Directors and Advisers

Directors

P I Fraser	(Chairman)
M R M Hall	(Chief Executive and Finance Director)
R K Purkis	(Operations Director)
T Dunningham	(Non-executive Director)
P J Wright	(Non-executive Director)

Registered Office
Pirouet House
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St Helier
Jersey JE1 3WF

Company Secretary
R K Purkis

Company Registration
Registered in Jersey
Number 13177

Nominated Adviser and Broker
Seymour Pierce Limited

Auditors
Solomon Hare Audit LLP

Solicitors
Nabarro Nathanson

Principal Bankers
Natwest Bank PLC

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
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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

Once again, I am able to report a very positive result for The Stanley Gibbons Group Limited. Profit before tax was £710,000 (2004: £579,000) representing an increase of 23% on the same period last year. Turnover increased by 15% to £5,278,000 (2004: £4,607,000).

Earnings per Ordinary Share for the six months ended 30 June 2005 were 2.20p compared with 1.68p for the same period to 30 June 2004. Excluding exceptional operating costs, earnings per Ordinary Share were 2.45p, representing an increase of 46%.

These results include the changes in accounting for pensions, share options and dividends in both the prior and current periods as a result of the introduction of new Accounting Standards as detailed in the Operating Review and note 1. In summary, though, they are not material to our overall reported results.

As at 30 June 2005, the Company has cash balances of £1,517,000 (2004: £788,000).

The Company paid a final dividend of 1.5p net per Ordinary Share, in respect of the year ended 31 December 2004, on 19 April 2005. Your Board is pleased to declare an interim dividend of 1p net per Ordinary Share (2004: 0.5p), representing an increase of 100% payable on 12 September 2005 to holders of Ordinary Shares on the register at close of business on the record date of 12 August 2005. The shares will go ex-dividend on 10 August 2005.

The Group's Internet sites are now receiving close to 30 million hits per month (2004: 10 million), which has resulted in Internet sales up 16%. This has resulted in a greater interest from non-philatelic advertisers and corporate partners wishing to become associated with our brand. We believe this will still be one of our key profit drivers for the future.

Stamps as an 'Alternative Investment' continue their rise and move into the investment mainstream. Demand is still outstripping supply and the price of investment grade material is now reaching levels more in tune with the current market forces. We have become evermore aggressive in our buying in the market, both at auction and purchasing privately from stamp collectors. However, we are still falling short of the increasing needs of both our current and new clients.

This is very positive for the market and the launch of our Stamp Investment Fund will further strengthen the demand and reduce the supply of the top level investment grade material. We did expect the Fund to launch in the first half of this financial year but, because to our knowledge this is the very first stamp fund, everyone has had a steep learning curve. This, though, will increase the barrier of entry to others and, with our brand name, the backing of a major international bank and support of other financial institutions wishing to break this new ground with us; we should be the prime vehicle for this section of the investment market.

A certain level of demand has now built up from people wishing to take part in the positive growth that rare stamps have shown over a number of years and some who clearly prefer to invest in units in a fund rather than direct ownership of a stamp portfolio. This extends both our client options and our ability to service the complete market. Again, this will be a key driver for Stanley Gibbons in the future and should be a major contributor in the second half.

Finally, I would like to thank all of my colleagues at Stanley Gibbons for once again achieving our Group objectives and being part of the drive for growth and profitability, which has given an increasing return to all stakeholders.

Paul Fraser
Chairman
28 July 2005

Operating Review

	6 months to 30 June 2005 Sales	**6 months to 30 June 2005 Profit**	6 months to 30 June 2004 Sales	6 months to 30 June 2004 As restated Profit	Year ended 31 December 2004 Sales	Year ended 31 December 2004 As restated Profit
	£000	**£000**	£000	£000	£000	£000
Philatelic trading and retail operations	**3,709**	**885**	3,122	787	6,718	1,719
Publishing and philatelic accessories	**1,262**	**362**	1,146	286	2,660	846
Dealing in autographs, records and related memorabilia	**301**	**70**	332	115	660	265
	5,272	**1,317**	4,600	1,188	10,038	2,830
Corporate overheads		**(562)**		(554)		(1,017)
New business development	**6**	**(8)**	7	(96)	13	(214)
Interest and similar income/charges		**53**		41		105
Before exceptional items	**5,278**	**800**	4,607	579	10,051	1,704
Profit on sale of fixed asset investment		**-**		-		1,985
Exceptional operating costs		**(90)**		-		-
Group sales and profit before tax	**5,278**	**710**	4,607	579	10,051	3,689

Sales

Overall group turnover increased by £671,000 (15%) compared to the same period last year. Sales growth continues to be driven by our increased trading in high value stamps (retail value of £1,000 and more) where our investment in stock has been concentrated and supported by an increasing demand from investment clients. As a result of our increasing move to the top end of the philatelic market, average order values have increased by 18% compared to the same period last year. We continue to attract new customers through our website and visitors to our 399 Strand retail outlet and have experienced a 23% increase in new customers recruited compared to the same period last year.

