



The Stanley Gibbons Group plc

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THE STANLEY GIBBONS GROUP PLC

(the "Company" or "Stanley Gibbons")

Update

SUMMARY

The Company announces that its wholly owned subsidiary Stanley Gibbons (Guernsey) Limited ("**SG Guernsey**") has today had an administration order granted. It is emphasised that the Company and its other subsidiaries (together the "**Group**") are not in administration, are not counter-party to, and are ring-fenced from, the buy-back guarantees of SG Guernsey. Hence, the Group will be free to continue to trade in the normal course of business without the cash-flow burden of the buy-back guarantees.

Appointment of Administrators to Stanley Gibbons (Guernsey) Limited

- Following consultation with the Company and its bank, SG Guernsey has made an application to the Royal Court of Guernsey for an administration order ("Administration Order") in respect of SG Guernsey and the Administration Order has today been granted in accordance with the laws of Guernsey.
- The effect of the Administration Order is to place the operations of SG Guernsey, which comprises the investment division of the group, in the hands of the appointed joint administrators whose responsibility will now be to establish the liabilities of SG Guernsey (including its indebtedness to the Company) and realise the assets of that company in order to make a distribution to its creditors.
- SG Guernsey's current assets principally comprise approximately £12.6 million of philatelic stock. SG Guernsey's potential liabilities primarily consist of around £54 million contingent liabilities relating to the buy-back guarantees (or "investment products") that were offered by SG Guernsey (under previous management) prior to August 2016 and a further approximate £11 million of liabilities included on its balance sheet. SG Guernsey's liabilities also include outstanding indebtedness owed to the Company, amounting to approximately £6.5 million, which will rank alongside other unsecured creditors, mainly consisting of bank debt and payments due to holders of investment products.
- For the year ended 31 March 2017, the investments division which included SG Guernsey, made total sales of £18.8 million and a divisional profit of £1.0 million, although across this period, the investments division was cash negative due to payments made under the investment plan buy-back obligations.
- The Group's bank (the largest single creditor of SG Guernsey) is aware of the application for an Administration Order and furthermore is looking to provide support to the joint administrators as they work through the administration process.

Trading and Banking Update

- Total bank debt stood at approximately £17.1m as at 16 November 2017 and the Group continues to trade in the ordinary course of business, notwithstanding the administration of SG Guernsey, although trading remains subdued in large part due to legacy issues and, in particular, a continued reduction in investment sales.
- As disclosed in the Company's latest annual report published on 2 October 2017, the Company currently remains in default under its banking facilities and is dependent upon the bank's ongoing support, particularly in the event of material adverse short-term cash movements. The bank has continued to demonstrate this support to the Group in recent months and remains in constructive dialogue around future financing.
- The Company continues to focus on its core philatelic and numismatic businesses and to this end has recently secured the services of Guy Croton as Managing Director of Philately. Guy is well respected following a 22 year career in the industry, the last 15 years at Spink, latterly as Head of The Philatelic Division.
- To date, cash of some £6 million has been generated from the sale of non-core businesses and assets. Only a further approximately £1 million is estimated by the Company's board to remain realisable from this process. Accordingly the Company continues to examine the full array of alternative financing options open to it, so as to provide both short-term liquidity and future investment capital as part of its on going restructuring process and strategic review.

Formal Sale Process ("FSP")

- Since the FSP commenced in June 2017, it has become clear from discussions with numerous interested parties that an offer for the Company as a whole is unlikely to be favourable to shareholders whilst the legacy contingent liabilities remained. However, as the Company is not currently in dialogue with any third party regarding a general offer for the Company's shares, the Board has today determined to terminate the FSP.
- As a consequence of exiting the FSP, the Company is no longer in an offer period for the purposes of the City Code on Takeovers and Mergers (the "Code") and potential offerors for the Company will no longer be granted any dispensation from the requirements of Rules 2.4(a), 2.4(b) and 2.6(a) of the Code and would be subject to the 28 day deadline referred to in Rule 2.6(a) of the Code.

