THE STANLEY GIBBONS GROUP PLC

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THE STANLEY GIBBONS GROUP PLC ("the Company" or "the Group")

Audited Results for the year ended 31 December 2012

The Stanley Gibbons Group plc, whose principal businesses comprise Stanley Gibbons, Fraser's Autographs, bidStart and Benham First Day Covers, today announced its audited results for the year ended 31 December 2012.

Key Financial Highlights

- **Sales** of £35.6m (2011: £35.7m), reflecting a shift in sales mix to higher margin business
- Adjusted **profit before tax*** of £6.0m (2011: £5.4m, as restated) up 11%
- **EBITDA**** of £6.5m (2011: £5.8m) up 12%
- Adjusted **earnings per share** of 21.44p (2011: 19.40p, as restated) up 10%
- **Gross margin** of 43.7% (2011: 38.7%)
- **Internet sales** from core website, ***www.stanleygibbons.com***, up 55% in the year (2011: up 27%)
- **50%** of revenues now from outside UK (25% in 2009)
- Proposed final dividend of 3.75p per share (2011: 3.50p per share) up 7%, giving a **total dividend** for the year of 6.50p (2011: 6.00p) up 8%
- **Cash** at 31 December 2012 of £6.8m*** (2011: £3.2m)
- **Stock** at 31 December 2012 stated at historic cost of £20.7m (2011: £16.8m) sufficient to deliver future organic growth from core trading activities

* Excludes exceptional operating costs and actuarial accounting adjustments.
** Excludes exceptional operating costs, interest, tax, depreciation and amortisation and actuarial accounting adjustments.
*** Includes net proceeds of fundraising in November 2012.

Key Operational Highlights

- Acquisition of bidStart, a US-based online collectibles trading platform in November 2012 for a total consideration of $1m, provided a base from which to leverage the Stanley Gibbons brand in the low value/high volume segment of the collectibles market
- Successful placing and fundraising of £6m to fund the consideration for bidStart and to provide funds to develop its trading platform
- Appointment of the founder and vendor of the bidStart website, Mark Rosenberg, as Group Chief Digital Officer based in the USA and Paul Zimmerman, formerly

of Play.com, as Director of E-commerce Operations, based in Jersey to lead the implementation of online strategy
- Increased gross margin achieved from acquisition of top quality collections at attractive values
- Hong Kong office opened in September 2011, contributed sales of £2.6m and profits of £0.7m in the year ended 31 December 2012, including sales of £1.9m transacted to residents outside of Hong Kong
- Prevailing strong demand for Chinese rare stamps with sales up by 83% to £2.1m
- Auction commissions up 60% in the year benefiting from the sale of the prestigious "Arnhold Collection" achieving a total realisation of £1.6m
- Sales of rare coins and military medals were up 31% to £1m, with profit contribution up 80%
- Benham first day covers benefited from sales of commemorative collectibles related to the Queen's Diamond Jubilee and the London 2012 Olympics

Outlook

- Stanley Gibbons is well placed to become a leader in the global market for collectibles through the provision of key services online and by acquisition of quality businesses in rare stamps and related collectibles
- bidStart online trading platform and associated fundraising enables the acceleration of the delivery of the key aspect of the Group's online strategy
- This strategy is further supported and complemented by our international offices and planned growth of our auction business
- The favourable economic fundamentals for collectibles have never been stronger and should ensure appreciation in value for the foreseeable future and an effective hedge against inflation

Martin Bralsford, Chairman, commented:

"The continued growth in the profitability of the Group in 2012 was achieved at the same time as substantial investment was made and corresponding progress in the implementation of our broader online strategy, which is expected to deliver material growth in future years.

Specifically, the bidStart acquisition brings us the technology required to develop the global online collectibles trading platform. The successful fundraising completed in November last year provides the capital required to invest in the acceleration of the roll out, backed by the prestige our brand carries in the global collecting community.

The market for rare collectibles continues to demonstrate its resilience. This was evidenced by the performance of the benchmark GB250 Stamp Price Index over the past year, showing growth of 11% in 2012.

Following the acquisition of bidStart and the recruitment of top quality senior personnel in our online division, the Board looks forward to its enhanced Management Team delivering exceptional online products and services to the global collecting community, with an expectation of attractive future returns to our Shareholders.

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Chairman's Statement

Introduction

The year ended 31 December 2012 showed solid growth in profits. These were through better gross margins on a similar level of sales as we maintained and consolidated on last year's significant growth in sales. Profit growth was achieved after charging considerable investment and overhead incurred in the year developing our wider strategic objectives. Most importantly, the acquisition of bidStart and associated fundraising represents a key milestone towards achieving our core objective in the development of the global online collectibles trading community.

The Balance Sheet of the Group at 31 December 2012 shows considerable strength in net assets and liquidity with cash balances of £6.8m (31 December 2011: £3.2m) and inventories of rare collectibles stated at historic cost of £20.7m (31 December 2011: £16.8m). The Group has created the funding and asset base to deliver future organic growth from core trading activities at the same time as investing in the exceptional new areas of growth we believe are achievable from our online and auction activities.

