



## Final Results

### STM GROUP PLC

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**STM Group plc**  
("STM", "the Company" or "the Group")  
**Final Results for the**  
**12 months ended 31 December 2020**

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 2020.

### Financial Highlights:

	2020 (reported)	2020 (underlying)**	2019 (reported)	2019 (underlying)**
Revenue	£24.0m	£24.0m	£23.2m	£22.9m
Profit before other items*	£3.6m	£4.0m	£3.5m	£4.2m
<i>Margin</i>	15%	17%	15%	18%
Profit before taxation ("PBT") (and exceptional bargain purchase gain)	£2.0m	£2.4m	£3.9m	£2.6m
Earnings per share	2.7p	N/A	5.73p	N/A
Cash at bank (net of borrowings)	£14.8m	N/A	£17.2m	N/A
Final dividend (2020) / second interim dividend (2019)	0.85p	N/A	0.75p	N/A
Total dividend	1.40p	N/A	1.50p	N/A

\* Profit before other items is defined as revenue less operating expenses i.e. profit before taxation, finance income and costs, depreciation, amortisation, bargain purchase gain and gain on the call options

\*\* Underlying statistics are net of certain transactions which do not form part of the regular operations of the business as further detailed in Table 2 below

### Operational Highlights:

- Stability of recurring revenue apparent through the Covid-19 virus
- Focussed on keeping colleagues safe through working from home and following Governments' guidelines and maintaining customers service levels
- The majority of our key IT projects for improved profitability are now live with the remaining concluding in the first half of 2021. Continued focus on technology to become a key differentiator.
- UK orientated products - Shariah SIPP and Workplace Pension Plan ("WPP") solutions - now launched, with opportunity for international solution as well

- WPP corporate business moving towards break-even
- Flexible annuity pipeline building, but slower than anticipated conversion
- Active pipeline of acquisition opportunities, particularly in the UK
- Strategic focus on core activities of pension administration and life assurance, with post period end disposals of the CTS businesses

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

"Whilst the year has had challenges, we have achieved a great deal in progressing our three year transformation and growth strategy. We see 2021 being a year where a number of strategic initiatives come to fruition that will build on efficiencies within the business. There is an energy and focus for the remainder of 2021 in building some key partnerships that will help drive new business volumes. Additionally, our acquisition pipeline is active and expected to be a pillar of our future growth.

"The recent Judgment in the Carey v Adams case will have implications across the whole of the Financial Services industry who have dealings on an execution only basis. This was a historical claim and the Options management team will continue to drive the business forward as they have done since being part of the STM team.

"STM is an increasingly streamlined and more focused business. The Board is optimistic for its future and looks forward to updating on progress in 2021."

*This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.*

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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 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 SPPs, Qualifying Recognised Overseas Pension Schemes (QROPS), Qualifying non UK Pension Schemes (QNUPS). STM 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](http://www.stmgroupplc.com)

**Chairman's statement**

I am pleased to present our 2020 financial statements which reflect another challenging but progressive year against the backdrop of the significant Covid-19 complications. We have however, made significant progress in a number of areas as we continue to implement our three-year growth strategy and have also kept our colleagues safe and protected during the pandemic.

Our operating model has come a long way since it was revised in 2019, giving much clearer demarcations of personal and Divisional accountability. We will continue to challenge and revise it where appropriate so as to adapt to changes in the marketplace, and how we need to operate. The key criteria being that we must set a firm foundation for future profitable growth.

Following the 2019 acquisition of Options, we have further strengthened our UK operations in August 2020 with the acquisition of a small SSAS and Group Pension Plan business, that will deliver annual revenue of circa £1.7 million. This complements our aspirations of building on a stronger UK focus going forward, and we will expect to make further acquisitions in the UK in the near future.

There have been a number of important IT projects carried out during 2020, and I am pleased to say that these have progressed well, with the 'go-live' of Office 365 and the two administration systems for the UK businesses, alongside the two QROPS businesses due to migrate in the second quarter of 2021. These will deliver important efficiencies during the second half of 2021 and will contribute to an improvement of our operating margins going forward.

Our primary challenge during 2020 and into 2021 is how we accelerate our new business growth, which has been a frustration that I share with the executive and the wider Plc board. We have a robust and solid infrastructure that requires a healthy stream of new business. We continue to have a major focus on building our distribution network for both the UK and international markets despite Covid hindering the process. We are also actively seeking new strategic distribution partnerships in all jurisdictions.

Post period end, we realised the sale of our non-core CTSP businesses which was a key deliverable on the Group's roadmap in order to allow STM's executive management to focus on STM's core activities of pension administration and provision of life assurance wrappers. Accordingly, I am acutely conscious that our numbers for 2021 have been pared back, reflecting a spreading of our fixed head-office costs over a smaller revenue base. We are actively challenging how we can mitigate this as we continue to streamline our corporate structure to focus on our core activities of pension administration and life assurance products. In addition, we are actively reviewing our capital allocation processes to obtain a more efficient solution.

Finally, I continue to watch the developments of the Adams vs Carey case, and believe that further guidance and clarity for SIPP providers, and indeed the wider UK financial services industry which operates in an execution only environment can only be beneficial to all parties. The new case law in the original ruling, and upheld in the Court of Appeal, in relation to Conduct of Business principles will be something that future Ombudsman rulings are expected to take into account.

I would like to take this opportunity to thank the Group's Directors, executive and all our colleagues for their relentless efforts during 2020, and one of my primary concerns remains protecting the welfare of our staff, their families and our clients' service standards in these uncertain times. I would specifically like to thank our CFO, Therese Neish for her enormous efforts and ongoing professionalism in a year where she has declared her intent to move on.

**Duncan Crocker**  
**Chairman**

## **Chief Executive's statement**

### **Introduction**

From a macro-economic viewpoint, 2020 will be remembered as a year that kept on throwing up uncertainties, from the hard/soft Brexit debate through to the unprecedented turmoil, distress and unknown of Covid-19. It has been a hard year not only for businesses but also for people as a whole.

As a business, STM has been very fortunate that it has a solid and predictable recurring revenue base, and this has held us in good stead throughout the year. On the face of it, we have achieved a significant amount of what we set out to achieve during 2020, and into the early part of 2021.

