is approximately £1.1m plus interest and costs. The Group has sought counsel opinion in Guernsey which supports the opinion of the UK counsel and agrees there are good prospects of successfully defending the claim. Therefore, based on these opinions the Directors have concluded not to make any provision for settlement at the balance sheet date.

Dividend

The Directors do not recommend an interim dividend for the six months ended 30 September 2021 (2020: £nil).

Outlook

Someone once gave me a valuable piece of advice, 'if you give a target, don't give a timeframe and if you give a timeframe, don't give a target'.

In talking about a business which is constantly developing and is as variable as ours, we should almost certainly heed this advice.

However, at the risk of not learning from the mistakes of others – our favourite type of mistakes as they cost us nothing – and having ignored it last year, I will do so once again: For the first time in many years, we aim to become a sustainably cash positive business within the next six months.

In one sense this merely represents another waypoint on our journey. Our focus on continuing to invest in and grow the business over the long term will be unchanged, however, in the context of the last 5-10 years, it is an important milestone and we will be working extremely hard towards it.

Graham Shircore

Chief Executive Officer

8 December 2021

Condensed statement of comprehensive income

for the 6 months ended 30 September 2021

		6 months to 30 Sep 2021 (unaudited)	6 months to 30 Sep 2020 (unaudited) restated	12 months to 31 Mar 2021 (audited) restated
	Notes	£'000	£'000	£'000
Revenue	3	4,809	4,462	10,234
Cost of sales		(2,742)	(2,481)	(6,044)
Gross Profit		2,067	1,981	4,190
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(1,545)	(1,534)	(3,242)
Defined benefit pension service cost		–	–	(135)
Exceptional operating income/(charges)	3	178	–	(21)
Total administrative expenses		(1,367)	(1,534)	(3,398)
Selling and distribution expenses		(1,621)	(1,513)	(2,774)
Operating Loss		(921)	(1,066)	(1,982)
Finance income		–	9	10
Finance costs		(560)	(221)	(678)
Share of net profits of joint venture		–	–	35
Loss before tax		(1,481)	(1,278)	(2,615)
Taxation	4	–	–	78
Loss from continuing operations		(1,481)	(1,278)	(2,537)
Profit/(loss) from discontinued operations	9	1,000	(931)	(1,380)
Loss for the financial period/year		(481)	(2,209)	(3,917)
Other comprehensive income:				
Exchange differences on translation of foreign operations		49	(8)	(30)
Actuarial gains recognised in the pension scheme		–	–	(741)
Other comprehensive income/(loss) for the period/year, net of tax		49	(8)	(771)
Total comprehensive loss for the period/year		(432)	(2,217)	(4,688)
Earnings per share – continuing operations				
Basic loss per Ordinary Share	5	(0.35)p	(0.30)p	(0.59)p
Diluted loss per Ordinary Share	5	(0.35)p	(0.30)p	(0.59)p
Earnings per share – discontinued operations				
Basic earnings per Ordinary Share	5	0.23p	(0.22)p	(0.32)p
Diluted earnings per Ordinary Share	5	0.23p	(0.22)p	(0.32)p

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

Condensed statement of financial position

as at 30 September 2021

	Notes	30 Sep 2021 (unaudited) £'000	30 Sep 2020 (unaudited) £'000	31 Mar 2021 (audited) £'000
Non-current assets				
Intangible assets		4,931	5,056	4,985
Property, plant and equipment		1,549	1,639	1,600
Right-of-use assets		2,221	7,279	6,796
Deferred tax asset		216	158	216
Investments		37	39	37
		8,954	14,171	13,634
Current assets				
Inventories	8	22,543	17,043	15,963
Trade and other receivables		1,382	1,601	2,045
Cash and cash equivalents		1,394	2,524	2,090
		25,319	21,168	20,098
Total assets		34,273	35,339	33,732
Current liabilities				
Trade and other payables		4,221	4,532	4,666
Lease liability		238	1,225	1,780
Borrowings	9	16,012	–	–
		20,471	5,757	6,446
Non-current liabilities				
Borrowings	8	6,593	14,284	14,638
Lease liability		2,242	7,333	6,932
Retirement benefit obligations	10	6,370	6,202	6,687
Trade and other payables		–	263	–
		15,205	28,082	28,257
Total liabilities		35,676	33,839	34,703
Net (liabilities)/assets		(1,403)	1,500	(971)
Equity				
Called up share capital		4,269	4,269	4,269
Share premium account		78,217	78,217	78,217
Share compensation reserve		225	2,122	225
Capital redemption reserve		38	38	38
Revaluation reserve		346	346	346
Retained earnings		(84,498)	(83,492)	(84,066)
Equity shareholders' (deficit)/funds		(1,403)	1,500	(971)

