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 2010

The Stanley Gibbons Group plc, whose principal businesses comprise Stanley Gibbons, Fraser's Autographs and Benham First Day Covers, today announced its audited results for the year ended 31 December 2010.

Key Financial Highlights

- Sales of £26.4m (2009: £23.4m) up 13%
- Adjusted profit before tax, before exceptional charges, of £4.5m, up 8%
- Statutory profit before tax of £4.3m (2009: £4.1m), up 5%
- Adjusted earnings per share of 15.69p (2009: 14.70p), up 7%
- Proposed final dividend of 3.25p per share (2009: 3p per share), up 8%, giving a total dividend for the year of 5.5p (2009: 5p) up 10%
- Cash generated in year of £6.3m (2009: £2.4m) reinvested in stockholding of investment grade items, representing a better investment of Shareholder Funds than holding surplus cash balances. Net cash generated from operating activities in year of £2.2m (2009: £4.9m).
- Cash funds at 31 December 2010 of £1.8m (2009: £3.1m) after payment in the year of £1.3m in dividends, £0.4m in tax and investment in capital expenditure of £1.7m
- Stock levels at 31 December 2010 of £14.8m (2009: £9.3m), increased by 59% and providing a strong asset base to deliver future growth
- The increased value of stockholding is primarily in exceptional and rare collectibles and top quality rare stamps. Such assets generally appreciate in value over time, although remain prudently stated in our balance sheet at historic cost, not market value

Outlook

- New website for Fraser's Autographs, www.frasersautographs.com, was launched in February this year and has already reported an encouraging uplift in online revenues
- Principal components of our primary website, www.stanleygibbons.com, will be launched shortly and we look forward to developing the opportunities that this new site now affords us
- Online trading platform scheduled for launch in the second quarter of this year
- The Chinese market expected to represent a key growth area benefiting from our development of internal expertise in rare stamps from China and from the key trading relationships built during 2010
- Investigating opportunities to build our presence in the US market, representing the biggest collectibles market in the world, with a view to creating new sales and distribution channels there across our entire product offering
- Plans to replicate the success of our investment office in Jersey with the opening of new offices in Switzerland and Hong Kong
- Currently working with a highly respected financial institution in Jersey towards the launch of a rare stamp investment fund
- Acquisitions of Benham Group and M & N Haworth in 2010 expected to deliver additional predictable revenue and profit streams
- One-off benefit in 2011 from the Royal Wedding in April 2011 and sale of associated first day covers and other commemorative collectible products. Similar benefits expected in 2012 from the London Olympics
- Market for rare stamps and signatures remains resilient highlighted by an increase of 7% in both the GB30 Rarities Index and Autograph100 index in the year ended 31 December 2010

- We continue to review potential acquisitions in both stamps and other collectibles where we believe they would strengthen and compliment our overall brand offering

Martin Bralsford, Chairman, commented:

"The strong performance of the Group in 2010 and a positive start to 2011 is a result of the enduring strength in the market of collectibles, at the same time as important elements of our strategy come to fruition.

Whilst the persistent political and economic turmoil causes a frustrating constraint on the Company's return to shareholders in terms of share price, they also represent a key opportunity to our businesses. The uncertainty, together with prevailing low interest rates, generate a desire amongst wealthy individuals to own tangible assets as a means of wealth protection and steady capital growth.

Our investment products in rare stamps and historical signatures offer an opportunity to own a tangible asset with a value embedded in history and yielding average historic returns of over 10% per annum over the past 50 years. We are pleased to be able to help wealthy individuals improve their investment returns at the same time as achieving wealth diversification into an asset not correlated with traditional investments.

We have invested in our management structure, IT systems and marketing to recruit new high net worth clients over the preceding two to three years. Now, we have a much stronger platform to exploit the large number of opportunities to build our market share in our traditional and other collectible markets. The launch of our long awaited new websites represents a key milestone.

As a result of the above, your Board has confidence in the Company's future and the delivery of good returns to Shareholders."

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Chairman's Statement

Once again, I can report another year of growth in sales and profits of the Group; 2010 was an important period in our longer term strategy of creating the biggest collectibles business in the world. Stanley Gibbons is, arguably, already the biggest collectibles brand name in the world. In simple terms, our objective is to create a higher return from this, our principal asset, to generate much more profits. With a huge market to play for and a rising ambition amongst wealthy individuals to own tangible assets with relatively stable values as a means of wealth protection, the Board is both confident and excited about the future of your business.

