Press Release 27 June 2023

STM Group plc

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

Final Results for the 12 months ended 31 December 2022

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 2022.

Financial Highlights:

	2022 (reported)	**2022 (adjusted)****	**2021 (reported)**	**2021 (adjusted)****
Revenue	£24.1m	£24.6m	£22.4m	£21.6m
Profit before other items*	£3.3m	£4.7m	£2.8m	£2.9m
Margin	*14%*	19%	*13%*	13%
Earnings per share^	1.42p	N/A	2.94p	N/A
Cash at bank (net of borrowings)	£13.9m	N/A	£16.7m	N/A
Final dividend	0.60p	N/A	0.90p	N/A
Total dividend	1.20p	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, bargain purchase gain, goodwill impairment and gain on the call options

** Adjusted 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

^ The decrease in EPS was largely as a result of having a tax credit of £0.5 million in 2021 as compared to a tax charge of £0.7 million in 2022

Operational Highlights:

- Recurring revenues remain predictable and a corner stone of the business representing 91% of reported revenues, building on the 2021 base
- All personal pension businesses (with the exclusion of the Mercer acquisition) now on one administration system
- Launch of the Malta occupational pension on a straight through processing technology
- Corporate pensions (auto-enrolment) effectively negates most of the financial impact of the "small pots" legislation by negotiating share of investment management fees
- Growth in the UK proposition as a key jurisdictional focus following integration of UK acquisitions
- Centralisation of the business development function driving increased "top line" growth – new Group Head of Business Development joined earlier in the year
- Analysis of value chain identifies further opportunities to generate revenue and profits, including interest sharing policy.
- Revitalised PLC board, as well as some changes at senior management level

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

"These results demonstrate the solid underlying performance of our business, in a market which continues to evolve and present opportunities for an independent such as STM.

"We are conscious that we have not yet realised our true potential, and are working towards a revised strategy to maximising the opportunities and to deliver shareholder value. Progress has been made in 2023 and we look forward to updating the market at the earliest opportunity."

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 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 SIPPs, 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

CHAIRMAN'S STATEMENT

I am pleased to present to you the STM Group Plc ("STM") results for the year ended 31 December 2022.

Having taken over the chair in September 2022, this is my inaugural chairman's statement for STM within the financial statements.

I am pleased to say that the reported and underlying 2022 revenue and profit before tax are an improvement on the prior year, however, there continues to be much to do in relation to delivering the true potential of STM. The Plc board have proposed a final 2022 dividend of 0.60 pence (2021: 0.90 pence), having taken into account the impact of some exceptional costs in the first half year of 2023.

The recurring revenue base gives more predictability and certainty around underlying profits and allows for a solid foundation in which to grow our revenue streams, as well as allowing for us to significantly improve operating margins. Frustratingly, there continues to be too many non-recurring costs generally across the Group. However, these parameters in themselves indicate and the Board believes that there is embedded shareholder value within the group that is not reflected by the current market capitalisation of the Company.

STM is at a cross-roads in its evolution, and whilst it is fortunate to have a wide range of products and services it is important that we focus on those areas that have the potential to deliver a step-change in profitability. As part of this assessment of our next steps, the Group board initiated a strategic review in the first quarter of 2023, with the aid of external consultants. As announced in May 2023, the external advisor engagement is complete, and the Board have assessed the conclusions from it and have begun to refine the Group's strategy. In particular, the review has identified areas of the business where we are likely to struggle to materially grow in revenue and profitability, but also areas with the potential for future growth following further investment. The Board is therefore considering whether we crystallise some of that embedded shareholder value from those areas of the businesses which may struggle to materially grow under the Group's ownership.

The strategic review demonstrates that some of our competitors are significantly more profitable than ourselves in certain areas, and this in turn has initiated the natural next step of our strategic review into our use of technology and our current capabilities. There has been significant M&A activity in the UK pensions sector driven by technology and trading platform capabilities. The outcome of this technology review will inform our decisions of the areas to focus on to drive the Group's future growth.

2023 will undoubtedly be a year of significant change for STM, as we look to re-shape the Group and conclude on some material items around how we operate. This will invariably lead to some further exceptional costs but having implemented some positive changes, such as our interest sharing policy, it is anticipated that we will achieve a solid 2023 performance when compared to 2022.

Finally, I would like to thank the various outgoing Plc directors for all their hard work during their tenure, and I welcome Peter Smith to the board. We are also in the process of recruiting Therese Neish's replacement as CFO, and a further NED. I would like to thank Therese for once again joining the board on an interim basis so as to see us through the year end process, and I wish her every success for the future. In addition, my thanks go to all my STM colleagues for their hard work and commitment during the course of 2022 and into 2023.

I look forward to updating the market in due course.

Nigel Birrell
Chairman
26 June 2023

CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

Whilst we have made progress with the underlying business performance as compared to 2021, new business growth has not been at the speed or levels that I would have wanted or expected.

Recurring revenue, representing 92% of our revenue, remained the cornerstone of our profitability and continues to remain predictable and stable albeit with additional efficiencies around existing systems being slower to materialise than previously anticipated.

Our new business revenue for our pensions businesses, particularly in the UK SIPP market, whilst steady was below our previous expectations, with reliance being placed on a number of strategic partners that have not, as yet delivered new business in line with those previous expectations. Our UK personal pensions business saw organic growth of circa 9% in terms of new SIPP policies, but this was offset by similar levels of attrition. This general shortfall was somewhat compensated for by an uplift in new business in the Gibraltar based life assurance businesses, and in particular in relation to the short-term annuity product.

