**Press Release** **9 March 2010**

# STM Group Plc

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

## Preliminary Results

STM Group Plc (AIM:STM), the cross border financial services provider, announces its preliminary results for the year ended 31 December 2009.

### Year end highlights

### Financial

- Revenue of £8.5 million (2008: £9.2 million)
- Profit before tax of £0.7 million (2008: £2.8 million)
- EPS of 1.57 pence (2008: 6.48 pence)
- Strong balance sheet with cash of £3.8 million at year end – Cash generated from operating activities £0.9 million
- Final dividend of 0.4 pence, payable on 4 June 2010, representing a total dividend for 2009 of 0.6 pence

### Operational

- Trading revenues (excluding treasury management fees) maintained year on year despite difficult economic conditions
- Organic growth of 7% in Gibraltar CTS division
- Acquired CTS business in Luxembourg to add further cross-border capabilities to the Group, subject to regulatory approval
- New products launched, including International Life bond and EFRBS
- Set up STM Swiss in Zurich, now gaining traction

**Board**

Tim Revill, founder of STM's first acquisition, Fidecs Group Limited, has today announced that he will be stepping down from his current role as Chief Executive Officer but will remain on the board as Deputy Chairman. Colin Porter, currently Chief Operations Officer will take up the role of Chief Executive Officer with immediate effect.

Commenting on the results, Tim Revill, Deputy Chairman, said: "The early part of 2009 saw the economies of the world and the global banking system at their most depressed and unstable level in living memory. Most entrepreneurs deferred decisions, whilst they waited to see the outcome. STM's business is to provide financial advice and appropriate administrative structures for investors and entrepreneurs making cross-border commitments. The lower level of client activity, the slower take-up of our new financial products and consequently the Group's revenue in 2009 did not reach our expectations at the beginning of the year.

"However, our business has now stabilised and we see that confidence and financial activity is gradually returning to near normal levels. This, together with STM's wider international presence and the Group's new products, gives the Board confidence that 2010 should show considerable improvement in our results."

**- Ends -**


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## Chairman's statement

### Overview

It has been a frustrating and challenging year for STM. Despite our core Corporate and Trustee Service divisions ("CTS") delivering robust revenues in line with expectations and profitability, the new initiatives of STM Swiss and STM Life have experienced slower than expected take up, and a number of one-off factors have diminished a significant amount of that profitability.

The positives are that the Group's recurring revenue business model remains strong, even in these times of unprecedented economic crisis, and this gives us confidence for the future performance of STM. The Board believes that both the STM Life insurance wrapper product and the jurisdictional importance of Switzerland justify the short-term cost of entry into areas that will prove profitable for the business going forward.

The Group has also seen a significant number of senior management changes, not least with the announcement today that Tim Revill, currently Chief Executive Officer and founder of STM's first acquisition, Fidecs Group Limited, will be stepping down to become Deputy Chairman. Tim's continued vision and energy will be focused into business development and marketing, and the Board looks forward to benefiting from this in the coming years. Colin Porter, currently Chief Operations Officer takes up the role of Chief Executive Officer with immediate effect. Colin joined STM in 2008 and is ideally suited to drive the Group's operational growth during 2010 and beyond.

The STM "buy and build" strategy in 2008 and previously, coupled with the Group's Luxembourg acquisition announced in July 2009 has meant that STM can justifiably say that it has a significant international presence. STM now has offices in Gibraltar, Spain, Jersey, Switzerland, Luxembourg (subject to regulatory approval) and British Virgin Islands, and is poised to benefit from the ability to cross-sell to clients across the jurisdictions. Such a footprint not only increases STM's product range but also geographically diversifies the Group's client portfolio thus decreasing its business risk profile.

The Board views 2010 as a year in which to consolidate the initiatives of previous years in order to deliver profitable growth. Acquisition activity will be limited in 2010, once the correct target in Jersey is secured which will allow STM to achieve critical mass in that jurisdiction as well as allowing the office to achieve its full potential. Any such acquisition will be earnings enhancing in its own right.

2010 will see a focus on business development to increase STM's market share of the CTS sector, as well as targeted marketing of the Group's newly launched products. Our Group-wide IT platform will be in place during 2010, which is expected to increase efficiencies.

STM is a people and relationship business and its strength is in the quality of its management and staff. On behalf of the whole Board, I would like to express thanks for their continued dedication, professionalism and hard work over the last year.

**Bernard Gallagher**
**Non-Executive Chairman**
9 March 2010

## Deputy Chairman's Review

### Introduction

2009 has been an extremely frustrating and challenging year for STM, which has not been immune from the global crisis. Certain divisions of the Group performed relatively well, despite the general lower levels of activity across financial markets, but, as previously flagged, the Group experienced a slower than expected take up in its new initiatives and a number of one-off factors that have impinged on the overall profitability of the Group. That said, activity levels appear to be improving and the Board anticipates that the investments undertaken in 2009 will begin to bear fruit in 2010.

Group revenue of £8.5 million for 2009 held up reasonably well compared to £9.2 million for 2008, particularly as treasury management income in 2009 was approximately £0.6 million lower than 2008.

Encouragingly, within the operational review of the business, it is apparent that the Corporate Trustee Services (CTS) revenue, the core "engine" of STM's business, has demonstrated a comparable fee level for 2009 as compared to 2008, despite the adverse economic conditions that have prevailed.

The expensed start up costs of over £0.5 million in relation to two of STM's new initiatives in 2009, STM Swiss and STM Life further impacted on the Group's profitability but are investments that will be beneficial to the future of STM, giving further product and jurisdictional advantage when compared to our competitors. In addition, there were one-off costs of £0.3 million in relation to reorganising the management structure and recruiting a business development team that will benefit 2010 profitability but curtailed that of 2009.

### Stability of STM's business model

The Group's business is the custodianship and administration of clients' assets within a variety of "wrappers": including companies and trusts in various jurisdictions; pension schemes; unit-linked life assurance policies; and foundations.

The Group's income is mainly derived from fixed and time-based administration fees from each entity and is not generally linked directly to the value of the assets under our custody. Importantly, a high proportion is repeat income. The Group's earnings are therefore largely predictable and a function of the number of entities under administration, the fees per entity and the productivity of STM's staff.

**Acquisition activity during 2009**

The hard work performed behind the scenes by the Group's small acquisition team is not immediately apparent, particularly in 2009.

