

Strictly Private and Confidential

To: Phoenix UK Fund Ltd
Suite 205A, Saffrey Square
Bank Lane & Bay Street
P.O. Box N-9934
Nassau, Bahamas
(the "**Investor**")
For the attention of: Gary Channon

Dated: 23 February 2018

Dear Sirs

Letter in relation to the issue of 248,000,000 ordinary shares (or such greater number of ordinary shares, as the case may be) of £0.01 each in the capital of The Stanley Gibbons Group plc (the "Company") at a subscription price of £0.025 per share (or such lower price per share, as the case may be), for an aggregate subscription price of £6,200,000

INTRODUCTION:

The Investor has agreed with the Company, subject to the terms and conditions below, to make an investment of up to £19,450,000 in the Company, by way of the Proposed Transaction.

This letter (the "**Letter**") sets out the terms and conditions upon which the Investor and the Company have agreed to undertake the Proposed Transaction.

AGREED TERMS:

1. Definitions and interpretation

Definitions

1.1 In this Letter, except where a different interpretation is necessary in the context, the words and expressions set out below shall have the following meanings:

"**Accounts**" means the published audited report and financial statements of the Company for the financial year ended on the Accounts Date;

"**Accounts Date**" means 31 March 2017;

"**Acquisition**" means the purchase by the Investor of certain inventory owned by SG Guernsey and controlled by the Administrators, pursuant to the Inventory Acquisition Agreement;

"**Additional Payment**" has the meaning given in clause 5.4;

"**Administrators**" means Nick Vermeulen and Zelf Hussain of PricewaterhouseCoopers CI LLP and PricewaterhouseCoopers LLP respectively, in

their respective capacities as joint administrators of SG Guernsey, as agent and without personal liability;

"Admission" means the admission of the Subscription Shares to trading on AIM becoming effective in accordance with Rule 6 of Part 1 of the AIM Rules;

"AIM" means the AIM Market operated by the London Stock Exchange;

"AIM Application" means the application to be made by the Company to the London Stock Exchange for Admission, in the form required by the AIM Rules;

"AIM Rules" means the AIM Rules for Companies published by the London Stock Exchange;

"Allotment Board Resolutions" means the resolutions of the Board or a committee of the Board, in a form reasonably acceptable to the Investor, approving the allotment and issue of the Subscription Shares (subject to clause 2.2), conditional only on Admission;

"Announcement" means the agreed form RIS announcement containing details of the Proposals and the Resolutions;

"ARA" has the meaning given within the definition of Finance Documentation;

"Amended RBS Debt Facility Agreement" has the meaning given within the definition of Finance Documentation;

"Associate" means in relation to a person:

- (a) a person who is his associate and the question of whether a person is an associate of another shall be determined in accordance with section 435 of the Insolvency Act 1986; or
- (b) any group undertaking (as defined in section 1161 of the Companies Act) of that person; or
- (c) any person that Controls, is Controlled by or is under common Control with that party,

and **"Associated"** shall be construed accordingly;

"Board" means the board of directors of the Company from time to time;

"Business Day" means a day other than a Saturday, Sunday or public holiday in England;

"Circular" means the circular to Shareholders, in a form reasonably acceptable to the Investor, to be issued by the Company setting out details of the Proposals and containing a notice of general meeting;

"City Code" means the City Code on Takeovers and Mergers;

"Companies Act" means the Companies Act 2006;

"Completion" means completion of the Proposed Transaction and the Acquisition as described in clause 5;

"Conditions" has the meaning given in clause 3.1;

"Control" with respect to any person, the direct or indirect power to:

- (a) direct or cause the direction of the management and policies of such person;
- (b) elect a majority of the directors, partners or other persons exercising similar authority in respect of such person; or
- (c) direct or cause the direction of a voting interest of more than 50 per cent.,

and **"Controls"**, **"Controlling"** and **"Controlled"** by shall be construed accordingly;

"Debt Purchase" means the conditional purchase of:

- (a) the SG Guernsey Intercompany Indebtedness from SGL by the Investor;
- (b) all of the principal drawn and undrawn amount of the RBS Debt as at Completion (up to a maximum of £17,500,000), less the amount referred to in (c) below from NatWest by the Investor (the **"Investor RBS Debt"**); and
- (c) £7,000,000 in principal amount of the RBS Debt from NatWest by SGFL (the **"SGFL RBS Debt"**),

in each case on the terms and subject to the conditions contained in the Finance Documentation;

"Deed of Creditor Arrangements" has the meaning given within the definition of Finance Documentation;

"Directors" means the directors of the Company from time to time;

"Disclosed" means disclosed with sufficient explanation and detail to identify clearly the nature and scope and implications of the matter so disclosed either in the Disclosure Letter or in any announcement published by the Company through an RIS in the period being 2 years prior to the date of this Letter;

"Disclosure Letter" means the letter from the Company to the Investor, executed and delivered immediately prior to the signing of this Letter;

"Equity Subscription" means the conditional subscription by the Investor for the Subscription Shares at the Subscription Price, on the terms and subject to the conditions contained in this Letter;

"Escrow and Framework Agreement" means an escrow and framework agreement to be entered into between the companies listed therein, SG Guernsey, the Investor, the Administrators, The Royal Bank of Scotland PLC and NatWest, pursuant to which the parties agree that completion of the RBS Debt Documents, the Inventory Acquisition Agreement and the Subscription shall occur automatically and simultaneously on the satisfaction of various conditions as detailed therein;

"Euroclear" means Euroclear UK & Ireland Limited, a company incorporated in England and Wales;

"Finally Judicially Determined" means as determined or awarded by any court of competent jurisdiction or in any arbitration from which there is no further appeal or from which the time period for appeal has lapsed or from which the right of appeal has been waived in writing by the relevant party;

"Finance Documentation" means:

- (a) a resignation and appointment deed in respect of RBS resigning as agent and security agent under the RBS Debt Facility Agreement and the Investor being appointed as replacement agent and security agent, made between, amongst others, RBS in its various capacities, the Investor in its various capacities and the Company as obligors' agent;
- (b)
 - a. an LMA trade confirmation in respect of the SGFL RBS Debt made between NatWest as seller and SGFL as buyer; and
 - b. an assignment agreement in respect of the SGFL RBS Debt from NatWest as existing lender of record and SGFL as new lender, addressed to the Investor as agent and security agent and acknowledged by the Company (as obligors' agent, other than in respect of SG Guernsey) and SG Guernsey,

(together, the "**SG SPV Debt Documents**");
- (c)
 - a. an LMA trade confirmation in respect of the Investor RBS Debt made between NatWest as seller and the Investor as buyer;
 - b. an assignment agreement in respect of the Investor Debt from NatWest as existing lender of record and the Investor as new lender, addressed to the Investor as agent and security agent and acknowledged by the Company (as obligors' agent, other than in respect of SG Guernsey) and SG Guernsey,

(together the "**Investor RBS Debt Documents**"),

(the SG SPV Debt Documents and the Investor RBS Debt Documents together referred to as the "**RBS Debt Documents**");
- (d) a form TR4 in relation to security over 1A Axbridge Chambers, The Square, Axbridge, Somerset BS26 2AP (title number ST173089);
- (e) a clearing facilities letter from RBS as agent for NatWest addressed between the Company as parent and obligors' agent and various Group Companies;
- (f) an amendment and restatement deed pursuant to which the RBS Debt Facility Agreement is amended and restated, to be made between the Obligors (as defined therein), the Investor in each of its capacities as agent, security agent and lender, SGFL as lender and the Administrators (the "**ARA**");
- (g) the amended and restated RBS Debt Facility Agreement (as amended and restated pursuant to the ARA (the "**Amended RBS Debt Facility Agreement**");
- (h) a deed of creditor arrangements to be made between the Investor in various capacities, SGFL, SGL, the Company (as obligors' agent) and the Investor as security agent and agent (the "**Deed of Creditor Arrangements**");
- (i) an assignment by way of security in respect of the SGFL RBS Debt in favour of the Investor to secure the obligations of SGFL under the Deed of Creditor Arrangements, to be made between SGFL and the Investor;

- (j) a global assignment agreement made between various entities including SGL and the Investor pursuant to which (i) various Group Companies (including the Company) will assign all of the intra-group indebtedness owed to them by SG Guernsey to SGL; and(ii) SGL will assign the intra-group indebtedness owed to it by SG Guernsey to the Investor (the "**Global Assignment Agreement**");
- (k) a subscription letter in the agreed form from SGL to SGFL in respect of the subscription at par of 2,750,000 new ordinary shares of £1.00 each in SGFL and a written resolution of the board of directors of SGFL resolving to accept such application and allot 2,750,000 new ordinary shares of £1.00 each in SGFL to SGL;
- (l) a deed of partial release in respect of the intra-group debt being assigned pursuant to the Global Assignment Agreement;
- (m) the Escrow and Framework Agreement; and
- (n) any other document which is designated as a "Finance Document" by the Company and the Investor,

in each case, in the agreed form, and "**Finance Document**" shall mean any such document;

"**Finance Party**" has the meaning given to that term in the RBS Debt Facility Agreement;

"**FS Act**" means the Financial Services Act 2012, including any regulations made pursuant thereto;

"**FSMA**" means the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;

"**General Meeting**" the general meeting of the Company proposed to be held as soon as practicable following publication of the Circular, or any adjournment thereof, notice of which is to be set out at the end of the Circular;

"**Global Assignment Agreement**" has the meaning given within the definition of "Finance Documentation";

"**Group**" means the Company and its subsidiary undertakings;

"**Group Company**" means the Company and/or any of its subsidiary undertakings;

"**IFRS**" means International Financial Reporting Standards (including international accounting standards, international financial reporting standards and interpretations of those standards) as approved for use in the European Union and applied in accordance with the provisions of the Law on a historical cost basis, except where otherwise indicated in the relevant financial statements;

"**Indemnified Person**" means the Investor and/or any of its Associates, together with the current and former directors, partners, officers (other than auditors), employees and agents of each of such persons;

