

1 March 2016

STM Group Plc

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

Audited Final Results for the 12 months ended 31 December 2015

STM Group Plc, the multi-jurisdictional financial services group, is pleased to announce its audited final results for the 12 months ended 31 December 2015.

Key Points:

	2015	2014	Change
Revenue	£16.2m	£15.9m	+2%
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£3.1m	£2.3m	+35%
Profit before taxation	£2.7m	£1.7m	+59%
Earnings per share (basic)	3.99p	1.97p	+103%
Cash and cash equivalents	£8.0m	£5.7m	+40%
Dividend	0.9p	-	-

- Continued growth in profitability due to focus on higher margin products
- Growth in annuity fee income streams representing approx. 70% of Revenue in 2015
- Reduction in overall Group debt to just £0.3m which will be paid off in March 2016 from Group cash flow
- Increasing distributor network with new offices in South Africa, South East Asia and the Middle East
- 40% increase in cash balances
- Introduction of progressive dividend policy. Final dividend of 0.9p per share proposed

Commenting on the results and prospects for STM, Colin Porter, CEO, said:

"2015 has undoubtedly been a transformational year for STM in respect of profitability, however equally in building the product and distribution platform for future growth.

"The global market for specialist international pension administration products is very much in its infancy and will continue to be a significant source of revenue and profitability going forward. This presents a very attractive opportunity for both the business and our investors alike for the foreseeable future."

For further information, please contact:

STM Group Plc

Colin Porter, Chief Executive Officer
colin.porter@stmgroupplc.com

www.stmgroupplc.com

Tel: 00 350 200 42686

Alan Kentish, Interim Chief Executive Officer
alan.kentish@stmgroupplc.com

Tel: 00 350 200 42686

Therese Neish, Chief Financial Officer
Therese.neish@stmgroupplc.com

Tel: 00 350 200 42686

finnCap

Matt Goode / Christopher Raggett / Emily Watts - Corporate Finance
Mia Gardner - Corporate Broking

www.finncap.com

Tel: +44 (0) 20 7220 0500

Walbrook

Tom Cooper / Paul Vann

www.walbrookpr.com

Tel: +44 (0) 20 7933 8780

Mob: [+44](tel:+44207971221972) (0) 797 122 1972

tom.cooper@walbrookpr.com

Notes to editors:

STM is a multi-jurisdictional financial services group listed on the Alternative Investment Market of the London Stock Exchange. The Group specialises in the delivery of a wide range of financial service products to professional intermediaries and in the administration of assets for international clients in relation to retirement, estate and succession planning, and wealth structuring.

Today, STM has trading operations in Gibraltar, Malta, Jersey, and Spain. It has also recently opened satellite offices in South East Asia, the Middle East, and South Africa. The Group continues to expand through the development of additional products and services that its ever-more sophisticated clients demand.

STM has, for example, a dedicated international pensions division which specialises in Qualifying Recognised Overseas Pension Schemes (QROPS) and Qualifying Non-UK Pension Schemes (QNUPS); it also has a Gibraltar Life Insurance Company, STM Life Assurance PCC PLC, which provides life insurance bonds - wrappers in which a variety of investments, including investment funds, can be held.

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

Chairman's statement

2015 has been a busy and productive year for STM and I am pleased to note that this has reflected positively in our results and financial position at the year end. We have not only seen further growth both in revenue and profitability but have additionally increased our cash balances whilst reducing borrowings. This has resulted in STM now having a much stronger balance sheet than ever before.

Going forward, our Business and Product Development team continues to expand our intermediary networks. The benefits of investing in three new sales offices during the year are expected to begin to show in 2016 and beyond. Furthermore, we continue to look at developing new products and entering new jurisdictions and I look forward to updating the market on this during the course of 2016.

Pleasingly, the convertible loan notes were reduced early in the year through a cash payment (£0.7 million) and conversion into new ordinary shares in the Company (£1.6 million), leaving a minimal balance of £0.3 million at the year end which will be fully repaid in March 2016 from Group working capital.

Colin Porter tendered his resignation as Chief Executive in January 2016 in order to allow him to pursue an opportunity in the United States in a non-competing sector. Whilst we are sorry to see him go, I take this opportunity to wish him well and thank him for his valued contribution throughout his 8 years with STM.

As with any services business, one of STM's most valued assets is its staff; so I would like to take this opportunity to thank, on behalf of the Board, our management and staff across all jurisdictions for their ongoing commitment and professionalism.

Michael Riddell
Chairman

Chief Executive's statement

Overview

I am pleased to present the results for the year ended 31 December 2015 and report another successful year, with increased revenues and profitability demonstrating the success of our strategy of continuing to focus on building our pensions and life assurance product offerings.

