



The Stanley Gibbons Group plc

**Interim Report and Accounts
for the six months ended 30 September 2017**

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Directors and Advisers

Directors	H G Wilson A Cook C P Whiley L E Castro H A J Turcan <i>* Independent</i>	Executive Chairman Chief Finance Officer Director Non-Executive Director* Non-Executive Director
Company Secretary	R K Purkis	
Registered Office	18 Hill Street St. Helier Jersey JE2 4UA Tel: 01534 766711	
Company Registration	Registered in Jersey Number 13177	
Nominated Adviser and Broker	finnCap Limited 60 New Broad Street London EC2M 1JJ	
Auditors	BDO Limited Windward House La Route de la Liberation St Helier Jersey JE1 1BG	
Legal Advisers	Mourant Ozannes 22 Grenville Street St Helier Jersey JE4 8PX Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP	
Bankers	NatWest 71 Bath Street St Helier Jersey JE4 8PJ The Royal Bank of Scotland Group PLC 3 Hampshire Corporate Park Templars Way Chandlers Ford SO53 3RY	

Directors and Advisers

continued

Registrars

Link Market Services (Jersey) Limited
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The Registry
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Further financial, corporate and shareholder information is available in the investor relations section of the Group's website: www.stanleygibbons.com.

Chairman's Statement

Introduction

This report relates to the interim unaudited results for the six month period ended 30 September 2017.

As set out in the full year results released on the 1 October, the end of the period to which this interim statement relates, 2017 has been another difficult year for the Group. Throughout management has maintained a critical focus upon the restructuring programme, initiated in 2016, whilst seeking to stabilise our continuing core trading activities – stamps & coins.

Operating Review

	6 months to 30 Sep 2017 Sales	6 months to 30 Sep 2017 Profit	6 months to 30 Sep 2016 Sales	6 months to 30 Sep 2016 Profit	12 months to 31 Mar 2017 Sales	12 months to 31 Mar 2017 Profit
	£000	£000	restated £000	restated £000	£000	£000
Investments	6,810	390	6,732	789	18,778	989
Philatelic	3,562	(399)	3,184	(391)	7,881	(419)
Publishing	988	(52)	1,078	(24)	2,043	122
Coins & medals	2,068	380	2,631	574	4,975	955
Interiors	3,188	(942)	3,382	(2,056)	8,650	(5,174)
Other & corporate overheads	–	(2,585)	312	(2,489)	136	(5,528)
Finance charges	–	(311)	–	(286)	–	(318)
Trading sales and losses	16,616	(3,519)	17,319	(3,883)	42,464	(9,373)
Pension service and share option charges	–	(150)	–	(150)	–	(623)
Exceptional cost of sales	–	–	–	–	–	(1,144)
Exceptional operating income/(charges)	–	579	–	(2,327)	–	(19,017)
Group total sales and loss before tax	16,616	(3,090)	17,319	(6,360)	42,464	(30,157)

Overview

The performance in the first half of the current year is slightly improved from that seen in the comparative period last year.

- turnover for the six months ended 30 September 2017 down 4% at £16.6m (restated 2016: £17.3m);
- trading losses before exceptional items and before pensions related finance charges, as detailed in the operating review, were £3.5m for the six months ended 30 September 2017 (restated 2016: loss of £3.9m);
- gross margin at 40.1% (restated 2016: 46.5%) was lower due to the impact of continuing to run the business for cash generation; and
- the adjusted loss before tax was £3.1m, after exceptional income of £0.6m, (restated 2016 loss: £6.4m).

Chairman's Statement

continued

Operating Review (continued)

Investments

For the six months to 30 September 2017, the investments division which included SG Guernsey, made total sales of £6.8 million (2016: £6.7 million) and a divisional profit, before exceptional costs, of £0.4 million (2016: £0.8 million), across this period, the net cash outflows from the investments division were £2.0 million due to payments made under the investment plan buy-back obligations.

