Press Release 27 March 2018

STM Group Plc

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

Final Results for the
12 months ended 31 December 2017

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 2017.

Financial Highlights:

- Revenue for the period up circa 24% at £21.5 million (2016: £17.4 million)
- EBITDA for the period of £4.8 million (2016: £3.1 million)
    - Underlying* EBITDA for the period of £4.0 million (2016: £2.6 million)
- Profit before tax for the period of £4.0 million (2016: £2.8 million).
    - Underlying* Profit before tax for the period of £3.2 million (2016: £2.3 million)
- Earnings per share of 6.69 pence (2016: 3.99p pence)
    - Underlying* Earnings per share of 5.29 pence (2016: 3.15 pence)
- Strong balance sheet with cash and cash equivalents balance up 55% at £18.4 million (31 December 2016: £11.9 million)
- Final dividend of 1.2 pence per ordinary share recommended (2016: 1.0 pence)

*Underlying statistics are net of insurance technical releases and one-off costs

Operational Highlights:

- UK administered International SIPP product launched to compensate for part of the lost ROPS market
- Refocus on expansion in UK regulated products but still for expatriate market
- Acquisition of London & Colonial fully integrated and delivering anticipated returns
- Strengthening of the Group's corporate governance with the new role of Head of Enterprise Risk Management
- Bolt on acquisition in Malta
- Life assurance business now a significant revenue and Group profit contributor following acquisition and organic growth

Commenting on the results and prospects for STM, Alan Kentish, Chief Executive Officer, said:

"I am delighted that STM has delivered record profits for 2017, against a backdrop of a number of operational challenges. However, as a result of this our business now has a more UK regulated focus which I think is beneficial for all our stakeholders.

"Moving into 2018, we have a solid recurring revenue platform on which to look to launch new products and to expand our distribution network as part of a strategy to make our business even more robust.

"A continued strengthening of our governance and attention to improving profit margins are also a key deliverable for 2018.

"I look forward to updating the market on our developments during the year."

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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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. The Group specialises in the delivery of a wide range of financial service products to professional intermediaries and the administration of assets for international clients in relation to retirement, estate and succession planning and wealth structuring.

Today, STM has operations in the UK, Gibraltar, Malta, Jersey and Spain. The Group is looking to expand through the development of additional products and services that its ever more sophisticated clients demand. STM has developed a specialist international pensions division which specialises in Qualifying Recognised Overseas Pension Schemes (QROPS), Qualifying Non UK Pension Schemes (QNUPS). STM also has two Gibraltar Life Assurance Companies which provide life insurance bonds - wrappers in which a variety of investments, including investment funds, can be held.

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

Chairman's statement

It gives me great pleasure to present the financial results for the year ended 31 December 2017, which represent a strong set of full year results and a record year of profitability for the Group.

The acquisition of London & Colonial in late 2016 has borne fruit during 2017 and has allowed us to quickly adapt to market changes so as to protect our new business stream. We have delivered a significant amount of cost savings by merging administrative processes across the Group whilst ensuring that the existing recurring revenue book continues to perform in a predictable and solid manner. We were also pleased to make the acquisition of Harbour Pensions Limited which subsequently completed post year end after receiving regulatory approval from the Malta Financial Services Authority.

As previously disclosed we have experienced regulatory issues in some of the jurisdictions in which we operate over the last few years. The Board's objective is to address and minimise any risk in this area. Importantly, in early 2017 the appointment of a Head of Enterprise Risk Management (ERM) for the Group was made as part of further improving our corporate governance framework. Already in 2018 we have made important changes to our Corporate Governance arrangements, including proposed further appointments of NEDs to the subsidiary boards and the Group will be continuing to make more improvements over the rest of 2018.

One of the Group Board's primary responsibilities is to ensure the provision of effective corporate governance. To this end, the Board is undertaking a full review of every aspect of governance well in advance of the AIM requirement to comply or explain against a recognised Corporate Governance Code by September 2018.

I am particularly pleased that my long term views regarding the potential benefits of re-locating the Group head-office from Gibraltar to the UK is now well underway. I feel that the business becoming more UK orientated will further build investor confidence, improve efficiency, and open further UK business opportunities for the Group.