Our colleagues across the various jurisdictions in which we have trading operations were able to successfully implement our "working-from-home" plans so that our day to day interaction with customers and other stakeholders were more or less unaffected by Covid-19. This is a credit to our management team and the various hardworking teams that have carried on their duties as usual.

Importantly, we were still able to complete one acquisition during the year and this will add to our UK recurring revenue base for 2021 and beyond. Subsequent to the year end, we successfully sold both our CTSP businesses, which were no longer core to our strategy and had struggled for organic growth under our stewardship.

Many of our 2020 building blocks are now in place that will allow increased operating margins in our trading entities. Such building blocks were focused on moving to three core IT systems across the businesses, implementing Office 365 as our underlying business tool, replacing two of our personal pension administrative systems with BOSS, our in-house pension administrative system, which now supports all our personal pensions, and finally the successful migration of our auto-enrolment business onto the ITM administrative system.

Despite recognising the significant revenue growth within our pensions business, without a doubt the biggest frustration of 2020 has been the slower than anticipated new business take-on across the Group. Certainly Covid-19 played a significant part in that. There was an expectation of some bulk transfers to Options in relation to the UK workplace pensions that were delayed or did not occur, as well as some partnership ventures particularly with regards to the UK SIPP business that have been slower to progress than anticipated. Our flexible annuity product shows significant promise in relation to future business but continues to be slower to convert than anticipated. The Plc board continues to have a focus on accelerating this.

Generally speaking, our trading subsidiaries have performed broadly as expected, albeit during 2020 we revised downwards our profit expectations on the back of the slower than anticipated new business take up, that is referred to above. Certain important milestones were achieved, including the transition of our UK workplace pension solutions business from a significant loss-making business at the time that we acquired it in 2019 into a scalable business that is expected to be profitable in 2021.

There remains significant uncertainty in the personal pensions' environment in relation to the duties and obligations of pension administrators, particularly in the UK. The original ruling in 2020 on the Adams vs Carey case found on all counts in favour of Carey, however at the recent judgment handed down on 1 April 2021 the Court of Appeal found in favour of Mr Adams so that the setting up of the SIPP was unenforceable. This ruling is likely to have a significant impact on UK financial services businesses that have interactions with unregulated introducers. On 28 April 2021 Options sought permission from the Supreme Court to appeal the Court of Appeal judgment.

## **Financial Review**

### ***Financial performance in the year***

The principal key performance indicators used by the Board to assess the financial performance of the Group are as per Table 1 below.

The Group has reported revenues of £24.0 million (2019: £23.3 million) in the year with profit before other items of £3.6 million (2019: £3.5 million). Whilst these measures show modest growth it is on the back of an unprecedented year in terms of the global pandemic resulting in new ways of working for our teams and financial uncertainty, which has no doubt impacted our new business levels.

Historically the business has had a large number of one off non-recurring movements such as the insurance technical revenue releases, and accounting adjustments due to acquisitions. These have been considerably less in 2020 as shown in Table 2 below. As such there are none which impact revenue so that underlying revenue is as per our reported revenue at £24.0 million (2019: £22.9 million). A small number of non-recurring costs have been incurred within operating expenses mainly in relation to integration costs and redundancies resulting in underlying profit before other items of £4.0 million (2019: £4.2 million). The decrease in underlying profit before other items is largely as a result of the higher professional indemnity insurance premiums, an increase which was seen across the market, which were introduced in September 2019 resulting in 2020 being a full year with these higher costs. This has also contributed to the slightly lower underlying profit margin of 17% (2019: 18%).

The reported profit before tax ("PBT") is calculated after deducting net finance costs of £0.2 million (2019: £0.3 million) and various non-cash expenses such as depreciation and amortisation on both client portfolios acquired as part of the acquisitions and IT projects totalling £1.4 million (2019: £1.3 million). In addition, last year the Group also recognised a bargain purchase gain on the Options acquisition of £1.7 million as well as the value of the call options agreement in relation to these minority shares of £0.4 million, the change in valuation in 2020 was £0.1 million.

Reported PBT for the year amounted to £2.0 million (2019: £3.9 million) with underlying PBT (defined on a consistent basis with underlying revenue and profit before other items) for the year of £2.4 million (2019: £2.6 million).

Pleasingly, recurring annual revenue, which is an important key performance indicator for the Board has increased quite significantly. This has been as a result of both organic growth as well as the results no longer benefitting from the technical reserve releases which were classified as one-off as there was always a finite timeframe for these. Recurring revenue for 2020 has accounted for 85% of total revenues (2019: 77%), thus a total of £20.3 million (2019: £18.0 million).

<b>KPI</b>	<b>Definition</b>	<b>2020 result</b>	<b>2019 result</b>
Revenue (£'000s)	Income derived from the provision of services.	<b>23,982</b>	23,251
Profit before other items (£'000s)	Revenue less operating expenses i.e. profit before taxation, finance income and costs, depreciation, amortisation, bargain purchase gain and gain on the call options.	<b>3,570</b>	3,475
Profit before other items margins (%)	Profit before other items divided by revenue.	<b>15%</b>	15%
Profit before tax	Profit before taxation.	<b>2,020</b>	3,923
Underlying revenue (£'000)	Revenue net of non-recurring costs and other exceptional items including bargain purchase gains and technical reserve releases that do not form part of the normal course of business as per Table 2 below.	<b>23,982</b>	22,911
Underlying profit before other items (£'000s)	Profit before other items net of non-recurring costs and other exceptional items including bargain purchase gains and technical reserve releases that do not form part of the normal course of business as per Table 2 below.	<b>4,034</b>	4,235
Underlying profit before tax (£'000s)	Profit before tax net of non-recurring costs and other exceptional items including bargain purchase gains and technical reserve releases that do not form part of the normal course of business as per Table 2 below.	<b>2,425</b>	2,565
Underlying profit margins (%)	Underlying profit before other items divided by revenue.	<b>17%</b>	18%
Recurring revenue (£'000s)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	<b>20,334</b>	18,025

**Table 2**

	Revenue		Profit before other items		Profit before tax	
	2020 £000's	2019 £000's	2020 £000's	2019 £000's	2020 £000's	2019 £000's
<b>Reported measure</b>	<b>23,982</b>	23,251	<b>3,570</b>	3,475	<b>2,020</b>	3,923
Less: release on technical reserve	-	(946)	-	(946)	-	(946)
Add/(less): adjustment due to revenue recognition policy changes on acquisitions	-	606	-	606	-	606
Less: bargain purchase gain on acquisition and gain on call options	-	-	-	-	<b>(59)</b>	(2,118)
Add: integration and acquisition costs	-	-	<b>179</b>	461	<b>179</b>	461

Add: other non-recurring costs	-	-	285	639	285	639
<b>Underlying measure</b>	<b>23,982</b>	22,911	<b>4,034</b>	4,235	<b>2,425</b>	2,565

### Tax Charge and Earnings per Share

The tax charge for the year was £0.4 million (2019: £0.5 million). This is an effective tax rate of 20% (2019: 13%) which is in line with expectations.