Primary focus in 2010 was in longer term development projects, particularly the substantial modernisation of 399 Strand, the development of the Group's websites and activation of our Digital Asset Management system. The financial benefits of these projects are expected to be seen in future years.

Despite the higher revenue expenditure on business development in the current year and the additional burden this placed on management, the strength of the market of collectibles, together with success from the delivery of elements of our strategy to date, has resulted in another year of growth delivered to shareholders.

Financials

Turnover for the year was £26.4m, over 13% up on the previous year and profit before tax was £4.3m, up 5%. Underlying profit before tax, excluding one-off exceptional charges, was £4.5m, up just over 8%.

Earnings per share were 15.22p (2009: 14.70p), representing an increase of 4%. Adjusted earnings per share, excluding exceptional costs, were 15.69p, up 7%.

Your Board's view is that adjusted profits, when excluding exceptional charges, present a more meaningful presentation of the performance of the Group for the year relative to the preceding years.

Dividend

Your Board is pleased to recommend to Shareholders, for their approval at the next AGM, a final dividend of 3.25p per share (2009: 3p). This would give a total dividend from 2010 earnings of 5.5p (2009: 5p), an increase of 10% over 2009. This, if approved, produces a dividend covered 2.75 times by earnings in 2010. Our proposed dividend increase for 2010 is based on growth in underlying profits delivered but takes into account our substantial investment in capital expenditure during the year on projects supporting future profit growth.

Outlook

During the past three years we have invested substantially in our senior management and IT systems, both of which we see as essential to delivering the levels of growth in the future. Furthermore, over the past two years, we have committed to a larger marketing spend to recruit new high net worth clients and towards developing a database with a substantial lifetime value to the business. We look forward to the coming year as we begin to reap further rewards from the implementation of our strategy.

The most important of these developments is the long awaited re-launch of our substantially developed websites this year. The new website for Frasers autographs, www.frasersautographs.com, was launched in February 2011 and has already reported an encouraging uplift in online revenues benefiting from enhanced usability and dedicated e-commerce marketing initiatives. The principal components of our primary website, www.stanleygibbons.com, will be launched shortly. The online trading platform, which is an extension of the auction functionality, will be launched in the second quarter of this year.

We intend to build further on last year from our successful entry into the Chinese stamp market. This is the biggest stamp market in the world and an untapped opportunity to grow sales and profits in a new geographical area. We will be investigating the potential benefits from opening a Stanley Gibbons investment office in Hong Kong, being the primary location for Chinese region philatelic dealing.

Our forays into China have confirmed to us the power of the Stanley Gibbons brand. Our brand name is internationally recognised and our brand heritage is perceived worldwide to equate to integrity, honesty and expertise. This illustrates the potential for Stanley Gibbons to capitalise on the brand's immediate recognition through penetration into new geographical markets.

The largest and most obvious market in this respect is the US, which still represents the biggest collectibles market in the world. We intend to build our presence in the US later this year with a view to creating new sales and distribution channels across our entire product offering.

Our investment office in Jersey generated £1.8m sales in 2010 from a standing start in 2009, which included £0.7m sales to new investment clients recruited in Jersey. This is a relatively low risk means of growth, generating a strong return on capital. During the current year, we will consider the opening of new investment offices in Switzerland which we believe is another market ideal for the promotion of our investment offering.

The long awaited launch of a rare stamp investment fund remains on our agenda. The fund will only be launched when we are confident that we can both deliver a competitive return to investors in the fund at the same time as making an acceptable profit for Stanley Gibbons management activity, commensurate to our effort and the specialist service we would provide. We continue the setting up of a suitable fund structure, with a select number of ultra high net worth individuals introduced to us by a highly respected financial institution in Jersey.

We were delighted with the recent acquisitions of the businesses of M & N Haworth and the Benham Group, both of which further strengthen our brand offering delivering additional predictable revenue and profit streams in future years.

The Royal Wedding taking place in April 2011 will provide a one-off benefit to the revenues and profits of the Benham business this year through sales of associated first day covers and other commemorative collectible products. This timely event, marking the most exciting Royal event in recent years, will accelerate the delivery of the return on our investment in this acquisition.

Our strategy combines delivering organic growth with growth through making suitable acquisitions where we believe they would strengthen and compliment our brand. We are currently reviewing a number of target acquisitions in both rare stamps and in other collectibles with similar characteristics such as rare coins, medals and first edition books.