Whilst revenue has only marginally increased, profitability is up on last year by approximately 60% to £2.7 million (2014: £1.7 million) due to the focus on higher margin products. The business is now reaping the benefits of having invested in transforming the business over the last few years.

As part of the Group's commitment to the business and product development strategy, we have this year opened new sales offices in South Africa, South East Asia and the Middle East. These new representative offices are mandated to sign on new IFAs as well as continue working closely with our existing introducers for both existing and new products.

Operational Overview

Pensions

Our pensions business continues to show the largest growth with turnover in the year of £8.6 million (2014: £8.0 million). This now accounts for 53% of the Group's turnover (2014: 50%).

The continued growth in the pensions business in 2015 has been in Malta. This is primarily due to two reasons; the first being that a significant amount of new business has come from the Middle East, specifically from countries where a Double Tax Agreement with Malta exists, and consequently this business is best served in Malta. The second being that our Malta based US Plan continues to gain traction. With the second largest concentration of UK expats and with fewer competitors, the US, as expected, remains and will continue to be an area of strong growth for STM.

Consequently, Malta remains the larger of our two jurisdictions with pension turnover of £6.3 million (2014: £5.5 million), with Gibraltar having generated £2.3 million (2014: £2.5 million) of turnover in the year.

Corporate and Trustee Services

Turnover from the Corporate and Trustee Services (CTS) division for the year was £5.1 million (2014: £5.5 million) thus accounting for 31% of the Group's total turnover (2014: 35%). This business is generated predominantly in Jersey and Gibraltar, with Jersey revenue accounting for circa 54% (2014: 57%) of the CTS business at £2.7 million (2014: £3.1 million) and Gibraltar generating turnover of £2.3 million (2014: £2.4 million).

Whilst Jersey has noted the bigger decline of the two, this level of revenue is now expected to stabilise. Gibraltar, however, has seen a number of clients close their structures during 2015 and therefore the level of business for 2016 is expected to decrease by approximately 13%. As a result of this downturn, and in order to maintain profit margins, management has taken action to reduce costs in this division.

STM Life

We are pleased that the turnover for 2015 for STM Life has remained constant at £1.4 million (2014: £1.4 million). Furthermore, we note that within the revenue figure reported, annual fees amounted to £0.8 million compared to £0.5 million in 2014. This provides a steady annuity income stream going forward.

As part of the business development phase of having representative offices in various locations around the world, STM Life has seen a significant increase in demand for its tax-efficient life assurance portfolio bonds.

Other trading divisions and new initiatives

Trading in other divisions, which are mainly insurance management and the Spanish office, was broadly in line with management expectations. These are expected to continue at similar levels going forward having generated revenue of £1.1 million in the year (2014: £1.0 million).

Financial position

Performance in the year

Revenues for the Group have once again increased in the year to £16.2 million (2014: £15.9 million) of which approximately 70% relates to recurring annuity business. EBITDA has also increased by £0.8 million to £3.1 million (2014: £2.3 million).

Finance costs for the year have reduced to £0.1 million (2014: £0.3 million) which is to be expected given the reduction in borrowings during the year. The depreciation and amortisation charge has also reduced from £0.3 million in 2014 to £0.2 million as a result of assets now being fully depreciated.

Consequently, profit before tax is £2.7 million for the year (2014: £1.7 million) with EPS having gone up by over 100% to 3.99p from 1.97p in 2014.

In line with previous years, STM continues to recover an element of the taxation charge paid by the Malta subsidiary upon the declaration of dividends up to the holding company. This has therefore resulted in a further reduction in the Group's effective tax rate. The charge for the year was £0.4 million (2014: £0.7 million).

Cashflows

It is pleasing to note that cash generated from operating activities during the year amounted to £3.2 million (2014: £1.8 million) equating to operating cash conversion of 104% of EBITDA. Overall cash balances have increased by £2.4 million (2014: £1.8 million) resulting in cash and cash equivalents balance of £8.0 million at the 31 December 2015 (2014: £5.7 million).

Furthermore, the Convertible Loan Notes have decreased during the year to leave a balance as at 31 December 2015 of £0.3 million (2014: £2.6 million). The reduction of £2.3 million was settled by a cash repayment of £0.7 million with the balance of £1.6 million converted to new ordinary shares in the Company. The balance currently outstanding will be fully repaid in March 2016 from Group working capital.

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 £1.8 million (2014: £2.1 million). This decrease is predominantly within the CTS business which is as expected given the decrease in the level of business in this area. In addition to this decrease, trade and receivables as at 31 December 2015 has also reduced to £4.2 million (2014: £4.8 million) with trade receivables remaining constant with the prior year at £3.1 million.