Condensed statement of changes in equity

for the 6 months ended 30 September 2021

	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 2021	4,269	78,217	225	346	38	(84,066)	(971)
Loss for the period	-	-	-	-	-	(481)	(481)
<i>Amounts which may be subsequently reclassified to profit & loss</i>							
Exchange differences on translation of foreign operations	-	-	-	-	-	49	49
Total Comprehensive loss	-	-	-	-	-	(432)	(432)
At 30 September 2021	4,269	78,217	225	346	38	(84,498)	(1,403)
At 1 April 2020	4,269	78,217	2,122	346	38	(81,275)	3,717
Loss for the period	-	-	-	-	-	(2,209)	(2,209)
<i>Amounts which may be subsequently reclassified to profit & loss</i>							
Exchange differences on translation of foreign operations	-	-	-	-	-	(8)	(8)
Total Comprehensive loss	-	-	-	-	-	(2,217)	(2,217)
At 30 September 2020	4,269	78,217	2,122	346	38	(83,492)	1,500
At 1 April 2020	4,269	78,217	2,122	346	38	(81,275)	3,717
Loss for the financial year	-	-	-	-	-	(3,917)	(3,917)
<i>Amounts which may be subsequently reclassified to profit & loss</i>							
Exchange differences on translation of foreign operations	-	-	-	-	-	(30)	(30)
<i>Amounts which will not be subsequently reclassified to profit & loss</i>							
Remeasurement of pension scheme net of deferred tax	-	-	-	-	-	(741)	(741)
Total comprehensive loss	-	-	-	-	-	(4,688)	(4,688)
Share option transfer	-	-	(1,882)	-	-	1,882	-
Cost of share options	-	-	(15)	-	-	15	-
At 31 March 2021	4,269	78,217	225	346	38	(84,066)	(971)

Condensed statement of cash flows

for the 6 months ended 30 September 2021

	Notes	6 months to 30 Sep 2021 (unaudited) £'000	6 months to 30 Sep 2020 (unaudited) £'000	12 months to 31 Mar 2021 (audited) £'000
Cash (outflow)/inflow from operating activities	6	(5,389)	560	259
Interest paid		(560)	(320)	(877)
Taxes paid		–	–	19
Net cash (outflows)/inflows from operating activities		(5,949)	240	(599)
Investing activities				
Purchase of property, plant and equipment		(2)	(285)	(299)
Purchase of intangible assets		(79)	(59)	(150)
Investment in joint venture		–	–	2
Cash outflow on loss of control of discontinued operation		(2,520)	–	–
Interest received		–	9	10
Net cash used in investing activities		(2,601)	(335)	(437)
Financing activities				
Principal elements of lease elements		(113)	18	171
Net borrowings		7,967	118	472
Net cash generated from financing activities		7,854	136	643
Net (decrease)/increase in cash and cash equivalents		(696)	41	(393)
Cash and cash equivalents at start of period		2,090	2,483	2,483
Cash and cash equivalents at end of period		1,394	2,524	2,090

Notes to the Condensed Financial Statements

for the 6 months ended 30 September 2021

1 Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as approved for use in the European Union applied in accordance with the provisions of Companies (Jersey) Law 1991 on a historical basis except where otherwise indicated.

Going concern assumption

The Group's forecasts shows that it will remain within current loan facility limits for the foreseeable future, although this will exhaust the headroom in the Group's current lending facilities. The Directors have built the forecasts based on current trading trends, including loosening of restrictions related to the Covid-19 pandemic, and historical knowledge of the business, the Directors recognise that its 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 and particularly the restrictions imposed by governments have over the past 12 months impacted the financial performance of parts of the Group's operations and could do so again if restrictions are re-imposed. The Directors have mitigating courses of actions which are available to them to limit the impact of the restrictions including operating cost initiatives, the faster sell down of Group's large inventory holding and approaching lenders for further short term funding.

The Directors are also fully aware of the potential impacts on the business from potential unsuccessful defense of the litigation in the Guernsey courts. The Directors are also aware of the uncertainty surrounding the outcome of the Mallett Inc Chapter 11 process. The Directors have gathered information from the Group's advisors to understand the risk and uncertainties arising as a result of these matters. These matters are not directly in the control of the Directors and the Directors have therefore made their judgment based on the evidence provided to them when assessing the impact on the going concern assumption.

