The Stanley Gibbons Group plc

Interim Report and Accounts
for the six months ended 30 September 2020

Contents

Directors and Advisers

Directors	H G Wilson	Non-Executive Chairman
	G E Shircore	Chief Executive Officer
	A M Gee	Chief Finance Officer
	L E Castro	Non-Executive Director*
	M West	Non-Executive Director*
	** Independent*	
Company Secretary	A M Gee	
Registered Office	18 Hill Street St. Helier Jersey JE2 4UA Tel: +44(0)20 7836 8444	
Company Registration	Registered in Jersey Number 13177	
Legal Form	Public Limited Company limited by shares	
Nominated Adviser and Broker	Liberum Capital Limited 25 Ropemaker Street London EC2Y 9LY	
Auditors	Jeffreys Henry LLP Finnsgate 5-7 Cranwood Street London EC1V 9EE	
Legal Advisers	Mourant Ozannes 22 Grenville Street St Helier Jersey JE4 8PX	
	Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Registrars	Link Market Services (Jersey) Limited Shareholder Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel: 0871 664 0300; from overseas +44(0)37 1664 0300	
Website	Further financial, corporate and shareholder information is available in the investor relations section of the Group's website: www.stanleygibbonsplc.com.	

Chairman's Statement

At the start of the year, we were quietly confident with the good progress that was being made in our recovery plan to rebuild the Group – then the virus came, and we had to adapt quickly to a largely unknown challenge. Our first priority has been safety for all those working for, and dealing with Stanley Gibbons. I am pleased to say that our staff have been totally flexible and committed to creating a safe working environment. In parallel with this, we adjusted our plans and modified our working practices to minimise the disruption to our business. We have made the best of a very difficult situation.

Details of the changes we made are set out more fully in the Chief Executive's report but in essence these fall into three categories;

- Accessing our customers for both acquiring and selling material. This involved a step up in direct communications and an increase in online marketing
- Accelerating our IT developments particularly our websites and data base to respond to the changes in consumer behaviour
- Preserving cashflow by reducing costs where possible and utilising government supported schemes where available

Our objective has been to come out of this unique period in a relatively stronger position than our peers.

As regards the results, the figures are down from the comparable period last year as you would expect. Sales are down 26% to £4.98m for the period (£6.74m 2019) which has resulted in an increased loss from continuing operations for the period of £2.22m (£0.66m loss 2019). Encouragingly, online sales have increased by 35% over the period and now account for 22% of total sales (12% 2019). We have also not yet seen the full benefits of the extensive refurbishment of the shop and offices which reopened at the end of June. Those who have visited the shop have given us positive feedback and I am confident that as travel restrictions ease, we will see a strong jump in sales across the counter. Our cash position at the end of the period was £2.52m with an additional £2m available under our loan facility with Phoenix, significantly better than we expected in March 2020. In fact, we have managed a modest cash inflow from ongoing operations for the period of £0.24m which compares to an outflow of £0.55m in 2019 although this comparison is rather skewed by several extraordinary items in the current period.

Corporate overheads have seen a further reduction of 10% from £1.17m in 2019 to £1.06m this period. Some of this reduction is temporary (furlough) but we continue to look for savings which are sustainable in the longer term. Staff numbers have reduced a small amount but the core teams of specialists in both stamps and coins which are key to our future have been largely unaffected.

Our rebuilding plan has been delayed by the unexpected events of the last nine months but we have adapted as well as possible to the new environment and continue to have a clear focus on the ultimate goal and how to get there. The market for stamps and coins remains remarkably strong and we are seeing the return of passive collectors and new interest from people who find they have more free time. The strength of our brands is particularly important in enabling us to take advantage of the current environment. I would like to thank our staff for their hard work and commitment in minimising the disruption to our business. Having come through the corporate restructuring of the last two years and then facing a largely unknown challenge over recent months shows great resilience. Thank you also to all our other stakeholders for your support during this testing period. There are encouraging signs recently that will hopefully allow me to report that our rebuilding plans are back on track next year. Meanwhile, I wish you a very happy Christmas and most importantly a healthy New Year.

Harry Wilson
Chairman

25 November 2020

Chief Executive's Report

Introduction

We have previously talked about a year of two halves. This time we talk about a half with two diametrically opposing elements; protecting ourselves from the ravages of COVID-19 while also continuing our focus and determination to rebuild the business and its longer-term prospects.

It is the latter I wish to take up first.

