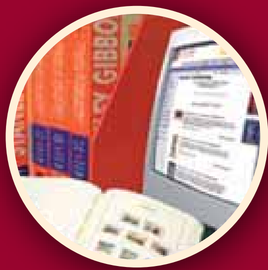
STANLEY GIBBONS
Group Limited




Annual Report and Accounts 2007



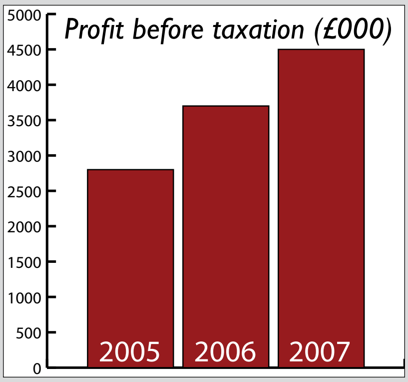

www.stanleygibbons.com

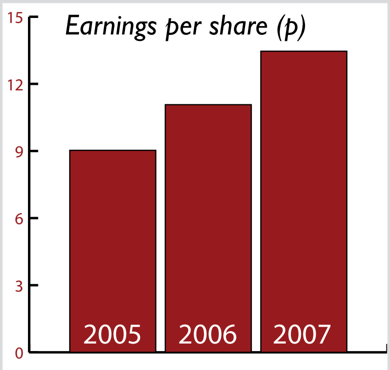
“Stanley Gibbons…has a superb brand – its catalogue has been the philatelists bible for many decades. It is therefore in a strong position to benefit from the increased interest in stamps as an alternative investment vehicle.”

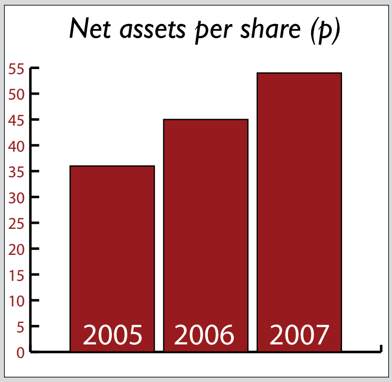
Shares Magazine, December 2007

Financial Highlights

	2007	2006	2005
Group Turnover (£000)	**20,191**	16,684	13,675
Profit before taxation (£000)	**4,508**	3,746	2,819
Basic earnings per share (p)	**13.46**	11.07	9.03
Adjusted earnings per share (p)	**13.83**	11.07	9.30
Net cash (£000)	**3,013**	3,083	2,585
Net assets per share (p)	**54**	45	36
Share price – 31 December (p)	**212.0**	172.5	90.5







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Financial Calendar

Final Dividend Ex-Dividend Date	26 March 2008
Final Dividend Record Date	28 March 2008
Annual General Meeting	23 April 2008
Final Dividend Payment Date	28 April 2008
Announcement of Interim Results	8 August 2008
Interim Dividend Payment Date	22 September 2008

Highlights

- Profit before tax up 20% to £4,508,000 (2006: £3,746,000). Adjusted profit before tax, excluding exceptional operating costs, was £4,625,000, up 23%.
- Basic earnings per share of 13.46p (2006: 11.07p) up 22%
- Adjusted earnings per share of 13.83p (2006: 11.07p) up 25%.
- Sales up 21% to £20,191,000 (2006: £16,684,000).
- Bank and cash balances at 31 December 2007 of £3,013,000 (2006: £3,083,000).
- Recommended final dividend of 2.75p net per share, giving a total net dividend for the year of 4.5p (2006: 4p net per share) up 13%.

Directors and Advisers

Directors	D M Bralsford MSc, FCA, FCT, *Non-Executive Chairman* M R M Hall B.Acc, CA, *Chief Executive* M D Henley ACA, *Finance Director* R K Purkis, *Operations Director* S D Sjuggerud BS, MBA, PhD, *Executive Director* R H Henkhuzens BA, FCA, *Non-Executive Director* General Sir Michael Wilkes KCB, CBE, *Non-Executive Director* P J Wright, *Non-Executive Director*
Company Secretary	R K Purkis
Registered Office	Pirouet House Union Street St. Helier Jersey JE1 3WF
Principal Office	399 Strand London WC2R 0LX Tel: 020 7836 8444
Company Registration	Registered in Jersey Number 13177
Nominated Adviser and Broker	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Auditors	Nexia Smith & Williamson LLP Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	Nabarro LLP 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 Beckenham Kent BR3 4TU Tel: 0871 6640300; from overseas +44 20 8639 3399
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

After just four months as your Board's Chairman it is a great pleasure to present to Shareholders yet another year of exceedingly good results, maintaining the growth momentum in the Group's businesses. The Senior executive team has fulfilled the expectations of the Board for 2007, as formed under the longstanding leadership of Paul Fraser. These results illustrate both the Group's sound strategy and also its well managed execution. The outcome is 2007 achieving record results.

Financial Performance

Turnover increased to £20.2 million, an increase of more than one-fifth over the preceding year, and profit before tax grew in line with turnover, and before exceptional charges, rose by almost one-quarter to £4.6 million.

Earnings per share at 13.46 pence were 22% up on the preceding year, once again in line with the other measures of profit.

Your Board is conscious of the need to retain adequate liquid resources, with cash balances held steady at just over £3 million, underpinning the Group's ability to fund further growth in its business without being constrained by lack of liquidity.

Dividend

As a consequence of all the above, your Board is pleased to recommend to Shareholders, for approval at the forthcoming AGM, a final dividend of 2.75 pence per share (net of Jersey tax) which would produce a total dividend out of 2007 earnings of 4.5 pence (net of Jersey tax), an increase of 5.5% over 2006.

The Board's progressive dividend policy is maintained, with dividend more than three times covered by earnings in 2007 compared with 2.75 times in 2006, having had regard to projected cash flow requirements in 2008 and beyond.

Outlook

Collectibles as a potential Savings and Wealth Management asset class are growing. As they continue to be more fully recognised as an "alternative" investment, your Company is well positioned to participate in this growth in value and volume terms. Even now, our stamp and autograph indices are available on Bloomberg information terminals for institutional investors. A small increase in acceptance by institutional investors would make a significant positive impact on the growth potential of our businesses.

We have continued to increase our inventories of high-end quality stamps and autographs. Such investment will support the future growth we anticipate. We are also particularly pleased that we have significantly reduced our low value and slow moving inventory items which has been achieved through the development of a number of successful trading relationships during the year, facilitating an increase in trade sales at acceptable margins. This combination, coupled with a faster inventory turnover, gives us a very strong potential to fuel the increased momentum to earn profits more consistently across the entire year.

The more rapid turnover of major items gives confidence to all our customers, collectors and investors, and the market as a whole. We still have a potential business clients' "wants list" of over £12 million of rare items they are seeking.

Stock holding is clearly an important part of our strategy to allocate resources to areas of our business experiencing faster growth and where we believe we can add value. This is in parallel with investment in the structure and recruiting the key personnel which will enable this strategy to be fully implemented.

We have successfully added to our network of agents and Independent Financial Advisers around the world, which has increased both our sales and brand awareness on an international basis. Sales to overseas customers were nearly 10% on last year and represented two in five sales by value.

Our internet sites are still seeing exponential growth in visitor numbers and we are developing our sites to include landing pages in various key languages, especially those of strong emerging markets of the "BRIC" countries.

The new Guernsey office had an exceptional year and confirmed the wisdom of our decision to open it in August 2006. We are looking at other opportunities to repeat this, possibly in Jersey and other places.

There is great trust and awareness of our brand and we are always looking at ways to improve our products and services to fully capitalise on this and I am delighted to confirm continuation of our Royal Warrant.

In summary, we are attracting more customers in a very cost effective way, increasing total sales, average order values and frequency of purchase – four prerequisites for success in our businesses.

Board

The year since our previous Annual Report saw a number of changes to your Board. First, I must record the Board's appreciation of the leadership of Paul Fraser during his longstanding association with the business up to him stepping down in August 2007. Much of what you see in this Report is thanks to his efforts and those of the strong management team he leaves behind.

Secondly, our thanks to Bob Henkhuzens in succeeding Paul Fraser as Interim Chairman and continuing the seamless progress of the business during 2007, along with the other Board members, as well as chairing the Audit Committee.

Since joining the Board, and as Chairman of its Nominations Committee, I proposed that the Board's corporate governance would be strengthened by the addition of a further Independent Director and Sir Michael Wilkes was appointed in early 2008. Following this the composition of the various Board Committees was reviewed, with Sir Michael taking the chair of the Remuneration Committee.

Your Board is now well balanced and capable of fulfilling its role in the development of the Company and its businesses and I am grateful for their support.

Stakeholders

I would also like to thank all our colleagues in the Group for their hard work and contribution. They have a combination of skills, knowledge and experience that are key drivers behind the success shown consistently in recent years. I also extend my gratitude to other stakeholders associated with our activities who have supported our continued growth and look forward to meeting Shareholders at the forthcoming AGM on 23 April 2008.

