The Stanley Gibbons Group Limited

Directors and Advisers

Directors

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

Registered Office
Pirouet House
Union Street
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 in the Investor Relations section of the Group's website: **www.stanleygibbons.com**.

Chairman's Statement

I am very pleased to report another record result for The Stanley Gibbons Group Limited. Profit before tax was £1,361,000 (2005: £710,000) representing an increase of 92% on the same period last year. Turnover increased by 44% to £7,623,000 (2005: £5,278,000).

Earnings per Ordinary Share for the six months ended 30 June 2006 were 3.97p compared with 2.20p for the same period to 30 June 2005, representing an increase of 80%.

As at 30 June 2006, the Company has cash balances of £3,386,000 (2005: £1,517,000). The Company paid a final dividend of 2p net per Ordinary Share, in respect of the year ended 31 December 2005, on 18 April 2006. Your Board is pleased to declare an interim dividend of 1.5p net per Ordinary Share (2005: 1p), representing an increase of 50%, payable on 4 September 2006 to holders of Ordinary Shares on the Register at the close of business on the record date of 4 August 2006. The proposed dividend of 1.5p net per Ordinary Share is expected to result in a distribution to shareholders of £376,000.

Internet sales continue their momentum, up 18% on the prior period. We are recruiting an ever-increasing amount of new customers through the Internet and are continuing to attract new customers by traditional methods, strengthening our global reach and underlining the value of the brand.

Good quality rare stamps continue to be in short supply, resulting in strong prices at auctions, often exceeding catalogue prices. Collectors are prepared to pay an ever-increasing premium for the very best material, with an extra premium for larger blocks and strips of rare stamps.

The SG 100 Stamp Index is up 7.3% (2005: 6%) in the first six months and we continue to see an appreciation by collectors and investors of the true scarcity and rarity of many classic issues of stamps and early autograph material. Our Investment Department's growth is now the engine room for the whole Group and is only tempered by the opportunity to source sufficient material of quality and acceptable price.

All areas of the business have performed well but special mention should be given to the Auction, Specialist Stamp and Fraser's Autographs departments.

The Auction Department has performed well across each of its auction types – postal, Internet and public – and produced a particularly good result for the public auction in June, including the individual auction of Indian States.

The Specialist Stamp Department is sourcing larger amounts of material but is also selling an ever-greater amount, so locating material of the right quality remains the key objective, an essential for success in the second half.

Fraser's Autographs has achieved a better result than for a long time and reflects the continuing move to the quality rare end of the market.

We open our Guernsey office at the end of July and look forward to reporting on how that is developing at the year-end.

We are celebrating our 150th year as a stamp company and I am sure that Stanley Gibbons himself would be proud of the progress and the success that the Group is now enjoying.

In conclusion, I thank once again all my colleagues at Stanley Gibbons for their hard work as we continue to push the Group onto higher ground for the benefit of all stakeholders.

Paul Fraser
Chairman
26 July 2006

Operating Review

	6 months to 30 June 2006 Sales	**6 months to 30 June 2006 Profit**	6 months to 30 June 2005 Sales	6 months to 30 June 2005 Profit	Year ended 31 December 2005 Sales	Year ended 31 December 2005 Profit
	£000	**£000**	£000	£000	£000	£000
Philatelic trading and retail operations	**5,634**	**1,373**	3,709	885	10,076	2,789
Publishing and philatelic accessories	**1,201**	**270**	1,262	362	2,818	871
Dealing in autographs, records and related memorabilia	**773**	**350**	301	70	748	205
	7,608	**1,993**	5,272	1,317	13,642	3,865
Corporate overheads		**(691)**		(562)		(1,045)
New business development	**15**	**(24)**	6	(8)	33	(2)
Interest and similar income/charges		**83**		53		95
Before exceptional items	**7,623**	**1,361**	5,278	800	13,675	2,913
Exceptional operating costs		**-**		(90)		(94)
Group total sales and profit before tax	**7,623**	**1,361**	5,278	710	13,675	2,819

Sales

Overall group turnover increased by £2,345,000 (44%) compared to the same period last year. Sales growth continues to be driven primarily by the Investment Department although strong growth was also achieved in the sale of specialist stamps to collectors and in all auction activity. As a result of our continued move to the quality rare end of the market, average order values have increased by 31% compared to the same period last year. The increasing number of new collectors entering the market and our global presence through our Internet site has ensured an ongoing expansion in the size of our customer database. New customers recruited were 15% up on the same period last year.

Philatelic trading and retail sales increased by 52% against the same period last year. Demand from high spending collectors continues to be strong and quality stock acquired in rare British stamps and stamps from the most popularly collected Commonwealth countries have been converted to sales with ease.

Sales to investors include guaranteed minimum return investment contracts, for which demand has exceeded our ability to supply; both by reason of the scarcity in supply of rare stamps and as a result of our internal restrictions placed on the sale of this product in order to limit our overall exposure to the future financial obligations. Out of approximately 3,000,000 stamps in stock, 142 items are currently being recommended as investment grade highlighting the exclusivity of our investment material and the quality controls which we have in place.

