The Stanley Gibbons Group Limited

Annual Report and Accounts
for the year ended 31 December 2003

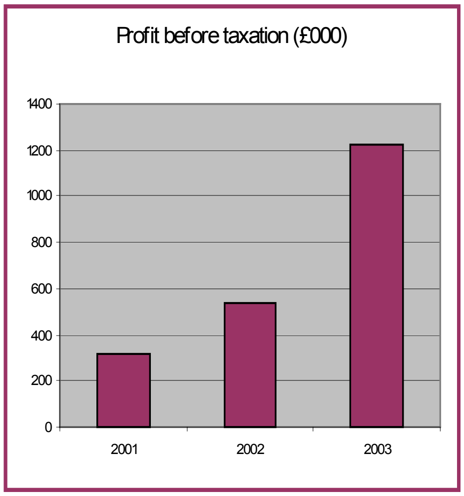
"Stanley Gibbons is the only recognised brand name in a market estimated to be worth around $10bn a year."

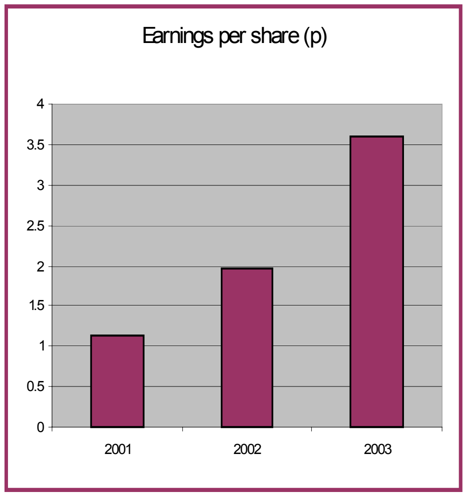
Investors Chronicle, 8 August 2003

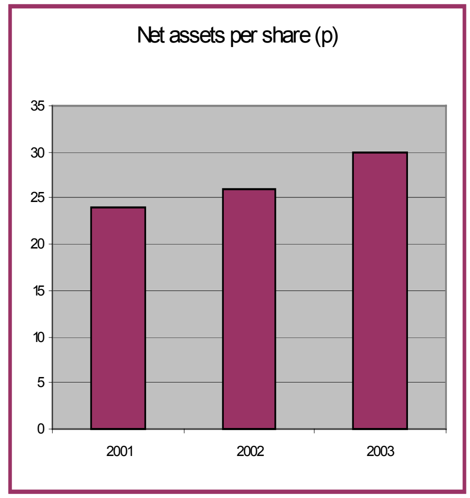
The Stanley Gibbons Group Limited

Financial Highlights

	2003	2002	2001
Group Turnover (£000)	8,622	8,121	8,079
Profit before taxation (£000)	1,227	537	314
Earnings per share (p)	3.61	1.96	1.13
Net cash (£000)	1,838	591	141
Net assets per share (p)	30	26	24
Share price – 31 December (p)	40	16	14.25







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Financial Calendar

AGM ________________________________ 15 April 2004

Interim Results Announced 30 July 2004

Highlights

- Record profit before tax of £1,227,000 (2002: £537,000), up 128%
- Earnings per share of 3.61p (2002: 1.96p) up 84%, and up 119% excluding deferred taxation
- £1,885,000 bank and cash balances at year end
- Market value of holding in Provide Commerce, Inc £2,469,000 at 25 February 2004 (book value: £223,000)
- Plans in progress to return surplus cash and proceeds of holding in Provide Commerce, Inc. through the payment of a special dividend or share buyback.

The Stanley Gibbons Group Limited

Directors and Advisers

Directors	P I Fraser, *Chairman* M R M Hall B.Acc CA, *Chief Executive and Finance Director* R K Purkis, *Operations Director* T Dunningham FCA, *Non-Executive Director* S Feigen, *Non-Executive Director*
Company Secretary	R K Purkis
Registered Office	Pirouet House Union Street St. Helier Jersey JE1 3WF
Head office	399 Strand London WC2R 0LX Tel: 020 7836 8444
Company Registration	Registered in Jersey Number 13177
Nominated Adviser and Broker	Seymour Pierce Limited 13th Floor, Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
Auditors	Solomon Hare LLP Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Solicitors	Nabarro Nathanson Lacon House 84 Theobald's Road London WC1X 8RW
Principal Bankers	Natwest Bank PLC 32 Corn Street Bristol BS99 7UG
Registrars	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU Tel: 0870 1623100
Website	Further financial, corporate and shareholder information is available on the Investor Relations section of the Group's website: www.stanleygibbons.com

Chairman's Statement

Record net profit before tax of £1,227,000

We are proposing the return of surplus cash to shareholders

'SG100' Stamp Price Index up 15% in 2003

Financials

I am very pleased to report a record net profit before tax of £1,227,000 (2002: £537,000) up 128%, being the highest profit figure achieved in the fifteen years I have been involved with the Company!

Turnover increased to £8,622,000 (2002: £8,121,000) up 6.2%.

Earnings per Ordinary Share for the year ended 31 December 2003 were 3.61p compared with 1.96p for the previous year, representing an increase of 84%.

Net assets per share have increased to 30p (37p including our interest in Provide Commerce, Inc at the year end market value) compared to 26p at 31 December 2002.

The year-end cash figure stood at £1,885,000 which, once again, shows how cash generative the business is and the conversion of profit into cash.

Dividend

Permission has been granted from the Channel Island authorities to pay dividends in 2004. We are intending to return surplus cash through the payment of a special dividend or share buyback and the implementation of a progressive dividend policy.

Outlook

The 'SG 100' Stamp Index was up 15% in 2003, with Great Britain stamps up 20%. We have also introduced indices for autographs and coins which helps us to be seen as the core facilitator in the marketplace, which is our key strategy.

Stamps as an alternative investment have received excellent positive comment and we have tailored many portfolios for our clients. We have recently set up a designated Investment Department to cope with the increasing interest. The Investment Department will also offer portfolios of rare autograph material and coins. Recognition of the rarity value and scarcity of supply is giving both liquidity and momentum to the international markets.

As more collectors and investors have more disposable income, particularly in China and India, we should see further increases in stamp values and an especial appreciation for the portability and value by weight of the stamps themselves.

We have redesigned our online magazine Internet site and will soon be integrating our various other sites, which we believe will drive more visitors and make it easier both to navigate and make best use of our valuable intellectual property.

Stanley Gibbons still remains the leading brand in stamp collecting and year on year we are increasing our sales and presence in the global market that has over 30 million collectors and $10 billion sales, per annum.

Chairman's Statement

Outlook (continued)

This should result in greater sales and reach of our brand name in the stamp collecting world.

Our active customer database has increased substantially in 2003 both offline and online and we have been able to personalise our communications for more effective and profitable results. We are making more direct sales, with a reduction in lower margin sales through market intermediaries.

The release of our major stamp catalogues in colour in 2003 is providing a boost to publication sales and should persuade a further uplift in 2004, with a larger programme of catalogues scheduled.

