



Press Release

15 September 2010

STM Group Plc

("STM", "the Company" or "the Group")

Interim Results for the six months ended 30 June 2010

STM Group Plc (AIM: STM), the cross border financial services provider, is pleased to announce its interim results for the six months ended 30 June 2010.

FINANCIAL HIGHLIGHTS

- Revenue for the period up 13% to £4.66 million (30 June 2009: £4.13 million)
- Profit before tax up significantly to £0.68 million (30 June 2009: £0.18 million)
- Interim dividend per share proposed of 0.2 pence payable on 12 November 2010 (2009: 0.2 pence)
- Strong balance sheet with cash of £4.94 million (30 June 2009: £3.91 million)
- EPS for period up three fold to 1.39 pence (30 June 2009: 0.44 pence)

OPERATIONAL HIGHLIGHTS

- Core CTS business trading in line with expectations with improved profit margins
- Integration and restructuring in STM in Jersey, following the strategic acquisition of Zenith Trust Company Limited, now largely complete, creating a "second engine room" of the Group
- New business and marketing initiatives increased, including business wins from new territories
- Reorganisation and cost cutting now complete but continued drive on efficiency

Commenting on summary and outlook, Colin Porter, CEO said:

“The first half of 2010 has been one of building on the momentum gained in the second half of 2009, which has resulted in an efficient and scalable platform upon which to grow further revenues and increased productivity. The Group's core business as a CTS provider remains robust and, with the strategic acquisition in Jersey completed in April 2010, is well placed to benefit from greater visibility over its results. The reorganisation and cost cutting measures in the latter part of 2009 have borne fruit during 2010, and a focus on efficiencies will continue going forward.

“The Group has concentrated in increasing resources with regards to business and product development over the last six months and this is expected to deliver increased revenue for the second half of 2010 and beyond.

“Finally, I would like to thank Tim Revill, the founder of STM's first acquisition, the Fidecs Group, who is to step down from the Board of STM with effect from today. Tim's significant knowledge and expertise has been invaluable in the Group's growth to date and we look forward to benefiting from his involvement through representing Hearth Investments Ltd, STM's largest shareholder and the trustees of the Revill Family Settlement.”

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Chief Executive's Review

Overview

I am delighted to present the interim results for June 2010, which show an improvement against both the first half and second half of 2009.

This improved result is down to ensuring our revenue base was maintained whilst reaping the benefits of our cost cutting and restructuring exercise that commenced in the later part of 2009; thus bringing about better margins and predictability to the results. Our existing STM business and revenue streams, as expected by management, remained stable when compared to the six months to December 2009 with focus on upgrading efficiencies and performances so as to allow for an increase in revenue, with little extra cost, in the second half of 2010.

One key change to our business in the period was the acquisition of Zenith Trust Company Limited ("Acquisition"), as announced in April 2010, which has considerably strengthened our existing Jersey proposition. STM Jersey is now expected to generate approximately £3.5 million of revenue on an annualised basis and is a solid and predictable "second engine" to the STM Group. The Acquisition comes with a strong management team and has allowed STM access to a significant number of new referring intermediaries, which is already benefiting other parts of the Group.

In April 2010, in order to finance the initial consideration for the Acquisition, we raised £2.2 million through the issue of a convertible bond that pays a coupon of 7%. Half of the bond may be converted to new ordinary shares in STM on the second anniversary of the issue at a share price of 33 pence per share. The remainder of the bond will be repaid on the fourth anniversary.

At a general level, during the period under review, we are starting to see more activity from our clients in the CTS division who previously have been holding back on transactions until there was more certainty in the economy. This bodes well for the future in our core business offering.

There has been a concerted effort in the last six months to build our business development and product development functions so as to be less reliant on Northern Europe, in particular the UK, for new business. Whilst early days, we are starting to see new clients originating from Africa and Eastern Europe to complement those coming through more traditional routes. With regards to possible new jurisdictions for STM's operations, the Board believes that Malta could be of considerable strategic importance and we are actively reviewing opportunities there.

The new business streams started by the Group in 2009, namely STM Swiss and STM Life, continue to show promise, albeit slower than expected during the first half, and are being closely monitored by management. In both cases, I am delighted to report that significant progress has been made in the last couple of months.

Financial results

The Group recorded turnover of £4.66 million for the six months to 30 June 2010 (30 June 2009: £4.13 million), and significantly increased operating profit of £0.68 million (30 June 2009: £0.18 million). Margins continue to improve compared to 2009, primarily as a result of the impact of the cost cutting and reorganisational exercise that commenced in the latter part of 2009.