Further to an application made by the Board of Stanley Gibbons (Guernsey) Limited ("SG Guernsey"), to which the Group's bank (also the largest creditor of SG Guernsey) did not object, on 21 November an Administration Order was granted in respect of SG Guernsey pursuant to Part XXI of the Companies (Guernsey) Law 2008, as amended. PricewaterhouseCoopers LLP were appointed as administrators of SG Guernsey and their primary responsibility is to establish the liabilities of SG Guernsey and to realise its assets in order to make a distribution to its creditors.

SG Guernsey's assets primarily consisted of £12.6 million of philatelic stock held in Guernsey. It is likely that the administrators will seek to realise the value of this stock in order to make a distribution to the creditors of SG Guernsey.

SG Guernsey's potential liabilities primarily consisted of around £54 million contingent liabilities relating to the buy-back guarantees (or "investment products") that were offered by SG Guernsey (under previous management) prior to August 2016 and a further approximate £11 million of liabilities included on its balance sheet.

The outstanding indebtedness currently owed to the Group by SG Guernsey amounts to approximately £6.5 million and the Group will rank as an unsecured creditor in respect of that amount alongside other unsecured creditors of SG Guernsey.

Whilst the Board of the Company is disappointed that it was not possible to avoid the administration of SG Guernsey, it remains convinced that the Administration Order serves the wider interests of the Group and its shareholders, given that the effect was to ring-fence the Group's exposure to SG Guernsey's liabilities.

The Board believe that there is still a market for non-collectors to purchase stamps and coins as heritage investments even though all forms of guarantees ended in 2016.

Philatelic

Despite sales increasing slightly the overall loss from this division increased. In part this reflects the lower margins achieved as highlighted above and also that the cost cutting and restructuring of this division was completed after these results. This culminated with the appointment of the new Managing Director of Philately in November.

Publishing

The period on period results of the division were largely consistent but the Board believes that the increase of the on-line presence of this area, coupled with the digitalisation of some of its publications will improve returns from this division. The relaunch of the My Collection product is the first step of this change, however further cash investment and time will be required to progress.

Chairman's Statement

continued

Operating Review (continued)

Coins & Medals

Baldwins' was restructured in 2016 and has remained profitable across the period. The auction joint venture, Baldwins' of St James's was launched in January 2017 so the comparisons with the previous years' figures are not like for like.

Interiors

Following the sale of the majority of the businesses and brands within this division, the Group will effectively cease to trade in this area from January 2018. At that time all associated costs will also end.

Corporate Overheads

The Board has already far exceeded its original target of achieving £10m of annualised operating cost reductions, with monthly employment costs falling by some 75% since the inception of the restructuring programme in January 2016, alongside generating cash of over £6m from the sale of non-core businesses and assets: enabling total bank debt to remain unchanged whilst management implemented the dramatic changes deemed necessary. The corporate overheads include some costs associated with the restructuring plan and resolution of legacy issues.

Exceptional Operating Charges and Cost of Sales

Exceptional operating charges/(income) and cost of sales, can be further analysed as follows:

	6 months to 30 Sep 2017	6 months to 30 Sep 2016 restated	12 months to 31 Mar 2017
	£000	£000	£000
Impairment of intangible assets	150	–	11,980
Stock provisions	244	–	3,440
Marketplace net costs and intangible assets write off	–	1,955	2,096
Profit on disposal of investment	(1,394)	–	–
Impairment of receivables	–	–	650
Reorganisation & restructuring costs	50	672	589
Professional fees for corporate activity	221	–	587
Profit on disposal of tangible fixed assets	–	(300)	(325)
Loss on disposal of subsidiary	150	–	–
	(579)	2,327	19,017
Losses on realising inventory within interiors division	–	–	1,144

Chairman's Statement

continued

Funding & Cash Flow

As disclosed in the annual report published on 1 October 2017, the Group is currently in default on its bank facilities due to the qualified audit report on the accounts for the year ended 31 March 2017, the Group net assets being below £20m and the Group stock held in the UK being below the required multiple of the total facility. The Group is therefore dependent upon the bank's ongoing support, particularly in the event of material adverse short-term cash movements and as during periods of default the facilities are repayable on demand, which has not been requested. The bank has continued to demonstrate this support to the Group in recent months and remains in constructive dialogue around future financing.