Our investment in Provide Commerce, Inc (formerly Proflowers, Inc) has shown a substantial gain. It went ahead with an IPO on 17 December 2003 and the market value at 25 February 2004 was $4,631,000 (£2,469,000). We are locked into the shareholding until 14 June 2004.

It will be our intention to return any surplus funds to shareholders this year and we hope to be in a position by June to confirm the exact amount.

I feel very positive about the future for stamp collecting and with Stanley Gibbons in particular, and that many actions we have taken in 2003 will yield further benefits in 2004.

Employees

All staff have worked tirelessly to support the strategy and deliver the results, and the positive environment is driving the momentum that we need to attain the projected profit that we all believe to be achievable in 2004.

Paul Fraser
Chairman

Market value of investment in Provide Commerce, Inc £2.5m

Stanley Gibbons is the only company offering a complete service to stamp collectors across the world.

Operating Review

Operating results for the year

	2003 Sales £000	**2003 Profit £000**	2002 Sales £000	2002 Profit £000	2001 Sales £000	2001 Profit £000
Philatelic trading and retail operations	**5,391**	**1,362**	4,742	814	4,591	406
Publishing and philatelic accessories	**2,481**	**659**	2,605	679	2,641	598
Dealing in autographs, records and related memorabilia	**739**	**239**	765	189	824	230
	8,611	**2,260**	8,112	1,682	8,056	1,234
Sale of property		**-**		-		388
Corporate overheads		**(799)**		(847)		(934)
New business development	**11**	**(254)**	9	(293)	23	(296)
Interest		**20**		(5)		(43)
Before exceptional operating costs	**8,622**	**1,227**	8,121	537	8,079	349
Exceptional operating costs		**-**		-		(35)
	8,622	**1,227**	8,121	537	8,079	314

Sales

Overall Group turnover increased by 6.2% to £8.6m (2002: £8.1m). Despite a challenging trading environment in the first four months of the year, the benefits from the implementation of our business plan have come to fruition as the year progressed cumulating in the best two months trade during November and December that the Group has experienced in its recent history.

We have continued to recruit new customers to the business including a number of higher value collectors and investors in stamps resulting in a 10% increase in the value of spend from new customers compared to the prior year.

Philatelic trading and retail sales were 13.7% higher than last year attributable mainly to sales growth in philatelic dealing and auction activities. Philatelic dealing has benefited from the sale of stamps as an alternative investment fuelled by wide media coverage, increased marketing activity and the strong performance of the SG100 Stamp Price Index which has shown an increase of 15% in 2003. A strong market in philately during the year resulting in high demand led to a scarcity of supply forcing stamp prices upwards. Through more aggressive buying, we increased our stockholding in key rarities and high value philatelic items in the second half of the year which puts us in a strong position to continue to benefit from the strong market conditions and interest in stamps as an alternative investment.

Auction activities included commission income from the public auction held at 399 Strand in November which exceeded our expectations. Our return to public auctions has been achieved with a reduced level of associated overheads, enabling such activities to be conducted profitably. As a result, we intend to hold two public auctions in 2004.

Publishing and philatelic accessories sales were 4.8% lower than the previous year. Sales made to our wholesale customers were 17% down on the prior year which was partly compensated by increased mail order and online sales, producing higher margins on lower sales. We have reduced our dependence on wholesalers as we grow new worldwide customers through our internet site. Our major catalogue title, “Stamps of the World”, was produced in full colour for the first time at the end of November resulting in mail order sales being 71% above the same period last year. Due to an increased print run to meet demand we still had a sufficient stockholding at the end of the year to service demand during 2004.

Autographs and memorabilia sales were 3.4% below those in the previous year. The lower sales performance is attributed mainly to a reduced stockholding of key rarities and higher value stock items which we are now taking measures to rectify. Reduced sales have been more than offset by reduced overheads particularly in salary and marketing costs, resulting in an increased profit contribution of £48,000 compared to last year.

Operating Review

Gross Margins

We have achieved sales growth on consistent gross margins to the previous year representing 60.6% of sales, (2002: 60.8%) through concentration of activities on the sale of quality material at full retail prices. Margin control is being achieved through tight stock control procedures with all key stock areas being subject to perpetual counting.

Profitability

The profit before tax for the year of £1,227,000 compares to a profit last year of £537,000, representing an increase of 128%. The increase in profitability from the previous year was achieved through growth in turnover at consistent gross margins, together with further reductions in fixed overheads particularly in salaries and establishment costs.

Salary overhead reduced by £153,000, (6.9%) compared to last year, as a result of a reduction in staff numbers. The staff headcount at 31 December 2003 was 99 compared to 106 at 31 December 2002. We have progressively reduced fixed salary overheads over the past two years in a controlled manner through cost centre accountability, implementation of operational efficiencies and improved use of technology. As a result, salary costs represent 23% of turnover in 2003 compared to 30% two years ago.

Establishment costs were £130,000 lower than last year, benefiting from rental income now being received from sub-letting of the 2nd and 3rd floors of 399 Strand together with the favourable settlement of a dispute relating to a previous rental agreement. Our vacant unit in Ringwood was sub-let at the end of the year, the benefits of which will be enjoyed in following years.

New Business Development

Direct sales generated through our web sites increased by 25%. The internet has proved to be a valuable medium for attracting new investment customers during the year and we intend to improve the editorial content and functionality of our “Invest in Stamps” section to further promote what is proving to be a lucrative proposition for both the Company and investors in stamps alike.

All catalogue data is now held electronically enabling the production of our major catalogue titles in full colour without an increase in production costs. We continue to enhance the editorial aspects of the catalogue database management system which will enable its integration into our websites in 2004, resulting in real-time catalogue pricing information being available online.

Our internet sites are currently being redesigned to integrate allworldstamps, gibbonsstampmonthly and stampcafe as sections of our main site, stanleygibbons.com. Based on customer feedback, we expect a significant increase in traffic following the integration as we hinge all activity off our established brand name. The increased site traffic and visitors to our site will provide increased opportunities to secure online advertising and affiliate relationships during 2004.

We intend to introduce functionality in our online catalogues to record ‘stamps for sale’ against each unique stamp listing. This will enable the stamp collecting community to use our internet site to service their information, pricing and purchasing needs in one place.

Corporate Overheads

Corporate overheads of £799,000 have reduced by £48,000 against last year. The reduction experienced is mainly from the reduced costs of finance staff, as systems and processes become more self supportive, and lower depreciation charges, due to the Sage accounting system purchased in 1999 being fully depreciated by July 2003.

Accounting Policies

Accounting policies are detailed in note 1 to the financial statements on pages 16 to 17. These policies are in accordance with UK generally accepted accounting principles.

Financial Review

Treasury

The Group has no material borrowings and cash funds are in excess of the operational needs and capital expenditure plans of the business in the foreseeable future. The Board will continue to assess and manage the risks associated with the treasury functions as the business develops, although the current size of the business dictates that treasury management is an integral part of the overall management of the Group.