The Board has a medium term vision and a strategy to continue to deliver enhanced profitability, whilst at the same time de-risking the business further by continuing to expand the Group's product range and its intermediary base whilst keeping costs firmly under control.

Finally, I have chaired the Board for the past three years, having also served as a non-executive for the four years preceding that, and have enjoyed my time working with the team to make STM a success. However, after seven years of service I have made the decision to retire and enjoy more time with my family, and I therefore will not be standing for re-election at the forthcoming AGM in May 2018, with my retirement becoming effective on 23 May 2018. This in turn leaves the Board perfectly placed for the appointment of one or more UK based non-executive directors to reflect the new London head office status, with the Board having already begun the recruitment process

I would like to take this opportunity to personally thank all of the Group's directors, executive and staff for their efforts in making 2017 such a success, and will avidly follow STM's continued success in the future.

Michael Riddell

Chairman

Chief Executive's statement

Introduction

I am pleased to present the annual results for STM Group Plc for the year ended 31 December 2017. The second year of my tenure has certainly been more eventful than I would have wished. Despite some unexpected and significant challenges, it is a proud feeling to be able to state that we have delivered record profits during 2017, significantly up on 2016.

STM's acquisition of London & Colonial Holdings Limited (LCH) in late 2016, has played a key part in helping us to adapt and widen our product offerings to the expatriate market; which was a necessity following the UK Spring budget that announced an Overseas Tax Charge of 25% on certain overseas pension transfers. As stated at the time, this was expected to affect circa 80% of our new business volumes for our international pension products.

This estimate proved correct but due to management's innovation and flexibility, we were able to come to the market in short order with an alternative, UK regulated, product to service our international distribution network. This has seen most of this lost new QROPS business by both policy number and revenue replaced by our International SIPP offering.

With a significant amount of new business falling under our UK regulated entity, this in turn has given us a more UK centric focus, and has contributed to the decision to move our Group head office from Gibraltar to the UK from January 2018.

As part of this move, it allows the Group Executive function to recruit from a larger population and will also see some additional appointments to our PLC board which will further strengthen our depth of knowledge and capabilities.

Certain STM Gibraltar regulated entities have been working in a collaborative way with the GFSC on a third-party review (a Skilled Person Review) being carried out under Section 7 of the Financial Services (Information Gathering and Co-operation) Act 2013, on certain aspects of the various businesses (the "Report"). It is expected that the Report will now be finalised by 30 April 2018 and will include recommendations, if appropriate. The Group has no appetite for risk in respect of its relationships and dealings with the regulators and we are determined that we will move the Group forward in line with that level of risk appetite.

Overall, it is very clear that our underlying business continues to perform according to plan, demonstrating the quality and predictability of our recurring revenue streams which are key component parts of any robust business model.

During the last quarter of 2017, we signed the Sale and Purchase Agreement for the acquisition of Harbour Pensions Limited. Regulatory approval came through in February 2018 allowing completion to occur. We are now in the process of integrating this business with that of our existing Malta business, which once complete, we expect to result in a further increase of some £0.4 million profit before tax per annum to the Malta operation.

On behalf of the Board and the Company, a special thank you goes out to Mike Riddell, STM's chairman for the past three years and board member for seven years, who is not putting himself forward for re-election having decided that it is time for him to leave his working life behind and enjoy more time with his family. His stewardship in guiding us through the re-invention phase of our recent history has been invaluable, and has protected and enhanced shareholder value for all concerned.

Operational Overview

Pensions

Our pensions businesses have all seen significant changes to their *modus operandi* following the UK Spring Budget.

Total revenue across our pensions businesses amounted to £10.2 million (2016: £9.2 million) and accounted for 47% of total Group revenue (2016: 52%).

As predicted since the UK Spring Budget, our Gibraltar operation has seen almost no new business with regards to ROPS, whilst Malta is now only receiving new business from the EEA. Conversely, our UK SIPP business has become the focus of new business growth.

To put this in context, for the nine months following the Budget, new business numbers were 217 ROPS (2016: 1,224) administered by our Malta and Gibraltar offices and 755 SIPPS (2016: 162) administered from our UK operations.

Malta remains the largest of our three jurisdictions with pension turnover of £6.1 million (2016: £6.5 million), with Gibraltar generating £2.6 million (2016: £2.4 million) of turnover, and finally, in its first full year under STM's ownership, the UK generated £1.5 million of revenue (2016: £0.3 million).

