5 March 2013

STM Group Plc
("STM", the "Company" or the "Group")
Audited Final Results

STM Group Plc (AIM: STM) is an international financial services group and is pleased to announce its audited final results for the 12 months ended 31 December 2012.

Key Points:

	2012	2011
Revenue	£11.6m	£9.8m
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£1.0m	£0.7m
Cash	£3.4m	£3.3m

- Pensions division has come of age, with substantially increased revenue for 2012 of £3.6 million (2011: £0.6 million)
- Building of distributions network helping to deliver new products in new markets
- Diversification from difficult trading conditions in the traditional CTS markets
- Positive start to 2013

Commenting on the results and current trading, Colin Porter, Chief Executive Officer at STM said:

"The economic climate in 2012 has been widely recognised as being challenging for those operating in pan-European markets. STM has taken proactive steps to address these challenges and to build a robust business for the future. It is particularly pleasing therefore to be announcing results for 2012 that represent an improvement on 2011 together with significant strategic progress.

"2013 has started off in a positive way across the Group as a whole, and is reflective of the efforts made in 2012 to increase distribution and markets for our various revenue streams."

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Notes to editors:

STM is an international financial services group which is listed on the AIM Market of the London Stock Exchange and made its first acquisition in 2007. The Group specialises in estate and succession planning and wealth structuring for high net worth individuals and their families. STM's clients include entrepreneurs, celebrities, sports stars and affluent retirees.

Today, STM has operations in Gibraltar, Spain, Jersey, Switzerland, Malta and Cyprus. The Group is looking to expand through the development of additional products and services that its ever more sophisticated clients demand. STM has, for example, incorporated a Gibraltar Life Insurance Company, STM Life plc, which provides life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held. STM has developed a specialist international pensions division which specialises in Qualifying Recognized Overseas Pension Schemes (QROPS), Qualifying Non UK Pension Schemes (QNUPS) and Employer Funded Retirement Benefit Schemes (EFRBS).

Further information on STM Group can be found at www.stmgroupplc.com

Chairman's statement

I am pleased to report 2012 has been a year of transition, which the Board has worked tirelessly towards, and whilst this is not currently reflected in the profitability, the Board is confident that this will follow in the near term. STM Group has all the hallmarks of a more solid and robust business to meet the challenges it faces in today's fast changing economies.

The highlight of the year has been the dramatic growth in STM's pensions division, particularly in Malta. The Group has always maintained the stance that the QROPS product should be properly marketed as an EU compliant pensions product, rather than a pension fund extraction mechanism, and this has been endorsed by the governments and regulatory regimes of Malta, Gibraltar and the UK.

The traditional Corporate and Trustee Services (CTS) sector remains fairly static, and given the economic climate and the moral tax argument, it is difficult to see much change in the forthcoming years. The transition for STM from bespoke solutions in the CTS business to a range of products offerings across the trust, companies, pensions and life assurance sectors is well on its way. Geographically the Group has now significantly reduced its reliance on the UK markets whilst opening new ones.

In 2013 the Board will focus on significantly increasing STM Life revenues. In the current climate, there is pressure on non-EU admitted insurers to cease taking on EU business, which leaves STM Life, with an innovative fully compliant EU life wrapper, in a strong position. As part of this focus, the Group has already recruited a senior figure in the industry to develop the Germanic markets.

STM Group is a people business and its strength comes from the quality, dedication and professionalism of its management team and staff to whom I offer my sincere thanks on behalf of the Board.

I look forward to updating the market during 2013 on the progress made in taking this business to new levels of growth and profitability.

Julian Telling
Chairman

Chief Executive's statement

STM Group Plc

One of the headings in my statement of last year was "STM's business model – a changing environment". It is clear that 2012 was indeed exactly that. Over the last few years, the economic climate has significantly affected the traditional CTS market. This change in the traditional markets is here to stay.

I am, however, very pleased to say that the management of STM has had the foresight to adapt the business model over the last eighteen months. The mantra that "significant future growth for the Group is in its pensions and life assurance businesses" has finally come to fruition for the pensions division with expectations that STM Life will follow in 2013.

Whilst revenue is notably up on 2011; profitability overall, as expected, lags slightly behind as a result of the need to build staff resources and training requirements in Malta. 2012 is a fantastic platform from which to grow enhanced profitability into the future.