Liquidity and Funding

The Group has approved written policies covering the following:

1 Authorisation requirements for all bank accounts and financial instruments.
2 Authorisation limits for all payments made by Group Companies.
3 Quarterly forecasting of the Group's profit and loss, balance sheet and cashflow position and daily comparison of the actual cash position to forecast.

The Group's cash funds at 31 December 2003 were £1,885,000, compared with £709,000 at the end of last year. Current funding available is sufficient to meet planned operational and capital expenditure. Should the Group require funding in the future to support a potential acquisition or major capital project, additional funding could be raised based on a debenture formula over current assets which were £8,101,000 at 31 December 2003 together with security over the Group's remaining freehold property included in the balance sheet at £119,000 less depreciation of £7,000.

The business of stamp collecting is seasonal and working capital requirements are greater in the period from May to August due to lower volumes of trade at that time. However, there will be no requirement for additional funding during this period in 2004.

The total debt at 31 December 2003 of £47,000 related to loan notes due for redemption on 29 February 2006. The mortgage of £55,000 with Eagle Star was redeemed in full on 21 July 2003.

Balance Sheet and Cash flow

All movements are detailed in the Consolidated Cash Flow Statement on page 15. The Group continues to generate strong cash flows from normal operating activities, generating £1,373,000 in 2003. Our working capital management continues to be strong despite heavy investment in key rarities and high value philatelic items in the second half of the year to capitalise on the strong market conditions prevailing. Debtors days outstanding at 31 December 2003 were 29 days, compared to creditor payment days outstanding of 70 days.

The Group invested £134,000 in capital expenditure during the year (compared to £230,000 in 2002). Capital expenditure included ongoing development work on our websites, catalogue database management system and IT infrastructure together with essential improvements to maintain our leasehold properties.

Interest

Interest payable during the year related mainly to interest on loan notes and early settlement interest on the Eagle Star mortgage. We are investing surplus funds in an 'AAA Rated Treasury Fund' which earns an average of 3.75% interest per annum net of charges.

Taxation

The tax charge for the year was £346,000 (2002: £53,000), resulting in an effective rate of 28.2% (2002: 9.9%). The increase in the effective rate is predominantly due to the implementation in 2002 of FRS No.19 "Deferred Tax" which requires full provision for potential future tax liabilities regardless of whether such liabilities are expected to become payable in the foreseeable future. After adjusting for the deferred tax charge of £173,000, the average rate of tax which will be payable in 2004 was 14.1%. The average rate benefits from the utilisation of trading losses brought forward from previous accounting periods.

Going Concern

The Directors have considered the relevant information up to the date of approving these financial statements and have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future.

Corporate Governance

So far as is appropriate, the Board aims to apply the underlying principles of the Combined Code, having regard to the size of the Company. The principal areas where these underlying principles are applied in the running of the Company are set out below.

The Company holds board meetings regularly throughout the year at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Audit Committee comprises only two non-executive Directors. The Company feels this is appropriate for its size. The Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly maintained and reported on. It is also responsible for meeting the auditors and reviewing the report from the auditors relating to the financial statements.

Members of the Audit Committee at 31 December 2003 were as follows:

T Dunningham, Chairman
S Feigen

Report on Remuneration

The Remuneration Committee comprises the non-executive Directors. It reviews the performance of the executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders.

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board.

Members of the Remuneration Committee as at 31 December 2003 were as follows:

S Feigen, Chairman
T Dunningham

Both members are independent non-executive Directors. Neither of them has any personal financial interest in the matters to be decided (other than as shareholders) or any day to day involvement in the running of the business.

Policy on Executive Directors' Remuneration

The Committee reviews remuneration of executive Directors and senior management each year. The main aim of the Group's executive pay policy is to provide an appropriate reward for their work and which is sufficient to attract and retain the Directors needed to meet the Group's objectives and satisfy shareholder expectations.

The Committee has given full consideration to the provisions of Schedule A and Schedule B of the Combined Code.

Executive Share options are granted to Directors and other employees on a phased basis, the value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term. Options granted under the share option scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied; the average annual increase in the Company's share price over a period of three consecutive financial periods of the Company (commencing no earlier than one year prior to the date of grant) is at least 5%.

The Chairman currently receives a pension contribution of 9% of his basic annual salary contributed towards his personal pension plan and the Operations Director is a member of the Group's defined benefit pension scheme.

Report on Remuneration

Directors are awarded annual bonuses calculated on the basis of defined criteria relating to Group performance compared to prior year and budget and other specific objectives which contribute to growth in earnings per share.

Benefits include the provision of private healthcare insurance and death in service insurance.

Service contracts

No Director has a notice period exceeding twelve months.

Directors' Remuneration

For each Director remuneration can be analysed as follows:

	2003 Basic Remun-eration £'000	**2003** Performance Related Bonus £'000	**2003** Pension £'000	**2003** Other Benefits £'000	**2003** Fees £'000	**2003 Total £'000**	2002 Total £'000
P I Fraser	85	-	8	1	-	**94**	94
M R M Hall	70	11	-	1	-	**82**	61
R K Purkis	42	-	-	1	-	**43**	-
T Dunningham	-	-	-	-	-	**-**	-
S Feigen	-	-	-	-	7	**7**	7
	197	11	8	3	7	**226**	162

Directors' Share Options

	Date of grant	**Earliest exercise date**	**Expiry Date**	**Exercise Price (1p shares)**	**Number at 31 Dec 2002**	**Granted in year**	**Exercised in year**	**Number at 31 Dec 2003**
P Fraser	26/9/00*	26/9/02	25/9/10	18.5p	540,540	-	-	**540,540**
M Hall	27/11/00**	28/11/03	26/11/10	18p	50,000	-	-	**50,000**
	26/3/02*	26/3/04	25/3/12	12.75p	392,156	-	-	**392,156**
R Purkis	27/11/00**	28/11/03	26/11/10	18p	50,000	-	-	**50,000**
	15/3/02**	16/3/05	14/3/12	12.75p	50,000	-	-	**50,000**
	10/4/03*	10/4/05	9/4/13	18.75p	-	100,000	-	**100,000**
					1,082,696	100,000	-	**1,182,696**

* Options granted under Enterprise Management Incentive Option Agreements.
** Options granted under the Inland Revenue approved UK Executive Share Option Scheme.

The market price of the Company's shares at 31 December 2003 was 40p and the range of market prices during the year was between 16p and 40.75p.

No options were granted to or exercised by any Director in the period since 31 December 2003 and the signing date of these financial statements.

Directors' report
For the year ended 31 December 2003

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

Incorporation

The Company is incorporated in Jersey, Channel Islands.

Directors' responsibilities for the financial statements

Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the Group profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

Principal activities

The principal activities of the Group are those of dealing in stamps, autographs, rare records and related memorabilia, the development and operation of collectible websites, philatelic publishing, auctioneering, mail order, retailing, and the manufacture of philatelic accessories.

Business review and future prospects

A commentary of the Group's progress during the year and its future prospects are set out in the Chairman's statement on pages 2 and 3, and the Operating Review and Financial Review on pages 4 to 6.