"**Insolvency Event**" in relation to a person, means any of the following:

- (a) that person ceasing or threatening to cease to carry on business or being deemed to be unable to pay its debts within the meaning of section 123

Insolvency Act 1986 or admitting that it is unable to pay its debts as they fall due;

- (b) that person giving notice to any of its creditors that it has suspended or is about to suspend payment of any of its debts or commencing negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (c) a meeting of that person's creditors being convened or held;
- (d) an arrangement or composition with or for the benefit of its creditors (including a voluntary arrangement as defined in the Insolvency Act 1986) being entered into or proposed by or in relation to that person;
- (e) a moratorium coming into force in respect of that person in accordance with paragraph 8.1 of Schedule A1 to the Insolvency Act 1986 or that person applying to the court for an interim order under section 253 of the Insolvency Act 1986;
- (f) a receiver, administrative receiver taking possession of or being appointed over or a mortgagee, chargee or other encumbrancer taking possession of the whole or any part of the assets of that person;
- (g) any distress, execution or other process being levied or enforced (and not being discharged within seven days) on any asset of that person;
- (h) that person or its directors or the holder of a qualifying floating charge (as defined in Schedule B1 to the Insolvency Act 1986) giving notice of his, their or its intention to appoint an administrator in accordance with paragraphs 18 or 26 of Schedule B1 to the Insolvency Act 1986;
- (i) that person or its directors or any of its creditors or the holder of a qualifying floating charge (as defined in Schedule B1 to the Insolvency Act 1986) making an application to the court for the appointment of an administrator;
- (j) an administrator being appointed of that person under paragraphs 14 or 22 of Schedule B1 to the Insolvency Act 1986 or otherwise;
- (k) a petition being presented or a resolution being passed or an order being made for the administration or the winding-up, bankruptcy or dissolution of that person or that person being struck off the register of companies; or
- (l) the happening in relation to that person of an event analogous to any of the above in any jurisdiction;

"Interim Results" means the published half year results of the Company for the six month period ending 30 September 2017;

"Inventory Acquisition Agreement" means an agreement entered into on or around the date of this Letter between the Investor and the Administrators in connection with the Acquisition;

"Investment Contracts" means those contracts forming part of the investment division of the Group entered into by SG Guernsey and SG Asia and customers under which SG Guernsey and SG Asia offered customers buy-back guarantees in relation to stock or assets purchased by such customers;

"Investor RBS Debt" has the meaning given within the definition of Debt Purchase;

"Investor RBS Debt Documents" has the meaning given within the definition of Finance Documentation;

"Investor's Solicitors" means Taylor Wessing LLP of 5 New Street Square, London EC4A 3TW;

"Issue Documents" means the Circular and the Announcement;

"Law" means the Companies (Jersey) Law 1991, as amended;

"London Stock Exchange" means London Stock Exchange plc;

"Long Stop Date" means the date specified as the "Long Stop Date" in the Escrow and Framework Agreement;

"material adverse change" means a material adverse change in the business, operations, assets, or financial position of the Group, taken as a whole;

"MAR" means the Market Abuse Regulation (EU 596/2014) and the regulations, rules and guidelines promulgated thereunder, including but not limited to the amended AIM Rules (as amended pursuant to the consultation notified in AIM Notice 45 in connection with MAR);

"Minimum Holding" has the meaning given in clause 9.1;

"NatWest" means National Westminster Bank PLC;

"Nominated Investor Director" has the meaning given in clause 9.1;

"Ordinary Shares" means ordinary shares having a nominal value of £0.01 each in the capital of the Company;

"Panel" means the Panel on Takeovers and Mergers;

"Proposals" means the Proposed Transaction and those acts and matters to be entered into in relation thereto, as described in the Issue Documents;

"Proposed Transaction" means together, the Equity Subscription, the Debt Purchase and Admission;

"RBS " means The Royal Bank of Scotland PLC;

"RBS Debt" means the outstanding indebtedness owed by the Company and its subsidiaries to NatWest under the RBS Debt Facilities;

"RBS Debt Documents" has the meaning given within the definition of Finance Documentation;

"RBS Debt Facilities" means the term loan facility and the revolving loan facilities made available to The Fine Art Auction Group Limited as term loan borrower and various Group Companies as revolving borrowers on the terms of the RBS Debt Facility Agreement;

"RBS Debt Facility Agreement" means the facility agreement dated 26 September 2014 made between the Company, NatWest, RBS and other subsidiaries of the Company, as amended and restated pursuant to an amendment and restatement deed dated 31 March 2016 and as subsequently amended from time to time;

"RBS Security Package" means (i) all of the rights of NatWest (and any other Finance Party, as such term is defined in the RBS Debt Facility Agreement) to repayment of the RBS Debt, and (ii) all rights of NatWest (and any other Finance Party, as such term is defined in the RBS Debt Facility Agreement) to the benefit of all security (including the guarantees) granted in favour of NatWest (and/or any other Finance Party) under or in respect of the RBS Debt Facilities;

"Relevant Claims" means any and all claims threatened by or on behalf of the Chan Brothers (as such term is defined in the Disclosure Letter) and the Protector of the Stins Settlement Trust, in each case against any part of the Group;

"Regulatory Information Service" or "RIS" means a regulatory information service as defined in the glossary of terms in the AIM Rules;

"Resolutions" means the shareholder and other resolutions (including the Whitewash Resolution) required to give effect to the Equity Subscription;

"SG Asia" means Stanley Gibbons (Asia) Limited;

"SGFL" means Stanley Gibbons Finance Limited;

"SGFL RBS Debt" has the meaning given within the definition of Debt Purchase;

"SG Guernsey" means Stanley Gibbons (Guernsey) Ltd (in administration);

"SG Guernsey Intercompany Indebtedness" means all of the outstanding intercompany indebtedness owing by SG Guernsey to other Group Companies, which will be assigned to SGL and further assigned to the Investor pursuant to the terms of the Global Assignment Agreement;

"SGL" means Stanley Gibbons Limited;

"Shareholders" means holders of Ordinary Shares;

"Specified Event" means an event occurring or matter arising on or after the date of this Letter and before the date of Admission which, if it had occurred before the date of this Letter, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect;

"Subscription Price" means £0.025 per Subscription Share (or such lower price per Subscription Share as results from dividing an aggregate subscription price of £6,200,000 by the number of Ordinary Shares which if issued to Phoenix UK Fund would result in it holding a minimum of 58 per cent. of the enlarged issued share capital of the Company at Admission);

"Subscription Shares" means the 248,000,000 (or such greater number, as the case may be, in accordance with clause 2.2) new Ordinary Shares to be allotted and issued by the Company to the Investor pursuant to the Equity Subscription;

"Tax" or "Taxation" means any form of taxation whenever imposed and whether of the United Kingdom or elsewhere and, without prejudice to the generality of the foregoing, includes income tax, corporation tax, capital gains tax, VAT, inheritance tax, stamp duty, stamp duty reserve tax, stamp duty land tax, customs and excise duties, national insurance contributions, and any other taxes, levies, duties or imposts similar to, replaced by or replacing any of them and all penalties fines and interest included in or relating to any assessment or liability therefor, regardless of whether such taxes, penalties, charges and interest are directly or primarily chargeable against or attributable to any Group Company or any other person;

"Top 10 Customers" means the Group's ten largest investment plan customers, as defined by unique customer references, of extant contracts, by value of original purchase price;

"Transaction Documents" means all or any of the documents giving effect to the Proposed Transaction (including, without limitation, the Finance Documentation) and the Acquisition;

"Verification Notes" means the verification notes prepared by the Company for the purpose of confirming the accuracy of the information contained in the Circular;

"Warranties" means the warranties set out in schedule 1 and **"Warranty"** means any one of them;

"Warranty Certificate" means the certificate in the form set out in schedule 4; and

"Whitewash Resolution" means the shareholder resolution waiving any requirement for a rule 9 offer to be made by the Investor or its Associates pursuant to the City Code as a result of the acquisition of the Subscription Shares, such resolution to comply with the terms of Appendix 1 of the City Code.

Interpretation

1.2 In this Letter:

- (a) reference to:
 - (i) any statute or statutory provision includes a reference:
 - (A) to that statute or statutory provision as from time to time consolidated, modified, re-enacted (with or without modification) or replaced by any statute or statutory provision; and
 - (B) any subordinate legislation made under the relevant statutory provision,

except to the extent that the effect of referring to any such consolidation, modification or re-enactment coming into force after the date of this Letter would be to increase or extend the liability of a party under this Letter;
 - (ii) the singular includes the plural and vice versa and any gender includes other genders;
 - (iii) the **"introduction"** or to a **"clause"** or **"schedule"** is a reference to the Introduction or the relevant clause or schedule of or to this Letter;
 - (iv) a person includes all forms of legal entity including an individual, company, body corporate (wherever incorporated or carrying on business), unincorporated association, governmental entity and a partnership and, in relation to a party who is an individual, his legal personal representative(s);
 - (v) a document **"in agreed form"** is to a document in the form agreed by the Company and Investor and initialled by or on behalf of each such party;

- (vi) **"this Letter"** includes this Letter as amended or supplemented from time to time;
- (vii) **"in writing"** includes by email;
- (b) the words **"include"**, **"including"** and **"in particular"** are to be construed as being by way of illustration or emphasis only and are not to be construed so as to limit the generality of any words preceding them;
- (c) the words **"other"** and **"otherwise"** are not to be construed as being limited by any words preceding them;
- (d) the headings to clauses and schedules are to be ignored in construing this Letter;
- (e) the words, **"parent undertaking"**, **"subsidiary undertaking"** and **"undertaking"** have the meanings given to them in sections 1162 and 1161 of the Companies Act 2006;
- (f) if a period of time is specified and dates from a given day or the day of an act or event, it shall (unless otherwise stated in clause 12 (Notices)) be calculated excluding that day and a reference to a time of day is unless otherwise specifically stated a reference to the time in England;
- (g) references to **"£"** are to pounds sterling;
- (h) if a party must do something on a given day (other than service of a communication in accordance with clause 12 (Notices)), they must do it by 5:30 p.m. on that day (unless this Letter expressly states otherwise). If they do the thing after 5:30 p.m. on a day, they are treated as not having done it until the next Business Day;
- (i) a reference to any English legal term for any action, remedy, procedure, judicial proceeding, legal document, legal status, or legal concept is, in respect of any jurisdiction other than England and Wales, deemed to include what most nearly approximates in that jurisdiction to the English legal term; and
- (j) the schedules form part of this Letter as if set out in full in this Letter and a reference to **"this Letter"** includes a reference to the schedules.