Invariably there are always challenges in any business. In 2012, it came in the form of a regulatory issue in STM Jersey. STM's Head of Group Risk assessed the issue within three days of the matter coming to our attention, and a rehabilitation plan endorsed by the Regulator was implemented as soon as possible.

2013 is a year in which STM will complete its transformation into a multi-disciplinary international financial services provider, whose products cater for the international community.

With the continued support of its extensive distribution channels that have helped move STM into new arenas in 2012, there is optimism 2013 will see further revenue increases across key divisions and corresponding improvements in margins and profitability.

Operational Overview

Core CTS division

CTS income currently accounts for 56 % (2011: 77%) of the Group's revenue amounting to £6.5 million in 2012 (2011: £7.5 million) and is split relatively evenly between Jersey and Gibraltar. These two jurisdictions typically have a different market focus which gives STM a better product spread. As noted above, both of these markets are likely to face a downturn in activity as a result of the economic climate.

STM Jersey's revenue amounted to £3.4 million (2011: £3.7 million) which was typically derived from non-domiciled individuals investing into the UK market. The jurisdiction has generally seen a down-turn in activity as a result of pressure by the UK government to extract more tax from this profile of individual. STM Jersey is no different to its peers in this marketplace, but in addition has had to address a regulatory issue during the year, as described above, which has further impacted on management's time and its ability to generate fee income. Whilst the regulatory matter has been resolved to the satisfaction of all parties, we estimate that the resultant changes to the management team and loss of management time have cost the business unit in excess of £0.3 million of income. STM Group believes that with the new management team in place revenue levels will be maintained going into 2013.

Gibraltar's CTS revenue stream has seen a decline in income for 2012 down to £3.1 million, from £3.8 million in 2011. As previously noted, this company's customer base is significantly more focussed on the UK expatriate who has moved or invested into the European marketplace. Management has seen a significant downturn in transactional business as a result of the Eurozone crisis, as well as client's assessing the need for their structures going forward. Expectations are that the resultant loss of revenue has now bottomed out.

Additionally, management has taken, and is continuing to take, measures to reduce costs in this area, so as to restore a healthier profit margin in the business.

STM Pensions

As stated in last year's annual report, this division had the hallmarks for significant revenue and profit generation, albeit frustratingly this was taking significant time to materialise. 2012 has seen this growth in revenue, driven primarily by the Qualifying Recognized Overseas Pension Scheme (QROPS) product aimed at the expatriate market. Revenue for 2012 was £3.6 million, compared to only £0.6 million for 2011.

The cross border and pension's transfer market remains in its infancy, with STM being seen as a market leader and innovator in this area. Both the Gibraltar and Malta STM offices have HMRC recognised pension plans that are tailored to slightly differing market segments. STM has always advocated that the QROPS product must be correctly marketed and that it must not, and cannot, be used to illegitimately extract funds from a pension. This strategy has helped to build a solid and reputable intermediary network of introducers.

The very nature of a pensions business is that it is based on a stable and long term annuity client, providing clear visibility of recurring revenue over the medium term. It is therefore natural to anticipate healthy revenue growth in the pensions department in 2013 and beyond.

STM Life

Unlike the pensions division, STM Life has yet to flourish and has not yet delivered on its potential. Generating policies from the UK market has remained incredibly difficult, and STM Life has seen more business generated from Swedish and Norwegian policies. Total revenue for 2012 amounted to £0.3 million compared to £0.2 million in 2011.

However, management retains great confidence that STM Life will become a good source of revenue and profit for the Company in the coming years. STM Life is focused on increasing distribution channels across other EU member states as well as a number of specific niche products aimed at the UK marketplace.

Other trading divisions and new initiatives

Trading in the other divisions, being insurance management, advisory and the Spanish office, remain broadly in line with management's expectations. These divisions are expected to remain relatively flat, having contributed circa £1.24 million during 2012 (2011: £1.6 million). Management is confident that these divisions will make a comparable contribution in future years.

Financial position

2012 has performed roughly in line with management's expectations in that profitability in both half years of 2012 was similar. In addition, management has taken the opportunity to strengthen the balance sheet by increasing provisions against certain specific older debtors across the Group.

