



# **The Stanley Gibbons Group plc**

**Interim Report and Accounts  
for the six months ended 30 September 2019**

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# Directors and Advisers

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<b>Directors</b>	H G Wilson	Non-Executive Chairman
	G E Shircore	Chief Executive Officer
	A M Gee	Chief Finance Officer
	L E Castro	Non-Executive Director*
	M West	Non-Executive Director*

*\* Independent*

**Company Secretary**

R K Purkis

**Registered Office**

18 Hill Street  
St. Helier  
Jersey JE2 4UA  
Tel: +44(0)20 7836 8444

**Company Registration**

Registered in Jersey  
Number 13177

**Legal Form**

Public Limited Company limited by shares

**Nominated Adviser and Broker**

Liberum Capital Limited  
25 Ropemaker Street  
London EC2Y 9LY

**Auditors**

Jeffreys Henry LLP  
Finnsgate  
5-7 Cranwood Street  
London EC1V 9EE

**Legal Advisers**

Mourant Ozannes  
22 Grenville Street  
St Helier  
Jersey JE4 8PX  
  
Bird & Bird LLP  
12 New Fetter Lane  
London EC4A 1JP

**Bankers**

Barclays Bank PLC  
1 Churchill Place  
London E14 5HP

# Directors and Advisers

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## **Registrars**

Link Market Services (Jersey) Limited  
Shareholder Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: 0871 664 0300; from overseas +44(0)37 1664 0300

## **Website**

Further financial, corporate and shareholder information is available in the investor relations section of the Group's website: [www.stanleygibbonsplc.com](http://www.stanleygibbonsplc.com).

# Chairman's Statement

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It is now 20 months since the refinancing and the start of an ambitious plan to transform the Group. I am pleased to say that these are the first results which clearly show the progress which is being made – not least by the publication of this interim report well ahead of recent years. Of particular note are the 34% increase in sales and the 72% reduction in the loss from continuing operations over the comparable period for 2018. As the legacy issues fall away behind us, we are hopeful this positive trend will continue.

Having looked at a number of options, we have recently committed to make our flagship store in the Strand our home for the foreseeable future. A major redevelopment of the premises will commence early in the new year and will complement the rebranding which we launched a few months ago. We look forward to seeing you in the shop where you will be given a warm welcome. We have also been busy on the technology side with the release of new websites for both Stanley Gibbons & Baldwin's and significant improvements on digital publishing & marketing. Positive feedback has been received on all of these advances.

Corporate overheads for the last 6 months are 23% down on the comparable period in 2018 but we expect this rate of reduction will slow as we continue to rebuild. Stock levels will be re-balanced, with the mix adjusted to better fit what our clients are interested in. This in turn should lead to sales and profitability improving. Staff numbers have stabilised now following the painful cuts of recent years and we are fortunate to have retained leading specialists in both stamps and coins who enable us to offer our clients a first-class service

While most of the legacy issues are behind us we have not become complacent and recognise that there is still a lot to do to rebuild trust from our clients and the market. We are working hard to achieve this on a variety of fronts which are described more fully in the following section of this report. The collectibles market for stamps and coins has remained strong despite the economic uncertainties elsewhere and we have two of the strongest brands in the world to take advantage of this. The support from all of our stakeholders is very much appreciated but our staff deserve a particular word of thanks for their hard work and commitment which is driving the progress we are making. I look forward to reporting on our continued progress in my next statement.

**Harry Wilson**  
*Chairman*

27 November 2019

# Chief Executive's Report

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## Introduction

In previous reports, we have attempted to clearly communicate with our shareholders details of the journey on which we embarked at the start of the last financial year and which we believe has the potential, over time, to be transformational for the Group. This interim set of results is perhaps the first where the progress which is being made in terms of underlying trading can clearly be seen, with less impact from 'legacy' issues and tangible improvement in many areas of the business.