Martin Bralsford

Chairman, 13 March 2008

Operating Review

Operating Results for the year	**2007 Sales £000**	**2007 Profit £000**	2006 Sales £000	2006 Profit £000	2005 Sales £000	2005 Profit £000
Philatelic trading and retail operations	**14,945**	**3,868**	12,194	3,231	10,076	2,789
Publishing and philatelic accessories	**2,919**	**868**	2,787	814	2,818	871
Dealing in autographs, records and related memorabilia	**2,284**	**1,076**	1,664	793	748	205
	20,148	**5,812**	16,645	4,838	13,642	3,865
Internet development	**43**	**(65)**	39	(40)	33	(2)
Corporate overheads		**(1,269)**		(1,228)		(1,045)
Interest and similar income		**147**		176		95
Before exceptional items	**20,191**	**4,625**	16,684	3,746	13,675	2,913
Exceptional operating costs		**(117)**		-		(94)
Group total sales and profit before tax	**20,191**	**4,508**	16,684	3,746	13,675	2,819

Overview

Overall group turnover increased by £3,507,000 (21%) compared to last year. The profit before tax for the year of £4,508,000 compared to a profit last year of £3,746,000 representing an increase of 20%. Excluding exceptional operating costs incurred in the year of £117,000, profit before tax was £4,625,000 representing an increase of 23%. Growth was achieved organically through the continued successful implementation of our strategy which, based on the power of our brand, yet small global market share, still has a long way to run. The key areas of growth achieved during the year included:

- Increased investment in our stockholding of high value rarities enabling us to increase trading at the top end of the market
- Increased acceptance of collectibles as an "alternative" investment with strong growth in the sale of our investment products
- Successful development of e-mail marketing strategy based on "newsletter" sales approach
- Successful development of the sale of rare historical signatures as an alternative investment
- Building of successful trading partnerships resulting in an increased level of sales with members of the trade

We have recruited an increasing number of new high net worth clients resulting in the spend from new clients added in the year increasing by 26% compared to the prior year. Our marketing spend increased by 27% to £552,000 as our average response rates improved providing confidence to increase the frequency of our magazine advertising, mailings and overseas exhibitions. An increasing proportion of our marketing spend is being used to grow and develop the size of our e-mail database which is an area we believe will provide the platform to secure future sustainable and consistent growth.

Philatelic trading and retail operations

Philatelic trading and retail sales were 23% higher than last year with profit contribution up by 20%. Our confidence to invest in our stockholding particularly in higher value philatelic pieces has paid dividends and driven an increase in philatelic sales to collectors. This, together with strong market conditions prevailing, led to an increase in sales to collectors of stamps from Great Britain of 48%.

Sales to investment clients increased by 36% benefiting from improved responses from our marketing activities. Our stamp and autograph price indices are now available on Bloomberg terminals for institutional investors adding credence to collectibles as an alternative asset class. During 2007 we have developed core sales copywriting skills in-house. The resultant improvements to the quality of sales copy in our e-mail marketing has improved response rates dramatically and this will form an integral part of our future growth.

The development of stronger relationships with members of the philatelic trade has provided an outlet for the sale of lower value material. Such deals ensure that our stockholding

Operating Review

Philatelic trading and retail operations (continued)

remains fresh and that cash does not become tied up in slow moving stock. At the same time, we have increased our investment in high value rarities leading to a significant improvement in the profile and quality of our stockholding.

Publishing and philatelic accessories

Publishing and philatelic accessory sales were 5% higher than last year with profit contribution up 7%. Modest growth was supported by a 12% increase in online sales benefiting from improved presentation of our stock range online and the expansion of our range of third party stamp albums and accessories.

Some progress was made in developing our world-renowned range of printed price guide catalogues. In December, we published our first ever edition of "Collect Autographs" which has been received well in the market. We also enhanced our most respected publication this year with the extension of the "Commonwealth & British Empire" catalogue to cover the period from 1840 to 1970, (previously 1840 to 1952). This change received strong recognition from collectors and members of the trade.

Autographs, records and related memorabilia

Autographs, records and related memorabilia sales were 37% higher than last year with profit contribution up 36%. We have continued to make significant progress in the marketing and sales of rare historical signatures as an "alternative" investment. Sales to investors were highest in December following the successful acquisition of a collection of Royalty signatures of exceptional quality and rarity.

As with stamps, our strategy of investing in our stockholding of high value rarities has been a success. Retail sales in our London Gallery at 399 Strand were 33% up on the prior year despite a lower footfall with higher average transaction values. Our e-mail marketing has been particularly effective in generating sales of high value autographs.

Internet development

Sales reported within this department relate to online subscription revenue only. In the year ended 31 December 2007 £3,582,000 (18%) of sales were made to customers recruited from our websites compared to £1,652,000 (10%) of sales in the prior year. Our websites received 3,800,000 visitors during 2007 compared to 2,700,000 in the prior year representing an increase of 41%.

The website remains a core part of our strategy in achieving global recognition of our brand together with growing our sales penetration overseas. We have recently increased our investment in IT and web development staff in order to accelerate some of the planned changes to our websites and IT systems.

Corporate overheads

Corporate overheads were £41,000 (3%) higher than last year. We have strengthened the Board during the year to support our ambitious growth aspirations and to provide improved corporate governance to shareholders. Following the resignation of Paul Fraser as Executive Chairman, we have strengthened the executive team. Mark Henley was appointed as Finance Director in August and Steve Sjuggerud was appointed as Executive Director in May. We have also strengthened our Board of non-executive directors with the appointment of Martin Bralsford as non-executive Chairman in November and General Sir Michael Wilkes as non-executive director and Chairman of the remuneration committee in January 2008. As a result, we now have an equal split on the Board between executives and non-executives.

Exceptional operating costs

Exceptional operating costs of £117,000 relate to remuneration paid to Paul Fraser under the terms of his Service Agreement following the receipt of his notice of resignation in April 2007.

Strategic focus and opportunities

Even though Stanley Gibbons is the most recognised name in the world of stamps, we still command less than 1% of the market. We believe our strategy will provide the solution to this conundrum. Our continued focus on developing our website and communicating with an increasing number of customers at a low cost more regularly through our e-mail marketing should drive continued organic growth.

Further investment, most notably in human resource, will be required to provide the scalability to our growth plans particularly in the sourcing of an increasing level of rare stamps and autographs to meet the rising demand we are creating.

We are proud of what we have achieved over the past eight years and believe that we still have significant opportunities in front of us. We therefore remain very confident about our prospects and consider that continued growth is sustainable.

Michael Hall

Chief Executive, 13 March 2008

Financial Review

The Group's cash funds at 31 December 2007 were £3,013,000, compared with £3,083,000 at the end of last year. The Group has sufficient funds to meet its forecast working capital requirements and capital expenditure plans in the foreseeable future.

Surplus cash funds are invested in a Special Interest Bearing Account (SIBA) held with NatWest Bank, with automatic sweeping in place from the current account to ensure surplus funds obtain the best rate of interest whilst still being available to fund daily working capital requirements. Our overall aim is to re-invest cash funds into the business through the increased acquisition of high value collectibles. Our policy is to return surplus funds to shareholders where we consider that such funds cannot generate a return through investment in the business.

The Group had no outstanding borrowings at 31 December 2007.

Balance Sheet and Cash Flow

Cash generated from operating activities was £1,782,000 compared with £2,293,000 in 2006. The reduction arose from the increased investment in our stockholding of high value philatelic and autograph rarities, in line with our strategy, together with higher year end trade debtor balances.

High levels of trade experienced during the months of November and December contributed to the higher debtor balances at the year end. Included within trade debtors are sales of £2,846,000 (2006: £610,000) made on interest-free credit terms exceeding one year in duration. The company utilises the interest-free credit incentive as a key marketing tool to recruit new customers and as a means of building long term relationships with existing customers. The company retains possession of the material sold under interest-free credit terms until fully paid for, thus limiting any credit risk from entering into such arrangements.

Stock levels at 31 December 2007 were £1,074,000 (18%) higher than at 31 December 2006. The increase is in line with our strategy to invest in high value premium quality collectibles which is seen as a key driver of future sales growth.

The decrease in cash during the year of £70,000 is net of dividends paid of £1,068,000 and corporation tax paid of £770,000.

The Group invested £95,000 (2006: £145,000) in capital expenditure. We invested mainly in the continued improvement of our computer systems together with additions to our reference collection of stamps and general improvements made to leasehold premises.

Taxation

The tax charge for the year (excluding deferred taxation) was £1,164,000 (2006: £995,000), resulting in an effective rate of 25.8% (2006: 26.6%). Last year's tax charge was reduced by schedule 23 relief reclaimed in respect of share options exercised. The effective rate of tax is reduced this year with £2,248,000 (2006: £620,000) of profits being taxable in Guernsey at the lower taxation rate of 20%.

The States of Guernsey have announced that its corporate income tax rates will reduce from the current rate of 20% to 0% from 2008. Accordingly, profits from our Guernsey trading company will not be subject to corporate income tax for the accounting period ending 31 December 2008. The Guernsey tax payable on 2007 profits is £451,000. It is therefore expected that the Group's effective rate of tax will reduce further in future accounting periods.

Dividends

The Board is recommending a final dividend of 2.75p net per Ordinary Share (2006: 2.5p) giving a total dividend of 4.5p net for the year ended 31 December 2007 (2005: 4p). Subject to shareholders' approval, the final dividend will be paid on 28 April 2008 to shareholders on the register at 28 March 2008.

Accounting Policies

The Group adopted International Financial Reporting Standards (IFRS) for the first time in the presentation of its interim results for the six months ended 30 June 2007. This is our first full set of financial statements prepared under IFRS. The adoption of IFRS has had no material impact on the financial results reported. The appropriate restatements under IFRS and reconciliations to previously reported figures under UK GAAP for the year ended 31 December 2006 are included in note 31 to the financial statements.

Mark Henley

Finance Director, 13 March 2008

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 independent non-executive Directors. 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. 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 2007 were:

R H Henkhuzens, Chairman

P J Wright

General Sir Michael Wilkes was appointed a member of the committee on 15 January 2008.

A separate Nomination Committee was established after the year end. It comprises the non-executive Chairman and a non-executive Director together with the Chief Executive. The committee considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

Members of the Nomination Committee at the date of the report were:

D M Bralsford, Chairman

R H Henkhuzens

M R M Hall

Report on Remuneration

The Remuneration Committee comprises only independent 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 2007 were:

P J Wright, Chairman

R H Henkhuzens

General Sir Michael Wilkes was appointed as Chairman of the committee on 15 January 2008.

None of the members of the committee has any personal financial interest in the matters to be decided (other than R Henkhuzens as a shareholder) 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 of the Combined Code.