The Group's loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and the loans, excluding the loan for the 1c Magenta, fall due for repayment in March 2023. The Group is currently in default of the loans due to Mallett Inc, a cross-guarantor of the facility, being in Chapter 11 bankruptcy proceedings, and therefore the loan is repayable on demand. The Group would have been in default of the financial covenants at 31 March 2021, which would result in the loan becoming payable on demand. On 24 March 2021, the Group sought and was granted a waiver from Phoenix S.G. Limited for the above defaults. The forecast, taking into account the implications on the Group's demand of the Covid-19 pandemic, shows the Group will fail to meet its financial covenants in March 2022.

Notes to the Condensed Financial Statements

continued

1 Basis of preparation continued

Going concern assumption continued

The Directors recognise that Phoenix S. G. Limited has granted the waiver of the defaults, stating that it intends to be a long term investor, it is the Group's controlling party with an interest of just over 58%, has granted a waiver of interest for the period April to July 2020 and has provided £6,500,000 of funds for the purchase of the British Guiana 1c Magenta. The Director's were provided with a letter of support by Phoenix S.G. Limited when Mallett Inc entered Chapter 11 and also a further letter of support was provided on 6 December 2021 to the Directors giving an undertaking that Phoenix S.G. Limited would continue to support the Group whilst the refinance negotiations continue. From this the Director's have drawn the conclusion that Phoenix S.G. Limited has given no indication that it would withdraw its support before March 2023 when the loan facility is repayable.

The Directors have commenced discussion with its long term creditors, including pension trustees and Phoenix S.G. Limited. This will include discussions to review its long term capital requirements and reduce its longer term liabilities and will be actively engaging with its lenders and pension trustees over the next 6 months. The Director's realise that the discussions are reliant on agreement with third parties and outcomes are uncertain. However, the longer term creditors have been supportive of the Group during the past 12 months and there is no indication that they will not continue to do so.

In view of all of the above, the Directors believe there is a material uncertainty relating to the Group's position as a going concern. However, having regard to all of the matters above, and after making all reasonable enquiries, the Directors currently have a reasonable expectation that the Company and the Group will 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.

Discontinued operations

As a result of Mallett Inc entering a Chapter 11 process in the United States the Directors consider they have lost control of the subsidiary and have accounted for Mallett Inc as a discontinued operation. As a result of this the prior year comparative income statement for the period ended 30 September 2020 and for the year ended 31 March 2021 have been restated.

2 Significant accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2021.

Notes to the Condensed Financial Statements

continued

3 Segmental analysis

As outlined in the Operating Review the company has four main business segments, as shown below. This is based upon the Group's internal organisation and management structure and is the primary way in which the Board of Directors is provided with financial information.

Segmental income statement	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Legacy Interiors £'000	Unallocated £'000	Total £'000
6 months to 30 September 2021						
Sale of goods	1,947	612	1,560	–	–	4,119
Sale of services (inc Commissions)	428	139	–	–	–	567
Other income	22	38	–	63	–	123
Revenue	2,397	789	1,560	63	–	4,809
Operating costs	(2,353)	(860)	(1,456)	(77)	(1,162)	(5,908)
Exceptional costs	–	–	–	170	8	178
Net finance costs	–	–	–	(32)	(528)	(560)
Profit/(loss) before tax	44	(71)	104	124	(1,682)	(1,481)
Tax	–	–	–	–	–	–
Profit/(loss) for the period from continuing operations	44	(71)	104	124	(1,682)	(1,481)
6 months to 30 September 2020 (restated)						
Sale of goods	1,488	714	1,747	–	–	3,949
Sale of services (inc Commissions)	293	154	–	–	–	447
Other income	2	–	–	64	–	66
Revenue	1,783	868	1,747	64	–	4,462
Operating costs	(1,843)	(918)	(1,580)	(75)	(1,112)	(5,528)
Exceptional costs	–	–	–	–	–	–
Net finance costs	–	–	–	(36)	(176)	(212)
Profit/(loss) before tax	(60)	(50)	167	(47)	(1,288)	(1,278)
Tax	–	–	–	–	–	–
Profit/(loss) for the period from continuing operations	(60)	(50)	167	(47)	(1,288)	(1,278)
12 months to 31 March 2021 (restated) (restated)						
Sale of goods	4,046	1,566	3,292	–	–	8,904
Sale of services (inc Commissions)	713	354	–	–	–	1,067
Other income	32	69	43	119	–	263
Revenue	4,791	1,989	3,335	119	–	10,234
Operating costs	(4,862)	(1,887)	(3,014)	39	(2,436)	(12,160)
Exceptional costs	–	(21)	–	–	–	(21)
Net finance costs	–	–	–	(352)	(316)	(668)
Profit/(loss) before tax	(71)	81	321	(194)	(2,752)	(2,615)
Tax	(13)	–	91	–	–	78
Profit/(loss) for the period from continuing operations	(84)	81	412	(194)	(2,752)	(2,537)

