Directors and Advisers

Directors	D M Bralsford MSc, FCA, FCT, *Chairman** M R M Hall B.Acc, CA, *Chief Executive* J Byfield, *Corporate Development Director* D P J Duff BAAF, AMCT, FCA, *Chief Operating Officer & Finance Director* M P Magee CA, *Director** General Sir Michael Wilkes KCB, CBE, *Director** ** Non-Executive.*
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	Peel Hunt LLP Moor House, 120 London Wall London EC2Y 5ET
Auditors	Nexia Smith & Williamson Portwall Place Portwall Lane Bristol BS1 6NA
Legal Advisers	VerrasLaw 22 Hill Street St Helier Jersey JE2 4UA Mourant Ozannes 22 Grenville Street St Helier Jersey JE4 8PX Lawrence Graham LLP 4 More London Riverside London SE1 2AU
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
Registrars	Capita Registrars (Jersey) Limited Shareholder Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300; from overseas +44 20 8639 3399
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

Introduction

The year ended 31 December 2012 showed solid growth in profits. These were through better gross margins on a similar level of sales as we maintained and consolidated on last year's significant growth in sales. Profit growth was achieved after charging considerable investment and overhead incurred in the year developing our wider strategic objectives. Most importantly, the acquisition of bidStart and associated fundraising represents a key milestone towards achieving our core objective in the development of the global online collectibles trading community.

The Balance Sheet of the Group at 31 December 2012 shows considerable strength in net assets and liquidity with cash balances of £6.8m (31 December 2011: £3.2m) and inventories of rare collectibles stated at historic cost of £20.7m (31 December 2011: £16.8m). The Group has created the funding and asset base to deliver future organic growth from core trading activities at the same time as investing in the exceptional new areas of growth we believe are achievable from our online and auction activities.

The market for rare collectibles continues to demonstrate its resilience in the face of financial uncertainty, particularly in Europe. Alternative investments such as collectibles tend to be attractive to the most intelligent and creative of investors as part of an overall wealth diversification strategy. However, the activities of these investors in the collectibles market remain insignificant in relation to gains to the overall market size. Instead, the influence of passionate collectors chasing scarce items drives the continued strong investment to the benefit of our loyal base of investment clients. Evidence of this is the performance of the GB250 Stamp Price Index, showing annual growth of 11% in 2012.

Financials

Turnover was in line with the prior year at £35.6m and gross margins improved from 38.7% to 43.7%. Underlying profit before tax, excluding exceptional charges and actuarial accounting adjustments, was £6.0m (2011: £5.4m, as restated), up 11%. EBITDA, which is calculated as operating profit before all exceptional items, depreciation/amortisation and actuarial accounting adjustments, was £6.5m (2011: £5.8m, as restated), up 12%.

Adjusted earnings per share, excluding exceptional costs and actuarial accounting adjustments were 21.44 pence (2011: 19.40 pence, as restated), up 10%. Basic earnings per share was 18.94 pence (2011: 17.97 pence, as restated), representing an increase of 5%.

Dividend

Your Board is pleased to recommend to Shareholders for their approval at the forthcoming AGM, a final dividend of 3.75 pence per share (2011: 3.50 pence). This would give a total dividend from 2012 earnings of 6.5 pence (2011: 6.0 pence), an increase of 8% on last year and covered over 3 times by earnings in 2012.

Despite substantial opportunities to reinvest profits in future growth, the Board maintains its progressive dividend policy.

Key Operational Highlights

Online

Sales from our core website, www.stanleygibbons.com, were up 55% in the year after a 27% rise in the preceding year, highlighting the successful execution of developing most of our online offering. Whilst this growth in revenues from e-commerce activities from our own products online is encouraging, in the future it is expected that our website will deliver substantial additional revenues. This will include online commissions generated by third party sales via a global online collectibles trading platform, together with subscription revenue from online services, including virtual catalogues, up to date pricing information and an extensive archive of philatelic articles dating back to 1890.

We have invested over £1 million in recent years in our databases and digital versions of our world renowned price catalogues. In November last year, we acquired bidStart, a US-based online collectibles trading platform, for a total consideration of $1 million, providing a fulcrum from which to leverage the Stanley Gibbons brand in the low value/high volume end of the online global collectibles market, which is not cost effectively handled through traditional channels.

A fundraising of £6m was completed contemporaneously, funding the cash portion of the consideration to acquire bidStart, but, more importantly, providing the necessary funds to accelerate and enhance the development of our global online trading platform.

We are currently in the process of building the quality of a management team necessary to accelerate the delivery of this key aspect of the Group's online strategy and consequent shareholder returns. This included the appointment of the founder and former owner of the US-based bidStart website, Mark Rosenberg as Chief Digital Officer and most recently the appointment of Paul Zimmerman, formerly of Play.com, as Director of E-commerce Operations, based in Jersey.

The objective in 2013 is to use the strength of the Stanley Gibbons brand, network and industry expertise, to rapidly grow the now well financed bidStart platform to integrate our existing online services, so creating a substantial global online collectibles trading platform.

Overseas development

Our strategy, to protect against the risks associated with the economic difficulties being experienced in the UK market and develop into untapped overseas markets, has been highly successful in its early stages. Sales outside the UK now produce half of Group turnover, compared to just over a quarter of revenues just three years ago.

Our new office in Hong Kong, opened in September 2011, contributed sales of £2.6m and profits of £0.7m in the year ended 31 December 2012, including sales of £1.9m transacted to residents outside of Hong Kong. Performance benefited from recruitment of senior management to develop regional sales, the launch of the investment website, www.stanleygibbons.hk and returns from our focussed marketing and PR strategy.

The Hong Kong office also provided a strong base from which to conduct the distribution of our products into Greater China generating additional sales of £0.6m (2011: £0.5m). Sales of commemorative collectibles relating to the London 2012 Olympics were particularly strong in China accounting for the majority of the sales in the year. We continue to build stronger relationships with key trading partners in China and as these relationships develop we expect to generate further sales in the future in other collectible areas of specific interest to the Chinese market.

We had intended to open a new office in Singapore last year, but this was delayed due to focus on delivering returns from the Hong Kong office and, in particular, building and training the appropriate team. We expect to open a new office in Singapore in the first half of this year, further enhancing our presence in the Far East.

We continue to build relationships in the United States market, gaining sufficient knowledge and expertise to trade, albeit conservatively, in US rare stamps. Live discussions continue with potential business partners in the US in respect of our auction developments. Use of our new internet development office in Raleigh, Carolina will assist in the effective distribution of our products into North America.

Auctions

We achieved a major success in 2012 in building the recognition of the quality of our auction division by the sale of the prestigious "Arnhold Collection" achieving a total realisation of £1.6m. Furthermore, the SG general auction in December 2012 was the strongest in over a decade. This success continues with our auction held in March 2013 representing another strong sale, realising over £0.7m.

The auction division underwent a period of transformation during 2012 strengthening our specialist team and investment in back office systems to support current and future growth. Our strategy, to develop the Stanley Gibbons international auction brand to complement our online offering, remains on track. We are confident in our ability to achieve the best possible realisations for clients' collections through our auctions.

Other collectibles

Sales of rare coins and military medals of £1m were up 31% in the year, generating a profit contribution of £0.2m (2011: £0.1m). There remains considerable growth potential in this area of collectibles. We trade cautiously, holding low stock levels whilst we continue to develop specialist skills and trading know how.

The Benham Group delivered another strong performance in the year contributing sales of £3.4m (2011: £2.6m) and profits of £0.7m (2011: £0.6m). Performance benefited from sales of commemorative

Chairman's Statement

collectibles related to the Queen's Diamond Jubilee and the London 2012 Olympics, including new demand from the Chinese market. New customer recruitment from those events is expected to generate future returns from the sale of other products.

The development into other areas of the collectibles market is in line with our longer term strategy to develop the online global trading community in collectibles. The bidStart acquisition brings additional collectible categories to our business with particular strength in postcards and rare comic books.

Investment services

Sales of top quality collectibles to investors were at a similar level to the prior year despite a 20% reduction in marketing spend of £0.8m compared to £1m in the prior year. Focus was directed more towards development of relationships with our existing key clients, thus reducing dependence on recruiting new clients to maintain sales levels.

The shift in our marketing focus to overseas markets resulted in the recruitment of two new international high value clients. Progressively, the difference between our investment clients and traditional specialist collectors is becoming ambiguous as our clients develop an appreciation and enthusiasm for the asset class they are investing in. This generates more stable longer term sales revenues. There is no additional risk in trading with investors, which ultimately is proving to be a major source of new collectors in our market.

Whist the overall profit impact is fairly immaterial to overall Group profits, the failure, to date, to secure the necessary minimum subscriptions for the GB rare stamp fund is both disappointing and frustrating. Despite initial enthusiastic feedback and interest expressed from prospective investors, common objections regarding misconceptions regarding liquidity are proving an obstacle in obtaining commitments. We are currently reviewing our strategy in this respect and remain convinced that ultimately the interest to date generated can be converted into subscriptions.

People

Our people provide the expertise required in order to represent our brand and in upholding our core values of integrity, honesty and authenticity. The enthusiasm for our products and focus on delivering an exceptional service to our clients is ultimately the backbone of our long term success. On behalf of the Board, I wish to extend my thanks to our team on their continued dedication and contribution to another strong trading year delivered in 2012.

I welcome the new high level appointments to our internet team in Mark Rosenberg as Chief Digital Officer based in the US and Paul Zimmerman as Director of E-Commerce operations in Jersey. I am more confident of our ability to develop the Stanley Gibbons online marketplace to its full potential than ever before.

Board

Richard Purkis, Corporate Services Director and Company Secretary stepped down from his role as a Director of the Group on 31 January 2013. He will continue working with the business for 12 months from that date to ensure a smooth handover of his role. On behalf of the Board, I extend my sincere thanks to Richard for his significant contribution to the Stanley Gibbons Group over the last 12 years.

As a result of the above change in the board, together with the appointment of Martin Magee as Non-Executive Director and Chairman of the Audit Committee on 1 August 2012, the Board now consists of three executive directors and three non-executive directors, representing a Board composition in accordance with accepted best corporate governance practice.

Outlook

Operating profits in the current year will be affected by our intended increased investment in our online strategy in order to deliver an exceptional online service in collectibles and to accelerate the substantial expected returns from this investment to Shareholders in subsequent years. It is however expected that the costs of this investment in the current year will be more than compensated for by growth opportunities in other parts of the business.

The Board collectively remains extremely positive on the prospects of collectibles as an asset class in the foreseeable future. The primary basis of this confidence is that macro-economic factors are in our favour. Volatility of traditional asset classes, low interest rates, fiscal deficits resulting in higher taxation and (expected) high inflation all but force investors into tangible assets, which will include collectibles. The Board therefore remains very comfortable with the substantial stockholding of rare collectibles held on the Balance Sheet and sees this as a good time to buy top quality collectibles where opportunities arise. Our history of converting purchases into profits vindicates this policy.

Stanley Gibbons, one of the most respected and internationally recognised brands in its market, is well placed to consolidate the market for collectibles. This can be achieved through a combination of excellent online services and by acquisition of quality businesses in those areas of collectibles where we currently lack the necessary expertise. We have shown our ability to add value to such businesses by the strong return from the acquisition of the Benham Group in 2010. Further opportunities are expected in the year ahead.

Martin Bralsford, Chairman
21 March 2013

Operating Review

FOR THE YEAR ENDED 31 DECEMBER 2012

Operating Results for the year	2012 Sales	2012 Profit	2011 Sales	2011 Profit restated	2010 Sales	2010 Profit restated
	£000	£000	£000	£000	£000	£000
Philatelic trading and retail operations	26,341	7,099	27,727	5,943	19,422	4,621
Publishing and philatelic accessories	3,148	782	2,980	677	3,146	672
Dealing in other collectibles	6,032	1,116	4,955	835	3,820	1,082
Corporate overheads	–	(2,615)	–	(1,881)	–	(1,722)
Finance charges (net)	–	(38)	–	(55)	–	(17)
Trading profits	35,521	6,344	35,662	5,519	26,388	4,636
Internet development	78	(302)	42	(127)	41	(24)
Actuarial accounting adjustments	–	(368)	–	(290)	–	(244)
Finance charges related to pensions	–	(53)	–	(44)	–	(47)
Before exceptional costs	35,599	5,621	35,704	5,058	26,429	4,321
Exceptional operating costs	–	(349)	–	(112)	–	(150)
Group total sales and profit before tax	35,599	5,272	35,704	4,946	26,429	4,171

Overview

Group turnover of £35.6m was in line with last year. Underlying trading profits were £6.3m, excluding investment on internet development, actuarial accounting adjustments and exceptional costs, and were up 15% on the prior year. The profit before tax for the year of £5.3m represented an increase of 7%.

Adjusted earnings per share were 21.44p (2011: 19.40p, as restated), representing an increase of 10%. Basic earnings per share were 18.94p (2011: 17.97p, as restated), up 5%.