All expenses in relation to the development of STM Life's products, as well as those incurred in the running of STM Swiss in Zurich, have been expensed during the first half of the year. In line with all CTSP businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at 30 June 2010 of £2.86 million (30 June 2009: £2.01 million). There is also deferred income, annual fees invoiced, but not yet earned at the same date of £1.12 million (30 June 2009: £0.88 million). It is expected that these amounts will be invoiced or earned in the second half of 2010, providing excellent visibility over revenues.

There was good cash collection across the Group in the first half and the Group's balance sheet remains strong. The Group had a gross cash balance of £4.94 million at the period end (30 June 2009: £3.91 million). During the period, we repaid external borrowings by £0.28 million. The majority of this borrowing was taken out in 2008 to provide the solvency capital for STM Life and to date we have repaid £0.94 million.

Following the acquisition of Zenith in Jersey, deferred consideration has increased from £0.30 million at 30 June 2009 to £3.46 million at the period end. The majority of the consideration will be paid during the remainder of 2010 and into 2011 from a mix of existing bank facilities and operating cashflow.

As a sign of the Directors' cautious optimism and of the improving trading conditions, I am pleased to report that the Board has proposed an interim dividend of 0.2 pence per share (2009 interim: 0.2 pence). The interim dividend is expected to be paid on 12 November 2010 to shareholders on the register on 15 October 2010. Subject to trading continuing in line with expectations, the Board expects to propose a further dividend for the full year.

Review of operations

Core CTS division

The Group's core offering, the provision of corporate and trustee services ("CTS"), which generated £3.45 million (30 June 2009: £2.46 million) accounting for over 70% of the Group's total revenue during 2010 (30 June 2009: 60%), had a solid six months of trading and performed in the line with management's expectations.

The Gibraltar CTS division which accounted for 57% (30 June 2009: 86%) of the Group's 2010 CTS revenues, traded in line with expectations and in line with the same period last year.

The addition of Zenith in April 2010 to our CTS operations has given it critical mass, leading to half year revenue of £1.3 million (30 June 2009: £0.34 million). Whilst the integration has gone well and according to plan there was a small contribution to profit after management time allocation for the period from acquisition to 30 June 2010. However, the integration is now fully complete and the Board is confident that there is now a solid, well managed business on which to grow organically.

Our Swiss operation is now fully authorised and regulated, having been set up in the first quarter of 2009 to take advantage of the reputation of Switzerland and the expectation that Swiss private banks will be looking to divest their CTS business as they recognise their conflicts of interest arising from acting as both trustee and investment manager. The Swiss operation is now seeing a healthy pipeline of new business, although it remains slower than management's expectation and management have allocated further resources into

improving returns from STM Swiss in the second half.

Other divisions

STM's Insurance Management division ("FIM"), which contributed approximately 10% of the Group's 2010 turnover (30 June 2009: 13%), has continued to have a difficult first half, reflecting the challenging market conditions described in the 2009 final results. FIM provides specialist incubation and administration services to Gibraltar based insurance companies. Although there is a lack of new client conversions, caused by the scarcity of solvency capital for new ventures, the division is trading profitably and in line with management's revised expectations. The Group is taking steps to source new clients and has allocated more business development resources to this area.

STM Life, the Group's life assurance subsidiary, which is licensed to write Class III linked long-term life business continues to write business but on a lower level than expected. However the business is now at a break-even position, with management having invested further resources into the business development area in the second quarter of 2010. This is expected to help to build the pipeline of new business for the remainder of 2010 and beyond. In the period under review, STM Life has appointed a number of UK intermediaries as introducers and this too is expected to increase new business.

Trading in the remaining divisions of the STM Group, namely Taxation Advisory, Pensions and STM Nummos, STM's Spanish office, which account for a total of approximately 15% of the Group's revenue, has been, in aggregate, broadly in line with expectations.

Acquisitions and New Jurisdictions

Having completed its largest acquisition, Zenith, in April 2010, the Board believes that the Group has now created a diversified international footprint in the current economic climate. Further selective, earnings enhancing acquisitions, in the medium term, will be aimed at bringing all subsidiaries up to critical mass. STM is currently reviewing acquisition opportunities in Switzerland and views Malta as a potentially complementary jurisdiction to its existing footprint, particularly for the Group's Pension and Insurance divisions, and is in detailed discussions with the Malta Financial Services Authority.