Notes to the Condensed Financial Statements

continued

3 Segmental analysis continued

Geographical Information

Analysis of revenue by origin and destination

	6 months to 30 Sep 2021	6 months to 30 Sep 2021	6 months to 30 Sep 2020	6 months to 30 Sep 2020	12 months to 31 Mar 2021	12 months to 31 Mar 2021
	Sales by destination	Sales by origin	Sales by destination	Sales by origin	Sales by destination	Sales by origin
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	3,602	4,809	3,253	4,462	6,701	10,234
Channel Islands	2	–	8	–	893	–
Europe	234	–	255	–	518	–
North America	465	–	534	–	1,304	–
Asia	368	–	320	–	568	–
Rest of the World	138	–	92	–	250	–
	4,809	4,809	4,462	4,462	10,234	10,234

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.

During the six months to 30 September 2021 there was a £178,000 of exceptional income. The surrender of the Pall Mall lease to the Group's sub-tenant at £nil cost to the Group, created a £170,000 credit to the income statement. At 31 March 2021 the Group carried a right of use asset of £1,352,000 and a lease liability of £1,500,000.

The Group agreed with its landlord a revised rental agreement for the period to 31 March 2022 based on an element of fixed rent and turnover rent which resulted in a £54,000 credit to the profit and loss as a result of the revised lease terms.

£46,000 of exceptional costs relating to legal & professional costs for both litigation and corporate matters regarding to the stamp purchase were incurred in the period to 30 September 2021.

4 Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on a full provision basis in respect of all temporary differences which have originated, but not reversed at the balance sheet date.

Notes to the Condensed Financial Statements

continued

5 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. 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.

	6 months to 30 Sep 2021 (unaudited)	6 months to 30 Sep 2020 (unaudited) Restated	12 months to 31 Mar 2021 (audited) Restated
Weighted average number of ordinary shares in issue (No.)	426,916,643	426,916,643	426,916,643
Dilutive potential ordinary shares: Employee share options (No.)	–	–	–
Continuing operations			
Loss after tax (£'000)	(1,481)	(1,278)	(2,537)
Pension service costs (net of tax)	–	–	109
Amortisation of customer lists (net of tax)	94	120	194
Exceptional operating costs (net of tax)	(178)	–	17
Adjusted loss after tax (£'000)	(1,565)	(1,158)	(2,217)
Basic loss per share – pence per share	(0.35)p	(0.30)p	(0.59)p
Diluted loss per share – pence per share	(0.35)p	(0.30)p	(0.59)p
Adjusted loss per share – pence per share	(0.37)p	(0.27)p	(0.52)p
Adjusted diluted loss per share – pence per share	(0.37)p	(0.27)p	(0.52)p
Discontinued operations			
Profit/(loss) after tax (£'000)	1,000	(931)	(1,380)
Profit/(loss) per share – pence per share	0.23p	(0.22)p	(0.32)p
Diluted profit/(loss) per share – pence per share	0.23p	(0.22)p	(0.32)p

Notes to the Condensed Financial Statements

continued

6 Cash outflows from operating activities

	6 months to 30 Sep 2021 (unaudited) £'000	6 months to 30 Sep 2020 (unaudited) £'000	12 months to 31 Mar 2021 (audited) £'000
Operating loss (including discontinued operations)	80	(1,898)	(3,163)
Depreciation of tangible assets	53	91	145
Depreciation of right of use assets	423	483	966
Amortisation of intangible assets	134	173	335
Impairment of property, plant and equipment	–	930	930
Income from joint venture	–	–	35
Loss on sale of discontinued operations	875	–	–
Gain on surrender of lease	(169)	–	–
IFRS16 lease amendments gain	(55)	–	–
Decrease in provisions	(317)	(87)	(343)
Net exchange differences	(38)	(8)	(29)
(Increase)/Decrease in inventories	(6,580)	471	1,550
Decrease/(increase) in trade and other receivables	644	356	(88)
(Decrease)/Increase in trade and other payables	(439)	49	(79)
Cash inflows/(outflows) from operating activities	(5,389)	560	259

At 30 September 2021 the cash balance includes £384,000 (2020: £434,000) of funds held on behalf of third party clients and auction vendors for amounts that are due on items sold by the Group on their behalf.