Despite a substantial increase in operating costs, required primarily to invest in our online strategy expected to deliver substantial returns in future accounting periods, profit growth was achieved on a similar level of sales to the prior year as a result of improved gross margins.

The gross margin percentage for the year ended 31 December 2012 was 43.7% (2011: 38.7%). A number of top quality prestigious collections purchased during the year, at substantial discounts to market value, provided higher gross margins on subsequent sales compared to the prior year.

Overheads were £1.1m (13%) higher than the prior year at a total of £9.6m. The most significant increases in overheads included:

- Increased staff costs, software and support costs in development of online opportunities (£0.3m)
- Increased amortisation and depreciation primarily on website developments and associated hardware (£0.1m)
- Increase in executive team costs to support expansion plans and performance related bonuses (£0.2m)
- Costs associated with new office in Hong Kong (£0.3m)

Philatelic Trading and Retail Operations

Philatelic trading and retail sales were £1.4m (5%) lower than last year although profit contribution was up £1.2m (19%). The increase in profits despite lower sales was the result of higher gross margins and the benefits from realising returns on marketing recruitment costs in previous years, evidenced by an increase in sales to existing high value clients. Performance further benefited from the sale of some key philatelic rarities in the year, most notably the largest block of mint penny blacks in existence which sold for a price of £1m.

The increased gross margin was achieved as a result of opportunities taken to acquire top quality collections at substantial discounts to market value that arose in the year. Gross margins also benefited from a write back of £0.3m in the provision against previous investment products sold with guaranteed returns compared to a charge of £0.2m experienced in the prior year. These write backs are expected to continue to provide margin benefits in future accounting periods as the remaining investment contracts reach maturity in the next three years due to the price appreciation of the underlying assets being in excess of the guarantees provided against.

A reduction in sales from new clients recruited through our investment services division was compensated by strong sales to existing high net worth clients and the benefits of new clients recruited through our office in Hong Kong. The lower new client recruitment for our investment services relates partly to the decision to reduce marketing spend in this area, particularly in our home market where the negative sentiment of prospective investors substantially reduced conversion rates in the first half of the year. We reacted to the lower returns being experienced from marketing activities in our home market by focussing on specific overseas markets where investors show strong levels of interest in wealth diversification into alternative asset classes. Consequently, the shift in our marketing focus overseas in the second half delivered the expected returns and therefore we remain confident of the future growth potential internationally for our investment services.

Demand remained strong for Chinese rare stamps and benefited from our ability to source higher levels of top quality material by virtue of our presence in Hong Kong. As a result, sales of stamps from China were up by 83% to £2.1m.

Auction commissions were up 60% in the year benefiting from the strong realisation of the sale of the prestigious “Arnhold Collection” achieving a total realisation of £1.6m. However, this benefit did not generate any profit growth as we invested considerably in the longer term development of our auction services through recruitment of additional specialist expertise and promotional costs. These investments were necessary to facilitate the development on a global basis of our auction services, which is a key aspect of our strategy.

Publishing and Philatelic Accessories

Publishing and philatelic accessory sales were £0.2m (6%) improved on last year with profit contribution up £0.1m (16%). The restructuring programme that took place in 2011 has resulted in improved focus in this area of the business including a stronger publishing schedule, introduction of new accessory products and negotiation of lower print costs on key catalogue titles.

Sales growth of 17% was achieved in publications, albums and accessories, with £0.8m of sales being made online, up 76% on the previous year. However sales growth was reduced by a decline in sales of our monthly philatelic magazines and associated advertising revenues. This decline was expected and showed a better performance than the magazine industry as a whole. It is expected that the provision of our

Operating Review

vast library of philatelic articles online together with the availability of our magazine as a mobile application download will compensate for this underlying decline in the future.

Dealing in Other Collectibles

Sales of other collectibles were £1.1m (22%) higher and profit contribution was up by £0.3m (34%). Dealing in other collectibles can be further analysed as follows

	2012 Sales £000	**2012 Profit £000**	2011 Sales £000	2011 Profit £000	2010 Sales £000	2010 Profit £000
Dealing in autographs, records and related memorabilia	**1,615**	**150**	1,567	127	3,244	904
Dealing in rare coins and military medals	**1,045**	**239**	800	133	-	-
Benham first day covers and other collectibles	**3,372**	**727**	2,588	575	576	178
Total sales and profit contribution	**6,032**	**1,116**	4,955	835	3,820	1,082

Autographs, historical documents, memorabilia and record sales were 3% higher than last year with profit contribution up by 18%. The recent decline in this part of the business has been halted following the completion of a strategic review in September 2012. Sales benefited from a renewed offering of rare items to investors through e-mail campaigns in the second half, which showed moderate success. The most notable being the sale of the Edward IV manuscript, representing the earliest signature of British Royalty available in the open market, for a price of £0.14m.

Our strategy is to develop rare signatures primarily as a quality online auction business, which has proved successful to date with auction sales up 26% last year. The intention is to run down stocks of lower value celebrity signatures over the next three years and to focus on rare manuscripts and historical documents. The acquisition of bidStart provides us with improved online auction software to host Stanley Gibbons branded autograph auctions, which is expected to deliver growth going forward.

Sales of rare coins and military medals were up 31% to £1m, with profit contribution up 80%, although still remaining an immaterial element of total Group trading. The improved performance reflects our strengthening of internal expertise in the year enabling us to increase stock acquisitions of premium quality rare coins. Rare coins have proved of interest to our investment clients as an obvious complement to rare stamps as part of an investment strategy to diversify an element of wealth into collectibles.

Benham first day covers and other collectibles sales were up 30% to £3.4m and profit contribution increased by 26% to £0.7m. The Benham Group acquisition, completed in September 2010 for a purchase consideration of £1.5m, has now contributed total profits since being acquired of £1.5m.

Performance benefited from sales of commemorative collectibles related to the Queen's Diamond Jubilee and the London 2012 Olympics, including sales made of £0.6m into the Chinese market. Traditional "cover club" sales increased by 19% in the year as a result of these events and the aim in 2013 is to nurture new customer recruitments through offering other products.

Corporate Overheads

Corporate overheads were £0.7m (39%) higher than last year. Following a change in departmental structures and reporting, certain overheads previously reported within trading divisions now form part of corporate overheads, primarily in relation to the formation of a Group marketing function.

When adjusting for the change in basis of reporting, corporate overheads on a like-for-like basis were up £0.4m. Increased corporate overheads include an increase in performance related bonuses paid of £0.1m. Higher costs were incurred in the year in IT and the executive team necessary to support Group expansion plans.

Internet Development

Sales reported within this department relate to online subscription revenue only and remain immaterial although showed growth of 86% in the year. Online e-commerce sales from our core website, www.stanleygibbons.com, are reported within the respective trading departments and were up 55% in the year. The increase in online sales reflects the benefits from the substantial redesign completed at the end of May 2011, the implementation of more effective search engine optimisation and the returns from focussed and targeted online offers and e-mail campaigns.

Overheads of £0.4m (2011: £0.2m) were expensed in the year relating to the internet development team, depreciation on sub-contracted development work and software support costs. Such costs represent primarily an investment in our future online strategy, particularly the development of the collectibles trading community, for which associated revenues are expected in future accounting periods.

The acquisition of bidStart in November 2012 did not contribute any material revenues in the short period since acquisition with immediate focus being on building the necessary team and working on the integration of functionality with the Stanley Gibbons website and back office systems. In the 90 days from the acquisition of bidStart, client recruitment rates showed a 44% increase on the 90 days prior to acquisition illustrating the short term benefits to bidStart from the brand association with Stanley Gibbons.

Actuarial Accounting Adjustments

Actuarial accounting adjustments relate to accounting charges, which have no cash impact, in respect of our defined benefit pension scheme and IFRS share option charges totalling £0.4m (2011: £0.3m, as restated). Refer to Financial Review and note 26 for further details on defined benefit pension scheme charges.

Exceptional Operating Costs

Exceptional operating costs incurred in the year of £0.3m (2011: £0.1m) are detailed in note 5 to the financial statements. These include non-recurring restructuring costs and capital costs associated with acquisitions, which are required under current accounting standards to be reported as if they were normal operating costs.

Strategic Focus and Opportunities

The acquisition of bidStart and associated fund raising enables the acceleration of the delivery of the key aspect of the Group's online strategy. The focus in the first quarter this year has been in building the development and e-commerce support teams. The focus for the remainder of the year will be in delivering the technical developments required to create the Stanley Gibbons branded global online collectibles trading platform, together with the introduction of other exceptional online services for the collectibles community. In the following year, we intend to invest considerably in a marketing and PR programme to develop international awareness and to generate the returns from the investment.

This strategy is further supported and complemented by our international expansion programme and planned development and growth of our auction services. The ability to attend room auctions through live auction bidding online has already transformed the auction arena and we expect this to grow even further in the future as more and more collectors convert to bidding online in auctions being held all over the world.

The protective qualities of our asset class are evidenced by the continued appreciation in value of collectibles last year in all major quoted indices providing further support to the growth potential of the business. This stability and growth also illustrates the strength and security of our asset backing through our extensive stockholding of rare collectibles.

The investment argument for collectibles has never been stronger and all historic evidence suggests that collectibles, as an asset class, will enjoy strong appreciation in value for the foreseeable future, particularly should inflation take hold in major economies around the world.

As a result of all of the above, we remain excited about our future prospects and look forward to the continuing delivery of returns to Shareholders through the successful implementation of our strategy in our mission to create a business of a size befitting the prestige of our brand.

Michael Hall, Chief Executive
21 March 2013

Financial Review

The Group's cash funds at 31 December 2012 were £6.8m, compared to £3.2m at the end of last year reflecting the net proceeds of £5.8m from the placing and fundraising for the acquisition of bidStart and the future development of that business. The Board is satisfied that the Group has sufficient funds to meet its forecast working capital and capital expenditure plans over the next 12 months.

Surplus funds are currently invested in short term deposits into UK clearing banks which generate low rates of interest in the current economic climate but with low risk. It is Group policy to re-invest cash funds into business assets, which deliver a higher return on capital including its inventory of rare collectibles, IT systems and value enhancing acquisitions. It is not Group policy to engage in speculative activity using financial derivatives or other complex financial instruments.

At 31 December 2012, the Group had bank borrowings of £0.19m (2011: £0.44m) with NatWest Bank PLC. This relates to a loan of £0.75m drawn down in September 2010 to fund the acquisition of the Benham Group at that time. It bears a rate of LIBOR plus 4% and will be repaid in full in 2013. The Group also has use of an overdraft facility, if required, of £1.0m. This facility is renewable in April 2013.

Balance Sheet and Cash Flow

EBITDA for the year, as outlined below, was £6.5m (2011: £5.8m), an increase of 12%. A summary reconciliation of this important financial metric to cash generated from operating activities is given below:

	2012	2011
	£000	£000
Operating profit	**5,363**	5,045
Exceptional items	**349**	112
Depreciation/Amortisation	**439**	351
IAS 19 employee benefit costs	**260**	182
IFRS2 accounting charge for share options	**108**	108
EBITDA	**6,519**	5,798
Increase in inventories	**(3,927)**	(2,027)
Net (increase)/decrease in debtors and creditors	**(760)**	1,109
Cash contributions to defined benefit pension scheme	**(151)**	(148)
(Decrease)/increase in contract provision	**(325)**	181
Exceptional items	**(349)**	(112)
Payment of deferred consideration on acquisition of The Benham Group	**-**	(750)
Operating cash generated in year	**1,007**	4,051

The cash generated in the year enabled the Company to take advantage of opportunities in the marketplace to acquire key philatelic rarities at competitive prices. This has resulted in an adverse impact on short term working capital but, more importantly, it provides the appropriate stockholding to support future growth in our core trading activities.

The Company also increased its stockholding of low value stocks and first day covers partially to support future revenue streams arising from the London 2012 Olympics and Diamond Jubilee continuity clubs but also in preparation for the impending development of our online strategy towards the low value, high volume end of the global philatelic market.

Stock levels of autographs and memorabilia, coins, banknotes and medals are largely unchanged from the prior year and, at 27% of our total stock value, remain an integral diversification channel of our strategy to build a global online collectibles community.

The increased stockholding must be considered in conjunction with the heightened demand we are witnessing for collectibles. At 31 December 2012, the company held stock with a cost representing 375 days (2011: 280 days). The number of days stock held has therefore increased by 34%. Most of the increase is attributable to high value stamps relating to a few highly priced items. As in previous years, we believe this type of investment is a more effective use of Shareholder Funds rather than holding surplus cash balances that do not generate any material return.

The increase in cash during the year of £3.5m (2011: increase of £1.4m) is net of dividends paid of £1.6m (2011: £1.4m), tax paid of £0.6m (2011: £0.4m) and repayment of borrowings of £0.25m (2011: £0.25m).