Results and dividends

The profit and loss account of the Group for the year ended 31 December 2003 is set out on page 13. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2003, (2002: Nil).

Directors' report
For the year ended 31 December 2003

Directors

The Directors of the Company during the year were as follows:

Mr P I Fraser
Mr M R M Hall BAcc CA
Mr R K Purkis
Mr T Dunningham FCA (non-executive)
Mr S Feigen (non-executive)

Biographical details of the Directors are given on page 31.

Directors' interests

The interests of the Directors in the shares of the Company at 31 December 2003 together with their interests at 1 January 2003 were:

Shares	Ordinary 1p Shares **1 January 2003**	Ordinary 1p Shares **31 December 2003**
P I Fraser	7,301,719	**7,301,719**
M R M Hall	20,000	**20,000**
T Dunningham	2,904,500	**2,904,500**
S Feigen	50,000	**50,000**

The Directors' interests in shares are all beneficial. There were no changes in the interests set out above between 31 December 2003 and 26 February 2003.

Details of the Directors' share options are given in the Remuneration Report on page 8.

Apart from service contracts and the related parties referred to in note 27 of the financial statements, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Research and development

The Group continued development work in the building of knowledge using new technology including the designing and writing of software to enable the production of online catalogues and the creation of an online integrated stamp collecting community. Costs associated with research and development are written off in the year incurred and are disclosed under the heading 'New Business Development' in the Operating Review on page 4.

Policy on payment of creditors

It is Group policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. The creditor payment days outstanding for the Group at 31 December 2003 were 70 days, (2002: 45 days).

Economic and Monetary Union

The Directors continue to review the operational and financial impact of the European Monetary Union. Incremental costs to date are not significant and are being written off as incurred.

Should the United Kingdom, however, adopt the Euro in the future, this would involve additional costs.

Directors' report
For the year ended 31 December 2003

Charitable and political donations

The Group did not make any material charitable or political donations during the year.

Intangible Assets

No value is attributed in the balance sheet to the Group's brand names, the value of the Stanley Gibbons stamp referencing system, editorial intellectual property or its database of customers.

Substantial Shareholdings

As at 20 February 2004, other than the Directors' holdings noted above, the Company had been notified of the following interests in 3% or more of its issued share capital:

Mr Leonard Licht: 3.24%

Purchase of Own Shares

The Company did not purchase any of its shares for cancellation during the year. The Company has authority to purchase up to 15% of its own shares. A resolution to renew this authority will be proposed at the AGM.

Secretary

Mr R K Purkis has been secretary for the entire year ended 31 December 2003.

Auditors

Solomon Hare LLP have expressed their willingness to continue as auditors to the Company and a resolution to reappoint Solomon Hare LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the AGM.

By order of the board

R K Purkis
Secretary

26 February 2004

Registered office:

Pirouet House
Union Street
St Helier
Jersey, JE1 3WF

Independent Auditors' Report to the shareholders of The Stanley Gibbons Group Limited

We have audited the financial statements of The Stanley Gibbons Group Limited for the year ended 31 December 2003 set out on pages 13 to 30. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 9 this includes responsibility for preparing the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the Directors' Report, the Chairman's Statement, and the Operating Review and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2003 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Solomon Hare LLP
Registered Auditors, Chartered Accountants
Bristol
26 February 2004

Consolidated Profit and Loss account
For the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Turnover	*1,2*	**8,622**	8,121
Cost of sales		**(3,398)**	(3,184)
Gross profit		**5,224**	4,937
Administration expenses		**(1,183)**	(1,242)
Selling and distribution expenses		**(2,834)**	(3,153)
Operating profit	*3*	**1,207**	542
Interest receivable and similar income		**27**	5
Interest payable and similar charges	*6*	**(7)**	(10)
Profit on ordinary activities before taxation		**1,227**	537
Tax on profit on ordinary activities	*7*	**(346)**	(53)
Profit for the financial year	*18*	**881**	484
Earnings per Ordinary share	*8*	**3.61p**	1.96p
Diluted earnings per Ordinary share	*8*	**3.49p**	1.95p

Continuing operations: all items dealt with in arriving at the operating profit for 2003 and 2002 relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

There are no recognised gains and losses other than those included in the operating profit above, and therefore no separate statement of total recognised gains and losses has been presented.

Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2003

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit for the financial year	**881**	484
Purchase of own shares	**-**	(79)
Net increase in shareholders' funds	**881**	405
Opening equity shareholders' funds	**6,418**	6,013
Closing equity shareholders' funds	**7,299**	6,418

Balance sheets
at 31 December 2003

	Notes	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Fixed Assets					
Tangible assets	*9*	**1,307**	1,455	**-**	-
Investments	*10*	**223**	223	**5,811**	5,811
		1,530	1,678	**5,811**	5,811
Current assets					
Stocks	*11*	**4,878**	4,547	**-**	-
Debtors: amounts falling due after more than one year	*12*	**259**	296	**-**	-
Debtors: amounts falling due within one year	*12*	**1,079**	831	**316**	316
Cash at bank and in hand		**1,885**	709	**-**	-
		8,101	6,383	**316**	316
Creditors: amounts falling due within one year	*13*	**(2,097)**	(1,486)	**-**	-
Net current assets		**6,004**	4,897	**316**	316
Total assets less current liabilities		**7,534**	6,575	**6,127**	6,127
Creditors: amounts falling due after more than one year	*14*	**(47)**	(118)	**-**	-
Provision for liabilities and charges	*15*	**(188)**	(39)	**-**	-
Net assets		**7,299**	6,418	**6,127**	6,127
Capital and reserves					
Called up share capital	*16*	**244**	244	**244**	244
Share premium account	*18*	**5,834**	5,834	**5,834**	5,834
Capital redemption reserve	*18*	**25**	25	**25**	25
Revaluation reserve	*18*	**169**	169	**-**	-
Profit and loss account	*18*	**1,027**	146	**24**	24
Equity shareholders' funds		**7,299**	6,418	**6,127**	6,127

The financial statements on pages 13 to 30 were approved by the board of Directors on 26 February 2004 and were signed on its behalf by:

P I Fraser)
M R M Hall) Directors

Consolidated Cash Flow Statement
For the year ended 31 December 2003

	Notes	**Year ended 31 December 2003 £'000**		Year ended 31 December 2002 £'000	
Net cash inflow from operating activities	*20*		**1,373**		936
Returns on investment and servicing of finance					
Interest received		**27**		5	
Interest paid		**(7)**		(3)	
Finance lease interest paid		**-**		(7)	
			20		(5)
Taxation					
UK corporation tax paid			**(12)**		-
Capital expenditure and financial investments					
Payments to acquire tangible fixed assets		**(134)**		(230)	
Receipts from sales of tangible fixed assets		**-**		3	
			(134)		(227)
Acquisitions and disposals					
Purchase of business			**-**		(175)
Net cash inflow before financing			**1,247**		529
Financing					
Purchase of own ordinary shares		**-**		(79)	
Capital element of finance leases		**-**		(56)	
Repayment of Eagle Star Mortgage		**(55)**		-	
Repayment of Loan notes		**(16)**		(16)	
Net cash outflow from financing			**(71)**		(151)
Increase in cash	*21*		**1,176**		378

Notes to the financial statements
For the year ended 31 December 2003

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting standards currently applicable in the United Kingdom. The Directors consider that the accounting policies set out below are suitable, have been consistently applied, and are supported by reasonable and prudent judgements and estimates.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Companies, which are listed in note 10, and all of whose financial statements are made up to 31 December. The results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of their acquisition using the acquisition method of accounting.