Sales from our Auction Department were 41% above the same period last year. The public auction held in June delivered an exceptional result assisted by a stronger range of material and the individual auction sale of an Indian States collection which achieved a 100% realisation with all lots being sold. More private individuals are taking this opportunity, based on strong market conditions prevailing, to sell material through auction where prices realised are in some cases higher than catalogue prices.

Publishing and philatelic accessory sales fell by 5% from the same period last year. A weaker publishing schedule in the first half of this year has limited our ability to achieve any growth in sales. Sales to the various wholesalers and distributors of our products were 16% down whereas direct sales to retail customers were increased by 10% and accounted for 62% of total publication sales compared to 56% in the prior period. We will be focussing on increasing our direct marketing to retail customers in the second half.

Operating Review

Sales (continued)
Autographs and memorabilia sales were 157% increased from the same period last year. The improved performance is mainly a result of our success in developing sales of investment grade autograph material. Autograph investment sales include the sale of one investment portfolio during the period of £250,000. Auction and online autograph sales increased as focus has been moved towards the clearance of lower value items through auction in line with our strategy put in place last year together with the benefit of design and functionality improvements made to the website.

Gross Margins
The gross margin for the six months ended 30 June 2006 was 48% compared to 54% for the same period last year. Cost of sales includes a provision of £121,000 made in the period against guaranteed minimum return investment contracts. The guaranteed minimum return offered on investment contracts of between 4% and 7% per annum is being fully provided for against cost of sales over the length of the contract term. Excluding the impact of this provision, gross margins would have been 50%. The remaining reduction in the gross margin percentage was in line with expectations and is attributable to the increased investment sales compared to the prior period which attract lower gross margins.

Profitability
The profit before tax for the period of £1,361,000 compares to a profit for the same period last year of £710,000, representing an increase of 92%. The historic weighting of profits to the second half of the year, a consequence of the seasonality of stamp collecting, is being reduced by the increased proportion of profits now derived from investment activities which are less seasonal in nature.

Group overheads were 10% higher than in the same period last year mainly as a result of increased salary and bonus payments which have increased in line with the improved performance of the Group.

Salary overhead was up 15% although permanent staff headcount at 30 June 2005 was 99, unchanged from the prior period. Salaries represented 17.4% of sales compared to 21.8% for the same period last year demonstrating an improved return on staff.

Other overheads were 5% up on the prior period relating mainly to increases in variable costs associated with the rise in sales including publicity and mailing, freight and packing and credit card charges. Marketing costs have increased mainly to support the publicity and advertising of investment services which provides the highest return in sales. The implementation of our marketing plan in this area will result in extended advertising during the second half in mediums already proven to deliver a strong return.

New Business Development
Direct sales generated through our web sites increased by 18%. We continue to receive over 2,000,000 visitors to our websites each year, representing 7% of the total estimated number of stamp collectors worldwide.

We continue to sell new subscriptions for our online service “My Collection” and are currently working on the automation of pricing updates from our catalogue database together with the uploading of GB Concise catalogue data. Current data available on British stamps is of a simplified format only and we expect the demand to increase substantially once this information is available.

We have secured premises in Guernsey and our relocation of investment activities will take place at the end of July. The key aim of the relocation is to increase our supply chain outside of normal trading activities to improve our ability to meet the high levels of demand being experienced for our investment products.

Corporate Overheads
Corporate overheads were £129,000 (23%) higher than the same period last year due mainly to increased central salary and bonus payments as a result of the higher levels of profitability of the Group.

Consolidated Profit and Loss Account

	Notes	**6 months to 30 June 2006 (unaudited) £'000**	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Turnover		**7,623**	5,278	13,675
Cost of sales		**(3,946)**	(2,451)	(6,679)
Gross Profit		**3,677**	2,827	6,996
Administration expenses		**(845)**	(730)	(1,393)
Selling and distribution expenses		**(1,554)**	(1,351)	(2,785)
Exceptional operating costs		**-**	(90)	(94)
Operating Profit		**1,278**	656	2,724
Interest receivable and similar income		**83**	53	95
Interest payable and similar charges		**-**	1	-
Profit on ordinary activities before taxation		**1,361**	710	2,819
Tax on profit on ordinary activities	*2*	**(369)**	(166)	(590)
Profit for the financial period		**992**	544	2,229
Earnings per Ordinary Share	*3*	**3.97p**	2.20p	9.03p
Diluted earnings per Ordinary Share	*3*	**3.96p**	2.17p	8.95p

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

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

Statement of total recognised gains and losses

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Profit for the financial period	**992**	544	2,229
Actuarial gains recognised in the pension scheme (note 1)	**-**	226	1
Deferred tax attributable to actuarial gains	**-**	(67)	-
Prior period adjustment (note 1)	**-**	27	27
Total gains and losses recognised since last financial statements	**992**	730	2,257

