FORM 10−Q

GREG MANNING AUCTIONS INC − ESCL

Filed: November 08, 2005 (period: September 30, 2005)

Quarterly report which provides a continuing view of a company's financial position

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ________ to ________

Commission file number 1-11988

ESCALA GROUP, INC.
(Exact name of Registrant as specified in its Charter)

GREG MANNING AUCTIONS, INC.
(Former Name if Applicable)

Delaware	22-2365834
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
623 Fifth Avenue, 27th Floor New York, New York	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 421-9400

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes X No ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes X No ____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 176-2 of the Exchange Act)

Yes ____ No X

As of November 8, 2005, Issuer had 27,747,535 shares of its Common Stock outstanding.

ESCALA GROUP, INC.
(formerly Greg Manning Auctions, Inc.)

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PART I. FINANCIAL INFORMATION

ESCALA GROUP, INC.
(formerly Greg Manning Auctions, Inc.)
Condensed Consolidated Balance Sheets
(amounts in thousands except per share data)

Assets	September 30, 2005 (unaudited)	June 30, 2005
Current Assets		
Cash and Cash Equivalents	$ 36,886	$ 54,250
Accounts Receivable, Net;		
Auctions and Trade	30,618	17,497
Related Party	8,928	8,781
Advances to Consignors	2,403	4,370
Inventory	93,698	41,830
Deferred Tax Asset	3,872	3,292
Prepaid Expenses and Other	1,062	2,487
Total Current Assets	177,467	132,507
Property and Equipment, Net	3,270	3,295
Goodwill, Net	23,148	9,427
Other Purchased Intangibles, Net	3,730	1,937
Marketable Securities	86	118
Other Non-Current Assets		
Loans Receivable Related Party, Net	400	400
Inventory	6,169	6,166
Deferred Tax Asset	3,833	3,662
Other	476	938
Total Assets	$218,579	$158,450
Liabilities and Stockholders' Equity		
Current Liabilities		
Lines of Credit	$ 24,990	$ --
Liability on Borrowed Metals	15,923	--
Notes Payable and Capital Leases	155	667
Payable to Third Party Consignors	6,843	12,458
Accounts Payable	23,583	14,011
Accrued Expenses and Other Current Liabilities	3,360	2,654
Income Taxes Payable	12,622	8,140
Total Current Liabilities	87,476	37,930
Notes Payable and Capital Leases - Long Term	6,159	9,181
Total Liabilities	93,635	47,111
Commitments and Contingencies	--	--
Minority Interest - Related Party	4,619	--
Stockholders' Equity		
Preferred Stock, $.01 par value. Authorized 10,000 shares; none issued	--	--
Common Stock, $.01 par value		
Authorized: 40,000 shares		
Issued June 30, 2005 - 27,677 shares, Outstanding - 27,677 shares	276	276
Issued September 30, 2005 - 27,723 shares, Outstanding - 27,723 shares		
Additional paid-in capital	70,910	70,245
Accumulated Other Comprehensive Income	808	1,813
Retained Earnings	48,331	39,005
Total Stockholders' Equity	120,325	111,339

Total Liabilities and Stockholders' Equity	$218,579	$158,450
	========	========

See accompanying notes to financial statements

ESCALA GROUP, INC.
(formerly Greg Manning Auctions, Inc.)
Condensed Consolidated Statements of Earnings
For the Three Months Ended September 30,
(amounts in thousands except per share data)
(Unaudited)

	2005	2004
Revenues		
Sales- trading	$ 494,302	$ --
Sales of inventory	20,355	22,970
Sales of inventory - related party	40,135	21,618
Commissions earned	4,204	3,502
Total revenues	558,996	48,090
Cost of merchandise sold		
Cost of sales - trading	493,097	--
Cost of merchandise sold	17,652	20,788
Cost of merchandise sold- related party	20,824	10,140
Gross profit	27,423	17,162
Operating expenses		
General and administrative	6,211	3,658
Salaries and wages	4,717	3,316
Depreciation and amortization	408	276
Marketing	977	799
Total operating expenses	12,313	8,049
Operating income	15,110	9,113
Other income (expense)		
Interest income	328	230
Interest expense	(339)	(256)
Other	(37)	(20)
Earnings before income taxes	15,062	9,067
Provision for income taxes	5,720	3,933
Minority interest- related party	16	--
Net income	$ 9,326	$ 5,134
Basic earnings per share:		
Weighted average shares outstanding	27,695	27,359
Basic earnings per share	$ 0.34	$ 0.19
Diluted earnings per share:		
Weighted average shares outstanding	28,790	28,767
Diluted earnings per share	$ 0.32	$ 0.18

See accompanying notes to financial statements

ESCALA GROUP, INC.
Condensed Consolidated Statement of Stockholder's Equity
(formerly Greg Manning Auctions, Inc.)
July 1, 2005 to September 30, 2005
(amounts in thousands except per share data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	$				
Balance, July 1, 2005	27,677	$ 276	$ 70,245	$ 1,813	$ 39,005	$111,339
Exercise of stock options	46	--	105			105
Translation adjustment				(972)		(972)
Stock based compensation			560			560
Unrealized loss from marketable securities				(33)		(33)
Net Income- September 30, 2005					9,326	9,326
Balance, September 30, 2005	27,723	$ 276	$ 70,910	$ 808	$ 48,331	$120,325

See accompanying notes to financial statements

ESCALA GROUP, INC.
(formerly Greg Manning Auctions, Inc.)
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended September 30,
(amounts in thousands except per share data)
(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net Income	$ 9,326	$ 5,134
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	408	276
Options issued for services - related party	--	65
Stock based compensation	560	--
Deferred tax (benefit) provision	(1,086)	685
Minority interest - related party	16	--
(Increase) decrease in assets: (net of acquisition amounts)		
Accounts receivable - Trade	(2,929)	(446)
Accounts receivable - Related Party	(147)	(1,606)
Advances to consignors	1,967	(3,009)
Inventory	(3,294)	(963)
Prepaid expenses and deposits	1,754	(316)
Other assets	462	(485)
Increase (decrease) in liabilities: (net of acquisition amounts)		
Payable to third-party consignors	(5,615)	(3,513)
Accounts payable	3,211	(5,231)
Accrued expenses and other liabilities	(453)	607
Advances payable - related party	--	(3,467)
Advances Payable	--	400
Income taxes payable	4,482	2,408
	8,662	(9,461)
Cash flows used in investing activities:		
Capital expenditures for property and equipment	(141)	(10)
Purchase of intangible assets	--	(350)
Acquisition of A-Mark, net of assets acquired	(14,981)	--
Acquisition of Corinphila	(1,873)	--
	(16,995)	(360)
Cash flows from (used in) financing activities:		
Net repayment of notes payable	(3,534)	(1,500)
Repayment of line of credit	(4,210)	--
Liability on borrowed metals, net	(420)	--
Net proceeds from loans and loans payable	--	822
Proceeds from exercise of options	105	35
	(8,059)	(643)
Effect of exchange rates	(972)	264
Net change in cash and cash equivalents	(17,364)	(10,200)
Cash and cash equivalents:		
Beginning of period	54,250	16,263
End of period	$ 36,886	$ 6,063

See accompanying notes to financial statements

ESCALA GROUP, INC.
(formerly Greg Manning Auctions, Inc.)
Condensed Consolidated Statements of Comprehensive Income
For the Three Months Ended September 30,
(amounts in thousands except per share data)
(Unaudited)

	2005	2004
Net Income	$ 9,326	$ 5,134
Other Comprehensive Income		
Unrealized gain on securities, net of tax	(33)	24
Currency translation adjustment, net of tax	(972)	264
	$ 8,321	$ 5,422

See accompanying notes to financial statements

(1) Description of Business

Description of Business

Escala Group, Inc., formerly known as Greg Manning Auctions, Inc. (together with its subsidiaries, "Escala" or the "Company"), is a global integrated network of companies in the collectibles market with operations in North America, Europe and Asia as well as on the Internet. The Company operates through these sales platforms: auctions, merchant/dealer operations and trading, and in two segments, collectibles and trading.

The Company's collectibles subsidiaries are as follows (wholly owned unless otherwise indicated): Ivy and Manning (formerly Mader) Philatelic Auctions, Greg Manning Galleries, Greg Martin Auctions, Greg Manning Nutmeg Auctions (d/b/a Nutmeg Stamp Sales), Teletrade, Spectrum Numismatics International, North American Certified Trading, Kensington Associates, Superior Sports Auctions, Bowers and Merena Auctions, Kingswood Coin Auctions, Corinphila Auktionen, Heinrich Kohler Berliner Briefmarken-Auktionen (66.67% owned by Escala), Heinrich Kohler Auktionshaus, Heinrich Kohler Briefmarkenhandel, Heinrich Kohler Verwaltungs, Auctentia Deutschland, Auctentia Subastas and GMAI Auctentia Central de Compras (CdC).

On July 15, 2005, the Company and Auctentia, S.L. ("Auctentia"), a subsidiary of Afinsa Bienes Tangibles, S.A. ("Afinsa"), acquired all of the issued and outstanding capital stock of PMI Precious Metals, Inc. ("PMI"), a metals trading company engaged primarily in the wholesale purchase and sale of gold, silver, platinum, and palladium. The Company's trading operations are conducted through PMI.

At September 30, 2005 and 2004, Afinsa and Auctentia collectively beneficially owned approximately 68% and 69%, respectively, of the Company's outstanding common stock.

The Company is a party to separate supply agreements with Afinsa, dated August 1, 2003, as amended, pursuant to which the Company and CdC act as exclusive suppliers of collectibles - primarily stamps and coins - for Afinsa on a worldwide basis, with Greg Manning Auctions, a division of Escala, acting in the United States and Hong Kong, and CdC acting in all other geographic locations. Afinsa is engaged, among other things, in commercial and trading activities involving tangible investment products throughout Europe. As amended, the supply agreements have a ten-year term, terminable by either party upon six months' notice. In addition to paying the purchase price for the goods sold under the contracts, Afinsa pays to the Company an amount equal to 10% of the aggregate purchase price of all such goods sold. Transactions under the supply contracts are part of the Company's merchant/dealer operations.

As a result of transactions under the supply agreements, for the three months ended September 30, 2005 and 2004, Afinsa was the Company's significant customer in the collectibles segment, with revenues accounting for $40,135,or 62%, and $21,618 or 45% of the collectibles revenues, respectively.