In July 2009, STM announced, subject to regulatory approval, the purchase of a CTSP in Luxembourg, the Citadel Group, that fitted our model and expectations. This approval has not yet been received but is anticipated in the very near future. STM will benefit from the results of the Citadel Group from the date of the approval. In addition, the team continues to seek out and assess a suitable acquisition target in Jersey that would add critical scale to our business there, but the overriding focus will centre on delivering integration gains on existing acquisitions for 2010 rather than specifically looking for further acquisition targets in new jurisdictions.

**Product and business development**

STM's purpose is to provide innovative and unbiased financial solutions to High Net Worth Individuals ("HNWI"), who are investing or moving cross-border or opening a business overseas. The Group's objective is to ensure that its clients' assets are secure, their wealth is preserved and the transfer to the next generation and/or to philanthropic causes is planned for and executed efficiently.

The business model of STM is designed to take advantage of a highly fragmented CTSP sector both from a buy and build philosophy as well as by being able to service the needs of its clients. To be able to do this, STM has needed a geographical spread that fulfils the requirements of its clients. In 2009, STM has achieved this spread with a small but stable Jersey operation, a Luxembourg acquisition and a small Swiss office start up which complements the existing profitable offices in Gibraltar and Spain. STM is now able to keep in-house significantly more of a HNWI's expenditure on wealth preservation and asset administration, rather than out-sourcing to other providers. This leads to new business from existing clients as the STM service is able to cater for the ever increasing financial sophistication of our clients.

Profitability during a recession is dependant on increasing market share. For this reason, STM has invested further in business development in 2009. This comprises strengthening the marketing support as well as building the Group's business development team both at a client level as well as at an intermediary level. The full benefit of this investment should become apparent in 2010.

STM has also invested in product development. Again, this is aimed at offering a wider service and accommodating the needs of both existing and new clients. STM has developed products in the area of Jersey foundations, retirement benefits, pension transfers, life bonds for expatriates returning to the UK, and an integrated inheritance management solution for expatriates in Spain. Whilst the cost of such development is expensed in 2009, the anticipated revenue benefit will commence in 2010.

**Operational Review**

For the purposes of reporting the Group's performance during 2009, the principal trading divisions were Corporate and Trustee Services ("CTS") and Insurance Management ("STM FIM"), as well as a number of "Other Divisions" offering complementary services.

Group turnover for 2009 amounted to £8.5 million compared to £9.2 million in 2008. The drop is partly as a result of the loss of the treasury management fee income of £0.6 million between 2009 and 2008 due to the worldwide uncertainty surrounding the banking system that resulted in clients requesting individual bank accounts rather than a pooled client account.

However, as can be seen from the more in-depth review of STM's CTS division below, the main engine of the Group's business continues to perform in line with the Board's expectations. The challenges that have arisen are from some of STM's smaller divisions that have struggled to maintain their turnover compared to 2008 as more fully explained below, and this, coupled with the expensed costs of £0.5 million for the Group's two new start up divisions, STM Life and STM Swiss has significantly eroded profitability.

In addition, there has been a significant amount of restructuring and reorganisational costs in the form of redundancies and recruitment amounting to circa £0.3 million, which are one-off costs in 2009. These decisions have been made in 2009 so as to bring together a stronger management team that is more focussed on business development which will stand the Group in good stead for 2010.

**Board Changes**

Colin Porter joined STM in July 2008 as CEO of the Gibraltar and Jersey trading division, and was appointed to the Plc Board in July 2009 as Chief Operating Officer.

Tim Revill, founder of STM's first acquisition, Fidecs Group Limited, has today announced that he will be stepping down from his current role as Chief Executive Officer but will remain on the Board as Deputy Chairman, with specific responsibility for growing STM Swiss and business development throughout the Group. Colin Porter, currently Chief Operations Officer will take up the role of Chief Executive Officer with immediate effect.

**Corporate and Trustee Services ("CTS")**

CTS is the core revenue stream of the Group, with revenue in 2009 being generated from both Gibraltar and Jersey. STM's CTS fees comprise a fixed annual fee per entity plus time charges for ongoing administration fees and are not based on the value of assets under management. Therefore the administration revenue stream has not been significantly affected by the instability experienced in the wider financial markets during 2009. Management noted that there was a lower level of new instructions and new clients during most of 2009 as entrepreneurs held back on their decision making process. This resulted in a marginally lower than anticipated administration fees revenue. Activity levels are, however, now beginning to recover.

The only area within the CTS revenue that was materially affected related by the wider economy was treasury management fee income, which fell from £0.6 million in 2008 to £nil in 2009, as clients requested separate bank accounts rather than a pooled client account.

The Group is pleased to say that the turnover of STM CTS revenue, excluding treasury management fees, rose from £4.6 million in 2008 to £5.3 million in 2009. Approximately £0.4 million of this can be attributed to the full year contribution of the 2008 acquisition of St George Financial Services ("St George"), but the underlying organic growth demonstrates that the principal revenue stream of the business remains robust and predictable.

CTS Gibraltar revenue, excluding treasury management fees, amounted to £4.5 million in 2009 compared to £4.2 million in 2008, a pleasing increase in revenue of 7% and is a direct like for like comparison.

CTS Jersey revenue rose from £0.4 million to £0.85 million in 2009, the increase being primarily a full year contribution from St George.

The number of entities administered at 31 December 2009 is set out below:

| | Trusts | Companies | R.O. and Co sec. |
|---|---|---|---|
| Gibraltar | 509 | 904 | 206 |
| Jersey | 211 | 101 | 108 |
| | 720 | 1,005 | 314 |

The number of entities under management remains similar to that of 2008 on a like for like basis, with an increase in trusts, but a small reduction of lower fee paying companies. These figures demonstrate a healthy spread of revenue across a large portfolio of entities thus contributing to the predictability and robustness of the CTS business.

The standard attrition rate for CTSP client portfolios throughout the sector, which also applies to STM, is approximately 10% per annum.

**Insurance Management ("STM FIM")**

STM FIM has had a difficult 2009. Market conditions in the general insurance sector have meant that no new clients were signed up during the year. The lack of capital available to the sector as a whole has meant that potential new start-ups have been few and far between. This, coupled with the anticipated loss of one client comprising two insurance companies that set up its own Gibraltar infrastructure early in 2009, resulted in STM FIM's turnover amounting to approximately £1.0 million compared to £1.4 million in 2008. To combat this fall in revenue STM FIM has restructured its division during the latter part of 2009 resulting in a significant staff cost reduction going into 2010.