Earnings per share ("EPS") for 2020 is 2.70p compared to 5.73p for 2019 due to the higher PBT in 2019 as a result of the bargain purchase gain. Diluted earnings per share for 2019 took into consideration the long-term incentive plan which was in existence for part of 2019. There was no dilutive factor in 2020 as such the diluted EPS for 2020 is also 2.70p (2019: 5.64p).

### Cashflows

Cash and cash equivalents amounted to £16.4 million as at 31 December 2020 (2019: £18.4 million) with net cash inflow from operating activities of £2.3 million for the year ended 31 December 2020 (2019: £3.1 million).

During the year the Company repaid the one-year bank loan of £1.2 million taken out in 2019. In addition, during the year the Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million. The facility has a 5-year term with capital repayments structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 years. The Company drew down £1.6 million of this facility as part of the Berkeley Burke acquisition, all of which was outstanding at the year end.

As such, net cash and cash equivalents as at 31 December 2020 were £14.8 million (2019: £17.2 million).

As would be expected for a Group regulated in a number of jurisdictions, a significant proportion of this balance forms part of the regulatory and solvency requirements. It is not possible to determine exactly how much of the cash and cash equivalents are required for solvency purposes as other assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31 December 2020 was £18.3 million (2019: £17.4 million).

The balance sheet also gives visibility of future revenue and cash generation and, in line with all administration services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £1.3 million as at the year end (2019: £1.2 million). Additionally, deferred income (a liability in the statement of financial position) relating to annual fees invoiced but not yet earned stood at £3.6 million (2019: £4.2 million). Both these figures give good visibility of cash collections and in the case of deferred income revenue still to be earned through the Income Statement in the coming months.

Other large balance sheet items relate to trade and other receivables of £5.5 million as at 31 December 2020 (2019: £5.8 million) and a new balance in 2020 for assets held for sale. It is a requirement of accounting standards to reflect all assets held for sale separately on the Statement of Financial Position thus this is purely a reallocation of the net assets and goodwill in relation to these assets held for sale.

As required by accounting standards (IAS 37 - Provisions, Contingent Liabilities and Contingent Assets) consideration has had to be given as to whether the Court of Appeal judgment against Options has given rise to a provision as to the potential financial obligation which could arise in the future and whether such a provision can be reliably estimated. Whilst permission to appeal this judgment has been sought from the Supreme Court a provision has been reflected in the Balance Sheet within trade and other payables. Given that the ruling made in Mr Adams case is fact specific it is difficult to assess the exact obligation that could arise on other claims based on this one case. An estimate has been arrived at by considering a cohort of claims which may be deemed to have similar characteristics to Mr Adams' claim. This is covered by professional indemnity insurance and thus has also been reflected within trade and other receivables.

### Dividend

I am pleased to advise that the Board is recommending the payment of a final dividend of 0.85p per share (2019: 0.75p per share), an increase of 13% from prior year. This together with the interim dividend paid of 0.55p in November 2020 (2019: 0.75p) makes a proposed total dividend for the year of 1.40p per share (2019: 1.50p).

Subject to approval at the Company's Annual General Meeting to be held on 24 June 2021, the final dividend will be paid on 30 June 2021 to shareholders on the register at the close of business on 28 May 2021. The ordinary shares will be marked ex-dividend on 27 May 2021.

## **Operational Performance**

### Pensions

Our pension administration businesses continue to be the life-blood of our group, and the corner stone to our profitability. The Options acquisition made in 2019 has shown significant revenue growth in 2020 and the integration savings expected from the SIPP business have now started to come through. In addition, the Berkeley Burke acquisition in 2020 is also generating both revenue and profit contributions in the 5-month period since acquisition.

Whilst new business levels were slower to come through than we originally expected as a result of the global pandemic impact they were still higher volumes than in prior year within the SIPP and auto-enrolment businesses. A total of 585 SIPPS were signed up in 2020 compared to 452 in 2019. In addition, the auto-enrolment business saw 40,000 new members since acquisition to 31 December 2019 as compared to 72,000 new members in 2020.

Total revenue across our pensions businesses amounted to £16.5 million (2019: £14.1 million) and accounted for 69% of total Group revenue (2019: 61%). In addition, recurring revenues for the pension businesses remain high at 93% (2019: 90%).

The administration of our ROPS products continues to be our largest revenue generator accounting for £10.1 million of revenue (2019: £10.1 million). This administration is carried out in Malta and Gibraltar with the revenue continuing to be split 75% and 25% respectively as was the case in 2019. As has been known for a number of years, this product is no longer a growth factor as a result of changes in the UK pension legislation in 2017. Whilst we continue to receive a small number of new members from EEA countries (203 in 2020 compared to 225 in 2019) the attrition rate is increasing as we see our member profile age and take advantage of flexi access benefits in Malta. The attrition rate in 2020 was 6% (2019: 5%).

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, have contributed total revenues of £3.5 million (2019: £2.7 million). The increase in revenues is a combination of now having the benefit of a full year of Options as well as organic growth. The administration for both these businesses is now being carried out from the Milton Keynes offices and the integration savings expected are now starting to come through. The final aspect of this integration, being the IT migration, happened towards the end of the year and thus the benefits will come through in 2021.

As mentioned above the auto-enrolment business saw a significant increase in members and this has resulted in increased revenues for the year of £2.2 million (2019: £1.3 million). Whilst this business remains break-even we expect it to become a profit generator for the Group during the early part of 2021.

The final revenue stream of the pensions divisions comes from the recently acquired Berkeley Burke companies. This acquisition came with a small SSAS business and a Group Pension Plan business providing third party administration. The SSAS business contributed revenues of £0.1 million in the year with the Group Pension Plan generating revenue of £0.6 million.

