

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000.**

**If you have sold or transferred all of your shares in The Stanley Gibbons Group Limited (the “Company”) you should send this document, together with the enclosed 2006 Annual Report and Accounts (incorporating notice of the Company’s 2007 Annual General Meeting (and accompanying form of proxy) (the “Notice of Annual General Meeting”)), to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.**

**The directors of the Company (the “Directors”), and the Company, accept responsibility for the contents of this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.**

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## **THE STANLEY GIBBONS GROUP LIMITED**

(Registered in Jersey, number 13177 with its registered office at Pirouet House, Union Street, St. Helier, Jersey JE1 3WF)

### **Explanatory circular relating to the proposed adoption of a Long Term Incentive Plan**

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**The Company’s 2006 Annual Report and Accounts (incorporating, on page 33, Notice of the Company’s Annual General Meeting to be held at The Pomme d’Or Hotel, Liberation Square, St Helier, Jersey at 11 a.m. on 18 April 2007) is enclosed with this document. Shareholders of the Company (“Shareholders”) will find enclosed with the Notice of Annual General Meeting a form of proxy (the “Form of Proxy”) for use at the Annual General Meeting. To be valid, the Form of Proxy should be completed and returned in accordance with the instructions printed thereon so as to be received by the Registrars, as soon as possible, but in any event no later than 48 hours before the Annual General Meeting. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the Annual General Meeting.**

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# THE STANLEY GIBBONS GROUP LIMITED

(Registered in Jersey, number 13177)

Registered Office:  
Pirouet House  
Union Street  
St Helier  
Jersey  
JE1 3WF

13 March 2007

To: Holders of Ordinary Shares.

Dear Shareholder,

## **Annual General Meeting 2007 – Special Business: Resolution 6**

The Annual General Meeting of the Company will be held at The Pomme d'Or Hotel, Liberation Square, St Helier, Jersey on 18 April 2007 at 11 a.m. One of the resolutions proposed as special business is resolution 6 as set out in the notice on page 33 of Notice of Annual General Meeting contained in the Company's Report and Accounts, a copy of which is enclosed with this document for convenience. Explanatory information regarding the proposed resolution is given below.

### **LONG-TERM INCENTIVE PLAN**

As part of its ongoing responsibilities, the remuneration committee (the "**Remuneration Committee**") of the board of Directors (the "**Board**") has reviewed the share incentive arrangements for the executive Directors and other senior managers with the assistance of the Company's solicitors, Nabarro.

The Remuneration Committee considers that it is important both that the interests of the Directors and senior management are aligned with Shareholders and that the Directors and senior management are incentivised to build the value of the Company over the medium to long term. Consequently, it is proposed to seek the approval of Shareholders for the adoption of a long-term incentive plan ("LTIP"). It is intended that participation in the LTIP will be limited to the executive Directors and other senior managers.

The LTIP will deliver benefits to participants in the form of either an option to subscribe for Ordinary Shares at no less than nominal value (and it is proposed that the initial awards to be made under the LTIP will be in the form of options to subscribe for Ordinary Shares at market value), or a conditional right to receive Ordinary Shares (for nil cost).

The awards will normally vest over a period of three years, provided there has been sustained and significant improvement in the Company's financial performance over the corresponding period. It is proposed that the performance targets which will apply to the initial awards made under the LTIP will be based on total shareholder return (i.e. growth in the Company's share price and dividends).

A summary of the principal terms of the LTIP, including further information on the performance target to be attached to the initial awards, is set out in the Appendix to this letter.

Participants in the LTIP will continue to be eligible to participate in the Company's existing discretionary share option schemes. However, if an award is made to them under the LTIP it is unlikely that they will be granted an option under the Company's existing discretionary share option schemes in the same financial year except in exceptional circumstances such as the recruitment or promotion of senior executives.

## **RECOMMENDATION**

Your Board is unanimously of the opinion that the resolution approving the LTIP to be proposed at the Annual General Meeting is in the best interests of the shareholders as a whole. Accordingly, the members of the Board recommend you to vote in favour of the resolution, as they propose to do in respect of their own shareholdings.

## **ACTION TO BE TAKEN**

You will find in the accompanying 2006 Annual Report and Accounts of the Company (incorporating the Notice of Annual General Meeting) a Form of Proxy for use at the Annual General Meeting in respect of both the ordinary business and two items of special business, one of which is the proposal to approve the LTIP. Please complete and return the Form of Proxy in accordance with the instructions on it so as to be received by the Registrars as soon as possible but not later than 11 a.m. on 16 April 2007. Completion and return of the Form of Proxy will not preclude you from attending and voting at the meeting.