While work was necessarily halted temporarily, our redeveloped flagship building at 399 Strand was completed, under budget, during the summer. We feel that we now have a location befitting both the great brands of Stanley Gibbons and Baldwin's and we look forward to being able to make more use of it and welcome more of you to it than we have unfortunately had the opportunity to do so far.

The second key element which remained a work in progress when I last wrote to you was the ongoing development of our digital capabilities. The change in consumer behaviour brought about by COVID-19 only emphasised the need to drive this side further and faster.

In addition to continuing to improve both our Stanley Gibbons and Baldwin's websites, there are also several other customer facing initiatives and projects currently underway and we are working on ways to bring about these improvements and additions to our customer experience more rapidly.

Behind the scenes, we have also upgraded our IT hardware and transitioned to a different operating system. While inevitably bumpy, when I compare it to the struggles many companies face in delivering similar projects, this was extremely successful.

On the Stanley Gibbons side, we also continue to build our bespoke database which will house a vast amount of data and allow us to offer further and better digital services to our customers. This continues to progress less quickly than we had hoped, however the user experience itself is a good one, the challenge has come in populating the database with the raw data. Not only is it massive in quantity but complex and in a variety of formats. Tangible progress has however been made as evidenced by both our monthly magazine, GSM, and the most recent edition of our flagship 'Part One' catalogue being produced using the database.

Moving onto the opposite side of the spectrum and managing the business through the very pronounced impact of COVID-19, the financial figures are available for all to see, but in isolation they don't even begin to tell the story.

The disruption it has caused and continues to cause is unprecedented in all aspects, influencing how we source material to how we reach and communicate with our customers and everything in between.

We have worked extremely hard to not only minimise the impact it has had but to take advantage of any opportunities it has helped to create. The goal that we have continued to reinforce throughout is that while it will undoubtedly cause damage, it is also a chance for us to exit this period, whenever that may be, in a relatively stronger position than our peers and it is this which we continue to work towards.

With this in mind and understanding that in times of upheaval people gravitate to those they are most familiar with, we made significant efforts to be seen as industry leaders throughout, but particularly in the early days, of the crisis. This included giveaways aimed at new collectors, online competitions, a 'stay at home' auction and weekly quizzes - we continue to look for further opportunities to delight our customers.

The global pandemic is, in every sense, about people and having mentioned some of the efforts we made for our customers, it is to my colleagues which I now wish to turn.

Their commitment, robustness and most of all, flexibility through the last eight months has been exemplary and without doubt played a primary role in allowing us to maintain that mantra of coming out the other side relatively stronger and minimising the number of difficult decisions we have had to make.

Everybody understands that the more effort we put in and the more effectively we operate, the more we can do in order to mitigate against the very real human impact of the virus, whether that be saving jobs, minimising the use of the furlough scheme or more positively, rewarding outstanding performance.

This pulling together for everybody's benefit is clearly shown by the results of our most recent staff survey which highlighted a marked improvement in almost all metrics. There is lots more to do here to create and continually strengthen the culture and principles we believe are of huge benefit to both everybody who works here and the long term health of what is a relationship driven business, but we are heading in the right direction.

I would like to extend my thanks, on behalf of all shareholders, to my colleagues for all their hard work and diligence during these most trying and unsettling times.

Operating Review

The COVID-19 pandemic has certainly impacted on the Group's trading performance. However, the impact has not all been negative. COVID-19 has restricted our opportunities to trade face-to-face with our customers and has also restricted the supply of high value coins and stamps coming to the market. This has been felt most in our retail and auction business but has also resulted in the cancellation of shows and exhibitions which has impacted dealing turnover. However on the positive side we have seen improvement in our web sales with web sales growing by 35% and now representing 22% of total sales (2019: 12%).

Continuing Operations

	6 months to 30 Sep 2020 Sales £000	6 months to 30 Sep 2020 Profit £000	6 months to 30 Sep 2019 Sales £000	6 months to 30 Sep 2019 Profit £000	12 months to 31 Mar 2020 Sales £000	12 months to 31 Mar 2020 Profit £000
Philatelic	1,783	(60)	3,416	39	6,459	(90)
Publishing	868	(50)	935	(3)	1,946	(99)
Coins & medals	1,747	167	1,734	158	3,425	553
Legacy interiors property	585	(58)	659	93	1,345	222
Other & corporate overheads	–	(1,059)	–	(1,173)	–	(2,555)
Net finance charges on borrowings*	–	(109)	–	(297)	–	(529)
Trading sales and losses	4,983	(1,169)	6,744	(1,183)	13,175	(2,498)
Amortisation of customer lists	–	(120)	–	(120)	–	(240)
Pension service and share option charges	–	–	–	(25)	–	–
Finance charges related to pensions	–	–	–	–	–	(126)
Exceptional operating income/(charges)	–	(930)	–	667	–	353
Group sales and loss from continuing operations	4,983	(2,219)	6,744	(661)	13,175	(2,511)

* excludes IFRS16 interest costs.