### Life Assurance

The 2020 combined revenue figure was £3.7 million compared to £4.8 million for 2019. The main reason for the decrease is due to the final release of £1.0 million in 2019 in relation to the technical reserve which came with the London & Colonial acquisition made in 2016. Adjusting for this one-off transaction results in similar revenue figures year on year.

Whilst the business saw some new business materialise through the launch of the flexible annuity products this growth has made up for the loss of interest income as a result of the decreased interest rates and natural attrition on the existing client portfolios.

Our flexible annuity products aimed at the UK market remain the key focus for organic growth within our life businesses. As previously reported our pipeline of potential new business remains significant, albeit, as mentioned above the length of time for that to convert into new business is longer than we originally envisaged.

In a similar manner to that of our pensions administration businesses, recurring revenue is a significant proportion of revenue being 94% in 2020 (2019: 75% due to the one-off technical reserve release of £1.0 million distorting this percentage).

### Corporate and Trustee Services (CTS)

Turnover from the Corporate and Trustee Services (CTS) division for the year was £3.2 million (2019: £3.7 million) thus accounting for 13% of the Group's total turnover (2019: 16%).

Our Gibraltar business contributed 53% (2019: 48%) of this revenue, with Jersey contributing the other 47% (2019: 52%).

As noted in previous year's reports, the CTS environment and sector remains challenging, and it is fully recognised by the Group that this revenue stream was not a core area going forward.

Subsequent to the year end the Company has sold off both its CTS businesses. On 23 March 2021 it sold the Gibraltar business to the privately-owned Sovereign Group which already has a significant presence in Gibraltar, and on 8 May 2021 it sold the Jersey business to the privately-owned Imperium Group which has its head office in Guernsey. Part of ensuring that we exited the CTS sector in an orderly manner was ensuring that both our work colleagues and our CTS clients would be well looked after going forward. I am pleased to say that this will be the case with the new respective owners of each business.

### **Outlook**

Our trading outlook for the year remains in line with management's expectations and we believe the Group is positioned to grow, both organically and by acquisition.

2021 is all about capitalising on the hard work carried out in 2020; ensuring the efficiency benefits of the completed IT projects fully materialise, and the partnerships that were in their infancy in 2020 truly blossom to meet the management team's expectations. We continue to look at entering further key distribution partnerships for our core products with a view to accelerate organic growth in these areas.

There continues to be a strong focus on bringing products to market and ensuring we generate that new business growth that we know our product offerings and trading operations are capable of. In this regard, we must balance our governance structure and controls against a background of ambitious growth as an AIM listed company.

We anticipate that there will be further clarity given in relation to the duties of UK SIPP providers following the latest judgment by the Court of Appeal. On 28 April 2021 Options sought permission from the Supreme Court to appeal this judgment. It is anticipated that the outcome of this request will not be known for a further few months albeit the company is well protected financially due to the insurance protections it has in place. Importantly, the Court of Appeal upheld the Judge of first instance decision in relation to Carey acting correctly under the FCA's Conduct of Business principles, and this new law hopefully will be taken into account in future Ombudsman rulings.

A number of key initiatives will conclude in the first half of 2021, including a capital management review as to how we can be more efficient with capital across our business; and we will continue to look to streamline our trading operations so that we focus purely on our core activities of pension administration and provision of life assurance "wrappers".

The Board remains fully committed to our acquisition strategy, and see this as an important pillar of our overall growth aspirations.

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, specifically at such a time of change and uncertainty.

Finally, it would be remiss of me not to single-out Therese, our CFO for the last seven years, to thank her for all her hard work over those years, and for the support she has given to both me personally and the business overall during some very difficult times. Whilst she will be with the business for the foreseeable future, whilst we recruit her replacement, I wish her success in the next step of her career.

I look forward to updating the market during the course of 2021 with our progress.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020**

	Note	31 December 2020 £000's	31 December 2019 £000's
<b>Revenue</b>	6,7	<b>23,982</b>	23,251
Administrative expenses	0	(20,412)	(19,776)
<b>Profit before other items</b>		<b>3,570</b>	3,475
<b>OTHER ITEMS</b>			
Bargain purchase gain		-	1,702
Gains on revaluation of financial instruments	5	59	416
Finance costs		(246)	(325)
Depreciation and amortisation	10,11	(1,363)	(1,345)
<b>Profit before taxation</b>		<b>2,020</b>	3,923
<b>Taxation</b>		<b>(413)</b>	(520)
<b>Profit after taxation</b>		<b>1,607</b>	3,403
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences for foreign operations		(1)	(97)
<b>Total other comprehensive loss</b>		<b>(1)</b>	(97)
<b>Total comprehensive income for the year</b>		<b>1,606</b>	3,306
<b>Profit attributable to:</b>			
Owners of the Company		1,777	3,756
Non-Controlling Interests		(170)	(353)
		<b>1,607</b>	3,403
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,776	3,659
Non-Controlling Interests		(170)	(353)
		<b>1,606</b>	3,306
<b>Earnings per share basic (pence)</b>	16	<b>2.70</b>	5.73
<b>Earnings per share diluted (pence)</b>	16	<b>2.70</b>	5.64

The results for 2020 relate to continuing activities. Discontinued activities in 2019 are disclosed in note 3.

The notes on the accounts form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Note	31 December 2020 £000's	31 December 2019 £000's
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1,970	2,953
Intangible assets	11	19,912	20,488
Financial assets	5	475	416
Deferred tax asset		75	92
<b>Total non-current assets</b>		<b>22,432</b>	23,949
<b>Current assets</b>			
Accrued income		1,319	1,186
Trade and other receivables	14	9,073	5,765
Cash and cash equivalents	12	16,409	18,406
Assets held for sale	13	5,978	-
<b>Total current assets</b>		<b>32,779</b>	25,357
<b>Total assets</b>		<b>55,211</b>	49,306
<b>EQUITY</b>			
Called up share capital	15	59	59
Share premium account	15	22,372	22,372
Retained earnings		13,541	12,536

