11 March 2014

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

STM Group Plc (AIM: STM), the multi jurisdictional financial services group, is pleased to announce its audited final results for the 12 months ended 31 December 2013.

Key Points:

	2013	**2012**
Revenue	£13.4m	£11.6m
Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	£0.9m	£1.0m
Cash	£4.1m	£3.4m

- Pensions division substantially increased revenue for 2013 to £5.9 million (2012: £3.6 million)
- Diversification away from challenging trading conditions in the traditional CTS markets
- New Business and Product Development Director and team in place.
- Focus on increasing distribution network and development of new products.

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

“I am pleased to report on a year which demonstrates growth in our existing business and progress in our strategy of driving business development and product innovation.

“Working closely with our intermediary advisers we have identified opportunities which we believe will deliver strong long term revenues. The Board of STM looks forward to 2014 with cautious optimism and will provide a further update at the earliest opportunity.”

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Notes to editors:

STM is a multi jurisdictional 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 the administration of assets for international clients in relation to retirement, estate and succession planning and wealth structuring.

Today, STM has operations in Gibraltar, Spain, Jersey, 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 Recognised 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 that 2013 has been a year of continued growth for STM. This growth has been seen mainly in its pensions and STM Life divisions. Whilst profitability has lagged relative to turnover as we invest in this year of change, the Board is confident this will improve in 2014 with increased efficiencies as well as the development of new products and distribution networks.

I am pleased to note that the pensions divisions continued to grow and see new applications, albeit at a more gradual pace when compared to the significant surge experienced in 2012. In addition, STM Life has this year seen increases in turnover and profitability as well as the launch of its German tax compliant product. Other unique products are expected to follow during 2014 following the creation of the Business and Product Development team.

Prior to the year end, STM made changes to the Board with Alan Kentish being appointed as the Director of Business and Product Development. This, together with the creation of a new Business and Product Development team, will focus on launching new products tailored to suit our clients' needs and increasing our distributor networks. Therese Neish, previously the Group Financial Controller, assumed the role of Chief Financial Officer and was officially appointed to the Board subsequent to the year end.

STM currently employs circa 150 individuals across its jurisdictions and I would like to, on behalf of the Board, offer my sincere thanks to them for their continued efforts and dedication. The quality, commitment and professionalism of STM's management team and staff continue to be one of our major strengths.

Julian Telling
Chairman

Chief Executive's statement

Overview

I am pleased to present the annual results for the year ended 31 December 2013 which, once again, show a steady increase in growth. As per management's expectations, this growth has very much come from the pensions division and I am pleased to note that STM Life is starting to follow suit.

In July 2013 we announced the launch of our first proprietary product for the German market and further unique products tailored to suit our clients' needs are expected to be launched during 2014.

As predicted, the traditional Corporate and Trustee Services ("CTS") market has remained challenging due to the downturn in activity resulting from the current economic climate.

Whilst revenues continue to increase, profitability has remained fairly constant. Contributing to this temporary disparity is the ongoing investment in delivering on our growth strategy and a one-off increase in certain provisions. Changes in our clients' circumstances within our CTS divisions (both Gibraltar and Jersey) have resulted in the respective boards and Group taking the prudent approach of increasing the provisions for bad debts. Whilst management continues to pursue these debtors the increase in provisions has resulted in a decrease in profitability of circa £0.8 million.

Operational Overview

STM Pensions

As noted above, 2013 has seen further growth in the pensions divisions making it the Group's largest division with 44% of the Group's revenue. Revenue has increased by 64% to £5.9 million in 2013 (2012: £3.6 million). Whilst STM Malta remains the larger of the pensions divisions, the growth in 2013 has come from both Malta and Gibraltar in almost equal volumes.

Whilst the initial surge of new applications experienced in 2012 has moderated, as a result of new competitors entering the market, STM continues to see a steady flow of new applications. This, coupled with the fact that pensions business is based on a stable and long term annuity clients and income, provides visibility of healthy revenues in the pensions departments in 2014 and beyond.