Report on Remuneration

The Long-Term Incentive Plan (LTIP) delivers benefits to Executive Directors and other employees in the form of either an option to subscribe for shares or a conditional right to receive shares. The awards will normally vest over a period of three years, provided there has been sustained and significant improvement in the Company's financial performance over the corresponding period. The performance test applied is based on the Company's Total Shareholder Return (TSR). The awards will vest only if the Company's TSR over the period of three years from the date of the award is equal or greater than 72.8% (representing a return of 20% per annum over the same three year period).

Executive Share options are granted to Executive 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 Inland Revenue approved UK Executive Share Option Scheme and the Jersey Executive 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

Report on Remuneration
(continued)

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 Operations Director is a member of the Group's defined benefit pension scheme.

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

Executive 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.

Service Contracts

No Director has a notice period exceeding twelve months.

Directors' Remuneration

For each Director remuneration can be analysed as follows:

	2007 Salary & Fees £'000	2007 Performance Related Bonus £'000	2007 Other Benefits £'000	**2007 Total £'000**	2006 Total £'000
D M Bralsford*	5	–	–	**5**	–
P I Fraser*	92	28	–	**120**	189
M R M Hall	158	28	2	**188**	187
M D Henley*	29	–	1	**30**	–
R K Purkis	69	14	2	**85**	88
S D Sjuggerud*	33	–	–	**33**	–
R H Henkhuzens**	10	–	–	**10**	8
P J Wright	7	–	–	**7**	7
	403	70	5	**478**	479

* Employed by the Group for part of the period.

** The services of Mr R H Henkhuzens were invoiced by R H Henkhuzens Limited.

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry Date	Exercise Price (1p shares)	Number at 31 Dec 2006	Granted/ (Exercised)	Market price on exercise (1p shares)	**Number at 31 Dec 2007**
M Hall	3/3/06**	4/3/09	2/3/16	119.75p	40,000	–	–	**40,000**
M Henley	12/3/07*	13/3/10	11/3/17	190.50p	–	15,748	–	**15,748**
	12/3/07**	13/3/10	11/3/17	190.50p	–	9,252	–	**9,252**
R Purkis	3/3/06**	4/3/09	2/3/16	119.75p	40,000	–	–	**40,000**
					80,000	25,000	–	**105,000**

*Options granted under the Inland Revenue approved UK Executive Share Option Scheme.
**Options granted under the Jersey Executive Share Option Scheme.

The market price of the Company's shares at 31 December 2007 was 212p and the range of market prices during the year was between 165p and 252.5p.

P Fraser who resigned as a director on 3 August 2007 holds 40,000 options with an exercise price of 119.75p that can be exercised between 17/4/08 and 16/10/08.

No options were granted to or exercised by any Director in the period since 31 December 2007 and the signing date of these financial statements.

Report on Remuneration
(continued)

Directors' Long-Term Incentive Plan Awards

	Date of award	Vesting date	Exercise price (1p shares)	Number at 31 Dec 2006	Awarded / (Lapsed)	Vested	**Number at 31 Dec 2007**
M Hall	29/5/07	29/5/10	224.5p	–	142,538	–	**142,538**
M Henley	13/9/07	13/9/10	231p	–	30,303	–	**30,303**
R Purkis	29/5/07	29/5/10	224.5p	–	31,180	–	**31,180**
S Sjuggerud	13/9/07	13/9/10	231p	–	43,290	–	**43,290**
				–	247,311	–	**247,311**

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

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 year 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 year and of the Group profit or loss for that year. 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.

In so far as each of the Directors are aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- All the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 page 2 and the Operating Review and Financial Review on pages 3 to 5.

Principal risks and uncertainties

The principal risks faced by the Group are centred around the inherent difficulties in creating scalability in a business which sells assets which are scarce in nature and is dependent on a small number of specialists within the business to recognise and obtain these scarce assets. Our strategy to overcome this challenge is to create a worldwide supply chain through a network of agents leveraged by the Stanley Gibbons brand name.

The Group has provided a commitment to buy-back in the future certain assets sold under guaranteed minimum return investment contracts. The Group therefore bears the risk in the event that the underlying assets go down in value during the contract period. Based on the level of quality and rarity of the assets held under such contracts, and from historic pricing evidence, the Directors are of the opinion that the risk of the assets going down materially in value in the future is slight.

A provision of £300,000 is included in the financial statements against guaranteed minimum return investment contracts. This is disclosed in note 20 to these financial statements. Assets included within contracts are revalued annually and in the event that any items declined in value, a further provision would be made on an annual basis. Furthermore, the Directors have imposed internal limits on the value of sales permitted each year containing buy-back guarantees at a level appropriate to the size, asset value and liquidity of the business.

Key Performance Indicators (KPIs)

The Directors manage the business on a monthly cycle of management reports and information combined with weekly sales and margins reporting. This information is reviewed at monthly meetings held between the Directors and departmental managers. Appropriate matters are summarised and discussed at Board meetings. Key measures are disclosed and discussed in the Operating Review on pages 3 and 4.

The diverse nature of the Group's activities dictates that specific financial and non financial performance indicators and reporting templates are in place unique to each department to enable the successful management of each operating division. Examples of some of the most important KPIs used in this reporting environment are:

- Sales and gross margins compared to last year and budget
- Overhead variations against budget
- Personnel and resource matters (eg. performance, attendance and training)
- New customers recruited and marketing response rates
- Value of purchases in month against budget

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2007

Results and dividends

The income statement of the Group for the year ended 31 December 2007 is set out on page 13. An interim dividend of 1.75p net per Ordinary Share (2006: 1.5p) was paid during the year. The Directors recommend a final dividend of 2.75p net per Ordinary Share for the year ended 31 December 2007 (2006: 2.5p).

Directors

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

Mr D M Bralsford MSc FCA FCT (non-executive) – appointed 1 November 2007

Mr M R M Hall B.Acc CA

Mr M D Henley ACA – appointed 1 August 2007

Mr R K Purkis

Dr S D Sjuggerud BS MBA PhD – appointed 4 May 2007

Mr R H Henkhuzens BA FCA (non-executive)

Mr P J Wright (non-executive)

Mr P I Fraser – resigned 3 August 2007

General Sir Michael Wilkes KCB, CBE was appointed a non-executive Director on 15 January 2008.

Biographical details of the Directors are given on pages 37 and 38.

Directors' interests

The interests of the Directors in the shares of the Company at 31 December 2007 together with their interests at 1 January 2007 were:

Shares	**Ordinary 1p Shares 31 December 2007**	Ordinary 1p Shares 1 January 2007
D M Bralsford	**50,000**	–*
M R M Hall	**125,405**	125,405
R K Purkis	**50,000**	50,000
S D Sjuggerud	**20,000**	20,000*
R H Henkhuzens	**50,000**	14,400

* At date of appointment

The Directors' interests in shares are all beneficial. There were no changes in the interests set out above between 31 December 2007 and 13 March 2008.

Details of the Directors' share options are given in the Remuneration Report on pages 7 and 8.

Apart from service contracts and the related parties referred to in note 30 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

Costs associated with research and development relate to web development work in the creation of an online integrated stamp collecting community. Research and development costs are written off in the year incurred and are disclosed under the heading 'Internet development' in the Operating Review on page 3.

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 2007 were 58 days (2006: 35 days).

Financial risk management

The Group finances its operations through the generation of cash from operating activities and has no interest rate exposure on financial liabilities. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances. Further disclosure on the company's financial risk management can be found in note 17 (Provision for impairment of receivables and collateral held) and note 29 (Financial instruments).

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.

Charitable and political donations

During the year the Group made charitable donations of £200 (2006: £200).

Intangible assets

No value is attributed in the balance sheet to the Group's brand names, websites, the value of the Stanley Gibbons stamp referencing system, editorial intellectual property or its database of customers as an accurate valuation of these items would be impractical to establish and the capitalisation of internally generated assets is not allowed under IAS38.

Substantial shareholdings

As at 13 March 2008, the Company had been notified of the following interests in 3% or more of its issued share capital:

Forum European Smallcaps GmbH	19.06%
Standard Life Investments Limited	8.05%
Black Rock Investment Management (UK) Limited	7.1%
Montanaro UK Smaller Companies Investment Trust PLC	3.81%
Merrill Lynch UK Smaller Companies Fund	3.0%

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2007

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.

Employees

The Company's policy is to provide equal opportunities to all present and potential employees. The Group gives full consideration to applications for employment from disabled persons and where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions.

Secretary

Mr R K Purkis has been secretary for the entire year ended 31 December 2007.

Auditors

On 18 February 2008 Smith & Williamson Solomon Hare Audit LLP changed its name to Nexia Smith & Williamson Audit (Bristol) LLP, trading as Nexia Smith & Williamson LLP. They have expressed their willingness to continue as auditors to the Company and a resolution to reappoint Nexia Smith & Williamson 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
13 March 2008

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 Group and Parent Company financial statements ("the financial statements") of The Stanley Gibbons Group Limited for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and related notes 1 to 32. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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 other transactions 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 other information comprises only the Directors' Report, the Chairman's Statement, and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with IFRS as adopted by the European Union, of the state of the Group's and parent Company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson LLP

Registered Auditors, Chartered Accountants

13 March 2008

The maintenance and integrity of the Stanley Gibbons website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**Year ended 31 December 2007 £'000**	Year ended 31 December 2006 £'000
Revenue	*1, 3*	**20,191**	16,684
Cost of sales		**(10,815)**	(8,448)
Gross Profit		**9,376**	8,236
Administrative expenses		**(1,610)**	(1,569)
Distribution costs		**(3,288)**	(3,097)
Exceptional operating costs	*5*	**(117)**	–
Operating Profit	*4*	**4,361**	3,570
Finance income		**149**	176
Finance costs		**(2)**	–
Profit before tax		**4,508**	3,746
Taxation	*8*	**(1,125)**	(972)
Profit for the financial year	*24*	**3,383**	2,774
Basic Earnings per Ordinary share	*10*	**13.46p**	11.07p
Diluted Earnings per Ordinary share	*10*	**13.41p**	11.06p

Statements of Recognised Income & Expense

	Group 31 December 2007 £'000	Group 31 December 2006 £'000	**Company 31 December 2007 £'000**	Company 31 December 2006 £'000
Profit/(loss) for the financial year	**3,383**	2,774	**(1)**	(1)
Surplus on revaluation of assets	**–**	47	**–**	–
Deferred tax attributable to revaluation of assets	**5**	(14)	**–**	–
Actuarial (losses)/gains recognised in the pension scheme	**(115)**	348	**–**	–
Deferred tax attributable to actuarial gains/(losses)	**31**	(105)	**–**	–
Total recognised income/(expense) for the year	**3,304**	3,050	**(1)**	(1)

All activities have arisen from continuing operations.