The market for rare collectibles continues to demonstrate its resilience in the face of financial uncertainty, particularly in Europe. Alternative investments such as collectibles tend to be attractive to the most intelligent and creative of investors as part of an overall wealth diversification strategy. However, the activities of these investors in the collectibles market remain insignificant in relation to gains to the overall market size. Instead, the influence of passionate collectors chasing scarce items drives the continued strong growth in prices to the benefit of our loyal base of investment clients. Evidence of this is the performance of the GB250 Stamp Price Index, showing annual growth of 11% in 2012.

Financials

Turnover was in line with the prior year at £35.6m and gross margins improved from 38.7% to 43.7%. Underlying profit before tax, excluding exceptional charges and actuarial accounting adjustments, was £6.0m (2011: £5.4m, as restated), up 11%. EBITDA, which is calculated as operating profit before all exceptional items, depreciation/amortisation and actuarial accounting adjustments, was £6.5m (2011: £5.8m, as restated), up 12%.

Adjusted earnings per share, excluding exceptional costs and actuarial accounting adjustments were 21.44 pence (2011: 19.40 pence, as restated), up 10%. Basic earnings per share was 18.94 pence (2011: 17.97 pence, as restated), representing an increase of 5%.

Dividend

Your Board is pleased to recommend to Shareholders for their approval at the forthcoming AGM, a final dividend of 3.75 pence per share (2011: 3.50 pence). This would give a total dividend from 2012 earnings of 6.5 pence (2011: 6.0 pence), an increase of 8% on last year and covered over 3 times by earnings in 2012.

Despite substantial opportunities to reinvest profits in future growth, the Board maintains its progressive dividend policy.

Key Operational Highlights

Online

Sales from our core website, ***www.stanleygibbons.com,*** were up 55% in the year after a 27% rise in the preceding year, highlighting the successful execution of developing most of our online offering. Whilst this growth in revenues from e-commerce activities from our own products online is encouraging, in the future it is expected that our website will deliver substantial additional revenues. This will include online commissions generated by third party sales via a global online collectibles trading platform, together with subscription revenue from online services, including virtual catalogues, up to date pricing information and an extensive archive of philatelic articles dating back to 1890.

We have invested over £1 million in recent years in our databases and digital versions of our world renowned price catalogues. In November last year, we acquired bidStart, a US-based online collectibles trading platform, for a total consideration of $1 million, providing a fulcrum from which to leverage the Stanley Gibbons brand in the low value/high volume end of the online global collectibles market, which is not cost effectively handled through traditional channels.

A fundraising of £6m was completed contemporaneously, funding the cash portion of the consideration to acquire bidStart, but, more importantly, providing the necessary funds to accelerate and enhance the development of our global online trading platform.

We are currently in the process of building the quality of a management team necessary to accelerate the delivery of this key aspect of the Group's online strategy and consequent shareholder returns. This included the appointment of the founder and former owner of the US-based bidStart website, Mark Rosenberg as Chief Digital Officer and most recently the appointment of Paul Zimmerman, formerly of Play.com, as Director of E-commerce Operations, based in Jersey.

The objective in 2013 is to use the strength of the Stanley Gibbons brand, network and industry expertise to rapidly grow the now well financed bidStart platform and to integrate our existing online services, so creating a substantial global online collectibles trading platform.

Overseas development

Our strategy, to protect against the risks associated with the economic difficulties being experienced in the UK market and develop into untapped overseas markets, has been highly successful in its early stages. Sales outside the UK now produce half of Group turnover, compared to just over a quarter of revenues just three years ago.

Our new office in Hong Kong, opened in September 2011, contributed sales of £2.6m and profits of £0.7m in the year ended 31 December 2012, including sales of £1.9m transacted to residents outside of Hong Kong. Performance benefited from recruitment of senior management to develop regional sales, the launch of the investment website, www.stanleygibbons.hk and returns from our focussed marketing and PR strategy.

The Hong Kong office also provided a strong base from which to conduct the distribution of our products into Greater China generating additional sales of £0.6m (2011: £0.5m). Sales of commemorative collectibles relating to the London 2012 Olympics were particularly strong in China accounting for the majority of the sales in the year. We continue to build stronger relationships with key trading partners in China and as these relationships develop we expect to generate further sales in the future in other collectible areas of specific interest to the Chinese market.

We had intended to open a new office in Singapore last year, but this was delayed due to focus on delivering returns from the Hong Kong office and, in particular, building and training the appropriate team. We expect to open a new office in Singapore in the first half of this year, further enhancing our presence in the Far East.

We continue to build relationships in the United States market, gaining sufficient knowledge and expertise to trade, albeit conservatively, in US rare stamps. Live discussions continue with potential business partners in the US in respect of our auction developments. Use of our new internet development office in Raleigh, Carolina will assist in the effective distribution of our products into North America.