An important KPI remains the annual recurring revenue statistic which has been determined as the contractual element of any trustee fee due or any fees under the life assurance policies, which are billed on an annual basis. For 2017 this amounted to £9.6 million (2016: £8.5 million) which represents 95% (2016: 93%) of total pension revenue, giving a highly visible and predictable future revenue stream.

Life assurance

The acquisition of London & Colonial in late 2016, and with it the Gibraltar based life assurance company (LCA), has allowed STM to significantly grow its life assurance business.

This is seen from the 2017 combined revenue figure of £5.8 million as compared to £2.8 million for 2016.

Pleasingly, organic growth for STM Life during the year has delivered a 26% uplift, to generate turnover for 2017 of £2.4 million (2016: £1.9 million). Within this revenue figure, recurring revenue, annual fees and investment income amounted to £1.8 million compared to £1.4 million in 2016. This provides a steady and highly visible annuity income stream.

In addition, LCA has performed as expected with its long standing and predictable customer base delivering a revenue of £2.1 million for the year, with a further release from technical reserves of £1.3 million (2016: £0.5 million) as a result of the reduction in the administrative costs per policy.

Corporate and Trustee Services

Turnover from the Corporate and Trustee Services (CTS) division for the year was £4.3 million (2016: £4.4 million) thus accounting for 20% of the Group's total turnover (2016: 25%). This business is generated in Jersey and Gibraltar, with Jersey revenue accounting for circa 57% (2016: 56%) of the CTS business at £2.5 million (2016: £2.5 million) and Gibraltar generating turnover of £1.8 million (2016: £1.9 million).

As noted in previous year's reports, the CTS environment and sector remains challenging, and it is accepted by the Group that this will be a difficult segment to grow organically.

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 £1.2 million in the year (2016: £1.1 million).

Financial Review

Performance in the year

Profitability has seen a step change in 2017, compared to that of 2016, but reflects the hard work of building the infrastructure and business development function in previous years.

Clearly, the integration of the LCH acquisition has enabled us to restructure the cost base of those businesses acquired and ensured that profit margins were enhanced.

Group revenue for 2017 amounted to £21.5 million (2016: £17.4 million), and as anticipated EBITDA (Earnings before interest, taxation, depreciation and amortisation) has increased by 55% from £3.1 million in 2016 to £4.8 million in 2017.

Reassuringly, the amount of recurring annuity revenue business continues to increase and still accounts for 75% of 2017 total revenues (2016: 75%).

Finance costs amounted to £0.3 million (2016: £0.1 million) and reflects the debt financing in place for the LCH acquisition. The depreciation and amortisation charge has in turn increased as a result of amortising the client portfolio acquired with LCH and the investment in offices across various jurisdictions. This is £0.5 million in 2017 (2016: £0.3 million).

Profit before tax was £4.0 million for the year being a pleasing uplift of 43% above the 2016 PBT result of £2.8 million notwithstanding one-off costs and the technical reserve release referred to above.

Tax Charge and Earnings per Share

The tax charge for the year was £0.1 million (2016: £0.4 million).

The tax charge for the year has been impacted by the refund received in Malta on tax due on dividends paid to companies outside the Group. Whilst the corporate rate on Malta profits is 35% the refund is 30% on tax due on dividends.

In Malta's infancy and growing stage, the tax charge was higher than the refund as profits were higher than dividends. This year, dividends have been in excess of profits due to the payment of a dividend from last year's reserves. Hence the refund is higher than the charge. But this is a one-off and as profits in Malta become consistent year on year the position will stabilise and the Group's effective rate will remain at circa 15%.

This significantly lower than expected tax charge together with the increased profitability has resulted in a healthy uplift to the earnings per share from 3.99p in 2016 to 6.69p in 2017. Diluted earnings per share takes into consideration the long-term incentive plan approved by the Company as approved by the shareholders at the Annual General Meeting on 18 May 2016 which stipulates a maximum dilution factor of 5% resulting in diluted EPS of 6.37p (2016 3.87p).