Intra-Group sales and profits are eliminated on consolidation, and all sales and profit figures relate to external transactions only.

The Company has taken advantage of the exemption from presenting its own profit and loss account. The administration costs of the Company are borne by a fellow subsidiary Company.

(b) Goodwill

Purchased goodwill, representing the excess of fair value of the consideration over the fair values of the identifiable net assets acquired, is capitalised, classified as an asset and amortised over its estimated useful economic life. Any impairment is recognised by immediate write off through the profit and loss account.

(c) Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold and services provided during the period excluding value added tax. In respect of auctions held by the Group, turnover represents amounts invoiced in respect of vendors' commissions and buyers' premiums, excluding value added tax.

(d) Tangible fixed assets and depreciation

Tangible fixed assets, other than the reference collection, are stated at their purchase price, including any incidental expenses of acquisition. The reference collection is stated at depreciated replacement cost. Fixed assets held under finance leases are stated at the present value of the minimum lease payments due at the inception of the lease, or at fair value where this is considered a sufficiently close approximation to present value.

Fixed assets include a reference collection of certain stamps held on a long term basis. Additions to the collection are depreciated by 50% immediately on acquisition to provide for the usage of such items. No further depreciation is charged thereafter because in the opinion of the Directors the residual value is expected to exceed net book value for the foreseeable future.

Depreciation is calculated to write down the net book value of tangible fixed assets less their residual value on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Motor vehicles and plant and machinery	10 – 50%
Fixtures, fittings, tools and equipment	4 – 25%
Leasehold improvements	Over period of lease

(e) Investments

Investments are stated at cost less any impairment in value.

(f) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. In the case of stamp stocks it is not always practicable to ascertain individual costs. The cost of parcels of high value stamps is apportioned between the items purchased on the basis of the expert opinion of the Group's stamp dealers. Lower value stamp stocks are valued as a proportion of their anticipated realisable value, as a best estimate of cost, based on the expert opinion of the Group's stamp dealers.

(g) Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on a full provision basis in respect of all timing differences which have originated, but not reversed at the balance sheet date. The provision is not discounted.

(i) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

(j) Finance leases

Leasing agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against the profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets purchased under finance leases are depreciated over their expected useful lives.

(k) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(l) Pension costs

The Group operates a defined benefit pension scheme. Expected pension costs calculated using an actuarial method are provided over the service lives of the employees in the scheme. The contributions are determined by a qualified and independent actuary on the basis of triennial valuations using the Minimum Funding Requirement basis. The last actuarial valuation of the scheme was at 1 July 2000.

In November 2000 the Accounting Standards Board (ASB) issued FRS 17 'Retirement Benefits', replacing SSAP 24 'Accounting for Pension Costs'. In 2002 the ASB extended the transitional arrangements of FRS 17 for accounting periods beginning on or after 1 January 2005. The probability of implementation is uncertain and partly dependent upon proposals from the International Accounting Standards Board (IASB). The Company will take advice to ensure that it continues to adopt best practice in respect of accounting for retirement benefits. The Company is in the third year of the transitional arrangements under FRS 17 and the required disclosures are made in note 24 of the financial statements.

2 Segmental Analysis

The Directors are of the opinion that all the business of the Group is operated within the retail segment.

Turnover by geographical area

	Year ended 31 December 2003 Sales by destination	**Year ended 31 December 2003 Sales by origin**	Year ended 31 December 2002 Sales by destination	Year ended 31 December 2002 Sales by origin
	£'000	**£'000**	£'000	£'000
United Kingdom	**6,142**	**8,622**	5,890	8,121
Europe	**791**	**-**	717	-
Outside Europe	**1,689**	**-**	1,514	-
	8,622	**8,622**	8,121	8,121

3 Operating profit

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned assets	**259**	260
- leased assets	**23**	67
Gain on sale of fixed assets	**-**	2
Auditors' remuneration	**23**	25
Auditors' remuneration (non-audit services)	**7**	11
Operating lease charges – leased premises	**407**	398
Property rental income – leased premises	**(69)**	(18)
Foreign exchange losses	**1**	9
License fee income	**(11)**	(12)

4 Directors' emoluments

The remuneration paid to the Directors of The Stanley Gibbons Group Limited was:

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
Fees	**7**	7
Salaries and benefits	**211**	147
Pension	**8**	8
	226	162
Number of Directors included in the defined benefit pension scheme (note 24)	**1**	-

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on pages 7 and 8 and forms part of these financial statements.

5 Employee information

The average number of persons (including executive Directors) employed by the Group during the year was 99, (2002: 112). Staff costs relating to those persons during the year amounted to:

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
Wages and salaries	**1,880**	2,027
Social security costs	**141**	142
Pension costs	**37**	42
	2,058	2,211

6 Interest payable and similar charges

	Year ended 31 December 2003	Year ended 31 December 2002
	£'000	£'000
Interest payable on overdrafts and bank loans	**5**	-
Interest payable on loan notes	**2**	3
Finance lease interest payable	**-**	7
	7	10

7 Tax on profit on ordinary activities

a) UK corporation tax on profits for the year

	Year ended 31 December 2003	Year ended 31 December 2002
Current tax:	**£'000**	£'000
UK corporation tax at 30% (2002: 30%)	**162**	14
Adjustment relating to earlier periods	**11**	-
	173	14
Deferred taxation (see note 15)	**173**	39
Total tax on profit on ordinary activities	**346**	53

b) Tax charge reconciliation

	Year ended 31 December 2003	Year ended 31 December 2002
	%	%
The standard rate of corporation tax in the UK	**30.0**	30.0
Effects of:		
Capital allowances less than/(in excess of) depreciation	**0.5**	(3.2)
Expenses not deductible	**0.9**	2.0
Income not taxable	**-**	(0.1)
Research and development enhanced relief	**(2.0)**	(5.2)
Jersey tax charge in respect of prior period	**0.8**	-
Losses used in period	**(14.9)**	(19.6)
Small Companies rate relief	**(1.2)**	(1.4)

Effective rate of current tax charge for period	**14.1**	2.5

7 Tax on profit on ordinary activities (continued)

c) Factors which may effect future tax charges

There are no further unrelieved tax losses, (2002: £620,000) available to offset against future taxable trading profits.

8 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.