2. Equity subscription

- 2.1 Subject to clause 2.2 below, and the satisfaction or waiver (if a Condition is capable of waiver) of the Conditions, and in reliance on the Warranties and undertakings contained in this Letter, the Investor hereby agrees to subscribe for the Subscription Shares at the Subscription Price.
- 2.2 To the extent that completion of the subscription of the Subscription Shares referred to in clause 2.1 would not result in the Investor holding more than 58 per cent. of the issued share capital of the Company at Admission, the parties hereby agree that the Investor shall be issued and allotted such number of Ordinary Shares as shall result in the Investor holding a minimum of 58 per cent. of the enlarged issued share capital of the Company at Admission, and in that case the Subscription Price shall be reduced accordingly so that the aggregate Subscription Price payable by the Investor shall not exceed £6,200,000.
- 2.3 The Company shall allot and issue the Subscription Shares subject to the articles of association of the Company for the time being, free from any and all liens, charges and

encumbrances and on the terms that, on such allotment becoming unconditional, the Subscription Shares shall rank in full for all dividends or other distributions declared, made or paid on the share capital of the Company after the date of Admission, and ranking *pari passu* in all other respects with the existing Ordinary Shares then in issue.

- 2.4 The Board shall approve the registration (without registration fee) of the Investor as a member of the Company, and the crediting of the Investor's CREST account (subject to the same being provided to the Company by the Investor prior to Completion) in accordance with the timetable set out in the Issue Documents.
- 2.5 In agreeing to subscribe for the Subscription Shares and to become bound by the provisions of this Letter, the Investor warrants to the Company that it has power to enter into and to perform its obligations under this Letter which will, when executed, constitute binding obligations on it in accordance with its terms.
- 2.6 The Investor hereby confirms that the cash funding required to complete the Equity Subscription and fulfil its obligations under the Debt Purchase is to be provided from funds managed by it, and is readily available for the purposes of completing the Equity Subscription and fulfilling such obligations under the Debt Purchase on Completion.

3. Conditions

- 3.1 The obligations of the Investor under this Letter are in all respects conditional upon the satisfaction or waiver by the Investor (where permitted) of each of the following conditions (the "**Conditions**"):
 - (a) the granting by the Panel of a waiver to the requirement for a rule 9 offer to be made by the Investor (and any person acting in concert with it) for the issued share capital of the Company pursuant to the City Code, as a result of the acquisition of the Subscription Shares;
 - (b) the entry by Lombard Odier Asset Management (Europe) Limited and Lombard Odier Asset Management (USA) Limited into irrevocable undertakings in the agreed form agreeing to vote in favour of the Resolutions by no later than 8.00 a.m. on the date of this Letter and such irrevocable undertakings not having been terminated prior to the conclusion of the General Meeting;
 - (c) the Announcement having been released by no later than 8.00 a.m. on the date of this Letter;
 - (d) the despatch of the Circular by the Company to its shareholders (and to such other persons (if any) entitled to receive the Circular in accordance with the Company's articles of association), together with a suitable proxy form for use in connection with the General Meeting as soon as reasonably practicable following the approval of the final form of the same by the Panel;
 - (e) the AIM Application being delivered by the Company to the London Stock Exchange by not later than 5.00 p.m. on the date 5 business days prior to the expected date of Admission;
 - (f) the passing of the Resolutions without amendment at the General Meeting;
 - (g) the passing, without amendment of the Allotment Board Resolutions by 5.00 p.m. on the day of the General Meeting;
 - (h) each of the Transaction Documents: (i) not having been terminated or (unless agreed in writing by the Investor) varied or amended; and (ii) having become unconditional in all respects, save for any condition relating to this Letter

becoming unconditional in accordance with its terms (including, for the avoidance of doubt, Admission);

- (i) none of the Warranties or undertakings given in this Letter being or having become untrue, inaccurate or misleading in any material respect at any time before Admission, and no fact or circumstance having arisen which would constitute a breach of any of the Warranties or undertakings given in this Letter or which would constitute a Specified Event;
- (j) there being no breach of any of the Transaction Documents at any time prior to Admission (which has not been remedied to the satisfaction of the Investor);
- (k) this Letter not having been terminated prior to Admission pursuant to clause 12;
- (l) the delivery by the Company to the Investor of the Warranty Certificate (dated the day of Admission) by not later than 5.00 p.m. on the Business Day prior to the day upon which Admission is to occur; and
- (m) Admission occurring by not later than 8.00 a.m. on 21 March 2018 (or such later date as the Investor may agree in writing, in any event being not later than the Long Stop Date).

3.2 The Company undertakes to the Investor to use its reasonable endeavours to procure the fulfilment of the Conditions by the times and dates stated in clause 3.1.

3.3 The Company shall perform its obligations hereunder until such time (being not later than the Long Stop Date) as any of such Conditions shall have become incapable of being satisfied. The Investor may, at its absolute and sole discretion and upon such terms as it considers fit, by notice in writing to the Company waive compliance by the Company with the whole or any part of any of the Conditions, save that the Conditions relating to the passing of the Resolutions (clause (f)) and to Admission taking place (clause (m)) may not be waived.

3.4 The Investor may, in its absolute discretion, extend the time and/or date for fulfilment and/or satisfaction of all or any of such Conditions by notice in writing to the Company, save that such time shall not be extended beyond the Long Stop Date.

4. Position pending Completion

The Company undertakes to and covenants with the Investor that, prior to Admission and save to the extent that such actions are necessary in order to comply with the obligations of any Group Company under this Letter or the Transaction Documents:

- (a) the Company shall not (and shall procure that no other Group Company shall) directly or indirectly, without the Investor's prior written consent, carry out any of the acts, matters steps or decisions referred to in schedule 2; and
- (b) the Company shall keep the Investor informed in writing of the progress of the Relevant Claims and of any new claims brought or threatened against the Group (in the case of SG Guernsey, the Company shall make enquiries of the Administrators to ascertain such information) and shall supply the Investor, in writing, with all updates to the information and documentation already supplied to the Investor in relation to the Relevant Claims and the Top 10 Customers.

5. Completion

- 5.1 Completion of the Proposed Transaction and the Acquisition shall take place in accordance with the terms described in the Escrow and Framework Agreement, when the Company shall deliver or procure the delivery to the Investor of the following:
- (a) a certified copy of the signed Allotment Board Resolutions; and
 - (b) a certified copy of the signed AIM Application.
- 5.2 The Investor shall remit (in cleared funds) the Equity Subscription Payment Amount (as such term is defined in the Escrow and Framework Agreement) in the manner specified in the Escrow and Framework Agreement and the Equity Subscription Payment Amount shall be held pursuant to the terms of the TW Undertaking (as such term is defined in the Escrow and Framework Agreement).
- 5.3 The Company shall provide all necessary instructions to its registrars to enable them to perform their duties as registrars as contemplated by this Letter and the Issue Documents and to ensure that the Investor is registered promptly in accordance with regulation 20 of the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), as amended (subject to the Investor having provided the Company with full details of its CREST account).
- 5.4 The Company shall and shall procure that the Group Companies shall use all reasonable endeavours to ensure, in so far as reasonably possible that the RBS Debt does not exceed £17,000,000 at Completion. To the extent that the RBS Debt at Completion exceeds £17,000,000, the Investor agrees to pay an additional sum to NatWest ("**Additional Payment**") pursuant to the terms of the Investor RBS Debt Documents to which it is a party, up to a maximum of £500,000, in order to purchase such excess outstanding indebtedness. In the event that the Investor makes the Additional Payment, the Company agrees, as set out in the ARA, to make a mandatory prepayment in an amount equal to such Additional Payment. The Company shall procure that such mandatory prepayment is applied solely in discharge of amounts outstanding to the Investor pursuant to the Amended RBS Debt Facility Agreement.

6. Further undertakings

- 6.1 The Company undertakes to procure that, in the Circular and in all other relevant communications:
- (a) the Directors shall unanimously recommend that Shareholders vote in favour of the Resolutions; and
 - (b) where applicable, it shall be stated that the relevant Directors have each irrevocably agreed to vote in favour of the Resolutions in respect of the Shares held by each of them.
- 6.2 The Company hereby undertakes that it will use its reasonable endeavours to ensure that the proceeds of the Equity Subscription are applied in accordance with the relevant statements regarding the use of such proceeds contained in the Issue Documents (including, for the avoidance of doubt, applying the sum of approximately £1,200,000 in the purchase of trading inventory).
- 6.3 Following Completion, the Investor and the Company agree to negotiate in good faith terms upon which the Company may act as exclusive sales agent of the Investor in respect of any sales of the inventory acquired by the Investor pursuant to the Inventory Acquisition Agreement.
- 6.4 It is acknowledged and agreed by the parties that the Investor shall be entitled to take such action as it deems necessary or requisite under the RBS Debt Facilities and the

RBS Security Package to ensure that it is recognised as a creditor in the SG Guernsey administration and/or subsequent liquidation or any other insolvency process or arrangement including, without limitation, perfecting security and making demands for repayment of debt. The Company undertakes to procure that neither it nor any Group Company shall prevent the Investor from taking any such action as it sees fit.