Other reserves		(447)	(446)
<b>Equity attributable to owners of the Company</b>		<b>35,525</b>	<b>34,521</b>
<b>Non-controlling interest</b>		<b>(445)</b>	<b>(275)</b>
<b>Total equity</b>		<b>35,080</b>	<b>34,246</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Liabilities for current tax		1,197	1,083
Trade and other payables	14	14,974	11,634
Liabilities directly associated with assets held for sale	13	1,154	-
<b>Total current liabilities</b>		<b>17,325</b>	<b>12,717</b>
<b>Non current liabilities</b>			
Other payables		2,806	2,343
<b>Total non-current liabilities</b>		<b>2,806</b>	<b>2,343</b>
<b>Total liabilities and equity</b>		<b>55,211</b>	<b>49,306</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020**

	Note	31 December 2020 £000's	31 December 2019 £000's
<b>OPERATING ACTIVITIES</b>			
Profit for the year before tax		2,020	3,923
<b>ADJUSTMENTS FOR:</b>			
Depreciation of property, plant and equipment	10	793	773
Amortisation of intangible assets	11	570	572
Write-off of intangible assets	11	-	71
Loss on sale of fixed asset		-	5
Taxation paid		(299)	(345)
Bargain purchase gain		-	(1,702)
Unrealised gains on financial instruments at FVTPL	5	(59)	(416)
Share based payments		-	18
(Increase)/decrease in trade and other receivables		(215)	827
Increase in accrued income		(485)	(301)
Decrease in trade and other payables		(12)	(326)
<b>Net cash from operating activities</b>		<b>2,313</b>	<b>3,099</b>
<b>INVESTING ACTIVITIES</b>			
Disposal of investments		-	74
Purchase of property, plant and equipment	10	(70)	(117)
Increase in intangible assets	11	(875)	(160)
Consideration paid on acquisition of subsidiary	4	(1,447)	(350)
Cash acquired on acquisition of subsidiary	4	27	1,116
Reclassification to assets held for sale	13	(725)	-
<b>Net cash used in investing activities</b>		<b>(3,090)</b>	<b>563</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank loans		1,600	1,200
Bank loan repayment		(1,200)	(1,650)
Lease liabilities paid		(843)	(745)
Treasury shares purchased		-	(117)
Dividends paid	15	(772)	(1,218)
<b>Net cash from financing activities</b>		<b>(1,215)</b>	<b>(2,530)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(1,992)</b>	<b>1,132</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Analysis of cash and cash equivalents during the year			
(Decrease)/increase in cash and cash equivalents		(1,992)	1,132
Effect of movements in exchange rates on cash and cash equivalents		(5)	7
Balance at start of year		18,406	17,267
<b>Balance at end of year</b>	12	<b>16,409</b>	<b>18,406</b>

**STATEMENT OF CONSOLIDATED CHANGES IN EQUITY  
FOR THE YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020**

Share Capital £000's	Share Premium £000's	Retained Earnings £000's	Treasury Shares £000's	Foreign Currency Translation	Shares Based Payments	Total £000's	Non- Controlling Interests	Total Equity £000's
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					Reserve £000's	Reserve £000's		£000's	
<b>Balance at</b>									
<b>1 January 2019</b>	59	22,372	9,998	(432)	38	144	32,179	-	32,179
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Profit for the year	--	-	3,756	-	-	-	3,756	(353)	3,403
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	-	(97)	-	(97)	-	(97)
<b>Transactions with owners, recorded directly in equity</b>									
Dividend paid	-	-	(1,218)	-	-	-	(1,218)	-	(1,218)
Treasury shares purchased	-	-	-	(117)	-	-	(117)	-	(117)
Share based payments	-	-	-	-	-	18	18	-	18
<b>Changes in ownership interest</b>									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	78	78
<b>31 December 2019 and</b>									
<b>1 January 2020</b>	59	22,372	12,536	(549)	(59)	162	34,521	(275)	34,246
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Profit for the year	-	-	1,777	-	-	-	1,777	(170)	1,607
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	-	(1)	-	(1)	-	(1)
<b>Transactions with owners, recorded directly in equity</b>									
Dividend paid	-	-	(772)	-	-	-	(772)	-	(772)
Treasury shares purchased	-	-	-	--	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-
<b>Changes in ownership interest</b>									
<b>At 31 December</b>									
<b>2020</b>	59	22,372	13,541	(549)	(60)	162	35,525	(445)	35,080

## STM Group Plc Notes to the consolidated financial statements for 2020

### 1. Reporting entity

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and is traded on AIM, a market operated by the London Stock Exchange. 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, which 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, is derived from the full group financial statements for the year ended 31 December 2020, which have been prepared under International Financial Reporting Standards (IFRS) and in accordance with Isle of Man company law.

The Directors have considered the current position, foreseeable risks and uncertainties facing the business and are of the opinion that the business remains a going concern. As such the financial statements have 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 2020.

### 3. Discontinued Operations

The Group had no discontinued operations in 2020.

In March 2019, the Group closed down its insurance management business, STM Fidecs Insurance Management Limited. Management committed to a plan to cease trading for this part of the segment following an assessment of the viability of the insurance management business and its alignment with the Group's long-term strategy to focus on its core activities.

This proportion of the other services segment was not previously classified as held-for-sale or as a discontinued operation.

Results of the discontinued operation were as follows:

	2019 £000's
Revenue	179
Expenditure	(140)
<b>Results from operating activities</b>	<b>39</b>
Income tax	(3)
<b>Results from operating activities, net of tax</b>	<b>36</b>
Gain on sale of discontinued operation	-

Basic earnings per share (pence)	0.0001
Diluted earnings per share (pence)	0.0001

The profit from the discontinued operation is attributable entirely to the owners of the Company. During 2019 the discontinued operation contributed £36,000 to the Group's net operating cashflows.

#### 4. Acquisition of subsidiary

On 13 August 2020, the Group acquired 100% of the share capital of Berkeley Burke (Financial Services) Ltd ("BBFS") and Berkeley Burke Employee Benefit Consultants Ltd ("EBC"), referred to jointly as the BB companies, from Berkeley Burke Group Limited, which together provide administration and consultancy services to Small Self-administered Pension schemes (SSAS) in the UK and to large and medium sized UK and international businesses, delivering pension solutions for their UK and overseas employees.

The SSAS business will allow for efficiency gains when it is integrated into the Group's existing UK operations, and the UK and international group pension plan business will strengthen our position in that sector. In addition, the acquisition allowed the Group to enter a new market - the group pension plan business - providing the growth opportunities in the UK.