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

Balance Sheets

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**Group 31 December 2007 £'000**	Group 31 December 2006 £'000	**Company 31 December 2007 £'000**	Company 31 December 2006 £'000
Non–current assets					
Intangible assets	*11*	**37**	83	**–**	–
Property, plant and equipment	*12*	**978**	1,034	**–**	–
Deferred tax asset	*19, 27*	**71**	25	**–**	–
Trade and other receivables	*16*	**2,846**	610	**–**	–
Investment in Subsidiary	*13*	**–**	–	**5,855**	5,811
		3,932	1,752	**5,855**	5,811
Current Assets					
Inventories	*14*	**7,109**	6,035	**–**	–
Trade and other receivables	*15*	**4,248**	3,254	**–**	–
Cash and cash equivalents		**3,013**	3,083	**27**	32
		14,370	12,372	**27**	32
Total assets		**18,302**	14,124	**5,882**	5,843
Current liabilities					
Trade and other payables	*18*	**3,118**	1,894	**394**	398
Current tax payable		**908**	513	**–**	–
		4,026	2,407	**394**	398
Non–current liabilities					
Retirement benefit obligations	*27*	**252**	84	**–**	–
Deferred tax liabilities	*19*	**150**	179	**–**	–
Other financial liabilities	*20*	**300**	171	–	–
Other provisions for liabilities	*21*	**62**	50	**–**	–
		764	484	**–**	–
Total liabilities		**4,790**	2,891	**394**	398
Net assets		**13,512**	11,233	**5,488**	5,445
Equity					
Called up share capital	*22*	**251**	251	**251**	251
Share premium account	*24*	**5,148**	5,148	**5,148**	5,148
Shares to be issued	*24*	**44**	–	**44**	–
Capital redemption reserve	*24*	**38**	38	**38**	38
Revaluation reserve	*24*	**182**	177	**–**	–
Retained earnings	*24*	**7,849**	5,619	**7**	8
Equity shareholders' funds		**13,512**	11,233	**5,488**	5,445

The financial statements on pages 13 to 36 were approved by the board of Directors on 13 March 2008, were authorised for issue on that date and were signed on its behalf by:

M R M Hall
M D Henley } Directors

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**Group 31 December 2007 £'000**	Group 31 December 2006 £'000	**Company 31 December 2007 £'000**	Company 31 December 2006 £'000
Cash generated from/(used in) operations	*25*	**1,782**	2,293	**(6)**	22
Interest paid		**(2)**	–	**–**	–
Taxes paid		**(770)**	(978)	**–**	–
Net cash generated from/(used in) operating activities		**1,010**	1,315	**(6)**	22
Investing activities					
Purchase of property, plant and equipment		**(88)**	(120)	**–**	–
Purchase of intangible assets		**(7)**	(25)	**–**	–
Interest received		**83**	110	**1**	–
Dividends received		**–**	–	**1,068**	877
Net cash (used in)/ generated by investing activities		**(12)**	(35)	**1,069**	877
Financing activities					
Dividends paid to company shareholders		**(1,068)**	(877)	**(1,068)**	(877)
Net proceeds from issue of ordinary share capital		**–**	95	**–**	–
Net cash used in financing activities		**(1,068)**	(782)	**(1,068)**	(877)
Net (decrease) / increase in cash and cash equivalents		**(70)**	498	**(5)**	22
Cash and cash equivalents at start of year		**3,083**	2,585	**32**	10
Cash and cash equivalents at end of year		**3,013**	3,083	**27**	32

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies and presentation

Adoption of International Financial Reporting Standards (IFRS)

For all periods up to and including 31 December 2006 The Stanley Gibbons Group Limited has prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). AIM Rules require that the annual consolidated financial statements of The Stanley Gibbons Group Limited for the year ended 31 December 2007 be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU.

Accordingly, these financial statements which are for the year ending 31 December 2007 have been prepared for the first time in accordance with International Financial Reporting Standards and are covered by IFRS 1, First-time Adoption of IFRS.

These financial statements were approved by the Board on 13 March 2008. The financial information for the year ended 31 December 2006 set out in this report does not comprise the Group's statutory accounts as defined by Companies (Jersey) Law 1991. The statutory accounts, which were prepared under UK Generally Accepted Accounting Practice (UK GAAP), on which the auditors gave an unqualified report, have been delivered to the Jersey Registrar of Companies.

In preparing these financial statements the comparative figures previously reported under UK GAAP have been restated for the transition to IFRS. The disclosures required by IFRS 1 regarding the transition are given in note 31. Except where noted in the policies below, the same accounting policies and methods of computation have been followed in these financial statements as compared to the previous annual financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not effective:

IAS 23: Borrowing Costs (Amendments)

IFRS 8: Operating Segments

IFRIC 12: Service Concession Arrangements

IFRIC 13: Customer Loyalty Programmes

IFRIC 14: IAS 19 – The limit on a defined benefit asset

The directors do not anticipate that the adoption of these standards or interpretations will have a material impact on the Group financial statements in the period of initial application.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, all of its subsidiaries prepared to 31 December 2007 and exclude all intra-group transactions. The Company has taken advantage of the exemption from presenting its own income statement. The amount of consolidated loss for the year dealt with in the financial statements of the Company is £1,000 (2006: £1,000).

Intangible Assets

As per IAS 38, purchased computer software that will generate economic benefit beyond one year is capitalised as an intangible asset and amortised over its expected useful economic life of four years on a straight-line basis. This charge is allocated to administrative expenses in the Income Statement.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies and presentation (continued)

Property, plant and equipment and depreciation

a) Tangible fixed assets other than the reference collection

Tangible fixed assets, other than the reference collection, are stated at their purchase price, including any incidental expenses of acquisition. 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%
Vehicles, plant and machinery	16 – 25%
Fixtures, fittings, tools and equipment	7 – 25%
Leasehold improvements	Over period of lease

b) Reference collection

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. The directors have reviewed the residual value of the reference collection at the reporting date and do not believe any additional depreciation is required.

The reference collection is stated at the revalued amount, being its fair value at the date of the revaluation less any accumulated depreciation and any subsequent impairment loss. A full valuation is undertaken every five years by a qualified external valuer, an interim valuation is carried out in year three by the Group's expert stamp dealers.

Inventories

Inventories 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 inventories 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 inventories 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.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the company and short term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities issued by the Group are classified in accordance with the contractual arrangements entered into and the definitions of a financial liability.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax relating to charges made directly to equity is recognised in equity.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies and presentation (continued)

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.

Leased Assets

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

Retirement benefits

The Group operates a defined benefit pension scheme. The assets of the scheme are held and managed separately from those of the Group. In accordance with IAS 19 for defined benefit schemes, the liability in the balance sheet represents the present value of the defined benefit obligations at that date less the fair value of plan assets. The defined benefit obligation is calculated periodically by an independent actuary.

Current service costs are recognised in administrative expenses in the income statement. Interest costs on plan liabilities and the expected return on plan assets are recognised in finance income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated Statement of Recognised Income and Expense.

Pension scheme assets are measured at their market value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond or equivalent currency and term to the scheme liabilities. The actuarial valuations are performed by a qualified actuary on a triennial basis and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately as a non-current asset or liability on the face of the balance sheet.

Under IAS 19 the retirement benefit obligation is presented gross of deferred tax.

Share options

The fair value of share options granted to certain employees and Directors is recognised as an expense. The total amount to be apportioned over the vesting period of the benefit is determined by reference to the fair value of the options determined at the grant date. The non-market vesting conditions are reflected in assumptions about the number of options that are expected to become exercisable. The estimate is revised at each balance sheet date and any adjustments are charged or credited to the profit and loss account, with the corresponding adjustment to equity.

The proceeds received on exercise of the options are credited to equity.

Revenue

Revenue represents amounts invoiced by the Group in respect of goods sold and services provided during the year excluding any applicable value added tax. In respect of auctions held by the Group, revenue represents amounts invoiced in respect of vendors' commissions and buyers' premiums, excluding value added tax. In respect of all transactions revenue is recognised at point of sale.

Non-Current Investments – Company

Investments held as fixed assets are stated at costs less provision for any impairment. These relate purely to investments in subsidiary companies.

Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved or paid.

2. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

2. Critical Accounting Estimates and Judgements (continued)

Retirement benefits

The costs, assets and liabilities of the defined benefit retirement scheme operating within the Group is determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 27. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. It is important to note, however, that comparatively small changes in the assumptions used may have a significant effect on the income statement and balance sheet.

Inventory valuation

Inventory is valued at the lower of cost and net realiseable value. Where necessary, provision is made for slow-moving and damaged stock. This provision represents the difference between the cost of the stock and its estimated market value, based upon stock turn rates, market conditions and trends in consumer demand.

Provisions

A provision is included in the financial statements against guaranteed minimum return investment contracts which is disclosed in note 20 to these financial statements. The valuation of underlying assets included within such contracts are subject to annual review based on current listed catalogue prices and recent market realisations. In the event that these assets declined in value in the future, a further provision would be required.

A further provision disclosed in note 21 is made in respect of dilapidations that may become payable on the Company's leasehold properties. The majority of the provision relates to the company's leasehold premises at 399 Strand. The lease for this building expires in March 2009 and the provision made has been based on external advisers best estimates.