7. Warranties

- 7.1 The Company hereby warrants and undertakes to the Investor (for itself and as trustee for its Associates) in the terms of the Warranties as at the date of this Letter and at all times up to and including Admission, so that the Warranties shall be deemed to be repeated by reference to the facts and circumstances from time to time subsisting during that period (save that a reference to any fact, matter, event or circumstance existing, occurring or having occurred at or before the date of this Letter shall also be construed as a reference to its existing, occurring or having occurred at or before Admission).
- 7.2 The Company shall procure that no Group Company shall (except as may be required by law or regulation or necessary to give effect to this Letter) voluntarily do, allow or procure any act or omission which would or would be likely to result in the occurrence of a Specified Event.
- 7.3 The Company acknowledges that the Investor is entering into this Letter in reliance upon the Warranties.
- 7.4 Each of the Warranties shall be construed separately and shall not be limited or restricted by reference to or inference from the terms of any other of such Warranties or any other term of this Letter.
- 7.5 The Company shall have no liability under the Warranties in respect of any matter to the extent that the fact, matter or circumstance giving rise to such liability is Disclosed.
- 7.6 The Company undertakes to the Investor to disclose to it full details in writing, immediately upon it becoming aware of any fact, matter, event or circumstance which:
- (a) constitutes a breach of any of the Warranties; or
 - (b) will or would be likely to constitute a breach of any of the Warranties when deemed repeated immediately before Admission.
- 7.7 The Warranties given in this clause 7 shall each remain in full force and effect notwithstanding completion of all matters and arrangements referred to in or contemplated by this Letter.
- 7.8 The Company shall not be liable for any claim in respect of the Warranties unless written notice of the relevant claim has been given to the Company by or on behalf of the Investor prior to the date being three calendar months following the publication of the audited accounts of the Company for the year ended 31 March 2019.

8. Indemnity

- 8.1 The Company undertakes to the Investor (for itself and as trustee for each of the Indemnified Persons) that it will at all times indemnify and hold harmless each Indemnified Person against all losses, claims, expenses, liabilities, actions, demands, proceedings and judgements whatsoever and all costs, charges and expenses, that may be made or threatened against or suffered or incurred by any Indemnified Person in any jurisdiction by any third party or as any Indemnified Person may pay or incur in responding to, disputing any such actual or potential actions, demands, proceedings

and judgements, or in enforcing the rights of any Indemnified Person hereunder and which in any such case arises directly or indirectly out of or in connection with or results from or is attributable to any part of the Proposed Transaction, unless and to the extent that such losses, claims and liabilities would not have arisen but for the Finally Judicially Determined fraud or wilful default of such Indemnified Person or as a result of a material breach by the Investor or its Associates of its obligations under this Letter or under any applicable law or regulation.

- 8.2 If any deduction or withholding is required by applicable law to be made from any payment under this clause 8, or if any sum payable under this clause 8 is subject to Taxation in respect of such payment, the amount so payable shall be increased by such amount as will ensure that the Investor and/or the Indemnified Persons are placed in the same net of Tax position they would have been in had the sum payable under this clause 8 not been subject to any deduction or withholding or Taxation.
- 8.3 The indemnity set out in clause 8 shall remain in full force and effect notwithstanding the completion of all matters and arrangements referred to in or contemplated by this Letter.

9. Board composition

- 9.1 With effect from Admission and for so long as the Investor (individually or together with any of its Associates) holds Ordinary Shares carrying not less than 20 per cent. of the rights to vote at a general meeting of the Company (the "**Minimum Holding**"), it shall be entitled to nominate a director for appointment (subject to article 10.3 of the articles of association of the Company for the time being) to the Board ("**Nominated Investor Director**"). Any such nomination shall be made by the Investor giving notice in writing to the Company and the first such Nominated Investor Director shall be Mr Graham Elliott Shircore. The Nominated Investor Director shall not be entitled to any remuneration in respect of such appointment.
- 9.2 The Investor undertakes that, for so long as it (individually or together with any of its Associates) holds Ordinary Shares carrying a majority of the rights to vote at a general meeting of the Company, and the Company continues to be traded on AIM, it shall not exercise its powers as a Shareholder to procure that less than a majority of the Directors from time to time are independent of the Investor (and/or its Associates).

10. Right to information

- 10.1 Following the date of this Letter and for so long as the Investor (individually or together with any of its Associates) continues to hold the Minimum Holding, the Company will keep the Investor informed of its progress and upon the written request of the Investor supply it with information in such form and detail as the Investor may reasonably require about its business and in particular (but without limitation) will supply the Investors with the information set out in schedule 3.
- 10.2 If the Company shall for whatever reason at any time fail in any material respect to perform or shall be in breach of the provisions of clause 10.1, the Investor shall be entitled (without prejudice to any other remedies or rights which it may have in respect of such non-performance or breach) to appoint an independent accountant or accountants of its own choosing to investigate the affairs of the Company and/or of any subsidiary with a view to obtaining the information required by the Investor. Subject as aforesaid, the Company shall afford, or shall use all reasonable endeavours to procure that any necessary third party shall afford, to such accountant or accountants such assistance and co-operation (including without limitation full and unrestricted access to the accounting books and records of the Company and/or any subsidiary) as they may from time to time request and the reasonable costs of and/or incidental to any such appointment shall be paid by the Company in full.

11. Employee incentive arrangements

The parties acknowledge the importance of the Group's management team and employees to the future success of the Group and, following completion of the Proposed Transaction, the parties shall agree and the Company shall implement appropriate incentive arrangements for such persons. For the avoidance of doubt, neither the Investor (nor any of its Associates) shall be obliged to consent to the provision of any employee incentive arrangements in respect of any Group Company.

12. Termination

12.1 If at any time prior to Admission:

- (a) any of the Conditions has not been fulfilled and/or satisfied or waived (where permitted) by the times and dates stated in clause 3.1 (or such later time and/or date as the Investor may agree (being not later than the Long Stop Date)) or such Condition becomes incapable of being fulfilled and/or satisfied (subject to the Investor not exercising its rights to waive or extend the time for fulfilment and/or satisfaction of the Condition);
- (b) any of the Warranties (as qualified by the disclosures in the Disclosure Letter):
 - (i) was not true or accurate in any material respect, or was misleading in any material respect when given or deemed given; or (ii) at any time if they were to be repeated or deemed repeated (by reference to the facts and circumstances in each case then existing) would no longer be true and accurate in any material respect, or would be misleading in any material respect or a Specified Event has occurred or come into effect;
- (c) there shall have been, occurred, happened or come into effect any event or omission which constitutes a material adverse change, or which in the opinion of the Investor (acting reasonably) is or will or is likely to be materially and adversely prejudicial to any part of the Proposed Transaction (which shall include, but shall not be limited to, the commencement of formal litigation proceedings against any Group Company by any person or in relation to a Relevant Claim); or
- (d) there shall have occurred any change in national or international financial, monetary, economic, political, environmental, or stock market conditions which, in the opinion of the Investor (acting reasonably) will or is likely to be prejudicial to the Group or any part of the Proposed Transaction,

then the Investor may, acting in its absolute and sole discretion, give notice in writing to the Company of the termination of this Letter and the provisions of clause 12.2 shall apply.

12.2 In the event that the Investor gives notice of termination to the Company under this clause 12 the rights and obligations contained in this Letter shall cease and determine (save as otherwise provided below) and no party to this Letter will have any claim against any other party for costs, damages, compensation or otherwise except that:

- (a) such termination shall be without prejudice to any accrued rights or obligations under this Letter;
- (b) the provisions of clauses 1, 8, 12, 13 and 14 shall remain in full force and effect; and
- (c) the Company shall forthwith agree with the Investor a form of announcement to be released via RIS.

13. Notices

13.1 Communications under this Letter shall be in English in writing and delivered by hand or sent by recorded delivery post (or airmail, if the destination is outside the country of origin), or email to the relevant party at its address or number and for the attention of the individual set out in clause 13.2 below (or as notified in accordance with clause 13.4).

13.2 The addresses and other details of the parties for notices under this Letter are:

(a) hand delivered or sent by recorded delivery post to:

the Company: The Stanley Gibbons Group plc
399 Strand
London
WC2R 0LX

Marked for the attention of: Richard Purkis

With a copy to:
Bird & Bird LLP
12 New Fetter Lane
London EC4A 1JP
United Kingdom

Marked for the attention of: Simon Allport

the Investor: Phoenix Asset Management Partners Limited
64-66 Glenthams Road
Barnes, London
SW13 9JJ

Marked for the attention of: Graham Elliot Shircore

With a copy to:
Taylor Wessing LLP
5 New Street Square
London EC4A 3TW
United Kingdom

Marked for the attention of: Tandeep Minhas

(b) sent by email, to:

the Company: rpurkis@stanleygibbons.com

With a copy to:
Simon.Allport@twobirds.com

the Investor: graham@pamp.co.uk and gary@pamp.co.uk

With a copy to:
T.Minhas@taylorwessing.com

13.3 In the absence of evidence of earlier receipt, any such notice complying with clauses 13.1 and 13.2 above shall be deemed to be received if delivered by hand, at the time of delivery or if sent by special delivery or recorded delivery, at 9.00 a.m. on the

second, or (if sent by airmail) fifth, Business Day after posting or if sent by email, at the earlier of:

- (a) the time a return receipt is generated automatically by the recipient's email server;
- (b) the time the recipient acknowledges receipt; and
- (c) 24 hours after transmission unless the sender receives notification that the email has not been successfully delivered,

except that if deemed receipt would occur before 9.00am on a Business Day, it shall instead be deemed to occur at 9.00am on that day and if deemed receipt would occur after 5.00pm on a Business Day, or on a day which is not a Business Day, it shall instead be deemed to occur at 9.00am on the next Business Day. References in this clause 13 to a time of day are to the time of day at the location of the recipient. In proving the giving of a notice it shall be sufficient to prove that the notice was left, or that the envelope containing such notice was properly addressed and stamped and franked or posted or the email was sent to the appropriate email address and dispatch of transmission from the sender's external gateway was confirmed as specified.