The values of rare stamps and signatures have proved resilient yet again in 2010, highlighted by an increase of 7% in both the GB30 Stamp Rarities Index and Autograph100 index in the year. We therefore remain confident in the defensive qualities rare stamps and signatures provide as a diversification tool in a class of non-correlating assets. This view is supported by authoritative academic research. Consequently, we were happy to increase our investment in our stockholding during the year, which provides a better return for shareholders than building up low yielding surplus cash balances. The increased value of our stockholding is primarily in exceptional and rare collectible “trophy” items and top quality rare stamps providing the backbone to support future growth. Furthermore, such assets generally appreciate over time, although remain prudently stated in our balance sheet at historic cost, not market value.

People

Our employees are even more important than our stockholding. Their widely recognised integrity, honesty and expertise define the values associated with our brand and the service we provide to our clients. On behalf of the Board, I wish to extend my thanks to all of them for their commitment during the year and their contribution towards the continued growth in sales and profitability and development of the business in line with our strategy.

Board

Your Company’s Board was further strengthened this year by the appointment of John Byfield as a Non-Executive Director in April 2010, replacing John Wright who had served term as a Director. His contribution to the enhancement of our strategy together with the benefits from tapping in to his network of contacts and legal expertise has already generated new opportunities for the Group.

Operating Review

Operating results for the year

	2010 Sales £000	**2010 Profit £000**	2009 Sales £000	2009 Profit £000	2008 Sales £000	2008 Profit £000
Philatelic trading and retail operations	**19,422**	**4,621**	17,657	4,056	13,801	3,251
Publishing and philatelic accessories	**3,146**	**672**	3,057	742	2,899	785
Dealing in autographs, records and related memorabilia	**3,244**	**904**	2,610	990	2,655	1,179
Benham first day covers and other collectibles	**576**	**178**	-	-	-	-
	26,388	**6,375**	23,324	5,788	19,355	5,215
Internet development	**41**	**(24)**	41	(138)	39	(140)

Corporate overheads	**-**	**(1,914)**	-	(1,521)	-	(1,377)
Interest and similar income / (charges)	**-**	**17**	-	(16)	-	91
Before exceptional costs	**26,429**	**4,454**	23,365	4,113	19,394	3,789
Exceptional operating costs	**-**	**(150)**	-	-	-	(88)
Group total sales and profit before tax	**26,429**	**4,304**	23,365	4,113	19,394	3,701

Overview

Group turnover increased by £3.06m (13%) compared to last year. The statutory profit before tax reported of £4.3m compared to a profit in 2009 of £4.11m, representing an increase of 5%. Basic earnings per share were 15.22p (2009: 14.7p), up 4%.

The Board believes that the adjusted profit and earnings per share provide a more meaningful presentation of the underlying performance of the Group for the year. Adjusted profit before tax was up £0.34m (8%) and adjusted earnings per share were 15.69p, up 7%.

The key contributors to the growth in sales and profits in the year were:

- Strong sales to ultra high net worth clients benefiting from our ability to source exceptional and rare collectible "trophy" items and top quality rare stamps known to be in areas of interest to our clients
- Development into the market for rare Chinese stamps generating total sales in the year of £0.95m
- Contribution from our investment office in Jersey generating sales of £0.7m to new Jersey based clients
- Recruitment of, and sales to, new high net worth clients as a result of strong responses generated from our extensive international marketing and PR campaigns during the year
- Contribution from the acquisition of the Benham Group, generating sales of £0.58m and profits of £0.18m in the last quarter of the year
- Continued effectiveness of communicating with and selling to our clients by e-mail "newsletters" further benefiting from our online recruitment campaigns resulting in an increase of 14% in the size of our investment client e-mail database

The gross margin percentage for the year was 43.8% compared to 42.9% in the prior year. The Board took the decision at the beginning of 2010 to cease the promotion of investment products providing clients with guaranteed minimum rates of return. Gross margins therefore benefited in the year due to there no longer being any need to make provisions against such investment products.

Overheads were £1.24m (21%) higher than the prior year. Overheads for the year included the Benham Group in the last quarter accounting for £0.24m of the increase. Excluding Benham, overhead increases related primarily to increased salary costs (£0.4m), marketing expenditure (£0.42m), and higher depreciation charges (£0.08m).

Increased salary costs reflect the investment in the executive and management team essential to better manage and control the successful implementation of our strategy. Salary costs in 2010 also include additional commission payments of £0.1m corresponding to the increased sales performance.