Cashflows

Overall net cash balances at the year end have continued to increase, resulting in cash and cash equivalents of £18.4 million at 31 December 2017 (2016: £11.9 million). Whilst part of this increase is due to cash generated from operating activities of £4.0 million (2016: £1.4 million) part of this is also as a result of the sale of investments acquired as part of the LCH acquisition.

During the year the Group also made the final deferred consideration payment on the LCH acquisition of £0.8 million, having accrued £1.15 million in the previous years accounts.

The Company continues to have bank borrowings of £3.3 million taken out in October 2016 for the purposes of the acquisition of LCH with repayments being quarterly over the forthcoming two years and as such the first repayment was in January 2018.

As 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 £0.9 million (2016: £1.2 million). The Group policy for pensions is to recognise this accrued income over the period from when an application has been received up to the point when the pension funds are received, at which point the invoice is raised. The decrease in accrued income this year is predominantly as a result of the decrease in QROPS new business in favour of the International SIPP accrued income which is much quicker to convert.

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 remained consistent with the balance as at 31 December 2016 of £3.8 million.

Both the accrued and deferred income will be invoiced and earned in 2018 thus providing visibility on fees for the forthcoming year.

Other large balance sheet items relate to trade and other receivables which stood at £5.6 million as at 31 December 2017 (2016: £5.2million). Of this amount, trade receivables at the year end stood at £3.4 million (2016: £3.4 million).

Dividend Policy

The Group board continues to follow its progressive dividend policy having re-commenced paying dividends in March 2016. In this regard, I am pleased to advise that the Board is recommending the payment of a final dividend of 1.2p per share (2016: 1.0p per share). This together with the interim dividend paid of 0.6p in November 2017 (2016: 0.5p) makes a proposed total dividend for the year of 1.8p per share (2016: 1.5p).

Subject to approval at the Company's Annual General Meeting, the final dividend will be paid on 27 June 2018 to shareholders on the register at the close of business on 1 June 2018. The ordinary shares will become ex-dividend on 31 May 2018.

Outlook

2017 has demonstrated that STM is flexible and able to take advantage of the opportunities that present themselves, whilst managing the challenges that will invariably manifest from time to time. To see 80% of new pensions business literally fall away overnight in March 2017, and still meet original market expectations is testament to that.

Expectations are that 2018 new business volumes, and client retention rates will remain in line with those of 2017 post the UK budget. In addition, we continue to seek earnings enhancing acquisitions in the ROPS and UK SIPP sector. We are confident in the Group's prospects and that we will deliver trading results in line with our previous management expectations for the new financial year.

Furthermore, our key deliverable for the current year is to continue to build on our governance framework and to place more reliance on IT efficiencies.

Our medium term strategy continues to move forward, with an emphasis on improving profit margins, as well as looking to diversify our product range both within the expatriate, as well as UK market. In turn, this will allow us to expand our intermediary base, all of which continues to re-enforce the robustness of the business model.

I would like to take this opportunity to thank all my STM colleagues for their continued hard work and professionalism in carrying out their duties.

I look forward to updating the market on our achievements during the course of the coming year.

Alan Kentish

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

		Year ended 31 December 2017 £000	Year ended 31 December 2016 £000
Revenue	4	**21,525**	17,433
Administrative expenses	6	**(16,760)**	(14,318)
Profit before other items		**4,765**	3,115
OTHER ITEMS			
Finance costs		**(261)**	(87)
Depreciation and amortisation		**(479)**	(273)
Profit before taxation		**4,025**	2,755
Taxation		**(51)**	(382)
Profit after taxation		**3,974**	2,373
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations		**7**	87
Total other comprehensive income		**7**	87
Total comprehensive income for the year		**3,981**	2,460
Earnings per share basic (pence)	11	**6.69**	3.99
Earnings per share diluted (pence)	11	**6.37**	3.87

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 2017

	Notes	**31 December 2017 £000**	31 December 2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,240**	889
Intangible assets	8	**18,066**	18,544
Investments		**—**	792
Total non-current assets		**19,306**	20,225
Current assets			
Investments		**81**	4,239
Accrued income		**890**	1,214
Trade and other receivables		**5,607**	5,193
Cash and cash equivalents	9	**18,363**	11,869
Total current assets		**24,941**	22,515
Total assets		**44,247**	42,740
EQUITY			
Called up share capital	10	**59**	59
Share premium account	10	**22,372**	22,372
Reserves		**8,341**	5,231
Total equity attributable to equity shareholders		**30,772**	27,662
LIABILITIES			
Current liabilities			
Liabilities for current tax		**1,073**	1,070
Trade and other payables		**10,750**	10,708
Total current liabilities		**11,823**	11,778
Non current liabilities			
Other payables		**1,652**	3,300
Total non-current liabilities		**1,652**	3,300
Total liabilities and equity		**44,247**	42,740