For the year to 31 December 2012, the Group recorded turnover of £11.6 million (2011: £9.8 million) and an EBITDA of £1.0 million (2011: £0.7 million) before adjustments to carrying value of investments. A significant proportion (£0.8 million) of the increased administrative expenses amounting to £10.6 million for 2012, as compared to £9.1 million for 2011, was as a direct result of staffing up the Malta office to manage the dramatic increase in our pensions business. Other significant exceptional costs related to the changing of the senior management team and related regulatory matters in the Jersey office.

The depreciation and amortisation charge, a non cash expense to the income statement, remains consistent between 2012 and 2011 at £0.8 million. The majority of this amount relates to the adoption of IAS 38 which requires the amortisation of the 2010 acquisition over its useful economic life. As a result of integrating the Zenith acquired client portfolio into the Group's overall CTS business unit, it is no longer possible to prepare stand alone projections to enable an impairment review. In this regard the Board has taken the decision to fully amortise the intangible relating to the acquired client portfolio during 2012. This has resulted in a one-off non-cash charge to the profit and loss account of £3.8 million. This action means that for 2013 there are no further amortisation charges of intangible assets to be incurred.

Interest and financing costs have decreased from £0.4 million in 2011 to £0.3 million in 2012 as a result of the reduction in outstanding debt.

STM's taxation charge for the year at £0.3 million was slightly higher than anticipated but this is predominantly down to a timing difference in the Malta subsidiary which will allow a recovery in 2013 upon the declaration of a dividend.

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 year end of £3.0 million (2011: £3.0 million). The overall figure of £3.0 million underlies the more efficient billing cycle in our CTS divisions which is offset by a significant increase in our pensions division accrued income. This also provides some immediate visibility of billable fees in the early part of 2012.

The Group's debtor days and overall trade debt continued to reduce during 2012 as part of a more structured debtor management program. Trade receivables as at 31 December 2012 amounted to £3.0 million, down from £3.4 million as at 31 December 2011. Deferred income, representing fees billed in advance, yet to be credited to the statement of total comprehensive income were more or less comparable year on year at £0.6 million (2011: £0.7 million) reflecting the loss of a small number of clients during the course of the year. STM Jersey's fixed fees are billed annually in advance in January which will result in a significant cash influx during early 2013.

The Group ended the year with cash of £3.4 million (2011: £3.3 million), having paid out further consideration on acquisitions amounting to £0.5 million and made bank loan repayments of £1.1 million.

Group financing

At 31 December 2012, the Group had bank borrowings of £0.9 million (2011: £2.0 million), being loans from RBS International Limited ("RBSI") to provide funding for part of the 2010 Jersey acquisition. The loan outstanding which was taken out in 2010 is repayable over a three year term but being amortised over five years.

In addition to bank financing, there remains Convertible Loan Notes to the value of £3.5 million which are repayable in March 2014. Management is considering a number of options in relation to the repayment of these amounts.

In March 2012 the Company raised £1,568,000 by issuing 8,960,000 Ordinary shares to International Financial Options Limited. The proceeds of the Issue were used to advance the Company's current work program and free-up regulatory capital for business purposes.

As announced in April 2012, a further 1,424,900 shares were issued to the CEO, CFO and Company Secretary to repay loans made to the Company to provide short term working capital.

Board changes during the year

There have been no changes to the Board during the year.

Dividends

Despite the cautious optimism for 2013 the Board recognises that it is too early to instigate a new dividend policy at this point in time but will assess the position at the time of announcing the interim results for 2013.

Current trading and outlook

2013 has started off in a positive manner across the Group as a whole, and is reflective of the efforts made in 2012 to increase distribution and markets for our various revenue streams.

Our QROPS offering continues to see further steady increases of applications from existing distribution channels which will be complemented with campaigns to attract further intermediaries and introducers that operate in this area.

Our CTS business, particularly in Gibraltar, is seeing an uplift in new enquiries which, pleasingly, is non UK focused. This, combined with the launch of various tax efficient products for the South African, Belgium and Japanese marketplaces should mean that any further decline in the traditional CTS markets is comfortably absorbed. The Group has opened a small office in Cyprus, and this will allow our Jersey office to offer a packaged CTS product to a Central and Eastern European sector, again allowing for dilution away from a UK centric focus.