Marketing expenditure was in line with plan and reflected our increased investment in new client recruitment through international advertising and media campaigns. The 18% increase in new clients recruited in the year compared to the prior year, together with sales contributed from new clients, vindicated this increased investment.

Depreciation charges were higher mainly as a result of depreciation being charged from May 2010 in respect of the capital refurbishment costs at 399 Strand.

Philatelic Trading and Retail Operations

Philatelic trading and retail sales were £1.77m (10%) higher than last year with profit contribution up by 14%. Sales in the year are stated net of a reduction of £1.55m with associated profit of £0.31m relating to a sale made to an investment client in the prior year. In October 2010, a decision was made to repurchase the client's investment portfolio to assist with meeting the high levels of demand being experienced for our investment products at that time. It was however deemed appropriate to account for the repurchase as an unwinding of the sale in the current year with the impact of reducing revenue and associated profit against the current year trading performance. Excluding the impact of this exceptional adjustment, philatelic sales were £3.32m (19%) higher than last year.

Sales growth in the year included additional sales of £0.95m from our development into the Chinese rare stamp market together with new clients recruited from our Jersey investment office contributing additional sales of £0.7m.

Sales to specialist collectors were up 20% in the year compensating for the loss of retail sales during the period of refurbishment works to the 13th of April. Retail sales through 399 Strand were down 18% at end of April compared to the prior period. The majority of this deficit was recovered by the end of the year, with retail sales for the full year finishing down only 1%. The impact of adverse weather conditions experienced towards the end of last year held back the recovery to some extent. Following the recent appointment of a dedicated retail manager, we aim to deliver the full benefits from the refurbishment during 2011.

Commissions from holding of third party auctions were up 22% on the prior year reflecting the growing strength of this area of our business together with the benefits of the prevailing strong market conditions resulting in higher auction realisations.

Publishing and Philatelic Accessories

Publishing and philatelic accessory sales were 3% higher than last year although profit contribution was down 9%. Profits in our Publishing division have deteriorated in the past two years despite small increases in the level of sales. This disappointing performance has highlighted weaknesses in the current management structure which are now being addressed by a rationalisation programme aimed at implementing the cost and efficiency savings necessary in this low growth part of our business.

Performance in the Publishing division was hampered during the year by a significant diversion of effort in the implementation of the new Digital Asset Management system. Our biggest selling title, "Stamps of the World", was produced through this new system in the latter part of the year, a milestone event in itself as we now look to capture all our other catalogue data as part of a phased implementation programme over the next two years. The new system provides us with the platform to embrace the online publishing opportunities as, over time, we expect our customers to convert more from traditional print based information to accessing such information electronically.

Autographs, Records and Related Memorabilia

Autographs, records and related memorabilia sales were 24% up on the prior year although profit contribution was down 9%. The reduction in profitability, whilst achieving a substantial increase in sales during the year, reflects a fundamental change in the sales mix as a result of our increased focus towards rare signatures and historical documents, rather than celebrity signatures. We have successfully developed our investment offering in historical documents and signatures this year, which similar to the rare stamp market, offers investors a means of protecting their wealth in a tangible asset with a value embedded in history.

Lower value retail sales were down 10% in the year, whilst sales to high net worth collectors and investors were up 48%. Our increased focus on developing the business in top quality unique pieces and items of historical importance has been a success. Through building up a detailed knowledge of our clients' interests, we are able to source items of specific interest to them. Margins available from high value pieces are, however, substantially lower than those obtained from trading in celebrity autographs.

Retail sales from 399 Strand were 43% lower than in the prior year as a result of the closure of the "Autograph Gallery" at 399 Strand as part of our refurbishment programme. The substantial loss of sales from retail activities was compensated to some extent by an increase in the production of and responses from e-mail "newsletters" to make clients aware of exciting and exceptional new stock items.

Following the launch of the new website, www.frasersautographs.com, in February 2011, we expect retail sales to recover as we move more towards online retailing, which will provide a better return than our traditional in-store offering.

Benham First Day Covers and other Collectibles

The newly acquired Benham First Day Cover and other collectibles business contributed sales of £0.58m in the last quarter of the year and profits of £0.18m. The business was acquired for a total consideration of £1.5m, settled £0.75m on completion with the remaining £0.75m due to the vendor 12 months after completion.