Transactions under the supply agreements with Afinsa (a related party) have had a significant effect on the business, financial condition and results of operations of the Company.

Basis of Presentation

The consolidated financial statements of the Company include the accounts of its wholly owned and majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Minority interest relates to the recent acquisition, see Note 2.

The accompanying condensed consolidated balance sheets as of September 30, 2005 and June 30, 2005 and related condensed consolidated statements of earnings, stockholders' equity, cash flows and comprehensive income for the three months ended September 30, 2005 and 2004 have been prepared from the books and records maintained by the Company, in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and disclosures thereto in the Company's Form 10-K for the year ended June 30, 2005 filed with the Securities and Exchange Commission. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period.

($ in Thousands Except for Per Share Amounts or as noted)

(2) Acquisitions

A-Mark Precious Metals, Inc. and Subsidiaries

On July 15, 2005, the Company and its majority shareholder Afinsa acquired all of the issued and outstanding capital stock of PMI, an indirect subsidiary of A-Mark Financial Corporation. The buyer was Spectrum PMI, Inc., a newly formed acquisition entity owned 80% by Spectrum Numismatics International, Inc., a wholly-owned subsidiary of the Company, and 20% by Auctentia. PMI is a full service metals trading company.

The aggregate purchase price was approximately $21,150 including acquisition costs of approximately $390. The purchase price allocation of assets purchased less liabilities assumed was $9,302 based upon management's preliminary estimate of the fair value at the date of acquisition pending the final valuation of the fair value of assets using an independent valuation. In accordance with SFAS 141, Business Combinations, the excess of the purchase price over the net assets acquired was assigned to goodwill.

Tangible and intangible assets acquired:

Current assets	$ 60,329
Property and equipment	35
Goodwill	11,848
Other Intangible Assets - Non-compete	2,000
Total tangible and intangible assets acquired	74,212
Less current liabilities assumed	53,062
Total Purchase Price, net of cash acquired	$ 21,150

The following unaudited pro forma consolidated results of operations for the period assumes the acquisition of the subsidiaries had occurred as of July 1, 2004, giving effect to purchase accounting adjustments. The proforma data is for informational purposes only and may not necessarily reflect the results of operations had those companies been operated as part of the Company since July 1, 2004.

($ in Thousands Except for Per Share Amounts or as noted)

	(Unaudited) Three Months ended September 30, 2005	2004
Total revenues	$670,453	$643,035
Net income	9,339	5,227
Basic earnings (loss) per share - Proforma	$ 0.34	$ 0.19
Diluted earnings (loss) per share - Proforma	$ 0.32	$ 0.18

Corinphila Auktionen

Effective July 31, 2005, the Company, which had owned 65% of the equity interest in Corinphila Auktionen AG, purchased the remaining 35% equity interest in that company, or 4,970 shares, with the result that the Company now owns 100% of the outstanding share capital of Corinphila. The exercise price was 1.600.000 CHF (approximately U.S.$1,270,000), of which 1.000.000 CHF was paid on July 30, 2005 and 600.000 CHF was paid on September 30, 2005. The sellers of the equity interest, Mr. Beat Vollenwieder and Mr. Martin Mader, are officers of Corinphila. The option to purchase this 35% interest, and the terms of such purchase, were set forth in a Share Purchase Agreement, dated September 19, 2002, between the sellers and Auctentia. Under the terms of the Share Purchase Agreement, Auctentia was able to designate the Company as the entity to exercise the option. In accordance with SFAS 141, the additional payment is recorded as goodwill. The results of this acquisition are not material.

(3) Revenue Recognition

The Company accounts for revenue recognition in accordance with Staff Accounting Bulletin No. 101 and No. 104, ("SAB No.'s 101/104"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements, and Emerging Issues Task Force ("EITF") Issue No. 99-19 "Reporting Revenue Gross as a Principal vs. Net as an Agent" which provides guidance on the recognition of revenue gross as a principal versus net as an agent.

The Company derives revenues from three primary sources:

(a) Merchant/Dealer Operations:

Revenues from Merchant/Dealer Operations consist of revenues from the non-auction sale of inventory owned by the Company. These sales consist of sales by Spectrum, sales by the Company to Afinsa and other non-auction sales of owned inventory, including private treaty sales.

Revenue with respect to Merchant/Dealer Operations is recognized when the goods are delivered or released to the customer for acceptance or to a common carrier for delivery. Such amounts of revenue are recorded as sales of merchandise, net of returns. Sales returns have not been material.

(b) Auction Revenue:

Revenue is recognized when the collectibles are sold at auction and is represented by an auction commission received from the buyer and seller. Auction commissions represent a percentage of the hammer price at auction sales as paid by the buyer and the seller. Such amounts of revenue are recorded on a net basis as commission revenue.

The Company also sells its own inventory at auction. Revenue of owned inventory is recognized when sold at auction. Such amounts of revenue are recorded on a gross basis as sales of merchandise. Additionally, the Company is entitled to auction commissions paid by the buyer. Sales returns have not been material.

The Company does not provide any guarantee with respect to the authenticity of property offered for sale at auction. Each lot is sold as genuine and as described by the Company in the catalogue. When however, in the opinion of a competent authority mutually acceptable to the Company and the purchaser, a lot is declared otherwise, the purchase price will be refunded in full if the lot is returned to the Company within a specified period. In such event, the Company will return such lot to the consignor before a settlement payment has been made to such consignor for the lot in question. To date, returns have not been material. Large collections are generally sold on an "as is" basis.

($ in Thousands Except for Per Share Amounts or as noted)

(c) Trading Operations:

The Company's trading operations are conducted through PMI. The Company records sales of precious metals upon shipment and transfer of title. The Company records revenues from its metal assaying and melting services after the related services are completed.

(4) Accounts Receivable

Receivables consist of the following:

	September 30, 2005	June 30, 2005
Collectibles:		
Auction and trade	$ 17,522	$ 17,854
Trading:		
Customer trade receivables	3,449	--
Wholesale trade advances	8,652	--
Due from brokers and other	1,587	--
	31,210	17,854
Allowance for doubtful accounts	(592)	(357)
	$ 30,618	$ 17,497

Receivables from sale of collectibles

Accounts receivable consists of auction or trade receivables and consignor advances.

Auction or trade receivables represent sales made to customers for which short-term credit extensions are granted, which generally are not extended beyond 90 days.

Advances to consignors represent advance payments, or loans, to the consignor prior to the auction sale, collateralized by the items received and held by the Company for the auction sale and the proceeds from such sale. Interest on such amounts is generally charged at an annual rate of 12%. Such advances generally are not outstanding for more than six months from the date of the note.

Receivables from trading operations

Customer trade receivables from trading represent short-term, non-interest bearing amounts due from metal sales and are generally secured by the related metals stored with the Company, a security interest, or by a letter of credit issued on behalf of the customer. Advances on refined materials represent metals advanced to customers, secured by unrefined materials received from the customer. These advances are limited to a portion of the unrefined materials received. Wholesale trade advances are unsecured, short-term, non-interest bearing advances made to wholesale metals dealers and government mints. The Company periodically extends short-term credit through the issuance of notes receivable to pre-approved customers at interest rates determined on a customer-by-customer basis. Due from brokers and other principally consists of amounts due from brokers related to commodity hedging transactions (see Note 12).

($ in Thousands Except for Per Share Amounts or as noted)

As of September 30, 2005 and June 30, 2005, the allowance for doubtful accounts included in auction and trading receivables was approximately $592 and $357, respectively.

(5) Inventories

Inventories as of September 30, 2005 consisted of the following:

	Current	Non-current	Total
Precious Metals	$46,087	$ --	$46,087
Stamps	33,184	6,169	39,353
Coins	13,218	--	13,218
Sports Collectibles	1,209	--	1,209
	$93,698	$ 6,169	$99,867

Inventories as of June 30, 2005 consisted of the following:

	Current	Non-current	Total
Stamps	$26,686	$ 6,166	$32,852
Coins	13,859	--	13,859
Sports Collectibles	1,285	--	1,285
	$41,830	$ 6,166	$47,996

The above inventory amounts reflect net realizable (LCM) allowances of approximately $2,485 and $2,472 at September 30, 2005 and June 30, 2005 respectively. The non-current inventory represents an estimate of inventory for which there is a specific plan in place for their sale beyond one year after purchase. The classification as long-term is based on the expected period in which the Company expects to sell this inventory, if greater than a year from the balance sheet date. Once the selling period is identified, the non-current amounts are classified to current.

Inventories are stated at the lower of cost or market. In instances where bulk purchases are made, the cost allocation is based on the relative market values of the respective goods. The Company has agreements with certain suppliers to share the net profits or losses attributable to the sale of specific items of inventory. The Company reports the sale of this inventory as revenue because the Company purchases this inventory from the supplier and ultimately sells it to the end user. During this process the Company acts as the principal in these transactions; in other words, the Company takes title to the inventory and bears all the risks relating to loss, collections, delivery and returns. The Company, and not the supplier, determines the selling price to the end user.

Inventories of precious metals principally include bullion and bullion coins and are stated at published market values. The unrealized gain resulting from the difference between market value and cost of physical inventories at September 30, 2005 totaled $2,478, and is included as reduction of the cost of product sold in the accompanying statement of income. Such gains are generally offset by the results of hedging transactions, which have been reflected as net loss (gain) on commodity contracts in the consolidated statements of income for three months ended September 30, 2005.

Inventories of precious metals include amounts borrowed from various suppliers under ongoing agreements (see Note 12), totaling $15,923 at September 30, 2005. The Company also hedges substantially all of its physical inventories through commodity hedge transactions (see Note 12).

The Company periodically loans metals to customers on a short-term consignment basis, charging interest fees based on the value of the metal loaned. Inventories loaned under consignment arrangements to customers at September 30, 2005 totaled $3,744. Substantially all inventory loaned under consignment arrangements is secured by letters of credit issued by major financial institutions for the benefit of the Company or insured under an all-risk insurance policy with the Company as the loss-payee.