- 13.4 The address or email address and the name of the person for whose attention communications are to be addressed may be changed from time to time by the relative party by notice hereunder addressed to the others.
- 13.5 The provisions of this clause 13 shall not apply to any notice given by Investor under clause 12.2.

14. General

- 14.1 The information contained in this Letter is confidential. Save as set out in the Announcement and as required under the Finance Documentation, by applicable law or regulation, none of the information contained herein may be published, reproduced, copied or disclosed to any person other than the Investor, its Associates (including, for the avoidance of doubt, Phoenix Asset Management Partners Limited), any of their respective officers, employees, agents and professional advisers whose position makes it necessary or desirable to know the information, its current and/or prospective fund investors, professional intermediaries and otherwise as part of its normal internal or external reporting processes and communication processes and policies.
- 14.2 Except for Phoenix Asset Management Partners Limited and each Indemnified Person, no term of this Letter is enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to this Letter.
- 14.3 The parties to this Letter do not require the consent of any person (other than as provided for herein) to rescind, vary or terminate this Letter (including, without limitation, any release or compromise in whole or in part of any liability) at any time.
- 14.4 This Letter shall be binding upon and ensure for the benefit of the personal representatives, successors and permitted assigns of the Company and the Investor (and its Associates) as the case may be.
- 14.5 Subject to clause 14.6, no party may assign, transfer, charge or deal in any way with the benefit of, or any of its rights under or interest in, this Letter without the prior written consent of all the parties to this Letter. Any purported assignment in contravention of this clause 14.5 shall be void.

- 14.6 The Investor (and any person to whom the Investor has transferred any of the Subscription Shares or any transferee of such person) may assign to any such persons the benefit of:
- (a) any Warranty, provided that no assignee shall be entitled to greater damages or other compensation than that to which the Investor would have been entitled had it not assigned the benefit of the Warranty; and
 - (b) any other right which it may have under this Letter.
- 14.7 This Letter and the Transaction Documents constitute the entire and only legally binding agreement between the Company and the Investor relating to the Proposed Transaction, and replaces all previous agreements and understandings between them, relating to its subject matter.
- 14.8 No waiver by a party of any requirement of this Letter or any right which he has under it shall be valid unless such waiver is in writing signed by him.
- 14.9 No omission to exercise, or delay by any party in exercising, any right under this Letter shall operate as a waiver of such right nor shall any single or partial exercise of any right preclude the exercise of any other right.
- 14.10 No variations of this Letter shall be effective unless made in writing signed by or on behalf of the parties and expressed to be such a variation.
- 14.11 If a term of this Letter shall be held to be illegal, invalid or unenforceable it shall to that extent be deemed not to form part of this Letter, but the enforceability of the remainder of this Letter shall not be affected.
- 14.12 Any remedy or right conferred upon the parties for breach of this Letter shall be in addition to and without prejudice to all other rights and remedies available to it.
- 14.13 This Letter may consist of any number of duplicates each executed by at least one party, each of which when so executed and delivered shall be an original, but all the duplicates shall together constitute one instrument. This Letter may be validly exchanged by way of electronic mail.

15. Governing law and jurisdiction

- 15.1 The governing law of this Letter, and of any claim, dispute or issue arising out of or in connection with this Letter or its subject matter (including non-contractual claims), shall be that of England and Wales.
- 15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any claim, dispute or issue between the parties whether arising out of or in connection with this Letter or its subject matter, or otherwise (including non-contractual claims). The parties to this Letter irrevocably submit to such jurisdiction and waive any objection to it, on the ground of inconvenient forum or otherwise. No party shall oppose the recognition or enforcement of a judgment, order or decision of those courts in respect of any such claim or dispute by the courts of any state which, under the laws and rules applicable in that state, are competent or able to grant such recognition or enforcement.

This Letter has been duly executed by the parties as of the date first above written.

Yours faithfully

Signed by **ANDREW COOK**
duly authorised for and
on behalf of **THE STANLEY
GIBBONS GROUP PLC**



.....
Director

As agreed by:

Signed by.....
and..... duly
authorised for and on behalf
of **PHOENIX UK FUND LTD**

.....
Director

.....
Director

Signed by
duly authorised for and
on behalf of **THE STANLEY
GIBBONS GROUP PLC**

.....
Director

As agreed by:

Signed by **MARK WILDISH**
and..... duly
authorised for and on behalf
of **PHOENIX UK FUND LTD**

Mark Wildish
.....
Director

.....
Director

Signed by
duly authorised for and
on behalf of **THE STANLEY
GIBBONS GROUP PLC**

.....
Director

As agreed by:

Signed by.....
and ALAN COLE duly
authorised for and on behalf
of **PHOENIX UK FUND LTD**

.....
Director

.....
Director



SCHEDULE 1

Warranties

Reference in this schedule to "Company" is deemed to be a reference to the Company and each Group Company.

1. Information in the Issue Documents

- 1.1 Save in respect of information relating to the Investor, the information contained in the Issue Documents is in accordance with the facts and does not omit anything that it is likely to affect the import of such information.
- 1.2 Save in respect of the statements of fact relating to the Investor, all statements of fact in the Issue Documents are true and accurate in all material respects and are not misleading in any material respect and, save in respect of the statements of intention relating to the Investor, all forecasts, estimates, expressions of opinion, intention and expectation in the Issue Documents are truly and honestly held and either fairly based upon facts within the knowledge of the Directors or made on reasonable grounds after due and careful consideration and to the extent that they are based on assumptions, have regard to the facts which are known to the Company and to the Directors.
- 1.3 There are no facts known to the Company which are not disclosed in the Issue Documents and which either by their omission would:
- (a) materially affect the import of the information contained therein;
 - (b) make any statement in the Issue Documents false or misleading in any material respect; or
 - (c) invalidate or qualify any assumption made in support of any statement therein (whether of fact or opinion).

2. Verification

- 2.1 Save in respect of information relating to the Investor, all material information provided for the purposes of the Verification Notes is true and accurate in all material respects and not misleading in any material respect.
- 2.2 The Verification Notes have been prepared or approved by persons reasonably believed by the Company to have appropriate knowledge and responsibility to enable them properly to provide such replies in good faith and with due and proper care and attention.
- 2.3 Save in respect of the statements of fact relating to the Investor, the statements of fact contained in the Verification Notes are true and accurate in all respects and the statements of opinion contained in the Verification Notes are fair and reasonable and honestly held.

3. Constitution, books and share capital

- 3.1 No Group Company is a party to any contract, right to acquire, mortgage, pledge, lien or other form of security or encumbrance or any other arrangement (except those the subject of this Letter) which requires or covers any right (whether actual or contingent and whether or not exercisable at present) to require the allotment or issue of any Ordinary Shares or shares in the capital or other securities of the Company or any

other Group Company, and no Group Company has any current intention to grant options or rights to subscribe for shares in any Group Company.

- 3.2 All legal requirements in connection with all issues of shares or other securities by each Group Company and with the formation of each Group Company have been complied with. The statutory books and registers of each Group Company have been properly and accurately maintained and written up-to-date and each Group Company has (within the requisite time limits) filed or delivered to any relevant registry all returns, particulars, resolutions and documents as required by any relevant legislation.
- 3.3 Subject to the passing of the Resolutions, the issue and allotment of the Subscription Shares in the manner proposed by this Letter:
- (a) will comply with the Law, FSMA, the FS Act, MAR, the AIM Rules and all other statutes and governmental and regulatory authorities and regulations applicable to the Equity Subscription; and
 - (b) will not infringe any borrowing limits, powers or restrictions of, or the terms of any agreement, security, commitment or arrangement binding on the Company, or result in the imposition of any rights or obligations of the Company.
- 3.4 Subject to the passing of the Resolutions, the allotment and issue of the Subscription Shares and Admission will not exceed or infringe any restrictions or the terms of any contract, obligation or commitment by or binding upon the Company or result in the imposition or variation of any rights or obligations of the Company.
- 3.5 Other than pursuant to the Law and article 2.7 of the Company's articles of association, there are no current agreements (whether written or unwritten) between the Company and any one or more of the shareholders in the Company relating to any rights of pre-emption over or rights to require a sale or purchase of any shares in the capital of the Company.
- 3.6 The Subscription Shares will, when allotted, be allotted and issued free from all claims, charges, liens, encumbrances, equities and third party rights and will rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive all dividends declared, made or paid after the date of this Letter.
- 3.7 No Group Company (nor, so far as the Directors are aware, any of their respective directors, officers, employees or agents) or any other person acting on behalf of any such person (other than the Investor) pursuant to its instructions or with its concurrence has effected, directly or indirectly, or entered into any transactions or arrangements designed to or which constituted or which might reasonably be expected to cause or result in stabilisation or manipulation of the price of any security of the Company to facilitate the sale or resale of the Subscription Shares.
- 3.8 No Director nor any Group Company (nor, so far as the Directors are aware, any of their respective directors, officers, employees or agents) has during the period of 90 days prior to the date of this Letter directly or indirectly done any act or engaged in any course of conduct which creates a false or misleading impression as to the market in or the value of the Subscription Shares.

4. Subsidiaries

- 4.1 The Group comprises the entities detailed in section 4 of the Disclosure Letter.
- 4.2 No Group Company has an interest in the shares or other securities of any company which is not detailed in section 4 of the Disclosure Letter and no Group Company has

an interest in any business other than that of the Group and has not agreed to acquire any such shares, securities or interest or held any such shares, securities or interest at any time.

4.3 No Group Company has a branch, agency or place of business or any permanent establishment (as that expression is defined in the relevant double taxation relief orders) outside of its country of incorporation.

4.4 Each of the warranties set out in this schedule 1 would remain fair, accurate and not misleading if references to the Company were replaced by references to each of the subsidiaries of the Company.

5. Corporate capacity

5.1 The Company and the Directors have power, under the Company's articles of association and will have authority when the Resolutions are duly passed in general meeting, and when all other consents are obtained to issue the Subscription Shares in the manner proposed by this Letter and to enter into, perform and complete all the arrangements contemplated by this Letter in accordance with its terms without any further sanction or consent.