Consolidated Balance Sheet

	Notes	30 June 2006 (unaudited) £'000	30 June 2005 (unaudited) £'000	31 December 2005 (audited) £'000
Fixed Assets				
Tangible assets		**1,076**	1,195	1,117
Current Assets				
Stocks		**5,882**	5,588	5,949
Debtors: amounts falling due within one year		**2,382**	2,312	2,949
Cash at bank and in hand		**3,386**	1,517	2,585
		11,650	9,417	11,483
Creditors: amounts falling due within one year		**(2,596)**	(2,725)	(3,200)
Net current assets		**9,054**	6,692	8,283
Total assets less current liabilities		**10,130**	7,887	9,400
Provision for liabilities and charges		**(261)**	(105)	(133)
Net assets excluding pension liabilities		**9,869**	7,782	9,267
Pension liabilities (net of deferred taxation)		**(278)**	(78)	(258)
Net assets including pension liabilities		**9,591**	7,704	9,009
Capital and reserves				
Called up share capital		**251**	247	248
Share premium account		**5,134**	5,038	5,056
Capital redemption reserve		**38**	38	38
Revaluation reserve		**206**	206	206
Profit and loss account		**3,962**	2,175	3,461
Equity shareholders' funds		**9,591**	7,704	9,009

Consolidated Cash Flow Statement

	Notes	**6 months to 30 June 2006 (unaudited) £'000**	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Net cash inflow/(outflow) from operating activities	*4*	**1,698**	(43)	1,897
Returns on investments and servicing of finance				
Interest received		**49**	29	49
Interest paid		**-**	1	-
		49	30	49
Taxation				
UK corporation tax paid		**(471)**	(3)	(636)
Jersey tax paid		**(1)**	-	(4)
		(472)	(3)	(640)
Capital expenditure and financial investments				
Payments to acquire tangible fixed assets		**(54)**	(72)	(97)
Equity dividends paid		**(501)**	(366)	(614)
Net cash inflow/(outflow) before financing		**720**	(454)	595
Financing				
Shares issued		**81**	41	60
Net cash inflow from financing		**81**	41	60
Increase/(decrease) in cash		**801**	(413)	655

Analysis of changes in cash during the period

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Net cash at the beginning of the period	**2,585**	1,930	1,930
Net cash inflow/(outflow)	**801**	(413)	655
Net cash at the end of the period	**3,386**	1,517	2,585

Reconciliation of movements in equity shareholders' funds

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Profit for the financial period	**992**	544	2,229
Dividends	**(501)**	(366)	(614)
Retained profit for the financial period	**491**	178	1,615
Shares issued on exercise of share options	**81**	41	60
Actuarial gains in pension scheme net of tax	**-**	159	1
Adjustment to cost of share options	**10**	10	17
Net increase in shareholders' funds	**582**	388	1,693
Opening equity shareholders' funds as previously stated	**9,009**	7,289	7,289
Prior period adjustment	**-**	27	27
Opening equity shareholders' funds as restated	**9,009**	7,316	7,316
Closing equity shareholders' funds	**9,591**	7,704	9,009

The proposed dividend of 1.5p net per Ordinary Share is expected to result in a distribution from reserves of £376,000.

Notes to the unaudited interim report

1 Accounting policies and presentation

The results for the six months ended 30 June 2006 and 30 June 2005 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 2005. The financial information in this report does not comprise full financial statements. Full financial statements for the year ended 31 December 2005, 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 26 July 2006.

The 2005 results included the adoption, for the first time, of FRS 17 (Retirement Benefits), FRS 20 (Share-based Payment) and FRS 21 (Events after the Balance Sheet date) and the prior period results for 2004 were restated accordingly.

The FRS 17 operating and financing costs of the pension scheme are recognised in the profit and loss account for the six months ended 30 June 2006 based on the estimated charge provided by a qualified actuary. An FRS 17 valuation to assess the liabilities of the pension scheme at 30 June 2006 was not carried out. In the opinion of the Directors there would be no material impact on the reported results if an actuarial valuation had been performed as at 30 June 2006.

2 Taxation

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

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 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 2006 (unaudited)	6 months to 30 June 2005 (unaudited)	Year ended 31 December 2005 (audited)
Weighted average number of ordinary shares in issue	**24,975,737**	24,737,896	24,682,753
Dilutive potential ordinary shares: Employee share options	**46,754**	298,784	218,617
Profit after tax (£)	**992,000**	544,000	2,229,000
Add: exceptional operating costs net of tax (£)	**-**	62,000	66,000
Adjusted profit after tax (£)	**992,000**	606,000	2,295,000
Basic earnings per share - pence per share (p)	**3.97p**	2.20p	9.03p
Add: exceptional operating costs net of tax (p)	**-**	0.25p	0.27p
Adjusted earnings per share – pence per share (p)	**3.97p**	2.45p	9.30p
Diluted earnings per share – pence per share (p)	**3.96p**	2.17p	8.95p

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

	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Operating profit	**1,278**	656	2,724
Depreciation	**95**	116	219
Increase in provisions	**198**	56	137
Cost of share options	**10**	10	17
Decrease/(increase) in stocks	**67**	-	(361)
Decrease/(increase) in debtors	**567**	(692)	(1,329)
(Decrease)/increase in creditors	**(517)**	(189)	490
Net cash inflow/(outflow) from operating activities	**1,698**	(43)	1,897

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.