The Group invested £0.5m (2011: £0.6m) in capital expenditure, excluding assets acquired as part of the bidStart acquisition during the year and can be analysed as follows:

	2012	2011
	£000	£000
System upgrades	**192**	116
Refurbishment of offices	**211**	172
Website development costs	**43**	140
Other tangible and intangible capital expenditure	**60**	147
Total Capital Expenditure in the year	**506**	575

Such capital investment is expected to increase the long-term value of the business and to generate substantial cash flows in future accounting periods.

Finance income/(costs)

Group cash funds generated £3,000 (2011:£1,000) bank interest for the year.

Included within Finance Costs is a net cost of £53,000 (2011: £44,000 as restated), representing the difference between interest cost and the expected return on assets in the Group's defined benefit pension scheme under the disclosure requirements of IAS19 "Employee Benefits".

Finance costs also include £17,000 of overdraft fees (2011: £Nil) incurred for one off facilities to finance short term movements in working capital.

Taxation

The tax charge for the year (excluding deferred taxation) was £351,000 (2011: £441,000) incurred on UK and Hong Kong profits, resulting in an effective rate of 6.7% (2011: 8.9% as restated). Profits from Channel Island trading companies are currently subject to tax at 0%.

Dividends

The Board is recommending a final dividend of 3.75p per Ordinary Share (2011: 3.5p) giving a total dividend of 6.5p for the year ended 31 December 2012 (2011: 6.0p). Subject to Shareholders' approval, the final dividend will be paid on 20 May 2013 to Shareholders on the register at 5 April 2013.

Prior year adjustment

These financial statements reflect a prior year adjustment in respect of issues regarding the defined benefit pension scheme that have resulted in the identification of potential additional retirement benefit obligations. Details of this prior year adjustment are disclosed in note 31.

Accounting Policies

Accounting policies, which remain unchanged from the prior year, are detailed in Note 1 to the Financial Statements on pages 16 to 18.

Donal Duff, Finance Director
21 March 2013

Corporate Governance

So far as is appropriate, the Board aims to apply the underlying principles of the UK Corporate Governance Code, having regard to the size of the Group. The principal areas where these are applied in the running of the Group are set out below.

The Company holds board meetings regularly throughout the year at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Audit Committee comprises only independent Non-Executive Directors, and it meets at least three times a year.

The Audit Committee has written terms of reference setting out its responsibilities that include:

- monitoring the financial reporting process, the integrity of the company's financial statements and announcements relating to financial performance and reviewing significant financial judgements contained in them;
- keeping under review the company's internal controls and risk management systems;
- considering annually the need for a separate internal audit function and making recommendations to the Board;
- making recommendations to the Board regarding the appointment, reappointment or removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; and
- reviewing and monitoring the external auditor's independence and the effectiveness of the audit process.

In the course of its work the Audit Committee meets with the external auditors and reviews the reports from them relating to the financial statements.

Members of the Audit Committee at the date of the report were M P Magee, Chairman and General Sir Michael Wilkes.

A separate Nomination Committee is in operation. It comprises the Non-Executive Chairman, one Non-Executive Director and the Chief Executive. The committee considers appointments to the Board and is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition.

Members of the Nomination Committee at the date of the report were D M Bralsford, Chairman, M R M Hall and General Sir Michael Wilkes.

Report on Remuneration

The Remuneration Committee comprises only independent Non-Executive Directors. It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders.

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's general policy on remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board.

Members of the Remuneration Committee at the date of the report were General Sir Michael Wilkes, Chairman, D M Bralsford and M P Magee.

General Sir Michael Wilkes, D M Bralsford and M P Magee are shareholders; none of the members of the committee have day to day involvement in the running of the business.

Policy on Executive Directors' Remuneration

The Committee reviews remuneration of executive Directors and senior management each year. The main aim of the Group's executive pay policy is to provide an appropriate reward for their work and which is sufficient to attract and retain the Directors needed to meet the Group's objectives and satisfy shareholder expectations.

The Committee has given full consideration to the provisions of Schedule A of the UK Corporate Governance Code.

Executive Share options are granted to Directors and other employees on a phased basis. The value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term.

Options granted under the Group Share Option Plan 2010, Inland Revenue approved 2000 UK Executive Share Option Scheme and the 2000 Jersey Executive Share Option Scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied.

Prior to 2009 the target was that the average annual increase in the Company's share price over a period of three consecutive financial periods of the Company (commencing no earlier than one year prior to the date of grant) is at least 5%.

Options issued in 2009 had the target of a minimum EPS of 17.5 pence for the year ended 31 December 2011. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21 pence is achieved.

Options issued in 2010 had the target of a minimum EPS of 17.3 pence for the year ended 31 December 2012. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21.5 pence is achieved.

Options issued in 2011 had the target of a minimum EPS of 19.2 pence for the year ended 31 December 2013. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 22.7 pence is achieved.

Options issued in 2012 had the target of a minimum EPS of 21.8 pence for the year ended 31 December 2014. 25% of the granted options vest if this target is reached rising on a straight line basis to 100% of options granted to vest if an EPS of 25.7 pence is achieved.

R K Purkis is a member of the Group's defined benefit pension scheme. Contributions are paid on behalf of the Chief Executive, Chief Operating Officer and Corporate Development Director to defined contribution schemes.

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

Directors are awarded annual bonuses calculated on the basis of defined criteria relating to Group performance compared to prior year and budget and other specific objectives which contribute to growth in earnings per share, cash generation and return on capital employed.

Service contracts

No Director has a notice period exceeding twelve months.

Report on Remuneration
(continued)

Directors' Remuneration

For each Director, remuneration can be analysed as follows:

	2012 Salary & Fees	2012 Performance Related Bonus	2012 Other Benefits	2012 Pension Contributions	2012 Total	2011 Total
	£'000	£'000	£'000	£'000	£'000	£'000
D M Bralsford	53	–	–	–	53	50
M R M Hall	218	60	1	18	297	225
D P J Duff	168	27	3	14	212	173
R K Purkis	92	12	–	–	104	89
J Byfield	125	–	3	6	134	30
R H Henkhuzens*	12	–	–	–	12	30
General Sir Michael Wilkes	30	–	–	–	30	30
M Magee*	13	–	–	–	13	–
M D Henley	–	–	–	–	–	72
	711	99	7	38	855	699

*Served as a Director for part of the period.

Directors' Share Options

	Date of grant	Earliest exercise date	Expiry Date	Exercise Price (1p shares)	Number at 31 Dec 2011	Granted/ (Exercised)	Market price on exercise (1p shares)	Number at 31 Dec 2012
M Hall	12/8/09*	12/8/12	11/8/19	127.00p	145,669	–	–	145,669
	1/6/10**	1/6/13	31/5/20	123.50p	299,595	–	–	299,595
	6/5/11**	6/5/14	5/5/21	179.00p	160,000	–	–	160,000
	4/5/12**	4/5/15	3/5/22	227.50p	–	144,736	–	144,736
D Duff	12/8/09*	12/8/12	11/8/19	127.00p	354,330	–	–	354,330
	1/6/10**	1/6/13	31/5/20	123.50p	60,728	–	–	60,728
	6/5/11**	6/5/14	5/5/21	179.00p	100,000	–	–	100,000
R Purkis	3/3/06*	4/3/09	2/3/16	119.75p	40,000	–	–	40,000
	12/8/09*	12/8/12	11/8/19	127.00p	60,531	–	–	60,531
	1/6/10**	1/6/13	31/5/20	123.50p	6,802	–	–	6,802
	1/6/10*	1/6/13	31/5/20	123.50p	24,291	–	–	24,291
	6/5/11**	6/5/14	5/5/21	179.00p	25,000	–	–	25,000
	4/5/12	4/5/15	3/5/22	227.50p	–	8,376	–	8,376
					1,276,946	153,112	–	1,430,058

*Options granted under the 2000 Jersey Executive Share Option Scheme.
**Options granted under Group Share Option Plan 2010.

The market price of the Company's shares at 31 December 2012 was 235.5p and the range of market prices during the year was between 167p and 239.5p.

In the period between 31 December 2012 and the signing date of these financial statements Mr M Hall, Mr D Duff and Mr R Purkis exercised options of 79,185, 192,613 and 32,904 shares respectively at 127 pence per share. The remainder of the options relating to this grant on 12 August 2009 have now been forfeited based on the performance measure target.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Incorporation

The Company is incorporated in Jersey, Channel Islands.

Directors' responsibilities for the financial statements

Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the Group profit or loss for that year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

In so far as each of the Directors is aware:

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

Principal activities

The principal activities of the Group are those of dealing in collectibles, the development and operation of collectible websites, philatelic publishing, auctioneering, mail order, retailing, and the manufacture of philatelic accessories.

Business review

Included within this report is a fair review of the business of the Group during the financial year ended 31 December 2012 and the position of the Group at the end of the year. This review is contained in the Chairman's Statement on pages 2 to 3 and the Operating and Financial Review on pages 4 to 6. Key Performance Indicators and a description of the principal risks and uncertainties are referred to below.

Principal risks and uncertainties

The principal risks faced by the Group, together with the controls in place to manage those risks, are documented by the Executives and Senior Management team and are regularly reviewed throughout the year.

The principal risk faced by the Group centres around the inherent difficulties in creating scalability in a business which sells assets which are scarce in nature and is dependent on a small number of specialists within the business to recognise and obtain these scarce assets. Our strategy is to overcome this through a mixture of recruitment of further specialist expertise, building of trading partnerships with key specialists and by acquisition.

The Group is also aware of the potential risk in connection with a commitment to buy-back in the future certain assets sold under guaranteed minimum return investment contracts in previous accounting periods. The Group therefore bears the risk in the event that the underlying assets go down in value during the contract period. Based on the level of quality and rarity of the assets held under such contracts, and from historic pricing evidence over the past 50 years, the Directors are of the opinion that the risk of the assets going down materially in value in the future is slight.

A provision of £360,000 (2011: £685,000) is included in the financial statements against guaranteed minimum return investment contracts entered into in prior years. This is disclosed in note 20 to these financial statements. Assets included within contracts are revalued annually and in the event that any items declined in value, a further provision would be made on an annual basis. Furthermore, the Directors imposed internal restrictions on the total value of sales permitted containing buy-back guarantees at a level appropriate to the size, asset value and liquidity of the business. The Group no longer offers any investment products with buy-back commitments.

Further details on investment products containing buy back guarantees is provided in note 1 'Accounting policies and presentation' revenue section.

Key Performance Indicators (KPIs)

The Directors manage the business on a monthly cycle of management reports and information combined with weekly sales and margins reporting. A monthly information pack is provided to the Board incorporating individual reports from each of the executive committee members and commentary on key performance indicators. Appropriate matters are summarised and appropriate decisions made at Board meetings. Key performance measures are disclosed and discussed in the Operating Review on pages 4 to 5.

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

- Sales and gross margins compared to last year and budget
- Overhead variations against budget
- Personnel and resource matters (eg. performance, attendance and training)
- New customers recruited and marketing response rates
- Value of stock purchases and stock levels at the end of each month against budget
- Website visitor activity statistics

Results and dividends

The income statement of the Group for the year ended 31 December 2012 is set out on page 12. An interim dividend of 2.75p per Ordinary Share (2011: 2.5p) was paid during the year. The Directors recommend a final dividend of 3.75p per Ordinary Share for the year ended 31 December 2012 (2011: 3.5p).

Directors

The Directors of the Company during the year were as follows:
Mr D M Bralsford MSc, FCA, FCT (Non-Executive)
Mr M R M Hall B.Acc, CA
Mr D P J Duff BAAF, AMCT, FCA
Mr R K Purkis
Mr J Byfield
Mr R H Henkhuzens BA, FCA (Non-Executive) (resigned 2 May 2012)
General Sir Michael Wilkes KCB, CBE (Non-Executive)
Mr M P Magee CA (Non-Executive) (appointed 1 August 2012)

Mr Purkis resigned as a Director on 31 January 2013.

Biographical details of the Directors are given on page 39.

Directors' interests

The interests of the Directors in the shares of the Company at 31 December 2012 together with their interests at 1 January 2012 were:

Shares	**Ordinary 1p Shares 31 December 2012**	Ordinary 1p Shares 1 January 2012
D M Bralsford	**115,000**	50,000
M R M Hall	**147,365**	147,365
D P J Duff	**10,000**	10,000
R K Purkis	**58,000**	58,000
J Byfield	**34,998**	–
General Sir M Wilkes	**5,700**	5,700
M P Magee	**2,676**	926*

**on appointment*

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012

On 14 January 2013 M Hall and D Duff acquired 79,185 and 192,613 ordinary 1p share respectively as a result of exercise of share options.

On 15 January 2013 M Hall and D Duff sold 79,185 and 152,613 ordinary 1p shares respectively. Following these transactions the interest of M Hall amounted to 147,365 and that of D Duff amounted to 50,000 ordinary 1p shares in the Company.

The Directors' interests in shares are all beneficial.

Details of the Directors' share options are given in the Remuneration Report on page 8.