Trading performance since acquisition was broadly in line with expectations and will benefit in 2011 from collectibles produced commemorating the Royal Wedding. We are developing a number of other opportunities to grow the Benham business including development into the Chinese market this year.

Internet Development

Sales reported within this department relate to online subscription revenue only. Online sales represented 7% of revenue and were 5% up on the prior year, when excluding investment sales. The website generated investment sales of £1.78m (2009: £1.18m) benefiting from our increased marketing through online affiliate websites and Google adwords to direct investment enquires to the investment section of our website and encouraging prospective clients to download our "Free Investment Report".

Corporate Overheads

Corporate overheads were £0.39m (26%) higher than last year at a total of £7.13m. Corporate overheads include accounting charges in respect of our defined benefit pension scheme of £0.11m (2009: £0.06m) and IFRS2 share option charges of £0.08m (2009: £0.07m). Such charges are not relevant to the reporting of trading performance as they are merely accounting charges based on actuarial assumptions required by existing accounting standards.

Increased corporate overheads primarily relate to higher salary and travel costs from the enlarged executive team required to support and manage the implementation of our strategy. Furthermore, bonus payments made in the year to executive directors and senior management were £0.06m higher than in the prior year reflected in the improved performance of the Group.

Exceptional Items

Exceptional operating costs incurred in the year of £0.15m include the redundancy and legal costs associated with the restructuring of the web development team (£0.02m) and professional fees incurred on the acquisition of the Benham Group (£0.13m). In the past, such capital costs on acquisition would have formed part of goodwill acquired. New accounting standards now require such costs to be written off in the year incurred.

Strategic Focus and Opportunities

Whilst our brand is internationally recognised and respected, our market share of the stamp market remains less than 1%. The primary reasons for this are:

1. We mainly trade in rare stamps of catalogue quality (i.e. around 1 in 100 stamps are of catalogue quality)
2. We only trade in stamps from Great Britain, British Commonwealth countries and, more recently, China (meaning we do not trade in some significant geographical areas of the market including, for example, USA, Russia, Germany, France and Japan)

Whilst we do not want to become a trader of low value stamps in "below-catalogue" condition, we do recognise the size and potential within the lower value end of the stamp market. We intend to obtain market share, not through trading, but by facilitating this market online through our website. We believe that by providing an online trading platform, similar to the Amazon.com and eBay.com models, www.stanleygibbons.com will progressively become the focal point for stamp trading online. This will generate income through trading commission charges and fees for the use of our authentication services.

We also intend to build upon our success in 2010 from developing internal expertise and trading relationships in the Chinese rare stamp market by extending this approach into other overseas markets. We are currently reviewing opportunities of developing into the market for US stamps, which still represents the biggest collectible market in the world.

Furthermore, with a brand of our heritage and reputation, we are capable of extending our product offering into other collectibles. This will provide increased scalability to our business model. We are currently reviewing other areas of the collectibles market, which possess similar qualities to rare stamps such as coins, medals and first edition books. We intend to gain access into these new markets through a mixture of recruitment of specialist expertise, building of trading partnerships with key specialists and acquisition.

We look forward to maximising the potential from some immediate benefits in the coming year including the launch of our new websites, the Royal Wedding and further development of trading in the Chinese market.

We now have a more rounded executive team in place to implement the strategy effectively, further enhanced by the recruitment of Tony Grodecki (Managing Director of the Benham Group). Tony brings a general commercial acumen from his extensive experience in the collectibles market together with specific skills in building mail order continuity programmes.

Overall, the business is well placed to generate growth in sales and profits to the benefit of our Shareholders as we look forward to the current year with continued enthusiasm and optimism.

Financial Review

The Group's cash funds at 31 December 2010 were £1.84m, compared to £3.06m at the end of last year. 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 stamps and historical signatures, IT systems and value enhancing acquisitions. It is not Group policy to engage in speculative activity using financial derivatives or other complex financial instruments.

The Group has bank borrowings of £0.69m at 31 December 2010 with NatWest Bank PLC. In total £0.75m was borrowed over a term of three years (commencing September 2010) at an interest rate of LIBOR plus 4%. There was also a deferred element to the consideration on the purchase of the Benham Group of £0.75m due to the vendors one year after completion carrying an interest rate of LIBOR plus 2.25%. The Group also currently has use of an overdraft facility, if required, of £1.0m. This facility is renewable in April 2011.