DETAIL

Administration of SG Guernsey

Further to an application made by the board of SG Guernsey, to which the Group's bank (also the largest creditor of SG Guernsey) did not object, an Administration Order has today been granted in respect of SG Guernsey pursuant to Part XXI of the Companies (Guernsey) Law 2008, as amended. Nick Vermeulen of PricewaterhouseCoopers CI LLP and Zelf Hussain of PricewaterhouseCoopers LLP have been appointed as joint administrators of SG Guernsey and their primary responsibility will now be to establish the liabilities of SG Guernsey and to realise its assets in order to make a distribution to its creditors. The background to the Administration Order is as follows:

- SG Guernsey's potential liabilities primarily consist of around £54 million contingent liabilities relating to the buy-back guarantees (or "investment products") that were offered by SG Guernsey (under previous management) prior to August 2016 and a further approximate £11 million of liabilities included on its balance sheet;
- SG Guernsey has sought to fund any buy-backs requested by customers from trading revenues and from funding provided to it by the Group in the form of inter-company loans. In providing such support, the Company's board was of the view that the investment division remained an important element of the Group's activities and should be supported to the extent possible;

- although SG Guernsey has stopped offering any form of guaranteed resale price in any of its agreements with customers, the pre-existing guarantees remain extant;
- in recent weeks, there have been an increasing number of requests by investment clients of SG Guernsey to exercise their rights under the guarantees, following £2.6 million of buy-back obligations paid in the year to 31 March 2017;
- the removal of the provision of buy-back guarantees by SG Guernsey in August 2016 has further impacted sales and this deterioration in SG Guernsey's revenues has meant that SG Guernsey has become largely dependent upon financial support from the Group;
- as announced in the Company's final results for the year ended 31 March 2017, the challenging financial position of the Group has resulted in the Company being in default on its bank facilities such that the Company was (and continues to be) dependent upon the ongoing support of its bank;
- notwithstanding the continuing support of the bank it became apparent that, given the other cash requirements of the Group, the Company could no longer continue to fund SG Guernsey.

SG Guernsey's assets primarily consist of £12.6 million of philatelic stock held in Guernsey. It is likely that the joint administrators will seek to realise the value of this stock in order to make a distribution to the creditors of SG Guernsey.

The outstanding indebtedness currently owed to the Group by SG Guernsey amounts to approximately £6.5 million and the Group will rank as an unsecured creditor in respect of that amount alongside other unsecured creditors of SG Guernsey.

Whilst the Board of the Company is disappointed that it has not been possible to avoid the administration of SG Guernsey, it has concluded that the Administration Order serves the wider interests of the Company and its shareholders, given that the effect is to ring-fence the Group's exposure to SG Guernsey's liabilities.

Following the granting of the Administration Order, it has become the responsibility of the joint administrators to establish the creditors of SG Guernsey, including the above indebtedness to Group, and to make a distribution to them from the asset realisations. The joint administrators will shortly be contacting the holders of the investment products and the board of the Company intends to offer such assistance as it is able.

Outlook

The Company and its other operating subsidiaries are not in administration and continue to trade in the normal course. As detailed over various announcements, the board of the Company has focused on a restructuring of the business by stripping out costs and realising non-core assets to pay down debt - a task to which the board remains committed. Total monthly employment costs, anticipated as at January 2018, will have fallen by some 75% since January 2016, and will represent what the Company believes to be a stabilised position.

At the heart of the Group are two market leading brands and a core stamp and coin dealing business consisting of a team with invaluable industry expertise. In January 2017, Baldwins launched a joint-venture with St James' for its numismatic auction activities, and continues to trade profitably with a favourable outlook. The philatelic business has been affected by the ongoing restructuring, the build-up of excess inventory from the buy-backs and the continuing working capital constraints. The measures announced today will fundamentally limit the exposure of the Group to the buy-back liabilities and remove the cash-flow burden associated therewith. Furthermore the Board considers the successful refocusing of Baldwins a useful capital light template as to the options open to the Company for an enhanced retail/auction model for the larger philatelic activities.

In keeping with this focus, Stanley Gibbons has secured the services of Guy Croton as Managing Director of Philately. Guy is well respected following a 22 year career in the industry, the last 15 years at Spink, latterly as Head of The Philatelic Division.

While current trading is subdued, the Company remains in default under its banking facilities. However the Company is in constructive dialogue with the bank in relation to its ongoing financing.

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