Apart from service contracts and the transactions referred to in note 29 of the financial statements, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Research and development

Costs associated with research and development relate to internal web development work in the creation of an online integrated stamp collecting community. Research and development costs are written off in the year incurred and are disclosed under the heading 'Internet development' in the Operating Review on page 5.

Policy on payment of creditors

It is Group policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and to abide by them. The creditor payment days outstanding for the Group at 31 December 2012 were 66 days (2011: 58 days).

Financial Risk Management

The Group finances its operations through the generation of cash from operating activities and has no interest rate exposure on financial liabilities except those disclosed in note 28. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances. Further disclosure on the company's financial risk management can be found in note 16 (Provision for impairment of receivables and collateral held) and note 28 (Financial instruments).

Going concern

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 on pages 4 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on page 6. In addition note 28 in the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The Group has a strong balance sheet and a clear strategy in place to take the Group forward. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite any current uncertainty in the economic outlook.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Charitable and political donations

During the year the Group made charitable donations of £4,970 (2011: £6,295).

Intangible Assets

No value is attributed in the balance sheet to the Group's brand names, the value of the Stanley Gibbons stamp referencing system, editorial intellectual property or its database of customers as an accurate valuation of these items would be impractical to establish and the capitalisation of internally generated assets is not allowed under IAS38. External costs incurred in the development of the software for the Digital Asset Management system and the redevelopment of the Group's websites have been capitalised and are being amortised in accordance with IAS38.

Substantial Shareholdings

As at 11 March 2013, the Company had been notified of the following interests in 3% or more of its issued share capital:

Black Rock Inc (of which BlackRock UK Emerging Companies Hedge Fund and BlackRock UK Smaller Companies Fund own approximately 9.24% and 3.88% respectively)	14.19%
Barclays plc	5.14%
FMR LLC	5.34%

Purchase of Own Shares

The Company did not purchase any of its shares for cancellation during the year. The Company has authority to purchase up to 15% of its own shares. A resolution to renew this authority will be proposed at the AGM.

Employees

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

The Group operates an annual performance review system with employees to discuss performance against agreed objectives and career development.

The Group believes in respecting individuals and their rights in the workplace. With this in mind, specific policies are in place covering harassment and bullying, whistle blowing, equal opportunities and data protection.

Secretary

Mr R K Purkis has been secretary for the entire year ended 31 December 2012.

Auditors

Nexia Smith & Williamson have expressed their willingness to continue as auditors to the Company and a resolution to reappoint Nexia Smith & Williamson as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the AGM.

By order of the board

R K Purkis
Secretary
21 March 2013

Registered office:

18 Hill Street
St Helier, Jersey
JE2 4UA

Independent Auditors' Report

TO THE MEMBERS OF THE STANLEY GIBBONS GROUP plc
FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the group financial statements of The Stanley Gibbons Group plc for the year ended 31 December 2012 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Operating Review, Financial Review, Corporate Governance, Report on Remuneration, and Directors' Report, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991

James Keeton

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol BS1 6NA
21 March 2013

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

Legislation in Jersey governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**Year ended 31 December 2012 £'000**	Year ended 31 December 2011 (restated) £'000
Revenue	*1, 3*	**35,599**	35,704
Cost of sales		**(20,031)**	(21,872)
Gross Profit		**15,568**	13,832
Administrative expenses before defined benefit pension service costs and exceptional operating costs		**(3,072)**	(2,611)
Defined benefit pension service costs	*26*	**(260)**	(182)
Exceptional operating costs	*5*	**(349)**	(112)
Total administrative expenses		**(3,681)**	(2,905)
Selling and distribution expenses		**(6,524)**	(5,882)
Operating Profit	*4*	**5,363**	5,045
Finance income		**3**	1
Finance costs	*28*	**(94)**	(100)
Profit before tax		**5,272**	4,946
Taxation	*8*	**(389)**	(415)
Profit for the financial year		**4,883**	4,531
Other comprehensive income:			
Actuarial losses recognised in the pension scheme	*26*	**(237)**	(834)
Tax on actuarial losses recognised in the pension scheme		**21**	179
Revaluation of the reference collection net of deferred tax		**–**	53
Other comprehensive loss for the year, net of tax		**(216)**	(602)
Total comprehensive income for the year		**4,667**	3,929
Basic earnings per Ordinary share	*10*	**18.94p**	17.97p
Diluted earnings per Ordinary share	*10*	**18.55p**	17.74p

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

The notes on pages 16 to 38 are an integral part of these consolidated financial statements.

Statement of financial position

AS AT 31 DECEMBER 2012

	Notes	31 December 2012 £'000	31 December 2011 (restated) £'000	31 December 2010 (restated) £'000
Non-current assets				
Intangible assets	11	**1,723**	1,133	1,014
Property, plant and equipment	12	**2,145**	2,032	1,862
Deferred tax asset	19,26	**735**	732	518
Trade and other receivables	15	**229**	420	–
		4,832	4,317	3,394
Current assets				
Inventories	13	**20,728**	16,801	14,774
Trade and other receivables	14	**11,668**	9,178	8,866
Cash and cash equivalents		**6,766**	3,230	1,838
		39,162	29,209	25,478
Total assets		**43,994**	33,526	28,872
Current liabilities				
Trade and other payables	17	**8,179**	6,641	5,550
Borrowings	18	**188**	250	252
Current tax payable		**169**	370	349
		8,536	7,261	6,151
Non-current liabilities				
Retirement benefit obligations	26	**3,161**	2,761	1,849
Borrowings	18	**–**	188	435
Deferred tax liabilities	19	**233**	213	194
Provisions	20	**360**	685	504
		3,754	3,847	2,982
Total liabilities		**12,290**	11,108	9,133
Net assets		**31,704**	22,418	19,739
Equity				
Called up share capital	21	**284**	253	252
Share premium account	23	**11,137**	5,285	5,195
Shares to be issued	23	**209**	–	–
Share compensation reserve	23	**460**	352	244
Capital redemption reserve	23	**38**	38	38
Revaluation reserve	23	**254**	254	201
Retained earnings	23	**19,322**	16,236	13,809
Equity shareholders' funds		**31,704**	22,418	19,739

The financial statements on pages 12 to 38 were approved by the board of Directors on 21 March 2013, were authorised for issue on that date and were signed on its behalf by:

D P J Duff
M R M Hall } Directors

The notes on pages 16 to 38 are an integral part of these consolidated financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Called up share capital	Share premium account	Shares to be issued	Share compensation reserve	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	253	5,285	–	352	254	38	16,236	22,418
Profit for the financial year	–	–	–	–	–	–	4,883	4,883
Actuarial loss on pension scheme net of deferred tax	–	–	–	–	–	–	(216)	(216)
Total comprehensive income	–	–	–	–	–	–	4,667	4,667
Dividends	–	–	–	–	–	–	(1,581)	(1,581)
Cost of share options	–	–	–	108	–	–	–	108
Share options exercised	–	78	–	–	–	–	–	78
Deferred consideration (note 30)	–	–	209	–	–	–	–	209
Net proceeds from issue of ordinary share capital	31	5,774	–	–	–	–	–	5,805
At 31 December 2012	**284**	**11,137**	**209**	**460**	**254**	**38**	**19,322**	**31,704**
At 1 January 2011 as previously stated	252	5,195	–	244	201	38	15,058	20,988
Prior year adjustment – pension charges (see note 31)	–	–	–	–	–	–	(1,249)	(1,249)
At 1 January 2011 (restated)	252	5,195	–	244	201	38	13,809	19,739
Profit for the financial year as previously stated	–	–	–	–	–	–	4,675	4,675
Adjustment in respect of prior year pension charges (see note 31)	–	–	–	–	–	–	(144)	(144)
Revaluation of the reference collection net of deferred tax	–	–	–	–	53	–	–	53
Actuarial loss on pension scheme net of deferred tax	–	–	–	–	–	–	(637)	(637)
Prior year adjustment for actuarial loss on pension scheme, net of deferred tax	–	–	–	–	–	–	(18)	(18)
Total comprehensive income	–	–	–	–	53	–	3,876	3,929
Dividends	–	–	–	–	–	–	(1,449)	(1,449)
Cost of share options	–	–	–	108	–	–	–	108
Share options exercised	1	90	–	–	–	–	–	91
At 31 December 2011	**253**	**5,285**	**–**	**352**	**254**	**38**	**16,236**	**22,418**

The notes on pages 16 to 38 are an integral part of these consolidated financial statements.

Statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**31 December 2012 £'000**	31 December 2011 £'000
Cash generated from operations	*24*	**1,007**	4,051
Interest paid		**(41)**	(56)
Taxes paid		**(552)**	(420)
Net cash generated from operating activities		**414**	3,575
Investing activities			
Purchase of property, plant and equipment		**(368)**	(344)
Purchase of intangible assets		**(138)**	(231)
Acquisition of business assets	*30*	**(382)**	–
Interest received		**3**	1
Net cash used in investing activities		**(885)**	(574)
Financing activities			
Dividends paid to company shareholders	*9*	**(1,581)**	(1,449)
Repayments of borrowings		**(250)**	(251)
Net proceeds from issue of ordinary share capital		**5,838**	91
Net cash generated/(used in) financing activities		**4,007**	(1,609)
Net increase in cash and cash equivalents		**3,536**	1,392
Cash and cash equivalents at start of year		**3,230**	1,838
Cash and cash equivalents at end of year		**6,766**	3,230

The notes on pages 16 to 38 are an integral part of these consolidated financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting policies and presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards as approved for use in the European Union applied in accordance with the provisions of Companies (Jersey) Law 1991 on a historical cost basis except where otherwise indicated.

The company has not prepared separate company accounts, as permitted under Jersey Company Law 1991 Amendment 4 Part 16 (substituted), as consolidated accounts are prepared.

Accounting standards and interpretations adopted during the year

There have been only minor improvements to existing International Financial Reporting Standards and interpretations that are effective for the first time in the current financial year which have been adopted by the Group with no impact on its consolidated results or financial position.

Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Group

At the date of authorisation of these Financial Statements, the following standards, amendments to existing standards and interpretations, which have not been applied in these consolidated Financial Statements, were in issue but not yet effective:

IFRS 7 Disclosures, amendments to offsetting disclosure

IFRS 9, Financial Instruments, effective for annual periods beginning on or after 1 January 2015, subject to EU endorsement. The standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement

IFRS 10, Consolidated financial statements

IFRS 11, Joint arrangements

IFRS 12, Disclosure of interests in other entities

IFRS 13, Fair value measurement

IAS 1 (Amendment) Presentation of financial statements

IAS 19 (Amendment), Employee benefits

IAS 27 (Revised), Separate financial statements

IAS 28 (Revised), Associates and joint ventures

The Directors are currently assessing the impact of these on the Group's results, assets and liabilities. The Directors do not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries prepared to 31 December 2012 and exclude all intra-group transactions.

Intangible Assets

Computer software

In accordance with IAS 38, purchased computer software that will generate economic benefit beyond one year is capitalised as an intangible asset and amortised over its expected useful economic life of four years on a straight-line basis. This charge is allocated to administrative expenses in the Income Statement. The purchase and development of software related to the Group's websites and the Digital Asset Management system is capitalised and amortised over its expected useful economic life of four to ten years on a straight line basis.

Customer lists

In accordance with IAS 38, customer lists acquired have been capitalised as an intangible asset and are amortised on a straight line basis over 5 years. Internally generated customer lists are not capitalised or shown as an intangible asset.

Goodwill

Goodwill represents the excess of the cost of acquisitions over the fair value of the net assets at the date of acquisition. Goodwill is not amortised but tested annually for impairment and carried at cost less accumulated impairment losses.

Publishing rights

Publishing rights represent the cost paid to third parties to acquire copyright of publications. Publishing rights are not amortised but tested annually for impairment.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting policies and presentation *(continued)*

Property, plant and equipment and depreciation

Tangible fixed assets other than the reference collection

Tangible fixed assets, other than the reference collection, are stated at their purchase price, including any incidental expenses of acquisition. Depreciation is calculated to write down the net book value of tangible fixed assets less their residual value on a straight-line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Vehicles, plant and machinery	16 – 25%
Fixtures, fittings, tools and equipment	7 – 25%
Leasehold improvements	Over period of lease

Reference collection

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. In the case of stamp inventories it is not always practicable to ascertain individual costs. The cost of parcels of high value stamps is apportioned between the items purchased on the basis of the expert opinion of the Group's stamp dealers. Lower value stamp inventories are valued as a proportion of their anticipated realisable value, as a best estimate of cost, based on the expert opinion of the Group's stamp dealers.

Financial Instruments

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

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

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

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

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

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

Taxation

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

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

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

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

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Foreign currency monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Leased Assets

Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight line basis over the lease term.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting policies and presentation *(continued)*

Retirement benefits

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

Current service costs are recognised in administrative expenses in the income statement. Interest costs on plan liabilities and the expected return on plan assets are recognised in finance charges. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

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

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

The Group also maintains a number of defined contribution pension schemes. For these schemes the Group has no further obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the income statement in the year when they are due.