Cash outflows from operations for the six months ended 30 September 2017 were £3.3m (2016: £11.1m), of this total £2.0m related to the investment division largely as a result of the investment plan buy-back obligations.

As at the balance sheet date the Group had a revolving credit facility of £10.0m (2016: £10.0m) and an additional loan facility of £7.6m (2016: £8.3m), totalling £17.6m (2016: £18.3m). At the same date the utilised amounts were £9.6m and £7.6m respectively totalling £17.2m (2016: £18.9m).

Total bank debt stood at approximately £16.8m as at 27 December 2017.

Litigation

The Group continues to cooperate fully with the U.S. Securities and Exchange Commission (the "SEC") and the Department of Justice ("DOJ"), following the conclusion of the DOJ's criminal prosecution against a former client, (arising in part out of his dealings with Mallett Inc.) and a New York based former director of Mallett plc. No criminal or civil charges have been filed against Mallett Inc. or any Mallett group company to date. The Group continues to retain the services of US legal counsel to advise it in these matters. Given the former director's admitted criminal conduct, the Company is actively considering civil action against the former director and/or others in respect of losses it has incurred as a result of these matters, and anticipates that any claims would be brought in the coming months.

At present the Board's best estimate of the costs in assisting the US authorities with their investigations, as at 30 September 2017 total £0.7m. This amount is the total accrual at the year end.

On 9 May 2017 the Board announced the sale of a major part of the Interiors division to Millicent Holdings Limited ("Millicent"), which transaction subsequently failed to complete as reported on 4 August 2017. The Company is seeking recovery, by enforcing certain collateral, of a termination fee payable to the Company by Millicent, under the terms of the relevant agreement.

Dividend

As a result of the trading performance of the Group in the first half, the Board has not declared an interim dividend for the six months ended 30 September 2017.

Management Appointment

In November we were pleased to secure the services of Guy Croton as Managing Director of Philately. Guy is well respected following a 22 year career in the industry, the last 15 years at Spink, latterly as Head of The Philatelic Division.

Chairman's Statement

continued

Prior Year Adjustment

These financial statements reflect prior year adjustments in respect of the previously highlighted issues regarding the treatment of revenue for some investment products. The adjustment was necessary following further analysis of the legacy information used to quantify the adjustments booked in the September 2016 Report and Accounts. The figures for September 2016 have therefore been restated in these report and accounts.

Outlook

At the heart of the Group are two market leading brands and a core stamp and coin dealing business consisting of a team with invaluable industry expertise. In January 2017, Baldwins launched a joint-venture with St James' for its numismatic auction activities, and continues to trade profitably with a favourable outlook. The philatelic business has been affected by the ongoing restructuring, the build-up of excess inventory from the buy-backs and the continuing working capital constraints.

The administration of SG Guernsey has fundamentally limited the exposure of the Group to the buy-back liabilities and removed the cash-flow burden associated therewith.

Going forwards profitability is likely to remain constrained, notwithstanding having reached a stabilised operating cost platform, whilst working capital remains constricted.

Whilst the bank remains supportive of the ongoing efforts to stabilise the core business, the Board believes that it needs to refinance the existing facility prior to its expiry in May 2018, in order to take advantage of the significant restructuring that it has achieved. In addition to the refinancing of the debt, the Board believes that the Company requires further investment of approximately £5m in order to enable the growth of the core business and to normalise working capital. Whilst discussions with the bank remain constructive there is a risk that the quantum of debt which needs to be refinanced, together with the investment and working capital requirement cannot be obtained within the current capital structure. Whilst the Board has received offers of finance from both existing and new investors including an offer of equity conditional on the restructuring of the existing debt, the bank has requested that the Board explore improved financing options in the New Year in light of the administration of Guernsey and the significant reduction in contingent liabilities. As part of these discussions the Board will consider raising further equity or asset sales, however the Board is of the view that whilst alternative finance will be available it is likely to require restructuring of the current indebtedness as part of the solution.