Current trading

The Board is cautiously optimistic about the second half of 2010. We have noted that the level of client transactions is gradually increasing and our Jersey office will be fully functional for the second half of 2010. Margins are expected to continue to improve significantly during the second half of the year, as a number of initiatives, both cost savings and the take-up of new products and services, come to fruition. Cash flow is expected to continue to improve on the back of better profit margins.

The improving run rate at both revenue and PBT levels in the first half of 2010 suggests that the Group's results for 2010 will be in line with current expectations.

Board appointment and director change

I joined the Board in July 2009 and was appointed as Group CEO in March 2010. Over this period the Board has concentrated on ensuring a stronger predictability of revenue across the Group, whilst at the same time implementing a re-organisation and cost-cutting exercise so as to improve profit margins. This efficiency drive will continue into the foreseeable future.

In addition, Tim Revill, the founder of STM's first acquisition, the Fidecs Group, is to step down from the Board of STM with effect from today. Tim, who turned 60 last month, was the driving force behind the creation of STM and has taken the decision in order to spend more time with his family and to concentrate on new business development across the Group, in particular helping to grow STM Swiss. Tim's significant knowledge and expertise has been invaluable in the growth to date and we look forward to benefiting from his involvement through representing Hearth Investments Ltd, STM's largest shareholder and the trustees of the Revill Family Settlement.

Summary and outlook

The Group's strategy is to increase STM's share of the existing market and to find new markets for our products and services. Our core CTS business is delivering predictable revenues and predictable contributions to profits and this will continue going forward.

Management's challenge over the coming eighteen months is to bring the emerging businesses up to critical mass and the Board has already invested in its business and product development functions so as to achieve that goal.

The first half of 2010 has built on the foundations of a solid second half of 2009, and we believe that this will continue. Our team, complemented by the new management from our Jersey acquisition, have the ability and focus to deliver enhanced shareholder value through innovation and solid service level performance.

Colin Porter

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT for the period from 1 January 2010 to 30 June 2010

	Notes	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited year to 31 December 2009 £'000
Revenue		4,655	4,128	8,521
Administrative expenses		(3,992)	(3,946)	(7,726)
Operating Profit		663	182	795
Finance costs		(94)	–	(120)
Gains, losses and expenses from acquisitions	6	110	–	–
Profit on ordinary activities before taxation		679	182	675
Income tax expense	5	(84)	–	(36)
Profit on ordinary activities after taxation		595	182	639
Dividends		(172)	(171)	(257)
Retained profit for the period/year		423	11	382
Earnings per share basic (pence)	4	1.39	0.44	1.57
Earnings per share diluted (pence)	4	1.35	0.43	1.53

There have been no discontinued activities in the period. Accordingly, the above results relate solely to continuing activities.

STM GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from 1 January 2010 to 30 June 2010

Notes	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited year to 31 December 2009 £'000
Profit for the period	423	11	382
Other comprehensive income			
Foreign currency translation differences for foreign operations	(2)	(2)	(2)
Other comprehensive income for the period, net of income tax	(2)	(2)	(2)
Total comprehensive income for the period/year	421	9	380
Attributable to:			
Owners of the Company	421	9	380
Total comprehensive	421	9	380

STM GROUP PLC

CONSOLIDATED BALANCE SHEET as at 30 June 2010

		Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment	8	1,537	1,158	1,316
Intangible assets	9	21,826	16,629	16,886
Total non-current assets		23,363	17,787	18,202
Current assets				
Accrued income		2,858	2,014	2,286
Trade and other receivables	12	5,379	4,758	5,140
Cash and cash equivalents	11	4,942	3,911	3,768
Total current assets		13,179	10,683	11,194
Total assets		36,542	28,470	29,396
EQUITY				
Called up share capital	14	43	43	43
Share premium account		19,028	18,916	19,011
Reserves		4,850	,088	4,469
Total equity attributable to equity shareholders		23,921	23,047	23,523
LIABILITIES				
Current liabilities				
Liabilities for current tax		399	302	321
Trade and other payables	13	7,980	4,047	4,714
Total current liabilities		8,379	4,349	5,035
Non-current liabilities:				
Other payables		4,242	1,074	838
Total non-current liabilities		4,242	1,074	838
Total liabilities and equity		36,542	28,470	29,396