Balance Sheet and Cash Flow

Cash generated from operating activities was £2.21m (2009: £4.90m). A summary reconciliation of the operating profit to cash generated from operating activities is given below:

	2010	**2009**
	£000	**£000**
Operating profit	**4,287**	4,129

Non-cash charges to profits	**107**	262
IFRS2 actuarial accounting charge for share options	**81**	71
Operating profit after adding back accounting charges to profit which do not impact on cash flows	**4,475**	4,462
(Increase)/decrease in inventories	**(4,081)**	2,456
Cash generated from / (used in) other working capital movements	**1,817**	(2,021)
Operating cash generated in year	**2,211**	4,897

Operating cash generated in the year was re-invested in our stockholding of rare stamps and historical signatures to support the expected increases in demand over the next 12 months. The newly acquired Benham Group contributed £0.2m of the operating cash generated.

Stock levels at 31 December 2010 were £14.77m, 59% higher than at 31 December 2009. The increase in stock during the year includes stock acquired at fair value in the Benham Group with a cost of £1.10m and stock acquired from the acquisition of the dealer M & N Haworth of £0.26m. Excluding stock purchased on the acquisition of businesses in the year, stock levels were still up by £4.12m (44%).

An element of the increased stockholding at the year end is timing related as a consequence of high levels of buying in December, driven by the timing of major auctions and the need for top quality material to support budgeted demand in the coming year.

Our increased investment in our stockholding was predominantly in high value rare stamps and historical signatures, which we believe to be a better investment of Shareholder Funds than holding surplus cash balances, which do not generate a material return. The benefits of reinvesting operating cash generated into our stockholding of rare stamps and historical signatures are as follows:

1. Improved presentation of our brand image in top quality collectibles
2. Recruitment of new high net worth clients by virtue of the depth of our stockholding of key rarities
3. Historic short turn around time for high value items, generating an average return on capital of over 20% per annum
4. Investment in an asset which has generated annual appreciation on average at 10% per annum, although remains stated at historic cost and not market value in our balance sheet

The reduction in cash during the year of £1.22m is net of dividends paid of £1.32m (2009: £1.2m) and tax paid of £0.41m (2009: £0.78m).

The Group invested £1.73m (2009: £0.39m) in capital expenditure during the year and can be analysed as follows:

	£000
Goodwill arising on the acquisition of The Benham Group	256
Refurbishment of 399 Strand	772
Development of Digital Asset Management System	266
Website development costs	301
Other tangible and intangible capital expenditure	136
Total Capital Expenditure in the year	**1,731**

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

Capital expenditure commitments in 2011 are expected to be substantially lower as the core development work on our IT systems and websites was materially completed in 2010. Capital expenditure forecast for 2011 includes the replacement of our accounting system together with ongoing enhancements to our websites and other IT systems.

Finance income/costs

Group cash funds generated £2,000 (2009: £2,000) bank interest for the year. Included within "Finance income" is £34,000 (2009: Finance costs of £14,000), 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 of £19,000 (2009: £18,000) include interest payable of £15,000 on acquisition financing of the Benham Group.

Taxation

The tax charge for the year (excluding deferred taxation) was £462,000 (2009: £424,000) incurred on UK profits, resulting in an effective rate of 10.7% (2009: 10.3%). Profits from our Channel Island trading companies are currently subject to tax at zero percent.

Dividends

The Board is recommending a final dividend of 3.25p per Ordinary Share (2009: 3p) giving a total dividend of 5.5p for the year ended 31 December 2010 (2009: 5p). Subject to Shareholders' approval, the final dividend will be paid on 16 May 2011 to Shareholders on the register at 8 April 2011.

Accounting Policies

Accounting policies applied are consistent with those disclosed in note 1 to the 2009 financial statements except for the revision to IFRS 3 that has impacted on how acquisitions are accounted for in respect that previously capitalised acquisition expenses are now immediately expensed through the income statement.