Finally I would like to thank all staff and stakeholders for their commitment, contribution and patience in showing their continuing support for our Group.

Harry Wilson

Chairman

29 December 2017

Condensed statement of comprehensive income

for the 6 months ended 30 September 2017

	Notes	6 months to 30 Sep 2017 (unaudited) £'000	6 months to 30 Sep 2016 (unaudited) (restated) £'000	12 months to 31 Mar 2017 (audited) £'000
Revenue	3	16,616	17,319	42,464
Cost of sales		(9,832)	(9,259)	(29,060)
Gross Profit		6,784	8,060	13,404
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(2,401)	(1,925)	(6,048)
Defined benefit pension service cost		–	–	(188)
Exceptional operating income/(charges)		579	(2,327)	(19,017)
Total administrative expenses		(1,822)	(4,252)	(25,253)
Selling and distribution expenses		(7,741)	(9,882)	(17,852)
Operating Loss		(2,779)	(6,074)	(29,701)
Finance income		–	–	170
Finance costs		(311)	(286)	(626)
Loss before tax		(3,090)	(6,360)	(30,157)
Taxation	4	–	529	1,357
Loss for the period/year		(3,090)	(5,831)	(28,800)
Other comprehensive (loss)/income:				
Exchange differences on translation of foreign operations		18	(379)	319
Actuarial losses recognised in the pension scheme		–	–	(1,064)
Tax on actuarial gains/(losses) recognised in the pension scheme		–	–	166
Revaluation of reference collection		–	–	70
Other comprehensive income/(loss) for the period/year, net of tax		18	(379)	(509)
Total comprehensive loss for the period/year		(3,072)	(6,210)	(29,309)
Basic earnings per Ordinary Share	5	(1.73)p	(3.26)p	(16.10)p
Diluted earnings per Ordinary Share	5	(1.73)p	(3.26)p	(16.10)p

All profit and total comprehensive income is attributable to the owners of the parent; there are no non-controlling interests.

Condensed statement of financial position

as at 30 September 2017

	30 Sep 2017 (unaudited) £'000	30 Sep 2016 (unaudited) (restated) £'000	31 Mar 2017 (audited) £'000
Non-current assets			
Intangible assets	6,906	19,460	7,772
Property, plant and equipment	3,318	4,783	4,332
Deferred tax asset	1,344	1,923	1,344
	11,568	26,166	13,454
Current assets			
Inventories	52,011	64,542	55,225
Trade and other receivables	4,221	13,703	4,044
Assets held for sale	951	–	–
Cash and cash equivalents	1,081	2,389	2,349
	58,264	80,634	61,618
Total assets	69,832	106,800	75,072
Current liabilities			
Trade and other payables	27,846	24,555	29,260
Borrowings	17,369	18,878	16,501
Current tax payable	–	282	–
	45,215	43,715	45,761
Non-current liabilities			
Trade and other payables	2,904	15,205	4,676
Retirement benefit obligations	6,086	5,222	6,086
Deferred tax liabilities	554	1,852	554
	9,544	22,279	11,316
Total liabilities	54,759	65,994	57,077
Net assets	15,073	40,806	17,995
Equity			
Called up share capital	1,789	1,789	1,789
Share premium account	74,847	74,847	74,847
Share compensation reserve	2,033	1,595	1,883
Capital redemption reserve	38	38	38
Revaluation reserve	346	276	346
Retained earnings	(63,980)	(37,739)	(60,908)
Equity shareholders' funds	15,073	40,806	17,995