Auctions

We achieved a major success in 2012 in building the recognition of the quality of our auction division by the sale of the prestigious “Arnhold Collection” achieving a total realisation of £1.6m. Furthermore, the SG general auction in December 2012 was the strongest in over a decade. This success continues with our auction held in March 2013 representing another strong sale, realising over £0.7m.

The auction division underwent a period of transformation during 2012, strengthening our specialist team and investment in back office systems to support current and future growth. Our strategy, to develop the Stanley Gibbons international auction brand to complement our online offering, remains on track. We are confident in our ability to achieve the best possible realisations for clients’ collections through our auctions.

Other collectibles

Sales of rare coins and military medals of £1m were up 31% in the year, generating a profit contribution of £0.2m (2011: £0.1m). There remains considerable growth potential in this area of collectibles. We trade cautiously, holding low stock levels whilst we continue to develop specialist skills and trading know how.

The Benham Group delivered another strong performance in the year contributing sales of £3.4m (2011: £2.6m) and profits of £0.7m (2011: £0.6m). Performance benefited from sales of commemorative collectibles related to the Queen’s Diamond Jubilee and the London 2012 Olympics, including new demand from the Chinese market. New customer recruitment from those events is expected to generate future returns from the sale of other products.

The development into other areas of the collectibles market is in line with our longer term strategy to develop the online global trading community in collectibles. The bidStart acquisition brings additional collectible categories to our business with particular strength in postcards and rare comic books.

Investment services

Sales of top quality collectibles to investors were at a similar level to the prior year, despite a 20% reduction in marketing spend of £0.8m compared to £1m in the prior year. Focus was directed more towards development of relationships with our existing key clients, thus reducing dependence on recruiting new clients to maintain sales levels.

The shift in our marketing focus to overseas markets resulted in the recruitment of two new international high value clients. Progressively, the difference between our investment clients and traditional specialist collectors is becoming ambiguous as our clients develop an appreciation and enthusiasm for the asset class they are investing in. This generates more stable longer term sales revenues. There is no additional risk in trading with investors, which ultimately is proving to be a major source of new collectors in our market.

Whilst the overall profit impact is fairly immaterial to overall Group profits, the failure, to date, to secure the necessary minimum subscriptions for the GB rare stamp fund is both disappointing and frustrating. Despite initial enthusiastic feedback and interest expressed from prospective investors, common objections regarding misconceptions regarding liquidity are proving an obstacle in obtaining commitments. We are currently reviewing our strategy in this respect and remain convinced that ultimately the interest to date generated can be converted into subscriptions.

People

Our people provide the expertise required in order to represent our brand and in upholding our core values of integrity, honesty and authenticity. The enthusiasm for our products and focus on delivering an exceptional service to our clients is ultimately the backbone of our long term success. On behalf of the Board, I wish to extend my thanks to our team on their continued dedication and contribution to another strong year trading delivered in 2012.

I welcome the new high level appointments to our internet team in Mark Rosenberg as Chief Digital Officer based in the US and Paul Zimmerman as Director of E-Commerce operations in Jersey. I am more confident of our ability to develop the Stanley Gibbons online marketplace to its full potential than ever before.

Board

Richard Purkis, Corporate Services Director and Company Secretary stepped down from his role as a Director of the Group on 31 January 2013. He will continue working with the business for 12 months from that date to ensure a smooth handover of his role. On behalf of the Board, I extend my sincere thanks to Richard for his significant contribution to the Stanley Gibbons Group over the last 12 years.

As a result of the above change in the Board, together with the appointment of Martin Magee as Non-Executive Director and Chairman of the Audit Committee on 1 August 2012, the Board now consists of three executive directors and three non-executive directors, representing a Board composition in accordance with accepted best corporate governance practice.

Outlook

Operating profits in the current year will be affected by our intended increased investment in our online strategy, in order to deliver an exceptional online service in collectibles and to accelerate the substantial expected returns from this investment to Shareholders in subsequent years. It is, however, expected that the costs of this investment in the current year will be more than compensated for by growth opportunities in other parts of the business.

The Board collectively remains extremely positive on the prospects of collectibles as an asset class in the foreseeable future. The primary basis of this confidence is that macro-economic factors are in our favour. Volatility of traditional asset classes, low interest rates, fiscal deficits resulting in higher taxation and (expected) high inflation all but force investors into tangible assets, which will include collectibles. The Board therefore remains very comfortable with the substantial stockholding of rare collectibles held on the Balance Sheet and sees this as a good time to buy top quality collectibles where opportunities arise. Our history of converting purchases into profits vindicates this policy.

Stanley Gibbons, one of the most respected and internationally recognised brands in its market, is well placed to consolidate the market for collectibles. This can be achieved through a combination of excellent online services and by acquisition of quality businesses in those areas of collectibles where we currently lack the necessary expertise. We have shown our ability to add value to such businesses by the strong return from the acquisition of the Benham Group in 2010. Further opportunities are expected in the year ahead.