STM GROUP PLC

COMPANY BALANCE SHEET as at 30 June 2010

	Notes	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
ASSETS				
Non-current assets				
Investments	10	20,845	15,172	15,231
Property, plant and equipment	8	1,011	635	851
Total non-current assets		21,856	15,807	16,082
Current assets				
Accrued income		75	25	25
Trade and other receivables	12	7,230	4,579	6,031
Cash and cash equivalents	11	389	322	18
Total current assets		7,694	4,926	6,074
Total assets		29,550	20,733	22,156
EQUITY				
Called up share capital	14	43	43	43
Share premium account		19,028	18,916	19,011
Profit and loss reserve		183	(505)	471
Total equity attributable to equity shareholders		19,254	18,454	19,525
LIABILITIES				
Current liabilities				
Trade and other payables	13	6,638	2,279	2,631
Non-current liabilities:				
Other payables		3,658	–	–
Total non-current liabilities		3,658	–	–
Total liabilities and equity		29,550	20,733	22,156

STM GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT for the period from 1 January 2010 to 30 June 2010

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Operating profit for the period before tax	679	182	675
Adjustments for:			
Depreciation and amortisation	60	68	139
Loss on sale of property, plant & equipment	4	–	–
Gain from bargain purchase	(451)	–	–
Shares issued for services performed	17	20	40
Taxation paid	5	2	19
Decrease in trade and other receivables	207	622	242
Increase in accrued income	(182)	(420)	(692)
Increase/(decrease) in trade and other payables	266	(192)	490
Net cash from operating activities	605	282	913
Investing activities			
Acquisition of property, plant and equipment	(261)	(711)	(960)
Acquisition of treasury shares	–	–	–
Disposal of property, plant and equipment	–	–	9
Acquisition of investments – cash consideration	(1,904)	(210)	(438)
Cash acquired as part of acquisitions	587	–	–
Net cash used in investing activities	(1,578)	(921)	(1,389)
Cash flows from financing activities			
New loan drawn down	400	–	–
Loan repayments made	(281)	(221)	(441)
Cash consideration from loan stock issued	2,200	–	–
Dividend paid	(172)	(171)	(257)
Net cash from financing activities	2,147	(392)	(698)
Increase in cash and cash equivalents	1,174	(1,031)	(1,174)
Reconciliation of net cash flow to movement in net funds			
Analysis of cash and cash equivalents during the period			
Balance at start of period	3,768	4,942	4,942
Increase in cash and cash equivalents	1,174	(1,031)	(1,174)
Balance at end of period	4,942	3,911	3,768

STM GROUP PLC

STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2010 to 30 June 2010

Group

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2009	43	18,896	4,240	(144)	–	23,035
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the year	–	–	639	–	–	639
Other comprehensive income						
Foreign currency translation differences	–	–	(2)	–	–	(2)
Transactions with owners, recorded directly in equity						
Share issued in the year	–	115	–	–	–	115
Dividend paid	–	–	(257)	–	–	(257)
Exchange loss on equity	–	–	–	–	(7)	(7)
At 31 December 2009	43	19,011	4,620	(144)	(7)	23,523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the year	–	–	595	–	–	595
Other comprehensive income						
Foreign currency translation differences	–	–	(2)	–	–	(2)
Transactions with owners, recorded directly in equity						
Share issued in the period	–	17	–	–	–	17
Dividend paid	–	–	(172)	–	–	(172)
Exchange loss on equity	–	–	–	–	(40)	(40)
At 30 June 2010	43	19,028	5,041	(144)	(47)	23,921

Company

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Total £'000
At 1 January 2009	43	18,896	390	19,329
Profit for the year	–	–	338	338
Shares Issued in the year	–	115	–	115
Dividends paid	–	–	(257)	(257)
At 31 December 2009	43	19,011	471	19,525
Loss for the period	–	–	(116)	(116)
Shares issued in the period	–	17	–	17
Dividends paid	–	–	(172)	(172)
At 30 June 2010	43	19,028	183	19,254

STM GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT for the period from 1 January 2010 to 30 June 2010

1. Reporting entity

STM Group Plc (the "Company") is a company domiciled in the Isle of Man. The address of the Company's registered office is PO Box 227, Clinch's House, Lord Street, Douglas, IM99 1RZ. The Group is primarily involved in financial services.

2. Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in note 3.

Results for the period from 1 January 2010 to 30 June 2010 have not been audited.