More specifically, in the last interim report I also highlighted several initiatives which we were aiming to achieve over the coming 12 months and it would be remiss not to update you on the progress we have made with regard to these. I said that we expected to make tangible progress on the following:

- Clarity around and development of our flagship, London location.
- Significant improvement in our technological capability, including our publishing processes and offering and improved websites for both Baldwin's and Stanley Gibbons.
- A rebranding exercise for both brands which will make us more up to date and bring much needed consistency to what our customers see and experience when they come into contact with us.
- A range of initiatives aimed at increasing the addressable market.

I am pleased to be able to say that a lot has been done with regard to each of these:

- We have secured our long term home at 399 Strand and plans for its redevelopment are well advanced with work expected to begin early in the new year.
- Both brands have new websites and the introduction of an entirely new intellectual property database and publishing process is also well advanced and already in use for certain types of publications.
- Both brands have been through a rebranding exercise which also incorporated some improvements to our retail experience.
- We have increased the level of publicity we are involved in both for the brands and the hobbies themselves as well as trialling a range of initiatives to broaden their appeal.

Nevertheless a lot more work remains if we are to be successful on our journey and I look forward to being able to share with you the results of further initiatives in the future.

# Chief Executive's Report

continued

## Operating Review

### Continuing Operations

	6 months to 30 Sep 2019 Sales £000	6 months to 30 Sep 2019 Profit £000	6 months to 30 Sep 2018 Sales £000	6 months to 30 Sep 2018 Profit £000	12 months to 31 Mar 2019 Sales £000	12 months to 31 Mar 2019 Profit £000
Philatelic	3,416	39	1,841	(381)	4,942	(487)
Publishing	935	(3)	936	(50)	2,199	53
Coins & medals	1,734	158	1,633	218	3,216	538
Legacy interiors property	659	93	616	9	1,320	161
Other & corporate overheads	–	(1,173)	–	(1,534)	–	(3,086)
Net finance charges on borrowings*	–	(297)	–	(300)	–	(497)
<b>Trading sales and losses</b>	<b>6,744</b>	<b>(1,183)</b>	<b>5,026</b>	<b>(2,038)</b>	<b>11,677</b>	<b>(3,318)</b>
Amortisation of customer lists	–	(120)	–	(120)	–	(220)
Pension service and share option charges	–	(25)	–	(90)	–	(389)
Finance charges related to pensions	–	–	–	–	–	(133)
Exceptional operating income/(charges)	–	667	–	(118)	–	(203)
<b>Group sales and loss from continuing operations</b>	<b>6,744</b>	<b>(661)</b>	<b>5,026</b>	<b>(2,366)</b>	<b>11,677</b>	<b>(4,263)</b>

\* excludes IFRS16 interest cost at 30 September 2019 which has been included in overheads for divisions in line with rent expense in previous periods.

# Chief Executive's Report

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continued

## Operating Review (continued)

### Overview

Whilst the business remained both cash and profit negative through the period, we have clearly started moving in the right direction. It was a positive step that our Philatelic division generated a small profit and that turnover grew in both the Philatelic and Coins & medal divisions. The Stanley Gibbons brand is beginning to restore some of its reputation which was damaged during the period up until March 2018 and we are seeing a building of both trust and willingness to trade with the Group from both our customers and vendors. Overheads continue to decline although the rate at which these costs can continue to fall will naturally now reduce.

During the period, the Group benefited from a resolution of a legal claim, receiving a settlement of £850,000 which is shown in exceptional operating income/(charges) in the table above.

### Philatelic

The Philatelic division reflects the results for our stamp dealing, retail and auctions business. The division has made good progress in the period with sales increased by £1,575,000 and the division generated a profit of £39,000 compared to a loss of £381,000 in the six months to 30 September 2018. The retail, auction and dealing operations all saw improvements in revenue. Margins were lower than in the previous period mainly as a result of selling down old inventory. These older, in many cases lower value items, were typically sold at lower margins than we are able to achieve on our newer inventory where margins have largely been maintained. We will continue this process in the second half of the year as we attempt to both reduce and refresh our inventory to match the demands of our collectors. The division's overheads were £100,000 lower resulting from the savings from the reorganisation carried out in the previous year.