5.2 No contract or arrangement to which any Group Company is a party or by which its property or assets is bound will be determined or adversely affected or breached by reason of the issue of the Subscription Shares or the entry into and performance by the Company of its obligations under this Letter and such issue will not infringe the laws or regulations of any jurisdiction in which the issue is made. The issue and the entry into and performance by the Company of its obligations under this Letter, will not infringe or give rise to a breach of any agreement or obligation to which any Group Company is a party.

6. Accounts and Accounting Records

6.1 The Accounts have been prepared in accordance with IFRS, and within the terms of such standards, principles and practice, give a true and fair view of the financial position at the end of, and profits and cash flow of the members of the Group as at the Accounts Date.

6.2 The Group did not, as at the Accounts Date, have any liability (whether actual, deferred, contingent or disputed) or commitment which, in accordance with generally accepted accounting principles and practice, should have been disclosed or provided for in such financial statements and the results as shown in the Accounts are not affected by any extraordinary, exceptional or non-recurring item or circumstance.

6.3 Adequate provision or, as appropriate, disclosure in accordance with generally accepted accounting principles and practice has been made for Taxation payable by the Group.

6.4 The Directors have established procedures that provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Group.

6.5 The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that:

(a) transactions are executed in accordance with management's general or specific authorisations;

(b) transactions are recorded as necessary to permit preparation of returns and reports, complete and accurate in all material respects, to regulatory bodies as

and when required by them and financial statements in accordance with IFRS approved by the International Accounting Standards Board;

- (c) access to assets is permitted only in accordance with management's general or specific authorisations; and
 - (d) the position regarding assets as recorded in the accounting records is compared with the physical assets at reasonable intervals and appropriate action is taken with respect to any differences.
- 6.6 The Group keeps books, records and accounts which accurately reflect in reasonable detail (as required by law) its transactions, assets and liabilities.
- 6.7 The Interim Results were properly prepared in accordance with the AIM Rules on accounting bases and assumptions consistent with those adopted in the preparation of the Accounts and of the interim results of the Group published in respect of the first half of the financial year ending on the Accounts Date, and, at the time of publication of the Interim Results, the Directors believed on reasonable grounds that they fairly, presented the state of affairs of the Group as at the date to which they were made up.
- 6.8 The Company has complied in all material respects with its financial reporting policies and procedures since the adoption of such policies and procedures up to and including the date of this Letter.

7. Taxation

- 7.1 Since the Accounts Date, no Group Company has incurred any liability in respect of any Taxation other than any such liabilities arising in the ordinary course of the business of the Group since that date.
- 7.2 All corporation tax returns made by the members of the Group since the Accounts Date have been made correctly in all respects and, except as provided for or, as the case may be, disclosed in the Accounts (including the notes and the reports thereto), there are no material questions of Taxation which are likely to become the subject of dispute with any taxing authorities, wherever located.
- 7.3 All Tax that has become due and payable from any Group Company or for which any Group Company has become obliged to account has been paid or accounted for in full.
- 7.4 No claim or dispute involving any Group Company has been made by or arisen with any Tax authority (wherever located) and there is no significant risk that such a claim will be made or that such a dispute will arise.

8. Liabilities and indebtedness

- 8.1 Save pursuant to the RBS Debt Facility Agreement or in the case of SG Guernsey and SG Asia, pursuant to the Investment Contracts, the Company is not and has not been a party to any loan agreement, guarantee, warranty, indemnity or surety or given security for or otherwise agreed to become directly or contingently liable for any obligation of any person and no person has given any guarantee of or other security of a material nature for any obligation of the Company.
- 8.2 No Group Company is owed any sums other than debts incurred in the ordinary course of trading and inter-company indebtedness owed by another Group Company.
- 8.3 Save for any liability to Taxation, the RBS Debt Facilities and any inter-company indebtedness (including the SG Guernsey Intercompany Indebtedness), no Group Company has:

- (a) incurred any other indebtedness which it has not repaid or satisfied in full;
 - (b) entered into nor is it negotiating to enter into any debt factoring, discounting or inventory finance arrangement;
 - (c) engaged in any off balance sheet financing or any financing of a type which would not require to be shown or reflected in the Accounts, had such arrangement or financing been entered into on or before the Accounts Date; or
 - (d) entered into nor is it negotiating to enter into any currency and/or interest rate swap agreement, asset swap, future rate or forward rate agreement, interest cap, collar and/or floor agreement or other currency exchange or interest rate protection transaction or combination of them or any option or any similar arrangement.
- 8.4 Save pursuant to the Transaction Security Documents (as defined in the RBS Debt Facility Agreement) or as referred to in the definition of "Permitted Security" in the RBS Debt Facility Agreement, there are no charges, pledges or other encumbrances registered, or otherwise in place, over any Group Company or its assets.
- 8.5 All encumbrances created by or in favour of any Group Company which are required to be registered in accordance with the provisions of the Law or Companies Act (or were required by the Companies Act 1985) or in any other relevant jurisdiction have been so registered and comply with all necessary formalities as to registration or otherwise in that jurisdiction; and the registered particulars of encumbrances created by or in favour of any Group Company are complete and accurate.
- 8.6 There is attached to the Disclosure Letter a schedule of the SG Guernsey Intercompany Indebtedness which is fair, accurate and not misleading.
- 8.7 There are no enforcement proceedings pending or actual under any of the Transaction Security Documents or Finance Documents (each as defined in the RBS Debt Facility Agreement).
- 8.8 The guarantee granted by various Group Companies pursuant to the terms of the RBS Debt Facility Agreement remains valid, binding and enforceable and continues in full force and effect.

9. Solvency

- 9.1 In relation to each Group Company (other than SG Guernsey):
- (a) no event has occurred causing, or which on intervention or notice by any third party may cause, any floating charge created by any Group Company to crystallise or any charge created by it to become enforceable, nor has any crystallisation occurred or is any such enforcement in process;
 - (b) no Insolvency Event has occurred in relation to any Group Company; and
 - (c) no Group Company has been a party to any transaction with any third party which, in the event of such third party going into liquidation or an administration order or a bankruptcy order being made in relation to it or to him, would constitute a transaction at an undervalue, a preference, an invalid floating charge or an extortionate credit transaction or part of a general assignment of debts, under sections 238 to 245 and sections 339 to 344 of the Insolvency Act 1986.

9.2 No person who is or has at any time within the last three years been a Director or officer of any Group Company has:

- (a) been subject to any disqualification order under the Companies Act or under any other legislation relating to the disqualification of directors and officers, or was the subject of any investigation or proceedings capable of leading to a disqualification order being made;
- (b) at any time been adjudged bankrupt or entered into an individual voluntary arrangement in Jersey or the United Kingdom or elsewhere;
- (c) at any time been party to an arrangement or made any other form of composition with his creditors, or suffered a receivership of any asset in which he had any interest;
- (d) any unsatisfied judgement outstanding against him;
- (e) except in relation to SG Guernsey, been a director of any company or other body corporate which went into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors of any company while he was a director or within 12 months after he ceased to be one;
- (f) been a partner of any partnership which went into compulsory liquidation, administration or partnership voluntary arrangement or suffered a receivership of any asset while he was a partner or within 12 months after he ceased to be one;
- (g) ever been publicly censured or criticised by or refused admission by any professional, statutory or regulatory authority (including recognised professional bodies); or
- (h) any unspent convictions in relation to any indictable offence.

10. Trading position

Since the Accounts Date, save as Disclosed:

- (a) the business of the Group has been carried on in the ordinary and usual course and in the same manner (including nature and scope) as immediately before the Accounts Date;
- (b) there has been no significant change in the financial or trading position of the Group, taken as a whole;
- (c) nothing has occurred which would or might materially affect the adequacy of any of the reserves or provisions as referred to above, including provision for deferred taxation;
- (d) no Group Company has incurred additional material financial liabilities, whether actual or contingent, other than in the ordinary and proper course of business;
- (e) no Group Company has declared, made or paid any dividend or other distribution;

- (f) except in the ordinary course of business, no agreement or commitment has been entered into by any Group Company which is of a long term or unusual nature which involves or could involve an obligation of a material nature;
- (g) except in the ordinary course of business, no agreement or commitment has been entered into by any Group Company for the acquisition or disposal of any business or material asset or any material liabilities (including contingent liabilities);
- (h) there has been no material change in the assets and/or liabilities of the Group (including their make-up) as shown in the Accounts and no fixed assets have been written up by the Group;
- (i) no Group Company has any off balance sheet finance, investment or liability; and
- (j) with respect to each announcement made by or on behalf of the Company to the London Stock Exchange ("**Previous Announcements**"), at the date each such announcement was made all statements of fact contained therein were true and accurate in all material respects and not misleading in any material respect, all expressions of opinion, intention or expectation contained therein were when made honestly held by the Company and the Directors and had been made on reasonable grounds after due and proper consideration and continue to be honestly held by the Company and the Directors, and none of such statements or expressions were or are rendered misleading in any material respect by the omission of any information and all Previous Announcements complied with the applicable provisions of the Law, FSMA, the FS Act, MAR, the AIM Rules and all other relevant statutes and regulations in the United Kingdom and elsewhere and all other relevant requirements of the London Stock Exchange. Save as disclosed in any subsequent Previous Announcement, there has been no change to any of the information contained in the Accounts or any Previous Announcement in each case since the date of their publications that is or could reasonably be expected to be material in the context of the Proposed Transaction.