Philatelic

The Philatelic division reflects the results for our stamp dealing, retail and auctions business. This division has seen the biggest impact from COVID-19 with total sales down 48% at £1,783,000 compared to £3,416,000. The auction and retail business has suffered most from the lockdown with sales approximately 60% down year on year. Although demand for material was strong, the inability and desire of people to travel has resulted in it becoming much harder to source. This in turn affected the number of auctions we were able to hold in the first half of the year. Our rare stamp dealing business was also impacted by the restrictions on movements with less opportunities to meet customers at our premises and at the various stamp shows around the world. The pandemic also resulted in the London 2020 international show being cancelled. Cost savings were achieved through the use of various government schemes such as property rate rebates and furlough schemes and by targeting specific areas for further internal savings. However the division generated a loss of £60,000 (2019: profit £39,000).

Publishing

The publications division benefited from customers who began to return to the hobby during the "lockdown" in the spring. Sales for the early part of the year were around 10% ahead of the previous year, with web sale representing 28% of revenue (2019: 23%). During the period we continued to work on the upgrading of our catalogue database. Whilst progress has been good and we released our first catalogue produced from this database in November 2020 this was later than the same catalogue was published in 2019. As a result of the delay in publishing this and other catalogues, sales for the six months to 30 September 2020 were £868,000 compared to £935,000 in the previous year. The loss in the period was £50,000 compared to £3,000.

Coins & Medals

The Baldwin's coin business performed well in the period despite the "lockdown" impacting our ability to meet customers at shows and exhibitions. Sales were slightly ahead of last year at £1,747,000 and profit increased to £167,000 (2019: £158,000).

Demand for coins was strong and prices realised in both the dealing business and through our joint venture auction business, Baldwin of St James', were high. The biggest impact of COVID-19 was our inability to buy rare coins as a result of the pandemic both restricting our ability to meet potential sellers and more people holding on to coins as a store of value during these uncertain times.

Legacy interiors

Our legacy interiors division holds the lease to 2 properties one in London and one in New York. Both properties are occupied by non-essential retailers who were forced to close in April and May due to various COVID-19 "lockdown" restrictions. The London retailer did reopen the store in the summer but has since been forced to close again. Concurrent quarterly rent negotiations are in place between the tenant, ourselves and our landlord regarding this property. The tenants lease expires in July 2021 (our lease expires in July 2031), and negotiations also continue on the longer term occupancy of this property.

The tenants in our New York property have not paid rent since 1 April 2020. During the period from April to September, we drew down the security deposit to cover rental payments. However, no funds have been received to either top up the deposit or pay the overdue rent. The tenant has informed us that it is their intention to forfeit the lease. The Directors have been in direct negotiation with the tenant but have not reached an agreement that is acceptable and therefore have commenced legal proceedings (see litigation section). No payment has been made to the landlord since 1 April 2020. The lease and the sub-lease expire in February 2027.

Corporate Overheads

Corporate overheads in the six months to 30 September 2020 fell to £1,059,000 compared to £1,173,000 in the previous period. Despite the large reduction in corporate overheads over the last two years, further savings have been identified as the Directors try to minimise cost during the uncertainty of the COVID-19 pandemic. Some of the cost savings identified will be temporary but we continue to look at our overhead base and at ways to reduce this further in the longer term.

Exceptional operating charges

Exceptional costs in the six months to 30 September 2020 of £930,000 relate to an impairment provision against the carrying value of the New York property leasehold assets which have now been written down to £nil. As it is the tenants intention to forfeit the lease, the leasehold assets are unlikely to generate sufficient income to cover the carrying value of the assets.

Net finance charges on borrowings

The cost of borrowing in the six months to 30 September 2020 was £109,000 (2019: £297,000). Due to the impact of the COVID-19 pandemic on the Group's cashflow, Phoenix S.G. Limited waived the interest cost on the loan for the 4 months from April to July 2020.

Funding & Cash Flow

As at the balance sheet date the Group had cash balances of £2.5m and a loan of £14.3m repayable in March 2023, provided there is no event of default in the meantime. This loan is due to Phoenix S. G. Limited, the Group's controlling shareholder. The Group has headroom of £2m remaining on this facility.