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 2003	Year ended 31 December 2002
Weighted average number of ordinary shares in issue (No.)	**24,376,736**	24,672,626
Dilutive potential ordinary shares: Employee share options	**865,251**	138,620
Profit after tax (£)	**881,000**	484,000
Basic earnings per share – pence per share (p)	**3.61p**	1.96p
Diluted earnings per share – pence per share (p)	**3.49p**	1.95p

9 Tangible fixed assets

The Group

	Reference collection £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, plant and machinery £'000	Total £'000
Cost						
At 1 January 2003	509	119	691	829	1,579	3,727
Additions	29	-	23	6	76	134
At 31 December 2003	**538**	**119**	**714**	**835**	**1,655**	**3,861**
Accumulated depreciation						
At 1 January 2003	46	5	423	651	1,147	2,272
Charge for the year	13	2	50	40	177	282
At 31 December 2003	**59**	**7**	**473**	**691**	**1,324**	**2,554**
Net book value						
At 31 December 2003	**479**	**112**	**241**	**144**	**331**	**1,307**
At 31 December 2002	463	114	268	178	432	1,455

9 Tangible fixed assets (continued)

The reference collection was revalued in June 2001 by A F Norris, Philatelic Consultant. The basis of the revaluation used was replacement value. The surplus of £169,000 was transferred to the revaluation reserve. The revaluation had no effect on the depreciation charge for the year.

The reference collection will be subject to a full valuation every five years by a qualified external valuer and an interim valuation will be carried out in year three by the Group's expert stamp dealers.

The net book value of vehicles, plant and machinery includes Nil, (2002: £23,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets amounted to £23,000, (2002: £67,000).

The revalued element of the reference collection is £169,000. All other fixed assets are stated at historic cost. If the reference collection had not been revalued it would have been included at a net book value based on cost of £310,000, (2002: £294,000).

10 Fixed asset investments

	31 December 2003	31 December 2002
The Group	**£'000**	£'000
Investments at cost		
Provide Commerce, Inc. (formerly Proflowers, Inc)	**223**	223

Proflowers, Inc changed its name to Provide Commerce, Inc on 12 September 2003. Provide Commerce completed its initial public offering and began trading its common stock on NASDAQ on 17 December 2003. Prior to the offering the company undertook a one for 3.037716 reverse share split of the common stock. As a result, Collector Café Limited holds 220,922 common stock, par value $0.001 per share in the Company, representing a 1.5147% (2002: 1.88%) fully diluted holding.

The market value of the investment at 31 December 2003 was £1,872,000, (2002: 314,000).

	31 December 2003	31 December 2002
The Company	**£'000**	£'000
Investments in subsidiary undertakings at cost		
Collector Café Limited 100 ordinary £1 shares	**5,811**	5,811

Interests in principal Group undertakings

The principal subsidiary undertakings of the Company, all of which are 100% owned are as follows:

Name:	**Country of incorporation**	**Description of shares held**	**Principal activity**
Collector Café Limited	Jersey	Ordinary £1 shares	Community internet portal
Stanley Gibbons Holdings PLC*	England	Ordinary £0.25 shares	Holding Company
Stanley Gibbons Limited*	England	Ordinary £1 shares	Philatelic dealer and retailer, and dealer in memorabilia

* Indirect holding.

11 Stocks

	31 December (Group)		31 December (Company)	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**28**	21	**-**	-
Work in progress	**61**	39	**-**	-
Finished goods and goods for resale	**4,789**	4,487	**-**	-
	4,878	4,547	**-**	-

The nature of the stock held by the Group is such that replacement cost cannot be readily ascertained.

12 Debtors

	31 December (Group)		31 December (Company)	
	2003	2002	**2003**	2002
Amounts falling due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**866**	583	**-**	-
Other debtors	**48**	71	**-**	-
Prepayments and accrued income	**165**	161	**-**	-
Amounts owed by Group undertakings (see note below)	**-**	-	**316**	316
ACT recoverable	**-**	16	**-**	-
	1,079	831	**316**	316
Amounts falling due after more than one year				
Pension prepayment (see note 24)	**215**	252	**-**	-
Other debtors	**44**	44	**-**	-
	259	296	**-**	-
Total debtors	**1,338**	1,127	**316**	316

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

13 Creditors: amounts falling due within one year

	31 December (Group)		31 December (Company)	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Trade creditors	**1,335**	817	**-**	-
Other creditors	**166**	253	**-**	-
Other taxes and social security	**178**	151	**-**	-
Accruals and deferred income	**274**	265	**-**	-
Corporation tax	**144**	-	**-**	-
	2,097	1,486	**-**	-

14 Creditors: amounts falling due after more than one year

	31 December (Group)		31 December (Company)	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Loan notes (see below)	**47**	63	**-**	-
Eagle Star Endowment Mortgage (see below)	**-**	55	**-**	-
	47	118	**-**	-

The loan notes are redeemable in full or in part, after giving one month's notice by the lender. Interest is payable half yearly by installments at National Westminster Bank PLC's Base Rate. The loan notes are due for redemption on 29 February 2006.

The Eagle Star Endowment Mortgage was redeemed in full on 21 July 2003.

15 Provision for liabilities and charges

Deferred tax

	31 December 2003	31 December 2002
	£'000	£'000
Accelerated capital allowances	**123**	126
Pension prepayment	**65**	76
Overprovision of Group relief receivable in prior years	**-**	23
Trading losses	**-**	(186)
Full provision	**188**	39

	31 December 2003	31 December 2002
	£'000	£'000
Provision at 1 January 2003	**39**	-
Overprovision of Group relief receivable in prior years	**(24)**	-
Deferred tax charge in profit and loss account	**173**	39
Provision at 31 December 2003	**188**	39

16 Called up share capital

	31 December 2003	31 December 2002
	£'000	£'000
Authorised		
35,000,000 ordinary shares of 1p each	**350**	350
Allotted, issued and fully paid (all equity):		
24,376,736 (2002: 24,376,736) ordinary shares of 1p each	**244**	244

17 Options in shares of The Stanley Gibbons Group Limited

In addition to the Directors' share options disclosed in the Report on Remuneration, detailed below are options which have been granted to employees together with the periods in which they may be exercised:

Date of grant	Earliest exercise date	Expiry date	Exercise price (1p shares)	Number at 31 Dec 2002	Granted in year	Lapsed in year	Number at 31 Dec 2003
27/11/00	28/11/03	26/11/10	18p	315,000	-	(45,000)	**270,000**
15/3/02	16/3/05	14/3/12	12.75p	310,000	-	(15,000)	**295,000**
30/9/02	1/10/05	29/9/12	15.25p	50,000	-	(50,000)	**-**
6/3/03	7/3/06	5/3/13	18.75p	-	285,000	(25,000)	**260,000**
31/7/03	1/8/06	30/7/13	28.75p	-	125,000	(25,000)	**100,000**
				675,000	410,000	(160,000)	**925,000**

18 Share premium and reserves

The Group

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	5,834	169	25	146	6,174
Retained profit for the year	-	-	-	881	881
At 31 December 2003	**5,834**	**169**	**25**	**1,027**	**7,055**

The Company

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2003 and 31 December 2003	**5,834**	**-**	**25**	**24**	**5,883**