Core CTS division

CTS income currently accounts for 44% (2012: 56%) of the Group's revenue amounting to £5.8 million in 2013 (2012: £6.5 million), generated predominantly in Jersey and Gibraltar. These two jurisdictions typically have a different market focus which gives STM a better product spread.

As stated in last year's Annual Report I am very pleased to note that the new management team set up in Jersey in 2012 has performed well and in line with the Group's expectations. STM Jersey's revenue amounted to £3.4 million (2012: £3.4 million) which was typically derived from non-domiciled individuals investing into the UK market.

Gibraltar's CTS revenue stream has seen a reduction in income for 2013 down to £2.4 million, from £3.1 million in 2012. As previously noted, this company's customer base is significantly more focused on the UK expatriate who has moved or invested into the European marketplace. Management has seen a downturn in transactional business as a result of the Eurozone crisis, as well as clients assessing the need for their structures going forward. Expectations are that the resultant loss of revenue has now bottomed out.

As noted above, circumstances have come to light relating to some of our clients' financial positions which have brought into question the recoverability of some of the balances outstanding. Whilst STM continues to pursue these outstanding balances, and is confident of their recovery, a prudent approach has been taken by increasing the bad debt provisions in both of these divisions.

STM Life

Whilst revenues for this division are still slow there has been a significant growth in the year with turnover of £0.6 million in 2013 compared to £0.2 million in 2012.

As well as the launch of the German tax compliant product in July 2013 management is working on developing further niche products and expanding the distribution networks. We are confident that STM Life will become a significant contributor towards the Group's income and profitability in future periods.

Other trading divisions and new initiatives

Other divisions are mainly insurance management, advisory and the Spanish office. Income in these divisions has decreased from £0.8 million in 2012 to £0.5 million in 2013. This is largely as a result of decreased revenues in the Spanish office immediately following a management restructure. The new management team is now in place and committed to increasing revenue and profit margins during 2014.

Financial position

For the year to 31 December 2013, the Group recorded turnover of £13.4 million (2012: £11.6 million) and an EBITDA of £0.9 million (2012: £1.0 million). Administrative expenses have increased from £10.6 million in 2012 to £12.4 million in 2013. This is largely as a result of investment in delivering on our new strategy, the increase in bad debt provisions as noted above, as well as the increase in commission payable on the pensions business, which is as expected given the increase in growth in this part of the business.

The depreciation and amortisation charge, a non cash expense to the income statement, has decreased from £0.8 million in 2012 to £0.3 million in 2013. This is as a result of the Board's decision to fully amortise the Zenith client portfolio in 2012.

STM's taxation charge for the year at £0.4 million is predominantly down to a timing difference in the Malta subsidiary which will allow a recovery in 2014 upon the declaration of dividends up to the holding company.

In line with most services 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 (2012: £3.0 million). This provides some immediate visibility of billable fees in the early part of 2014.

The Group's debtor days and overall trade debt has decreased considerably in 2013 as part of a more structured debtor management program as well as the increase in bad debt provision as noted above. Trade receivables as at 31 December 2013 amounted to £2.5 million, down from £3.0 million as at 31 December 2012.

Deferred income, representing fees billed in advance yet to be credited to the statement of total comprehensive income, have increased considerably to £1.6 million (2012: £0.5 million). This is indicative of both the increase in the pensions business as well as the CTS divisions being more efficient in their annual billing process.

The Group ended the year with cash of £4.1 million (2012: £3.4 million), having paid out further consideration on acquisitions amounting to £0.2 million and made net bank borrowing repayments of £0.8 million.

Group financing

During the year the Group fully repaid its bank loans with RBS International Limited and only had £100,000 outstanding on bank borrowings in the form of an overdraft facility. This was fully settled subsequent to the year end.