Condensed statement of changes in equity

for the 6 months ended 30 September 2017

	Called up share capital £'000	Share premium account £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At April 2017	1,789	74,847	1,883	346	38	(60,908)	17,995
(Loss)/profit for the financial year	-	-	-	-	-	(3,090)	(3,090)
Exchange differences on translation of foreign operations	-	-	-	-	-	18	18
Total comprehensive income/(loss)	-	-	-	-	-	(3,072)	(3,072)
Cost of share options	-	-	150	-	-	-	150
At 30 September 2017	1,789	74,847	2,033	346	38	(63,980)	15,073
At April 2016	471	63,682	1,448	276	38	(27,523)	38,932
Prior year adjustment	-	-	-	-	-	(4,006)	(4,006)
At 1 April 2016 (restated)	471	63,682	1,448	276	38	(31,529)	33,508
Profit for the period	-	-	-	-	-	(5,831)	(5,831)
Exchange differences on translation of foreign operations	-	-	-	-	-	(379)	(379)
Total comprehensive income/(loss)	-	-	-	-	-	(6,210)	(6,210)
Issue of new shares	1,318	11,162	-	-	-	-	12,480
Cost of share options	-	-	150	-	-	-	150
At 30 September 2016	1,789	78,844	1,598	276	38	(37,739)	40,334
At April 2016 (restated)	471	63,682	1,448	276	38	(31,529)	34,386
(Loss)/profit for the financial year	-	-	-	-	-	(28,800)	(28,800)
<i>Amounts which may be subsequently reclassified to profit & loss</i>	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	319	319
<i>Amounts which will not be subsequently reclassified to profit & loss</i>	-	-	-	-	-	-	-
Revaluation of reference collection	-	-	-	70	-	-	70
Remeasurement of pension scheme net of deferred tax	-	-	-	-	-	(898)	(898)
Total comprehensive income/(loss)	-	-	-	70	-	(29,379)	(29,309)
Share issue	1,318	11,165	-	-	-	-	12,483
Cost of share options	-	-	435	-	-	-	435
At 31 March 2017	1,789	74,847	1,883	346	38	(60,908)	17,995

Condensed statement of cash flows

for the 6 months ended 30 September 2017

	Notes	6 months to 30 Sep 2017 (unaudited) £'000	6 months to 30 Sep 2016 (unaudited) (restated) £'000	12 months to 31 Mar 2017 (audited) £'000
Cash outflow from operating activities	6	(3,295)	(11,086)	(8,248)
Interest paid		(311)	(286)	(626)
Taxes paid		–	500	493
Net cash outflows from operating activities		(3,606)	(10,872)	(8,381)
Investing activities				
Purchase of property, plant and equipment		(6)	(92)	(301)
Purchase of intangible assets		(24)	–	(118)
Sale of freehold property		–	2,500	2,500
Sale of financial asset		1,400	–	–
Disposal of subsidiary		100	–	–
Interest received		–	–	170
Net cash generated from/(used in) investing activities		1,470	2,408	2,251
Financing activities				
Net proceeds from issue of ordinary share capital		–	12,380	12,383
Net borrowings		(700)	(823)	(823)
Net cash generated from/(used in) financing activities		(700)	11,557	11,560
Net decrease in cash and cash equivalents		(2,836)	3,093	5,430
Cash and cash equivalents at start of period		(5,852)	(11,282)	(11,282)
Cash and cash equivalents at end of period		(8,688)	(8,189)	(5,852)

Notes to the Condensed Financial Statements

for the 6 months ended 30 September 2017

1 Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2018.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review above. The Group's forecasts shows that it will remain within current banking facility limits for the foreseeable future, until the existing facilities have expired in May 2018. However as highlighted above, the Group is currently in default on its banking facilities, due to the qualified audit report in March 2017 financial statements, the breach of the net asset covenant, as the Group's net assets are currently below £20m and the value of the stock in the UK being below the required multiple of the total borrowings. In the event that either trading deteriorates or the Group is unable to renegotiate a new banking facility with the existing lender, the Group would require access to additional liquidity.