Yours faithfully

**Paul Fraser**  
Chairman

**APPENDIX**  
**SUMMARY OF THE STANLEY GIBBONS GROUP LIMITED**  
**2007 LONG-TERM INCENTIVE PLAN (“LTIP”)**

**1. ADMINISTRATION**

The Company’s Remuneration Committee (“the Committee”), which is entirely comprised of independent non-executive directors, is responsible for administering the LTIP.

**2. GRANT OF AWARDS AND ELIGIBILITY**

The Committee may grant awards to acquire Ordinary Shares in the Company to any employees and full time directors of the Group. The initial awards under the LTIP will be made only to the Executive Directors, although participation in the LTIP may be extended to other members of senior management in the future. Awards are granted free of charge and are non transferable.

**3. PERIOD FOR THE GRANT OF AWARDS**

The first grant of awards may be made within 42 days following the adoption of the LTIP after its approval by Shareholders. Thereafter, awards may be granted within 42 days following the announcement of the Company’s interim and/or final results for any period. In exceptional circumstances, awards may be granted at other times.

**4. CONSTITUTION OF AWARDS**

An award under the LTIP may comprise either an option to subscribe for Ordinary Shares at no less than nominal value or a conditional right to receive Ordinary Shares. In either case, awards will be subject to a performance target or targets.

Where a participant is awarded a conditional right under the LTIP, he will not be required to make any payment upon the vesting of any award or the consequent transfer of Ordinary Shares to him. Where a participant is granted an option under the LTIP, he will be required to make a payment of the exercise price when he exercises his option. It is intended that any such option would have an exercise price per share equal to no less than the nominal value of a share (and a higher exercise price may be imposed in certain circumstances, such as when the participant would suffer an immediate tax charge on grant of an award at less than nominal value).

**5. PERFORMANCE TEST**

The Committee shall impose an objective condition or conditions (“the performance test”) on the vesting of awards, requiring a sustained and significant improvement in the Group’s financial performance over a continuous period.

The performance test to be applied to the initial awards to be made is based on the Company’s Total Shareholder Return (“TSR”) over a period of three years. The awards will vest only if the Company’s TSR over the period of three years from the date of the award is equal to or greater than 72.8% (representing a return of 20% per annum over the same three year period).

## **6. INDIVIDUAL LIMITS**

An individual's participation under the LTIP is limited so that the aggregate market value at the date of grant of the shares over which awards have been granted to him in any financial year under the LTIP, and any other employee share scheme operated by the Company (other than a savings-related share option scheme), cannot exceed 100% of his annual basic salary, provided that in the first financial year in which the LTIP is operated in respect of the relevant individual, such percentage shall be 200%.

## **7. OVERALL LIMIT**

The number of Ordinary Shares issued or issuable pursuant to awards granted under the LTIP, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all employee share schemes operated by the Company within the previous period of ten years, may not exceed 15% of the Company's issued ordinary share capital at the date of grant.

## **8. VESTING AND LAPSE OF AWARDS**

### **8.1 General position**

An award normally vests in full on the third anniversary of the date of the award to the extent that the performance test has been satisfied in respect of such award. To the extent that an award does not vest because the performance test has not been satisfied it shall lapse.

### **8.2 Special Circumstances**

Awards will normally lapse on cessation of employment except in particular situations such as death, ill health, injury or disability, when awards will vest pro rata to the proportion of the vesting period which has elapsed on the date of cessation (subject to satisfaction of the performance test, modified as appropriate to reflect the reduced period elapsed since the date of grant). Early vesting (pro rata to the proportion of the vesting period which has elapsed on the date of the relevant event) also arises in special circumstances relating to the Company such as a takeover (again, subject to satisfaction of the performance test, modified as appropriate to reflect the reduced period elapsed since the date of grant).

## **9. VARIATION OF SHARE CAPITAL**

On certain variations of the ordinary share capital of the Company, the Committee may, subject to the approval of the Company's auditors, adjust the number of Ordinary Shares comprised in existing awards and any amount required to be paid for such Ordinary Shares.

## **10. PENSIONABILITY OF BENEFITS**

Benefits derived under the LTIP are not pensionable.

## **11. AMENDMENT**

The Committee may make any amendment to the LTIP, provided that amendments to certain important rules (including those relating to the overall limit on the LTIP, the individual limits and eligibility to participate in the LTIP) to the advantage of participants may only be made with the sanction of the Company in general meeting (except that shareholder approval is not required for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, future participants or participating companies).

## **12. TERMINATION**

The LTIP will terminate ten years after the date it is adopted or earlier, if the Committee so determines.

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