3. Segmental Analysis

Based on risks and returns the Directors consider that the primary reporting format is by business segment. The Directors consider that there is only one business segment being the dealing of stamps, autographs, rare records and collectibles and all related activities. Further disclosures for the primary segment can be found in the Operating Review on page 3. In the opinion of the Directors it is not practical to allocate group assets and liabilities between these activities.

The secondary reporting format is by geographical analysis by origin and destination:

	Year ended 31 December 2007 Sales by destination £'000	**Year ended 31 December 2007 Sales by origin £'000**	Year ended 31 December 2006 Sales by destination £'000	Year ended 31 December 2006 Sales by origin £'000
Channel Islands	**1,038**	**9,794**	385	2,913
United Kingdom	**11,758**	**10,397**	8,945	13,771
Europe	**1,936**	**–**	1,957	–
North America	**2,629**	**–**	3,137	–
Rest of the World	**2,830**	**–**	2,260	–
	20,191	**20,191**	16,684	16,684

The following is an analysis of the carrying amount of segment net assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31 December 2007 £'000	31 December 2006 £'000	**31 December 2007 £'000**	31 December 2006 £'000
United Kingdom	**11,218**	10,741	**88**	92
Channel Islands	**2,294**	492	**7**	53
	13,512	11,233	**95**	145

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

4. Operating profit

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Profit from operations has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**144**	127
Amortisation of intangible assets	**53**	65
Auditors' remuneration	**25**	22
Auditors' remuneration (other services) – auditing the accounts of the subsidiaries	**6**	5
Auditors' remuneration (other services) – taxation and advisory	**15**	13
Cost of inventories recognised as an expense	**10,835**	8,458
Inventory provisions written back	**(20)**	(10)
Operating lease charges – leased premises	**494**	470
Property rental income – leased premises	**(192)**	(180)
Foreign exchange (gains)/losses	**(3)**	5
License fee income	**(10)**	(11)

Fees paid to the auditors in respect of non-audit work in the year are in respect of corporation tax compliance work and advice. These services are reviewed by the Directors to ensure that the independence of the auditors is not compromised.

5. Exceptional operating costs

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Directors' remuneration	**117**	–

Exceptional operating costs relate to remuneration paid to Paul Fraser under the terms of his service agreement following the receipt of his notice of resignation in April 2007.

6. Directors' emoluments

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

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Fees	**55**	8
Salaries and benefits	**423**	471
	478	479
Number of Directors included in the defined benefit pension scheme (note 27)	**1**	1

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on pages 6 to 8 and forms part of these financial statements.

The company made no pension contributions in respect of any Directors in the year or the proceeding year.

There were no share options exercised by Directors during the year. Aggregate gains on the exercising of share options by Directors in 2006 amounted to £28,000.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

7. Employee information

The average number of persons (including Executive Directors) employed by the Group during the year was 106 (2006: 101).

	Year ended 31 December 2007	Year ended 31 December 2006
Management and Administration	**21**	16
Sales	**54**	55
Production and Editorial	**20**	20
Distribution	**7**	7
Marketing	**4**	3
	106	101

Staff costs relating to those persons during the year amounted to:

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Wages and salaries	**2,445**	2,290
Social security costs	**172**	181
Pension costs	**53**	63
Share option cost	**44**	18
	2,714	2,552

8. Taxation

UK corporation tax and Guernsey income tax on profits for the year

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Current tax:		
UK corporation tax at 30% (2006: 30%)	**712**	873
Guernsey income tax at 20% (2006: 20%)	**451**	122
Adjustment relating to earlier periods	**1**	–
	1,164	995
Deferred taxation	**(24)**	(4)
Deferred taxation movement on pension scheme liability	**(15)**	(19)
Tax charge	**1,125**	972

The Company is registered in the Channel Islands, where the tax rate is currently 20%. However a significant proportion of the profits in the Group are taxed in the UK. Accordingly, the difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit is as follows:

Tax charge reconciliation

	Year ended 31 December 2007 %	Year ended 31 December 2006 %
The standard rate of corporation tax in the UK	**30.0**	30.0
Effects of:		
Capital allowances less than depreciation	**0.4**	0.3
Expenses not deductible	**0.6**	0.7
Capitalised repairs allowable for tax	**–**	(0.1)
Guernsey taxable profits at lower tax rate of 20%	**(5.0)**	(1.6)
Schedule 23 share option deduction	**–**	(2.5)
Small Companies rate relief	(0.2)	(0.2)
Effective rate of corporation tax for year	**25.8**	26.6

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

9. Dividends

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Amounts recognised as distribution to equity holders in the year:		
Dividend paid	**1,068**	877
Dividend paid per share	**4.25p**	3.5p
Dividend proposed but not paid	**691**	628
Dividend proposed per share	**2.75p**	2.5p

10. 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 265,492 options issued under the Company's 2007 Long-Term Incentive Plan (LTIP). These options were not dilutive at 31 December 2007.

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average number of ordinary shares in issue (No.)	**25,137,443**	25,051,638
Dilutive potential ordinary shares: Employee share options (No.)	**81,113**	21,257
Profit after tax (£)	**3,383,000**	2,774,000
Exceptional operating cost (net of tax)	**94,000**	–
Adjusted profit after tax (£)	**3,477,000**	2,774,000
Basic earnings per share – pence per share (p)	**13.46p**	11.07p
Diluted earnings per share – pence per share (p)	**13.41p**	11.06p
Adjusted earnings per share – pence per share (p)	**13.83p**	11.07p

Notes to the financial statements
FOR THE YEAR ENDED 31 DECEMBER 2007

11. Intangible assets

The Group	Computer Software £'000
Cost	
At 1 January 2006	834
Additions	25
At 31 December 2006	**859**
Additions	7
At 31 December 2007	**866**
Accumulated depreciation	
At 1 January 2006	711
Charge for the year	65
At 31 December 2006	**776**
Charge for the year	53
At 31 December 2007	**829**
Net book value	
At 31 December 2007	**37**
At 31 December 2006	83

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

12. Property, plant and equipment

The Group	Reference collection £'000	Freehold land and buildings £'000	Leasehold improve-ments £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, plant and machinery £'000	Total £'000
Cost or valuation						
At 1 January 2006	628	119	722	856	974	3,299
Additions	22	–	13	53	32	120
Surplus on revaluation	47	–	–	–	–	47
Scrapped in year	(16)	–	(354)	(422)	(593)	(1,385)
At 31 December 2006	**681**	**119**	**381**	**487**	**413**	**2,081**
Additions	21	–	23	5	39	88
At 31 December 2007	**702**	**119**	**404**	**492**	**452**	**2,169**
Accumulated depreciation						
At 1 January 2006	85	13	563	739	905	2,305
Charge for the year	11	2	48	30	36	127
Scrapped in year	(16)	–	(354)	(422)	(593)	(1,385)
At 31 December 2006	**80**	**15**	**257**	**347**	**348**	**1,047**
Charge for the year	10	2	52	41	39	144
At 31 December 2007	**90**	**17**	**309**	**388**	**387**	**1,191**
Net book value						
At 31 December 2007	**612**	**102**	**95**	**104**	**65**	**978**
At 31 December 2006	601	104	124	140	65	1,034

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

The last independent valuation of the reference collection was carried out in July 2006 by A F Norris, Philatelic Consultant. The basis of the revaluation used was replacement value. The surplus of £47,000 was transferred to the revaluation reserve.

The revalued element of the reference collection is £253,000. 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 historic cost of £359,000 (2006: £348,000).

Fully written down Property, Plant and Equipment with a cost of £333,000 remains in use by the Group.

Notes to the financial statements
FOR THE YEAR ENDED 31 DECEMBER 2007

13. Non-Current Investments

	31 December 2007 £'000	31 December 2006 £'000
The Company		
Investments in subsidiary undertakings at cost brought forward:		
Stanley Gibbons (Guernsey) Limited 100 ordinary £1 shares	**5,811**	5,811
Collector Café Limited 100 ordinary £1 shares	**–**	–
	5,811	5,811
Capital contribution to subsidiary undertakings relating to share option scheme	**44**	–
Net book value carried forward	**5,855**	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**
Stanley Gibbons (Guernsey) Limited	Guernsey	Ordinary £1 shares	Philatelic dealer and dealer in memorabilia
Collector Café Limited	Jersey	Ordinary £1 shares	Dormant
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.

14. Inventories

	31 December (Group)		31 December (Company)	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Raw materials and consumables	**38**	29	**–**	–
Work in progress	**80**	83	**–**	–
Finished goods and goods for resale	**6,991**	5,923	**–**	–
	7,109	6,035	**–**	–

15. Current trade and other receivables

	31 December (Group)		31 December (Company)	
Amounts falling due within one year:	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Trade receivables	**3,741**	2,889	**–**	–
Other receivables	**105**	67	**–**	–
Prepayments and accrued income	**402**	298	**–**	–
	4,248	3,254	**–**	–

The carrying values of trade and other receivables are a reasonable approximation of their fair values. Fair values of long term receivables have been discounted where the time value of money is material.

16. Non-current trade and other receivables

	31 December (Group)		31 December (Company)	
Amounts falling due after more than one year:	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Trade receivables	**2,846**	610	**–**	–

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

17. Provision for impairment of receivables and collateral held

A provision is established for irrecoverable amounts where there is objective evidence that amounts due under the original payment terms will not be collected. Indications that the trade receivable may become irrecoverable would include financial difficulties of the debtor, likelihood of the debtors insolvency and default or significant failure of payment.