Whilst the bank remains supportive of the ongoing efforts to stabilise the core business, the Board believes that it needs to refinance the existing facility prior to its expiry in May 2018 in order to take advantage of the significant restructuring that it has achieved. In addition to the refinancing of the debt, the Board believes that the Company requires further investment of approximately £5m in order to enable the growth of the core business and to normalise working capital. Whilst discussions with the bank remain constructive there is a risk that the quantum of debt which needs to be refinanced, together with the investment and working capital requirement cannot be obtained within the current capital structure. Whilst the Board has received offers of finance from both existing and new investors including an offer of equity conditional on the restructuring of the existing debt, the bank has requested that the Board explore improved financing options in the New Year in light of the administration of Guernsey and the significant reduction in contingent liabilities.

The Directors acknowledge that the above risks may be considered material uncertainties which could cast significant doubt on the Group's ability to continue as a going concern. They recognise that the bank has remained supportive across the recent period and have additionally anticipated a number of mitigating courses of action. As part of these discussions the Board will consider raising further equity or asset sales, however the Board is of the view that whilst alternative finance will be available it is likely to require restructuring of the current indebtedness as part of the solution.

As such, having regard to the matters above, and after making reasonable enquiries and taking account of uncertainties discussed above, the Directors have a reasonable expectation that the Company and the Group have access to adequate resources to continue operations and to meet its liabilities, as and when they fall due, for the foreseeable future. For that reason, they continue to adopt the going concern basis in the preparation of the accounts.

Notes to the Condensed Financial Statements

continued

2 Significant accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2017.

Income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 Segmental analysis

As outlined in the Operating Review the company has five main business segments, as shown below. This is based upon the Group's internal organisation and management structure and is the primary way in which the Board of Directors is provided with financial information.

Segmental income statement	Investments £'000	Philatelic £'000	Publishing £'000	Coins & Medals £'000	Interiors £'000	Unallocated £'000	Total £'000
6 months to 30 September 2017							
Revenue	6,810	3,562	988	2,068	3,188	–	16,616
Operating costs	(6,420)	(3,961)	(1,040)	(1,688)	(4,130)	(2,735)	(19,974)
Exceptional costs	(40)	(209)	–	(72)	1,394	(494)	579
Net finance costs	–	–	–	(1)	(73)	(237)	(311)
Profit/(loss) before tax	350	(608)	(52)	307	379	(3,466)	(3,090)
Tax	–	–	–	–	–	–	–
Profit/(loss) for the period	350	(608)	(52)	307	379	(3,466)	(3,090)
6 months to 30 September 2016 (restated)							
Revenue	6,732	3,184	1,078	2,631	3,382	312	17,319
Operating costs	(5,943)	(3,575)	(1,102)	(2,057)	(5,438)	(2,951)	(21,066)
Exceptional costs	–	–	–	–	112	(2,439)	(2,327)
Net finance costs	–	–	–	–	(166)	(120)	(286)
Profit/(loss) before tax	789	(391)	(24)	574	(2,110)	(5,198)	(6,360)
Tax	–	–	–	529	–	–	529
Profit/(loss) for the period	789	(391)	(24)	1,103	(2,110)	(5,198)	(5,831)
12 months to 31 March 2017							
Revenue	18,779	7,881	2,043	4,975	8,650	136	42,464
Operating costs	(17,790)	(8,300)	(1,921)	(4,020)	(13,824)	(7,293)	(53,148)
Exceptional costs	(1,199)	(1,358)	–	(506)	(1,290)	(14,664)	(19,017)
Net finance costs	–	(140)	–	(5)	(354)	43	(456)
Profit/(loss) before tax	(210)	(1,917)	122	444	(6,818)	(21,778)	(30,157)
Tax	–	186	–	965	(1)	207	1,357
Profit/(loss) for the period	(210)	(1,731)	122	1,409	(6,819)	(21,571)	(28,800)