### Publishing

Publications revenue was in line with the previous year. The loss reduced by £47,000 which was primarily a result of improved margins due to a reorganisation of our procurement process.

We continue to work on new initiatives in this division. We launched a new look for our philatelic catalogues and an updated range of albums and accessories in September as well as extending our app based digital catalogue offering into a web based format. We are continuing to work to further digitise the wealth of unique and historical intellectual property we have.

### Coins & Medals

During the period, Baldwin's sales increased by 6% on the previous year. However, due to competitive trading conditions the gross margin achieved during the period was 4% down. Profit of £158,000 was generated compared to £218,000 in the previous period.

As we have stated before, the coin business suffered the most from our period of financial difficulty and we are still rebuilding the stock levels which will enable our turnover and profit to grow in the future. Our inventory levels were higher than at 31 March 2019 but not yet at the levels required to generate the level of turnover growth we are aiming for. We are currently reviewing initiatives that have the potential to widen the customer base, turnover and profit of the division.



# Chief Executive's Report

continued

## Operating Review (continued)

### Corporate Overheads

Corporate overheads in the six months to 30 September 2019 fell to £1,173,000 compared to £1,534,000 in the previous period. Head count is now at a level which is required to support the resized Group and a number of corporate costs have been reduced. The number of legacy issues is now significantly reduced and our professional fees are accordingly lower. Therefore the significant savings in corporate overhead seen in the last two to three years is reflected in these results and further significant savings will be harder to come by.

We do, however, continue to identify areas where savings can still be targeted, particularly as contracts from various service providers expire and the cost benefits of further IT investment come through.

### Exceptional Operating Income/(Charges)

Exceptional operating charges can be further analysed as follows:

	6 months to 30 Sep 2019 £000	6 months to 30 Sep 2018 £000	12 months to 31 Mar 2019 £000
Resolution of legal claim*	846	–	–
Stock provisions	(159)	–	(8)
Dilapidations on leased property	6	–	(18)
Exceptional legal fees	–	–	(39)
Professional fees for corporate activity	–	(118)	–
Legacy wind-down costs of overseas entities	(26)	–	(138)
	667	(118)	(203)

\* For details of the £846,000 for the resolution of the legal claim please see the litigation section

## Funding & Cash Flow

As at the balance sheet date the Group had cash balances of £2.3m and a loan of £12.8m repayable in March 2023, provided there is no event of default in the meantime. This loan is due to Phoenix S. G. Limited, the Group's controlling shareholder.

As a result of Stanley Gibbons (Guernsey) Limited being in liquidation, the Group is currently in default on its loan facilities. Although during periods of default the facilities are repayable on demand, Phoenix S. G. Limited has not requested repayment. Phoenix S.G. Limited advanced a further £1,000,000 of funds during the period, part of the £5m facility agreed in December 2018. The Group has headroom of £3m remaining on this facility

Net cash outflows from operating activities for the six months ended 30 September 2019 were £0.5m (2018: £3.1m), although this includes £850,000 of funds from the resolution of a legal claim (see Litigation section). Contributions to the Group's pension scheme were £265,000 in the period.

As at 25 November 2019 the Group had net cash balances of £1.5m. The Group is anticipating that work will commence on the refurbishment of its main trading premises, 399 Strand, London during the early part of 2020.

# Chief Executive's Report

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continued

## Operating Review (continued)

### Litigation

On 14 June 2019 the Group announced that all outstanding claims involving certain former directors of Mallett plc had been resolved, bringing the matter to a full and final conclusion. The Group received £850,000 in relation to this settlement and net of fees this is shown as exceptional income in the Consolidated statement of comprehensive income.

All funds had been received by 30 September 2019.

### Dividend

The Directors do not recommend an interim dividend for the six months ended 30 September 2019 (2018 : £nil).

### Outlook

Regular readers of our reports will be well aware of the overarching goals of the Group and our approach to achieving these is unchanged.

I stated in the last interim report, *'while the Group remains in a challenging position and will continue to be so for some time, every indication is that both brands have huge potential if given a stable platform from which to grow and it is delivery of this on which we are all focused'* and this remains true in all senses. While there is still a lot of work to be done, particularly in terms of our use of technology, we are well advanced in terms of creating that platform. This allows us to begin to spend more time thinking about and working on the next step of making the most of that potential.