Provision for impairment of receivables

	2007 £'000	2006 £'000
Balance brought forward	**28**	29
Decrease in provision for impairment of receivables	**(1)**	(1)
Balance carried forward	**27**	28

As at 31 December 2007 £85,000 of trade receivables, excluding those provided for by the impairment provision, were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	31 December (Group)		31 December (Company)	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Up to 3 months past due	**20**	85	**–**	–
3 to 6 months past due	**10**	11	**–**	–
Over 6 months past due	**55**	87	**–**	–
	85	183	**–**	–

The company retains possession of the material sold under interest free credit terms, thus limiting any credit risk from entering into such arrangements. There was an outstanding balance of £3,822,000 at 31 December 2007 (2006: £1,418,000) in respect of such items. No receivables have had their terms renegotiated and the company has not had to call upon its security due to default by customers at any time during the year.

Trade receivables that are neither past due nor impaired are considered to be fully recoverable.

18. Current trade and other payables

	31 December (Group)		31 December (Company)	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Trade payables	**2,536**	1,244	**–**	–
Other payables	**216**	197	**29**	33
Other taxes and social security	**158**	196	**–**	–
Accruals and deferred income	**208**	257	**–**	–
Amounts due to Group undertakings (see note below)	**–**	–	**365**	365
	3,118	1,894	**394**	398

Amounts due to Group undertakings are unsecured, interest free and are repayable on demand.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

19. Deferred tax assets and liabilities

The Group	Assets		Liabilities	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Defined benefit pension scheme (note 27)	**71**	25	**–**	–
Accelerated capital allowances	**–**	–	**79**	103
Deferred tax on revaluation of reference collection	**–**	–	**71**	76
Full provision	**71**	25	**150**	179

20. Other financial liabilities

The Group	Total £'000
At 1 January 2007	171
Applied during the year	129
At 31 December 2007	**300**

Other financial liabilities relate to the potential liability arising from the sale of stamps and autographs under guaranteed minimum return fixed term contracts. Each contract is reviewed on a regular basis and provision made for any difference between the guaranteed return and the underlying value of the portfolio. The provision will be released upon expiration of each individual contract. The contracts expire between July 2008 and October 2026.

21. Other provisions for liabilities

The Group	Total £'000
At 1 January 2007	50
Applied during the year	12
At 31 December 2007	**62**

This provision relates to the expected liability for dilapidations in respect of the Group's leasehold properties. The majority of this provision is expected to be released on expiry of the lease on the Company's premises at 399 Strand in March 2009.

22. Called up share capital

	31 December 2007 £'000	31 December 2006 £'000
Authorised		
35,000,000 ordinary shares of 1p each	**350**	350
Allotted, issued and fully paid (all equity):		
25,137,443 (2006: 25,137,443) ordinary shares of 1p each	**251**	251

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

23. 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 2006	Granted in year	Exercised in year	Lapsed in year	Number at 31 Dec 2007
13/4/05	14/4/08	12/4/15	99.5p	25,000	–	–	–	25,000
7/8/06	8/8/09	6/8/16	148.5p	40,000	–	–	–	40,000
13/9/07	13/9/10	n/a	231p	–	18,181			18,181
13/9/07	14/9/10	12/9/17	231p	–	15,000	–	–	15,000
				65,000	33,181	–	–	**98,181**

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007 Average exercise price per share	**Options (thousands)**	2006 Average exercise price per share	Options (thousands)
At 1 January	**123p**	**185**	35p	345
Granted	**224p**	**305**	127p	160
Exercised	**–**	**–**	30p	(320)
At 31 December	**186p**	**490**	123p	185

Share options outstanding at the end of the year have the following expiry date and exercise price.

	Exercise Price per share	**Options (thousands) 2007**	Options (thousands) 2006
12 April 2015	99.5p	**25**	25
2 March 2016	119.75p	**120**	120
6 August 2016	148.5p	**40**	40
11 March 2017	190.5p	**25**	–
12 September 2017	231p	**15**	–
		225	185

Options awarded under the Stanley Gibbons Long-Term Incentive Plan have no expiry date. If performance conditions are not met they fail to vest. Once vested the awards normally lapse on cessation of employment. In total there were 173,718 options exercisable at 224.5p and 91,774 exercisable at 231p at 31 December 2007.

Binomial and Black-Scholes models have been used to value the awards set out below:

Dates of grant	**13/9/07**	**13/9/07**	**29/5/07**	**12/3/07**	**7/8/06**	**3/3/06**
Number of options granted	91,774	15,000	173,718	25,000	40,000	120,000
Weighted average fair value at date of grant (per share)	46.29p	69.51p	47.09p	54.66p	52.44p	39.65p
Weighted average share price on date of grant	231p	231p	224.5p	190.5p	148.5p	119.75p
Weighted average exercise price	231p	231p	224.5p	190.5p	148.5p	119.75p
Expected term (from date of grant)	6.5 years	6.5 years	6.5 years	6.5 years	6.5 years	6.5years
Expected volatility	35.0%	35.0%	35.6%	35.9%	37.1%	36.0%
Expected dividends	1.84%	1.84%	1.78%	2.09%	2.36%	2.51%
Risk–free interest rate	4.94%	4.94%	5.32%	4.87%	4.72%	4.25%

Expected volatility was determined by calculating historical volatility of the Group's share price in the period from September 2001 to the date of the grant.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

24. Share premium and reserves

The Group	Share premium account	Shares to be issued	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	5,056	–	206	38	3,461	8,761
Profit for the financial year	–	–	–	–	2,774	2,774
Dividends	–	–	–	–	(877)	(877)
Surplus on revaluation of assets	–	–	47	–	–	47
Premium on shares issued on exercise of share options	92	–	–	–	–	92
Cost of share options	–	–	–	–	18	18
Actuarial gain in pension scheme net of tax	–	–	–	–	243	243
Effect of adopting IAS12 – income taxes	–	–	(76)	–	–	(76)
At 31 December 2006	**5,148**	**–**	**177**	**38**	**5,619**	**10,982**
Profit for the financial year	–	–	–	–	3,383	3,383
Dividends	–	–	–	–	(1,068)	(1,068)
Deferred tax rate change	–	–	5	–	–	5
Cost of share options	–	44	–	–	–	44
Actuarial loss in pension scheme net of tax	–	–	–	–	(85)	(85)
At 31 December 2007	**5,148**	**44**	**182**	**38**	**7,849**	**13,261**

The Company	Share premium account	Shares to be issued	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	5,056	–	–	38	9	5,103
Profit for the financial year	–	–	–	–	876	876
Dividends	–	–	–	–	(877)	(877)
Premium on shares issued on exercise of share options	92	–	–	–	–	92
At 31 December 2006	**5,148**	**–**	**–**	**38**	**8**	**5,194**
Profit for the financial year	–	–	–	–	1,067	1,067
Cost of share options	–	44	–	–	–	44
Dividends	–	–	–	–	(1,068)	(1,068)
At 31 December 2007	**5,148**	**44**	**–**	**38**	**7**	**5,237**

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

25. Cash generated from / (used in) operations

	31 December (Group)		31 December (Company)	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Operating profit/(loss)	**4,361**	3,570	**(2)**	(1)
Depreciation	**144**	127	**–**	–
Amortisation	**53**	65	**–**	–
Increase in provisions	**260**	324	**–**	–
Cost of share options	**44**	18	**–**	–
Increase in inventories	**(1,074)**	(86)	**–**	–
Increase in trade and other receivables	**(3,230)**	(915)	**–**	–
Increase/(decrease) in trade and other payables	**1,224**	(810)	**(4)**	23
Cash generated from/(used in) operations	**1,782**	2,293	**(6)**	22

26. Capital and other commitments

The Group had no capital commitments at 31 December 2007 (2006: Nil).

Lease commitments

At 31 December 2007 the Group had annual commitments under non-cancellable operating leases as follows:

Date of lease termination:	**Land and Buildings 31 December 2007 £'000**	Land and Buildings 31 December 2006 £'000
Within one year	**497**	494
Between two and five years	**590**	971
In five years or more	**429**	544
	1,516	2,009

These figures represent the aggregate payable until expiration of all non-cancellable operating leases.

There were no capital or lease commitments relevant to the Company at 31 December 2007 (2006 Nil).

At 31 December 2007 the Group had annual rental payments receivable under non-cancellable operating leases as follows:

Date of lease termination:	**Land and Buildings 31 December 2007 £'000**	Land and Buildings 31 December 2006 £'000
Within one year	**201**	201
Between two and five years	**244**	394
In five years or more	**207**	259
	652	854

These operating leases are all sub leases and the lease terms are co-terminus with those of the company.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

27. Pension and similar obligations

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. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

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

The valuation used to calculate net pension liabilities at 31 December 2007 has been based on the most recent actuarial valuation at 30 June 2006 and updated by the same qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2007. Scheme assets are stated at their market value at 31 December 2007.