(6) Intangible Assets

Goodwill

The changes in the carrying value of goodwill for the year ended June 30, 2005 and the three months ended September 30, 2005 are as follows:

Balance - July 1, 2005	$ 9,427
Purchased Goodwill - A-Mark Precious Metals, Inc.	11,848
Purchased Goodwill - Corinphila Auktionen	1,873
Balance - September 30, 2005	$23,148

Other Purchased Intangibles

At September 30, 2005 and June 30, 2005, acquired intangible assets were comprised of the following (in thousands):

September 30, 2005

	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks	5 - 16	$ 3,630	$(2,394)	$ 1,236
Customer Lists	3 - 5	1,980	(1,375)	605
Non-Compete Agreement	4	2,000	(111)	1,889
		$ 7,610	$(3,880)	$ 3,730

June 30, 2005

	Estimated Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks	5 - 16	$ 3,630	$(2,343)	$ 1,287
Customer Lists	3 - 5	1,980	(1,330)	650
		$ 5,610	$(3,673)	$ 1,937

All of the Company's intangible assets are subject to amortization. Amortization expense for acquired intangible assets for the three months ended September 30, 2005 and 2004 were approximately $207 and $76, respectively.

Estimated amortization expense on an annual basis for the succeeding five years is as follows (in thousands):

($ in Thousands Except for Per Share Amounts or as noted)

For The Twelve Month Period Ended

September 30,	Amount
2006	$ 873
2007	848
2008	848
2009	595
2010	76
Thereafter	490
Total	$ 3,730

(7) Marketable Securities

Investments available for sale in marketable securities as of September 30, 2005 and June 30, 2005 is as follows:

	Cost	Market Value	Unrealized Loss
Common Stock - September 30, 2005	$ 135	$ 86	$ 49
Common Stock - June 30, 2005	$ 135	$ 118	$ 17

The unrealized loss is classified as a separate component of stockholders' equity, net of tax.

(8) Related-party Transactions

At September 30, 2005 and 2004, Afinsa and Auctentia collectively beneficially owned approximately 68% and 69%, respectively, of the Company's outstanding common stock. Esteban Perez, Chairman of the Board of Directors and an executive officer of the Company, is Chairman of the Board of Directors and Chief Executive Officer of Auctentia. Carlos de Figueiredo is the First Vice Chairman of the Board of the Company and a director of three of the Company's European subsidiaries, and is also a director of Afinsa and the son of a 50% stockholder of Afinsa. Ramon Egurbide, President of European Operations for the Company, is Managing Director of Auctentia.

Escala and its wholly owned subsidiary, GMAI Auctentia Central de Compras, S.L. ("CdC"), are parties to separate agreements with Afinsa, each dated August 1, 2003, pursuant to which Escala and CdC have agreed to act as exclusive suppliers of collectibles for Afinsa, on a worldwide basis (See Note 1.)

On April 17, 2003, the Company entered into a revolving credit agreement with Banco Santander Central Hispano, S.A. The agreement was guaranteed by Afinsa and required that Auctentia maintain ownership of at least 43% of all of authorized, issued and outstanding shares of voting stock of the Company. This revolving credit facility terminated in April 2005.

At September 30, 2005 and June 30, 2005, the Company had outstanding accounts receivable balances from Afinsa of approximately $8,928 and $8,781, respectively, and such amounts are included in the accompanying Consolidated Balance Sheets as Accounts Receivable-related party. During the three months ended September 30, 2005 and 2004, sales to Afinsa were approximately $40,135 and $21,618, respectively, and are included in the accompanying Consolidated Statements of Operations as Sales of Inventory - Related Party.

At June 30, 2004 Afinsa had advanced $3,467 to the Company for the purchase of product relating to the supply contracts referred to above. Such amount is included in the accompanying Consolidated Balance Sheet as Advances Payable − related party. The amount was repaid in full in the six months ended December 31, 2004.

During the year ended June 30, 2005 and the quarter ended September 30, 2005, the Company also engaged in various transactions with entities affiliated with Greg Roberts, the President of our U.S. Coin Division. For the year ended June 30, 2005 and the quarter ended September 30, 2005, the Company paid to these entities for various goods and services the amounts of $3 and $69 respectively, and for the same periods, these entities paid to the Company for various goods and services the amounts of $1 and $9, respectively.

On October 1, 2004, Central de Compras (CdC), a wholly−owned subsidiary of the company, entered into an agreement with Filatelia Soler, a Spanish company, to provide certain consulting and advisory services to CdC. The cost of these services is based on a per diem rate of (euro)750 (approximately $1). The estimated annual cost of the consulting agreement is $200. The services are provided primarily by an individual who is also a principal in a Spanish company, Filasyl, that provides philatelic materials to CdC. Purchases of philatelic material from Filasyl from July 1, 2005 through September 30, 2005 were $5,917, or approximately 23% of total philatelic purchases during this period. There were no purchases form Filasyl in the quarter ended September 30, 2004.

DooCollect, S.L., a subsidiary of Afinsa, acts as agent of CdC to sell material owned by CdC to third parties through various channels, including through the Internet. Sales through DooCollect in the three months ended September 30, 2005 and September 30, 2004 were $29 and $9, respectively.

CdC has sold and expects to continue to sell certain art inventory through an art gallery (known as Metta Gallery) operated by Mundimer, S.L. which is a subsidiary of Afinsa. There were no sales through the Metta Gallery in the three months ended September 30, 2005 and September 30, 2004.

CdC also sells art material through Finarte Casa D'aste Espana, S.A. (Finarte), a subsidiary of Afinsa, which operates as an auction house. There were no sales of art through Finarte in the three month periods ended September 30, 2005 and 2004.

The Company granted options to certain employees of Afinsa for services. For the three months ended September 30, 2005, and 2004 such amounts were recorded at fair value, which amounted to $0 and $65, respectively.

The Company leases office space from Afinsa in Madrid, Spain, of approximately 2,700 square feet at an annual rental of approximately $139. The lease will terminate in December 2005.

On June 17, 2002, the Company entered into an amendment to the employment agreement with Mr. Roberts, a director of the Company. In connection with the amendment, the Company made available to Mr. Roberts a non−interest bearing loan in the amount of $600. The loan is required to be repaid on an annual basis in three equal installments commencing February 18, 2006; provided that if Mr. Roberts is employed by the Company on the date that an installment is due, that installment payment will be forgiven, and that if his employment is terminated for death, disability, without cause or by Mr. Roberts with good reason (as defined), then the entire loan will be forgiven at the date of termination. If Mr. Robert's employment terminates for cause or by Mr. Roberts without good reason, then the outstanding amount of the loan will accelerate and be due and payable within 30 days of termination. An aggregate of $600 has been disbursed under the loan agreement. The current portion of $200 is included in prepaid expenses and other at September 30, 2005.

Scott Rosenblum, a director of the Company, is a partner of the law firm Kramer, Levin, Naftalis & Frankel LLP, which provides legal services to the Company. Anthony L. Bongiovanni, Jr., who resigned as a director of the Company effective September 27, 2005, is president of Micro Strategies, Incorporated, which provides technological services to the Company.

On July 1, 2004, one of the minority shareholders of Corinphila Auktionen made a loan to that company in the aggregate amount of $1,200. This loan bears interest at the rate of 4% per annum and is repayable on demand, upon six month's notice. As of September 30, 2005 the loan balance was repaid as part of the acquisition (See Note 2).

The Company has engaged in certain transactions with Andrew Levitt, a director of the Company's Nutmeg subsidiary. For the three−month period ended September 30, 2005, the Company did not purchase any inventory from Levitt, did not pay Levitt any finders' fees, and earned commissions of $1 for the sale of inventory consigned by Levitt to the Company as contemplated by the acquisition agreement. For the three−month period ended September 30, 2004, the Company paid Levitt finders' fees of $8 and earned commissions of $80 for the sale of inventory consigned by Levitt to the Company. The Company did not purchase any inventory from Levitt during that period.

(9) Debt−Trading Segment

The Company has a borrowing facility ("Credit Facility") with a group of financial institutions under an intercreditor agreement, which provides for lines of credit of up to $50,000, including a facility for letters of credit up to a maximum of $50,000. The Company routinely uses the Credit Facility to purchase metals from its suppliers and for operating cash flow purposes. Amounts under the Credit Facility bear interest based on London Interbank Offered Rate ("LIBOR") plus a margin. Borrowings are due on demand and totaled $24,990 for lines of credit and $11,500 for letters of credit at September 30, 2005. Amounts borrowed under the Credit Facility are secured by the Company's receivables and inventories.

The Credit Facility contains certain restrictive financial covenants that require the Company and the Parent to maintain a minimum level of tangible net worth, as defined, and a minimum ratio of tangible net worth to liabilities, among other items.

The Company also borrows metals from several of its suppliers under short−term agreements bearing interest at a designated rate. Amounts under these agreements are due at maturity and require repayment either in the form of metals borrowed or cash. The Company had net borrowed metals included in inventories with market values totaling $15,923 at September 30, 2005. Certain of these metals are secured by letters of credit issued under the Company's Credit Facility, which totaled $11,500 at September 30, 2005.

Interest expense related to the Company's borrowing arrangements totaled $297 in the three months ended September 30, 2005.

($ in Thousands Except for Per Share Amounts or as noted)

(10) Notes Payable and Capital Leases

	September 30, 2005	June 30, 2005
The Company has an agreement with PNC Bank for a line of credit not to exceed $12,500, as amended in August 2005. Available borrowings are based on certain limitations as set forth in the agreement, and are reduced by any outstanding letters of credit. The loan is collaterized by accounts receivable, consignor advances and inventory. Borrowings under the line bear interest at the "prime" rate; provided that the Company has the right, subject to certain conditions, to borrow at a rate equal to LIBOR plus 2.5% per annum. The credit line in place at June 30, 2004 originally was to expire on May 27, 2005 but was extended until August 31, 2005. Subsequent to June 30, 2005, the line was amended to expire on August 31, 2007 and the line of credit increased to $12,500. The agreement contains certain financial covenants; which include a limit on total debt and capital expenditures; debt to earnings before depreciation and amortization, interest, and taxes; fixed charge coverage; and minimum liquidity; as further defined in the debt agreement.	$ 5,000	$ 8,000
On December 22, 2004, the Company obtained a mortgage from PNC Bank, N.A., to finance the purchase of its corporate headquarters. The mortgage provides for 59 principal payments of $7 with a final payment of $882 due on January 1, 2010. Under the financing agreements, the bank may call the mortgage loan at any time, in which case the mortgage loan will be due and payable one year and one day following the exercise of such call option. Further, if the Company terminates its line of credit with the bank, the mortgage loan will be payable one year and one day following such termination.	1,159	1,269
On July 1, 2004, one of the minority shareholders of Corinphila Auktionen made a loan to that company in the aggregate amount of $1,200. This loan bore interest at the rate of 4% per annum and was repaid in full in September, 2005	−	506
Other	155	73
Total Notes Payable	6,314	9,848
Less: current portion	155	667
Notes Payable − Long−term Portion	$ 6,159	$ 9,181

(11) Payable to Third Party Consigners

Amounts payable to third party consigners represent amounts due the third party for the sale of their consigned inventory by the company.