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	Notes	**Year ended 31 December 2017 £000**	Year ended 31 December 2016 £000
OPERATING ACTIVITIES			
Profit for the year before tax		**4,025**	2,755
ADJUSTMENTS FOR:			
Depreciation and amortisation		**478**	262
Loss on sale of fixed asset	7	**—**	11
Taxation paid		**(54)**	(583)
Foreign exchange loss		**16**	—
Unrealised gain on investments		**(10)**	(291)
Share based payments		**55**	34
Increase in trade and other receivables		**(414)**	(472)
Decrease in accrued income		**324**	595
Decrease in trade and other payables		**(456)**	(1,154)
Net cash from operating activities		**3,964**	1,157
INVESTING ACTIVITIES			
Disposal of the investments		**4,950**	—
Acquisition of property, plant and equipment	7	**(617)**	(204)
Consideration paid on acquisition	3	**(800)**	(4,235)
Cash acquired on acquisition	3	**—**	5,018
Increase in intangibles		**(84)**	(113)
Net cash used in investing activities		**3,449**	466
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loan		**—**	3,300
Loan note repayments		**—**	(300)
Acquisition of treasury shares		**25**	(45)
Dividends paid	10	**(951)**	(832)
Net cash from financing activities		**(926)**	2,123
Increase in cash and cash equivalents		**6,487**	3,746
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		**6,487**	3,746
Translation of foreign operations		**7**	87
Balance at start of year		**11,869**	8,036
Balance at end of year	9	**18,363**	11,869

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Share based payments reserve £000	Total £000
Balance at 1 January 2016	59	22,372	3,879	(206)	(59)	—	26,045
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	—	—	2,373	—	—	—	2,373
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	87	—	87
Transactions with owners, recorded directly in equity							
Dividend paid	—	—	(832)	—	—	—	(832)
Share based payments	—	—	—	—	—	34	34
Treasury shares purchased	—	—	—	(45)	—	—	(45)
At 31 December 2016	**59**	**22,372**	**5,420**	**(251)**	**28**	**34**	**27,662**
Balance at 1 January 2017	59	22,372	5,420	(251)	28	34	**27,662**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	—	—	3,974	—	—	—	**3,974**
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	7	—	**7**
Transactions with owners, recorded directly in equity							
Dividend paid	—	—	(951)	—	—	—	**(951)**
Share based payments	—	—	—	—	—	55	**55**
Treasury shares purchased	—	—	—	25	—	—	**25**
At 31 December 2017	**59**	**22,372**	**8,443**	**(226)**	**35**	**89**	**30,772**

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

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 Financial Information set out herein does not constitute the Group’s Financial Statements for the year ended 31 December 2017 or the year ended 31 December 2016. The information has been derived from the audited accounts for each of those years upon which an unqualified audit opinion was expressed. The audited Financial Statements for the year ended 31 December 2017 will be posted to all shareholders in due course and will be available on the Group’s website at www.stmgroupplc.com.

The financial information comprises the consolidated statement of comprehensive income, consolidated statement of financial position, the statement of consolidated changes in equity, the consolidated statement of cash flows and the related notes. The Group financial statements for the year ended 31 December 2017 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Isle of Man company law.

The financial information has been prepared on a going concern basis under the historical cost convention, unless otherwise stated. The accounting policies applied in preparing the financial information are consistent with those used in preparing the consolidated financial statements for the year ended 31 December 2017.

3. Acquisition of subsidiary

On 21 October 2016, the Company acquired 100% of the ordinary shares and voting interest in London & Colonial Holdings Limited (LCH).