	2007 £'000	2006 £'000
Present value of funded obligations	**(6,279)**	(5,960)
Fair value of scheme assets	**6,027**	5,876
Pension liability before deferred tax	**(252)**	(84)
Deferred tax asset	**71**	25
Net pension liability	**(181)**	(59)

The amounts recognised in the Income Statement are as follows

	31 December 2007 £'000	31 December 2006 £'000
Current service cost	**119**	129
Interest cost on benefit obligations	**316**	288
Expected return on scheme assets	**(382)**	(354)
Total included in employee benefit expense	**53**	63
Actual return on scheme assets	**264**	335

Analysis of the amount recognised in the Statement of Recognised Income and Expense

	31 December 2007 £'000	31 December 2006 £'000
Actual return less expected return on assets	**(118)**	(19)
Experience losses on liabilities	**(52)**	–
Impact of changes in financial assumptions underlying the scheme	**55**	367
Actuarial (loss)/gain	**(115)**	348

Changes in the present value of the defined benefit obligation are as follows:

	2007 £'000	2006 £'000
Benefit obligation at start of year	**5,960**	6,065
Service cost	**119**	129
Interest cost	**316**	288
Contributions by plan participants	**32**	33
Actuarial loss	**(3)**	(367)
Benefits paid	**(145)**	(188)
Benefit obligation at end of year	**6,279**	5,960

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

27. Pension and similar obligations (continued)

Changes in the fair value of plan assets are as follows:

	2007	2006
	£'000	£'000
Fair value of plan assets at start of year	**5,876**	5,696
Expected return on plan assets	**382**	354
Actuarial loss	**(118)**	(19)
Contributions by plan participants	**32**	33
Benefits paid	**(145)**	(188)
Fair value of plan assets at end of year	**6,027**	5,876

The Group expects to contribute £63,500 to its defined benefit plan in 2008

The major categories of scheme assets as a percentage of total plan assets are as follows:

	31 December 2007	31 December 2006
	%	%
Equities	**53.1**	52.2
AAA rated corporate bonds	**39.4**	39.4
Gilts / cash	**7.5**	8.4

Principal actuarial assumptions at the balance sheet date:

	31 December 2007	31 December 2006	31 December 2005	31 December 2004	31 December 2003
Rate of increase in salaries (per annum)	**3.30%**	3.75%	3.75%	3.75%	3.75%
Inflation assumption (per annum)	**3.30%**	3.00%	2.75%	2.75%	2.75%
LPI pension increases (per annum)	**3.10%**	3.00%	2.75%	2.75%	2.75%
Discount rate for scheme liabilities	**5.80%**	5.25%	4.75%	5.25%	5.50%
Equities (long term expected rate of return)	**8.20%**	8.00%	8.25%	8.50%	8.50%
AAA rated corporate bonds (long term expected rate of return)	**5.60%**	5.00%	4.50%	5.00%	5.25%
Fixed interest gilts/cash (long term expected rate of return)	**4.55%**	4.75%	4.25%	4.75%	4.75%

Amounts for the current and previous four periods are as follows:

	31 December 2007	31 December 2006	31 December 2005	31 December 2004	31 December 2003
Defined Benefit Obligation	**(6,279)**	(5,960)	(6,065)	(5,267)	(4,772)
Scheme assets	**6,027**	5,876	5,696	4,962	4,705
Deficit	**(252)**	(84)	(369)	(305)	(67)
Experience adjustments on scheme liabilities	**(52)**	–	–	16	342
Experience adjustment on scheme assets	**(118)**	(19)	564	44	98

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FOR THE YEAR ENDED 31 DECEMBER 2007

27. Pension and similar obligations (continued)

Future profile of the Stanley Gibbons Holdings PLC Pension Scheme

The Stanley Gibbons Holdings PLC Pension Assurance 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 IAS 19 liabilities, the future cost in relation to this Scheme will rise in the long-term.

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has increased from £84,000 at 31 December 2006 to £252,000 at 31 December 2007 mainly as a result of changes to the actuarial assumptions based on market conditions as at 31 December 2007. In the context of the overall net assets of the Group, the Group is in a strong position to manage this long-term liability.

28. Contingent liabilities

The Company has provided a guarantee in respect of an operating lease commitment by Stanley Gibbons Limited. The lease is for £107,000 per annum and expires in 2016.

29. Financial instruments

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables 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 5.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of any exposure to any individual counterparty is subject to a limit which is regularly reviewed by the company.

Interest rate risk

The Group finances its operations through the generation of cash from operating activities and has no interest rate exposure on financial liabilities.

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.

All cash at bank earns interest at floating rate as detailed in the Financial Review on page 5.

30. Related party transactions

Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 13). The group also had a related party relationship with its Directors.

Transactions with directors

The remuneration of the directors is disclosed in the Report on Remuneration.

Mr D M Bralsford, non-executive Chairman and Director purchased an investment portfolio and various autographs from a fellow group company during the year for a consideration of £150,662, (2006: Nil). At 31 December 2007, Mr D M Bralsford owed the Group £150,000, (2006: Nil). The amount was settled in full on the due date of 30 January 2008.

Mr M R M Hall, Director purchased stamps and autographs from a fellow group company during the year for a consideration of £1,000, (2006: £10,000). At 31 December 2007, Mr M R M Hall owed the Group £Nil, (2006: £10,000).

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

31. Transition from UK GAAP to IFRS – Group

As required under IFRS 1, the equity reconciliations at 1 January 2006 (the transition date for IFRS) and at 31 December 2006 (date of last UK GAAP financial statements) are set out below. There are no reconciling adjustments to the income statement for either of these years.

The net effect of adopting IFRS rather than UK GAAP for the year ending 31 December 2006 is to reduce net assets from £11,309,000 to £11,233,000, principally due to the changes in reserves as explained below. The changes have no impact on the profit on ordinary activities before tax.

The Group's consolidated cash flow statements are presented in accordance with IAS 7. The statements present substantially the same information as required under UK GAAP, the principle exception being that under UK GAAP, cash flows are presented under nine standard headings, whereas IFRS requires the classification of cash flows resulting from operating, investing and financing activities.

The most significant change for the Group in its financial statements for the year ending 31 December 2006 was a reduction of the revaluation reserve due to the provision of deferred tax on the revaluation element of the reference collection. The net impact on assets as at 1 January 2006 was a decrease of £62,000, and as at 31 December 2006 was a decrease of £76,000.

In addition, there are other presentational changes on the balance sheet arising from the transition to IFRS. These are:

a. The reclassification of capitalised software costs to intangible assets from property plant and equipment.

b. The creation of a deferred tax asset as the deferred tax attributable to the pension deficit is no longer netted off against retirement benefit obligations in the balance sheet.

c. The movement of trade and other receivables due in more than one year from current assets to non-current assets.

d. The movement of the provision in respect of guaranteed minimum contracts from other provisions for liabilities and charges to other financial liabilities.

Reconciliation of UK GAAP equity to IFRS equity

	31 December 2006 £'000	1 January 2006 £'000
Capital and Reserves according to UK GAAP	11,309	9,009
Effect of adopting:		
IAS 12 – Income Taxes	(76)	(62)
Equity according to IFRS	11,233	8,947

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

Reconciliation of UK GAAP balance sheet to IFRS balance sheets

	As at 31 December 2006			As at 1 January 2006		
	As previously reported under UK GAAP	Effect of transition	As restated Under IFRS	As previously reported under UK GAAP	Effect of transition	As restated Under IFRS
Non–current assets						
Intangible assets	–	83	83	–	122	122
Property, plant and equipment	1,117	(83)	1,034	1,117	(122)	995
Deferred tax asset	–	25	25	–	111	111
Trade and other receivables	–	610	610	–	–	–
	1,117	635	1,752	1,117	111	1,228
Current Assets						
Inventories	6,035	–	6,035	5,949	–	5,949
Trade and other receivables due after more than one year	610	(610)	–	–	–	–
Trade and other receivables	3,254	–	3,254	2,949	–	2,949
Cash and cash equivalents	3,083	–	3,083	2,585	–	2,585
	12,982	(610)	12,372	11,483	–	11,483
Total assets	14,099	25	14,124	12,600	111	12,711
Current liabilities						
Trade and other payables	1,894	–	1,894	2,704	–	2,704
Current tax payable	513	–	513	496	–	496
	2,407	–	2,407	3,200	–	3,200
Non–current liabilities						
Retirement benefit obligations	59	25	84	258	111	369
Other financial liabilities	–	171	171	–	6	6
Other provisions for liabilities and charges	324	(95)	229	133	56	199
	383	101	484	391	173	564
Total liabilities	2,790	101	2,891	3,591	173	3,764
Net assets	11,309	(76)	11,233	9,009	(62)	8,947
Equity						
Called up share capital	251	–	251	248	–	248
Share premium account	5,148	–	5,148	5,056	–	5,056
Capital redemption reserve	38	–	38	38	–	38
Revaluation reserve	253	(76)	177	206	(62)	144
Retained earnings	5,619	–	5,619	3,461	–	3,461
Equity shareholders' funds	11,309	(76)	11,233	9,009	(62)	8,947

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2007

32. Transition from UK GAAP to IFRS – Company

The transition from UK GAAP to IFRS for the Company has had no impact on net assets, the profit on ordinary activities before tax or the cashflows previously reported, but has lead to a change in the format of the financial statements.

Directors' Biographical Details

David Martin Bralsford MSc, FCA, FCT, Non-Executive Chairman

Date of Birth: 1 January 1948, date of appointment as Director: 1 November 2007

Martin qualified as a Chartered Accountant in 1970, before obtaining a Masters degree in Economics at the London Business School in 1974. He is Chairman of Channel Islands based portfolio management, stockbroking and funds business Collins Stewart (CI) Ltd. He was formerly Chief Executive of C.I. Traders Ltd, the largest corporate employer in the Channel Islands, which was AIM quoted prior to its take-over by a private equity consortium in July 2007. He was previously Chief Executive of Le Riche Group Ltd, before its acquisition by C.I.Traders in 2002 and a former Group MD of Premier Brands Ltd. Martin has also served as President of the Jersey Chamber of Commerce and as Chairman of the Training and Employment Partnership in Jersey. He is on the Board at three other listed or private companies. He chairs the Nomination Committee.

Michael Robert Montague Hall B.Acc, CA, Chief Executive

Date of birth: 9 August 1970, date of appointment as Director: 7 August 2000

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers and 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 in August 2000 and Chief Executive of The Stanley Gibbons Group Limited from 1 July 2003. Michael is a member of the Nomination Committee.

Mark David Henley ACA, Finance Director

Date of birth: 15 January 1971, date of appointment as Director: 1 August 2007

Mark Henley qualified as a Chartered Accountant and was admitted to membership of ICAEW in 1995. He worked in the audit profession until 1996, when he moved to the commercial sector. He has experience across a range of specialities including media distribution and direct marketing.

Mark joined Stanley Gibbons in February 2007 as Finance Director of the Company's UK operations and was appointed Finance Director of The Stanley Gibbons Group Limited on 1 August 2007.

Richard Kenneth Purkis, Operations Director

Date of birth: 16 May 1955, date of appointment as Director: 1 January 2003

Richard first joined Stanley Gibbons 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.