(12) Hedging Transactions −Trading

The Company manages the value of certain specific assets and liabilities of its trading segment, including trading inventories, accounts receivable and accounts payable, by employing a variety of strategies. These strategies include diversification of risk exposures and hedging through the purchase or sale of positions in related financial instruments, including a variety of derivative products such as forwards and futures.

($ in Thousands Except for Per Share Amounts or as noted)

The Company's trading inventories and purchase and sale transactions consist primarily of precious metal bearing products. The value of these assets and liabilities is linked to the prevailing price of the underlying precious metals and the interest component of the cost of carry. The Company's precious metals inventories are subject to market value changes, created by changes in the underlying commodity markets. Inventories purchased by the Company outright are subject to price changes while inventories borrowed from third-party suppliers are not. These transactions are considered natural hedges, since changes in value of the metal held are offset by the obligation to return the metal to the supplier.

Open purchase and sale commitments are subject to changes in value between the time the purchase or sale price is fixed and metal is received or delivered. The Company seeks to minimize the effect of price changes of the underlying commodity through the use of financial instruments. The Company uses forward and futures contracts to manage the commodity price exposure arising from the existence of these assets and liabilities.

The Company's policy is to remain substantially hedged, as to its inventory position and as to its purchase and sale commitments, at all times. The Company regularly enters into commodity forward and futures contracts with major financial institutions to hedge price changes that would cause changes in the value of its physical metals positions and purchase commitments and sale commitments. The Company has access to all of the precious metals markets, allowing it to place hedges. However, the Company also maintains relationships with major market-makers in every major precious metals dealing center.

Financial instruments designated as fair value hedges under SFAS No. 133 are marked to market on a daily basis. The gain or loss from revaluing these instruments is reported as unrealized gain or loss on commodity contracts with the related unrealized amounts due from or to counter parties included in receivables from or payable to brokers, dealers and clearing organizations. Gains or losses resulting from the termination of hedge contracts are reported as realized gain or loss on commodity contracts.

Credit and position risk limits are set by the Company's management. These limits include gross position limits for counter parties engaged in purchase and sales transactions with the Company. They also include collateral limits for different types of purchase and sale transactions that counter parties may engage in from time to time.

A summary of the market values of the Company's physical inventory positions, purchase and sale commitments, and its outstanding forwards and futures contracts is as follows at September 30, 2005:

1.	Inventories at market value	$ 46,087
2.	Unhedged inventory and numismatic coin inventory	(415)
3.	Bullion and bullion coin inventories at market	45,672
4.	Open inventory purchase commitments	28,761
5.	Unhedgable premium on metals positions	(764)
6.	Open inventory sale commitments	(21,348)
7.	Margin Sale Commitments	(2,081)
8.	Inventories under natural hedges:	
9.	Inventory borrowed from suppliers	(15,923)
10.	Advances on Industrial Metals	982
11.	Advances on Refined materials	-
12.	Inventory subject to price risk	35,299

($ in Thousands Except for Per Share Amounts or as noted)

13.	Inventory fair value hedge transactions offsetting price risk:	
14.	Precious metals forward contracts at market values	1,394
15.	Precious metals futures contracts at market values	34,000
16.	Total market value on inventory hedge transactions	35,394
17.	Net unhedged metals position at market	$ (95)

The net gain or loss on commodity contracts includes amounts recorded on the Company's outstanding commodity forwards and futures contracts and on open physical purchase and sale commitments. The Company records changes in the market value of its forwards and futures contracts as income or loss, the effect of which is to offset changes in market values of the underlying metals positions. The underlying commodity contract value is treated as an off-balance-sheet item and not recorded in the financial statements.

Open forward contracts and purchase and sale commitments of inventories are marked to the current market value, with any difference between the market value and underlying contract value recorded as a gain or loss in the financial statements. In the statement of income the Company recorded a net unrealized loss on open commodity and forward contracts and purchase and sale commitments of ($1,313) as of September 30, 2005 and a net realized loss on closed commodity contracts of ($342) for the three months ended September 30, 2005.

The Company had outstanding purchase and sale commitments from the trading segment arising in the normal course of business totaling $28,761 and $21,348 at September 30, 2005. The Company also had purchase and sale commitments related to open forward and futures contracts used in hedging its inventories totaling $1,394 and $33,000 at September 30, 2005.

The contract amounts of these forward and futures contracts and the open purchase and sale orders are not reflected in the accompanying consolidated balance sheets. The difference between the market price of the underlying metal and contract or trade amount is recorded as part of the net loss on commodity contracts and amounted to an unrealized loss of $1,313 for the three months ended September 30, 2005.

(13) Income Taxes

Deferred tax attributes resulting from differences between financial accounting amounts and tax basis of assets and liabilities at September 30, 2005 and June 30, 2005 are as follows:

	September 30, 2005	June 30, 2005
Current assets and liabilities		
Allowance for doubtful accounts	$ 154	$ 89
Inventory valuation reserve	957	945
Inventory uniform capitalization	852	734
Unrealized net gain (losses) on futures	684	--
Lower of cost or market inventory adjustment	(1,016)	--
Foreign tax credit carryforward	895	--
Charitable contribution carryforward	1,346	1,524
Net current deferred tax asset	$ 3,872	$ 3,292

($ in Thousands Except for Per Share Amounts or as noted)

Non-current assets and liabilities		
Goodwill and intangible amortization and impairment	$ 1,311	$ 1,401
Depreciation	84	65
Net state operating and capital loss carry-forwards	1,706	1,668
Charitable contribution carryforward	4,571	4,571
Investments in equity-method investees	210	204
Investments in marketable securities	81	67
	7,963	7,976
Valuation allowance, provision for income taxes	(4,130)	(4,314)
Net non-current deferred tax asset	$ 3,833	$ 3,662

The realization of the above deferred tax assets is dependent on generating sufficient taxable income in the future to offset the deductibility of temporary differences generating the deferred tax assets. During the three months ended September 30, 2005, the Company continues to believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize certain deferred tax assets. However, the Company still believed uncertainty exists regarding the realizability of certain deferred tax assets, and accordingly established a valuation allowance, based on management's estimates, against these specific deferred tax assets.

During 2002, both the State of New Jersey and California passed tax legislation, which, among other things, requires the suspension of the use of state net operating loss carry-forwards "NOL's" for two years. As a result, there was no utilization of these state NOL's in the provision for state income taxes for the three months ended September 30, 2005. In order to compensate for the suspension of the state net operating losses, the period of availability has been extended by two years. During 2004, the State of New Jersey required that the utilization of net operating losses be limited to 50% of net income for fiscal year 2005 and thereafter.

The provision for income taxes for the three months ended September 30, 2005 and 2004 consist of the following:

	September 30, 2005	September 30, 2004
Current tax expense	$ 6,806	$ 3,248
Deferred tax expense	(902)	685
Net change in valuation allowance	(184)	-
	$ 5,720	$ 3,933

The above is further comprised of the following:

Current tax expense		
Federal	$ 635	$ 2,257
State	199	448
Foreign	5,972	543
	$ 6,806	$ 3,248

Deferred tax expense - net of change in valuation allowance

($ in Thousands Except for Per Share Amounts or as noted)

Federal	$ (1,064)	$ 520
State	(22)	165
	$ (1,086)	$ 685

The Company has remaining available net operating loss carry forwards for state tax purposes of approximately $2,200 expiring at various times beginning in the fiscal years ending 2008 through 2012.

The Company did provide for United States income taxes and foreign withholding taxes on a distribution of $9 million from its Spanish subsidiary. The Company did not provide for United States income taxes and foreign withholding taxes on a cumulative total of $19.6 of undistributed earnings from foreign entities. Should the Company repatriate the undistributed foreign earnings, the Company would have to adjust the income tax provision in the period management determined that the Company would repatriate the earnings. Since the tax related to the $9 dividend is substantially reduced by a foreign tax credit, the net tax effect is minimal.

(14) Earnings per common and common equivalent share

The following table sets forth the computations of basic earnings per share and diluted earnings per share:

	Three months ended September 30, 2005	2004
BASIC EARNINGS PER SHARE:		
Numerator:		
Earnings available to common stockholders	$ 9,326	$ 5,134
Denominator:		
Weighted average common shares outstanding	27,695	27,359
Net earnings per share - Basic	$ 0.34	$ 0.19
DILUTED EARNINGS PER SHARE:		
Numerator:		
Earnings available to common stockholders	$ 9,326	$ 5,134
Denominator:		
Weighted average common shares outstanding	27,695	27,359
Effect of dilutive securities - stock options	1,095	1,408
Weighted average common shares - assuming dilution	28,790	28,767
Net earnings per share - Diluted	$ 0.32	$ 0.18

Common share equivalents consist of employee stock options using the treasury stock method. For the three months ended September 30, 2005 and 2004, 315,000 and 481,000 employee stock options, respectively, were excluded from the computation of diluted net income per share because the exercise price of these options was greater than the average market price of the Company's common stock during the period, and therefore the effect is antidilutive.

($ in Thousands Except for Per Share Amounts or as noted)

(15) Stock-Based Compensation

In December 2004, the FASB issued SFAS 123(R). SFAS 123(R) eliminates the alternative to use the intrinsic value method of accounting that was provided in SFAS 123, which generally resulted in no compensation expense recorded in the financial statements related to the issuance of equity awards to employees. SFAS 123(R) requires that the cost resulting from all share based payment transactions be recognized in the financial statements. SFAS 123(R) establishes fair value as the measurement objective in accounting for share based payment arrangements and requires all companies to apply a fair value based measurement method in accounting for generally all share based payment transactions with employees.