However these are only the early stages and it is vital that we not only continue the momentum we have begun to create but accelerate it still further. This is no small task, particularly as we go through the redevelopment of our main trading location at 399 Strand, but we are focused on and working extremely hard to achieve exactly that.

Your ongoing support, that of our customers and in particular the hard work of everybody within the Group is recognised and very much appreciated by everybody on the Board.

### Graham Shircore

Chief Executive Officer

27 November 2019

# Condensed statement of comprehensive income

for the 6 months ended 30 September 2019

	Notes	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
<b>Revenue</b>	3	6,744	5,026	11,677
Cost of sales		(3,738)	(2,474)	(5,711)
<b>Gross Profit</b>		3,006	2,552	5,966
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(2,038)	(2,012)	(5,320)
Defined benefit pension service cost		–	–	(438)
Exceptional operating charges		667	(118)	(203)
Total administrative expenses		(1,371)	(2,130)	(5,961)
Selling and distribution expenses		(1,815)	(2,488)	(3,880)
<b>Operating Loss</b>		(180)	(2,066)	(3,875)
Finance income		15	19	45
Finance costs		(496)	(319)	(542)
Share of net profits of joint venture		–	–	109
<b>Loss before tax</b>		(661)	(2,366)	(4,263)
Taxation	4	–	–	(36)
<b>Loss from continuing operations</b>		(661)	(2,366)	(4,299)
<b>Profit/(loss) from discontinued operations</b>		29	(30)	74
<b>Loss for the financial period/year</b>		(632)	(2,396)	(4,225)
<b>Other comprehensive income:</b>				
Exchange differences on translation of foreign operations		3	46	–
Actuarial gains recognised in the pension scheme		–	–	(246)
Tax on actuarial gains recognised in the pension scheme		–	–	(465)
<b>Other comprehensive income for the period/year, net of tax</b>		3	46	(711)
<b>Total comprehensive loss for the period/year</b>		(629)	(2,350)	(4,936)
<b>Earnings per share – continuing operations</b>				
<b>Basic loss per Ordinary Share</b>	5	(0.16)p	(0.55)p	(1.01)p
<b>Diluted loss per Ordinary Share</b>	5	(0.16)p	(0.55)p	(1.01)p
Earnings per share – discontinued operations				
Basic earnings per Ordinary Share	5	0.01p	(0.01)p	0.02p
Diluted earnings per Ordinary Share	5	0.01p	(0.01)p	0.02p

Total comprehensive income is attributable to the owners of the parent.

# Condensed statement of financial position

as at 30 September 2019

	Notes	30 Sep 2019 (unaudited) £'000	30 Sep 2018 (unaudited) £'000	31 Mar 2019 (audited) £'000
<b>Non-current assets</b>				
Intangible assets		5,459	5,707	5,600
Property, plant and equipment		2,041	2,385	2,099
Right-of-use assets	8	8,246	–	–
Deferred tax asset		281	1,190	281
Investments		95	113	95
		16,122	9,395	8,075
<b>Current assets</b>				
Inventories		17,438	18,142	18,001
Trade and other receivables		1,591	2,860	2,187
Cash and cash equivalents		2,292	1,789	2,160
		21,321	22,791	22,348
<b>Total assets</b>		<b>37,443</b>	<b>32,186</b>	<b>30,423</b>
<b>Current liabilities</b>				
Trade and other payables		3,744	6,378	6,040
Lease liability	8	774	–	–
Borrowings		12,842	10,250	–
		17,360	16,628	6,040
<b>Non-current liabilities</b>				
Borrowings		–	–	11,529
Lease liability	8	8,098	–	–
Retirement benefit obligations		5,258	5,227	5,523
Deferred tax liabilities		–	408	–
		13,356	5,635	17,052
<b>Total liabilities</b>		<b>30,716</b>	<b>22,263</b>	<b>23,092</b>
<b>Net assets</b>		<b>6,727</b>	<b>9,923</b>	<b>7,331</b>
<b>Equity</b>				
Called up share capital		4,269	4,269	4,269
Share premium account		78,217	78,217	78,217
Share compensation reserve		2,173	2,154	2,148
Capital redemption reserve		38	38	38
Revaluation reserve		346	346	346
Retained earnings		(78,316)	(75,101)	(77,687)
<b>Equity shareholders' funds</b>		<b>6,727</b>	<b>9,923</b>	<b>7,331</b>