Net cash inflows from operating activities for the six months ended 30 September 2020 were £0.2m (2019: £0.5m outflow). This was achieved despite the impact COVID-19 had on our revenues. The Group has benefited from property rates being waived for 2020 (£0.1m), UK government schemes (VAT and furlough - £0.1m), a delay in pension contributions (£0.2m), waiving of interest cost (£0.2m) and non-payment of US rent (£0.2m). Other savings have been identified in operating costs and have been actioned by the Group's management. Some of the savings identified are due to unwind during January to March 2021.

Since 30 September 2020 the Group has completed a £0.9m transaction of older inventory to a trade buyer. The deal was on commercial terms consistent with other bulk transactions of old inventory but generated a small loss. As at 20 November 2020 the Group had net cash balances of £2.2m and £2m of headroom remaining on the facility.

Going Concern

The Group's forecasts show that it will remain within current loan facility limits, although it will draw down the remaining £2m headroom, for the foreseeable future. Although the Directors have built the forecast based on current trading trends, including the impact of the COVID-19 pandemic, and historical knowledge of the business, the Directors recognise that forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

The COVID-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The pandemic has impacted consumer confidence in the wider economy, which has directly led to a fall in the Group's revenue and impacted other areas of the Groups operations.

The Group's forecast indicates that the remaining £2m facility will be drawn down in the next 12 months. The Directors have mitigating courses of actions which are available to them to limit the impact of the pandemic including operating cost initiatives, the faster sell down of Group's large inventory holding, discussing options with long term creditors of the business and approaching lenders for further short term funding.

Going Concern (continued)

The loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and are due for repayment in March 2023. The Group would have been in default of the financial covenants at 31 March 2020, which would result in the loan becoming payable on demand. On 27 March 2020 the Group sought and was granted a waiver from Phoenix S.G. Limited for the default. The forecast, taking into account of the implications on the Group's demand of the COVID-19 pandemic, shows the Group will fail to meet its financial covenants in March 2021.

The Directors recognise that Phoenix S. G. Limited had granted the waiver of the default at 31 March 2020, stated that it intends to be a long term investor, is the Group's controlling party with an interest of just over 58%, granted a waiver of interest for the period April to July 2020, and has given no current indication that it would withdraw its support before March 2023 when the loan facility is repayable.

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

Litigation

On 13 November 2020 the Group filed a summons and complaint against the tenant of the New York property with the New York County Supreme Court for recovery of amounts due on the lease and for future rental payments.

Dividend

The Directors do not recommend an interim dividend for the six months ended 30 September 2020 (2019 : £nil).

Outlook

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

I have also talked before about the challenge of providing any definitive outlook for this type of business and this has, for obvious reasons become even more difficult. However, with the benefit of a prudent approach to costs, some significant sales of old inventory – at fair, as opposed to fire sale prices – and the aforementioned efforts of everybody at the Group, a few months ago we challenged ourselves to aim for a whole financial year without needing to draw down further on our debt facility.

While there is still a lot of work to do and more battles to be won, I believe that we are on course to achieve this.

This would be the first time in several years where we would be able to say that we had neither increased borrowing or heavily discounted some of our best inventory, while also continuing to invest in the future rather than diminishing our long-term prospects. There are many moving parts to this, some of which may not recur, and we may well need to draw down further on our debt facility in the subsequent year; however, it would undoubtedly be indicative of the progress being made if we are able to achieve this.

Outlook (continued)

Part of the desire to keep pushing forward includes an appreciation of our financial position and as one would expect our focus on costs includes those associated with our largest liabilities. We proactively and constructively engaged with all our major, non-trade creditors at the start of the crisis and are thankful for the support we received. Just like the crisis, these discussions continue and we are hopeful of making further, significant, progress on all fronts.

We have been disrupted and we have been bloodied by the impact of COVID-19 but we have come out fighting and fought hard, continuing to make progress and keeping our sights on our longer term ambitions.

To all shareholders, suppliers, customers and colleagues, I hope you remain healthy and wish you the best for what will undoubtedly be an unusual festive season. I look forward to reporting to you further in future, hopefully with the global pandemic well behind us.