STM Life has recently appointed a senior person for the development of German and related markets, where it is apparent that there are few fully compliant EU authorized life assurance businesses operating. In addition, STM Life is in the process of launching a number of niche UK orientated products which will help to build the revenue flows to critical mass in the important UK market.

There remain challenges in relation to the declining traditional CTS business. STM has worked hard to create innovative products and services for the new generation of international, mobile, high net worth and mass affluent, which can now be coupled with a much improved distribution and introducer network. The Board believes that STM is well placed to deliver on its strategy in 2013 and beyond.

Colin Porter
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	Notes	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Revenue	3	**11,550**	9,729
Administrative expenses	4	**(10,555)**	(9,101)
Profit before other items		**995**	628
Other items			
Finance Costs		**(314)**	(361)
Depreciation and amortisation	5	**(819)**	(765)
Loss on sale of fixed assets		**(23)**	—
Adjustments to carrying value of investments	6	**(3,834)**	88
Loss before taxation		**(3,995)**	(410)
Taxation		**(271)**	10
Loss after taxation		**(4,266)**	(400)
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(60)**	(29)
Total comprehensive loss for the year		**(4,326)**	(429)
Earnings per share basic (pence)	9	**(8.43)**	(0.93)
Earnings per share diluted (pence)	9	**(8.43)**	(0.93)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	**31 December 2012 £000**	31 December 2011 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,297**	1,480
Intangible assets	6	**16,886**	21,109
Other investments		**73**	64
Total non-current assets		**18,256**	22,653
Current assets			
Accrued income		**3,031**	2,918
Trade and other receivables		**4,523**	4,924
Cash and cash equivalents	7	**3,384**	3,307
Total current assets		**10,938**	11,149
Total assets		**29,194**	33,802
EQUITY			
Called up share capital	8	**53**	43
Share premium account	8	**20,828**	19,051
Reserves		**532**	4,842
Total equity attributable to equity shareholders		**21,413**	23,936
LIABILITIES			
Current liabilities			
Liabilities for current tax		**439**	338
Trade and other payables		**3,892**	5,273
Total current liabilities		**4,331**	5,611
Non current liabilities			
Other payables		**3,450**	4,255
Total non-current liabilities		**3,450**	4,255
Total liabilities and equity		**29,194**	33,802

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Reconciliation of operating profit to net cash flow from operating activities		
Loss for the year before tax	**(3,995)**	(410)
Adjustments for:		
Depreciation	**819**	765
Loss on sale of fixed assets	**23**	—
Shares issued for services performed	**—**	8
Adjustments to investments	**3,834**	(88)
Taxation paid	**(168)**	(148)
Decrease in trade and other receivables	**401**	764
(Increase)/decrease in accrued income and intangible assets	**(272)**	134
(Decrease)/increase in trade and other payables	**(402)**	358
Net cash from operating activities	**240**	1,383
Investing activities		
Acquisition of property, plant and equipment	**(111)**	(237)
Acquisition of investments – cash consideration	**(450)**	(659)
Net cash used in investing activities	**(561)**	(896)
Cash flows from financing activities		
Bank loan repayments	**(1,056)**	(647)
Cash consideration from shares issued	**1,498**	—
Dividend paid	**—**	(172)
Net cash from financing activities	**442**	(819)
Increase/(decrease) in cash and cash equivalents	**121**	(332)
Reconciliation of net cash flow to movement in net funds		
Analysis of cash and cash equivalents during the year		
Increase/(decrease) in cash and cash equivalents	**121**	(332)
Translation of foreign operations	**(44)**	(57)
Balance at start of year	**3,307**	3,696
Balance at end of year	**3,384**	3,307

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
Balance at 1 January 2011	43	19,043	5,667	(144)	(52)	24,557
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	—	—	(400)	—	—	(400)
Other comprehensive income						
Foreign currency translation differences	—	—	(29)	—	—	(29)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	8	—	—	—	8
Dividend paid	—	—	(172)	—	—	(172)
Exchange loss on equity	—	—	—	—	(28)	(28)
At 31 December 2011	**43**	**19,051**	**5,066**	**(144)**	**(80)**	**23,936**
Balance at 1 January 2012	43	19,051	5,066	(144)	(80)	23,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	—	—	(4,266)	—	—	(4,266)
Other comprehensive income						
Foreign currency translation differences	—	—	(60)	—	—	(60)
Transactions with owners, recorded directly in equity						
Shares issued in the year	10	1,777	—	—	—	1,787
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	16	16
At 31 December 2012	**53**	**20,828**	**740**	**(144)**	**(64)**	**21,413**

NOTES TO THE CONSOLIDATED RESULTS
FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

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 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The Group is primarily involved in financial services.