Martin Bralsford, Chairman
21 March 2013

Operating Review

Operating results for the year

	2012 Sales	**2012 Profit**	2011 Sales	2011 Profit As restated	2010 Sales	2010 Profit As restated
	£'000	**£'000**	£'000	£'000	£'000	£'000
Philatelic trading and retail operations	**26,341**	**7,099**	27,727	5,943	19,422	4,621
Publishing and philatelic accessories	**3,148**	**782**	2,980	677	3,146	672
Dealing in other collectibles	**6,032**	**1,116**	4,955	835	3,820	1,082
Corporate overheads	-	**(2,615)**	-	(1,881)	-	(1,722)
Finance charges (net)	**-**	**(38)**	-	(55)	-	(17)
Trading profits	**35,521**	**6,344**	35,662	5,519	26,388	4,636
Internet development	**78**	**(302)**	42	(127)	41	(24)
Actuarial accounting adjustments	**-**	**(368)**	-	(290)	-	(244)
Finances charges related to pensions	**-**	**(53)**	-	(44)	-	(47)
Profit before exceptional costs	**35,599**	**5,621**	35,704	5,058	26,429	4,321
Exceptional costs	-	**(349)**	-	(112)	-	(150)
Group total sales and profit before tax	**35,599**	**5,272**	35,704	4,946	26,429	4,171

Overview

Group turnover of £35.6m was in line with last year. Underlying trading profits were £6.3m, excluding investment on internet development, actuarial accounting adjustments and exceptional costs, and were up 15% on the prior year. The profit before tax for the year of £5.3m represented an increase of 7%.

Adjusted earnings per share were 21.44p (2011: 19.40p, as restated), representing an increase of 10%. Basic earnings per share were 18.94p (2011: 17.97p, as restated), up 5%.

Despite a substantial increase in operating costs, required primarily to invest in our online strategy expected to deliver substantial returns in future accounting periods, profit growth was achieved on a similar level of sales to the prior year as a result of improved gross margins.

The gross margin percentage for the year ended 31 December 2012 was 43.7% (2011: 38.7%). A number of top quality prestigious collections purchased during the year, at substantial discounts to market value, provided higher gross margins on subsequent sales compared to the prior year.

Overheads were £1.1m (13%) higher than the prior year at a total of £9.6m. The most significant increases in overheads included:

- Increased staff costs, software and support costs in development of online opportunities (£0.3m)
- Increased amortisation and depreciation primarily on website developments and associated hardware (£0.1m)
- Increase in executive team costs to support expansion plans and performance related bonuses (£0.2m)
- Costs associated with new office in Hong Kong (£0.3m)

Philatelic Trading and Retail Operations

Philatelic trading and retail sales were £1.4m (5%) lower than last year although profit contribution was up £1.2m (19%). The increase in profits despite lower sales was the result of higher gross margins and the benefits from realising returns on marketing recruitment costs in previous years, evidenced by an increase in sales to existing high value clients. Performance further benefited from the sale of some key philatelic rarities in the year, most notably the largest block of mint penny blacks in existence which sold for a price of £1m.

The increased gross margin was achieved as a result of opportunities taken to acquire top quality collections at substantial discounts to market value that arose in the year. Gross margins also benefited from a write back of £0.3m in the provision against previous investment products sold with guaranteed returns compared to a charge of £0.2m experienced in the prior year. These write backs are expected to continue to provide margin benefits in future accounting periods as the remaining investment contracts reach maturity in the next three years due to the price appreciation of the underlying assets being in excess of the guarantees provided against.

A reduction in sales from new clients recruited through our investment services division was compensated by strong sales to existing high net worth clients and the benefits of new clients recruited through our office in Hong Kong. The lower new client recruitment for our investment services relates partly to the decision to reduce marketing spend in this area, particularly in our home market where the negative sentiment of prospective investors substantially reduced conversion rates in the first half of the year. We reacted to the lower returns being experienced from marketing activities in our home market by focussing on specific overseas markets where investors show strong levels of interest in wealth diversification into alternative asset classes. Consequently, the shift in our marketing focus overseas in the second half delivered the expected returns and therefore we remain confident of the future growth potential internationally for our investment services.

Demand remained strong for Chinese rare stamps and benefited from our ability to source higher levels of top quality material by virtue of our presence in Hong Kong. As a result, sales of stamps from China were up by 83% to £2.1m.

Auction commissions were up 60% in the year benefiting from the strong realisation of the sale of the prestigious “Arnhold Collection” achieving a total realisation of £1.6m. However, this benefit did not generate any profit growth as we invested considerably in the longer term development of our auction services through recruitment of additional specialist expertise and promotional costs. These investments were necessary to facilitate the development on a global basis of our auction services, which is a key aspect of our strategy.

Publishing and Philatelic Accessories

Publishing and philatelic accessory sales were £0.2m (6%) improved on last year with profit contribution up £0.1m (16%). The restructuring programme that took place in 2011 has resulted in improved focus in this area of the business including a stronger publishing schedule, introduction of new accessory products and negotiation of lower print costs on key catalogue titles.