The acquisition has been accounted for using the acquisition method. Transaction costs incurred on the acquisition total £88,000 and have been expensed within administrative expenses in the consolidated statement of comprehensive income.

Consideration for the acquisition is broken down as follows:

	<b>£000's</b>
Initial cash payment	1,447
Deferred consideration	700
<b>Total consideration transferred</b>	<b>2,147</b>

The initial cash payment was made at the date of signing the Sale & Purchase Agreement. The deferred consideration is due for payment within 10 days following the first-year anniversary date of the completion accounts being 31 July 2021. The deferred consideration is dependent on revenue generated from the acquired clients.

The following table summarises the fair value of the identifiable assets and liabilities assumed of the acquired companies as at the acquisition date:

	FV recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000s	£'000s	£'000s
Client portfolio	1,500	1,500	-
Accrued income	112	-	112
Debtors	157	-	157
Cash at bank	27	-	27
Liabilities	(225)	-	(225)
Deferred tax liabilities on Client portfolio	(270)	(270)	-
<b>Total identifiable assets</b>	<b>1,301</b>	<b>1,230</b>	<b>71</b>

At acquisition the Group performed an exercise to identify the fair value of intangible assets acquired. As a result of that exercise, a client portfolio asset of £300,000 relating to the BBFS portfolio and £1,200,000 related to the EBC portfolio were recognised.

The client portfolios have been valued using an excess earnings model which disregards future growth of the acquired portfolio but takes into consideration cost synergies achieved following the integration of the businesses.

The assumptions used for the valuation of the client portfolio were as follows:

Attrition rate	7% - 12%
Discount factor	13%

A movement of +/- 1% on the above assumptions results in a range of values of £1,467,000 to £1,611,000.

From the date of acquisition the Berkeley Burke companies have generated revenue of £695,000 and profit of £261,000. If the acquisition had occurred on 1 January 2020, management estimates that consolidated revenue would have been £1,702,000 and consolidated profit would have been £545,000.

Goodwill arising from the acquisition has been recognised as follows:

	<b>£'000s</b>
Total acquisition cost	2,147
Fair value of identifiable net assets	(1,301)
<b>Goodwill</b>	<b>846</b>

#### 5. Call options to acquire non-controlling interests

As part of the acquisition of Carey Administration Holdings Limited, the Group entered into call option agreements to acquire the non-controlling interests in Options Pensions UK LLP and Options Corporate Pensions UK Limited from the current owner of the NCIs. The call options are exercisable in 2022 and the prices are based on the audited financial statements of these entities for the year ended 31 December 2021. The fair value of the call options as at acquisition date and as at 31 December 2019 was determined at £416,000 using discounted cashflow techniques as no observable market transactions are available. This is subject to revaluation as at each reporting date.

As at 31 December 2020 these call options were valued at £475,000.

The assumptions used for the valuations of the call options as at 31 December 2020 and 31 December 2019 were as follows:

	Options Pensions UK LLP		Options Corporate Pensions UK	
	2020	2019	2020	2019
Income growth rate	2%	2%	2%	2%
Cost growth rate	2%	4%	3%	6%
Discount factor	13%	13%	13%	13%

A movement of +/- 1% on the above assumptions results in a range of values of £184,000 to £1,151,000.

## 6. Segmental Information

STM Group has four reportable segments: Pensions, Life Assurance, Corporate Trustee Services 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 internally calculated 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:

Operating segment	Turnover	
	2020 £000's	2019 £000's
Pensions	16,488	14,074
Life Assurance	3,709	4,768
Corporate Trustee Services	3,167	3,662
Other Services	618	747
	<b>23,982</b>	<b>23,251</b>

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

Geographical segment	Turnover	
	2020 £000's	2019 £000's
Gibraltar	7,999	9,329
Malta	7,625	7,542
United Kingdom	6,379	3,964
Jersey	1,483	1,901
Other	496	515
	<b>23,982</b>	<b>23,251</b>

## 7. Revenue

	31 December 2020 £000's	31 December 2019 £000's
Revenue from administration of assets	23,982	23,251
Total revenues	<b>23,982</b>	<b>23,251</b>

## 8. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2020 £000's	31 December 2019 £000's
Wages and salaries	11,634	11,180
Social insurance costs	522	502
Pension contributions	156	199
Share based payments	-	18
Total personnel expenses	<b>12,312</b>	<b>11,899</b>

## Average number of employees

Group	31 December 2020 Number	31 December 2019 Number
Average number of people employed (including executive directors)	287	268

## 9. Reconciliation of reported to underlying measures

	Revenue		Profit before other items		Profit before tax	
	2020	2019	2020	2019	2020	2019
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Reported measure</b>	<b>23,982</b>	23,251	<b>3,570</b>	3,475	<b>2,020</b>	3,923
Less: release on technical reserve	-	(946)	-	(946)	-	(946)
Add: adjustment due to revenue recognition policy changes on acquisition	-	606	-	606	-	606
Less: bargain purchase gain on acquisition and gain on call options	-	-	-	-	(59)	(2,118)
Add: integration and acquisition costs	-	-	179	461	179	461
Add: other non-recurring costs	-	-	285	639	285	639
<b>Underlying measure</b>	<b>23,982</b>	22,911	<b>4,034</b>	4,235	<b>2,425</b>	2,565

Underlying measures are net of non-recurring costs and other exceptional items including bargain purchase gains and technical reserve releases that do not form part of the normal course of business.

## 10. Property, plant and equipment

Group	Motor Vehicles £000's	Office Equipment £000's	Leasehold Improvements £000's	Right-of-use Assets £000's	Total £000's
<b>Costs</b>					
As at 1 January 2019	15	2,130	641	5,151	7,937
Acquired through business combination	-	19	-	90	109
Additions	-	117	-	481	598
Disposals	-	(167)	-	-	(167)
<b>As at 31 December 2019 and 1 January 2020</b>	<b>15</b>	<b>2,099</b>	<b>641</b>	<b>5,722</b>	<b>8,477</b>
Additions	-	70	-	-	70
Reclassification to assets held for sale (Note 13)	-	(410)	(164)	(319)	(893)
Disposals	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>15</b>	<b>1,759</b>	<b>477</b>	<b>5,403</b>	<b>7,654</b>
<b>Depreciation</b>					
As at 1 January 2019	8	1,354	328	3,223	4,913
Charge for the year	2	187	53	531	773
Disposals	-	(162)	-	-	(162)
<b>As at 31 December 2019 and 1 January 2020</b>	<b>10</b>	<b>1,379</b>	<b>381</b>	<b>3,754</b>	<b>5,524</b>
Charge for the year	1	171	37	584	793
Reclassification to assets held for sale (Note 13)	-	(357)	(58)	(218)	(633)
<b>As at 31 December 2020</b>	<b>11</b>	<b>1,193</b>	<b>360</b>	<b>4,120</b>	<b>5,684</b>
<b>Net Book Value</b>					
As at 31 December 2019	5	720	260	1,968	2,953
<b>As at 31 December 2020</b>	<b>4</b>	<b>566</b>	<b>117</b>	<b>1,283</b>	<b>1,970</b>