Philatelic trading and retail sales increased by 19% against the same period last year. Increased effort has been placed during the period on the development of the investment department within philatelic dealing in all areas of buying, sales and marketing. The historic evidence which is building up through our stamp price indices and printed catalogues demonstrate consistent growth in values of rare stamps and is improving the marketability of stamps as an investment. Our ability to scale up to the new levels of demand being experienced in terms of stock acquisition and to adapt to the current aggressive pricing conditions in the market are paramount to our objectives for the second half of the year.

Sales from our auction department were 15% above the same period last year demonstrating that we are gradually regaining our credibility within auction dealing. Our presentation and efficiency of service have improved which will give us a better opportunity to attract higher value collections for sale through our auctions in the future.

Publishing and philatelic accessory sales increased by 10% from the same period last year. Sales benefit from catalogue titles in higher demand being released this year together with the benefits from producing one of our main titles, "Great Britain Concise", in colour this year for the first time. Stamp albums and accessory sales were also 10% improved, achieved through a combination of enhancements to our product range, more proactive management of trade and wholesale customers together with the benefits from improved returns on marketing activity.

Operating Review

Sales (continued)

Autographs and memorabilia sales were 9% below the same period last year. The reduction in sales occurred mainly in auction sales both online and offline. A clearer strategy is now in place to resurrect the department from the recent downturn in trade with a return to common sense procedures and selling techniques. We have recently transferred autograph auction activities to our philatelic auction department which is already having a positive impact.

Gross Margins

The gross margin for the six months ended 30 June 2005 was 54% compared to 57% for the same period last year. The reduction in the gross margin percentage was in line with expectations and is attributable to reduced margins available on the sale of high value specialist material. Return on capital is, however, highest in the sale of high value stamps due to lower overheads associated in dealing and process ing a lower quantity of stock items at a higher realisable value.

Profitability

The profit before tax for the period of £710,000 compares to a profit for the same period last year (as restated) of £579,000, representing an increase of 23%. The increase in profitability against the prior period was achieved through growth in turnover, although at a lower gross margin percentage.

Overheads were 3% higher than in the same period last year, although this includes exceptional operating costs of £90,000 in respect of the closure and relocation of activities from our premises in Nailsea to Ringwood, Hampshire. Overheads were 1% lower than last year when excluding exceptional operating costs with profit before tax up £221,000 (38%).

We have continued to manage overheads through close daily control at Director level. We have increased our investment in new staff during the period resulting in a 5% increase in salary overhead and an increase in the permanent staff with a headcount at 30 June 2005 of 99 compared to 88 at 30 June 2004.

Establishment costs were increased by £54,000 compared to the prior year period mainly as a result of the rent review of 399 Strand resulting in an increased annual rent charge of £62,000. Rental income was consistent with the same period last year. All empty property has now been sublet.

New Business Development

Direct sales generated through our web sites increased by 16%. Website development work during 2005 is progressing well as we further improve our online services towards meeting all the needs of all collectors worldwide.

New business development costs have been integrated into operating business activities located in Ringwood, Hampshire, which will result in cost savings in the second half of the year from the consequent rationalisation together with the benefits from future efficiencies in catalogue production.

Accounting Policies

We have reported the results and restated the prior period results in order to comply with the provisions of FRS 17 (Retirement Benefits), FRS 20 (Share-based Payment) and FRS 21 (Events after the Balance Sheet Date). As a result of the implementation of new accounting standards, the profit before tax for the six months ended 30 June 2005 was reduced by £10,000 and net assets at 30 June 2005 were reduced by £171,000. Details of the restatement of prior period results is given in note 1.