Average annual fees for the management of a third party insurance client are in excess of £100,000 per annum and remain sustainable going forward. With a solid platform of clients going into 2010 and the cost reductions mentioned above, STM FIM's profitability is anticipated to return to a similar level to that of 2008.

In addition, on a further positive note, investment market conditions in 2009 have meant that insurance companies can no longer rely on investment income to generate their business profits. This has forced the premium rates to harden generally in the latter part of 2009 and 2010, thus driving up underlying underwriting profitability and making investment in the insurance sector more attractive. This has fed through to a number of new enquiries in early 2010. The challenge for STM FIM is to ensure that these turn into new clients in the second half of the year, thus increasing revenue and profitability further.

**Other Divisions**

The divisions of the STM business below are all complementary to the core business of the Group, being the administration of clients' assets. These divisions either provide advisory and structuring support, or offer client asset administration through another form of "wrap", such as a life assurance bond.

*STM Nummos*

STM Nummos' business is the provision of legal services, including conveyancing, tax planning, tax and accounting compliance to expatriates resident in Spain and to non-residents investing in Spain. In 2009, fee and commission income for STM Nummos increased slightly from £0.6 million in 2008 to £0.7 million for 2009. This was in line with management's expectations and a positive result given the difficult state of the Spanish economy.

In addition, in late 2008 STM Nummos Life was licensed by the Spanish regulator, the DGSFP, to undertake insurance intermediary business, particularly private medical insurance, throughout Spain. The Group subsequently completed the purchase of a portfolio of over 600 BUPA clients mainly resident in Spain. This portfolio of business generated circa £0.2 million of revenue in 2009 and has performed according to expectations.

The strategy behind securing the BUPA agency is that it should lead to considerably increased 'footfall' of HNWI expatriates to STM's offices, to whom the Group will cross-sell the full range of STM services, and these are initiatives that will be promoted during 2010.

*Pensions*

This division was launched during 2007 and has rapidly established a reputation as the pension specialists in Gibraltar. STM Fidecs Life, Health and Pensions ("FLHP") and its associated trust company provides advice on structuring pensions, acts as a registered Pensioneer Trustee (professional trustee) and provides administration services both in the local market and for international pension schemes. Overseas Pension Transfers are a fast expanding market and STM has promoted itself and Gibraltar as a preferred jurisdiction.

During 2009 FLHP revenue remained similar to that of 2008 at circa £0.3 million. New business generation was slow principally due to the ongoing debate with HMRC as to the tax treatment of pension income on Gibraltar QROPS. FLHP has been key in discussions between Gibraltar and the UK in settling this matter, and it is anticipated that the relevant legislation will be passed into Gibraltar law in the near future. In the meantime, FLHP has been developing other retirement benefit products along side QROPS that will complement its existing product offerings. With new products and new marketing initiatives for 2010, the management of FLHP are expecting a significant increase in revenue during 2010.

*Tax and Financial Advisory*

The Tax and Financial Advisory division had a difficult year, which was not helped by the continuing economic uncertainty which meant that entrepreneurs were delaying their business decisions. Annual income decreased to £0.2 million from £0.4 million the previous year.

STM Group has spent significant amounts of management time in repositioning the Tax and Financial Advisory division. The division is a centre of excellence for the benefit of the whole Group and will in future be used significantly more for in-house product development across all the jurisdictions. The benefit of such product development will be received in other divisions.

**Other initiatives**

In 2009, some £0.5 million was spent on developing the STM Life Assurance PCC Plc ("STM Life") business and the STM Swiss start up jurisdiction. These costs were expensed in the year, with minimal revenue offsetting these costs. The Board believes that both these operations will add significant value to the Group going forward. STM Life's "wrapper" product has some clear advantages over its competitors and has now been marketed through various IFA networks in the UK and has been well received, with new policies and illustrations now being issued. STM Life's platform and ability to write business in other EU jurisdictions mean that it will be able to market its bond in other jurisdictions at a very low cost of entry. Initial opportunities exist in Spain, Belgium and Holland. In a similar vein, STM Swiss has now started to generate revenue in 2010 and is deemed by management to be a key jurisdiction in which to have an STM presence. STM Swiss is targeted with being break even on a monthly basis by mid 2010.

**Financial Review**

For the year to 31 December 2009, the Group recorded turnover of £8.5 million (2008: £9.2 million) and a profit after tax of £0.64 million (2008: £2.60 million). Turnover excluding treasuring management fees was in line with the Board's revised expectations and that of 2008, but the margin at profit before tax ("PBT") level was a mere 8.0% (2008: 30.9%). The margin at PBT level has been significantly eroded because of a number of factors, as disclosed above. These include the loss of the very high margin treasury management fee revenue, the significant start up costs of STM Life and STM Swiss which has resulted in some £0.5 million of additional costs with the revenue stream yet to come to fruition as at 31 December 2009. STM's taxation charge for the year was on budget at £0.04 million (2008: £0.16 million). Basic EPS for the year was 1.57 pence (2008: 6.48 pence).

In line with all CTS businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at the balance sheet date, of £2.3 million (up from £1.6 million at 31 December 2008). The increase in accrued income is in part, due to the build up of pension's work that is awaiting HMRC approval and increases in the Spanish and Jersey accrued income. This also provides some immediate visibility of billable fees in the early part of 2010.

Trade receivables as at the 31 December 2009 amounted to £3.3 million, down from £3.5 million at 31 December 2008. The decrease is partially due to the effort put in during the year to accelerate cash collection. Deferred income, representing fees billed in advance, yet to be credited to profit and loss account were comparable year on year at £1.0 million reflecting the stable portfolio of the core CTS business.

Pleasingly, cash generated from operating activities during 2009 increased to £0.9 million (2008 £0.4 million).

The Group ended the year with cash of £3.8 million (2008: £4.9 million), having paid out further consideration on 2008 acquisitions amounting to £0.5 million and reducing the bank loan facility that is used to support STM Life by £0.4 million and a further £0.2 million has been spent on the I.T. platform. In addition dividends of £0.26 million were paid during 2009.

Since year end, cash collected from operations amounts to approximately £1.5 million.

**Group financing**

At 31 December 2009, the Group had bank borrowings of £1.29 million (2008: £1.73 million), being a loan from RBS International Limited ("RBSI") to provide part of the solvency capital required for STM Life. The term of the loan is for five years from March 2008. The loan is secured on a blocked cash deposit of £2.45 million.