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	**Year ended 31 December 2010 £'000**	Year ended 31 December 2009 £'000
Revenue		**26,429**	**23,365**
Cost of sales		**(14,859)**	**(13,345)**
Gross Profit		**11,570**	**10,020**
Administrative expenses before exceptional operating costs		**(2,269)**	**(1,817)**
Selling and distribution expenses		**(4,864)**	**(4,074)**
Operating profit before exceptional items		**4,437**	**4,129**
Exceptional operating costs		**(150)**	**-**
Operating Profit		**4,287**	**4,129**
Finance income		**36**	**2**
Finance costs		**(19)**	**(18)**
Profit before tax		**4,304**	**4,113**
Taxation		**(473)**	**(413)**
Profit for the financial year		**3,831**	**3,700**
Other comprehensive income:			
Actuarial gains / (losses) recognised in the pension scheme		**354**	**(352)**

Tax on actuarial (gains) / losses recognised in the pension scheme		**(113)**	**80**
Other comprehensive income / (loss) for the year, net of tax		**241**	**(272)**
Total comprehensive income for the year		**4,072**	**3,428**
Basic earnings per Ordinary share	*3*	**15.22p**	**14.70p**
Diluted earnings per Ordinary share	*3*	**15.17p**	**14.69p**

Statement of financial position as at 31 December 2010

	Group 31 December 2010 £'000	Group 31 December 2009 £'000	**Company 31 December 2010 £'000**	Company 31 December 2009 £'000
Non-current assets				
Intangible assets	**1,014**	186	-	-
Property, plant and equipment	**1,862**	1,103	**-**	-
Deferred tax asset	**32**	124	**-**	-
Trade and other receivables	**-**	118	**-**	-
Investment in subsidiary undertakings	**-**	-	**6,055**	5,974
	2,908	1,531	**6,055**	5,974
Current Assets				
Inventories	**14,774**	9,289	**-**	-
Trade and other receivables	**8,866**	9,848	**1,454**	-
Cash and cash equivalents	**1,838**	3,062	**39**	32
	25,478	22,199	**1,493**	32
Total assets	**28,386**	23,730	**7,548**	6,006
Current liabilities				
Trade and other payables	**5,550**	4,014	**944**	352
Borrowings	**252**	-	**-**	-
Current tax payable	**349**	296	**-**	-
	6,151	4,310	**944**	352
Non-current liabilities				
Retirement benefit obligations	**114**	442	**-**	-
Borrowings	**435**	-	**-**	-
Deferred tax liabilities	**194**	161	**-**	-
Provisions	**504**	660	**-**	-
	1,247	1,263	**-**	-

Total liabilities	**7,398**	5,573	**944**	352
Net assets	**20,988**	18,157	**6,604**	5,654
Equity				
Called up share capital	**252**	252	**252**	252
Share premium account	**5,195**	5,195	**5,195**	5,195
Share compensation reserve	**244**	163	**244**	163
Capital redemption reserve	**38**	38	**38**	38
Revaluation reserve	**201**	201	**-**	-
Retained earnings	**15,058**	12,308	**875**	6
Equity shareholders' funds	**20,988**	18,157	**6,604**	5,654

Statement of changes in equity for the year ended 31 December 2010

The Group

	Called up share capital £'000	Share premium account £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010	252	5,195	163	201	38	12,308	18,157
Profit for the financial year	-	-	-	-	-	3,831	3,831
Actuarial gain on pension scheme net of deferred tax	-	-	-	-	-	241	241
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**4,072**	**4,072**
Dividends	-	-	-	-	-	(1,322)	(1,322)
Cost of share options	-	-	81	-	-	-	81
At 31 December 2010	**252**	**5,195**	**244**	**201**	**38**	**15,058**	**20,988**
At 1 January 2009	252	5,195	92	182	38	10,076	15,835
Profit for the financial year	-	-	-	-	-	3,700	3,700
Actuarial loss on pension scheme net of deferred tax	-	-	-	-	-	(272)	(272)
Total comprehensive income	-	-	-	-	-	**3,428**	**3,428**
Dividends	-	-	-	-	-	(1,196)	(1,196)
Cost of share options	-	-	71	-	-	-	71
Revaluation of the reference collection net of deferred tax	-	-	-	19	-	-	19
At 31 December 2009	**252**	**5,195**	**163**	**201**	**38**	**12,308**	**18,157**

The Company

	Called up share capital £'000	Share premium account £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010	252	5,195	163	-	38	6	5,654

Profit and total comprehensive income for the year	-	-	-	-	-	2,191	2,191
Dividends	-	-	-	-	-	(1,322)	(1,322)
Cost of share options	-	-	81	-	-	-	81
At 31 December 2010	**252**	**5,195**	**244**	**-**	**38**	**875**	**6,604**

At 1 January 2009	252	5,195	92	-	38	6	5,583
Profit and total comprehensive income for the year	-	-	-	-	-	1,196	1,196
Dividends	-	-	-	-	-	(1,196)	(1,196)
Cost of share options	-	-	71	-	-	-	71
At 31 December 2009	**252**	**5,195**	**163**	**-**	**38**	**6**	**5,654**