Consolidated Profit and Loss Account

	Notes	**6 months to 30 June 2005 (unaudited) £'000**	6 months to 30 June 2004 As restated (unaudited) £'000	Year ended 31 December 2004 As restated (audited) £'000
Turnover		**5,278**	4,607	10,051
Cost of sales		**(2,451)**	(1,966)	(4,248)
Gross Profit		**2,827**	2,641	5,803
Administration expenses		**(730)**	(736)	(1,401)
Selling and distribution expenses		**(1,351)**	(1,367)	(2,803)
Operating Profit before exceptional operating costs		**746**	538	1,599
Exceptional operating costs		**(90)**	-	-
Operating Profit after exceptional operating costs		**656**	538	1,599
Profit on sale of fixed asset investments		**-**	-	1,985
Interest receivable and similar income		**53**	42	109
Interest payable and similar charges		**1**	(1)	(4)
Profit on ordinary activities before taxation		**710**	579	3,689
Tax on profit on ordinary activities	*2*	**(166)**	(170)	(493)
Profit for the financial period		**544**	409	3,196
Earnings per Ordinary Share	*3*	**2.20p**	1.68p	13.10p
Diluted earnings per Ordinary Share	*3*	**2.17p**	1.64p	12.82p

Continuing operations: all items dealt with in arriving at the operating profit above relate to continuing operations.

The 2005 results include the adoption of FRS 17 (Retirement Benefits), FRS 20 (Share-based Payment) and FRS 21 (Events after the Balance Sheet date) and the 2004 results have been restated accordingly. Details of these changes in accounting policies are detailed in note 1.

Consolidated Balance Sheet

	Notes	**30 June 2005 (unaudited) £'000**	30 June 2004 As restated (unaudited) £'000	31 December 2004 As restated (audited) £'000
Fixed Assets				
Tangible assets		**1,195**	1,235	1,239
Investments		**-**	223	-
		1,195	1,458	1,239
Current Assets				
Stocks		**5,588**	5,262	5,588
Debtors: amounts falling due within one year		**2,312**	1,241	1,620
Cash at bank and in hand		**1,517**	788	1,930
		9,417	7,291	9,138
Creditors: amounts falling due within one year		**(2,725)**	(1,873)	(2,729)
Net current assets		**6,692**	5,418	6,409
Total assets less current liabilities		**7,887**	6,876	7,648
Provision for liabilities and charges		**(105)**	(120)	(119)
Net assets excluding pension liabilities		**7,782**	6,756	7,529
Pension liabilities (net of deferred taxation)		**(78)**	(198)	(213)
Net assets including pension liabilities		**7,704**	6,558	7,316
Capital and reserves				
Called up share capital		**247**	244	244
Share premium account		**5,038**	5,000	5,000
Capital redemption reserve		**38**	38	38
Revaluation reserve		**206**	169	206
Profit and loss account		**2,175**	1,107	1,828
Equity shareholders' funds		**7,704**	6,558	7,316

Consolidated Cash Flow Statement

	Notes	**6 months to 30 June 2005 (unaudited) £'000**	6 months to 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000
Net cash (outflow)/inflow from operating activities	*4*	**(43)**	(179)	1,024
Returns on investments and servicing of finance				
Interest received		**29**	22	56
Interest paid		**1**	(1)	(4)
		30	21	52
Taxation				
UK corporation tax paid		**(3)**	-	(134)
Jersey tax paid		**-**	(10)	(10)
		(3)	(10)	(144)
Capital expenditure and financial investments				
Payments to acquire tangible fixed assets		**(72)**	(46)	(138)
Receipts from sale of fixed asset investment		**-**	-	2,208
		(72)	(46)	2,070
Equity dividends paid		**(366)**	-	(2,074)
Net cash (outflow)/inflow before financing		**(454)**	(214)	928
Financing				
Purchase of own ordinary shares		**-**	(1,060)	(1,060)
Shares issued		**41**	224	224
Repayment of Loan notes		**-**	(47)	(47)
Net cash inflow/(outflow) from financing		**41**	(883)	(883)
(Decrease)/increase in cash		**(413)**	(1,097)	45

Analysis of changes in cash during the period

	6 months to 30 June 2005 (unaudited) £'000	6 months to 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000
Net cash at the beginning of the period	**1,930**	1,885	1,885
Net cash (outflow)/inflow	**(413)**	(1,097)	45
Net cash at the end of the period	**1,517**	788	1,930

Statement of total recognised gains and losses

	6 months to 30 June 2005 (unaudited) £'000	6 months to 30 June 2004 As restated (unaudited) £'000	Year ended 31 December 2004 As restated (audited) £'000
Profit for the financial period	**544**	409	3,196
Surplus on revaluation of assets	**-**	-	37
Actuarial gains/(losses) recognised in the pension scheme	**226**	(178)	(186)
Deferred tax attributable to actuarial gains/(losses)	**(67)**	53	55
Prior period adjustment	**27**	-	-
Total gains and losses recognised since last financial statements	**730**	284	3,102