At 31 December 2009, net debt (excluding finance leases) amounted to £nil. Bank gearing as a percentage of shareholder funds at the year end was 5.5% (2008: 7.5%). Bank interest cover from continuing activities before amortisation was approximately 23 times (2008: 31 times).

The loan from shareholders of £1.36 million (including accrued interest) (2008: £ 1.37 million), which has existed since the Group's listing in March 2007, remained outstanding on 31 December 2009.

Since the year end, RBS International Limited has provided STM with an, as yet, undrawn £0.4 million facility to fund the Luxembourg acquisition that is currently awaiting regulatory approval, with a three year term, amortised over five years, with a bullet payment of the balance owing after three years.

**Dividends**

In recognition of the Directors' positive outlook on the Group's prospects, the Board is pleased to propose a final dividend of 0.4 pence per share, which, when added to the interim dividend already paid, totals 0.6 pence per share for 2009 (2008: 0.6 pence per share). Subject to shareholder approval, the final dividend will be paid on 4 June 2010 to shareholders on the Register on 14 May 2010. It is the Board's intention to continue a dividend policy subject to the Group's ongoing performance.

**Current trading and outlook**

2009 was a difficult and frustrating year for STM with both external and internal factors impacting on the Group's business and affecting profitability. It is clear from both the interim and full year results of STM that profitability increased significantly in the second half year compared to that of the first half year of 2009. This trend is expected to continue into 2010, as the management decisions and costs savings that took place in the latter part of 2009 take effect in 2010.

The Board are of the view that the focus for 2010 will be to deliver profitability from an increased revenue base at margins comparable to 2007 and 2008. This will entail continuing to challenge productivity levels of staff and to ensure that process efficiencies continue to improve, particularly in light of the new IT system.

The core CTS business has proved itself to be predictable and robust even in difficult economic conditions and this visibility and predictability is expected to continue into 2010 and beyond. Specific management initiatives for 2010 include bringing STM Life and STM Swiss to a break-even basis as soon as possible in 2010. Management will also devote a significant amount of time on product and business development, differentiating STM from its competitors and building an increased pipeline of new business instructions. Going into 2010, STM has a broad geographical spread of offices in different jurisdictions, and the ability to cross-market between these various jurisdictions is a real opportunity to expand the revenue base from the Group's existing clients.

It is anticipated that regulatory approval for the purchased Luxembourg business will be forthcoming shortly, and management will dedicate resources to ensure that this is integrated smoothly into the Group, so that the full benefit of the acquisition is received as soon as is commercially possible.

In addition, and as explained within the acquisitions strategy above, the Board continues to look to acquire a "pathfinder" CTSP business in Jersey. The rationale for this is that the existing Jersey business does not yet have adequate critical mass, and physically there is sufficient office space already available that will allow for a pathfinder to be relocated within the Group's existing infrastructure resulting in material cost savings. This will give STM a second "engine room" as well as critical mass, which will deliver both economies of scale and a number of integration savings in relation to office overheads. Any acquisition is expected to be earnings enhancing.

The Board know that 2010 will be an important year. The Board is focused on delivering operational improvement and predictable sustainable results.

**Timothy Revill**
**Deputy Chairman**
9 March 2010

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

| | Notes | Unaudited Year ended 31 December 2009 £000 | Audited Year ended 31 December 2008 £000 |
|---|---|---|---|
| **Revenue** | 7 | **8,521** | 9,190 |
| Administrative expenses | 8 | **(7,726)** | (6,256) |
| **Operating profit** | 9 | **795** | 2,934 |
| **Finance Costs** | | **(120)** | (172) |
| **Profit on ordinary activities before taxation** | | **675** | 2,762 |
| **Income tax expense** | 10 | **(36)** | (158) |
| **Profit on ordinary activities after taxation** | | **639** | 2,604 |
| **Dividends** | 15 | **(257)** | (85) |
| **Retained profit for the year attributable to equity shareholders** | | **382** | 2,519 |
| **Earnings per share basic (pence)** | 16 | **1.57** | 6.48 |
| **Earnings per share diluted (pence)** | 16 | **1.53** | 6.40 |

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

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

| | Notes | **Unaudited Year ended 31 December 2009 £000** | Audited Year ended 31 December 2008 £000 |
|---|---|---|---|
| **Profit for the period** | | **382** | 2,519 |
| **Other comprehensive income** | | | |
| Foreign currency translation differences for foreign operations | | **(2)** | 74 |
| **Other comprehensive income for the period, net of income tax** | | **(2)** | 74 |
| **Total comprehensive income for the period** | | **380** | 2,593 |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | **380** | 2,593 |
| **Total comprehensive income for the period** | | **380** | 2,593 |

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2009**

| | Notes | Unaudited 31 December 2009 £000 | Audited 31 December 2008 £000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **1,316** | 504 |
| Intangible assets | 12 | **16,886** | 16,562 |
| Other investments | | — | 45 |
| **Total non-current assets** | | **18,202** | 17,111 |
| **Current assets** | | | |
| Accrued income | | **2,286** | 1,594 |
| Trade and other receivables | 13 | **5,140** | 5,380 |
| Cash and cash equivalents | 14 | **3,768** | 4,942 |
| **Total current assets** | | **11,194** | 11,916 |
| **Total assets** | | **29,396** | 29,027 |
| **EQUITY** | | | |
| Called up share capital | 15 | **43** | 43 |
| Share premium account | 15 | **19,011** | 18,896 |
| Reserves | | **4,469** | 4,096 |
| **Total equity attributable to equity shareholders** | | **23,523** | 23,035 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Liabilities for current tax | | **321** | 304 |
| Trade and other payables | 17 | **4,714** | 4,393 |
| **Total current liabilities** | | **5,035** | 4,697 |
| **Non current liabilities** | | | |
| Borrowings | 18 | **838** | 1,295 |
| **Total non-current liabilities** | | **838** | 1,295 |
| **Total liabilities and equity** | | **29,396** | 29,027 |

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**COMPANY BALANCE SHEET**
**AS AT 31 DECEMBER 2009**

| | Notes | **Unaudited 31 December 2009 £000** | Audited 31 December 2008 £000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **851** | 3 |
| Investments in subsidiaries | 6 | **15,231** | 14,907 |
| **Total non-current assets** | | **16,082** | 14,910 |
| **Current assets** | | | |
| Accrued income | | **25** | 25 |
| Trade and other receivables | 13 | **6,031** | 4,132 |
| Cash and cash equivalents | 14 | **18** | 1,125 |
| **Total current assets** | | **6,074** | 5,282 |
| **Total assets** | | **22,156** | 20,192 |
| **EQUITY** | | | |
| Called up share capital | 15 | **43** | 43 |
| Share premium account | 15 | **19,011** | 18,896 |
| Reserves | | **471** | 390 |
| **Total equity attributable to equity shareholders** | | **19,525** | 19,329 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **2,631** | 863 |
| **Total liabilities and equity** | | **22,156** | 20,192 |