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law and IAS 34, Interim Financial Reporting.

b) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency.

c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except where investments are held at fair value.

e) Employee benefit trusts

The Company contributes to two employee benefit trusts. It is deemed that these trusts are controlled by the Company and are therefore included within the consolidated financial statements of the Group.

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate at that date. The resulting gain or loss is recognised in the income statement.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at exchange rates at the reporting date. Any foreign exchange difference arising on consolidation is transferred to the translation reserve.

c) Revenue

Revenue is derived from the provision of services and is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date on an accruals basis.

d) Accrued income

Accrued income represents billable time spent on the provision of services to clients which has not been invoiced at the reporting date. Accrued income is recorded at the staff charge-out rates in force at the reporting date, less any specific provisions against the value of accrual income where recovery will not be made in full.

e) Property, plant and equipment

(i) Recognition and measurement

Items of property and office equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it into use.

(ii) Depreciation

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or the estimated useful life.

Gains and losses on disposal of an item of property and office equipment are determined by comparing the proceeds from disposal with carrying amount of property and office equipment, and are recognised net within profit or loss.

The rates in use on a reducing balance basis are as follows:

Office equipment	25%
Motor vehicles	25%
Leasehold improvements	10%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

f) Financial investments

Financial assets and liabilities are recognised on the Group's Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

(i) Loans and receivables

Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised initially at fair value and subsequently at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

(ii) Investments

Investments are carried at fair value, subject to provisions for impairment where the current value of the investment is considered to be less than cost. Impairment losses are recognised in the income statement. Investments are reviewed for impairment at each year end. Investments in associates are accounted for on an equity accounting basis.

(iii) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand with an original maturity of three months or less.

(iv) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from share premium.

Treasury shares are those shares purchased by the STM Group Employee Benefit Trust ("EBT") for distribution to executives under the Long Term Incentive plan arrangements, which have yet to be allotted to specific employees.

g) Operating leases

Payments under operating leases are charged directly to the income statement on a straight line basis over the term of the lease.

h) Employee benefits

The Group operates a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

i) Finance income and expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues using the effective interest method.

Finance expense comprises interest in borrowings. Interest expense is charged to the income statement using the effective interest method.

j) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the period using enacted tax rates, adjusted for previous period adjustments.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes. Deferred tax is not provided in respect of goodwill. Deferred tax is measured at the tax rates expected to be enacted when they reverse.

k) Intangible Assets - Goodwill

Goodwill that arises on the acquisitions of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is measured at cost. An annual impairment review is undertaken.

l) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through the income statement.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

m) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise shares relating to deferred consideration, and the effect of outstanding options.

n) Deferred income

Deferred income relates to the element of fixed fee income that has been billed in advance which has not been earned as at the balance sheet date and is released over the period to which it relates.

o) Borrowing costs

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net transactions costs and the redemption value is recognised in the income statement over the period of the borrowing using effective interest method.

p) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probably that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

4. Earnings per Share

Earnings per share for the period from 1 January 2010 to 30 June 2010 is based on the profit after taxation of £595,000 divided by the weighted average number of shares during the period 42,942,373 (basic) and 44,213,738 (dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2010 is:

Weighted average number of shares	42,942,373
Dilutive share options	1,271,365
<u>Diluted</u>	<u>44,213,738</u>

5. Income Tax Expense

		Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Current tax expense		84	–	36
Total tax expense		84	–	36
Reconciliation of existing tax rate				
	Tax rate	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Profit for the period/year		595	182	639
Total income tax expense		84	–	36
Profit excluding income tax		679	182	675
Income tax using the company's domestic rate	0%	–	–	–
Effect of tax rates in other jurisdictions	22%	84	–	36
Total tax expense		84	–	36

The Group has trading subsidiaries in a number of jurisdictions in which corporate rates vary between nil and 22%.

6. Gains, losses and expenses from acquisitions

	Unaudited 6 months to 30 June 2010 £'000	Unaudited 6 months to 30 June 2009 £'000	Audited 6 months to 31 December 2009 £'000
Gain on bargain purchase on acquisition (<i>see note 7</i>)	451	–	–
Acquisition related expenses	(341)	–	–
	110	–	–

As per “IFRS 3 (Revised) Business Combinations” all acquisition related expenses have been expensed in the Income Statement. These expenses relate to the acquisition of Zenith Trust Company Limited and the proposed acquisition of the Citadel Group of Companies.

The acquisition of Zenith Trust Company Limited was a bargain purchase (*see note 7*) and therefore had generated a gain which in accordance with IFRS 3 (Revised) has been recognised in the Income Statement.