2. Basis of preparation

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 company law.

3. Revenue

	31 December 2012 £000	31 December 2011 £000
Revenue from administration of assets	**11,550**	9,729
Total revenues	**11,550**	9,729

4. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2012 £000	31 December 2011 £000
Wages and salaries	**5,544**	5,148
Social insurance costs	**308**	302
Pension contributions	**46**	85
Equity settled share based payments	**—**	8
Total personnel expenses	**5,898**	5,543

Average number of employees

Group	**31 December 2012 Number**	31 December 2011 Number
Average number of people employed (including executive directors)	**147**	129

5. Depreciation and amortisation

	31 December 2012 £000	31 December 2011 £000
Depreciation of property, plant and equipment	**271**	220
Amortisation of client portfolio	**548**	545
Total	**819**	765

6. Intangible assets

	Goodwill £000	Client Portfolio £000	Product Development £000	Total £000
Costs				
Balance as at 1 January 2011	21,812	—	—	**21,812**
Reallocations	(4,927)	4,927	—	**—**
Adjustment to carrying value of investments	(158)	—	—	**(158)**
Balance at 31 December 2011	**16,727**	**4,927**	**—**	**21,654**
Balance as at 1 January 2012	16,727	4,927	—	**21,654**
Additions	—	—	159	**159**
Balance at 31 December 2012	**16,727**	**4,927**	**159**	**21,813**
Amortisation and impairment				
Balance as at 1 January 2011	—	—	—	**—**
Charge for the year	—	545	—	**545**
Balance at 31 December 2011	**—**	**545**	**—**	**545**
Balance as at 1 January 2012	—	545	—	**545**
Charge for the year	—	548	—	**548**
Adjustments	—	3,834	—	**3,834**
Balance at 31 December 2012	**—**	**4,927**	**—**	**4,927**
Carrying amounts				
At 1 January 2011	21,812	—	—	**21,812**
At 31 December 2011	**16,727**	**4,382**	**—**	**21,109**
At 1 January 2012	16,727	4,382	—	**21,109**
At 31 December 2012	**16,727**	**—**	**159**	**16,886**

Client portfolio represents the value assigned to the individual client portfolio acquired through the acquisition of Zenith Trust Company Limited and was being amortised over nine years. However, this business has been fully integrated into the existing trading operations to such an extent that he Board of directors no longer feel it is possible to review for impairment. Therefore this has been written off in the year.

7. Cash and cash equivalents

Group	**31 December 2012 £000**	31 December 2011 £000
Bank balances	**3,384**	3,307
Cash and cash equivalents in the statement of cash flow	**3,384**	3,307

8. Capital and reserves

	31 December 2012 £000	31 December 2011 £000
Authorised, called up, issued and fully paid		
53,446,549 ordinary shares of £0.001 each (1 January 2011: 43,061,649 ordinary shares of £0.001 each)	**53**	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 2012: 323,555) shares at 31 December 2012, amounting to £205,000 (1 January 2012: £205,000).

Share premium

During the year 10,384,900 (2011:- 35,047) shares were issued for a total share premium of £1,847,582 (2011:- £7,465). During 2012, transaction costs of £70,000 (2011:- £nil) 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 2012 £000	31 December 2011 £000
nil pence per qualifying ordinary share (2011: 0.4 pence)	**—**	172

9. Earnings per share

Earnings per share for the period from 1 January 2012 to 31 December 2012 is based on the loss after taxation of £4,266,000 (2011:- £400,000) divided by the weighted average number of £0.001 ordinary shares during the period of 50,624,640 basic (2011:- 43,060,977) and 50,624,640 dilutive (2011:- 48,288,250) in issue.

A reconciliation of the basic and diluted number of shares used in the period ended 31 December 2012 is:

Weighted average number of shares	50,624,640
Dilutive share incentive plan, options and contingent consideration shares	—
Diluted	50,624,640

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