7 Agreement with Phoenix S. G. Limited ("Phoenix SG")

On 10 September 2018 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered into 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.

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 30 September 2021 of the initial items totalling £5.20m, £4.02m (2020: £4.29m) remained unsold.

Notes to the Financial Statements

continued

7 Agreement with Phoenix S. G. Limited ("Phoenix SG") continued

On 21 February 2020 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") 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 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 30 September 2021 of the initial items totalling £1.07m, £0.84m (2020: £1.07m) remained unsold.

8 Purchase of 1c Magenta

On 8 June 2021, Stanley Gibbons Limited purchased the world's most famous and valuable stamp - the 1856 1c Magenta from British Guiana - the only one in existence. The 1c Magenta was purchased at auction in the USA for a total consideration of \$8.3m (£6.3m – including buyer's premium and overhead fee).

On 29 June 2021, the Group agreed a loan of £6.5m with Phoenix S.G. Limited, the Group's majority shareholder and lender, to finance the purchase through an interest free loan from Phoenix S.G. Ltd (PSG). The material terms of the loan are as follows:

- Interest free with 50% of any profit made on the sale of the item due to PSG
- Secured solely against the item with no further recourse to any group companies (see note 12)
- An initial 5-year term, which can be extended by agreement between the parties
- If the item is unsold at maturity, the loan can be settled through return of the item to PSG
- If the item is sold for less than the outstanding value of the loan, the net proceeds of the sale will be deemed to be sufficient consideration to satisfy the loan obligation in full
- Sale of the item requires PSG approval.

As required under IFRS9 – Financial Instruments the profit element of the future sales requires interest on the loan to be calculated on assumptions regarding future sales over the life of the loan. The calculated finance costs has been based on sales assumptions calculated by the management which results in an estimated interest rate for the loan of 5.88%. This has resulted in a finance charge of £93,000 being charge in the period to 30 September 2021. The loan balance outstanding at 30 September 2021 is £6,593,000. Loan repayments to 26 November 2021 amounted to £0.99m.

Notes to the Financial Statements

continued

9 Discontinued operations – Mallett Inc

The Company's wholly owned subsidiary Mallett Inc (Mallett) has been involved in a legal dispute regarding a leasehold property in New York which it sub-let. In April 2020 Mallett's tenant ceased paying the rent, which in turn meant that Mallett was unable to pay the landlord. In August 2021 Mallett reached a settlement agreement with the tenant which terminated their tenancy. Mallett has been unable to negotiate a settlement with the landlord for the outstanding rental arrears and has been unable to negotiate early termination of the lease. On 15 September 2021, following advice from its US attorneys, the Directors of Mallett agreed to enter Mallett into a Chapter 11 process in the United States.

On 15 September 2021 Mallett had approximately \$3,500,000 in cash and owed approximately \$1,400,000 to the landlord. The landlord continues to pursue litigation to recover the outstanding rent but discussions continue to agree a settlement. Mallett also owed significant amounts to other Group companies. The bankruptcy process will allow Mallett to liquidate the assets in order of priority required by the US federal bankruptcy code, with timing and amounts paid to creditors approved by the New York Bankruptcy Court before distributions are made.

As a result of the filing for Chapter 11 the Directors consider they have lost control of the subsidiary and have accounted for Mallett as a discontinued operation. As a result of this the prior year comparative income statement for the period ended 30 September 2020 and for the year ended 31 March 2021 have been restated.