# Condensed statement of changes in equity

for the 6 months ended 30 September 2019

	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
<b>At April 2019</b>	4,269	78,217	2,148	346	38	(77,687)	7,331
Loss for the period	–	–	–	–	–	(632)	(632)
Exchange differences on translation of foreign operations	–	–	–	–	–	3	3
<b>Total Comprehensive loss</b>	–	–	–	–	–	(629)	(629)
Cost of share options	–	–	25	–	–	–	25
<b>At 30 September 2019</b>	4,269	78,217	2,173	346	38	(78,316)	6,727
At 1 April 2018	4,269	78,217	2,064	346	38	(72,751)	12,183
Loss for the period	–	–	–	–	–	(2,396)	(2,396)
Exchange differences on translation of foreign operations	–	–	–	–	–	46	46
<b>Total Comprehensive loss</b>	–	–	–	–	–	(2,350)	(2,350)
Cost of share options	–	–	90	–	–	–	90
<b>At 30 September 2018</b>	4,269	78,217	2,154	346	38	(75,101)	9,923
At April 2018	4,269	78,217	2,064	346	38	(72,751)	12,183
Loss for the financial year	–	–	–	–	–	(4,225)	(4,225)
<i>Amounts which may be subsequently reclassified to profit &amp; loss</i>							
<i>Amounts which will not be subsequently reclassified to profit &amp; loss</i>							
Remeasurement of pension Scheme net of deferred tax	–	–	–	–	–	(711)	(711)
<b>Total comprehensive loss</b>	–	–	–	–	–	(4,936)	(4,936)
Cost of share options	–	–	84	–	–	–	84
<b>At 31 March 2019</b>	4,269	78,217	2,148	346	38	(77,687)	7,331

# Condensed statement of cash flows

for the 6 months ended 30 September 2019

	Notes	6 months to 30 Sep 2019 (unaudited) £'000	6 months to 30 Sep 2018 (unaudited) £'000	12 months to 31 Mar 2019 (audited) £'000
<b>Cash outflow from operating activities</b>	6	(50)	(2,755)	(3,361)
Interest paid		(496)	(300)	(542)
Taxes paid		–	–	–
<b>Net cash outflows from operating activities</b>		(546)	(3,055)	(3,903)
<b>Investing activities</b>				
Purchase of property, plant and equipment		–	(2)	(1)
Purchase of intangible assets		(135)	–	(124)
Investment in joint venture		–	–	18
Interest received		15	–	45
<b>Net cash (used in)/generated from investing activities</b>		(120)	(2)	(62)
<b>Financing activities</b>				
Principal elements of lease elements		(515)	–	–
Net borrowings		1,313	250	1,529
<b>Net cash generated from/(used in) financing activities</b>		798	250	1,529
<b>Net increase/(decrease) in cash and cash equivalents</b>		132	(2,807)	(2,436)
Cash and cash equivalents at start of period		2,160	4,596	4,596
<b>Cash and cash equivalents at end of period</b>		2,292	1,789	2,160

# Notes to the Condensed Financial Statements

for the 6 months ended 30 September 2019

## 1 Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as approved for use in the European Union applied in accordance with the provisions of Companies (Jersey) Law 1991 on a historical basis except where otherwise indicated.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Report above. The Group's forecasts show that it will remain within current loan facility limits for the foreseeable future. Although the Directors have built the forecast based on current trading trends and historical knowledge of the business, the Directors recognise that forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

The loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and due for repayment in March 2023. The Group remains in default of the facilities due to Stanley Gibbons (Guernsey) Limited (in liquidation), being in liquidation. During periods of default, the loan becomes payable on demand. In the event that Phoenix S.G. Limited requests repayment of the loan the Group would require access to additional liquidity. The Directors acknowledge that this risk casts doubt on the Group's ability to continue as a going concern. However the Directors recognise that Phoenix S. G. Limited has granted a waiver for a number of defaults at 31 March 2019, and continues to state that it intends to be a long term investor, is the Group's controlling party with an interest of just over 58% and has given no indication that it would withdraw its support before March 2023 when the loan facility is repayable.