Deferred income (a liability in the statement of financial position), representing fees billed in advance yet to be credited to the statement of total comprehensive income, has once again increased to £2.6 million (2014: £2.3 million). This is wholly linked to the Pensions business as a result of more and more annual renewal invoices being raised. In line with the Group accounting policy a proportion of second year fees and beyond are deferred for the year. In spite of this increase in deferred income, I am pleased to note that the Group's current liabilities (net of Loan Notes) have decreased to £4.8 million (2014: £5.3 million).

Both the accrued and deferred income will be invoiced and earned in 2016 thus providing visibility on fees for 2016.

Board changes

On 1 July 2015, Jonathan Shearman, who has 20 years' experience in the City, was appointed to the Board as a Non-Executive Director.

As part of the Board's continued focus on corporate governance, STM is actively seeking to increase the number of Non-Executive Directors to the Board and it is anticipated further appointments will be made in the near future.

It was with deep regret that on 18 January 2016 I tendered my resignation to the Board as a result of being offered a non-competing opportunity in the United States. Whilst I will step down from the Board on 31 March 2016 I am committed to continue working with the management team to ensure an orderly handover. I have confidence in the current Board and its ability to deliver on its current strategy.

Dividend Policy

Given their continued confidence, the Directors feel that it is now appropriate to introduce a formal dividend policy. The Board believes an appropriate level of cover to be in the range of

2x to 3x. Such dividends are anticipated to be split as 1/3 interim dividend and 2/3 final dividend.

Hence, the Directors are proposing a final dividend, subject to shareholder approval, based on 2015 results of 0.9p per share. This dividend will be paid on 23 June 2016 to shareholders on the register at the close of business on 27 May 2016. The ordinary shares will become ex-dividend on 26 May 2016.

Going forward, the actual level of dividend each year will take into account the working capital requirements and planned investment in the business to enable us to deliver our stated growth aspirations.

Outlook

Despite the evident success of increasing profitability in the year, 2015 has primarily been a year focussed on building our business development platform to give us a stronger and more dominant market position for our UK expatriate pension offering. During 2015, we have successfully opened representative offices in the Middle East, South Africa, South East Asia and have a dedicated resource for European business development. 2016 is all about capitalising on this business development infrastructure by broadening our global intermediary network, and expanding our product offerings available to such intermediaries.

Whilst it is clear that the QROPS market is still very much in its infancy, and will be a continued source of significant revenue and profitability going forward, STM recognises that the natural evolution for this revenue stream is into an administrator of international pensions and this is part of the focus for 2016. The global market for international pensions is not easy to accurately value, however it is undoubtedly the case that it offers sufficient scale for long-term growth opportunities for STM.

The Board expects continued growth during 2016 and beyond which, coupled with the ongoing initiatives to offer an Australian pension solution for expatriates, gives STM exciting opportunities to deliver enhanced profitability.

The Board is confident in the prospects for the Group and looks forward to updating the market on further progress.

Colin Porter

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

	Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Revenue	3	16,179	15,878
Administrative expenses	4	(13,078)	(13,575)
Profit before other items		3,101	2,303
OTHER ITEMS			
Finance costs		(147)	(279)
Depreciation and amortisation		(249)	(316)
Profit before taxation		2,705	1,708
Taxation		(409)	(657)
Profit after taxation		2,296	1,051
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations		(41)	(72)
Total other comprehensive income		(41)	(72)
Total comprehensive income for the year		2,255	979
Earnings per share basic (pence)	8	3.99	1.97
Earnings per share diluted (pence)	8	3.79	1.66

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 2015

	Notes	31 December 2015 £000	31 December 2014 £000
ASSETS			
Non-current assets			
Property, plant and equipment	5	837	974
Intangible assets		16,832	16,810
Investments		708	737
Total non-current assets		18,377	18,521
Current assets			
Accrued income		1,809	2,158
Trade and other receivables		4,193	4,775
Cash and cash equivalents	6	8,036	5,711
Total current assets		14,038	12,644
Total assets		32,415	31,165
EQUITY			
Called up share capital	7	59	53
Share premium account	7	22,372	20,828
Reserves		3,614	1,368
Total equity attributable to equity shareholders		26,045	22,249
LIABILITIES			
Current liabilities			
Liabilities for current tax		1,271	1,061
Trade and other payables		5,099	5,305
Total current liabilities		6,370	6,366
Non current liabilities			
Other payables		--	2,550
Total non-current liabilities		--	2,550
Total liabilities and equity		32,415	31,165