Statement of cash flows
for the year ended 31 December 2010

	Notes	**Group** 31 December 2010 £'000	Group 31 December 2009 £'000	**Company** 31 December 2010 £'000	Company 31 December 2009 £'000
Cash generated from operations	*4*	**2,211**	**4,897**	**7**	1
Interest paid		**(19)**	**(4)**	**-**	-
Taxes paid		**(408)**	**(783)**	**-**	-
Net cash generated from operating activities		**1,784**	**4,110**	**7**	1
Investing activities					
Purchase of property, plant and equipment		**(871)**	**(275)**	**-**	-
Purchase of intangible assets		**(604)**	**(114)**	**-**	-
Acquisition of businesses		**(900)**	**-**	**-**	-
Interest received		**2**	**2**	**-**	-
Loans granted to subsidiary undertakings		**-**	**-**	**(750)**	-
Dividends received		**-**	**-**	**2,072**	1,196
Net cash (used in) / generated by investing activities		**(2,373)**	**(387)**	**1,322**	1,196
Financing activities					
Dividends paid to company shareholders		**(1,322)**	**(1,196)**	**(1,322)**	(1,196)
Proceeds from borrowings		**750**	**-**	**-**	-
Repayments of borrowings		**(63)**	**-**	**-**	-
Net cash used in financing activities		**(635)**	**(1,196)**	**(1,322)**	(1,196)
Net (decrease) / increase in cash and cash equivalents		**(1,224)**	**2,527**	**7**	1
Cash and cash equivalents at start of year		**3,062**	**535**	**32**	31

Cash and cash equivalents at end of year	**1,838**	**3,062**	**39**	32

Notes

1. Basis of preparation

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the years ended 31 December 2010 and 31 December 2009.

The financial information for the year ended 31 December 2009 has been extracted from the audited statutory financial statements for that year which include an unqualified audit report and have been filed with the Registrar of Companies in Jersey. The financial information for the year ended 31 December 2010 has been extracted from the audited financial statements of the Group for the year ended 31 December 2010 which were approved by the Board of Directors on 24 March 2011.

2. Dividends

Subject to approval at the AGM on 27 April 2011, the final dividend of 3.25p per Ordinary Share will be paid on 16 May 2011 to all shareholders on the register on 8 April 2011.

3. 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. 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. Also in existence were 198,500 options issued under the Company's 2007 Long-Term Incentive Plan (LTIP). These options were not dilutive at 31 December 2010.

	Year ended 31 December 2010	Year ended 31 December 2009
Weighted average number of ordinary shares in issue (No.)	**25,177,443**	25,177,443
Dilutive potential ordinary shares: Employee share options (No.)	**84,101**	5,842
Profit after tax (£)	**3,831,000**	3,700,000
Exceptional operating costs (net of tax)	**120,000**	-
Adjusted profit after tax (£)	**3,951,000**	3,700,000
Basic earnings per share – pence per share (p)	**15.22p**	14.70p
Diluted earnings per share – pence per share (p)	**15.17p**	14.69p
Adjusted earnings per share – pence per share (p)	**15.69p**	14.70p
Adjusted diluted earnings per share – pence per share (p)	**15.64p**	14.69p

4 Cash generated from operations

	31 December (Group)	**31 December (Company)**

	2010	2009	2010	2009
	£'000	£'000	**£'000**	£'000
Operating profit	**4,287**	4,129	**119**	-
Depreciation	**170**	99	**-**	-
Amortisation	**32**	23	**-**	-
(Decrease) / increase in provisions	**(95)**	140	**-**	-
Cost of share options	**81**	71	**-**	-
(Increase) / decrease in inventories	**(4,081)**	2,456	**-**	-
Decrease / (increase) in trade and other receivables	**1,181**	(3,168)	**(704)**	-
Increase in trade and other payables	**636**	1,147	**592**	1
Cash generated from operations	**2,211**	4,897	**7**	1

5. Annual report and accounts

The Annual Report and Accounts for the year ended 31 December 2010 will be posted to shareholders shortly. Further copies can be obtained from the Company Secretary at 6 Vine Street, St Helier, Jersey, JE2 4WB, or the Company's Broker, Peel Hunt LLP at 111 Old Broad Street, London EC2N 1PH or can be viewed on the Company's website at www.stanleygibbons.com.