Share options and awards

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

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

Revenue

Revenue represents amounts invoiced by the Group in respect of goods sold and services provided during the year falling within the Group's ordinary activities, excluding intra-group sales, estimated and actual sales returns, trade discounts and any applicable value added tax.

Revenue from the provision of goods is recognised when substantially all the risks and rewards of ownership of goods have transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are allocated to a customer and that customer has made an irrevocable commitment to complete the purchase.

Revenue from the provision of all goods and services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured.

In respect of certain investment products income is recognised at point of customer commitment in line with the normal course of trade. Any subsequent cancellations would be removed from Revenue. Investment products sold in the year under review include Capital Protected Growth Plans (CPGP) and Platinum Investment Plans (PIP), Capital Growth Plans (CGP), Flexible Trading Portfolios (FTP), Portfolio Builders (PB) and Personal Managed Funds (PMF).

In respect of auctions held by the Group, revenue represents amounts invoiced in respect of vendors' commissions and buyers' premiums, excluding value added tax and is recognised at point of sale on the day of the auction.

Further detail of the Group's revenue streams can be found in the Operating Review on pages 4 to 5.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation to transfer economic resources as a result of past events. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are discounted if the effect of the time value of money is material.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

2. Critical Accounting Estimates and Judgements

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

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

Retirement benefits

The costs, assets and liabilities of the defined benefit retirement scheme operating within the Group is determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 26. The Directors take advice from independent actuaries relating to the appropriateness of the assumptions. It is important to note, however, that comparatively small changes in the assumptions used may have a significant effect on the income statement and balance sheet.

Inventory valuation

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

Provisions

Guaranteed Minimum Return Contract (GMRC)

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

Capital Protected Growth Plan (CPGP)

The customer purchases a portfolio of rare collectibles and enters into a contract which allows the customer if they wish, for a limited period at the end of the fixed term to sell those assets to the Group at the original purchase price. At each year end the directors review the likelihood that customers, at the expiry of their contract, will take the opportunity to sell stock back to the Group and make provision accordingly. At this year end, the directors do not anticipate that any customers will choose this option.

There is currently no provision required. Should the valuations of investment portfolios sold on this basis decrease by more than 5%, a potential net provision would be required. A 10% fall in valuations would result in a maximum potential net provision of £543,000.

Platinum Investment Portfolio (PIP)

The customer purchases a portfolio of rare collectibles and enters into a contract which allows the customer if they wish, for a limited period at the end of the fixed term to sell those assets to the Group at the original purchase price. At each year end the directors review the likelihood that customers at the expiry of their contract, will take the opportunity to sell stock back to the Group and make provision accordingly. At this year end, the directors do not anticipate that any customers will choose this option.

There is currently no provision required. Should the valuations of investment portfolios sold on this basis decrease by more than 20%, a potential net provision would be required. A 25% fall in valuations would result in a maximum potential net provision of £14,000.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

3. Segmental Analysis

IFRS 8 requires operating segments to be identified based on internal reporting to the Chief Operating Decision Maker. Accordingly, the determination of the Group's operating segments is based on the following organisation units for which management accounting information is reported to the Group's management and used to make strategic decisions:

- Philatelic trading and retail operations;
- Publishing and philatelic accessories;
- Other collectibles;
- Internet development.

Other collectibles encompasses autographs, records and memorabilia, Benham first day covers and rare coins and military medals as this is considered the most appropriate way to report on these activities. The activities, products and services of the reportable segments are detailed in the Operating and Financial Review on pages 4 to 6.

Segmental income statement	Philatelic trading and retail operations £'000	Publishing and philatelic accessories £'000	Other collectibles £'000	Internet development £'000	Unallocated £'000	Total £'000
Year ended 31 December 2012						
Revenue	26,341	3,148	6,032	78	–	35,599
Operating costs	(19,242)	(2,366)	(4,916)	(380)	(2,983)	(29,887)
Exceptional costs	–	–	–	–	(349)	(349)
Net finance cost	–	–	–	–	(91)	(91)
Profit/(loss) before tax	7,099	782	1,116	(302)	(3,423)	5,272
Tax	–	–	–	–	(389)	(389)
Profit /(loss) for the year	**7,099**	**782**	**1,116**	**(302)**	**(3,812)**	**4,883**
Segmental balance sheet as at 31 December 2012						
Total assets	13,612	2,127	7,398	636	20,221	43,994
Total liabilities	(360)	–	–	–	(11,930)	(12,290)
Net assets	**13,252**	**2,127**	**7,398**	**636**	**8,291**	**31,704**
Other segmental items						
Depreciation	164	24	21	–	46	255
Amortisation of other intangible assets	–	–	–	–	184	184
Capital expenditure*	251	4	16	–	235	506

* – capital expenditure excludes the bidStart acquired assets which are shown as assets in the Internet Development segment

Segmental income statement	Philatelic trading and retail operations £'000	Publishing and philatelic accessories £'000	Other collectibles £'000	Internet development £'000	Unallocated £'000	Total £'000
Year ended 31 December 2011 (restated)						
Revenue	27,727	2,980	4,955	42	–	35,704
Operating costs	(21,784)	(2,303)	(4,120)	(169)	(2,171)	(30,547)
Exceptional costs	–	(112)	–	–	–	(112)
Net finance cost	–	–	–	–	(99)	(99)
Profit /(loss) before tax	5,943	565	835	(127)	(2,270)	4,946
Tax	–	–	–	–	(415)	(415)
Profit /(loss) for the year	**5,943**	**565**	**835**	**(127)**	**(2,685)**	**4,531**
Segmental balance sheet as at 31 December 2011 (restated)						
Total assets	10,352	2,359	6,426	–	14,389	33,526
Total liabilities	(685)	–	–	–	(10,423)	(11,108)
Net assets	**9,667**	**2,359**	**6,426**	**–**	**3,966**	**22,418**
Other segmental items						
Depreciation	159	12	22	–	46	239
Amortisation of other intangible assets	–	–	–	–	112	112
Capital expenditure	224	48	22	–	281	575

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

3. Segmental analysis *(continued)*

Income from philatelic trading and retail operations include £671,000 (2011: £405,000) from the rendering of services. Income from publishing and philatelic accessories include £464,000 (2011: £553,000) from the rendering of services. All internet development income is for the rendering of services. All other income relates to the sale of goods.

Geographical information

Analysis of revenue by origin and destination

	Year ended 31 December 2012	**Year ended 31 December 2012**	Year ended 31 December 2011	Year ended 31 December 2011
	Sales by destination £'000	**Sales by origin £'000**	Sales by destination £'000	Sales by origin £'000
Channel Islands	**2,213**	**18,655**	4,854	19,592
United Kingdom	**17,734**	**13,795**	20,277	14,270
Hong Kong	**1,986**	**3,149**	455	1,842
Europe	**2,028**	**–**	1,967	–
North America	**2,058**	**–**	1,875	–
Singapore	**4,913**	**–**	2,340	–
Rest of Asia	**1,159**	**–**	1,281	–
Rest of the World	**3,508**	**–**	2,655	–
	35,599	**35,599**	35,704	35,704

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.

In 2012 sales were made in the year of £4,785,000 (2011: £2,670,000) to one individual customer. There were no other customers in either 2012 or 2011 from which the Group earned more than 10% of its revenues.

Property, plant and equipment of £2,145,000 was split between the UK £1,964,000 (2011: £2,032,000) and the Channel Islands £181,000 (2011: £182,000).

Intangible assets of £1,723,000 were split between the UK £831,000 (2011: £877,000), United States £636,000 and the Channel Islands £256,000 (2011: £256,000).

4. Operating profit

	Year ended 31 December 2012	Year ended 31 December 2011
Profit from operations has been arrived at after charging/(crediting):	**£'000**	£'000
Depreciation of property, plant and equipment	**255**	239
Amortisation of intangible assets	**184**	112
Fees payable to the company's auditor for the audit of the company's annual accounts	**50**	50
Fees payable to the company's auditor for the audit of its subsidiaries accounts	**7**	11
Fees payable to the company's auditor for tax compliance services	**13**	11
Fees payable to the company's auditor for tax advisory services	**7**	22
Cost of inventories recognised as an expense	**20,031**	21,872
Operating lease charges – leased premises	**580**	555
Property rental income – leased premises	**(173)**	(173)
Foreign exchange losses/(gains)	**16**	(6)

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

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

5. Exceptional operating costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Re-organisation of central Group functions	**130**	–
Re-organisation of publishing division	**–**	112
Costs of bidStart acquisition	**154**	–
Fair value adjustment relating to Benham acquisition	**65**	–
	349	112

Exceptional operating costs include redundancy payments and legal advice on the reorganisation of the Group's central functions during the year. Costs of the bidStart acquisition relate to the professional fees incurred on that acquisition.

Prior year costs relate to redundancy payments and legal advice on the reorganisation of the publishing department.

6. Directors' emoluments

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Fees	**108**	140
Salaries and benefits	**709**	543
Short-term employee benefits	**817**	683
Post-employment benefits	**38**	16
Share-based payment	**77**	73
Key management personnel compensation	**932**	772
Number of Directors included in the defined benefit pension scheme (note 26)	**1**	1

The detailed numerical analysis of Directors' remuneration is included in the Report on Remuneration on page 8.

The actuarial charge to profit in respect of share options and awards issued to the Directors was £77,000 (2011: £73,000).

As disclosed in note 26, the company made contributions to its defined benefit pension scheme in 2012. Mr R Purkis is a member of this scheme. M Hall and D Duff are members of the Company's defined contribution pension scheme which they joined in 2010. The company makes payments to a personal pension plan of J Byfield which came into effect in 2012. Total cost of these pension contributions to the company were £38,000 (2011: £16,000).

Details of share options exercised by Directors during the year are disclosed in the Report on Remuneration on page 8. No options were exercised in the previous year.

7. Employee information

The average number of persons (including executive Directors) employed by the Group during the year was 152 (2011: 145).

	Year ended 31 December 2012 No.	Year ended 31 December 2011 No.
Management and Administration	**33**	31
Sales	**78**	77
Production and Editorial	**16**	18
Distribution	**12**	13
Marketing	**13**	6
	152	145

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

7. Employee information *(continued)*

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

	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
	£'000	£'000
Wages and salaries	**4,576**	3,771
Social security costs	**349**	312
Pension costs – defined benefit scheme (note 26)	**313**	226
Pension costs – defined contribution scheme	**107**	59
Share option cost	**108**	108
	5,453	4,476

8. Taxation

UK corporation tax and overseas tax on profits for the year

	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
Current tax:	**£'000**	£'000
UK corporation tax at 24.5% (2011: 26.5%)	**375**	426
Overseas tax	**50**	53
Adjustment relating to earlier periods	**(74)**	(38)
	351	441
Deferred taxation	**20**	8
Deferred taxation movement on pension scheme liability	**18**	(34)
Tax charge	**389**	415

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

Tax charge reconciliation	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
	%	%
The standard rate of corporation tax in the UK	**24.5**	26.5
Effects of:		
Capital allowances greater than depreciation	**0.6**	(0.3)
Overseas profits taxable at lower rates	**(16.4)**	(17.0)
Adjustments relating to prior years charge	**(1.3)**	(0.8)
Effective rate of corporation tax for year	**7.4**	8.4

On 21 March 2012 the UK Budget accelerated the reduction in tax rate from 1 April 2012 from 1% to 2% resulting in the staggered reduction of 1% rates from 2012 culminating in a rate of 22% for the year ended 2014-2015.

On 5 December 2012 the UK Government Autumn Statement announced a further reduction in the rate of corporation tax to 21% from April 2014. This has yet to be enacted.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

9. Dividends

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Amounts recognised as distribution to equity holders in the year:		
Dividend paid	**1,581**	1,449
Dividend paid per share	**6.25p**	5.75p
Dividend proposed but not paid	**1,066**	884
Dividend proposed per share	**3.75p**	3.50p

10. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the weighted average number of shares in issue during the year. Adjusted earnings per share has been calculated to exclude the effect of exceptional operating costs and actuarial accounting adjustments. The Directors believe this gives a more meaningful measure of the underlying performance of the Group.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
Weighted average number of ordinary shares in issue (No.)	**25,788,461**	25,217,437
Dilutive potential ordinary shares: Employee share options (No.)	**539,804**	327,837
Profit after tax (£)	**4,883,600**	4,531,000
Pension service cost (net of tax)	**236,300**	170,600
Cost of share options (net of tax)	**108,000**	108,000
Exceptional operating costs (net of tax)	**300,200**	83,000
Adjusted profit after tax (£)	**5,528,100**	4,892,600
Basic earnings per share – pence per share (p)	**18.94p**	17.97p
Diluted earnings per share – pence per share (p)	**18.55p**	17.74p
Adjusted earnings per share – pence per share (p)	**21.44p**	19.40p
Adjusted diluted earnings per share – pence per share (p)	**21.00p**	19.15p

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

11. Intangible assets

	Goodwill £'000	Publishing Rights £'000	Computer Software £'000	Customer Lists £'000	Total £'000
Cost					
At 1 January 2011	356	4	1,564	–	1,924
Additions	20	–	211	–	231
At 31 December 2011	**376**	**4**	**1,775**	**–**	**2,155**
Additions*	36	–	588	150	774
At 31 December 2012	**412**	**4**	**2,363**	**150**	**2,929**
Accumulated amortisation					
At 1 January 2011	–	–	910	–	910
Charge for the year	–	–	112	–	112
At 31 December 2011	**–**	**–**	**1,022**	**–**	**1,022**
Charge for the year	–	–	184	–	184
At 31 December 2012	**–**	**–**	**1,206**	**–**	**1,206**
Net book value					
At 31 December 2012	**412**	**4**	**1,157**	**150**	**1,723**
At 31 December 2011	376	4	753	–	1,133

* Additions include £636,000 of intangible assets and goodwill relating to the acquisition of bidStart (see note 30).