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

| | **Unaudited Year ended 31 December 2009 £000** | Audited Year ended 31 December 2008 £000 |
|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | |
| Profit for the year before tax | **675** | 2,762 |
| **Adjustments for:** | | |
| Loss on sale of investments | — | 7 |
| Depreciation | **139** | 138 |
| Shares issued for services performed | **40** | 82 |
| Taxation paid | **19** | 12 |
| Decrease / (increase) in trade and other receivables | **242** | (1,851) |
| (Increase) / decrease in accrued income | **(692)** | 18 |
| Increase / (decrease) in trade and other payables | **490** | (798) |
| **Net cash from operating activities** | **913** | 370 |
| **Investing activities** | | |
| Acquisition of property, plant and equipment | **(951)** | (139) |
| Acquisition of treasury shares | — | (129) |
| Acquisition of investments – cash consideration | **(438)** | (1,628) |
| Cash acquired as part of acquisitions | **—** | 1,161 |
| **Net cash used in investing activities** | **(1,389)** | (735) |
| **Cash flows from financing activities** | | |
| Bank loan repayments / (advance) | **(441)** | 1,729 |
| Cash consideration from shares issued net of issuance costs | — | 2,692 |
| Dividend paid | **(257)** | (85) |
| **Net cash from financing activities** | **(698)** | 4,336 |
| **(Decrease) / increase in cash and cash equivalents** | **(1,174)** | 3,971 |
| **Reconciliation of net cash flow to movement in net funds** | | |
| Analysis of cash and cash equivalents during the year | | |
| Balance at start of year | **4,942** | 971 |
| (Decrease) / increase in cash and cash equivalents | **(1,174)** | 3,971 |
| **Balance at end of year** | **3,768** | 4,942 |

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY**

**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

| | Share Capital £000 | Share premium £000 | Retained earnings £000 | Treasury Shares £000 | Translation reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2008 | 38 | 15,898 | 1,647 | (68) | — | 17,515 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | | | | | |
| Profit for the year | — | — | 2,604 | — | — | 2,604 |
| **Other comprehensive income** | | | | | | |
| Foreign currency translation differences | — | — | 74 | — | — | 74 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Shares issued in the year | 5 | 2,998 | — | — | — | 3,003 |
| Treasury shares purchased | — | — | — | (76) | — | (76) |
| Dividend paid | — | — | (85) | — | — | (85) |
| **At 31 December 2008** | **43** | **18,896** | **4,240** | **(144)** | **—** | **23,035** |
| Balance at 1 January 2009 | 43 | 18,896 | 4,240 | (144) | — | 23,035 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | | | | | |
| Profit for the year | — | — | 639 | — | — | 639 |
| **Other comprehensive income** | | | | | | |
| Foreign currency translation differences | — | — | (2) | — | — | (2) |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Shares issued in the year | — | 115 | — | — | — | 115 |
| Dividend paid | — | — | (257) | — | — | (257) |
| Exchange loss on equity | — | — | — | — | (7) | (7) |
| **At 31 December 2009 (Unaudited)** | **43** | **19,011** | **4,620** | **(144)** | **(7)** | **23,523** |

The notes on pages 21 to 37 are an integral part of these consolidated financial statements.

**STATEMENT OF COMPANY CHANGES IN EQUITY**

**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

| | Share Capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 2008 | 38 | 15,898 | (198) | 15,738 |
| Profit for the year | — | — | 673 | 673 |
| Shares issued in year | 5 | 2,998 | — | 3,003 |
| Dividend paid | — | — | (85) | (85) |
| **31 December 2008** | **43** | **18,896** | **390** | **19,329** |
| Balance at 1 January 2009 | **43** | **18,896** | 390 | 19,329 |
| Profit for the year | **—** | **—** | 338 | 338 |
| Shares issued in year | — | 115 | — | 115 |
| Dividend paid | — | — | (257) | (257) |
| **31 December 2009 (Unaudited)** | **43** | **19,011** | **471** | **19,525** |

During the year the company paid a dividend of 0.6 pence per share being 0.4 pence proposed at last year's annual general meeting and 0.2 pence per share interim dividend. A further 0.4 pence per share has been proposed by the directors and will be put to the shareholders at the Annual General meeting.

**NOTES TO THE CONSOLIDATED RESULTS**
**FOR THE YEAR FROM 1 JANUARY 2009 TO 31 DECEMBER 2009**

## 1. Reporting entity

STM Group Plc (the “Company”) is a company incorporated and domiciled in the Isle of Man and was admitted to trading on the London Stock Exchange AIM Market on 28 March 2007. The address of the Company’s registered office is PO Box 227, Clinch’s House, Lord Street, Douglas, Isle of Man IM99 1RZ. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2009 comprise the Company and its subsidiaries (see note 22) (together referred to as the ‘Group’ and individually as ‘Group entities’) and the Group’s interest in associates and jointly controlled entities. The Group is primarily involved in financial services.

## 2. Basis of preparation

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

***a) Statement of compliance***
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”) and in accordance with Isle of Man law.

***b) Functional and presentational 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.

The estimates and assumptions which have a significant risk of resulting in a material adjustment to the carrying of assets and liabilities are included in the following notes:

- Note 12 – Impairment of Goodwill
- Note 11 – Depreciation of property, plant and equipment
- Note 20 – Lease classification
- Note 19 - Provisions

***d) Basis of measurement***
The consolidated financial statements have been prepared on the historical cost basis, except where investments and other financial instruments 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.

## 3. Significant accounting policies

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 transactions, 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 currencies 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 retranslated 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.

***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 services 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 accrued 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.

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

***(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. Depreciation commences once assets are in use.

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 instruments***
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.

Certain executives, on achieving their performance and services criteria, will be awarded with shares in STM Group plc which are held within an employee benefit trust. The expense is released to the income statement over a period of three years on a straight line basis.

***i) Finance income***
Finance income comprises interest income on funds invested, dividend income and foreign currency gains. Interest income is recognised as it accrues using the effective interest method.

The Company also earns interest on pooled client monies, which under the client agreements is shared by the Company and its clients.