7. Acquisition of subsidiaries

On 7 April 2010 STM Group Plc acquired 100% of the issued equity of Zenith Trust Company Limited. The balance sheet as at that date is included within the consolidated results.

	Pre-acquisition carrying value £'000	Fair value adjustments £'000	Recognised value on acquisition £'000
Intangible assets	4,927	–	4,927
Property, plant & equipment	20	–	20
Accrued income	391	–	391
Trade and other receivables	459	–	459
Cash and cash equivalents	587	–	587
Trade and other payable	(783)	–	(783)
Net identifiable assets	5,601	–	5,601
Gain on bargain purchase	–	–	(451)
Consideration paid and deferred	–	–	5,150
Cash acquired	–	–	(587)
Net cash outflow			4,563

8. Property, plant and equipment

Group	Office Equipment £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
Costs				
As at 1 January 2010	795	12	853	1,660
Additions at cost	281	–	5	286
Disposal	(5)	–	–	(5)
As at 30 June 2010	1,071	12	858	1,941
Depreciation				
As at 1 January 2010	205	5	134	344
Charge for the period	35	2	24	61
Disposal	(1)	–	–	(1)

As at 30 June 2010	239	7	158	404
Net book value				
As at 30 June 2010	832	5	700	1,537
As at 31 December 2009	590	7	719	1,316

Company	Office Equipment £'000	Leasehold Improvements £'000	Total £'000
Costs			
As at 1 January 2010	300	551	851
Additions at cost	157	3	160
As at 30 June 2010	457	554	1,011
Depreciation			
As at 1 January 2010	–	–	–
Charge for the period	–	–	–
As at 30 June 2010	–	–	–
Net book value			
As at 30 June 2010	457	554	1,011
As at 31 December 2009	300	551	851

9. Intangible assets

The fair value of investments comprises:

Group

	Cost £'000
Goodwill	
Balance at 1 January 2010	16,886
Acquisitions	4,927
Adjustments to prior year	13
Balance at 30 June 2010	21,826

10. Investments

Company

	Cost £'000
Investments	
Balance at 1 January 2010	15,231
Acquisitions	5,601
Adjustments to prior year	13
Balance at 30 June 2010	20,845

During the period, the prior year acquisitions were reassessed resulting in a £13,000 adjustment to the cost of investment and goodwill in the current period.

11. Cash and cash equivalents

Cash at bank earns interest at floating rates based on prevailing rates. The fair value of cash and cash equivalents in the Group is £4,942,000 and in the company is £389,000.

12. Trade and other receivables

Group

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Other receivables due from related parties	–	82	–
Trade receivables	3,710	3,025	3,317
Other receivables	1,669	1,651	1,823
	<hr/>	<hr/>	<hr/>
	5,379	4,758	5,140

Company

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Trade receivables due from related parties	6,925	4,165	5,554
Other receivables	305	414	477
	<hr/>	<hr/>	<hr/>
	7,230	4,579	6,031

Amounts owed by related undertakings are unsecured, interest free and repayable on demand.

13. Trade and other payables

Group

Current liabilities

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Bank Loan	614	438	450
Loans from related parties	113	1,339	1,363
Deferred income	1,116	882	977
Trade payables	742	324	549
Deferred and contingent consideration	3,464	298	91
Other creditors and accruals	1,931	766	1,284
	<hr/>	<hr/>	<hr/>
	7,980	4,047	4,714

Company

Current liabilities

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Owed to related undertakings	3,060	2,111	2,543
Deferred consideration	3,352	116	–
Other creditors and accruals	226	52	88
	<u>6,638</u>	<u>2,279</u>	<u>2,631</u>

As at 30 June 2010 the Group had two bank loans from NatWest Bank Plc amounting to £1.06m and £0.35m repayable in quarterly and monthly instalments respectively at a variable rate of interest, currently 2% and 2.75% respectively. The loan is secured by capital guarantees supplied by subsidiary companies.

Loans from related parties amount to £113,000 and relate to a loan by the funding shareholders of Fidecs Limited. This loan amount is unsecured and interest bearing at 7% per annum.

Amounts owed to related parties are unsecured, interest free and repayable on demand.

14. Called up share capital

	Unaudited 30 June 2010 £'000	Unaudited 30 June 2009 £'000	Audited 31 December 2009 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
42,960,660 ordinary shares of £0.001 each	<u>43</u>	<u>43</u>	<u>43</u>

- Ends -