11. Assets and real property

- 11.1 Save in relation to the assets which are the subject of the Investment Contracts, each Group Company has possession and control of and a good title to all of its assets and inventory, including all of its freehold and leasehold property interests and there is not outstanding any mortgage, lien, charge, bill of sale, encumbrance, agreement or arrangement over, affecting or in respect of the whole or any part of the undertaking, property or assets of such Group Company.
- 11.2 An analysis of the Investment Contracts, including of the payment obligations set out in such Investment Contracts and the assets which are the subject of such Investment Contracts is set out in the Affidavit prepared by Andrew Cook in support of the application for administration of SG Guernsey dated 16 November 2017 and, so far as the Directors are aware, such analysis is true, accurate and not misleading.
- 11.3 No call or claim or right to payment has been made or exercised by any person under the buy-back guarantee contained in any Investment Contract.
- 11.4 Save for SG Guernsey and SG Asia under the Investment Contracts, so far as the Directors are aware, no Group Company is a party to a contract or arrangement under which such Group Company offers its customers buy-back guarantees or similar in relation to stock or assets purchased by such customers.

- 11.5 There is attached to the Disclosure Letter the latest available schedules of stock and inventory owned by each Group Company, specifically as follows; in respect of stamps and philatelic items, individually listed within SGL generally with a cost in excess of £50 ("**pink zone stamps**") an itemised list of pink zone stamps prepared as at close of business on the date the Business Day prior to the date of this Letter; in respect of coins and related numismatic items owned by A H Baldwin & Sons Limited an itemised list as at 31 December 2017; a copy of the stock summary sheet submitted to RBS as part of the November 2017 Monthly Financial Statements.
- 11.6 In respect of the property situated at 399 Strand, London, WC2R 0LX, England, the buildings and other structures on such property or of which any part of such property forms part are in good and substantial repair and fit for the purposes for which they are currently used.
- 11.7 The rent has been paid and the covenants on the part of the tenant observed and performed in relation to each leasehold interest (which expression includes underleases) and each such leasehold interest is valid and in full force.
- 11.8 The Top 10 Customers are those persons identified on the spreadsheet entitled "Copy of Contracts list draft 3 – CO contract types contingent" and appended to the Disclosure Letter.
- 11.9 The Top 10 Customers have entered into Investment Contracts with SG Guernsey.
- 11.10 All monies received or paid by the Top 10 Customers in respect of the Investment Contracts entered into by such Top 10 Customers were remitted through bank accounts controlled by SG Guernsey.

12. Contracts and arrangements

- 12.1 The Company has at all times carried on its business and operations in the ordinary and usual course and is not and has not been a party to any unusual, long-term or onerous contract or any contract entered into otherwise than on arm's length terms.
- 12.2 There is no agreement, arrangement or transaction material to the business and/or financial position of the Group as a whole which is invalid or which may be rescinded, avoided or repudiated, and no Group Company has received notice of any intention to terminate, repudiate or disclaim any such agreement, arrangement or transaction.
- 12.3 No event has occurred or is about to occur which constitutes or would constitute a default, or result in the acceleration by reason of default, of any obligation under any agreement, undertaking, instrument or arrangement to which any Group Company is a party or by which any Group Company is bound which would, in any such case, have a material adverse effect on the business, assets, or condition of any Group Company.
- 12.4 Other than the Company's articles of association and this Letter no contract or arrangement exists between the Company and (in his capacity as such) any person who owns or, has any interest in or rights in relation to any Ordinary Shares or securities (or any person who is connected with such a person) with regard to:
- (a) the management of any business of any Group Company; or
 - (b) the appointment or removal of any of the directors or officers of any Group Company; or
 - (c) any other matter concerning any Group Company or its affairs.

13. Insurance

- 13.1 Each Group Company carries insurance cover at the levels and for the risks normally insured against by persons carrying on the same or similar business as that carried on by that Group Company in that geographical area and all such insurances are in full force and effect and not (so far as the Directors are aware) voidable and there is no material insurance claim made by or, against any Group Company pending, threatened or outstanding and all premiums due and payable in respect of all insurances have been duly paid and the Company reasonably considers such cover to be adequate for all members of the Group.
- 13.2 There is no claim outstanding under any policies of insurance taken out by the Group.

14. Intellectual Property

- 14.1 All patents, patentable and other inventions, trademarks, service marks, registered designs, design rights, copyrights, rights in confidential information and other similar intellectual and industrial property rights of any nature whatsoever (whether or not registered or capable of registration) ("**Intellectual Property Rights**") used or required to be used by the Company or any Group Company are owned solely by the Company or any Group Company and are valid and enforceable and, save in respect of the security created under the RBS Debt Facilities, free from encumbrances and, in the case of patentable rights, patents have been obtained or applied for in the name of the Company or such Group Company as sole proprietor and are valid and enforceable and free from encumbrances.
- 14.2 The Company has taken what the Directors consider to be reasonable steps to protect the Intellectual Property Rights that are material to the business activities of the Group by registration, patent application or otherwise in all jurisdictions in which the Group operates or intends to operate in the next 12 months, and nothing has been done or omitted to be done by the Group which would jeopardise the validity or subsistence of any Intellectual Property Rights owned by the Group.
- 14.3 The know how comprised in the Intellectual Property Rights has been adequately documented and to the extent that it is of a confidential nature or the confidentiality of such information is of material importance to the Group, no part of such confidential information has been disclosed to any third party except subject to arrangements to protect such confidentiality.
- 14.4 No activities of the Group infringe or, so far as the Directors are aware, are likely to infringe any Intellectual Property Rights of any third party, and no claim has been made against any Group Company in respect of any such infringement in the three years prior to the date of this Letter; and there are no proceedings, actions or claims pending or threatened which impugn the title, validity or subsistence of any Intellectual Property Rights owned by the Group.
- 14.5 There are no pending or anticipated allegations, notifications, applications or claims by the Company, any Group Company or by any licensee of the Company or any Group Company: (i) against a third party alleging infringement of the Intellectual Property Rights; or (ii) for invalidity, revocation, opposition, compensation or otherwise in respect of the Intellectual Property Rights of any third party, and so far as the Directors are aware, there are no circumstances which entitle or could entitle a third party to a licence, permission or consent to exploit or assignment of or in respect of the Intellectual Property Rights owned by the Company or any Group Company.
- 14.6 The spreadsheet entitled "Trade Mark Schedule 7 July 17" and attached to the Disclosure Letter lists all of the registered trade marks and pending trade mark applications of the Company or any Group Company and is complete, accurate and

not misleading in all respects, and all renewal and official fees have been be paid in respect of the trade marks so listed.

- 14.7 The Intellectual Property Rights owned by the Company or any Group Company comprise all the Intellectual Property Rights which are necessary or desirable for the Company and/or any Group Company to carry on the business and deal with the assets of the Company and/or any Group Company in the manner and places carried on up to the date of this Letter.

15. Employees, benefits and pensions

- 15.1 Particulars of all employees of and consultants to any Group Company whose remuneration (including all benefits and expenses) exceeds £100,000 per annum or whose notice entitlement is three months or more has been detailed in section 15 of the Disclosure Letter.
- 15.2 So are as the Directors are aware, no executive Director, key employee or significant group of employees plans to terminate their employment with any relevant Group Company in the next six months.
- 15.3 There are no amounts owing or promised to any present or former director or employee or consultant of any Group Company other than remuneration accrued, due or for reimbursement of business expenses, and no liability has been incurred by any Group Company for breach of any contract of service, contract for services or consultancy agreement.
- 15.4 No Group Company has made any loans or quasi loans (as defined in the Companies Act or the Law) to or entered into any credit transaction (as so defined) with any of its Directors, employees or third parties.
- 15.5 Except as set out in the service agreements between the Company and the executive Directors, there are no agreements or arrangements (whether legally enforceable or not) in operation for the payment of, or contribution towards, any pensions, annuities, allowances, lump sums, gratuity or like benefits on retirement, death or during periods of sickness or disablement for the benefit of any, former, employee or former employee of any Group Company or the dependants of any such persons, nor has any proposal been announced to establish any such agreement or arrangement.
- 15.6 Save as Disclosed, no Group Company has established a scheme or arrangement whereby its current or former Directors or employees or their relevant relatives or dependents may acquire shares or options to acquire shares of any class in any Group Company.

16. Compliance with laws and the AIM Rules

- 16.1 Each Group Company and (so far as the Directors are aware) its officers have at all times acted and carried on the business and affairs of such Group Company in compliance with all material obligations under all contracts, leases, licences and permits to which such Group Company is a party and with such Group Company's memorandum and articles of association (or equivalent constitutional documents) and with all laws, regulations, orders, directives, guidelines and codes relating to it, the ownership and use of its assets and/or its business wherever it operates, including those relating to taxes, data protection, money laundering and bribery and corruption and such Group Company has not been and is not liable (as a result of any event before the date when this warranty is given) for any material breach of any such laws or regulations.

- 16.2 All material licences, consents and other permissions and approval required for carrying on the businesses now carried on by the Company or any Group Company have been obtained and are in full force and effect and so far as the Directors are aware, there is no circumstance which indicates that any licence, consent, permission or approval is likely to be revoked or incapable of renewal.
- 16.3 The Company is not and never has been a party to any agreement or arrangement and is not indulging and has never indulged (whether alone or in conjunction with any other party) in any practice which infringes or may infringe any applicable competition, anti-restrictive trade practice, or anti-trust laws and the Company is not and never has been engaged in any dealings with any regulatory authority in respect of any such practice.
- 16.4 The Company and the Directors have been advised of their responsibilities obligations in connection with the Company's status as a company having its Ordinary Shares admitted to trading on AIM and the Company is not in material breach and has not been in material breach of the AIM Rules.
- 16.5 The Company has in place adequate systems, procedures and controls to enable it to comply with its obligations under the Law, FSMA, the FS Act, MAR and the AIM Rules, including, without limitation, in respect of financial reporting systems and controls, the release of unpublished price sensitive information, notification obligations and the regulation of close periods.