Finance expense comprises interest in borrowings and foreign currency losses. 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 year using enacted tax rates, updated 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 less accumulate impairment losses. 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. Losses are recognised in the income statement.

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.

Any impairment losses would be 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 reverse 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.

***q) New standards and interpretations not yet adopted***
The Group has applied revised IAS 1 Presentation of Financial Statements which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentational aspects, there is no impact on earnings per share.

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group.

**4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

***a) Intangible assets – goodwill***
The fair value of Goodwill acquired in a business combination is based on the excess of the fair value of the consideration over the fair value of the underlying assets and liabilities acquired less any impairment considered necessary.

***b) Investments***
The fair value of investments is based on the carrying value of those investments less any impairment considered necessary.

***c) Property, plant and equipment***
The fair value of property, plant and equipment recognised as a result of a business combination is based on carrying values. The carrying value of items of plant and equipment has been assessed as equal to its fair value.

## 5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

***a) Credit risk***
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients.

***i) Trade and other receivables***
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. The demographics of the Group's client base, including the default risk of the country in which the clients operate, has less of an influence on credit risk. There is no one client to which a significant percentage of the Group's revenue can be attributed.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Further detail in respect of credit risk is provided in note 19 to these financial statements.

***b) Liquidity risk***
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always

have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Further details in respect of liquidity risk is provided in note 19 to these financial statements.

***c) Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The object of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return.

The market place is robust in that the target market is the "mid-tier millionaires" who are more resilient to adverse changes in the economy. The Board of Directors believe that this mitigates a significant element of the Group's market risk.

***d) Interest rate risk***

The Company has minimal borrowings that incur interest and therefore has no significant exposure to interest rate movements.

***e) Currency risk***

The Group has a small exposure to currency risk in relation to the investment in STM Nummos. This is considered to be long term in nature and net assets retained in a foreign currency are minimal.

The Company has minimised exposure to foreign exchange rates, with the majority of all transactions being carried out in its functional currency of Pounds Sterling (£).

***f) Capital management***

The Board's policy is to maintain a strong capital base, which is defined as share capital and retained earnings, so as to maintain investor, creditor and market confidence and to sustain future development of the business. This also allows the Group to continue on its stated "buy and build" strategy. The Group has complied with all Regulatory capital requirements.

**6. Acquisition of subsidiaries**

***Acquisitions of the Company***

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| **Shares in group undertakings** | | |
| Balance at start of year | **14,907** | 14,267 |
| Adjustments to prior year | **324** | (38) |
| Acquisitions | **—** | 678 |
| Balance at end of year | **15,231** | 14,907 |

During the year, the prior year acquisitions were reassessed resulting in a £324,000 adjustment to the cost of the investment and goodwill in the current year.

***Subsequent performance of acquisitions***

As a result of the fact that the Group has materially changed the composition of the acquired companies' cost structure by fully integrating them into the existing major trading operations of the Group, the Board of Directors consider it to be impractical to disclose the underlying profitability of the acquired companies after the date of acquisition.

**7. Revenue**

| | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| Revenue from administration of assets | **8,521** | 9,190 |
| Total revenues | **8,521** | 9,190 |

**8. Administrative expenses**

Included within administrative expenses are personnel costs as follows:

| | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| Wages and salaries | **3,920** | 4,023 |
| Social insurance costs | **243** | 230 |
| Pension contributions | **121** | 51 |
| Equity settled share based payments | **40** | 30 |
| Total personnel expenses | **4,324** | 4,334 |

**Average number of employees**

| **Group** | 31 December 2009 Number | 31 December 2008 Number |
|---|---|---|
| Average number of people employed (including executive directors) | **111** | 122 |

**Company**

The average number of staff employed by the company during the year including directors was 6 (2008:- 4)

**9. Operating profit**

Operating profit of £795,000 (31 December 2008 £2,934,000), was arrived at after charging / (crediting) the following to the income statement:

| | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| Depreciation | **139** | 138 |
| Directors' remuneration including bonuses | **340** | 330 |
| Auditors' remuneration | **80** | 80 |
| Loss on sale of investments | **—** | 7 |
| Shares issued for services rendered | **30** | 30 |
| Operating lease rentals | **433** | 207 |

## 10. Taxation

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Current tax expense | **36** | 158 |
| Total tax expense | **36** | 158 |

| ***Reconciliation of existing tax rate*** | Tax rate | **31 December 2009 £000** | Tax rate | 31 December 2008 £000 |
|---|---|---|---|---|
| Profit for the year | | **639** | | 2,604 |
| Total income tax expense | | **36** | | 158 |
| Profit excluding income tax | | **675** | | 2,762 |
| Income tax using the company's domestic rate | 0% | — | 0% | — |
| Effect of tax rates in other jurisdictions | 22% | **36** | 27% | 158 |
| Total tax expense | | **36** | | 158 |

The subsidiaries acquired that are based in Gibraltar were subject to a tax rate of 22% of taxable profits.

## 11. Property, plant and equipment

| **Group** | Motor Vehicles £000 | Office Equipment £000 | Leasehold Improvements £000 | Total £000 |
|---|---|---|---|---|
| **Costs** | | | | |
| As at 1 January 2008 | 6 | 268 | 296 | 570 |
| Acquired on acquisition at net book value | — | 33 | — | 33 |
| Additions at cost | 12 | 88 | 6 | 106 |
| **As at 31 December 2008** | **18** | **389** | **302** | **709** |
| As at 1 January 2009 | 18 | 389 | 302 | 709 |
| Additions at cost | 3 | 406 | 551 | 960 |
| Disposals | (9) | – | – | (9) |
| **As at 31 December 2009** | **12** | **795** | **853** | **1,660** |
| **Depreciation** | | | | |
| As at 1 January 2008 | 1 | 34 | 32 | 67 |
| Charge for the year | 2 | 92 | 44 | 138 |
| Depreciation on disposal | — | — | — | — |
| **As at 31 December 2008** | **3** | **126** | **76** | **205** |
| As at 1 January 2009 | 3 | 126 | 76 | 205 |
| Charge for the year | 2 | 79 | 58 | 139 |
| **As at 31 December 2009** | **5** | **205** | **134** | **344** |
| | | | | |
| **As at 31 December 2009** | **7** | **590** | **719** | **1,316** |

| | | | | |
|---|---|---|---|---|
| As at 31 December 2008 | 15 | 263 | 226 | 504 |

| **Company** | Office Equipment £000 | Leasehold Improvements £000 | Total £000 |
|---|---|---|---|
| **Costs** | | | |
| As at 1 January 2008 | — | — | — |
| Additions at cost | 3 | — | 3 |
| **As at 31 December 2008** | **3** | — | **3** |
| As at 1 January 2009 | 3 | — | 3 |
| Additions at cost | 297 | 551 | 848 |
| **As at 31 December 2009 (Unaudited)** | **300** | **551** | **851** |
| **Depreciation** | | | |
| As at 1 January 2008 | — | — | — |
| Charge for the year | — | — | — |
| **As at 31 December 2008** | — | — | — |
| As at 1 January 2009 | — | — | — |
| Charge for the year | — | — | — |
| **As at 31 December 2009 (Unaudited)** | — | — | |
| **Net book value** | | | |
| **As at 31 December 2009** | **300** | **551** | **851** |
| As at 31 December 2008 | 3 | – | 3 |