Graham Shircore
Chief Executive Officer

25 November 2020

Condensed statement of comprehensive income

for the 6 months ended 30 September 2020

	Notes	6 months to 30 Sep 2020 (unaudited) £'000	6 months to 30 Sep 2019 (unaudited) £'000	12 months to 31 Mar 2020 (audited) £'000
Revenue	3	4,983	6,744	13,175
Cost of sales		(2,481)	(3,738)	(7,132)
Gross Profit		2,502	3,006	6,043
Administrative expenses before defined benefit pension service costs and exceptional operating costs		(1,968)	(2,038)	(4,421)
Defined benefit pension service cost		–	–	(126)
Exceptional operating charges	3	(930)	667	353
Total administrative expenses		(2,898)	(1,371)	(4,194)
Selling and distribution expenses		(1,512)	(1,815)	(3,480)
Operating Loss		(1,908)	(180)	(1,631)
Finance income		9	15	113
Finance costs		(320)	(496)	(1,043)
Share of net profits of joint venture		–	–	50
Loss before tax		(2,219)	(661)	(2,511)
Taxation	4	–	–	11
Loss from continuing operations		(2,219)	(661)	(2,500)
Profit from discontinued operations		10	29	132
Loss for the financial year		(2,209)	(632)	(2,368)
Other comprehensive income:				
Exchange differences on translation of foreign operations		(8)	3	2
Actuarial gains recognised in the pension scheme		–	–	(1,153)
Tax on actuarial gains recognised in the pension scheme		–	–	(95)
Other comprehensive (loss)/income for the period/year, net of tax		(8)	3	(1,246)
Total comprehensive loss for the period/year		(2,217)	(629)	(3,614)
Earnings per share – continuing operations				
Basic loss per Ordinary Share	5	(0.52)p	(0.16)p	(0.59)p
Diluted loss per Ordinary Share	5	(0.52)p	(0.16)p	(0.59)p
Earnings per share – discontinued operations				
Basic earnings per Ordinary Share	5	0.00p	0.01p	0.03p
Diluted earnings per Ordinary Share	5	0.00p	0.01p	0.03p

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

Condensed statement of financial position

as at 30 September 2020

	Notes	30 Sep 2020 (unaudited) £'000	30 Sep 2019 (unaudited) £'000	31 Mar 2020 (audited) £'000
Non-current assets				
Intangible assets		5,056	5,459	5,170
Property, plant and equipment	8	1,639	2,041	2,376
Right-of-use assets		7,279	8,246	7,762
Deferred tax asset		158	281	158
Investments		39	95	39
		14,171	16,122	15,505
Current assets				
Inventories		17,043	17,438	17,513
Trade and other receivables		1,601	1,591	1,957
Cash and cash equivalents		2,524	2,292	2,483
		21,168	21,321	21,953
Total assets		35,339	37,443	37,458
Current liabilities				
Trade and other payables		4,532	3,744	4,238
Lease liability		1,225	774	810
Borrowings		–	12,842	–
		5,757	17,360	5,048
Non-current liabilities				
Borrowings		14,284	–	14,166
Lease liability		7,333	8,098	7,731
Retirement benefit obligations		6,202	5,258	6,289
Trade and other payables		263	–	507
		28,082	13,356	28,693
Total liabilities		33,839	30,716	33,741
Net assets		1,500	6,727	3,717
Equity				
Called up share capital		4,269	4,269	4,269
Share premium account		78,217	78,217	78,217
Share compensation reserve		2,122	2,173	2,122
Capital redemption reserve		38	38	38
Revaluation reserve		346	346	346
Retained earnings		(83,492)	(78,316)	(81,275)
Equity shareholders' funds		1,500	6,727	3,717

Condensed statement of changes in equity

for the 6 months ended 30 September 2020

	Called up share capital £'000	Share premium account £'000	Share compensation reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2020	4,269	78,217	2,122	346	38	(81,275)	3,717
Loss for the period	–	–	–	–	–	(2,209)	(2,209)
Amounts which may be subsequently reclassified to profit & loss							
Exchange differences on translation of foreign operations	–	–	–	–	–	(8)	(8)
Total Comprehensive loss	–	–	–	–	–	(2,217)	(2,217)
Cost of share options	–	–	–	–	–	–	–
At 30 September 2020	4,269	78,217	2,122	346	38	(83,492)	1,500
At 1 April 2019	4,269	78,217	2,148	346	38	(77,687)	7,331
Loss for the period	–	–	–	–	–	(632)	(632)
Amounts which may be subsequently reclassified to profit & loss							
Exchange differences on translation of foreign operations	–	–	–	–	–	3	3
Total Comprehensive loss	–	–	–	–	–	(629)	(629)
Cost of share options	–	–	25	–	–	–	25
At 30 September 2019	4,269	78,217	2,173	346	38	(78,316)	6,727
At 1 April 2019	4,269	78,217	2,148	346	38	(77,687)	7,331
Loss for the financial year	–	–	–	–	–	(2,368)	(2,368)
Amounts which may be subsequently reclassified to profit & loss							
Exchange differences on translation of foreign operations	–	–	–	–	–	2	2
Amounts which will not be subsequently reclassified to profit & loss							
Remeasurement of pension scheme net of deferred tax	–	–	–	–	–	(1,248)	(1,248)
Total comprehensive loss	–	–	–	–	–	(3,614)	(3,614)
Cost of share options	–	–	(26)	–	–	26	–
At 31 March 2020	4,269	78,217	2,122	346	38	(81,275)	3,717