Sales growth of 17% was achieved in publications, albums and accessories, with £0.8m of sales being made online, up 76% on the previous year. However sales growth was reduced by a decline in sales of our monthly philatelic magazines and associated advertising revenues. This decline was expected and showed a better performance than the magazine industry as a whole. It is expected that the provision of our vast library of philatelic articles online together with the availability of our magazine as a mobile application download will compensate for this underlying decline in the future.

Dealing in Other Collectibles

Sales of other collectibles were £1.1m (22%) higher and profit contribution was up by £0.3m (34%). Dealing in other collectibles can be further analysed as follows:

	2012 Sales £000	**2012 Profit £000**	2011 Sales £000	2011 Profit £000	2010 Sales £000	2010 Profit £000
Dealing in autographs, records and related memorabilia	**1,615**	**150**	1,567	127	3,244	904
Dealing in rare coins and military medals	**1,045**	**239**	800	133	-	-
Benham first day covers and other collectibles	**3,372**	**727**	2,588	575	576	178
Total sales and profit contribution	**6,032**	**1,116**	4,955	835	3,820	1,082

Autographs, historical documents, memorabilia and record sales were 3% higher than last year with profit contribution up by 18%. The recent decline in this part of the business has been halted following the completion of a strategic review in September 2012. Sales benefited from a renewed offering of rare items to investors through e-mail campaigns in the second half, which showed moderate success. The most notable being the sale of the Edward IV manuscript, representing the earliest signature of British Royalty available in the open market, for a price of £0.14m.

Our strategy is to develop rare signatures primarily as a quality online auction business, which has proved successful to date with auction sales up 26% last year. The intention is to run down stocks of lower value celebrity signatures over the next three years and to focus on rare manuscripts and historical documents. The acquisition of bidStart provides us with improved online auction software to host Stanley Gibbons branded autograph auctions, which is expected to deliver growth going forward.

Sales of rare coins and military medals were up 31% to £1m, with profit contribution up 80%, although still remaining an immaterial element of total Group trading. The improved performance reflects our strengthening of internal expertise in the year enabling us to increase stock acquisitions of premium quality rare coins. Rare coins have proved of interest to our investment clients as an obvious complement to rare stamps as part of an investment strategy to diversify an element of wealth into collectibles.

Benham first day covers and other collectibles sales were up 30% to £3.4m and profit contribution increased by 26% to £0.7m. The Benham Group acquisition, completed in September 2010 for a purchase consideration of £1.5m, has now contributed total profits since being acquired of £1.5m.

Performance benefited from sales of commemorative collectibles related to the Queen's Diamond Jubilee and the London 2012 Olympics, including sales made of £0.6m into the Chinese market. Traditional "cover club" sales increased by 19% in the year as a result of these events and the aim in 2013 is to nurture new customer recruitments through offering other products.

Corporate Overheads

Corporate overheads were £0.7m (39%) higher than last year. Following a change in departmental structures and reporting, certain overheads previously reported within trading divisions now form part of corporate overheads, primarily in relation to the formation of a Group marketing function.

When adjusting for the change in basis of reporting, corporate overheads on a like-for-like basis were up £0.4m. Increased corporate overheads include an increase in performance related bonuses paid of £0.1m. Higher costs were incurred in the year in IT and the executive team necessary to support Group expansion plans.

Internet Development

Sales reported within this department relate to online subscription revenue only and remain immaterial although showed growth of 86% in the year. Online e-commerce sales from our core website, ***www.stanleygibbons.com***, are reported within the respective trading departments and were up 55% in the year. The increase in online sales reflects the benefits from the substantial redesign completed at the end of May 2011, the implementation of more effective search engine optimisation and the returns from focussed and targeted online offers and e-mail campaigns.

Overheads of £0.4m (2011: £0.2m) were expensed in the year relating to the internet development team, depreciation on sub-contracted development work and software support costs. Such costs represent primarily an investment in our future online strategy, particularly the development of the collectibles trading community, for which associated revenues are expected in future accounting periods.

The acquisition of bidStart in November 2012 did not contribute any material revenues in the short period since acquisition with immediate focus being on building the necessary team and working on the integration of functionality with the Stanley Gibbons website and back office systems. In the 90 days from the acquisition of bidStart, client recruitment rates showed a 44% increase on the 90 days prior to acquisition illustrating the short term benefits to bidStart from the brand association with Stanley Gibbons.

Actuarial Accounting Adjustments

Actuarial accounting adjustments relate to accounting charges, which have no cash impact, in respect of our defined benefit pension scheme and IFRS share option charges totalling £0.4m (2011: £0.3m, as restated).

Exceptional Operating Costs

Exceptional operating costs incurred in the year were £0.3m (2011: £0.1m). These include non-recurring restructuring costs and capital costs associated with acquisitions, which are required under current accounting standards to be reported as if they were operating costs.

Strategic Focus and Opportunities

The acquisition of bidStart and associated fund raising enables the acceleration of the delivery of the key aspect of the Group's online strategy. The focus in the first quarter this year has been in building the development and e-commerce support teams. The focus for the remainder of the year will be in delivering the technical developments required to create the Stanley Gibbons branded global online collectibles trading platform, together with the introduction of other exceptional online services for the collectibles community. In the following year, we intend to invest considerably in a marketing and PR programme to develop international awareness and to generate the returns from the investment.