## 11. Intangible assets

Group	Goodwill £000's	Client Portfolio £000's	Product Development £000's	IT Development	
				Costs £000's	Total £000's
<b>Costs</b>					
Balance as at 1 January 2019	16,490	2,342	586	185	19,603
Acquired through business combination	-	1,900	-	105	2,005
Additions	-	-	27	133	160
<b>Balance at 31 December 2019 and 1 January 2020</b>	<b>16,490</b>	<b>4,242</b>	<b>613</b>	<b>423</b>	<b>21,768</b>
Acquired through business combination (Note 4)	846	1,500	-	-	2,346
Additions	-	-	10	865	875
Reclassification to assets held for sale (Note 13)	(3,227)	-	-	-	(3,227)
<b>Balance at 31 December 2020</b>	<b>14,109</b>	<b>5,742</b>	<b>623</b>	<b>1,288</b>	<b>21,762</b>

### Amortisation and impairment

Balance as at 1 January 2019	-	274	351	12	637
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Charge for the year	-	400	34	138	572
Write-off intangible assets/adjustments	26	-	45	-	71
<b>Balance at 31 December 2019 and 1 January 2020</b>	<b>26</b>	<b>674</b>	<b>430</b>	<b>150</b>	<b>1,280</b>
Charge for the year	-	469	17	84	570
<b>Balance at 31 December 2020</b>	<b>26</b>	<b>1,143</b>	<b>447</b>	<b>234</b>	<b>1,850</b>

#### Carrying amounts

At 31 December 2019	16,464	3,568	183	273	20,488
<b>At 31 December 2020</b>	<b>14,083</b>	<b>4,599</b>	<b>176</b>	<b>1,054</b>	<b>19,912</b>

#### 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 2020, and reflects the difference between the identifiable net asset value of those acquisitions and the total consideration incurred for those acquisitions.

Following management's commitment to exit the Group's non-core activities the goodwill allocated to these CGU's has been reclassified as assets held for sale (see note 13).

Goodwill needs to be allocated to the smallest identifiable group of assets that generate largely independent cashflows. Historically, these cash generating units have been identified as the jurisdictions in which the acquisitions were made. Whilst the synergies in Gibraltar remain management following the Group's decision to exit its non-core activities management have reassessed the number of CGUs and determined that there are four identifiable cashflows and thus the CGU can be broken down further.

Following the post year end sale of the Gibraltar CTS business (see note 17), the goodwill of £2,250,000 for which has been reclassified as assets held for sale, the remaining Gibraltar goodwill is now three separate CGUs with values of £7,766,000, £3,698,000 and £1,725,000. This goodwill breakdown has been determined by reference to the recoverable amount being the higher of the fair value less costs of disposal or value in use of each cash generating unit.

The Group tests goodwill annually for impairment. Historically the Group has determined the recoverable amounts of the CGUs to be the value in use which has been derived at using board approved projections for a year. The following four years cashflows have been calculated based on growth rates as detailed below. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post-tax discount rate of 13% has been used in discounting the projected cashflows. Sensitivities applied for turnover range from -1% to 5% based on the historical performance and management experience of the various markets and internal strategies.

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 impairment review carried out as detailed above, 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 acquisitions as follows:

	Acquisition date	31 December 2020 £000's	31 December 2019 £000's
London & Colonial Holding Ltd	October 2016	583	683
STM Nummos Life SL	January 2018*	299	338
Harbour Pensions Ltd	February 2018	729	813
Options Corporate Pensions UK Limited	February 2019	569	639
Options UK Personal Pensions LLP	February 2019	975	1,095
Berkeley Burke (Financial Services) Limited	August 2020	289	-
Berkeley Burke Employee Benefit Consultants Limited	August 2020	1,155	-
<b>Total</b>		<b>4,599</b>	<b>3,568</b>

\*The client portfolio of STM Nummos Life SL was reclassified from Goodwill in January 2018. The Group's client portfolios are amortised over the useful lives which have been determined to be ten years.

## 12. Cash and cash equivalents

Group	31 December 2020 £000's	31 December 2019 £000's
Bank balances	16,409	18,406
Cash and cash equivalents in the statement of cash flows	16,409	18,406
Bank loan	(1,600)	(1,200)
<b>Net funds</b>	<b>14,809</b>	<b>17,206</b>

Within cash and cash equivalents held by the Group there is a balance of £2,566,000 (2019: £4,287,000) which is not available for use by the Group as most of it is in a blocked account as part of Options Corporate regulatory requirement. The balance relates to funds collected on behalf of clients and yet to be paid across to the relevant authority bodies.

### 13. Disposal group held for sale

At 31 December 2020 management was committed to exit the non-core element of the Group's activities. Accordingly, net assets together with the goodwill allocated to these businesses are presented as a disposal group held for sale. Efforts to sell the disposal group have started and the sale of the Gibraltar and Jersey CTS businesses were completed subsequent to the year-end (see note 17).

The impairment review for the goodwill of the assets held for sale has been carried out by determining the recoverable amount based on fair value less costs of disposal. No impairment loss was deemed necessary in the current financial year as a result of the impairment review.

#### *Assets and liabilities of disposal group held for sale*

At 31 December 2020, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	<b>31 December 2020 £000's</b>
Property, plant and equipment	260
Goodwill	3,227
Accrued income	463
Trade and other receivables	1,303
Cash and cash equivalents	725
<b>Assets held for sale</b>	<b>5,978</b>
Trade and other payables	1,154
<b>Liabilities held for sale</b>	<b>1,154</b>

#### *Cumulative income or expenses included in OCI*

There are no cumulative income or expenses included in OCI relating to the disposal group.