Condensed statement of cash flows

for the 6 months ended 30 September 2020

	Notes	6 months to 30 Sep 2020 (unaudited) £'000	6 months to 30 Sep 2019 (unaudited) £'000	12 months to 31 Mar 2020 (audited) £'000
Cash inflow/(outflow) from operating activities	6	560	(50)	(67)
Interest paid		(320)	(496)	(1,043)
Taxes paid		–	–	46
Net cash inflows/(outflows) from operating activities		240	(546)	(1,064)
Investing activities				
Purchase of property, plant and equipment		(285)	–	(541)
Purchase of intangible assets		(59)	(135)	(155)
Investment in joint venture		–	–	56
Proceeds from sale of property plant & equipment		–	–	123
Interest received		9	15	113
Net cash (used in) from investing activities		(335)	(120)	(404)
Financing activities				
Principal elements of lease elements		18	(515)	(845)
Net borrowings		118	1,313	2,636
Net cash generated from financing activities		136	798	1,791
Net increase in cash and cash equivalents		41	132	323
Cash and cash equivalents at start of period		2,483	2,160	2,160
Cash and cash equivalents at end of period		2,524	2,292	2,483

Notes to the Condensed Financial Statements

for the 6 months ended 30 September 2020

1 Basis of preparation

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

The Group's forecasts show that it will remain within current loan facility limits, although it will draw down the remaining £2m headroom, for the foreseeable future. Although the Directors have built the forecast based on current trading trends, including the impact of the COVID-19 pandemic, and historical knowledge of the business, the Directors recognise that forecasts are dependent on the underlying assumptions and that trading conditions can always be affected by unforeseen events.

The COVID-19 pandemic has increased the uncertainty of the assumptions that the Directors use to forecast future liquidity. The pandemic has impacted consumer confidence in the wider economy, which has directly led to a fall in the Group's revenue and impacted other areas of the Groups operations.

The Group's forecast indicates that the remaining £2m facility will be drawn down in the next 12 months. The Directors have mitigating courses of actions which are available to them to limit the impact of the pandemic including operating cost initiatives, the faster sell down of Group's large inventory holding, discussing options with long term creditors of the business and approaching lenders for further short term funding.

The loan facilities are provided by the Group's controlling party Phoenix S. G. Limited and are due for repayment in March 2023. The Group would have been in default of the financial covenants at 31 March 2020, which would result in the loan becoming payable on demand. On 27 March 2020 the Group sought and was granted a waiver from Phoenix S.G. Limited for the default. The forecast, taking into account of the implications on the Group's demand of the COVID-19 pandemic, shows the Group will fail to meet its financial covenants in March 2021.

The Directors recognise that Phoenix S. G. Limited had granted the waiver of the default at 31 March 2020, stated that it intends to be a long term investor, is the Group's controlling party with an interest of just over 58%, granted a waiver of interest for the period April to July 2020, and has given no current indication that it would withdraw its support before March 2023 when the loan facility is repayable.