This strategy is further supported and complemented by our international expansion programme and planned development and growth of our auction services. The ability to attend room auctions through live auction bidding online has already transformed the auction arena and we expect this to grow even further in the future as more and more collectors convert to bidding online in auctions being held all over the world.

The protective qualities of our asset class are evidenced by the continued appreciation in value of collectibles last year in all major quoted indices providing further support to the growth potential of the business. This stability and growth also illustrates the strength and security of our asset backing through our extensive stockholding of rare collectibles.

The investment argument for collectibles has never been stronger and all historic evidence suggests that collectibles, as an asset class, will enjoy strong appreciation in value for the foreseeable future, particularly should inflation take hold in major economies around the world.

As a result of all of the above, we remain excited about our future prospects and look forward to the continuing delivery of returns to Shareholders through the successful implementation of our strategy in our mission to create a business of a size befitting the prestige of our brand.

Michael Hall, Chief Executive
21 March 2013

Financial Review

The Group's cash funds at 31 December 2012 were £6.8m, compared to £3.2m at the end of last year reflecting the net proceeds of £5.8m from the placing and fundraising for the acquisition of bidStart and the future development of that business. The Board is satisfied that the Group has sufficient funds to meet its forecast working capital and capital expenditure plans over the next 12 months.

Surplus funds are currently invested in short term deposits into UK clearing banks which generate low rates of interest in the current economic climate but with low risk. It is Group policy to re-invest cash funds into business assets, which deliver a higher return on capital including its inventory of rare collectibles, IT systems and value enhancing acquisitions. It is not Group policy to engage in speculative activity using financial derivatives or other complex financial instruments.

At 31 December 2012, the Group had bank borrowings of £0.19m (2011: £0.44m) with NatWest Bank PLC. This relates to a loan of £0.75m drawn down in September 2010 to fund the acquisition of the Benham Group at that time. It bears a rate of LIBOR plus 4% and will be repaid in full in 2013. The Group also has use of an overdraft facility, if required, of £1.0m. This facility is renewable in April 2013.

Balance Sheet and Cash Flow

EBITDA for the year, as outlined below, was £6.5m (2011: £5.8m), an increase of 12%. A summary reconciliation of this important financial metric to cash generated from operating activities is given below:

	2012 £000	**2011 £000**
Operating profit	**5,363**	5,045
Exceptional items	**349**	112
Depreciation/Amortisation	**439**	351
IAS 19 employee benefit costs	**260**	182
IFRS2 accounting charge for share options	**108**	108
EBITDA	**6,519**	5,798
Increase in inventories	**(3,927)**	(2,027)
Net (increase)/decrease in debtors and creditors	**(760)**	1,109
Cash contributions to defined benefit pension scheme	**(151)**	(148)
(Decrease)/increase in contract provision	**(325)**	181
Exceptional items	**(349)**	(112)
Payment of deferred consideration on acquisition of The Benham Group	**-**	(750)
Operating cash generated in year	**1,007**	4,051

The cash generated in the year enabled the Company to take advantage of opportunities in the marketplace to acquire key philatelic rarities at competitive prices. This has resulted in an adverse impact on short term working capital but, more importantly, it provides the appropriate stockholding to support future growth in our core trading activities.

The Company also increased its stockholding of low value stocks and first day covers partially to support future revenue streams arising from the London 2012 Olympics and Diamond Jubilee continuity clubs but also in preparation for the impending development of our online strategy towards the low value, high volume end of the global philatelic market.

Stock levels of autographs and memorabilia, coins, banknotes and medals are largely unchanged from the prior year and, at 27% of our total stock value, remain an integral diversification channel of our strategy to build a global online collectibles community.

The increased stockholding must be considered in conjunction with the heightened demand we are witnessing for collectibles. At 31 December 2012, the company held stock with a cost representing 375 days (2011: 280 days). The number of days stock held has therefore increased by 34%. Most of the increase is attributable to high value stamps relating to a few highly priced items. As in previous years, we believe this type of investment is a more effective use of Shareholder Funds rather than holding surplus cash balances that do not generate any material return.

The increase in cash during the year of £3.5m (2011: increase of £1.4m) is net of dividends paid of £1.6m (2011: £1.4m), tax paid of £0.6m (2011: £0.4m) and repayment of borrowings of £0.25m (2011: £0.25m).

The Group invested £0.5m (2011: £0.6m) in capital expenditure, excluding assets acquired as part of the bidStart acquisition during the year and can be analysed as follows:

	2012	2011
	£000	£000
System upgrades	**192**	116
Refurbishment of offices	**211**	172
Website development costs	**43**	140
Other tangible and intangible capital expenditure	**60**	147
Total Capital Expenditure in the year	**506**	575

Such capital investment is expected to increase the long-term value of the business and to generate substantial cash flows in future accounting periods.