### 14. Provision and contingent liability

As required by IFRS, provisions are recorded when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. This requires judgement and the use of assumptions about the likelihood and magnitude of any cash outflow. The Group analyses its exposure based on available information, including consultation with professional indemnity insurers and external legal advisors where appropriate, to assess any potential liability.

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks and in particular the Group recognises that the UK SIPP industry is becoming more litigious over non-performing assets. Whilst the Group does not provide financial or investment advice to its customers and therefore believes it is not responsible for the performance of the investments, the Group occasionally receives complaints in respect to these matters as well as others relating to general services provided. Each complaint is dealt with on its merits and remains a contingent liability until an outflow of economic benefits is probable and the quantum can be reliably estimated.

Following the Court of Appeal judgment on 1 April 2021 (see note 17) the Group has considered the potential impact this might have on the outcome of other claims made by SIPP members in respect of non-performing assets. Whilst the final outcome of Mr Adams' case is not yet known, as Carey has sought permission to appeal to the Supreme Court, under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets consideration has to be given as to whether such provisions can reliably be estimated as to the potential financial obligation which could arise in the future.

Furthermore, it is also recognised that the ruling made in Mr Adams case was fact specific and included the exercise of discretion on the part of the Court of Appeal, and which was exercised in the context of those facts. The Court of Appeal has also at the time of this filing not determined the appropriate relief payable to Mr Adams. It is therefore difficult to assess the exact obligation that could arise on other claims based on this one case. An estimate has been arrived at by considering a cohort of claims which may be deemed to have similar characteristics to Mr Adams' claim. The value of this estimate, which has been reflected within trade and other payables, is £3,600,000. This is covered by professional indemnity insurance and thus has also been reflected within trade and other receivables.

With reference to the prejudicial exemption allowed under IAS 37, the Company will not disclose any further information about the assumptions for the provision, including any details about current and potential claims.

### 15. Capital and reserves

	<b>31 December 2020 £000's</b>	31 December 2019 £000's
<b>Authorised, called up, issued and fully paid</b>		
59,408,088 ordinary shares of £0.001 each (2019: 59,408,088 ordinary shares of £0.001 each)	<b>59</b>	59

#### **Treasury shares**

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives. The trustees held 1,089,780 shares at 31 December 2020 and 31 December 2019

#### **Share premium**

There were no new shares issued during the years ended 31 December 2020 and 31 December 2019.

#### **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 2020 £000's	31 December 2019 £000's
1.3 pence per qualifying ordinary share (2019: 2.0 pence)	772	1,218

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 2020 £000's	31 December 2019 £000's
0.85 pence per qualifying ordinary share (2019: 0.75 pence)	505	446

## 16. Earnings per share

Earnings per share for the year from 1 January 2020 to 31 December 2020 is based on the profit after taxation of £1,607,000 (2019: £3,403,000) divided by the weighted average number of £0.001 ordinary shares during the year of 59,408,088 basic (2019: 59,408,088) and £59,408,088 dilutive (2019: 60,365,759) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2020 is:

	31 December 2020	31 December 2019
Weighted average number of shares	59,408,088	59,408,088
Share incentive plan	-	957,671
Diluted	59,408,088	60,365,759

## 17. Subsequent events

### a) Disposal of Gibraltar CTS and tax compliance businesses

On 23 March 2021 the Group disposed of its Gibraltar CTS and Tax Compliance businesses. The sale complements the Group's strategy to focus on its core activities of pension administration and life assurance. The sale companies are principally STM Fidecs Management Limited and STM Fiscalis Limited, along with a number of non-revenue generating support companies, including nominee companies. Together these companies generated revenue of £1,700,000 during 2020 and made a profit contribution of £300,000 to the Group's 2020 results.

The sale has four staged consideration payments totalling £2,450,000, with the amount payable upon completion being £1,250,000 million, with a further £500,000 six months after completion, and a further £375,000 12 months after completion. The final payment, which will be made based upon 2021 audited revenue, will amount to £325,000 and will be subject an adjustment of 1.5 multiple for any revenue deficit below £1,567,000 million or surplus above £1,600,000. The payment for net assets of approximately £570,000 will be made partly upon completion, with the remainder being paid over as and when debtors and work-in-progress are collected by the sale companies.

### b) Disposal of Jersey based trust and company services businesses

On 8 May 2021 the Group disposed of its Jersey based trust and company services businesses. The sale companies are principally STM Fiduciaire Limited, along with a number of non-revenue generating support companies, including nominee companies. Together these companies generated revenue of £1,480,000 during 2020 and made a profit before tax contribution of £100,000 to the Group's 2020 results.

The sale has two staged consideration payments totalling £1,860,000, with the amount payable upon completion being £1,260,000, with the final payment of £600,000 being paid six months after completion. In addition, the sale agreement allows for a further consideration payment of 50% of any revenue surplus above £1,150,000 of revenue that is categorised as recurring revenue. This calculation will be based on the twelve months trading from date of completion. In addition to the consideration receivable from the buyer, certain net assets relating to debtors and work-in-progress are ringfenced by the Sale Companies for the benefit of the STM Group, and these will be paid as these assets are converted to cash at bank. It is anticipated that this will amount to £420,000 and will be principally received in the first six months post completion.

### c) Appeal judgment in Adams v Carey case

On the 1 April 2021 the Court of Appeal handed down their judgment on the Adams v Carey (now renamed Options) case which had been heard remotely by video-conferencing in early March 2021. Mr Adams had appealed primarily two causes of action as follows:

- 1 that under the FCA's Conduct of Business Sourcebook rules (COBS) 2.1.1, Carey had failed to act fairly, honestly and in accordance with the best interests of its client; and
- 2 that, given the unregulated introducer 'advised' (for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO)) Mr Adams to purchase the investment, transfer his pension and establish the SIPP, and the introducer 'arranged' (for the purposes of the RAO) the underlying investment, without the necessary permissions and therefore in breach of the general prohibition under s.19 of FSMA, that under section 27 of the FSMA, Mr Adams' agreement with Carey should be unwound, and Carey should provide relief to Mr Adams.

The judgment dismissed the first claim but upheld the second. Permission to appeal this judgment has been filed with the Supreme Court on 29 April 2021. At the time of signing the financial statements the Supreme Court was yet to rule on this.

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