19 Goodwill

	Acquisitions £'000
Cost	
At 31 December 2002 and 31 December 2003	**496**
Amortisation/Amounts written off	
At 31 December 2002 and 31 December 2003	**496**
Net book value	
At 31 December 2002 and 31 December 2003	**-**

20 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Operating profit	**1,207**	542
Depreciation	**282**	327
Gain on sale of fixed assets	**-**	(2)
(Increase)/decrease in stocks	**(331)**	86
(Increase)/decrease in debtors	**(228)**	97
Increase/(decrease) in creditors	**443**	(114)
Net cash inflow from operating activities	**1,373**	936

21 Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Increase in cash in the year	**1,176**	378
Cash outflow from reduction in debt and lease financing	**71**	72
Change in net debt resulting from cash flows	**1,247**	450
Net funds at 1 January 2003	**591**	141
Net funds at 31 December 2003	**1,838**	591

22 Analysis of changes in net funds

	At 1 January 2003 £'000	**Cash Flows £'000**	**At 31 December 2003 £'000**
Cash in hand, at bank	**709**	**1,176**	**1,885**
Debt due after 1 year	**(118)**	**71**	**(47)**
Total	**591**	**1,247**	**1,838**

23 Capital and other commitments

The Group had no capital commitments at 31 December 2003, (2002: Nil).

Lease commitments

At 31 December 2003 the Group had annual commitments under non-cancellable operating leases as follows:

Date of lease termination:	**Land and Buildings 31 December 2003**	Land and Buildings 31 December 2002
	£'000	£'000
Between two and five years	**19**	14
In five years or more	**388**	388
	407	402

There were no capital or lease commitments relevant to the Company at 31 December 2003, (2002 Nil).

24 Pension and similar obligations

SSAP 24 disclosures

The Stanley Gibbons Group of Companies (incorporating Stanley Gibbons Holdings PLC and its wholly owned subsidiaries) operates the Stanley Gibbons Holdings PLC Pension and Assurance Scheme ('the Scheme') to which the employer and certain employees contribute. All employer costs are borne by Stanley Gibbons Holdings PLC. The scheme is a defined benefit scheme. The assets of the scheme are held under the provisions of a trust deed and are invested in AAA rated Corporate Bonds and unitised equity funds managed by two UK institutions. Contributions to the scheme are charged to the profit and loss account so as to spread the pensions cost over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Minimum Funding Requirement basis.

The assumptions which have the most significant effect on the pension contributions are those relating to the rate of return on investments, the rate of increase in salaries and the rate of dividend growth. It is assumed that the rate of return would be 9% per annum on equities and 8% per annum on gilts, that salary increases would average 7% per annum and that dividends would yield 3.25% per annum.

The most recent valuation at 1 July 2000 carried out on the basis of minimum funding requirement, disclosed an actuarial surplus of £1,505,000. The valuation showed that the market value of the scheme's assets was £5,271,000 and the market value of these assets represented 140% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The net surplus of £305,000, over and above the unamortised pension prepayment, at the date of the most recent valuation is being spread over the average remaining service lives of the current members based on a calculation by the actuaries.

The regular employers' pension contribution cost for the year ended 31 December 2003 of £104,000 has been reduced by interest of £15,000 accrued on the pension scheme surplus and £52,000 amortisation relating to the net surplus arising from the most recent valuation, resulting in a net profit and loss account charge of £37,000. The liabilities include an allowance for the "Barber judgement" of around £65,000.

The costs of insurance of the death-in-service benefits and certain administration expenses are paid for by the scheme.

24 Pension and similar obligations (continued)

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 July 2000 and updated by the same qualified independent actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2003. Scheme assets are stated at their market value at 31 December 2003. The principal assumptions used are shown below:

	31 December 2003	31 December 2002
Rate of increase in salaries (per annum)	**3.75%**	3.75%
Inflation assumption (per annum)	**2.75%**	2.25%
LPI pension increases (per annum)	**2.75%**	2.50%
Discount rate for scheme liabilities	**5.50%**	5.50%
Equities (long term expected rate of return)	**8.50%**	8.50%
AAA rated corporate bonds (long term expected rate of return)	**5.25%**	5.25%
Fixed interest gilts/cash (long term expected rate of return)	**4.75%**	4.50%

The assets and liabilities of the Scheme were as follows:

	31 December 2003	31 December 2002
	£'000	£'000
Assets		
Equities	**2,261**	1,778
AAA rated Corporate bonds	**2,198**	2,222
Gilts/cash	**246**	428
Total market value of scheme assets	**4,705**	4,428
Liabilities		
Present value of scheme liabilities	**(4,772)**	(4,729)
Pension liability before deferred tax	**(67)**	(301)
Related deferred tax asset	**20**	90
Net pension liability	**(47)**	(211)

Reconciliation of net assets and reserves under FRS 17

Net assets

Had the Group adopted FRS 17 early, net assets would have been as follows:

Group	**31 December 2003**	31 December 2002
	£'000	£'000
Net assets as stated in balance sheet	**7,299**	6,418
SSAP 24 prepayment	**(215)**	(252)
Net assets excluding defined benefit assets/liabilities	**7,084**	6,166
FRS 17 pension liability	**(47)**	(211)
Net assets including defined benefit assets/liabilities	**7,037**	5,955

24 Pension and similar obligations (continued)

Reserves

Had the Group adopted FRS 17 early, profit and loss reserves would have been as follows:

Group	31 December 2003	31 December 2002
	£'000	£'000
Profit and loss reserve as stated in balance sheet	1,027	146
SSAP 24 prepayment	(215)	(252)
Profit and loss reserve excluding defined benefit assets/liabilities	812	(106)
FRS 17 pension liability	(47)	(211)
Profit and loss reserve as adjusted	765	(317)

Had FRS 17 been fully implemented, an adjustment of £111,000 would have been shown as a charge against the profit and loss account for current service cost and £23,000 would have been shown as a credit in the profit and loss account as other finance income, being the net of £284,000 expected return on assets less £261,000 interest on liabilities.

The actuarial loss which would have been recognised in the statement of total recognised gains and losses would have been as follows:

	31 December 2003	31 December 2002
	£'000	£'000
Actual return less expected return on assets	98	(684)
Experience gains on liabilities	342	46
Impact of changes in assumptions	(118)	(57)
Actuarial gain/(loss)	322	(695)

Movement in surplus/(deficit) during the year

The movement in the surplus/(deficit) during the year ended 31 December 2003 would have been as follows:

	31 December 2003	31 December 2002
	£'000	£'000
(Deficit)/surplus at 1 January 2003	(301)	452
Current service cost	(111)	(116)
Other finance income	23	58
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	322	(695)
Deficit at 31 December 2003	(67)	(301)

24 Pension and similar obligations (continued)

History of experience gains and losses:

	31 December 2003	31 December 2002
Difference between the expected and actual return on scheme assets:		
Amount (£000)	**98**	(684)
Percentage of scheme assets	**2%**	(15%
Experience gains and losses on scheme liabilities:		
Amount (£000)	**342**	46
Percentage of scheme assets	**7%**	1%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	**322**	(695)
Percentage of scheme assets	**7%**	(16%

Future profile of the Stanley Gibbons Holdings PLC Pension Scheme

The Stanley Gibbons Holdings PLC pension scheme closed to new members with effect from 1 September 2002. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate FRS 17 liabilities, the future cost in relation to this Scheme will reduce in the long-term.