Notes to the Condensed Financial Statements

continued

3 Segmental analysis continued

Geographical Information

Analysis of revenue by origin and destination

	6 months to 30 Sep 2017	6 months to 30 Sep 2017	6 months to 30 Sep 2016	6 months to 30 Sep 2016	12 months to 31 Mar 2017	12 months to 31 Mar 2017
	Sales by destination	Sales by origin	Sales by destination (restated)	Sales by origin (restated)	Sales by destination	Sales by origin
	£'000	£'000	£'000	£'000	£'000	£'000
Channel Islands	391	6,811	7,139	6,732	654	19,145
United Kingdom	9,486	9,230	7,210	10,498	31,235	21,888
Hong Kong	840	–	178	78	725	2,645
Europe	812	–	1,150	–	1,934	37
North America	3,650	575	539	–	4,838	1,394
Singapore	293	–	161	11	463	–
Asia	304	–	258	–	662	–
Rest of the World	840	–	684	–	1,953	–
	16,616	16,616	17,319	17,319	42,464	42,464

Destination is defined as the location of the customer. Origin is defined as the country of domicile of the Group company making the sale. All of the sales relate to external customers.

4 Taxation

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

5 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. 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.

Notes to the Condensed Financial Statements

continued

5 Earnings per ordinary share continued

	6 months to 30 Sep 2017 (unaudited)	6 months to 30 Sep 2016 (unaudited) (restated)	12 months to 31 Mar 2017 (audited)
Weighted average number of ordinary shares in issue (No.)	178,916,643	178,916,643	178,916,643
Dilutive potential ordinary shares: Employee share options (No.)	323,959	1,898,559	323,959
(Loss)/profit after tax (£)	(3,090,000)	(5,831,000)	(28,800,000)
Pension service costs (net of tax)	150,000	190,000	150,000
Cost of share options (net of tax)	150,000	150,000	435,000
Amortisation of customer lists	180,000	180,000	423,000
Exceptional operating (income)/costs (net of tax)	(579,000)	2,122,000	18,276,000
Adjusted (loss)/profit after tax (£)	(3,189,000)	(3,189,000)	(9,516,000)
Basic earnings per share – pence per share (p)	(1.73)p	(3.26)p	(16.10)p
Diluted earnings per share – pence per share (p)	(1.73)p	(3.26)p	(16.10)p
Adjusted earnings per share – pence per share (p)	(1.78)p	(1.78)p	(5.32)p
Adjusted diluted earnings per share – pence per share (p)	(1.78)p	(1.78)p	(5.32)p

Notes to the Condensed Financial Statements

continued

6 Cash outflows from operating activities

	6 months to 30 Sep 2017 (unaudited)	6 months to 30 Sep 2016 (unaudited) (restated)	12 months to 31 Mar 2017 (audited)
	£'000	£'000	£'000
Operating (loss)/profit	(2,779)	(6,074)	(29,701)
Profit on sale of property	–	(300)	(325)
Profit on disposal of investment	(1,394)	–	–
Impairment of tangible assets	–	–	–
Depreciation	201	225	619
Amortisation	340	171	684
Impairment of intangibles	150	–	11,980
Increase/(decrease) in provisions	–	–	(200)
Net exchange differences	18	(379)	(37)
Cost of share options	150	150	435
Decrease in inventories	3,214	1,379	10,696
Increase/(decrease) in trade and other receivables	(177)	82	9,742
Decrease in trade and other payables	(3,018)	(6,340)	(12,141)
Cash outflows from operating activities	(3,295)	(11,086)	(8,248)

7 Post Balance Sheet Events

Sale of certain assets and liabilities of the Interiors division

On 1 October the Group sold certain assets and liabilities of Dreweatts and the intellectual property rights and goodwill in respect of the Bloomsbury brands, part of the Group's Interiors division.

The sale was for a consideration of £1.25m million in cash payable on completion, plus a maximum additional consideration of £0.4m, payable over the next 24 months, alongside the assumption of other liabilities currently associated with the Interiors division.