In previous years the Group had significant uncertainty resulting from investment contract guarantees and undertakings given by its subsidiary Stanley Gibbons (Guernsey) Limited. The granting of the administration order on 21 November 2017 for Stanley Gibbons (Guernsey) Limited resulted in the Group's loss of control of the business and its assets and liabilities. This resulted in significant contingent liability, approximately £54,150,000 at 31 March 2017 (the last accounting date prior to administration), relating to guarantees and undertakings having been removed from the Group and fundamentally limited the exposure of the Group to the related buyback liabilities and associated cash outflows. On 2 April 2019 the Royal Court of Guernsey ordered that Stanley Gibbons (Guernsey) Limited enter liquidation, this process is still ongoing. The Directors have made enquiries to establish whether there are any uncertainties that would materially impact the Group's cash flow over the foreseeable future and from the review have not identified any such uncertainties.

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.

## 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 2019, with the exception of the adoption of the new leasing standard IFRS 16 Leases, see note 8.

# Notes to the Condensed Financial Statements

continued

## 3 Segmental analysis

As outlined in the Operating Review the company has four 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.

<b>Segmental income statement</b>	<b>Philatelic £'000</b>	<b>Publishing £'000</b>	<b>Coins &amp; Medals £'000</b>	<b>Legacy Interiors £'000</b>	<b>Unallocated £'000</b>	<b>Total £'000</b>
<b>6 months to 30 September 2019 (unaudited)</b>						
Sale of goods	3,056	692	1,705	–	–	5,453
Sale of services (inc Commissions)	345	243	–	–	–	588
Other income	15	–	29	659	–	703
<b>Revenue</b>	<b>3,416</b>	<b>935</b>	<b>1,734</b>	<b>659</b>	<b>–</b>	<b>6,744</b>
Operating costs	(3,338)	(938)	(1,576)	(422)	(1,317)	(7,591)
Exceptional costs	26	–	–	687	(46)	667
Net finance costs	(39)	–	–	(145)	(297)	(481)
Profit/(loss) before tax	65	(3)	158	779	(1,660)	(661)
Tax	–	–	–	–	–	–
<b>Profit/(loss) for the period from continuing operations</b>	<b>65</b>	<b>(3)</b>	<b>158</b>	<b>779</b>	<b>(1,660)</b>	<b>(661)</b>
<b>6 months to 30 September 2018 (unaudited)</b>						
Sale of goods	1,550	708	1,623	–	–	3,881
Sale of services (inc Commissions)	286	228	–	–	–	514
Other income	5	–	10	616	–	631
<b>Revenue</b>	<b>1,841</b>	<b>936</b>	<b>1,633</b>	<b>616</b>	<b>–</b>	<b>5,026</b>
Operating costs	(2,222)	(986)	(1,415)	(607)	(1,744)	(6,974)
Exceptional costs	(2)	–	(17)	–	(99)	(118)
Net finance costs	–	–	–	–	(300)	(300)
Profit/(loss) before tax	(383)	(50)	201	9	(2,143)	(2,366)
Tax	–	–	–	–	–	–
<b>Profit/(loss) for the period from continuing operations</b>	<b>(383)</b>	<b>(50)</b>	<b>201</b>	<b>9</b>	<b>(2,143)</b>	<b>(2,366)</b>
<b>12 months to 31 March 2019 (audited)</b>						
Sale of goods	4,064	1,779	3,149	–	–	8,992
Sale of services (inc Commissions)	869	420	–	–	–	1,289
Other income	9	–	67	1,320	–	1,396
<b>Revenue</b>	<b>4,942</b>	<b>2,199</b>	<b>3,216</b>	<b>1,320</b>	<b>–</b>	<b>11,677</b>
Operating costs	(5,429)	(2,146)	(2,678)	(1,159)	(3,828)	(15,240)
Exceptional costs	–	–	(53)	61	(211)	(203)
Net finance costs	–	–	–	(394)	(103)	(497)
Profit/(loss) before tax	(487)	53	485	(172)	(4,142)	(4,263)
Tax	34	–	17	–	(87)	(36)
<b>Profit/(loss) for the year from continuing operations</b>	<b>(453)</b>	<b>53</b>	<b>502</b>	<b>(172)</b>	<b>(4,229)</b>	<b>(4,299)</b>