On July 1, 2005 (the first day of our 2006 fiscal year), the Company adopted SFAS 123(R). The provisions of SFAS 123(R) became effective the first annual reporting period beginning after June 15, 2005. We adopted SFAS 123(R) using a modified prospective application, as permitted under SFAS 123(R). Accordingly, prior period amounts have not been restated. Under this application, we are required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption.

On January 10, 2005, prior to the adoption of SFAS 123(R), the Compensation Committee of the Company's Board of Directors approved the acceleration of the unvested portion of all options to purchase shares of the Company's Common Stock awarded under the Company's Stock Incentive Plan of 1997, as amended, having an exercise price greater than the closing price at December 31, 2004 of $12.40 per share. This acceleration was effective as of December 31, 2004 and relates to 312,500 options that were granted on June 30, 2004 to executive officers and directors of the Company. The new vest date applies to the unvested one-half of the shares in the original grants. The closing price of our common stock on December 31, 2004 was $12.37

The acceleration of vesting of the out-of the-money options was undertaken primarily to eliminate any future compensation expense the Company would otherwise recognize in its income statement with respect to these options upon the implementation of SFAS 123(R). The future expense that was eliminated is approximately $2.0 million based on the fair value calculations using the Black Scholes methodology.

Prior to the Company's adoption of SFAS No. 123(R), SFAS No. 123 required that the Company provide pro forma information regarding net earnings and net earnings per common share as if compensation cost for the Company's stock based awards had been determined in accordance with the fair value method prescribed therein. The Company had previously adopted the disclosure portion of SFAS No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure," requiring quarterly SFAS No. 123 pro forma disclosure. The pro forma charge for compensation cost related to stock based awards granted was recognized over the service period. For stock options, the service period represents the period of time between the date of grant and the date each option becomes exercisable without consideration of acceleration provisions (e.g., retirement, change of control, etc.).

The following table illustrates the effect on net earnings per common share as if the fair value method had been applied to all outstanding awards for the three months ended September 30, 2004:

Net income as reported	$ 5,134
Deduct:	
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(368)
Pro forma net income	$ 4,766

($ in Thousands Except for Per Share Amounts or as noted)

Net income per share:	
Basic earnings per share - as reported	$ 0.19
Basic earnings per share - proforma	$ 0.17
Net income per share:	
Diluted earnings per share - as reported	$ 0.18
Diluted earnings per share - proforma	$ 0.17

Beginning with our 2006 fiscal year, with the adoption of SFAS 123(R), we recorded stock based compensation expense for the cost of stock options. Stock based compensation expense for the three months ended September 30, 2005 was $560.

(16) Segment Reporting

The Company's continuing operations are organized under two business segments-collectibles and trading.

The table below presents revenues for the Company's operating segments, as well as a reconciliation of segment revenues to total revenues from operations for the three months ended September 30, 2005 and 2004:

	Three Months Ended September 30, 2005	2004
Collectibles	$ 64,694	$ 48,090
Trading - (PMI)	494,302	-
Total segment revenues	$ 558,996	$ 48,090

The table below presents income before taxes for the Company's operating segments, as well as a reconciliation of segment Income Before Taxes to Income from Continuing Operations Before Taxes for the three months ended September 30, 2005 and 2004:

	Three Months Ended September 30, 2005	2004
Collectibles	$ 14,978	$ 9,067
Trading - (PMI)	68	-
Segment income before taxes	$ 15,046	$ 9,067

The table below presents assets for the Company's operating segments, as well as a reconciliation of segment assets to consolidated assets as of September 30, 2005 and June 30, 2005

($ in Thousands Except for Per Share Amounts or as noted)

	September 30, 2005	June 30, 2005
Collectibles	$ 144,036	$ 158,450
Trading - PMI	74,201	-
Total segment assets	$ 218,237	$ 158,450

(17) Other Major Customers (Excluding Afinsa)

In its collectible segment, the Company had no other major customers for the three months ended September 30, 2005 and 2004, respectively.

In its trading segment, the Company had one customer that made up 44% of revenues for that segment.

Major customers (other than Afinsa) are those that accounted for more than 10% of sales.

(18) Commitment and Contingencies

Leases

The Company leases office facilities under a sub lease arrangement. The lease requires the payment of the related property taxes, insurance, maintenance and other costs for the leased property. Under the sublease arrangement, rent expense allocated to the Company for the three months ended September 30, 2005 was $27.

Pursuant to the terms of the sale described in footnote 2, the company is leasing its premises from the former ultimate parent for approximately $10 per month. The Company can exit the premises at any time with 3 months.

Employment Contracts

Escala is a party to an employment agreement with Mr. Jose Miguel Herrero (the "Herrero Employment Agreement") which provides for his services as President and Chief Executive Officer. The Herrero Employment Agreement has a term ending June 30, 2008. The agreement provides for an initial base salary of $500,000, with annual increases in each year of the term based on the percentage increase, if any, in the Consumer Price Index for the relevant fiscal year. Mr. Herrero will also receive a signing bonus of $690,000 (payable $200,000 immediately; $245,000 on June 30, 2006; and $245,000 on July 2, 2007 and provided in each case that Mr. Herrero is employed on the date of payment) and be eligible for a retention bonus to be determined in accordance with the terms of his agreement, which bonus will not be less than $300,000. Mr. Herrero will also be eligible to receive an annual performance bonus equal to the lesser of 1% of the Company's pre-tax income or $400,000, subject to adjustment based on stock price performance, and a long-term incentive award payable in Escala stock and calculated based on the appreciation in the price of the Company's stock from July 1, 2005 to June 30, 2008, in each case pursuant to the terms of an incentive compensation program as described more fully below.

The agreement provides for Escala to reimburse Mr. Herrero for various expenses, including relocation and housing expenses, tuition expenses and car expenses.

In the event of termination for cause or without good reason, Mr. Herrero will be entitled to receive any accrued and unpaid salary, accrued vacation, any performance bonus not yet paid for any fiscal year ending prior to the termination date, and expense reimbursement ("accrued benefits"). In the event of termination with good reason (which includes a change of control) or without cause, Mr. Herrero will be entitled to receive accrued benefits, a lump-sum payment equal to 12 months' base salary, and a portion of the retention bonus, performance bonus and long-term incentive award as calculated under the terms of the Herrero Employment Agreement.

($ in Thousands Except for Per Share Amounts or as noted)

Under the agreement, Mr. Herrero cannot compete with the Company or solicit its employees during the term of employment. In addition, if Mr. Herrero's employment terminates, other than due to expiration of the agreement, the noncompetition and nonsolicitation restrictions continue through the later of 12 months after the termination of employment or the date upon which all severance payments cease.

(19) Geographic Information

Geographic net sales based on customer location were as follows:

	Three Months ended September 30, 2005	Three Months ended September 30, 2004
United States	$ 515,967	$ 25,006
Asia Pacific	1,155	-
Europe	41,874	23,084
	$ 558,996	$ 48,090

Net property, plant and equipment by geographic area was as follows:

	September 30, 2005	June 30, 2005
United States	$ 2,303	$ 2,369
Spain	693	894
Other Europe	274	32
	$ 3,270	$ 3,295

(20) Supplementary Cash Flow Information

Following is a summary of supplementary cash flow information:

	Three Months ended September 30, 2005	Three Months ended September 30, 2004
Interest paid	$ 339	$ 256
Income taxes paid	2,556	980

(21) Subsequent Events

On October 14, 2005, the Company acquired the outstanding shares of Greg Martin Auctions, a specialty auction house based in San Francisco that features antique arms, armor, militaria and historical memorabilia with a focus on Western and Native American artifacts. The purchase price was approximately $3.5 million, payable in cash and notes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding the Company's expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. In evaluating the Company's business, prospective investors should carefully consider the information set forth below, and in the Company's Form 10-K, and other filings with the Securities and Exchange Commission in addition to the other information set forth herein. The Company cautions investors that its business and financial performance are subject to substantial risks and uncertainty.

Results of Operations (Amounts in thousands except as noted or per share information)

General

The Company's continuing operations are organized under two business segments - collectibles and trading.

	For the Three Months Ended September 30, (In Thousands, except for percentages)			
			Percentages	
	2005	2004	2005	2004
Aggregate Sales	$576,658	$ 65,242	100%	100%
By Source:				
Trading	$494,302	$ --	86%	0%
Auction	27,456	22,839	5%	35%
Merchant/Dealer				
Sales of Inventory	14,765	20,785	2%	32%
Related Party	40,135	21,618	7%	33%
	$576,658	$ 65,242	100%	100%
By Collectible Type:				
Precious Metals	$494,302	$ --	86%	0%
Philatelics	53,930	31,050	9%	48%
Numismatics	26,979	34,192	5%	52%
Sports Collectibles	1,311	--	0%	0%
Art	--	--	0%	0%
Other Collectibles	136	--	0%	0%
	$576,658	$ 65,242	100%	100%

The Company's aggregate sales are generated by the sale of property at auction, by private treaty and by sale of the Company's inventory, including sales under the exclusive supply contracts between the Company and Afinsa Bienes Tangibles, S.A. ("Afinsa"), dated August 1, 2003, as amended. Afinsa and its wholly owned subsidiary Auctentia, S.L. ("Auctentia"), collectively beneficially own approximately 68% of the Company's common stock.

Aggregate sales consist of the total proceeds realized from the sale of property and include the Company's commissions when applicable. Property sold by the Company is either consigned by the owner of the property, or is owned by the Company directly.

Total revenues included in the Consolidated Statements of Operations are comprised of (1) sales of inventory owned by the Company to Afinsa (a related party), under the exclusive supply contracts, (2) sales of inventory owned by the Company, exclusive of sales to Afinsa, and (3) the portion of sale proceeds from auction or private treaty that the Company is entitled to retain after remitting the sellers' share, consisting primarily of commissions paid by sellers and buyers. Generally, the Company earns a commission from the sellers of 0% to 15% and a commission of 10% to 15% from the buyers.

Only revenues and not aggregate sales are included in the accompanying Consolidated Statements of Operations since aggregate sales are not recognized in accordance with accounting principles generally accepted in the United States of America.

The Company's operating expenses consist of general and administrative expenses, salaries, marketing and depreciation expenses for the three months ended September 30, 2005 and September 30, 2004. General and administrative expenses are incurred to provide support and services to those employees, including the physical facilities and data processing. Marketing expenses are incurred to promote the services of the Company to sellers and buyers of collectibles through advertising and public relations, producing and distributing its auction catalogs and conducting auctions.