In addition to bank financing, there remain convertible loan notes ("Loan Notes") to the value of £3.5 million at 31 December 2013 which expire and will be fully settled on 19 March 2014. I am pleased to announce that we will be issuing £3.8 million of new Loan Notes to existing and new Loan Note holders in order to replace the existing Loan Notes. The new Loan Notes will be on similar terms and conditions to those currently in place and will have a fixed term of 2 years with an option to convert into new ordinary shares after the first year. This new issue will also increase the Company's working capital and thus allow greater focus on growth.

Board changes during the year

As announced prior to the year end, Alan Kentish, previously the Chief Financial Officer, assumed the newly created role of Director of Business and Product Development, with Therese Neish assuming the role of Chief Financial Officer. Therese was appointed to the Board on 17 January 2014.

Dividends

Despite the cautious optimism of 2014 the Board recognises that it is too early to instigate a new dividend policy at this point in time however will continue to review the position during 2014.

Current trading and outlook

We expect our pensions division to continue the steady growth experienced in 2013 which, together with the annual fees from the existing business, should see considerable increase in both turnover and profitability.

Given the resources being invested in STM Life by way of business development we expect to launch a series of new products during 2014 which will ensure this division continues to grow and reach critical mass during this year.

The CTS business together with the Spanish office continue to look at ways of increasing efficiencies and reducing costs and this is expected to result in increased profit margins during 2014.

Together with the changes to the Board, STM has also created a new Business and Product Development team. This team is working well and already making good progress through creating a series of unique niche products to suit our clients' needs as well as increasing our distribution networks.

The Board of STM looks forward to 2014 with cautious optimism and will provide a further update at the earliest opportunity.

Colin Porter
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	Notes	**Year ended 31 December 2013 £000**	Year ended 31 December 2012 £000
Revenue	3	**13,357**	11,550
Administrative expenses	4	**(12,419)**	(10,555)
Profit before other items		**938**	995
Other items			
Finance costs		**(359)**	(314)
Depreciation and amortisation		**(310)**	(819)
Loss on sale of fixed assets		**—**	(23)
Adjustments to carrying value of investments	5	**—**	(3,834)
Profit/(loss) before taxation		**269**	(3,995)
Taxation		**(380)**	(271)
Loss after taxation		**(111)**	(4,266)
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(25)**	(60)
Total comprehensive loss for the year		**(136)**	(4,326)
Loss per share basic (pence)	8	**(0.21)**	(8.43)
Loss per share diluted (pence)	8	**(0.21)**	(8.43)

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 2013

	Notes	**31 December 2013 £000**	31 December 2012 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,156**	1,297
Intangible assets	5	**16,907**	16,886
Investments		**614**	73
Total non-current assets		**18,677**	18,256
Current assets			
Accrued income		**3,000**	3,031
Trade and other receivables		**4,214**	4,523
Cash and cash equivalents	6	**4,090**	3,384
Total current assets		**11,304**	10,938
Total assets		**29,981**	29,194
EQUITY			
Called up share capital	7	**53**	53
Share premium account	7	**20,828**	20,828
Reserves		**382**	532
Total equity attributable to equity shareholders		**21,263**	21,413
LIABILITIES			
Current liabilities			
Liabilities for current tax		**613**	439
Trade and other payables		**8,105**	3,892
Total current liabilities		**8,718**	4,331
Non current liabilities			
Other payables		**—**	3,450
Total non-current liabilities		**—**	3,450
Total liabilities and equity		**29,981**	29,194