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

2 Significant accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2020.

Notes to the Condensed Financial Statements

continued

3 Segmental analysis

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

Segmental income statement	**Philatelic £'000**	**Publishing £'000**	**Coins & Medals £'000**	**Legacy Interiors £'000**	**Unallocated £'000**	**Total £'000**
6 months to 30 September 2020						
Sale of goods	1,490	714	1,747	–	–	3,951
Sale of services (inc Commissions)	293	154	–	–	–	447
Other income	–	–	–	585	–	585
Revenue	1,783	868	1,747	585	–	4,983
Operating costs	(1,843)	(918)	(1,580)	(509)	(1,111)	(5,961)
Exceptional costs	–	–	–	(930)	–	(930)
Net finance costs	–	–	–	(134)	(177)	(311)
Profit/(loss) before tax	(60)	(50)	167	(988)	(1,288)	(2,219)
Tax	–	–	–	–	–	–
Profit/(loss) for the period from continuing operations	(60)	(50)	167	(988)	(1,288)	(2,219)
6 months to 30 September 2019						
Sale of goods	3,056	692	1,705	–	–	5,453
Sale of services (inc Commissions)	345	243	–	–	–	588
Other income	15	–	29	659	–	703
Revenue	3,416	935	1,734	659	–	6,744
Operating costs	(3,338)	(938)	(1,576)	(422)	(1,317)	(7,591)
Exceptional costs	26	–	–	687	(46)	667
Net finance costs	(39)	–	–	(145)	(297)	(481)
Profit/(loss) before tax	65	(3)	158	779	(1,660)	(661)
Tax	–	–	–	–	–	–
Profit/(loss) for the period from continuing operations	65	(3)	158	779	(1,660)	(661)
12 months to 31 March 2020						
Sale of goods	5,493	1,501	3,425	–	–	10,419
Sale of services (inc Commissions)	944	403	–	–	–	1,347
Other income	22	42	–	1,345	–	1,409
Revenue	6,459	1,946	3,425	1,345	–	13,175
Operating costs	(6,549)	(2,045)	(2,872)	(829)	(2,814)	(15,109)
Exceptional costs	(197)	(162)	(4)	691	25	353
Net finance costs	–	–	–	(693)	(237)	(930)
Profit/(loss) before tax	(287)	(261)	549	514	(3,026)	(2,511)
Tax	9	–	2	–	–	11
Profit/(loss) for the period from continuing operations	(278)	(261)	551	514	(3,026)	(2,500)

3 Segmental analysis continued

Geographical Information

Analysis of revenue by origin and destination

	6 months to 30 Sep 2020 Sales by destination £'000	**6 months to 30 Sep 2020 Sales by origin £'000**	6 months to 30 Sep 2019 Sales by destination £'000	6 months to 30 Sep 2019 Sales by origin £'000	12 months to 31 Mar 2020 Sales by destination £'000	12 months to 31 Mar 2020 Sales by origin £'000
United Kingdom	3,254	4,463	3,915	6,178	7,806	12,018
Channel Islands	8	–	26	–	35	–
Europe	255	–	793	–	1,290	–
North America	1,054	520	1,343	566	2,593	1,157
Asia	320	–	310	–	952	–
Rest of the World	92	–	357	–	499	–
	4,983	4,983	6,744	6,744	13,175	13,175

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.

During the six months to 30 September 2020 there was a £930,000 exceptional cost which related to an impairment provision against the full carrying value of the leasehold assets on the New York property. In the six months to 30 September 2019 the Group had net exceptional income of £667,000 which included £846,000 income for resolution of a legal claim, offset by exceptional cost relating to stock provisions of £159,000 and £24,000 relating to wind down of the overseas entities.

4 Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on a full provision basis in respect of all temporary differences which have originated, but not reversed at the balance sheet date.

5 Earnings per ordinary share

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

	6 months to 30 Sep 2020 (unaudited)	6 months to 30 Sep 2019 (unaudited)	12 months to 31 Mar 2020 (audited)
Weighted average number of ordinary shares in issue (No.)	426,916,643	426,916,643	426,916,643
Dilutive potential ordinary shares: Employee share options (No.)	–	–	–
Continuing operations			
Loss after tax (£'000)	(2,219)	(661)	(2,500)
Pension service costs (net of tax)	–	–	102
Cost of share options (net of tax)	–	25	–
Amortisation of customer lists (net of tax)	120	120	194
Exceptional operating costs (net of tax)	930	(538)	(442)
Adjusted loss after tax (£'000)	(1,169)	(1,054)	(2,646)
Basic loss per share – pence per share	(0.52)p	(0.16)p	(0.59)p
Diluted loss per share – pence per share	(0.52)p	(0.16)p	(0.59)p
Adjusted loss per share – pence per share	(0.27)p	(0.25)p	(0.62)p
Adjusted diluted loss per share – pence per share	(0.27)p	(0.25)p	(0.62)p
Discontinued operations			
Profit/(loss) after tax (£'000)	10	29	132
Basic loss per share – pence per share (p)	0.00p	0.01p	0.03p
Diluted loss per share – pence per share (p)	0.00p	0.01p	0.03p