Sales of inventory to Afinsa (a related party) under the exclusive supply contracts represented a significant portion of the Company's aggregate sales, revenue and gross profit for the three months ended September 30, 2005. There is no assurance that such sales, revenues and gross profit will continue at this level (see "Issues and Uncertainties", below).

Sales of philatelic material to Afinsa under the contracts are made via the fulfillment of purchase orders from Afinsa. The Company generally purchases, inspects, and processes the philatelic materials in a format specified by Afinsa. The prices for material sold by the Company to Afinsa under the contracts are based on Afinsa's "bid" prices, which are determined with reference to prices for such material in the market including those contained in catalogs that are used throughout the industry. In certain cases the Company obtains independent appraisals of such catalog prices. Although the actual percentage of catalog value varies based on the type of material involved and related supply and demand factors, the Company believes that in any given case, the percentage is substantially equivalent to what would be charged by a clearly independent party. In addition to receiving the purchase price for the material sold, the Company receives a 10% sourcing fee from Afinsa on all material sold for the consolidation and processing of the stamps. The Company believes that the delivery and payment terms with Afinsa do not differ materially from those that would be negotiated with other major customers in the industry. All transactions with Afinsa are "related party" transactions under applicable Nasdaq listing standards.

Three months ended September 30, 2005 compared with the three months ended September 30, 2004

Revenues	Three Months Ended September 30, 2005				Three Months Ended September 30, 2004			
	Revenues	Sold	Cost of Goods Profit	Gross Profit %	Gross Revenues	Cost of Goods Sold	Gross Profit	Gross Profit %
Sales of inventory	$ 20,355	$ 17,652	$ 2,703	13.3%	$ 22,970	$ 20,788	$ 2,182	9.5%
Sales of inventory− related party	40,135	20,824	19,311	48.1%	21,618	10,140	11,478	53.1%
Auction Commissions	4,204	−−	4,204	100.0%	3,502	−−	3,502	100.0%
Collectibles Revenues	64,694	38,476	26,218	40.5%	48,090	30,928	17,162	35.7%
Trading Revenues	494,302	493,097	1,205	0.2%	−−	−−	−−	0.0%
	$558,996	$531,573	$ 27,423	4.9%	$ 48,090	$ 30,928	$ 17,162	35.7%

The above chart details the revenues and gross profit by the two segments, collectibles and trading. As the trading segment is new to the Company in the current quarter, the discussion to follow will primarily focus on the collectibles market.

The Company recorded an increase in total revenues in the collectibles market of approximately $16,604 (34%), to approximately $64,694 for the three months ended September 30, 2005 from approximately $48,090 for the three months ended September 30, 2004.

Sales of Inventory − Related Party of $40,340 for the three months ended September 30, 2005 was an increase of $18,722 (87%) from the $21,618 recorded for the three months ended September 30, 2004. The increase was attributable to higher demand under our exclusive supply contract with Afinsa. The revenue attributable to transactions under the exclusive supply contracts with Afinsa includes the 10% fee provided for under the contracts.

For the three months ended September 30, 2005 and 2004, the total revenue in the collectibles market of approximately $64,694 and $48,090, respectively. Of these collectible segment totals, $60,490 and $44,588, respectively were from sales of owned inventory and approximately $4,204 and $3,502, respectively were from commissions resulting from sales of consigned materials.

The variation in any year in the composition of total revenues (as between revenues resulting from inventory sales and commissions resulting from consignment sales) is largely a function of availability, market demand and conditions.

PMI, which conducts its business in the trading segment, was acquired on July 15, 2005; therefore the first quarter contains eleven weeks of trading revenues. Trade revenues for the eleven weeks ended September 30, 2005 were approximately $494,302. Trade revenues for the period July 1 through July 14, 2005 approximated $111,457. The September quarter includes the summer months, which is typically the weakest quarter in the trading segment.

Gross Profit:

Gross profit in the collectibles market increased approximately $9,056 (53%), to approximately $26,218 for the three months ended September 30, 2005 from approximately $17,162 for the three months ended September 30, 2004. The overall gross profit percentage increased from 35.7% for the three months ended September 30, 2004 to 40.5% for the three months ended September 30, 2005. The increase in gross profit percentage was due to an increase in gross profit percentage in sales of inventory from 9.5% for the three months ended September 30, 2004 to 13.3% for the three months ended September 30, 2005. The increase of auction commissions of approximately $702 to $4,204 for the three month ended September 30, 2005 from $3,502 for the three months ended September 30, 2004 also contributed to the overall increase in gross profit percentage because the gross profit percentage on auction commissions is 100%. Gross profit percentage from sales to related party decreased from 53.1% to 48.1% for the three months ended September 30, 2005.

The gross profit percentage for sales to Afinsa (a related party) and others will vary depending on market demand, market conditions and buying opportunities relative to each type of product being sold, as well as on the proportion of the revenue mix between sales of merchandise (where the gross profit will be less than 100%) and commissions earned (where there is no cost of goods sold and therefore where the gross profit percentage will be 100%.)

Gross profit percentage in the trading segment was approximately 0.2%. The gross margins in the trading business are dependant on the volatility of commodity prices and are generally less than 1%. Changes in gross margins in the future will based on the volatility of the price of metals, interest rates, and product mix.

Operating Expenses:

	Three Months Ended September 30, 2005			Three Months Ended September 30, 2004		
	Collectibles	Trading	Total	Collectibles	Trading	Total
General &Administrative	$ 5,683	$ 528	$ 6,211	$ 3,658	$ --	$ 3,658
Salaries and Wages	4,331	386	4,717	3,316	--	3,316
Depreciation and Amortization	298	110	408	276	--	276
Marketing	976	1	977	799	--	799
	$11,288	$ 1,025	$12,313	$ 8,049	$ --	$ 8,049

The above chart details the operating expenses for the quarters ended September 30, 2005 and 2004 by the two segments, collectibles and trading. As the trading segment is new to the Company in the current quarter, the discussion to follow will primarily focus on the collectibles market

The Company's operating expenses in the collectibles market increased approximately $3,239 (40%) during the three months ended September 30, 2005 as compared to the three months ended September 30, 2004.

General and administrative expenses in the collectibles market increased approximately $2,025 (55%) from $3,658 for the three months ended September 30, 2004 to $5,683 for the three months ended September 30, 2005. Auction expenses are included in general and administrative expenses and decreased $160 from $954 for the three months ended September 30, 2004 to $794 for the three months ended September 30, 2005.

Exclusive of auction expenses, there was an increase in general and administrative of approximately $2,185 (81%). The increase in general and administrative was due primarily to increases in legal and accounting fees related to the final implementation of Sarbanes-Oxley requirements and expenses related to the Escala name change.

Salaries and wages increased approximately $1,015 (31%) for the three months ended September 30, 2005. The increase was due to a first quarter charge of $560 for stock based compensation as the Company implemented SFAS 123R effective July 1, 2005. The additional increase in salaries and wages was due to increases in executive compensation as a result of the negotiation of new employment contracts for key positions including the new president and CEO.

Marketing expenses in the collectibles market increased approximately $177 (22%), to $976 for the three months ended September 30, 2005 from $799 for the three months ended September 30, 2004. The increase in marketing expenses was due primarily to promotion expenses related to the Escala name change. The other major components of marketing expense are catalogs and auction advertising.

Depreciation and amortization in the collectibles market increased for the three months ended September 30, 2005 by approximately $22 (8%). The increase over prior quarter is due primarily to an increase of approximately $14 per quarter for the depreciation of the building in West Caldwell, which was purchased on December 22, 2004.

Increased costs in the collectibles market for the three months ended September 30, 2005 were offset by revenue and margin increases to increase total operating income in the collectibles segment by $5,817 to $14,930 for the three months ended September 30, 2005 from $9,113 for the three months ended September 30, 2004. Operating costs as a percentage of operating revenue remained consistent at 17% for the three months ended September 30, 2005 and September 30, 2004. As compared to aggregate sales in the collectibles segment, the operating costs were 14% for the three months ended September 30, 2005 an increase from 12% for the three months ended September 30, 2004.

Operating expenses for the trading segment totaled $1,025 for the eleven weeks ended September 30, 2005. Included in PMI's first quarter expenses were one-time signing bonuses and bank fees totaling approximately $115 and consulting fees of $32 that stem from a twelve month consulting agreement with a total value of $150. In addition, the company is amortizing a non-compete agreement related to the acquisition totaling $2,000 that will be amortized over four years. Amortization expense relating to this contract in the current quarter totaled $110.

Interest income and expense:

Total interest expense (net of interest income) for the three months ended September 30, 2005 decreased approximately $15 from the three months ended September 30, 2004, from an expense of approximately $26 to $11.

In the collectibles segment, interest expense (net of interest income) for the three months ended September 30, 2005 decreased approximately $127 from the three months ended September 30, 2004 from an expense of approximately $26 to and income of approximately $101. Interest income in the collectibles segment decreased by $53 for the three months ended September 30, 2005 over September 30, 2004. However, this decrease was offset by a decrease of interest expense in the collectibles segment of approximately $180. Interest expense decreased because of a reduction in debt since September 30, 2004. Specifically, since September 30, 2004, the Company has paid off a loan in the amount of $4,000 from a privately held capital fund, as well as, paid off a revolving credit agreement in the amount of $2,500 with Banco Santander Central Hispano, S.A.

For the eleven weeks ended September 30, 2005, the trading segment recorded interest income of approximately $151 and interest expense of approximately $263.

Provision for Income Taxes:

The Company's effective tax rates for the three months ended September 30, 2005 and September 30, 2004 were approximately 38% and 43%, respectively. The rate is based on a blended rate consisting of U.S. Federal, state and foreign statutory income tax rates. Our effective tax rate could be adversely affected by several factors, many of which are outside of our control. The decrease in the effective tax rate is due primarily from an increase incomes in Spain (were the effective tax rates are 35%). Therefore, the provision for foreign taxes increased $5,429 from $543 for the three months ended September 30, 2004 to $5,972 for the three months ended September 30, 2005.