Finance income/(costs)

Group cash funds generated £3,000 (2011: £1,000) bank interest for the year.

Included within Finance Costs is a net cost of £52,000 (2011: £44,000, as restated), representing the difference between interest cost and the expected return on assets in the Group's defined benefit pension scheme under the disclosure requirements of IAS19 "Employee Benefits".

Finance costs also include £17,000 of overdraft fees (2011: £Nil) incurred for one off facilities to finance short term movements in working capital.

Taxation

The tax charge for the year (excluding deferred taxation) was £352,000 (2011: £441,000) incurred on UK and Hong Kong profits, resulting in an effective rate of 6.7% (2011: 8.9%, as restated). Profits from Channel Island trading companies are currently subject to tax at 0%.

Dividends

The Board is recommending a final dividend of 3.75p per Ordinary Share (2011: 3.5p) giving a total dividend of 6.5p for the year ended 31 December 2012 (2011: 6.0p). Subject to Shareholders' approval, the final dividend will be paid on 20 May 2013 to Shareholders on the register at 5 April 2013.

Prior year adjustment

These financial statements reflect a prior year adjustment in respect of issues regarding the defined benefit pension scheme that have resulted in the identification of potential additional retirement benefit obligations.

Donal Duff, Finance Director
21 March 2013

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 (As restated) £'000
Revenue		**35,599**	35,704
Cost of sales		**(20,031)**	(21,872)
Gross Profit		**15,568**	13,832
Administrative expenses before defined benefit pension service costs and exceptional operating costs		**(3,072)**	(2,611)
Defined benefit pension service costs		**(260)**	(182)
Exceptional operating costs		**(349)**	(112)
Total administrative expenses		**(3,681)**	(2,905)
Selling and distribution expenses		**(6,524)**	(5,882)
Operating Profit		**5,363**	5,045
Finance income		**3**	1
Finance costs		**(94)**	(100)
Profit before tax		**5,272**	4,946
Taxation		**(389)**	(415)
Profit for the financial year		**4,883**	4,531
Other comprehensive income:			
Actuarial losses recognised in the pension scheme		**(237)**	(834)
Tax on actuarial losses recognised in the pension scheme		**21**	179
Revaluation of the reference collection net of deferred tax		**-**	53
Other comprehensive loss for the year, net of tax		**(216)**	(602)
Total comprehensive income for the year		**4,667**	3,929
Basic earnings per Ordinary share	*4*	**18.94p**	17.97p
Diluted earnings per Ordinary share	*4*	**18.55p**	17.74p

Statement of financial position
as at 31 December 2012

	31 December 2012	31 December 2011 (restated)	31 December 2010 (restated)
	£'000	£'000	£'000
Non-current assets			
Intangible assets	**1,723**	1,133	1,014
Property, plant and equipment	**2,145**	2,032	1,862
Deferred tax asset	**735**	732	518
Trade and other receivables	**229**	420	-
	4,832	4,317	3,394
Current Assets			
Inventories	**20,728**	16,801	14,774
Trade and other receivables	**11,668**	9,178	8,866
Cash and cash equivalents	**6,766**	3,230	1,838
	39,162	29,209	25,478
Total assets	**43,994**	33,526	28,872
Current liabilities			
Trade and other payables	**8,179**	6,641	5,550
Borrowings	**188**	250	252
Current tax payable	**169**	370	349
	8,536	7,261	6,151
Non-current liabilities			
Retirement benefit obligations	**3,161**	2,761	1,849
Borrowings	**-**	188	435
Deferred tax liabilities	**233**	213	194
Provisions	**360**	685	504
	3,754	3,847	2,982
Total liabilities	**12,290**	11,108	9,133
Net assets	**31,704**	22,418	19,739
Equity			
Called up share capital	**284**	253	252
Share premium account	**11,137**	5,285	5,195
Shares to be issued	**209**	-	-
Share compensation reserve	**460**	352	244
Capital redemption reserve	**38**	38	38
Revaluation reserve	**254**	254	201
Retained earnings	**19,322**	16,236	13,809
Equity shareholders' funds	**31,704**	22,418	19,739