# Notes to the Condensed Financial Statements

continued

## 3 Segmental analysis continued

### Geographical Information

#### Analysis of revenue by origin and destination

	<b>6 months to 30 Sep 2019</b>	<b>6 months to 30 Sep 2019</b>	6 months to 30 Sep 2018	6 months to 30 Sep 2018	12 months to 31 Mar 2019	12 months to 31 Mar 2019
	<b>Sales by destination</b>	<b>Sales by origin</b>	Sales by destination	Sales by origin	Sales by destination	Sales by origin
	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000	£'000
United Kingdom	3,915	6,178	3,202	4,459	7,130	10,553
Channel Islands	26	–	59	–	172	–
Europe	793	–	287	–	796	–
North America	1,343	566	1,018	567	2,331	1,124
Asia	310	–	302	–	743	–
Rest of the World	357	–	158	–	505	–
	6,744	6,744	5,026	5,026	11,677	11,677

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

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

# Notes to the Condensed Financial Statements

continued

## 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.

	<b>6 months to 30 Sep 2019 (unaudited)</b>	6 months to 30 Sep 2018 (unaudited)	12 months to 31 Mar 2019 (audited)
Weighted average number of ordinary shares in issue (No.)	426,916,643	426,916,643	426,916,643
Dilutive potential ordinary shares:			
Employee share options (No.)	–	931,956	–
<b>Continuing operations</b>			
Loss after tax (£'000)	(661)	(2,366)	(4,299)
Pension service costs (net of tax)	–	–	355
Cost of share options (net of tax)	25	90	68
Amortisation of customer lists (net of tax)	120	120	178
Exceptional operating costs (net of tax)	(538)	118	168
Adjusted loss after tax (£'000)	(1,054)	(2,038)	(3,530)
Basic loss per share – pence per share	(0.16)p	(0.55)p	(1.01)p
Diluted loss per share – pence per share	(0.16)p	(0.55)p	(1.01)p
Adjusted loss per share – pence per share	(0.25)p	(0.48)p	(0.83)p
Adjusted diluted loss per share – pence per share	(0.25)p	(0.48)p	(0.83)p
<b>Discontinued operations</b>			
Profit/(loss) after tax (£'000)	29	(30)	74
Basic loss per share – pence per share (p)	0.01p	(0.01)p	0.02p
Diluted loss per share – pence per share (p)	0.01p	(0.01)p	0.02p

# Notes to the Condensed Financial Statements

continued

## 6 Cash outflows from operating activities

	<b>6 months to 30 Sep 2019 (unaudited) £'000</b>	<b>6 months to 30 Sep 2018 (unaudited) £'000</b>	<b>12 months to 31 Mar 2019 (audited) £'000</b>
Operating loss (including discontinued operations)	(151)	(2,096)	(3,802)
Depreciation of tangible assets	65	231	503
Depreciation of right of use assets	407	–	–
Amortisation of intangible assets	269	270	501
Income from joint venture	–	–	109
Decrease in provisions	(265)	(102)	(52)
Net exchange differences	3	(32)	(66)
Cost of share options	25	90	84
Decrease in inventories	563	161	302
Decrease/(increase) in trade and other receivables	596	750	1,424
Decrease in trade and other payables	(1,562)	(2,027)	(2,364)
Cash outflows from operating activities	(50)	(2,755)	(3,361)