**12. Intangible assets**

| Group | Goodwill £000 |
|---|---|
| **Costs** | |
| Balance as at 1 January 2008 | 15,184 |
| Adjustments to prior year | (38) |
| Acquisitions through business combinations | 1,416 |
| **Balance at 31 December 2008** | **16,562** |
| | |
| Balance as at 1 January 2009 | 16,562 |
| Adjustments to prior year | 324 |
| Acquisitions through business combinations | — |
| **Balance at 31 December 2009 (Unaudited)** | **16,886** |
| | |
| **Amortisation and impairment** | — |
| Balance as at 1 January 2008 | — |
| Acquisitions through business combinations | — |
| **Balance at 31 December 2008** | — |

| | |
|---|---|
| Balance as at 1 January 2009 | — |
| Acquisitions through business combinations | — |
| **Balance at 31 December 2009 (Unaudited)** | **—** |

| | |
|---|---|
| At 1 January 2008 | 15,184 |
| **At 31 December 2008** | **15,562** |
| At 1 January 2009 | 16,562 |
| **At 31 December 2009 (Unaudited)** | **16,886** |

During the year, the prior year acquisitions were reassessed resulting in a £324,000 adjustment to the cost of investment and goodwill in the current year.

**Impairment testing for cash-generating units containing goodwill**
All goodwill relates to the acquisitions made during the period from 1 February 2007 to 31 December 2009, and reflects the difference between identifiable net asset value of those acquisitions and total consideration incurred for those acquisitions (see note 6 for Goodwill on acquisitions during 2009).

For the purposes of impairment testing, goodwill is allocated to the Group's operating entities. These operating entities form the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating units"). The Group's largest CGU relates to the operations of the Fidecs Group for which the carrying amount of goodwill is £15,202,000. All other acquisitions are classified as one CGU with the carrying amount of goodwill being £1,697,000.

The Group tests goodwill annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in income and costs. Changes in income and costs are based on past practices and expectations of future changes in the market.

To calculate the CGU's value in use, Board approved cash flows for the following financial year are assumed to inflate at a steady growth rate applicable to the relevant market. This rate does not exceed the long-term average growth rate for the relevant markets. The cashflows are then extrapolated to perpetuity. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. A pre-tax discount rate of 5% has been used.

Based on the operating performance of the respective CGUs, no impairment loss was deemed necessary in the current financial year.

**13. Trade and other receivables**

| **Group** | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Other receivables due from related parties | — | 826 |
| Trade receivables | **3,317** | 3,527 |
| Other receivables | **1,823** | 1,027 |
| | **5,140** | 5,380 |

| Company | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| Trade receivables due from related parties | **5,554** | 3,628 |
| Other receivables | **477** | 504 |
| | **6,031** | 4,132 |

Amounts due from related parties are unsecured, interest free and repayable on demand.

The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding accrued income) are described in note 19.

### 14. Cash and cash equivalents

| Group | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| Bank balances | **3,768** | 4,942 |
| Cash and cash equivalents in the statement of cash flow | **3,768** | 4,942 |

| Company | 31 December 2009 £000 | 31 December 2008 £000 |
|---|---|---|
| Bank balances | **18** | 1,125 |
| Cash and cash equivalents in the statement of cash flow | **18** | 1,125 |

### 15. Capital and reserves

| | 31 December 2009 £000 (Unaudited) | 31 December 2008 £000 |
|---|---|---|
| **Authorised** | | |
| 100,000,000 (2008:- 100,000,000) ordinary shares of £0.001 each | **100** | 100 |
| **Called up, issued and fully paid** | | |
| 42,892,621 ordinary shares of £0.001 each (1 January 2009: 42,680,762 ordinary shares of £0.001 each) | **43** | 43 |

***Treasury shares***

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives under the terms of the long term incentive plan. The trustees held 323,555 (1 January 2009: 323,555) shares at 31 December 2009, amounting to £205,000 (1 January 2009: £205,000).

***Share premium***

During the year 211,859 (2008:- 5,138,488) shares were issued for a total share premium of £114,788 (2008:- £3,112,914). During 2009, transaction costs of £nil (2008:- £114,626) have been deducted from the share premium account.

***Translation***
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

***Dividends***
The following dividends were declared and paid by the Group:

**For the year ended 31 December**

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| 0.6 pence per qualifying ordinary share (2008: 0.2 pence) | **257** | 85 |

After the respective reporting dates the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| 0.4 pence per qualifying ordinary share (2008: 0.4 pence) | **172** | 172 |

**16. Earnings per share**

Earnings per share for the period from 1 January 2009 to 31 December 2009 is based on the profit after taxation of £639,000 (2008:- £2,604,000) divided by the weighted average number of £0.001 ordinary shares during the period of 42,776,649 basic (2008:- 41,324,827) and 44,048,014 dilutive (2008:- 41,852,827) in issue.

A reconciliation of the basic and diluted number of shares used in the period ended 31 December 2009 is:

| | |
|---|---|
| Weighted average number of shares | 42,776,649 |
| Dilutive share incentive plan, options and contingent consideration shares | 1,271,365 |
| Diluted | 44,048,014 |

**17. Trade and other payables**

| **Group** | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Bank loans (see note 18) | **450** | 434 |
| Loans from related parties | **1,363** | 1,370 |
| Deferred income | **977** | 1,003 |
| Trade payables | **549** | 358 |
| Deferred and contingent consideration | **91** | 279 |
| Other creditors and accruals | **1,284** | 949 |
| | **4,714** | 4,393 |

| Company | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Owed to related parties | **2,543** | 631 |
| Deferred Consideration | — | 187 |
| Other creditors and accruals | **88** | 45 |
| | **2,631** | 863 |

Loans from related parties amount to £1,363,000 and relate to a loan by the founding shareholders of Fidecs, the loan is unsecured and interest bearing at 7% per annum.