Reconciliation of movements in equity shareholders' funds

	6 months to 30 June 2005 (unaudited) £'000	6 months to 30 June 2004 As restated (unaudited) £'000	Year ended 31 December 2004 As restated (audited) £'000
Profit for the financial period	**544**	409	3,196
Dividends	**(366)**	-	(2,074)
Retained profit for the financial period	**178**	409	1,122
Purchase of own shares	**-**	(1,060)	(1,060)
Shares issued on exercise of share options	**41**	224	224
Surplus on revaluation of assets	**-**	-	37
Actuarial gains/(losses) in pension scheme net of tax	**159**	(125)	(131)
Adjustment to cost of share options	**10**	9	23
Net increase/(decrease) in shareholders' funds	**388**	(543)	215
Opening equity shareholders' funds as previously stated	**7,289**	7,299	7,299
Prior period adjustment	**27**	(198)	(198)
Opening equity shareholders' funds as restated	**7,316**	7,101	7,101
Closing equity shareholders' funds	**7,704**	6,558	7,316

The proposed dividend of 1p net per Ordinary Share will result in a distribution from reserves of £247,000.

Notes to the unaudited interim report

1 Changes in accounting policies and presentation

The results for the six months ended 30 June 2005 and 30 June 2004 are unaudited and have been prepared using accounting policies consistent with those set out in the Annual Report and Accounts for the year ended 31 December 2004 except as detailed below. The financial information in this report does not comprise full financial statements. Full financial statements for the year ended 31 December 2004, on which the auditors gave an unqualified report, have been delivered to the Jersey Registrar of Companies. These interim financial statements were approved by the board of directors on 28 July 2005.

The prior period profit and loss account and balance sheet have been restated to take account of a number of changes in accounting policies as a result of the introduction of new Accounting Standards as follows: FRS 17 "Retirement Benefits", FRS 20 "Share-based Payment" and FRS 21 "Events after the Balance Sheet date".

The effects of these changes in the Group's previously reported results and net assets are as follows:

	6 months to 30 June 2004 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000
Profit on ordinary activities before taxation		
As previously reported	603	3,728
Impact of FRS 17:		
Operating profit	(35)	(69)
Interest receivable and similar income	20	53
Impact of FRS 20	(9)	(23)
Net movement	(24)	(39)
As restated	**579**	**3,689**
Net assets		
As previously reported	6,891	7,289
Impact of FRS 17:		
Debtors: amounts falling due after more than one year	(192)	(179)
Provisions for liabilities and charges: net pension liability	(283)	(305)
Provisions for liabilities and charges: deferred taxation	142	145
Impact of FRS 21	-	366
Net movement	(333)	27
As restated	**6,558**	**7,316**

2 Taxation

The tax charge is based on the expected full year tax rate together with the movement in the provision for deferred taxation.

Notes to the unaudited interim report

3 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the weighted average number of shares in issue during the period.

Adjusted earnings per share has been calculated to exclude the effect of the profit on the sale of the investment in Provide Commerce, Inc. and 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 period.

	6 months to 30 June 2005 (unaudited)	6 months to 30 June 2004 As restated (unaudited)	Year ended 31 December 2004 As restated (audited)
Weighted average number of ordinary shares in issue (No)	**24,737,896**	24,406,570	24,404,298
Dilutive potential or dinary shares: Employee share options	**298,784**	536,579	523,776
Profit after tax (£)	**544,000**	409,000	3,196,000
Add: exceptional operating costs net of tax (£)	**62,000**	-	-
Less: profit on sale of fixed asset investment (£)	**-**	-	(1,985,000)
Adjusted profit after tax (£)	**606,000**	409,000	1,211,000
Basic earnings per share – pence per share (p)	**2.20p**	1.68p	13.10p
Add: exceptional operating costs net of tax (p)	**0.25p**	-	-
Less: profit on sale of fixed asset investment (p)	**-**	-	(8.14p)
Adjusted earnings per share – pence per share (p)	**2.45p**	1.68p	4.96p
Diluted earnings per share – pence per share (p)	**2.17p**	1.64p	12.82p

4 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	6 months to 30 June 2005 (unaudited) £'000	6 months to 30 June 2004 As restated (unaudited) £'000	Year ended 31 December 2004 As restated (audited) £'000
Operating profit	**656**	538	1,599
Depreciation	**116**	118	243
Increase in provisions	**56**	58	105
Cost of share options	**10**	9	23
Increase in stocks	**-**	(384)	(710)
Increase in debtors	**(692)**	(118)	(497)
(Decrease)/increase in creditors	**(189)**	(400)	261
Net cash (outflow)/inflow from operating activities	**(43)**	(179)	1,024

5 Further copies of this statement

Copies of this statement are being sent to shareholders. Further copies are available on request from: The Company Secretary, The Stanley Gibbons Group Limited, 399 Strand, London, WC2R 0LX.