## 7 Transactions with Phoenix S. G. Limited ("Phoenix SG")

On 10 September 2018 the Company announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered in to an agreement with Phoenix SG to acquire approximately 1,900 items, for an initial consideration of £5.20m, which is payable in cash to Phoenix SG over the term of the agreement, as and when sales of the items are made to third parties and will be the net proceeds, after deduction of a commission payment to be made to SGL, on completed sales. Phoenix SG had acquired the items from the administrators of Stanley Gibbons (Guernsey) Limited. The agreement is for a total term of 10 years and any sale at a value that is less than the base cost of an inventory item can only be made with the specific permission of Phoenix SG. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix SG no further consideration will be due. To the extent that items remain to be sold at the end of the agreement the relevant items will be returned to Phoenix SG and no further consideration will be due.

Notwithstanding the fact that the agreement was written as a sale from Phoenix SG to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix SG within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 30 September 2019 of the initial items totalling £5.20m, £4.41m remained unsold (31 March 2019: £5.06m unsold).

In April 2019 a further £1.0m of funds was drawn down on the Facility C loan, £2.0m of £5.0m has now been drawn on this facility. The total amount owing at 30 September 2019 to Phoenix SG is £12.8m

# Notes to the Condensed Financial Statements

continued

## 8 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 in note 18(b) below.

The group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

### 8(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	<b>2019</b> <b>£'000</b>
Operating lease commitments disclosed as at 31 March 2019	8,075
Discounted using incremental borrowing rate at date of initial application	6,425
<b>Lease liability recognised as at 1 April 2019</b>	<b>6,425</b>
Of which:	
Current lease liabilities	591
Non-current lease liabilities	5,834
	<b>6,425</b>

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the following types of assets:

	<b>31 September 2019</b> <b>£'000</b>	<b>1 April 2019</b> <b>£'000</b>
Properties	8,246	5,691

# Notes to the Financial Statements

continued

## 8 Changes in accounting policies continued

On 4 July 2019, a new lease was signed on the group's main trading address, Basement to 1st Floor, 399 Strand, London, WC2R, on that date a liability and asset of £2,962,000 was recognised.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets – Increased by £5,691,000
- Accruals and deferred income - Decreased by £734,000
- Lease liabilities – Increased by £6,425,000

There was no impact on retained earnings on 1 April 2019

### (i) Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for September 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	<b>Adjusted EBITDA</b> <b>£'000</b>	<b>Segment assets</b> <b>£'000</b>	<b>Segment liabilities</b> <b>£'000</b>
Philatelic	111	2,886	2,793
Publishing	14	58	51
Interiors	322	5,302	6,028
	447	8,246	8,872

At 30 September 2019 the lease liabilities of £8,872,000 were split between current liabilities £774,000 and non-current liabilities of £8,098,000.

Earnings per share decreased by 0.02p per share for the six months to 31 September 2019 as a result of the adoption of IFRS 16.

# Notes to the Financial Statements

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continued

## **8 Changes in accounting policies continued**

### **(ii) Practical expedients applied**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

### **8(b) The group's leasing activities and how these are accounted for**

The group leases various offices and equipment. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

# Notes to the Financial Statements

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continued

## 8 Changes in accounting policies continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

### (i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. None of the total lease payments made in 2019 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated), the amount of these cash flows is uncertain as several rounds of rent reviews are due before this extension date.

## 9 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.stanleygibbonsplc.com](http://www.stanleygibbonsplc.com). Further copies are available on request from: The Company Secretary, The Stanley Gibbons Group plc, 399 Strand, London WC2R 0LX.







STANLEY  
GIBBONS  
ESTABLISHED 1856

The Stanley Gibbons Group plc  
18 Hill Street, St Helier,  
Jersey JE2 4UA, Channel Islands

and

399 Strand,  
London WC2R 0LX  
Tel: 020 7836 8444

Email: [info@stanleygibbons.com](mailto:info@stanleygibbons.com)  
[www.stanleygibbons.com](http://www.stanleygibbons.com)



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