6 Cash outflows from operating activities

	6 months to 30 Sep 2020 (unaudited) £'000	6 months to 30 Sep 2019 (unaudited) £'000	12 months to 31 Mar 2020 (audited) £'000
Operating loss (including discontinued operations)	(1,898)	(151)	(1,499)
Loss on sale of property, plant and equipment	–	–	38
Depreciation of tangible assets	91	65	131
Depreciation of right of use assets	483	407	890
Amortisation of intangible assets	173	269	585
Impairment of property, plant and equipment	930	–	–
Income from joint venture	–	–	50
Decrease in provisions	(87)	(265)	(387)
Net exchange differences	(8)	3	(38)
Cost of share options	–	25	–
Decrease in inventories	471	563	488
Decrease in trade and other receivables	356	596	236
Increase/(Decrease) in trade and other payables	49	(1,562)	(561)
Cash inflows/(outflows) from operating activities	560	(50)	(67)

7 Agreement with Phoenix S. G. Limited ("Phoenix SG")

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

Notwithstanding the fact that the agreement was written as a sale from Phoenix S.G. Limited to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix S.G. Limited within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 30 September 2020 of the initial items totalling £5.20m, £4.29m (2019: £4.41m) remained unsold.

7 Agreement with Phoenix S. G. Limited ("Phoenix SG") (continued)

On 21 February 2020 the Group announced that its subsidiary, Stanley Gibbons Limited ("SGL") had entered into an agreement with Phoenix S. G. Limited to acquire approximately 780 items, for an initial consideration of £1.07m, which is payable in cash to Phoenix S. G. Limited over the term of the agreement, as and when sales of the items are made to third parties and will be the net proceeds, after deduction of a commission payment to be made to SGL, on completed sales. The agreement is for a total term of 10 years and any sale at a value that is less than the base cost of an inventory item can only be made with the specific permission of Phoenix S. G. Limited. To the extent that all of the inventory is sold and the appropriate payments have been made by SGL to Phoenix S. G. Limited no further consideration will be due. To the extent that items remain to be sold at the end of the agreement the relevant items will be returned to Phoenix S. G. Limited and no further consideration will be due.

Notwithstanding the fact that the agreement was written as a sale from Phoenix S.G. Limited to SGL, the substance of the transaction is that of a consignment stock arrangement and so has been accounted for as such. The acquired items have therefore not been included within inventories and there is no related creditor due to Phoenix S.G. Limited within the balance sheet. The commission due to SGL is recognised as revenue in the accounting period of the sale to a third party. As at 30 September 2020 of the initial items totalling £1.07m, all remained unsold.

8 Impact of COVID-19

The COVID-19 pandemic continues to affect the Group's current trading performance and other operational issues around the Group. The Group has two leasehold properties, one in London and one in New York, that it sublets to non-essential retailers, that were forced to close during "lockdown" restrictions.

The London retailer did reopen the store in the summer but has since been forced to close again. Concurrent quarterly rent negotiations are in place between the tenant, ourselves and our landlord regarding this property. The tenants lease expires in July 2021 (our lease expires in July 2031), and negotiations also continue on the longer term occupation of this property. Included within the Group's statement of financial position is a right of use asset of £1,418,000 and a lease liability of £1,509,000 at 30 September 2020.

The tenants in our New York property have not paid rent since 1 April 2020. During the period from April to September, the Group drew down the security deposit to cover rental payments. However, no funds have been received to either top up the deposit or pay the overdue rent. The tenant has informed us it is their intention to forfeit the lease. The Group's Directors have been in direct negotiation with the tenant but have not reached an agreement that is acceptable and therefore have commenced legal proceedings. No payment has been made to the landlord since 1 April 2020. The lease and the sub-lease expire in February 2027. Included within the Group's statement of financial a right of use asset of £3,247,000 and a lease liability of £4,371,000 at 30 September 2020.

An impairment provision of £930,000 has been charged to the Consolidated Statement of Comprehensive Income at 30 September 2020 in relation to the leasehold assets at the New York property. This has been classified as an exceptional item. The net carrying value of the leasehold assets relating to this property at 30 September was £nil (31 March 2020 – carrying value of £994,000).

8 Impact of COVID-19 (continued)

The Group's defined benefit pension liabilities are assessed annually under IAS19 by the actuaries of the scheme. This is performed at the year end date, 31 March. Any potential impact of COVID-19 on these liabilities is therefore not reflected at 30 September 2020.

9 Further copies of this statement

Copies of this statement are being sent to shareholders and can be viewed on the Company's website at www.stanleygibbonsplc.com. Further copies are available on request from: The Company Secretary, The Stanley Gibbons Group plc, 399 Strand, London WC2R 0LX.

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