The brought forward goodwill of £376,000 related to the acquisition of the magazine 'Philatelic Exporter' (£87,000), the album producer 'Frank Godden' (£23,000), the trade of an independent stamp dealer (£10,000) and the acquisition of the Benham Group (£256,000).

On 31 October 2012 the Group purchased the assets of Stampwants.com Inc, trading as bidStart (see note 30). The Goodwill additions in the year solely relate to the acquisition of the assets of Stampwants.com Inc. The Goodwill recognised is the difference between the consideration paid and the net assets of the business acquired.

Goodwill has undergone an impairment review with reference to expected future cash flows generated by these business units. Management looks at five year projections, using its current cost of capital, 4.5%, when determining if any impairment is likely. It was calculated that no write off on the carrying value of goodwill was required as at 31 December 2012. No fair value adjustments are required.

Publishing rights represent the cost paid to third parties to acquire copyright of publications.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

12. Property, plant and equipment

	Reference collection £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Vehicles, plant and machinery £'000	Total £'000
Cost or valuation						
At 1 January 2011	802	147	1,302	584	621	3,456
Additions	45	–	173	15	111	344
Revaluation	65	–	–	–	–	65
At 31 December 2011	**912**	**147**	**1,475**	**599**	**732**	**3,865**
Additions	37	–	211	12	108	368
At 31 December 2012	**949**	**147**	**1,686**	**611**	**840**	**4,233**
Accumulated depreciation						
At 1 January 2011	128	26	458	481	501	1,594
Charge for the year	22	3	118	29	67	239
At 31 December 2011	**150**	**29**	**576**	**510**	**568**	**1,833**
Charge for the year	–	3	140	30	82	255
At 31 December 2012	**150**	**32**	**716**	**540**	**650**	**2,088**
Net book value						
At 31 December 2012	**799**	**115**	**970**	**71**	**190**	**2,145**
At 31 December 2011	762	118	899	89	164	2,032

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

The last independent valuation of the reference collection was carried out in November 2011 by A F Norris, Philatelic Consultant. The basis of the revaluation used was replacement value. The surplus of £65,000 was transferred to the revaluation reserve less a deferred tax provision of £12,000.

The revalued element of the reference collection is £344,000 (2011: £344,000). All other fixed assets are stated at historic cost. If the reference collection had not been revalued it would have been included at a net book value based on historic cost of £455,000 (2011: £418,000).

Fully written down Property, Plant and Equipment with a cost of £695,000 (2011: £679,000) remains in use by the Group.

13. Inventories

	31 December 2012 £'000	31 December 2011 £'000
Raw materials and consumables	**104**	40
Work in progress	**205**	213
Finished goods and goods for resale	**20,419**	16,548
	20,728	16,801

During the year no write downs were required to reduce any inventories to their net realisable value. During the year £20,031,000 (2011: £21,872,000) was recognised as a cost of sales expense in the income statement.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

14. Current trade and other receivables

	31 December 2012	31 December 2011
Amounts falling due within one year	**£'000**	£'000
Trade receivables	**10,871**	8,443
Other receivables	**193**	208
Prepayments and accrued income	**604**	527
	11,668	9,178

15. Non-current trade and other receivables

	31 December 2012	31 December 2011
Amounts falling due after more than one year	**£'000**	£'000
Trade receivables	**229**	420

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

16. Provision for impairment of receivables and collateral held

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

	31 December 2012	31 December 2011
	£'000	£'000
Provision for impairment of receivables	**109**	27

As at 31 December 2012, £130,000 (2011: £233,000) of trade receivables, excluding those provided for by the impairment provision, were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	31 December 2012	31 December 2011
	£'000	£'000
Up to 3 months past due	**63**	73
3 to 6 months past due	**52**	12
Over 6 months past due	**15**	148
	130	233

The Group retains possession of the material sold under extended payment terms, thus limiting any credit risk from entering into such arrangements. In most cases the customers sign a formal credit agreement and pay a minimum 10% non-refundable deposit. The balances fall due a maximum of 24 months in the future although the option to settle early does exist. There was an outstanding balance of £4,788,000 at 31 December 2012 (2011: £1,499,000) in respect of such extended payment plans. No other receivables have had their terms renegotiated and the group has not had to call upon its security due to default by customers at any time during the year.

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

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

17. Current trade and other payables

	31 December 2012	31 December 2011
	£'000	£'000
Trade payables	**7,167**	5,998
Other payables	**107**	98
Other taxes and social security	**277**	217
Accruals and deferred income	**628**	328
	8,179	6,641

18. Borrowings

	31 December 2012	31 December 2011
	£'000	£'000
Current		
Bank loan	**188**	250
Non-current		
Bank loan	**–**	188

The bank loan is repayable in equal instalments over three years commencing September 2010. Interest is charged at 4% above LIBOR.

There is an overdraft facility of £1m in place, which when drawn down, is secured by way of floating charges over the assets of the Group.

19. Deferred tax assets and liabilities

	Assets			**Liabilities**	
	31 December 2012	31 December 2011 (restated)	31 December 2010 (restated)	**31 December 2012**	31 December 2011 (restated)
	£'000	£'000	£'000	**£'000**	£'000
Defined benefit pension scheme (note 26)	**735**	732	518	**–**	–
Accelerated capital allowances	**–**	–	–	**143**	123
Deferred tax on revaluation of reference collection	**–**	–	–	**90**	90
Full provision	**735**	732	518	**233**	213

The prior year adjustment referred to in note 31 did not result in any restatement of the 2010 deferred tax liabilities.

20. Provisions

	£'000
At 1 January 2012	685
Used during the year	(38)
Provided during the year	34
Released during the year	(399)
Movement on the effect of discount rate	78
At 31 December 2012	**360**

Provisions relate to the potential liability arising from the sale of stamps and autographs under guaranteed minimum return fixed term contracts in prior periods. Each contract is reviewed on a regular basis and provision made for any difference between the guaranteed return and the underlying value of the portfolio. There have been no decreases in value in the year in the underlying values of the portfolios.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

20. Provisions *(continued)*

The provision at 31 December 2012 is calculated based on a 10.2% increase in the underlying value of the portfolios. However, if the portfolio values remained static or had fallen during 2012, the result would have been:

	No growth	**5% fall**	**10% fall**
	£'000	£'000	£'000
Increase in provision (before discounting)	740	1,702	2,663

These portfolios consist of individual non-correlated assets, in practice, it would be highly unlikely for there to be linearity in any price movement.

Future provisions

The provision is released upon expiration of each individual contract. The contracts expire between January 2013 and July 2028. In 2013, should stamp and autograph values remain static, the guaranteed element of the provision would require an increase of £863,000 (2011: £994,000). However, growth in certain portfolios has already exceeded the guaranteed element and this potential increase of £863,000 would therefore be reduced by this excess growth, estimated to be approximately £300,000 (2011: approximately £500,000).

The discount rate applied to the provision at 31 December 2012 was 4.5%, in line with the cost of borrowings to the Group.

Additional information regarding these guarantees can be found in the Directors' Report on page 9.

21. Called up share capital

	31 December 2012 £'000	31 December 2011 £'000
Authorised		
50,000,000 (2011: 50,000,000) ordinary shares of 1p each	**500**	500
Allotted, issued and fully paid (all equity):		
28,421,499 (2011: 25,262,311) ordinary shares of 1p each	**284**	253

During 2012, 62,230 ordinary shares were issued at £1.27 to satisfy options exercised.

A further 3,076,923 ordinary shares were issued at £1.95 on 2 November 2012 following a placing and fundraising to finance the purchase of Stampwants.com Inc and future costs of developing an online collectibles trading platform. A further 20,035 shares were issued as part of the purchase consideration for the Stampwants.com Inc acquisition.

Capital risk management

Capital is managed to ensure that the entities within the Group will be able to continue as going concerns whilst maximising the returns to stakeholders through the optimisation of debt and equity balances. Detail of the capital structure of the Group is presented in the Statement of Financial Position. Notes 22 and 23 provide details on equity. Details of loans and overdrafts at the year end are disclosed on page 6 in the Financial Review and further disclosure can be found in notes 18 and 28. There are no externally imposed capital requirements on the Group. Further detail on capital risk management can be found in the Operating and Financial reviews on pages 4 to 6. There were no changes to the Group's overall approach to capital management during the year.

22. Options in shares of The Stanley Gibbons Group plc

Executive Share options are granted to Directors and other employees on a phased basis. The value of those options ensures that this spreads any reward over a number of years, allied to growth in shareholder value over the long term. Options granted under the Inland Revenue approved UK Executive Share Option Scheme and the Jersey Executive Share Option Scheme are exercisable between the third and tenth anniversaries of the date of grant. Options granted are not normally exercisable unless the performance target is satisfied.

Prior to 2009 the target was that the average annual increase in the Company's share price over a period of three consecutive financial periods of the Company (commencing no earlier than one year prior to the date of grant) is at least 5%.

Options issued in 2009 had the target of a minimum earnings per share (EPS) of 17.5 pence for the year ended 31 December 2011. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21 pence is achieved.

Options issued in 2010 had the target of a minimum EPS of 17.3 pence for the year ended 31 December 2012. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 21.5 pence is achieved.

Options issued in 2011 had the target of a minimum EPS of 19.2 pence for the year ended 31 December 2013. 25% of the granted options vest if this target is reached, rising on a straight line basis to 100% of options granted to vest if an EPS of 22.7 pence is achieved.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

22. Options in shares of The Stanley Gibbons Group plc *(continued)*

Options issued in 2012 had the target of a minimum EPS of 21.8 pence for the year ended 31 December 2014.

25% of the granted options vest if this target is reached rising on a straight line basis to 100% of options granted to vest if an EPS of 25.7 pence is achieved.

In addition to the Directors' share options disclosed in the Report on Remuneration, detailed below are options which have been granted to employees together with the periods in which they may be exercised:

Date of grant	Earliest exercise date	Expiry date	Exercise price (1p shares)	Number at 31 Dec 2011	Granted in year	Exercised in year	Forfeited in year	Number at 31 Dec 2012
12/3/07	12/3/10	11/3/17	190.5p	25,000	–	–	(25,000)	**–**
13/9/07	13/9/10	12/9/17	231p	7,500	–	–	–	**7,500**
12/8/09	12/8/12	11/8/19	127p	109,053	–	(62,230)	(37,375)	**9,448**
01/6/10	01/6/13	31/5/20	123.5p	89,392	–	–	–	**89,392**
06/5/11	06/5/14	05/5/21	179p	308,710	–	–	(10,000)	**298,710**
06/12/11	06/12/14	05/12/21	165p	25,000	–	–	–	**25,000**
04/5/12	04/5/15	03/5/22	227.5p	–	163,958	–	–	**163,958**
06/11/12	06/11/15	05/11/22	220.5p	-	170,493	-	-	**170,493**
				564,655	334,451	(62,230)	(72,375)	**764,501**

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

	2012 Average exercise price per share	**2012 Options (thousands)**	2011 Average exercise price per share	2011 Options (thousands)
At 1 January	**145p**	**1,841**	121p	1,486
Granted	**225p**	**488**	178p	619
Forfeited/lapsed	**156p**	**(72)**	86p	(179)
Exercised	**127p**	**(62)**	106p	(85)
At 31 December	**163p**	**2,195**	145p	1,841

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

Expiry date	**Exercise Price per share**	**Options (thousands) 2012**	**Options (thousands) 2011**
2 March 2016	119.75p	**40**	40
11 March 2017	190.5p	**–**	25
12 September 2017	231p	**7**	7
11 August 2019	127p	**570**	669
31 May 2020	123.5p	**481**	481
5 May 2021	179p	**584**	594
5 December 2021	165p	**25**	25
3 May 2022	227.5p	**317**	–
5 November 2022	220.5p	**171**	–
		2,195	1,841

Binomial and Black-Scholes models have been used to value the awards. The awards issued in the year ended 31 December 2012 and 31 December 2011are set out below:

Dates of grant	**06/11/12**	**04/5/12**	**06/12/11**	**06/5/11**
Number of options granted	170,493	317,070	25,000	593,710
Weighted average fair value at date of grant (per share)	55.06p	55.76p	40.88p	48.45p
Weighted average share price on date of grant	220.5p	227.5p	167p	175p
Weighted average exercise price	220.5p	227.5p	165p	179p
Expected term (from date of grant)	6.5 years	6.5 years	3 years	6.5 years
Expected volatility	35.5%	35.5%	35.5%	36.6%
Expected dividends	3.45%	3.45%	3.45%	3.15%
Risk-free interest rate	1.28%	1.28%	1.28%	2.67%

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

22. Options in shares of The Stanley Gibbons Group plc *(continued)*

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

23. Share premium and reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

Share compensation reserve

The share compensation reserve relates to the fair value of options granted which has been charged to the income statement over the vesting period of the options.