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the balance sheet date. These amounted to £977,000 as at 31 December 2009 (31 December 2008: £1,003,000).

***Deferred and contingent consideration***
Under the terms of the acquisition of Nummos Professional SL (formally Fidecs Audiberia SA) a further £91,000 may be payable to the vendors depending in certain targets being achieved.

The Group's exposure to liquidity risk related to trade and other payables is described in note 19.

**18. Other payables – amounts falling due in more than one year**

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Bank loan – repayable between year 2 and year 5 | **838** | 1,295 |

As at 31 December 2009 the bank loan from NatWest Bank Plc amounted to £1.3 million repayable in quarterly instalments at a variable rate interest of 1.5% above UK base rate. The loan is secured by capital guarantees supplied by subsidiary companies, STM Fidecs Management Limited and STM Fidecs insurance Limited.

**19. Financial Instruments**

***Credit risk***
*Exposure to credit risk*
The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Carrying amount | |
|---|---|---|
| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
| Trade and other receivables | **5,140** | 5,380 |
| Cash and cash equivalents | **3,768** | 4,942 |
| | **8,908** | 10,322 |

The Group's maximum exposure to credit risks relating to one entity or group of related entities amounts to less than 10% of the overall trade receivable amount as at 31 December 2009 and 31 December 2008.

***Impairment losses on trade receivables***
The aging of the Group's trade receivables at the reporting date was:

| | **Gross receivables 31 December 2009 £000 (Unaudited)** | **Impairment 31 December 2009 £000 (Unaudited)** | Gross receivables 31 December 2008 £000 | Impairment 31 December 2008 £000 |
|---|---|---|---|---|
| Not past due | **1,103** | — | 1,067 | — |
| past due 0–30 days | **182** | — | 423 | — |
| past due 31–120 days | **108** | — | 394 | — |
| More than 120 days past due | **2,136** | **(212)** | 1,828 | (185) |
| | **3,529** | **(212)** | 3,712 | (185) |

Standard credit terms are 30 days from the date of receiving the fee note.

The movement in the allowance for impairment in respect of trade receivables during the period was:

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Balance at start of period | **185** | 216 |
| Impairment loss recognised / (released) | **27** | (31) |
| Balance at end of period | **212** | 185 |

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables that are not more than one year old. This is because, invariably, the Group are administering clients' assets and therefore have further recourses for the recoverability of any debts outstanding.

***Liquidity Risk***
The following are the Group's contractual maturity liabilities, including estimated interest payments where applicable, and excluding the impact of netting arrangements.

| **31 December 2009 (Unaudited)** | **Carrying amounts £000** | **Conditional cash flow £000** | **6 months or less £000** | **6-12 months £000** | **1-2 years £000** |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Bank loans | **900** | **900** | — | **450** | **450** |
| Trade payables | **549** | **549** | **549** | — | — |
| Deferred consideration on acquisitions | **91** | **91** | **—** | — | **91** |
| Loans from related parties | **1,363** | **1,363** | **1,363** | — | — |
| Other creditors and accruals | **1,284** | **1,284** | **1,284** | — | — |

| | | | | | |
|---|---|---|---|---|---|
| Corporation tax payable | **321** | **321** | **321** | **—** | **—** |
| | **4,508** | **4,508** | **3,517** | **450** | **541** |

| **31 December 2008** | Carrying amounts £000 | Conditional cash flow £000 | 6 months or less £000 | 6-12 months £000 | 1-2 years £000 |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Bank loans | 758 | 758 | — | 434 | 324 |
| Trade payables | 358 | 358 | 358 | — | — |
| Deferred consideration on acquisitions | 279 | 279 | 188 | — | 91 |
| Loans from related parties | 1,370 | 1,370 | 1,370 | — | — |
| Other creditors and accruals | 949 | 949 | 949 | — | — |
| Corporation tax payable | 304 | 304 | — | — | 304 |
| | 4,018 | 4,018 | 2,865 | 434 | 719 |

***Currency, interest rate risk and market risk***
The company has minimal exposure to currency risk, interest rate risk and market risk.

## 20. Operating leases

***Leases as lessee***
Non-cancellable operating leases are payable as follows:

| | **31 December 2009 £000 (Unaudited)** | 31 December 2008 £000 |
|---|---|---|
| Less than one year | **514** | 439 |
| Between one year and five years | **2,056** | 1,662 |
| More than five years | **3,009** | 2,607 |
| | **5,579** | 4,708 |

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 14 years.

## 21. Capital commitments

The Group had £104,269 of capital commitments as at 31 December 2009 (31 December 2008:- £240,000) for the installation of the new IT system.

**22. Group entities**

***Principal subsidiaries***

As at 31 December 2009 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

| | Country of incorporation | Ownership interest 31 December 2009 | Ownership interest 31 December 2008 | Activity |
|---|---|---|---|---|
| STM Fidecs Limited | Isle of Man | 100% directly | 100% directly | Holding company |
| STM Fidecs Management Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Insurance Management Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Advisory Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Life, Health and Pensions Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Trust Company Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Central Services Limited | Gibraltar | 100% indirectly | 100% indirectly | Services and Administration |
| STM Fidecs Pension Trustees Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Management (Gibraltar) Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| Atlas Trust Company Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| Parliament Corporate Services Limited | Gibraltar | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fidecs Consumer Services Limited | Jersey | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM Fiduciaire Trustees Limited | Jersey | 100% directly | 100% directly | Administration of clients' assets |
| STM Fiduciaire Limited | Jersey | 100% directly | — | Administration of clients' assets |
| STM Nummos SL | Spain | 100% indirectly | 100% indirectly | Administration of clients' assets |
| STM (BVI) Limited | BVI | 100% directly | 100% directly | Intellectual property holding company |
| Venture Media (Gibraltar) Limited | Gibraltar | 100% indirectly | 25% indirectly | Media agency |
| STM Life Assurance PCC plc | Gibraltar | 100% indirectly | 100% indirectly | Insurance company |

**23. Subsequent Events**

On 1 January 2010 the Company issued 37,736 new ordinary shares of 0.1pence each based on a value of 26.5 pence per ordinary share giving a total consideration of £10,000 to two individuals for services to the Company.

**- Ends -**