The Group has considered the impact of the FRS 17 deficit in respect of the Group, its employees and pensioners. The deficit arose mainly as a result of the poor performance of equity investments during the previous year. Equity investments represent 40% of the total Scheme assets invested. The deficit has reduced from £301,000 at 31 December 2002 to £67,000 at 31 December 2003. In the context of the overall net assets of the Group, the Group is in a strong position to manage this long-term liability to the satisfaction and benefit of all stakeholders.

25 Contingent liabilities

The Company has provided a guarantee in respect of an operating lease commitment by Stanley Gibbons Limited. The lease is for £88,000 per annum and expires in 2016.

26 Financial instruments

The Group policy is currently that no trading in financial instruments will be undertaken. The Group's financial instruments comprise loan notes, cash and liquid resources, and various items such as trade debtors and trade creditors which arise directly from operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's policies and procedures in managing these risks are detailed in the Financial Review on page 6.

Short term debtors and creditors

As permitted under FRS13 short term debtors and creditors have been excluded.

Interest rate risk

The Group finances its operations through the generation of cash from operating activities. All borrowings are negotiated at variable rates of interest. The effects of interest rate fluctuations are not considered by the Directors to be a risk at the current borrowing levels.

The Stanley Gibbons Group Limited

Notes to the financial statements
For the year ended 31 December 2003

26 Financial instruments (continued)

The interest rate exposure of the financial liabilities of the Group were:

				Fixed rate borrowings	
	Fixed rate borrowings £'000	Floating rate borrowings £'000	Total gross borrowings £'000	Weighted Average Interest rate %	Weighted average time for which rate is fixed Years
At 31 December 2003	**-**	**47**	**47**	**-**	**-**
At 31 December 2002	55	63	118	11.25	10

Liquidity risk

The Board does not at present consider that it is necessary to adopt a detailed borrowings policy as there are sufficient funds available within cash funds generated from operating activities.

Financial assets and liabilities

The Group has no financial assets other than debtors and cash at bank. The balance sheet values for financial assets and liabilities are not considered materially different to the fair values.

27 Related party transactions

Internet development services were provided during the year at a cost of £56,000, (2002: £32,000) by Abacus Software Limited, a Company in which Mr S Feigen is a Director. Amounts owed to Abacus Software Limited at the year end were £26,000, (2002: £4,000).

The Company owes loan notes totalling £47,000, (2002: £63,000) to the children of the Chairman, Mr P Fraser, (see note 14).

Directors' Biographical Details

Paul Ian Fraser, aged 48 Chairman

Paul has been engaged in dealing in Collectibles all his adult life. He first invested in Stanley Gibbons Holdings PLC in 1989. He was executive chairman from 1990 to 1998 until the sale of the Company to Flying Flowers Limited. He joined the board of Flying Flowers as joint Chief Executive in September of that year. Paul has a varied background of accountancy training, retailing, mail order and property development. Paul is also a non-executive Director of Flying Brands Limited (formerly Flying Flowers).

Michael Robert Montague Hall, aged 33 Chief Executive & Finance Director

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers & Lybrand (now PricewaterhouseCoopers) in Jersey. As a manager, Michael worked on both audit and corporate finance assignments for a variety of listed companies including Flying Flowers. Michael joined Flying Flowers as Financial Controller of the Collectibles division in July 1999. He was appointed Finance Director of Communitie.com Limited in August 2000. He was appointed Deputy Chief Executive of The Stanley Gibbons Group Limited on 1 January 2003 and Chief Executive on 1 July 2003.

Richard Kenneth Purkis, aged 48 Operations Director

Richard first joined Stanley Gibbons International Limited in 1977. He was appointed a Director of Stanley Gibbons Limited, the main trading subsidiary in October 1996 and became Company Secretary of Communitie.com Limited in May 1999. He was appointed Operations Director of The Stanley Gibbons Group Limited with effect from 1 January 2003.

Timothy Dunningham FCA, aged 50 Non-Executive Director

Between 1978 and 1985 Tim was a senior lecturer with The Financial Training Company Limited, a leading firm of accountancy tutors, of which he was also a Director. Tim joined Flying Flowers (now Flying Brands) in 1984 as Finance Director and was made Chief Executive in 1989. Tim resigned as a Director of Flying Brands in 2003 and is now pursuing various business activities in the mail order and retail fields.

Stephen Feigen, aged 56 Non-Executive Director

Stephen is Managing Director of Abacus Software Limited, a leading UK electronic publishing software and internet/online service developer. He has spent 15 years working in networked information systems and multimedia and has a wide knowledge of general information and database technology.

Members of the Executive Committee

Directors and Associate Directors of our main trading subsidiary, Stanley Gibbons Limited:

Dr Philip Kinns, Director of Philately
Trevor Arthur, Director of Finance
Russell Carleton, Director of IT and Web Development

Adrian Roose, Associate Director of Philatelic Sales
Colin Avery, Associate Director of Auctions
Hugh Jefferies, Associate Director of Publishing
Vincent Cordell, Associate Director of Specialist GB Purchasing

Five Year Summary

	1999	2000	2001	2002	**2003**
	£'000	£'000	£'000	£'000	**£'000**
Turnover	8,944	8,017	8,079	8,121	**8,622**
Cost of sales	(3,973)	(3,554)	(3,539)	(3,184)	**(3,398)**
Gross Margin	4,971	4,463	4,540	4,937	**5,224**
Gross Margin %	55.6%	55.7%	56.2%	60.8%	**60.6%**
Administration expenses	(925)	(1,115)	(1,224)	(1,242)	**(1,183)**
Selling and distribution expenses	(3,911)	(3,987)	(3,312)	(3,153)	**(2,834)**
Impairment of goodwill	-	(200)	-	-	**-**
Exceptional operating costs	-	(79)	(35)	-	**-**
Operating profit/(loss)	135	(918)	(31)	542	**1,207**
Profit on sale of properties	85	52	388	-	**-**
Net interest receivable/(payable)	(54)	(27)	(43)	(5)	**20**
Profit/(loss) before taxation	166	(893)	314	537	**1,227**
Tax on profit/(loss) before taxation	16	120	(23)	(53)	**(346)**
Profit/(loss) for the financial year	182	(773)	291	484	**881**
Earnings per share	-	(2.25p)	1.13p	1.96p	**3.61p**
Diluted earnings per share	-	(2.25p)	1.13p	1.95p	**3.49p**
Net assets	-	5,957	6,013	6,418	**7,299**

The proforma profit and loss account for the year ended 31 December 1999 has been extracted from the audited consolidated accounts of Stanley Gibbons Holdings PLC, the holding Company of the trading activities of The Stanley Gibbons Group Limited. The proforma statement is included for information purposes only.