Our provision for income taxes represents our estimate of the full year's tax rate based upon the expected taxable income taxed at the applicable jurisdiction. Our effective tax rate is directly affected by the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. We are also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate. Our effective tax rate can also be influenced by the tax effects of purchase accounting for acquisitions and non-recurring charges, which may cause fluctuations between reporting periods.

The Company's provision for income taxes is attributable to the collectibles segment.

Net Income:

The Company's increase in gross profit of approximately $10,261 for the three months ended September 30, 2005 coupled with an increase in operating expenses of $4,264 resulting in a net gain of $5,997 in operating income and net of taxes resulted in an increase in net income of $4,192.

Liquidity and Capital Resources

At September 30, 2005, the Company's working capital position was approximately $90,607, compared to approximately $94,577 as of June 30, 2005. The net decrease of approximately $3,970 in working capital was largely due to an increase in inventory and trading accounts receivable of $51,868 and $13,121, respectively offset by increases in short-term lines of credit of $24,990, increases in the liability on borrowed metals of $15,923 and increases in accounts payable of $9,572. All of these increases were primarily the result of the PMI acquisition as of July 15, 2005.

The Company used cash for investing activities for the three months ended September 30, 2005 of approximately $21,540. This was primarily PMI acquisition as of July 15, 2005.

The Company's cash from financing activities decreased approximately $3,438 for the three months ended September 30, 2005, primarily the result of net pay downs in notes payable.

The Company believes that the current cash position will provide the Company with the necessary funds to meet our operating and capital expenditure needs for the next twelve months.

Contractual Obligations.

Our contractual obligations related to non-cancelable operating and capital leases at September 30, 2005 were as follows:

	Payment due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Lines of Credit	$24,990	$24,990	$ --	$ --	$ --
Liability on Borrowed Metals	15,923	15,923	--	--	--
Notes Payable	5,000	--	5,000	--	--
Mortgage	1,247	88	175	984	--
Capital Lease and Other Debt Obligations	67	67	--	--	--
Operating Lease Obligations	11,371	1,410	2,437	1,842	5,682
Total	$58,598	$42,478	$7,612	$2,826	$5,682

Critical Accounting Policies

The critical accounting policies are described on pages 19 through 21 of the financial section of its 2004 annual report. In the circumstances of the Company's, management believes its "critical accounting policies" are those which encompass the use of estimates (because of inherent subjectivity), revenue recognition, allowance for doubtful accounts and sales returns, inventory valuation and classification and deferred tax valuation allowance.

Issues and Uncertainties

From time to time, information provided by the Company, including but not limited to statements in this report, or other statements made by or on behalf of the Company, may contain "forward-looking" information within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements involve a number of risks and uncertainties. The Company's actual results could differ materially from those discussed in the forward-looking statements. The cautionary statements set forth below identify important factors that could cause actual results to differ materially from those in any forward-looking statements made by or on behalf of the Company:

- Although the Company's results of operations for the year ended June 30, 2005 and the quarter ended September 30, 2005 reflect a material improvement over the results of prior periods, a significant portion of the Company's aggregate sales, revenue and gross profit for such periods was attributable to sales to Afinsa (a related party). There is no assurance that such sales, revenues and gross profit will continue at these levels. A decrease in the level of sales to Afinsa, or the termination of the supply agreements with Afinsa could have a material adverse effect on the Company. There is no minimum level of sales provided for under the supply agreements with Afinsa, and the agreements may be terminated upon six month's notice by either party.

- Our recent acquisitions of companies, in particular those which operate outside the United States, have provided us with challenges in implementing the required processes and procedures in those operations. We, therefore, have devoted substantial time and have incurred and will continue to incur substantial costs to ensure ongoing compliance.

  In addition, in the course of our ongoing evaluation of internal controls over financial reporting, we have identified areas of our internal controls requiring improvement and are in the process of designing enhanced processes and controls to address those issues. As a result, we expect to incur additional expenses and diversion of management's time, any of which could materially increase our operating expenses and accordingly reduce our net income or increase our net losses. And, we cannot be certain that our efforts will be effective or sufficient for us to issue reports in the future. Any such events could adversely affect our financial results and/or may result in a negative reaction in the stock market.

- PMI's precious metals inventories are subject to market value changes created by changes in the underlying commodity markets. In addition, open purchase and sale commitments are subject to changes in value between the time the purchase or sale is fixed and the time metal is delivered. PMI seeks to minimize the effect of price changes of the underlying commodity through the use of financial derivative instruments, such as forward and futures contracts. PMI's policy is to remain substantially hedged as to its inventory position and as to its purchase and sale commitments, and PMI's management monitors its hedged exposure daily. However, there can be no assurance that these hedging activities will be adequate to protect the Company against commodity price risks associated with PMI's business activities.

- During the fourth quarter of fiscal 2005, the Company made a charitable contribution of an art collection with a de minimis carrying value that had been held for investment purposes. The Company obtained a qualified appraisal of the collection, which concluded that it had a value of approximately $21 million, resulting in a charitable contribution deduction with a tax benefit of approximately $7.1 million. This charitable contribution deduction will be limited to 10% of the Company's Federal taxable income (as computed with certain adjustments) each year and will expire in the year 2010 to the extent not utilized. Because of the uncertainty of whether future Federal taxable income will be sufficient to realize the entire benefit, the Company has established a valuation allowance of approximately $2.6 million. In addition, although not required to do so, the Company has determined to seek additional verification of the value of the collection. As a result of this or other factors, the tax benefit to the Company may be adjusted.

- At times there may be a limited supply of collectibles available for sale by the Company. Such supply historically has varied from time to time. While the Company has not generally experienced a lack of collectibles that has prevented it from conducting appropriately sized auctions on an acceptable schedule, no assurance can be given that the Company will be able to obtain consignments of suitable quantities of collectibles in order to conduct auctions of the size, and at the times, the Company may desire in the future. The inability to do so would have a material adverse effect on the Company.

  Furthermore, the popularity of collectibles could decline. This could affect the market value of inventory that the Company currently holds, including the inventory acquired under the inventory purchase agreement, or inventory it or its subsidiaries may acquire in the future.

- The business of selling stamps, coins, and other collectibles at auction and in retail sales is highly competitive. The Company competes with a number of auction houses and collectibles companies throughout the North America, Europe and the rest of the world. While the Company believes that there is no dominant company in the stamp auction or collectibles business in which it operates, there can be no assurances that other companies with greater financial and other resources and name recognition will not enter the market. Among the Company's primary competitors in the domestic and worldwide philatelic auction business are Matthew Bennett, Inc., Charles Shreve Galleries, Inc. and Robert A. Siegel Auction Galleries, Inc. In the sports trading card auction business, the Company's primary competitors are Mastro Fine Sports Auctions, Sports Trading Cards Plus, LLC and Sales OnLine Direct, Inc. (d/b/a Rotman Auctions). The Company's principal coin auction competitors are Heritage Rare Coin Galleries, Inc., Stacks Rare Coins, Superior Coin Galleries of Beverly Hills and American Numismatic Rarities, LLC.

- Auctentia and Afinsa currently beneficially own approximately 68% of the issued and outstanding shares of the Company's common stock. This represents a substantial dilution in the current voting power of non-Auctentia related stockholders of the Company. As a result, Auctentia and its affiliates are able to elect the entire board of directors of the Company. Auctentia and its affiliates also may be able to approve other actions as a stockholder without obtaining the votes of other stockholders of the Company or impede transactions that may be desirable for other stockholders. In addition, this concentration of ownership, which is not subject to any voting restrictions, could limit the price that investors might be willing to pay for the Company's common stock.

- The Company and Auctentia have signed a registration rights agreement pursuant to which Auctentia may request that 18,435,886 shares of the Company's common stock beneficially owned by it be registered by the Company at the Company's expense. All such registerable Company common stock owned by Auctentia will be freely tradable immediately after any registration.

- The Company has acquired 13 businesses within the last two years, including eight in Europe and one in Hong Kong. Integration of these operations have presented and will continue to present challenges to management, including with respect to the integration of the operations, product lines, technologies and personnel of the Company and its subsidiaries. These acquisitions also pose special risks, including possible unanticipated liabilities, unanticipated costs and diversion of management attention. In addition, there can be no assurance that the combined businesses will achieve increased sales levels, profitability, efficiencies or synergies, or result in increased earnings for the combined companies in any future period. The difficulties of combining the operations of Escala and the European subsidiaries are also complicated by the necessity of coordinating geographically separated organizations.

- The Company's business will be adversely affected if use of the Internet by consumers, particularly purchasers of collectibles, does not continue to grow. A number of factors may inhibit consumers from using the Internet. These include inadequate network infrastructure, security concerns, inconsistent quality of service and a lack of cost-effective high-speed service. Even if Internet use grows, the Internet's infrastructure may not be able to support the demands placed on it by this growth and its performance and reliability may decline. In addition, many web sites have experienced service interruptions as a result of outages and other delays occurring throughout the Internet infrastructure. If these outages or delays occur frequently in the future, use of the Internet, as well as use of our web sites, could grow more slowly or decline.

- Some local telephone carriers claim that the increasing popularity of the Internet has burdened the existing telecommunications infrastructure and that many areas with high Internet use are experiencing interruptions in telephone service. These carriers have petitioned the U.S. Federal Communications Commission to impose access fees on Internet service providers. If these access fees are imposed, the cost of communicating on the Internet could increase, and this could decrease the demand for our services and increase our cost of doing business.

- The Company holds rights to various web domain names. Governmental agencies typically regulate domain names. These regulations are subject to change. The Company may not be able to acquire or maintain appropriate domain names in all countries in which it or its affiliates do business. Furthermore, regulations governing domain names may not protect the Company's trademarks and similar proprietary rights. The Company may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or diminish the value of its trademarks and other proprietary rights.

- Due to difficulty anticipating levels or values of consignments at any given time, the stamp auction business is susceptible to significant fluctuations in operating results and revenue shortfalls, which could adversely affect the Company's business. In addition, the Company's operating results in the coin business are dependent upon product availability over the short and long term, which cannot be predicted with any certainty. Future fluctuations in operating results or revenue shortfalls of the Company could adversely affect the success of the Company. If revenue fails to offset operating expenses in the future, the Company may be required to fund future operations through the sale of additional common stock, which could cause the market price of its stock to decline, as well as have a dilutive effect on the value of its common stock currently outstanding.