Statement of changes in equity
for the year ended 31 December 2012

	Called up share capital	Share premium account	Shares to be issued	Share compensation reserve	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	253	5,285	-	352	254	38	16,236	22,418
Profit for the financial year	-	-	-	-	-	-	4,883	4,883
Actuarial loss on pension scheme net of deferred tax	-	-	-	-	-	-	(216)	(216)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**4,667**	**4,667**
Dividends	-	-		-	-	-	(1,581)	(1,581)
Cost of share options	-	-		108	-	-	-	108
Share options exercised	-	78		-	-	-	-	78
Deferred consideration	-		209	-	-	-	-	209
Net proceeds from issue of Ordinary share capital	31	5,774		-	-	-	-	5,805
At 31 December 2012	**284**	**11,137**	**209**	**460**	**254**	**38**	**19,322**	**31,704**
At 1 January 2011 as previously stated	252	5,195	-	244	201	38	15,058	20,988
Prior year adjustment – pension charges	-	-	-	-	-	-	(1,249)	(1,249)
At 1 January 2011 (restated)	252	5,195	-	244	201	38	13,809	19,739
Profit for the financial year as previously stated	-	-	-	-	-	-	4,675	4,675
Adjustment in respect of prior year pension charges	-	-	-	-	-	-	(144)	(144)
Revaluation of the reference collection net of deferred tax	-	-	-	-	53	-	-	53
Actuarial loss on pension scheme net of deferred tax	-	-	-	-	-	-	(637)	(637)
Prior year adjustment for actuarial loss on pension scheme, net of deferred tax	-	-	-	-	-	-	(18)	(18)
Total comprehensive income	**-**	**-**	**-**	**-**	**53**	**-**	**3,876**	**3,929**
Dividends	-	-	-	-	-	-	(1,449)	(1,449)
Cost of share options	-	-	-	108	-	-	-	108
Share options exercised	1	90	-	-	-	-	-	91
At 31 December 2011	**253**	**5,285**	**-**	**352**	**254**	**38**	**16,236**	**22,418**

Statement of cash flows
for the year ended 31 December 2012

	Notes	**Group** **31 December 2012** **£'000**	Group 31 December 2011 £'000
Cash generated from operations	*5*	**1,007**	4,051
Interest paid		**(41)**	(56)
Taxes paid		**(552)**	(420)
Net cash generated from operating activities		**414**	3,575
Investing activities			
Purchase of property, plant and equipment		**(368)**	(344)
Purchase of intangible assets		**(138)**	(231)
Acquisition of business assets		**(382)**	-
Interest received		**3**	1
Net cash used in investing activities		**(885)**	(574)
Financing activities			
Dividends paid to company shareholders		**(1,581)**	(1,449)
Repayments of borrowings		**(250)**	(251)
Net proceeds from issue of ordinary share capital		**5,838**	91
Net cash generated/(used in) financing activities		**4,007**	(1,609)
Net increase in cash and cash equivalents		**3,536**	1,392
Cash and cash equivalents at start of year		**3,230**	1,838
Cash and cash equivalents at end of year		**6,766**	3,230

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1. Basis of preparation

The financial information set out in this announcement does not comprise the Group's statutory financial statements for the years ended 31 December 2012 or 31 December 2011.

The financial information for the year ended 31 December 2012, 2011 and 2010 has been extracted from the Group's statutory financial statements. The auditors have reported on those financial statements; their reports were unqualified and did not include references to any matters to which auditors drew attention by way of emphasis.

The statutory accounts for the year ended 31 December 2011 has been delivered to the Registrar of Companies in Jersey, whereas those for the year ended 31 December 2012 will be delivered to the Registrar of Companies in Jersey following the Company's Annual General Meeting.

2. Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as approved for use in the European Union and IFRS Interpretations Committee interpretations. There have been no changes to the accounting policies adopted since the last consolidated financial statements were published.

3. Dividends

Subject to approval at the AGM on 1 May 2013, the final dividend of 3.75p per Ordinary Share will be paid on 20 May 2013 to all shareholders on the register on 5 April 2013.

4. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the weighted average number of shares in issue during the year. Adjusted earnings per share has been calculated to exclude the effect of exceptional operating costs and actuarial accounting adjustments. The Directors believe this gives a more meaningful measure of the underlying performance of the Group.

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

	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
Weighted average number of ordinary shares in issue (No.)	**25,788,461**	25,217,437
Dilutive potential ordinary shares: Employee share options (No.)	**539,804**	327,837
Profit after tax (£)	**4,883,600**	4,531,000
Pension service cost (net of tax)	**236,300**	170,600
Cost of share options (net of tax)	**108,000**	108,000
Exceptional operating costs (net of tax)	**300,200**	83,000
Adjusted profit after tax (£)	**5,528,100**	4,892,600
Basic earnings per share – pence per share (p)	**18.94p**	17.97p

Diluted earnings per share – pence per share (p)	**18.55p**	17.74p
Adjusted earnings per share – pence per share (p)	**21.44p**	19.40p
Adjusted diluted earnings per share – pence per share (p)	**21.00p**	19.15p

5 Cash generated from operations

	31 December 2012 £'000	31 December 2011 (restated) £'000
Operating profit	**5,363**	5,045
Depreciation	**255**	239
Amortisation	**184**	112
(Decrease) / increase in provisions	**(216)**	215
Cost of share options	**108**	108
Increase in inventories	**(3,927)**	(2,027)
Increase in trade and other receivables	**(2,299)**	(732)
Increase in trade and other payables	**1,539**	1,091
Cash generated from operations	**1,007**	4,051

6 Annual report and accounts

The Annual Report and Accounts for the year ended 31 December 2012 will be posted to shareholders shortly. Further copies can be obtained from the Company Secretary at 18 Hill Street, St Helier, Jersey, JE2 4UA, or the Company's Broker, Peel Hunt LLP at Moor House, 120 London Wall, London EC2Y 5ET or can be viewed on the Company's website at www.stanleygibbons.com.