LCH is a service led independent financial services group with its head office in Hayward’s Heath, UK, offering SIPP products in the United Kingdom; Qualifying Recognised Overseas Pension Schemes ("QROPs") in Gibraltar and a life assurance business in Gibraltar. The acquisition was highly complementary to STM's existing business and strategy and contributed to the growth of STM. It provided critical mass for STM’s life assurance business as well as establishing STM in the UK SIPP market, the successful realisation of an important strategic objective of the Company. It also benefited from cost synergies, economies of scale and a good quality management team that had been retained by the Company. All of these factors contributed to the goodwill recognised.

The acquisition was accounted for using the acquisition method.

3. Acquisition of subsidiary cont.

Consideration for the acquisition on completion date consisted of the following payments:

	£'000s
Initial cash payment	4,135
Second cash payment	100
Contingent consideration	1,150
Total	**5,385**

The contingent consideration was payable within the first year following acquisition and was dependent on certain regulatory capital requirements being met and standard indemnities provided by the Sellers. The Group estimated the fair value of this to be the maximum amount payable, being £1,150,000 on acquisition.

In October 2017, the Group assessed the contingent consideration, and made a final cash payment of £800,000 thus reducing the initial contingent liability by £350,000. The goodwill on acquisition has been re-measured and adjusted to reflect the fair value of the contingent consideration.

Goodwill arising from the acquisition has been re-measured as follows:

	Goodwill on Acquisition £'000s	**Adjustment £'000s**	**Goodwill As at 31 December 2017 £'000s**
Total acquisition cost	5,385	(350)	5,035
Fair value of identifiable net assets	(4,850)	—	(4,850)
Goodwill	**535**	**(350)**	**185**

4. Revenue

	31 December 2017 £000	31 December 2016 £000
Revenue from administration of assets	**21,525**	17,433
Total revenues	**21,525**	17,433

5. Segmental Information

STM Group has four reportable segments: Corporate Trustee Services, Pensions, Life Assurance and Other Services. Each segment is defined as a set of business activities generating a revenue stream and offering different services to other operating segments. The Group's operating segments have been determined based on the management information reviewed by the CEO and board of directors.

The Board assesses the performance of the operating segments based on turnover generated. The performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of arbitrary proportions. Management believe that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

The following table presents the turnover information regarding the Group's operating segments:

	Turnover	
Operating segment	**2017**	2016
	£000	£000
Pensions	**10,157**	9,229
Life Assurance	**5,851**	2,806
Corporate Trustee Services	**4,341**	4,366
Other Services	**1,176**	1,032
	21,525	17,433

Analysis of the Group's turnover information by geographical location is detailed below:

	Turnover	
Geographical segment	**2017**	2016
	£000	£000
Gibraltar	**10,675**	7,646
Jersey	**2,492**	2,462
Malta	**6,180**	6,542
United Kingdom	**1,666**	271
Other	**512**	512
	21,525	17,433

6. Administrative expenses

Included within administrative expenses are personal costs as follows:

	31 December 2017 £000	31 December 2016 £000
Wages and salaries	**8,522**	7,078
Social insurance costs	**389**	396
Pension contributions	**160**	110
Share based payments	**55**	34
Total personnel expenses	**9,126**	7,618

Average number of employees

Group	**31 December 2017 Number**	31 December 2016 Number
Average number of people employed (including executive directors)	**201**	173

7. Property, plant and equipment

	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
As at 1 January 2016	12	1,599	876	2,487
Acquired through business combination	3	58	18	79
Additions at cost	15	189	—	204
Disposals	(15)	(32)	—	(47)
As at 31 December 2016	**15**	**1,814**	**894**	**2,723**
As at 1 January 2017	15	1,814	894	2,723
Additions at cost	—	266	351	617
Disposals	—	(26)	(604)	(630)
As at 31 December 2017	**15**	**2,054**	**641**	**2,710**
Depreciation				
As at 1 January 2016	11	925	714	1,650
Charge for the year	3	136	81	220
Disposals	(11)	(25)	—	(36)
As at 31 December 2016	**3**	**1,036**	**795**	**1,834**
As at 1 January 2017	3	1,036	795	1,834
Charge for the year	3	150	113	266
Disposals	—	(26)	(604)	(630)
As at 31 December 2017	**6**	**1,160**	**304**	**1,470**
Net Book Value				
As at 31 December 2017	**9**	**894**	**337**	**1,240**
As at 31 December 2016	12	778	99	889