Financial performance and cash flow information

	6 months to 30 Sep 2021 £'000	6 months to 30 Sep 2020 £'000	12 months to 31 March 2021 £'000
Revenue*	2,220	543	587
Expenses	(345)	(1,474)	(1,967)
Profit/(loss) before and after tax	1,875	(931)	(1,380)
Loss on change of control of subsidiary	(875)	–	–
Profit/(loss) from discontinued operations**	1,000	(931)	(1,380)
Net cash flow from operations	2,092	413	319
Net cash on disposal	(2,520)	–	–
Net cash flow from discontinued operations	(428)	413	319

* includes lease settlement proceeds

** 30 September 2020 includes £10,000 profit from legacy disposal and £87,000 for the year to 31 March 2021

Notes to the Financial Statements

continued

9 Discontinued operations – Mallett Inc continued

Details of the sale of assets

Details of the assets disposed of and the detail of the balance sheet at 15 September 2021 are shown below

	30 Sep 2021 £'000
Consideration received	
Cash consideration	(2,520)
Amount of net (assets)/liabilities sold	1,645
Loss on sale	(875)
	30 Sep 2021 £'000
Right of use asset	2,623
Debtors	41
Total assets	2,664
Trade and other payables	(27)
Lease liabilities	(4,282)
Total liabilities	(4,309)
Net liabilities	(1,645)

Impact on the Group's Borrowings

Mallett is a cross guarantor of the Group's finance facilities with Phoenix S.G. Limited, the Group's 58.09% majority shareholder and principal lender. As a result of Mallett entering Chapter 11 bankruptcy proceedings in the United States, the Group is in technical default of its loan facility. As a result of this the loan facility would become immediately due if called by Phoenix and these loans have been shown as current liabilities in the balance sheet at 30 September 2021. The Group's Directors requested and have received from Phoenix S.G. Limited, a signed letter of support stating their intention not to demand immediate repayment of the loans as a result of the Chapter 11 process and to continue to support the Group. This letter is consistent with the support that Phoenix have offered throughout their involvement as lender to the Group but is not a waiver of the default and the loan facility is therefore payable on demand.

10 Pension liabilities

The Group's defined benefit pension liabilities are assessed annually under IAS19 by the actuaries of the scheme. This is performed at the year end date, 31 March 2022.

Notes to the Financial Statements

continued

11 Contingent liabilities

On 5 May 2021 the Group received a letter before action from a previous investor of Stanley Gibbons (Guernsey) Limited (In liquidation). The letter alleged that the Group, in the form of an investment adviser employed by various Group companies had given advice that caused the investor to suffer a loss. The Group responded with a robust defense of the claim. On 24 September 2021 this matter was filed as a claim against the Company in Guernsey. The value of the claim is approximately £1.1m plus interest and costs.

The Group has sought counsel opinion in Guernsey on this and is defending the case. In the Directors' opinion, based on the conclusion reached by counsel, at the balance sheet date there is no requirement for a provision for the amount claimed to be provided for.

12 Post balance sheet events

On 8 November 2021 the Group launched with its technology partner, Showpiece Technologies Limited ("Showpiece") fractional ownership of the 1c Magenta (see note 8). In order to facilitate fractional ownership, the previous chattel mortgage held over the 1c Magenta by the Group's majority shareholder, Phoenix S.G. Ltd was replaced by a fixed charge security over the proportion of the Stamp in which the Company has beneficial interest and any proceeds of sales of fractional entitlements not remitted by the Company to PSG to pay down the loan. The headline terms are however unchanged (see note 8). The loan was amended in order to create the required flexibility and protect purchasers of fractions in the Stamp. The proceeds from the sale of fractions of the Stamp will initially be used to pay down the loan, with any outstanding balance on the loan at the end of the term now able to be satisfied by the pro-rata transfer of any unsold fractions of the Stamp from Stanley Gibbons to the lender.

As part of the process to provide fractional ownership, Stanley Gibbons has also entered into a commercial agreement with Showpiece. Showpiece will provide its services to Stanley Gibbons completely free of charge throughout the life of the agreement.

As part of the agreement with Showpiece and included in the terms and conditions, should the legal and beneficial title to the item be sold in its entirety at some point in the future through a process managed by Showpiece, Showpiece would receive a fee of 2.5% of the gross proceeds payable by the beneficial owners of the Stamp at that time.

On 15 November 2021, Stanley Gibbons Limited, a subsidiary of the Company purchased 20% of the share capital of Showpiece Technologies limited for £2,000 from Phoenix Asset Management (PAMP). The other 80% is contemporaneously being purchased by Castelnau Group plc, a Company controlled by PAMP, for £8,000.

13 Further copies of this statement

Copies of this statement are being sent to shareholders and can be viewed on the Company's website at www.stanleygibbonsplc.com. Further copies are available on request from: The Company Secretary, The Stanley Gibbons Group plc, 399 Strand, London WC2R 0LX.



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