- The market price of the Company's common stock has fluctuated and may continue to fluctuate significantly due to a number of factors, some of which may be beyond the Company's control, including: sales of the Company's common stock by stockholders; actual or anticipated fluctuations in the Company's operating results; the operating and stock price performance of other comparable companies; developments and publicity regarding the Company's industry; and general economic conditions.

  In addition, the stock market in general has experienced volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may adversely affect the trading price of the Company's common stock, regardless of the Company's actual performance, and could enhance the effect of any fluctuations that do relate to its operating results.

- The Company may be adversely affected by the costs and other effects associated with (i) legal and administrative cases and proceedings; (ii) settlements, investigations, claims and changes in those items; and (iii) adoption of new, or changes in, accounting policies and practices and the application of such policies and practices.

- The Company's future results of operations could be adversely affected by changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission, and the American Institute of Certified Public Accountants.

- Our effective tax rate could be adversely affected by several factors, many of which are outside of our control. Our effective tax rate is directly affected by the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. We are also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate. Our effective tax rate can also be influenced by the tax effects of purchase accounting for acquisitions and non−recurring charges, which may cause fluctuations between reporting periods.

This list should not be considered an exhaustive statement of all potential risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, investment risk, commodity price risk and other relevant market rate or price risks.

Interest Rate Risks

Interest rates on the Company's credit facilities are market−based. (See Notes 9&10 to Notes to Consolidated Financial Statements.) Accordingly, the Company is exposed to certain interest rate risks caused by fluctuations in interest rates. If, for example, the LIBOR and the "prime" rates were to increase by 1% for any given year, our interest expense would increase by approximately $600,000 for the period (assuming that all amounts available under such credit facilities − that is, $ 60,000,000 − are drawn down.) There can be no assurance that interest rates will not increase over the next fiscal year. However, because we do not believe that our exposure to interest rate risk is significant, we have not undertaken specific steps to reduce or eliminate this risk.

Foreign Currency Risks

Business transactions originating from our United States and Asian operations are denominated in U.S. dollars. Transactions from our European operations, which in fiscal 2005 accounted for approximately 6% of total net revenues, are denominated in Euros.

The average Euro to dollar exchange rate during the first quarter of fiscal 2006 was $1.22 U.S. dollar to $1.00 Euro. As a result of this exchange rate, the company enjoyed a favorable exchange rate advantage equal to $1.5 million in fiscal 2005. A 5% change in the Euro to dollar exchange rate would have had a effect on the company's net profits in fiscal 2005 of $350,000.

The Company does not believe it is exposed to material foreign currency risks. As a result, we do not enter into any hedging activities to minimize such risk.

Other Market Risks

The Company maintains investments in equity instruments of public and privately held companies for business and strategic purposes. These investments are included in marketable securities and other long−term assets and are accounted for under the cost method when ownership is less than 20% and the Company does not have the ability to exercise significant influence over operations. For these investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment losses on long−lived assets when events and circumstances indicate that such assets might be impaired.

In the first quarter of fiscal 2006, the Company and its majority shareholder Afinsa acquired all of the issued and outstanding capital stock of PMI. PMI is a metals trading company engaged primarily in the wholesale purchase and sale of precious metals, including gold, silver, platinum and palladium. PMI's precious metals inventories are subject to market value changes created by changes in the underlying commodity markets, and open purchase and sale commitments are subject to changes in value between the time the purchase or sale is fixed and the time metal is delivered. PMI seeks to minimize the effect of price changes of the underlying commodity through the use of financial derivative instruments, such as forward and futures contracts. PMI's policy is to remain substantially hedged as to its inventory position and as to its purchase and sale commitments, and PMI's management monitors its hedged exposure daily.

The Company historically has not experienced any significant commodity price risks.

The Company does not generally allow speculation in derivative instruments. We do not intend to use financial instruments for speculative purposes.

The Company will assess the significance of interest rate, exchange rate and other market risks on a periodic basis and will implement strategies to manage risk as appropriate.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a−15(b) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost−benefit relationship of possible controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting during the quarter ended September 30, 2005.

We are currently continuing our compliance effort for Section 404 of the Sarbanes−Oxley Act of 2002. This effort includes the documentation, testing and review of our internal controls under the direction of senior management. During the course of these activities, we have identified certain internal control issues which senior management believes need to be improved. As a result, we are evaluating and implementing improvements to our internal controls over financial reporting and will continue to do so. These improvements include further formalization of policies and procedures, improved segregation of duties, and improved information technology system controls. For all internal control issues identified, we believe we have adequate compensating controls in place, such as reviews and reconciliations, to mitigate the risk to our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer's conclusion stated above, that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2005 was based, in part, upon our evaluation of the control issues identified, including the presence of adequate compensating controls.

Part II − OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8−K

(a) Exhibits

10.23 Compensation Policy for Outside Directors and Certain Executive Officers*

31.1 Exhibit Rule 13a−14(a)/15d−14(a) Certification of Chief Executive Officer *

31.2 Exhibit Rule 13a−14(a)/15d−14(a) Certification of Chief Financial Officer *

32.1 Section 1350 Certification of Chief Executive Officer *

32.2 Section 1350 Certification of Chief Financial Officer *

(b) Reports on Form 8−K

(1) Report on Form 8−K dated July 15, 2005, relating to the acquisition of all of the issued and outstanding stock of PMI Precious Metals, Inc.

(2) Report on Form 8−K dated August 16, 2005, relating to a Restated Second Amendment to Loan Agreement between the Company and PNC Bank, N.A.

(3) Report on Form 8−K/A filed on September 30, 2005, amending the 8−K dated July 15, 2005 to include the financial statements required by Items 9.01(a) and 9.01(b) of Form 8−K and to include exhibits under Item 9.01(c) of Form 8−K.

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

ESCALA GROUP, INC.

Dated: November 8, 2005

/s/ Jose Miguel Herrero

Jose Miguel Herrero
President and Chief Executive Officer

/s/ Larry Crawford

Larry Crawford
Chief Financial Officer

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EXHIBIT 10.23

OUTSIDE DIRECTOR COMPENSATION POLICY; DISCRETIONARY COMPENSATION POLICY FOR EMPLOYEE-DIRECTORS AND CERTAIN EXECUTIVE OFFICERS

OUTSIDE DIRECTOR COMPENSATION POLICY

1. Each outside director will receive $1,000 for each Board and Committee meeting attended.

2. The Chairman of the Audit Committee will receive $5,000 per year.

3. Each member of the Audit Committee (including the Chairman) will receive $10,000 per year.

4. Each outside director will receive an amount per year based on such director's pro rata portion of 1% of the pre-tax income of GMAI, which amount will be increased (or decreased) by the percentage change in the price of a share of GMAI from the beginning of the fiscal year to the end of the fiscal year. In no event in any year would (i) the percentage increase or decrease exceed 30% or (ii) the amount to be received by each outside director under this formula be less than $20,000. The price of a share of GMAI stock would be calculated by averaging the closing prices for each of the ten business days immediately preceding the date of calculation. The minimum payment would be made at the beginning of each fiscal year; and any additional amounts payable pursuant to the formula will be paid promptly after GMAI's financial results are publicly disclosed. Any director serving less than a full fiscal year will be entitled to a pro rata portion of the payments otherwise due.

   Formula:

1. $\dfrac{B/C \times D}{B} = A$

2. A [+ or -] [A x E] = F

   A = pre-adjusted amount each outside director would receive
   B = number of outside directors
   C = number of all directors and participating executives
   D = 1% of the net pre-tax income of GMAI
   E = percentage increase/decrease in price of GMAI stock
   F = final amount each outside director would receive

   Example:

Assumptions:

1.	GMAI net pre-tax income:	$30,000,000
2.	share price at July 1:	$10
3.	share price at June 30:	$12
4.	number of outside directors:	5
5.	number of all directors and participating executives:	13

Calculation:

1. $\frac{5/13 \times \$300{,}000}{5} = \$23{,}076.92$
2. $23,076.92 + [$23,076.92 x 20%] = $27,692.30

DISCRETIONARY COMPENSATION POLICY FOR EMPLOYEE-DIRECTORS AND CERTAIN EXECUTIVE OFFICERS

In the discretion of the Compensation Committee, in addition to amounts otherwise payable under applicable contracts, each employee-director and certain executive officers (CEO of European Operations, Chief Financial Officer, General Counsel) will receive an amount per year equal to the amount payable to each outside director as set forth under paragraph 4 above, except that such person would not be entitled to receive any minimum amount.

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EXHIBIT 31.1

ESCALA GTOUP, INC.
SARBANES−OXLEY ACT SECTION 302(a) CERTIFICATION

I, Jose Miguel Herrero, certify that:

1. I have reviewed this report on Form 10−Q of Escala Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2005

/s/ Jose Miguel Herrero
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Jose Miguel Herrero, President and
Chief Executive Officer

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EXHIBIT 31.2

ESCALA GROUP, INC.
SARBANES-OXLEY ACT SECTION 302(a) CERTIFICATION

I, Larry Crawford, certify that:

1. I have reviewed this report on Form 10-Q of Escala Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8, 2005

/s/ Larry Crawford

Larry Crawford, Chief Financial Officer

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Exhibit 32.1

ESCALA GROUP, INC.
SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this quarterly report on Form 10-Q of Escala Group, Inc. for the period ended September 30, 2005, I, Jose Miguel Herrero, President and Chief Executive Officer of Escala Group, Inc., hereby certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended September 30, 2005 fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. the information contained in this Form 10-Q for the period ended September 30, 2005 fairly presents, in all material respects, the financial condition and results of operations of Escala Group, Inc.

Dated: November 8, 2005

/s/ Jose Miguel Herrero Jose Miguel Herrero,

President and Chief Executive Officer

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Exhibit 32.2

ESCALA GROUP, INC.
SARBANES-OXLEY ACT SECTION 906 CERTIFICATION

In connection with this quarterly report on Form 10-Q of Escala Group, Inc. for the period ended September 30, 2005, I, Larry Crawford, Executive Vice President and Chief Financial Officer of Escala Group, Inc., hereby certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended September 30, 2005 fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. the information contained in this Form 10-Q for the period ended September 30, 2005 fairly presents, in all material respects, the financial condition and results of operations of Escala Group, Inc.

Dated: November 8, 2005

/s/ Larry Crawford

Larry Crawford, Executive Vice President
and Chief Financial Officer

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