8. Intangible assets

	Goodwill £000	Client Portfolio £000	Product Development £000	Total £000
Costs				
Balance as at 1 January 2016	16,727	—	283	**17,010**
Acquired through business combination	535	1,000	106	**1,641**
Additions	—	—	113	**113**
Balance at 31 December 2016	**17,262**	**1,000**	**502**	**18,764**
Balance as at 1 January 2017	17,262	1,000	502	**18,764**
Additions	—	—	84	**84**
Reclassification	(422)	422	—	**—**
Adjustment (Note 3)	(350)	—	—	**(350)**
Balance at 31 December 2017	**16,490**	**1,422**	**586**	**18,498**
Amortisation and impairment				
Balance as at 1 January 2016	—	—	178	**178**
Charge for the year	—	17	25	**42**
Balance at 31 December 2016	**—**	**17**	**203**	**220**
Balance as at 1 January 2017	—	17	203	**220**
Charge for the year	—	100	112	**212**
Balance at 31 December 2017	**—**	**117**	**315**	**432**
Carrying amounts				
At 31 December 2017	**16,490**	**1,305**	**271**	**18,066**
At 31 December 2016	17,262	983	299	18,544

Impairment testing for cash-generating units containing goodwill
All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2017, and reflects the difference between the identifiable net asset value of those acquisitions and the total consideration incurred for those acquisitions.

8. Intangible assets cont.

Goodwill arising on acquisition is allocated to the cash generating units comprising the acquired businesses. Given the level of integration and synergies these units comprise the jurisdictions in which businesses have been acquired as follows:

	Gibraltar £000	Spain £000	Jersey £000	Total £000
At 1 January 2016 and 1 January 2017	15,815	470	977	17,262
Contingent consideration (Note 3)	(350)	—	—	(350)
Reclassification	—	(422)	—	(422)
At 31 December 2017	**15,465**	**48**	**977**	**16,490**

The Group tests goodwill annually for impairment with the recoverable amount being determined from value in use calculations which are based on board approved projections. A pre-tax discount rate of 13% has been used in discounting the projected cash flows. The assumptions applied for turnover growth range between -4% and 4% for the various CGUs and have been arrived at using past experience and knowledge of the various markets and internal strategies for each CGU. Similarly for expenses a growth rate of between 0% and 3% has been applied.

The valuations indicate sufficient headroom such that a reasonable potential change to key assumptions is unlikely to result in an impairment of the related goodwill.

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

Client portfolio

Client portfolio represents the value assigned to the individual client portfolios acquired through the acquisition of London & Colonial Holding Ltd in 2016 and the BUPA portfolio which was reclassified during the year. Both are amortised over the useful life which has been determined to be 10 years.

9. Cash and cash equivalents

Group	**31 December 2017 £000**	31 December 2016 £000
Bank balances	**18,363**	11,869
Cash and cash equivalents in the statement of cash flow	**18,363**	11,869

10. Capital and reserves

	31 December 2017 £000	31 December 2016 £000
Authorised, called up, issued and fully paid		
59,408,087 ordinary shares of £0.001 each (2015: 59,408,087 ordinary shares of £0.001 each)	**59**	59

Treasury shares
The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives. The trustees held 537,780 (2016: 432,358) shares at 31 December 2017.

Share premium
There were no new shares issued during the years ended 31 December 2017 and 31 December 2016.

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 during the year:

	31 December 2017 £000	31 December 2016 £000
1.6 pence per qualifying ordinary share (2016: 1.4 pence)	**951**	832

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 2017 £000	31 December 2016 £000
1.2 pence per qualifying ordinary share (2016: 1.0 pence)	**713**	594

11. Earnings per share

Earnings per share for the year from 1 January 2017 to 31 December 2017 is based on the profit after taxation of £3,974,000 (2016: £2,373,000) divided by the weighted average number of £0.001 ordinary shares during the year of 59,408,087 basic (2016: 59,408,087) and 62,378,491 dilutive (2016: 61,250,387) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2017 is:

	31 December 2017	31 December 2016
Weighted average number of shares	**59,408,087**	59,408,087
Share incentive plan	**2,970,404**	1,842,300
Diluted	**62,378,491**	61,250,387