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 £000	Restated Year ended 31 December 2012 £000
Reconciliation of operating profit to net cash flow from operating activities			
Profit/(loss) for the year before tax		**269**	(3,995)
Adjustments for:			
Depreciation and amortisation		**310**	819
Loss on sale of fixed assets		**—**	23
Adjustments to investments		**—**	3,834
Taxation paid		**(206)**	(168)
Decrease in trade and other receivables		**309**	401
Decrease/(increase) in accrued income		**31**	(113)
Increase/(decrease) in trade and other payables		**1,746**	(402)
Net cash from operating activities		**2,459**	240
Investing activities			
Acquisition of property, plant and equipment		**(134)**	(111)
Acquisition of treasury shares		**(54)**	—
Acquisition of investments		**(714)**	(450)
Increase in intangibles		**(56)**	(159)
Net cash used in investing activities		**(958)**	(561)
Cash flows from financing activities			
Bank loan repayments		**(911)**	(1,056)
Cash consideration from shares issued		**—**	1,498
Net cash from financing activities		**(911)**	442
Increase in cash and cash equivalents		**590**	121
Reconciliation of net cash flow to movement in net funds			
Analysis of cash and cash equivalents during the year			
Increase in cash and cash equivalents		**590**	121
Translation of foreign operations		**16**	(44)
Balance at start of year		**3,384**	3,307
Balance at end of year	6	**3,990**	3,384

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
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**
Balance at 1 January 2013	53	20,828	740	(144)	(64)	21,413
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	—	—	(111)	—	—	(111)
Other comprehensive income						
Foreign currency translation differences	—	—	(25)	—	—	(25)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	40	40
Treasury shares purchased	—	—	—	(54)	—	(54)
At 31 December 2013	**53**	**20,828**	**604**	**(198)**	**(24)**	**21,263**

NOTES TO THE CONSOLIDATED RESULTS
FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

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 2013 £000	31 December 2012 £000
Revenue from administration of assets	**13,357**	11,550
Total revenues	**13,357**	11,550

4. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2013 £000	31 December 2012 £000
Wages and salaries	**5,952**	5,544
Social insurance costs	**325**	308
Pension contributions	**71**	46
Total personnel expenses	**6,348**	5,898

Average number of employees

Group	**31 December 2013 Number**	31 December 2012 Number
Average number of people employed (including executive directors)	**146**	147

5. Intangible assets

	Goodwill £000	Client Portfolio £000	Product Development £000	Total £000
Costs				
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**
Balance as at 1 January 2013	16,727	4,927	159	**21,813**
Additions	—	—	56	**56**
Balance at 31 December 2013	**16,727**	**4,927**	**215**	**21,869**
Amortisation and impairment				
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**
Balance as at 1 January 2013	—	4,927	—	**4,927**
Charge for the year	—	—	35	**35**
Balance at 31 December 2013	**—**	**4,927**	**35**	**4,962**
Carrying amounts				
At 1 January 2012	16,727	4,382	—	**21,109**
At 31 December 2012	**16,727**	**—**	**159**	**16,886**
At 1 January 2013	16,727	—	159	**16,886**
At 31 December 2013	**16,727**	**—**	**180**	**16,907**

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 the Board of Directors felt it was no longer possible to review for impairment and was written off in the year ended 31 December 2012.

6. Cash and cash equivalents

Group	**31 December 2013 £000**	31 December 2012 £000
Bank balances	**4,090**	3,384
Cash and cash equivalents in the statement of financial position	**4,090**	3,384
Bank overdrafts	**(100)**	—
Cash and cash equivalents in the statement of cash flow	**3,990**	3,384

7. Capital and reserves

	31 December 2013 £000	31 December 2012 £000
Authorised, called up, issued and fully paid		
53,446,549 ordinary shares of £0.001 each (1 January 2012: 53,446,549 ordinary shares of £0.001 each)	**53**	53

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 502,735 (2012: 323,555) shares at 31 December 2013, amounting to £198,276 (2012: £144,767).

Share premium

During the year no shares were issued. In 2012 10,384,900 shares were issued for a total share premium. During 2012, transaction costs of £70,000 were 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.

8. Loss per share

Loss per share for the year from 1 January 2013 to 31 December 2013 is based on the loss after taxation of £111,000 (2012:- £4,266,000) divided by the weighted average number of £0.001 ordinary shares during the year of 53,446,549 basic (2012:- 50,624,640) and 53,446,549 dilutive (2012:- 50,624,640) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2013 is:

Weighted average number of shares	53,446,549
Dilutive share incentive plan, options and contingent consideration shares	—
Diluted	53,446,549