Shares to be issued (see note 30)

This represents the deferred consideration on acquisitions which has not been paid at the balance sheet date.

Revaluation reserve

The revaluation reserve relates to the reserve movement in respect of the revaluation of fixed assets.

Capital redemption reserve

The capital redemption reserve represents the cumulative par value of all shares bought back and cancelled by the Group.

Retained earnings

Retained earnings represents the accumulated profits not distributed to shareholders.

24. Cash generated from operations

	31 December 2012 £'000	31 December 2011 £'000
Operating profit	**5,363**	5,045
Depreciation	**255**	239
Amortisation	**184**	112
(Decrease) / increase in provisions	**(216)**	215
Cost of share options	**108**	108
Increase in inventories	**(3,927)**	(2,027)
Increase in trade and other receivables	**(2,299)**	(732)
Increase in trade and other payables	**1,539**	1,091
Cash generated from operations	**1,007**	4,051

25. Capital and other commitments

Lease commitments

At 31 December 2012 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Date of lease termination:	**Land and Buildings 31 December 2012 £'000**	Land and Buildings 31 December 2011 £'000
Within one year	**606**	590
Between two and five years	**689**	1,209
In five years or more	**83**	112
	1,378	1,911

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

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

25. Capital and other commitments *(continued)*

At 31 December 2012 the Group had future minimum rental payments receivable under non-cancellable operating leases as follows:

Date of lease termination:	**Land and Buildings 31 December 2012 £'000**	Land and Buildings 31 December 2011 £'000
Within one year	**132**	132
Between two and five years	**175**	387
	307	519

These operating leases are all sub leases and the lease terms are co terminus with those of the company. The above rentals relate to the sub lease at premises in Ringwood, Hampshire and Strand, London. There remains one tenant at 399 Strand, London paying monthly under a 'tenancy at will' arrangement.

26. Retirement benefits

The Stanley Gibbons Group of Companies (incorporating Stanley Gibbons Holdings PLC and its wholly owned subsidiaries) operates the Stanley Gibbons Holdings PLC Pension and Assurance Scheme ('the Scheme') to which the employer and certain employees contribute. The scheme closed to new members with effect from 1 September 2002. All employer costs are borne by Stanley Gibbons Holdings PLC. The scheme is a defined benefit scheme. The assets of the scheme are held under the provisions of a trust deed and are invested in AAA rated Corporate Bonds and unitised equity funds managed by two UK institutions. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

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

The valuation used to calculate net pension liabilities at 31 December 2012 has been based on the most recent actuarial valuation at 30 June 2009 and updated by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2012. Scheme assets are stated at their market value at 31 December 2012.

During the year the Company instigated a process to redraft and consolidate the Trust Deed and Rules which govern the Stanley Gibbons Holdings PLC Pension and Assurance Scheme. This exercise carried out by the Legal and Documentation Services Practice of the Scheme's actuaries, Aon Hewitt and reviewed by solicitors Jones Day, highlighted five administration issues which required resolution (see note 31). This has resulted in an increase in on-going service and interest costs and future liabilities.

The Group currently pays deficit reduction contribution of £44,000 per annum.

The amounts recognised in the statement of financial position are as follows:

	31 December 2012 £'000	31 December 2011(restated) £'000	31 December 2010 (restated) £'000
Present value of funded obligation	**(9,941)**	(8,942)	(8,326)
Fair value of scheme assets	**6,780**	6,181	6,477
Net obligation	**(3,161)**	(2,761)	(1,849)
Deferred tax asset	**735**	732	518
Retirement benefit obligation	**(2,426)**	(2,029)	(1,331)
Cumulative amount of actuarial losses recognised in other comprehensive income	**(1,170)**	(933)	(99)

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

26. Retirement benefits *(continued)*

The amounts recognised in the income statement for the year are as follows:

	31 December 2012 £'000	31 December 2011 (restated) £'000	31 December 2010 (restated) £'000
Current service cost	**260**	182	111
Interest cost on benefit obligations	**426**	458	356
Expected return on scheme assets	**(373)**	(414)	(390)
Total included in employee benefit expense	**313**	226	77
Actual return on scheme assets	**847**	(78)	753

The amounts recognised in other comprehensive income are as follows:

	31 December 2012 £'000	31 December 2011 (restated) £'000	31 December 2010 (restated) £'000
Actuarial losses	**(237)**	(834)	(354)

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

	31 December 2012 £'000	31 December 2011 (restated) £'000	31 December 2010 (restated) £'000
Present value of obligations at start of year	**8,942**	8,326	7,714
Current service cost	**260**	182	163
Interest cost	**426**	458	437
Contributions by employees	**27**	25	25
Actuarial losses	**664**	342	177
Charges paid	**(68)**	-	-
Benefits paid	**(310)**	(391)	(190)
Present value of obligations at end of year	**9,941**	8,942	8,326

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

	31 December 2012 £'000	31 December 2011 (restated) £'000	31 December 2010 (restated) £'000
Fair value of scheme assets at start of year	**6,181**	6,477	5,839
Expected return on scheme assets	**373**	414	390
Actuarial gains / (losses)	**427**	(492)	363
Contributions by employees	**27**	25	25
Contributions by company	**150**	148	50
Charges paid	**(68)**	–	–
Benefits paid	**(310)**	(391)	(190)
Fair value of scheme assets at end of year	**6,780**	6,181	6,477

The Group expects to contribute £152,000 to its defined benefit scheme in 2013.

The major categories of scheme assets as a percentage of the fair value of total scheme assets are as follows:

	31 December 2012 %	31 December 2011 %
Equities	**47.7%**	50.0
Corporate bonds	**37.1%**	40.0
Gilts / cash	**15.2%**	10.0

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

26. Retirement benefits *(continued)*

Principal actuarial assumptions at the reporting date:

	31 December 2012	31 December 2011
Future salary increases	**2.80%**	3.00%
Price inflation – RPI	**2.80%**	3.00%
Price inflation – CPI	**2.00%**	2.10%
Future pension increases – pension accrued before 6 April 1997 (per annum)	**0.00%**	0.00%
Future pension increases – pension accrued after 6 April 1997 (per annum)	**2.00%**	2.10%
Discount rate	**4.20%**	4.80%
Equities (long term expected rate of return)	**4.20%**	8.00%
Corporate bonds (long term expected rate of return)	**4.20%**	4.70%
Fixed interest Gilts (long term expected rate of return)	**4.20%**	2.50%
Cash (long term expected rate of return)	**4.20%**	0.50%
Investment weighted average expected rate of return	**5.80%**	6.00%

Mortality Assumptions

The mortality trends of the scheme were assessed at 31 December 2012 by the actuary using the mortality tables SAPS projected by birth year, with an allowance for medium cohort mortality improvements, and an underpin of 1%. The Directors consider that, statistically, this table gives the best indicators of the life expectancy of pension scheme members taking into account of their employment history, lifestyle and job location.

The mortality assumptions imply the following life expectation:

	2012 In years	2011 In years
Retiring at 60 at reporting date		
Male	**26**	26
Female	**29**	29
Retiring at 60 at reporting date + 20 years		
Male	**28**	28
Female	**31**	31

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

	31 December 2012	31 December 2011(restated)	31 December 2010 (restated)	31 December 2009 (restated)	31 December 2008 (restated)
Present value of defined benefit obligations	**(9,941)**	(8,942)	(8,326)	(7,714)	(6,657)
Fair value of scheme assets	**6,780**	6,181	6,477	5,839	5,390
Deficit	**(3,161)**	(2,761)	(1,849)	(1,875)	(1,267)
Experience (losses) / gains on scheme liabilities	**–**	(317)	–	423	–
Difference between the expected and actual return on scheme assets – (losses) / gains	**426**	(492)	363	187	(944)

Future profile of the Stanley Gibbons Holdings PLC Pension Scheme

The Stanley Gibbons Holdings PLC Pension Assurance Scheme closed to new members with effect from 1 September 2002. This will result in the age profile of the active membership rising over time and hence, under the method required to calculate IAS 19 liabilities, the future cost in relation to this Scheme will rise in the long-term.

The Group has considered the impact of the IAS 19 deficit in respect of the Group, its employees and pensioners. The deficit has increased from £2,761,000 at 31 December 2011 to £3,161,000 at 31 December 2012 mainly as a result of changes to the actuarial assumptions based on market conditions as at 31 December 2012. In the context of the overall net assets of the Group, the Group remains in a strong position to manage this long-term liability.

27. Contingent liabilities

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

There are no Group contingent liabilities as at 31 December 2012 (2011:£Nil).

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

28. Financial instruments

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables which arise directly from operations. The Group financed part of its operations with a bank loan and used its short term overdraft facility during the year. Details of this facility can be found in note 18. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group's policies and procedures in managing these risks are detailed in the Financial Review on page 6.

Summary of financial assets and liabilities by category

	31 December 2012 £'000	31 December 2011 £'000
Loans and receivables		
Trade and other receivables	**11,064**	9,071
Cash at bank	**6,766**	3,230
	17,830	12,301
Financial liabilities measured at amortised cost		
Trade payables	**7,167**	5,998
Accruals	**628**	328
Borrowings	**188**	438
	7,983	6,764
	9,847	5,537

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised in the balance sheet as noted in the above table.

The Group's directors considers that all the above financial assets for each of the balance sheet dates under review are of a good credit quality, including those past due settlement dates. See note 16 for more information on financial assets that are past due settlement dates.

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage risk the Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of any exposure to any individual counterparty is subject to a limit which is regularly reviewed by the Directors.

Interest rate risk

With the exception of the borrowings in respect of the bank loan (see note 18) and it's short term overdraft facility the Group finances its operations through the generation of cash from operating activities and has no interest rate exposure on any other financial liabilities.

The Group's finance charge for the year of £94,000 (2011: £100,000) comprised of bank interest of £41,000 (2011: £56,000) and net finance costs from it's defined benefit pension scheme liabilities of £53,000 (2011: £44,000).

The bank loan is linked to LIBOR. A 5% movement in LIBOR would have resulted in an additional interest charge of £13,000 (2011: £28,000).

Foreign exchange risk

The Group had no material exposure to foreign exchange risk in the year ended 31 December 2012. Following the acquisition of bidStart, the Directors are assessing the foreign exchange risk relating to the cash flows of that business and will manage it accordingly.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

28. Financial instruments *(continued)*

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Group has an overdraft facility of £1,000,000 at 31 December 2012 secured by a floating charge over the assets of the Group. The facility is to be reviewed in April 2013.

As at 31 December the Group's financial liabilities have contractual maturities as summarised below:

	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000
2012			
Trade and other payables	6,327	1,468	–
Borrowings	125	63	–
	6,452	**1,531**	–
2011			
Trade and other payables	6,326	-	-
Borrowings	125	125	188
	6,451	125	188

All cash at bank earns interest at floating rate as detailed in the Financial Review on page 6.

29. Related party transactions

Identity of related parties

The Company has a controlling related party relationship with its subsidiary companies (see note 32). The Group also had a related party relationship with its Directors.

Transactions between parent and subsidiaries

The parent company charged management fees of £2,544,000 (2011: £1,585,000) to its subsidiaries during the year.

Transactions with Directors and key management personnel

The remuneration of the Directors and details of share options granted are disclosed in the Report on Remuneration and in note 6. There are no key management personnel, as defined in IAS 24, aside from the Directors.

Year ended 31 December 2012

Mr D M Bralsford, Non-Executive Chairman and Director, redeemed investment portfolios to the value of £170,505 during the year. This was paid in full by the year end.

M Hall, Director, had a sales ledger balance of £523 at the year end. Mr Hall also disposed of some autograph memorabilia to the Company during the year for £15,371. This was settled in full after the year end.

D Duff, Director, redeemed investment portfolios to the value of £20,216 during the year.

Mr J Byfield, Director, purchased goods to the value of £100,000 during the year. This was to be settled by the realisation of some of his other investment portfolios and is due to be settled in full by June 2013. There was £52,078 outstanding from Mr Byfield at the year end.