Stephen David Sjuggerud, BS, MBA, PhD, Executive Director

Date of Birth: 18 July 1971, date of appointment as Director: 4 May 2007

Steve graduated from the University of Florida in 1992 with a degree in Finance. He went on to complete an MBA at the University of Central Florida and then obtained a PhD in Business at the University of Orlando (now Barry University). Since 1996 Steve has worked for Agora, Inc, a major international publishing house based in the US, as an investment analyst publishing independent investment research. His investment letter is one of the world's largest, with approximately 77,000 paid subscribers. In addition, he has also worked as an investment analyst for a New York based hedge fund with over US$900 million under management. Steve has conducted considerable research into the performance of "alternative assets," including rare stamps and coins, against traditional asset classes, and has written extensively and lectured on the subject.

Directors' Biographical Details

Robert Henry Henkhuzens BA, FCA, Non-Executive Director

Date of Birth: 21 February 1952, date of appointment as Director: 3 March 2006

Bob Henkhuzens was a partner with Coopers & Lybrand ('C&L') in Jersey for ten years. There he headed the commercial sector department providing audit, tax and accounting services to both local and international businesses. During this time he was also responsible for the firm's corporate finance and management consulting services. Since leaving C&L in 1998, Bob has worked as an independent consultant and advisor and is a director of various private companies. He is a former president of the Jersey Chamber of Commerce and vice-president of the Jersey Society of Chartered and Certified Accountants and remains a committee member of both. Bob is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He served as Interim Chairman of the Company from 3 August 2007 to 1 November 2007.

General Sir Michael John Wilkes KCB, CBE, Non-Executive Director

Date of Birth: 11 June 1940, date of appointment as Director: 15 January 2008

Sir Michael Wilkes served in the British Army for 35 years, reaching the rank of Full General and has seen active service in Special Forces across the world. On leaving the Army in 1995 he was appointed Lieutenant Governor and Commander in Chief of Jersey, where he served until retiring in 2000. Sir Michael was appointed a Non-Executive Director of Le Riche Group Ltd in 2001 and subsequently Chairman. After overseeing its merger he became Deputy Chairman of C.I.Traders Ltd, the largest employer in the Channel Islands, until its recent take-over. Sir Michael holds other non-executive directorships across a range of activities and his outside interests include acting as a Trustee of the Nuffield Trust for the Services. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

Peter John Wright, Non-Executive Director

Date of Birth: 10 March 1944, date of appointment as Director: 4 May 2004

John retired as director of Royal Mail Stamps & Collectibles in 2004, having previously held a variety of roles within Royal Mail. These included responsibility for systems, marketing, fulfilment and customer management at the British Philatelic Bureau. He has built up a considerable network of contacts during his 23 years in the philatelic industry. John is a member of the Audit and Remuneration Committees.

Members of the Executive Committee

Directors and Associate Directors of our main trading subsidiaries, Stanley Gibbons Limited and Stanley Gibbons (Guernsey) Limited:

Dr Philip Kinns, Director of Philately

Adrian Roose, Investment Director

Colin Avery, Associate Director of Auctions

Hugh Jefferies, Associate Director of Publishing

Vincent Cordell, Associate Director of Specialist GB

Five Year Summary

	2003	2004	2005	2006	**2007**
	£'000	£'000	£'000	£'000	**£'000**
		As restated		As restated	
Turnover	8,622	10,051	13,675	16,684	**20,191**
Cost of sales	(3,398)	(4,248)	(6,679)	(8,448)	**(10,815)**
Gross Margin	5,224	5,803	6,996	8,236	**9,376**
Gross Margin %	60.6%	57.7%	51.2%	49.4%	**46.4%**
Administration expenses	(1,183)	(1,401)	(1,393)	(1,569)	**(1,610)**
Selling and distribution expenses	(2,834)	(2,803)	(2,785)	(3,097)	**(3,288)**
Exceptional operating costs	–	–	(94)	–	**(117)**
Operating profit	1,207	1,599	2,724	3,570	**4,361**
Profit on sale of fixed asset investments	–	1,985	–	–	**–**
Net interest receivable	20	105	95	176	**147**
Profit before taxation	1,227	3,689	2,819	3,746	**4,508**
Taxation	(346)	(493)	(590)	(972)	**(1,125)**
Profit for the financial year	881	3,196	2,229	2,774	**3,383**
Basic Earnings per share	3.61p	13.10p	9.03p	11.07p	**13.46p**
Adjusted earnings per share	3.61p	4.96p	9.30p	11.07p	**13.83p**
Diluted earnings per share	3.49p	12.82p	8.95p	11.06p	**13.41p**
Net assets	7,299	7,316	9,009	11,233	**13,512**
Ordinary dividend net per share (p)	–	2p	3p	4p	**4.5p**

The results for the year ended 31 December 2003 presented above have not been restated for IAS 19 "Employee Benefits" or IFRS 2 "Share-based Payment"

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Stanley Gibbons Group Limited will be held at The Pomme d'Or Hotel, Liberation Square, St Helier, Jersey, Channel Islands, on Wednesday, 23 April 2008 at 11.30 am. for the following purposes:

Ordinary Business

Resolution 1: To receive and adopt the accounts for the year ended 31 December 2007 and the Directors' and Auditors' reports thereon.

Resolution 2: To declare a final dividend of 2.75p net per ordinary share in respect of the year ended 31 December 2007.

Resolution 3: To re-elect DM Bralsford as a Director who retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Resolution 4: To re-elect MD Henley as a Director who retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Resolution 5: To re-elect Dr SD Suggerud as a Director who retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Resolution 6: To re-elect General Sir Michael Wilkes as a Director who retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Resolution 7: To re-elect MRM Hall as a Director who retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Resolution 8: To re-appoint Nexia Smith & Williamson LLP as Auditors of the Company to the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolution, which is proposed as a Special Resolution:

Special Resolution 9: That the Company be generally and unconditionally authorised to make one or more market purchases of its own shares, such purchases to be of Ordinary Shares of lp each in the capital of the Company ("Ordinary Shares") on the London Stock Exchange, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 3,700,000 Ordinary Shares, being approximately 15 per cent of the issued capital of the Company; and

(b) the minimum price which may be paid for any such Ordinary Shares shall be lp per Ordinary Share (exclusive of expenses); and

(c) the maximum price which may be paid for such Ordinary Shares shall be an amount equal to 5 per cent above the average middle market quotations as derived from the Daily Official List of the UKLA for the five business days immediately preceding the day on which any such Ordinary Shares are purchased or contracted to be purchased; and

(d) unless otherwise varied renewed or revoked the authority hereby conferred shall expire at the earlier of 23 May 2009 and the conclusion of the Annual General Meeting of the Company to be held in 2009; and

(e) prior to expiry of the authority hereby conferred the Company may enter into a contract or contracts for the purchase of Ordinary Shares which may be executed in whole or in part after such expiry and may purchase Ordinary Shares pursuant to such contract or contracts as if the authority hereby conferred had not so expired.

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

By Order of the Board
R K Purkis, Secretary
13 March 2008

Notice of Annual General Meeting

Notes:

1. Subject to note 3 below a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll vote on his/her behalf. Any proxy so appointed need not be a member of the Company. The lodging of a proxy will not preclude a member from attending the meeting and voting in person.

2. To be valid the instrument appointing a proxy, together with any necessary authority (if any) under which it is executed must be signed by the member and lodged at Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the commencement of the meeting, or an adjourned meeting.

3. To be entitled to attend and vote at the meeting members must be entered on the Company's register of members at 11.30 am. on 21 April 2008. Any changes to the register of members after such time will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Copies of the Directors' Service Agreements and a register of their interests in the shares of the Company are available for inspection during normal business hours at the Company's Registered Office and at the meeting for a period of 15 minutes before its commencement until its conclusion.

Form of Proxy

For use at the Annual General Meeting being held at The Pomme d'Or Hotel, Liberation Square, St Helier, Jersey on Wednesday, 23 April 2008 at 11.30 am.

I/We ______________________________ being member(s) duly entitled to vote at the forthcoming Annual General Meeting of The Stanley Gibbons Group Limited being held on the 23 April 2008 at 11.30 am. and any adjournment thereof do hereby appoint the Chairman of the meeting or failing him ______________________________ as my/our Proxy to vote on my/our behalf in the following manner:

Please indicate with an X in the boxes below how you wish your vote to be cast.

		FOR	AGAINST	VOTE WITHELD
Resolution 1	To receive and adopt the Report and Accounts for the year ended 31 December 2007	☐	☐	☐
Resolution 2	To declare a final dividend	☐	☐	☐
Resolution 3	To re-elect DM Bralsford as a Director	☐	☐	☐
Resolution 4	To re-elect MD Henley as a Director	☐	☐	☐
Resolution 5	To re-elect Dr SD Suggerud as a Director	☐	☐	☐
Resolution 6	To re-elect General Sir Michael Wilkes as a Director	☐	☐	☐
Resolution 7	To re-elect MRM Hall as a Director	☐	☐	☐
Resolution 8	To re-appoint Nexia Smith & Williamson LLP as auditors	☐	☐	☐
Special Resolution 9	To authorise the Company to make market purchases of its own shares	☐	☐	☐

Signature ______________________________ Date ____________________

Notes:

1. A member may appoint a proxy of his/her own choice. If such an appointment is made delete the words "the Chairman of the meeting" above and insert the name of the person appointed proxy in the space provided. A proxy need not be a member of the company.

2. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise discretion as to how he/she votes or whether he/she abstains from voting.

3. To be valid this form must be duly completed and lodged at Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time fixed for the commencement of the meeting or an adjourned meeting.

4. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.

5. In the case of a corporation, this form must be under its Common Seal or signed by a duly authorised officer or attorney.

6. The 'Vote Witheld' option is to enable you to abstain on any resolution. Such a vote is not a vote in law and will not be counted in votes 'For' and 'Against' a resolution.

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BUSINESS REPLY LICENCE NUMBER
MB 122

1

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

First fold

Third fold and tuck in fold

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