17. Litigation and claims

- 17.1 No Group Company is involved in any civil, criminal, governmental or arbitration proceedings or disputes and no such proceedings and no claims or disputes of any nature are pending or threatened by or against the Company and no such civil, criminal, governmental or arbitration proceedings or disputes are pending and there are no circumstances which are likely to give rise to any such litigation or legal, governmental or arbitration proceedings or disputes.
- 17.2 Except as Disclosed in relation to SG Guernsey, the Company has not taken any action nor have any other steps been taken or legal proceedings started or threatened against any Group Company for the administration, winding-up or dissolution of it or for it to enter into any arrangement or composition for the benefit of creditors, or for the appointment of an administrator, administrative receiver, trustee or similar officer of its properties, revenues, undertakings or assets or any equivalent process in any other jurisdiction.
- 17.3 No material dispute with the employees of the Company or any Group Company exists or is threatened and there is no existing or threatened labour disturbance by such employees or those of any of its significant suppliers or customers that could reasonably be expected to result in any material adverse change in the condition (financial or otherwise), prospects, management, results of operations, financial position, business or general affairs of the Company or of the Group (as the case may be).
- 17.4 No Group Company, nor any of their officers, employees or agents is involved in any claim or proceedings in relation to any alleged bribery or corruption offence, nor are any such claims or proceedings pending or threatened by or against a Group Company or any officer, agent or employee of such Group Company in relation to his respective duties to such Group Company, nor are there any facts or circumstances which may give rise to any such claims or proceedings being commenced by or against any of them.
- 17.5 No Group Company has received any notice, complaint or claim from any individual, third party and/ or regulatory authority alleging non-compliance with applicable data

protection laws (including any prohibition or restriction on the transfer of data to any jurisdiction) or claiming compensation for or an injunction in respect of non-compliance with data protection laws.

- 17.6 Neither the Company nor the Directors are aware of any dispute with, or any circumstance which will or may (whether by lapse of time or the issue of any notice of assessment or otherwise) give rise to any dispute with, any relevant Taxation authority.
- 17.7 The Company and/or its Directors has supplied the Investor in writing with all information in its possession or control in relation to the Relevant Claims and the Top 10 Customers (including, but not limited to, all correspondence and all legal advice relating thereto), and such information supplied is true, up-to-date, complete and accurate in all respects and is not by itself or by omission misleading.
- 17.8 All statements and expressions of opinion, intention and expectation made by or on behalf of any Group Company (or any Group Company's respective directors, officers, employees or agents) contained in or forming part of the information referred to in Warranty 17.7 were when made or given, fair and reasonable, honestly held and can be properly supported.
- 17.9 There is no information regarding the Group which might reasonably be considered material in the context of the Proposed Transaction and which has not been specifically disclosed in writing to the Investor.

SCHEDULE 2

Negative Pledges

Reference in this schedule to "Company" is deemed to be a reference to the Company and each Group Company.

1. Permit any action or omit to take action which would exceed or infringe the terms of this Transaction Documentation, or otherwise frustrate any part of the Proposed Transaction or the Acquisition.
2. Make or permit the making of any amendment to the Transaction Documents.
3. Take any action or omit to do anything which may jeopardise any security given in favour of NatWest and/or the validity and enforceability of the guarantee under the RBS Debt Documents.
4. Permit or cause the principal amount outstanding of the RBS Debt to fall below £17,000,000 or exceed £17,500,000.
5. Permit or cause the SG Guernsey Intercompany Indebtedness to fall below £6,500,000.
6. Depart from its usual course of business as regards the nature, scope and matter of the business.
7. Dispose of or acquire any undertaking or any material asset or operation or any material part of or interest in such undertaking, asset or operation or contract so to do (whether by a single transaction or a series of transactions).
8. Acquire or dispose of any interest in any freehold or leasehold property or granting or acquiring any option relating to any such interest.
9. Except as contemplated in the Transaction Documents, make any material payment or do anything material other than in the ordinary and proper course of business and on an arm's length basis.
10. Make any material alteration to the nature or scope of the Group's business as presently proposed to be carried on.
11. Enter or agree to enter into any contract which is material in the context of the Company's operations and/or outside of the ordinary course of its business.
12. Enter or agree to enter into any capital commitment or any contract involving any expenditure on capital account or the purchase of any capital equipment or other items of a capital nature.
13. Knowingly permit any of its normal insurances to lapse or doing anything to make any of its policies of insurance void or voidable.
14. Assign, factor or otherwise dispose of any of its book debts.
15. Write off or release any debt.

16. Alter any mandate given to its bankers relating to any matter concerning the operation of its bank accounts.
17. Incur any additional indebtedness or any other liability whatsoever other than in the ordinary course of business or in connection with the implementation of the Proposed Transaction.
18. Create, extend, grant or issue (so far as the Company is able to prevent the same) or allow to come into being any mortgage, encumbrance, charge or other security upon any part of its property or assets or uncalled capital or create or issue any debenture or debenture stock other than in respect of the Proposed Transaction and/or the ordinary course of business.
19. Permit any liens to arise on any of its assets otherwise than in the ordinary course of business.
20. Give any guarantee, indemnity, surety or like assurance of third party obligations.
21. Delegate any of the powers or duties of the Board of the Company.
22. Appoint any additional Directors.
23. Pay or agree to pay to its directors, officers, or employees any remuneration or other emoluments or benefits other than those referred to in the employment agreements or other arrangements relating to such directors, officers, or employees.
24. Make any alteration in the terms of remuneration or make alterations favourable to an employee or director of other contractual terms including any such alteration in the terms of engagement of any company providing the services of any director.
25. Enter into or vary any transaction or arrangement with or for the benefit of any shareholder, director or senior employee of any Group Company or any person who is connected with any of them or waive any breach of any such transaction or arrangement.
26. Amalgamate or merge with any other company or concern or acquire any shares in any other company or participate in any partnerships or joint venture (save where such participation pre-dates the date of this Letter and has been Disclosed).
27. Commence or settle any litigation, dispute, arbitration or other proceedings.
28. Make or register any sale or other transfer (and or transmission) of the legal or beneficial interest in any Share held by a director of the Company.
29. Vary any rights attached to any of the Ordinary Shares.
30. Reduce the limit on the number of shares that may be allotted (if any) or its issued share or loan capital.
31. Convert, sub-divide or consolidate any of the existing Ordinary Shares.
32. Dispose or attempt to dispose of any interest in any share or other security in the share capital of the Company.
33. Capitalise, repay or make any other form of distribution of any amount standing to the credit of any reserve or redeeming or purchasing any of its own shares or making any other re-organisation of share capital.

34. Save in relation to the Inventory Acquisition Agreement, sell or dispose of or grant any option in respect of any part of its undertaking or assets save in the ordinary course of trading.
35. Declare any dividend or make any distribution whether of capital or of income.
36. Make any alteration to its memorandum of association or articles of association.
37. Appoint new auditors or remove the existing auditors.
38. Cause or allow an Insolvency Event to occur.

SCHEDULE 3

Right to Information

1. Monthly management accounts of the Company and its subsidiaries including a written report on the state of affairs of the Company and its subsidiaries immediately upon the same becoming available and in any event not later than 45 days after the end of each calendar month or period (not exceeding six weeks) to which they relate;
2. Draft annual profit and loss account, cash flow statement, balance sheet and capital and operating expenditure budgets of the Company and its subsidiaries together with the directors' written analysis of such drafts immediately upon the same becoming available and for the financial year commencing 1 April 2017 and thereafter not later than one month before the commencement of the period to which they relate;
3. Revised budgets of the Company and its subsidiaries immediately upon the same becoming available and for the six month period commencing 1 October 2017 and for subsequent six monthly periods not later than one month before the commencement of the second six month period of the year to which such budget relates;
4. Copies of the audited profit and loss account and balance sheet (and all notes thereto and reports thereon) in respect of each financial year of the Company and its subsidiaries immediately upon the same becoming available and not in any event later than the expiration of six months from the end of every such financial year;
5. Such further information in the possession or control of the Company regarding the financial condition and the operations of its group as the Investor may reasonably request including copies of any business plan, business performance report, cash flow forecast and the operating and capital expenditure budget report or equivalent reports in the possession, custody or control of the Company;
6. Written notice of any offer made to or by the Company or any of its subsidiaries or any director or shareholder of the Company or any of its subsidiaries for the subscription, purchase, acquisition or disposal of any share, debenture, mortgage or security (or any interest therein) or the acquisition or disposal of any business or part of a business (or any interest therein) together with full details of such offer or such details as are then available to the Company and/or the directors and/or the shareholders, such notice to be given as soon as the Company is contemplating any such proposal or as soon as practicable after the Company or the directors or the shareholders becoming aware of the same (as appropriate);
7. All information and reports regarding the progress of the administration, subsequent liquidation or any other insolvency process or arrangement in respect of SG Guernsey; and
8. Any other information which the Investor may reasonably request from time to time.

SCHEDULE 4

Warranty Certificate

To: Phoenix UK Fund Ltd
Suite 205A, Saffrey Square
Bank Lane & Bay Street
P.O. Box N-9934
Nassau, Bahamas
For the attention of: Gary Channon

2018

Dear Sirs

Subscription for 248,000,000 Subscription Shares (or such greater number of Subscription Shares, as the case may be) and the application for Admission

We refer to the Equity Subscription and to the Letter dated [date] February 2018 (the "**Letter**"). Words and expressions defined in the Letter have the same meanings in this certificate.

We confirm that:

1. we have complied with all our obligations under the Letter which we have been required to perform to date;
2. save as notified on [date] 2018 pursuant to clause 7.6 of the Letter:
 - (a) none of the Warranties or undertakings given by us contained in the Letter has been breached or is unfulfilled or was untrue or inaccurate or misleading in any material respect when made;
 - (b) none of the Warranties or undertakings would be breached or unfulfilled or be untrue or inaccurate or misleading in any material respect if they were now repeated by reference to the facts subsisting at the date of this certificate; and
 - (c) no Specified Event has come to the knowledge of the Company or of any Director, which in any such case is material in the context of the Proposed Transaction;
3. there has been no breach of any of the negative pledges set out in schedule 2; and
4. neither the Company, nor any of the Directors is aware of any circumstances which could give rise to the Investor having the right to terminate the Letter pursuant to clause 12 of the Letter.

Yours faithfully

.....
Director
for and on behalf of The Stanley Gibbons Group plc