On 8 December the Group sold the intellectual property rights and goodwill in respect of the Mallett brand, part of the Group's Interiors division.

The sale was for a consideration of £100,000 in cash payable on completion.

Notes to the Condensed Financial Statements

continued

7 Post Balance Sheet Events continued

Appointment of Administrators to Stanley Gibbons (Guernsey) Limited

On 21 November, following consultation with the Company and its bank, Stanley Gibbons (Guernsey) Limited ("SG Guernsey") made an application to the Royal Court of Guernsey for an administration order ("Administration Order") in respect of SG Guernsey and the Administration Order was granted in accordance with the laws of Guernsey.

The effect of the Administration Order was to place the operations of SG Guernsey, which comprises the investment division of the group, in the hands of the appointed joint administrators whose responsibility will now be to establish the liabilities of SG Guernsey (including its indebtedness to the Company) and realise the assets of that company in order to make a distribution to its creditors.

SG Guernsey's current assets principally comprise approximately £12.6 million of philatelic stock. This stock figure excludes approximately £14 million of stock owned by third parties. SG Guernsey's potential liabilities primarily consist of around £54 million contingent liabilities relating to the buy-back guarantees (or "investment products") that were offered by SG Guernsey (under previous management) prior to August 2016 and a further approximate £11 million of liabilities included on its balance sheet. SG Guernsey's liabilities also include outstanding indebtedness owed to the Company, amounting to approximately £6.5 million, which will rank alongside other unsecured creditors, mainly consisting of bank debt and payments due to holders of investment products.

For the six months to 30 September 2017, the investments division which included SG Guernsey, made total sales of £6.8 million and a divisional profit, before exceptional costs, of £0.35 million, across this period, the net cash outflows from the investments division were £2.0 million due to payments made under the investment plan buy-back obligations.

Notes to the Condensed Financial Statements

continued

7 Post Balance Sheet Events continued

The following pro forma balance sheet shows what the estimated theoretical impact of the above events on the Group balance sheet would have been, if they had occurred on 30 September 2017.

	Interim £'000	Interiors £'000	Guernsey £'000	Pro forma £'000
Non-current assets				
Intangible assets	6,906	–	–	6,906
Property, plant and equipment	3,318	–	–	3,318
Deferred tax asset	1,344	–	–	1,344
	11,568	0	–	11,568
Current Assets				
Inventories	52,011	(46)	(26,459)	25,506
Trade and other receivables	3,957	(44)	(953)	2,960
Assets held for sale	951	(951)	–	–
Cash and cash equivalents	1,081	740	(313)	1,508
	58,264	(301)	(27,725)	30,238
Total assets	69,832	(301)	(27,725)	41,806
Current liabilities				
Trade and other payables	27,846	(653)	(17,746)	9,447
Borrowings	17,369	–	–	17,369
	45,215	(653)	(17,746)	28,816
Non-current liabilities				
Other payables	2,904	–	(2,904)	–
Retirement benefit obligations	6,086	–	–	6,086
Deferred tax liabilities	554	–	–	554
	9,544	–	(2,904)	6,640
Total liabilities	54,759	653	(20,650)	33,456
Net assets	15,073	352	(7,075)	8,350
Equity				
Called up share capital	1,789	–	–	1,789
Share premium account	74,847	–	–	74,847
Share compensation reserve	2,033	–	–	2,033
Capital redemption reserve	38	–	–	38
Revaluation reserve	346	–	–	346
Retained earnings	(63,980)	352	(7,075)	(70,703)
Equity shareholders' funds	15,073	352	(7,075)	8,350

Notes to the Condensed Financial Statements

continued

8 Further copies of this statement

Copies of this statement are being sent to shareholders and can be viewed on the Company's website at www.stanleygibbons.com. Further copies are available on request from: The Company Secretary, The Stanley Gibbons Group plc, 18 Hill Street, St Helier, Jersey JE2 4UA.