Year ended 31 December 2011

Mr D M Bralsford, Non-Executive Chairman and Director, redeemed investment portfolios of £47,500 during the year. Mr Bralsford also purchased goods to the value of £172,055 during the year. £123,005 was outstanding at the year end and was settled shortly after the year end in accordance with agreed terms.

M Hall, Director, had a sales ledger balance of £5,368 at the year end.

Mr D Duff, Director, redeemed investment portfolios to the value of £114,634 in December 2011. This amount was owed to Mr Duff at the year end and was settled in January and February 2012.

Mr J Byfield, Director, purchased goods to a value of £101,000 during the year. No balance was outstanding at the year end.

30. Acquisition of Stampwants.com Inc

On 31 October 2012, the Group agreed to buy the assets of Stampwants.com Inc, trading as bidStart ("bidStart"), a US-based online collectibles business, for $1 million (£636,000). bidStart is a US-based online collectibles trading platform which focuses on the stamp and postcard markets. The business operates a customised search engine specifically built for the trading of collectibles, providing a fully transparent marketplace for buyers and sellers. The Board considered the acquisition an essential strategic step towards building a global online collectibles community.

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FOR THE YEAR ENDED 31 DECEMBER 2012

30. Acquisition of Stampwants.com Inc. *(continued)*

The fair value of the assets acquired and consideration given was as follows:

	£'000
Intangible assets – customer lists	150
Intangible assets – web site development cost	450
Total assets acquired	600
Goodwill (see note 11)	36
Consideration payable	**636**
Satisfied by:	
Cash paid	382
Shares issued – 20,035 at 228p per share	45
Deferred consideration – shares to be issued December 2014, 91,588 at 228p per share	209
	636

From 31 October 2012, the business contributed £22,000 of revenue producing a loss of £3,000. It is impractical to disclose the revenue and profits figure from 1 January 2012 to date of acquisition as this was a trade and asset purchase.

31. Prior year adjustment

During the year the Company instigated a process to redraft and consolidate the Trust Deed and Rules which govern the Stanley Gibbons Holdings PLC Pension and Assurance Scheme. This exercise carried out by the Legal and Documentation Services Practice of the Scheme's actuaries, Aon Hewitt and reviewed by solicitors Jones Day, highlighted five administration issues which required resolution.

The Company has appointed solicitors Lawrence Graham to investigate the five issues. They have sought advice from Counsel who has provided an opinion which concluded that there were serious issues with two of the areas identified, (namely equalisation of normal retiring dates and the reduction in the accrual rate) and in their view the Company and the Trustees had good prospects of success in claims for negligence against the Scheme's advisers for the cost of additional Scheme liabilities.

The Company and the Trustees and their respective advisers are still investigating the circumstances and details of the five areas and are currently carrying out an analysis of the benefit structure under the Scheme and how members may have been affected.

Despite the fact that the investigation and analysis is still not completed the Company has taken a prudent view of potential liabilities. The impact of this is that there is an increase in the pension deficit (net of deferred tax) at 1 January 2011 of £1,249,000 and a reduction in profit before tax in the year ended 31 December 2011 of £159,000, reducing basic earnings per share by 0.7p. There is no impact on corporation tax charge but changes in deferred tax have been reflected in the period.

In terms of the legitimacy of the changes that has given rise to this additional potential liability, the Company is pursuing a legal action for recovery against the professional advisers involved.

The impact of the increase in the pension deficit affects brought forward reserves and the prior year's statement of comprehensive income, statement of financial position and statement of changes in equity as well as some notes to the accounts. The impact on the balance sheet at 31 December 2010 and the opening reserves at 1 January 2011 is shown in the table below.

	Retirement Benefit obligations	Deferred tax	Retained earnings
	£'000	£'000	£'000
Balance at 31 December 2010 as previously stated	(114)	32	15,058
Prior year adjustments in respect of pension changes	(1,735)	486	(1,249)
Balance at 31 December 2010 as restated	**(1,849)**	**518**	**13,809**

The impact at 31 December 2010 was to reduce net assets by £1,249,000.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2012

31. Prior year adjustment *(continued)*

The impact of the change in assumptions at 31 December 2011 on the statement of comprehensive income was as follows:

	Comprehensive income £'000
Increase in service charges – administration expenses	(63)
Adjustment to interest cost and return on assets	(96)
Profit before tax adjustment	(159)
Current year tax adjustment – deferred tax pensions	15
Profit for the financial year impact	**(144)**
Actuarial loss adjustment	(25)
Deferred tax adjustment	7
Total comprehensive income adjustment	**(162)**

The impact at 31 December 2011 was to reduce net assets by £1,411,000.

32. Principal subsidiaries

The principal subsidiary undertakings of the Company, all of which are 100% owned are as follows:

Name	Country of incorporation	Description of shares held	Principal activity
Stanley Gibbons (Guernsey) Limited	Guernsey	Ordinary £1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons (Jersey) Limited	Jersey	Ordinary £1 shares	Philatelic dealer and dealer in memorabilia
Stanley Gibbons Holdings PLC*	England	Ordinary £0.25 shares	Holding Company
Stanley Gibbons Limited*	England	Ordinary £1 shares	Philatelic dealer and retailer, and dealer in memorabilia
Stanley Gibbons (Asia) Limited	Hong Kong	Ordinary HK$1 shares	Philatelic dealer and dealer in memorabilia
Benham Collectibles Limited	England	Ordinary £1 shares	First day cover dealer
Benham (Jersey) Limited	Jersey	Ordinary £1 shares	First day cover dealer
Stanley Gibbons E-commerce Limited	Jersey	Ordinary £1 shares	E-commerce retailing
Stanley Gibbons (US), Inc*	United States	Common stock US$0.0001	Web development

* Indirect holding.

Directors' biographical details

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

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

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

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

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

In 1995 Michael qualified as a Chartered Accountant in Scotland and joined Coopers and Lybrand (now PricewaterhouseCoopers) in Jersey. As a manager, Michael worked on both audit and corporate finance assignments for a variety of listed companies including Flying Flowers. Michael joined Flying Flowers as financial controller of the Collectibles division in July 1999. He was appointed Finance Director of Stanley Gibbons in August 2000 and Chief Executive of The Stanley Gibbons Group plc from 1 July 2003. He is a member of the Nomination Committee.

John Byfield,
Corporate Development Director

Date of Birth: 7 November 1951, date of appointment as Director: 28 April 2010

John Byfield qualified as a Solicitor in 1978 and was senior partner of a substantial law practice for some 20 years. During that time he specialised in company and commercial law and advised many boards of both private and public companies. John acted as executive Chairman of Essentially Group, formerly AIM listed, from 2002 until the company was sold in October 2009. John joined the Board as a Non-Executive Director on 28 April 2010. On 1 February 2012 he became an Executive Director in a new role as Corporate Development Director.

Donal Peter James Duff BAAF, AMCT, FCA,
Chief Operating Officer and Finance Director

Date of birth: 11 November 1967, date of appointment as Director: 7 August 2009

Donal qualified as a Chartered Accountant with Coopers & Lybrand in Ireland in 1991 and subsequently transferred to its Jersey office in 1993 to work on a wide range of audit and corporate finance assignments. In 1996, he joined Le Riche Group Limited, a listed company, as Group Financial Controller and was Director of Finance when it was acquired by C.I Traders Limited, an AIM listed company, in 2002. Donal was Director of Finance and Company Secretary of this company, the largest private sector employer in the Channel Islands, until its acquisition by a private equity consortium in 2007 and he continued to work with the new owners until 2008. Donal was appointed Chief Operating Officer of The Stanley Gibbons Group plc on 17 March 2009 and Finance Director on 4 November 2011. He is also a Non-Executive Director of Jersey Post International Limited.

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

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

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

Martin Paul Magee, CA,
Non-Executive Director – Independent

Date of Birth: 26 June 1960, date of Appointment as Director: 1 August 2012

Martin qualified as a Chartered Accountant in Scotland in 1984. Following qualification he worked for nine years with Stakis plc, (now part of the Hilton Hotels Group) and then with Scottish Power plc in a variety of senior finance roles. In 2002 he was appointed Finance Director of Jersey Electricity plc. He is also Chairman of Jersey Deep Freeze Limited, a Director of the Channel Islands Electricity Grid Limited and a Non-Executive Director of the Newton Offshore Strategy Fund Limited. Martin was a member of the States of Jersey Public Accounts Committee until 2011. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Five Year Summary

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011	2010	2009	2008
		(restated)	(restated)		
	£'000	£'000	£'000	£'000	£'000
Turnover	**35,599**	35,704	26,429	23,365	19,394
Cost of sales	**(20,031)**	(21,872)	(14,859)	(13,345)	(10,135)
Gross Margin	**15,568**	13,832	11,570	10,020	9,259
Gross Margin %	**43.7%**	38.7%	43.8%	42.9%	47.7%
Administration expenses	**(3,332)**	(2,793)	(2,321)	(1,817)	(1,734)
Selling and distribution expenses	**(6,524)**	(5,882)	(4,864)	(4,074)	(3,827)
Exceptional operating costs	**(349)**	(112)	(150)	-	(88)
Operating profit	**5,363**	5,045	4,235	4,129	3,610
Net interest (payable) / receivable	**(91)**	(99)	(64)	(16)	91
Profit before taxation	**5,272**	4,946	4,171	4,113	3,701
Taxation	**(389)**	(415)	(436)	(413)	(378)
Profit for the financial year	**4,883**	4,531	3,735	3,700	3,323
Basic earnings per share	**18.94p**	17.97p	14.83p	14.70p	13.22p
Adjusted earnings per share	**21.44p**	19.40p	16.23p	14.70p	13.57p
Diluted earnings per share	**18.55p**	17.74p	14.78p	14.69p	13.19p
Net assets	**31,704**	22,418	19,739	18,157	15,835
Ordinary dividend per share (p)	**6.5p**	6.0p	5.5p	5.0p	4.75p
Share Price	**235.5p**	167.0p	165.0p	135.5p	132.5p

Note: The prior year adjustment relating to the defined benefit pension scheme has been reflected in the 2010 and 2011 numbers above. It has not been reflected in the 2008 & 2009 figures.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Stanley Gibbons Group plc ("Company") will be held at BanjoJersey, 8 Beresford Street, St Helier, Jersey JE2 4WN on Wednesday 1st May 2013 at 11a.m. for the purpose of considering and, if thought fit, adopting the following resolutions relating to the ordinary and special business of the Company at the Annual General Meeting or any adjournment thereof

Ordinary Business

To consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions:

1. **"THAT** the Company's audited accounts for the year ended 31 December 2012 and the Directors' and Auditors' Reports thereon be approved and adopted."
2. **"THAT** a final dividend of 3.75p per ordinary share in respect of the year ended 31 December 2012 be declared, payable on 20 May 2013 to holders of ordinary shares on the register of shareholders of the Company at the close of business on 5 April 2013."
3. **"THAT** MP Magee, who retires in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."
4. **"THAT** DM Bralsford, who retires by rotation in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."
5. **"THAT** DPJ Duff, who retires by rotation in accordance with the Articles of Association of the Company, and, being eligible, be re-elected as a Director of the Company."
6. **"THAT** Nexia Smith & Williamson be re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration."

Special Business

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

7 **"THAT** the Company be generally and unconditionally authorised to make one or more market purchases of its own shares, such purchases to be of Ordinary Shares of one pence (1p) each in the capital of the Company ("Ordinary Shares") on the London Stock Exchange, provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased shall be 4,300,000 Ordinary Shares, being approximately 15 per cent of the issued capital of the Company; and

(b) the minimum price which may be paid for any such Ordinary Shares shall be 1p per Ordinary Share (exclusive of expenses); and

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

(d) unless otherwise varied renewed or revoked the authority hereby conferred shall expire at the earlier of 1 June 2014 and the conclusion of the Annual General Meeting of the Company to be held in 2014; and

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

by order of the board of Directors of
The Stanley Gibbons Group plc

RK Purkis, Secretary

Dated: 21 March 2013

Registered Office Address:
18 Hill Street, St Helier,
Jersey JE2 4UA,
Channel Islands

NOTES:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and, on a poll, to vote in his/her place. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. An instrument for the purposes of appointing a proxy is enclosed. To be valid, the instrument and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received by the Company's registrars, Capita Registrars (Jersey) Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or at such other place as is specified for that purpose in the notice of meeting issued by the Company not later than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, before the time appointed for taking the poll and, in default, the instrument shall not be treated as valid.
3. Completion of the instrument appointing a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he/she so wishes.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company specifies that only those members entered on the register of members of the Company as at 11 a.m. on 29 April 2013 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 11a.m. on 29 April 2013 or, if the meeting is adjourned, on the register of members 48 hours before the time fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

EXPLANATORY NOTES

Resolution 7: Authority for Company to purchase its own shares

The previous authority granted by the shareholders to the Directors for the Company to purchase its own limited ordinary shares will shortly expire and the Directors recommend that a further authority in this respect be obtained.