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

	Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Reconciliation of operating profit to net cash flow from operating activities			
Profit for the year before tax		2,705	1,708
Adjustments for:			
Depreciation and amortisation		246	316
Loss on sale of fixed assets		3	--
Taxation paid		(199)	(209)
Unrealised loss/(gain) in investments		29	(122)
Decrease/(increase) in trade and other receivables		582	(561)
Decrease in accrued income		349	842
Decrease in trade and other payables		(506)	(125)
Net cash from operating activities		3,209	1,849
Investing activities			
Acquisition of property, plant and equipment		(66)	(37)
Acquisition of treasury shares		--	(8)
Acquisition of investments		--	(25)
Increase in intangibles		(68)	--
Net cash used in investing activities		(134)	(70)
Cash flows from financing activities			
Loan note repayments		(700)	--
Net cash from financing activities		(700)	--
Increase in cash and cash equivalents		2,375	1,779
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		2,375	1,779
Translation of foreign operations		(50)	(58)
Balance at start of year		5,711	3,990
Balance at end of year	6	8,036	5,711

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

FOR THE YEAR FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
Balance at 1 January 2014	53	20,828	604	(198)	(24)	21,263
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	--	--	1,051	--	--	1,051
Other comprehensive income						
Foreign currency translation differences	--	--	(72)	--	--	(72)
Transactions with owners, recorded directly in equity						
Shares issued in the year	--	--	--	--	--	--
Dividend paid	--	--	--	--	--	--
Exchange gain on equity	--	--	--	--	15	15
Treasury shares purchased	--	--	--	(8)	--	(8)
At 31 December 2014						
	53	20,828	1,583	(206)	(9)	22,249
Balance at 1 January 2015	53	20,828	1,583	(206)	(9)	22,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	--	--	2,296	--	--	2,296
Other comprehensive income						
Foreign currency translation differences	--	--	(41)	--	--	(41)
Transactions with owners, recorded directly in equity						
Shares issued in the year	6	1,544	--	--	--	1,550
Dividend paid	--	--	--	--	--	--

Exchange gain on equity	--	--	--	--	(9)	(9)
Treasury shares purchased	--	--	--	--	--	--

At 31 December 2015	59	22,372	3,838	(206)	(18)	26,045
----------------------------	-----------	---------------	--------------	--------------	-------------	---------------

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2015 TO 31 DECEMBER 2015**

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 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") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law.

3. Revenue

	31 December 2015 £000	31 December 2014 £000
Revenue from administration of assets	16,179	15,878
Total revenues	16,179	15,878

4. Administrative expenses

	31 December 2015 £000	31 December 2014 £000
Wages and salaries	6,353	6,211
Social insurance costs	330	341
Pension contributions	61	64
Total personnel expenses	6,744	6,616

Average number of employees

	31 December 2015 Number	31 December 2014 Number
Group		
Average number of people employed (including executive directors)	163	159

5. Property, plant and equipment

Group	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
As at 1 January 2014	12	1,506	876	2,394
Additions at cost	--	37	--	37
As at 31 December 2014	12	1,543	876	2,431
As at 1 January 2015	12	1,543	876	2,431
Additions at cost	--	66	--	66
Disposals	--	(10)	--	(10)
As at 31 December 2015	12	1,599	876	2,487
Depreciation				
As at 1 January 2014	10	681	547	1,238
Charge for the year	--	133	86	219
As at 31 December 2014	10	814	633	1,457
As at 1 January 2015	10	814	633	1,457
Charge for the year	1	118	81	200
Disposals	--	(7)	--	(7)
As at 31 December 2015	11	925	714	1,650
Net Book Value				
As at 31 December 2015	1	674	162	837
As at 31 December 2014	2	729	243	974

6. Cash and cash equivalents

Group	31 December £000	2015	31 December £000	2014
Bank balances	8,036		5,711	
Cash and cash equivalents in the statement of cash flow	8,036		5,711	

7. Capital and reserves

	31 December 2015 £000	31 December 2014 £000
Authorised, called up, issued and fully paid		
59,408,087 ordinary shares of £0.001 each (2014: 53,446,549 ordinary shares of £0.001 each)	59	53

Treasury shares

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives. The trustees held 530,513 (2014: 530,513) shares at 31 December 2015, amounting to £205,776 (2014: £205,776).

Share premium

During the year 5,961,538 shares were issued (2014: nil) for a total share premium of £1,544,039 (2014: £nil).

Translation

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

8. Earnings per share

Earnings per share for the year from 1 January 2015 to 31 December 2015 is based on the profit after taxation of £2,296,000 (2014: £1,051,000) divided by the weighted average number of £0.001 ordinary shares during the year of 57,562,460 basic (2014:- 53,446,549) and 60,598,814 dilutive (2014:- 63,254,421) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2015 is:

Weighted average number of shares	57,562,460
Dilutive share incentive plan, options and contingent consideration shares	3,036,354
Diluted	60,598,814