The acquisition of the SIPP and SSAS book from Mercer in September 2022 was however particularly pleasing. The portfolios were acquired at sensible multiples and add a solid and predictable revenue stream of circa £2.7 million for 2023 and beyond. The smooth transition from Mercer and integration into STM was achieved prior to the year end.

Our UK workplace pensions business continued to see double digit growth, with a 19% net uplift in terms of number of members. However, the change in legislation around charging ability for members with "small pots" had a more material impact than envisaged, reducing revenue generating capability by £0.6m.

In our international pensions businesses, our QROPS book remains stable but focus on growth has moved to alternative pension products. In this regard, I am pleased to confirm that by the end of 2022 we had launched our Malta international occupational scheme, which saw its first client commence in January of this year.

We also continue to see increased activity from intermediaries in the form of illustrations for our flexible annuity products issued from our Gibraltar life companies, albeit the lead time to receiving applications remains frustratingly slow.

Operationally, with the exception of the newly acquired Mercer business, we now have moved all our personal pension businesses on to our in-house "BOSS" administration system. This process has helped to align our thoughts as to the areas in our technology stack that we now need to address. The exercise has also helped us to appreciate that not all technology solutions need to be produced in-house, and that some of the functionalities available through third-party investment platforms would make our business more efficient. During 2022, we have continued to look at ways to centralise more of the Group's business functions, so as to obtain additional efficiencies.

During 2022 and into 2023, there has been significant changes to the senior leadership team as well as the Plc board. These changes have included a new managing director for both the Malta and Gibraltar businesses, the redundancy of our dedicated acquisition resource, and the appointment of a new head of business development.

In addition, there has been a change of Chairman and of the independent non-executive directors at Plc level.

I would like to thank all of the above individuals for their contributions to STM over the years.

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 reported revenues of £24.1 million (2021: £22.4 million) in the year with profit before other items and tax of £3.3 million (2021: £2.8 million). This £1.7m increase in revenue was largely due to the acquisition of the Mercer books which contributed £0.8 million of revenue in the year, and revenue growth in the life companies of £1.5 million. The sale of the corporate trustee service companies in 2021, which contributed £0.8 million of revenue that year, account for the balance in this movement. Pleasingly, recurring annual revenue, which is an important key performance indicator for the Board, has continued to be a significant portion (92%) of the total revenues achieved.

The Group shows both reported and adjusted financial key performance indicators in Table 1 and 2 below as historically the impact of non-recurring movements have not allowed for a clear understanding of operating performance.

Reported profit before tax ("PBT") for the year amounted to £1.6 million (2021: £1.2 million) with adjusted PBT (defined on a consistent basis with adjusted revenue and profit before other items) for the year of £2.8 million (2021: £1.2 million).

The reported PBT is calculated after deducting net finance costs of £0.3 million (2021: £0.3 million), depreciation and amortisation of £1.6 million (2021: £1.5 million) and the bargain purchase gain on the acquisition of £0.3m (2021: £0.4m).

Reported profit after tax ("PAT") is £0.9 million (2021: £1.7 million). The decrease compared to the prior year is largely due to a change in tax treatment in Malta in 2021 which resulted in a one-off £1.0 million tax rebate being recognised in that year.

Table 1

KPI	Definition	2022 (reported)	2021 (reported)	2022 (adjusted)	2021 (adjusted)
Revenue (£'000s)	Income derived from the provision of services.	**24,094**	22,355	**24,599**	21,581
Recurring revenue (£'000s)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	**22,219**	20,427	22,219	20,427
Profit before other items (£'000s)	Revenue less administrative expenses i.e. profit before finance income and costs, gain on disposal of subsidiary bargain purchase gain, goodwill impairment and gain on the call options and before taxation.	**3,321**	2,823	**4,686**	2,948
Profit before taxation (£'000s)	Revenue less administrative expenses and other items	**1,578**	1,200	**2,778**	1,168
Profit after taxation (£'000s)	Revenue less administrative expenses and other items less/add taxation charge/credit	**854**	1,742	**2,054**	1,710
Earnings per share (pence)	Profit after taxation attributable to shareholder of the Company divided by weighted average number of ordinary shares outstanding	**1.42**	2.94	**3.44**	2.89
Profit margin before other items (%)	Profit before other items divided by revenue.	**14%**	13%	**19%**	14%

Adjusted measures are net of non-recurring costs and other exceptional items that do not form part of the normal course of business.

Table 2

	Revenue		Profit before other items		Profit before tax	
	2022	2021	2022	2021	2022	2021
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Reported measure	**24,094**	**22,355**	**3,321**	**2,823**	**1,578**	**1,200**
Add: adjustment due to revenue recognition policy change on acquisition	505	–	505	–	505	–
Add: integration and acquisition cost	–	–	390	–	390	–
Less: effect of corporate trustee service companies disposal	–	(774)	–	(54)	–	(54)
Less: bargain purchase gain on acquisition and gain on call options	–	–	–	–	(327)	(406)
Less: loss/(gain) on disposal of companies and trust management	–	–	–	–	162	(219)
Less: movement in deferred consideration related to prior year acquisitions	–	–	–	–	–	(330)
Add: impairment of goodwill	–	–	–	–	–	798
Add: other non-recurring costs	–	–	470	179	470	179
Adjusted measure	**24,599**	**21,581**	**4,686**	**2,948**	**2,778**	**1,168**

Tax Charge and Earnings per Share

The tax charge for the year was £0.7 million (2021: credit of £0.5 million). This is an effective tax rate of 46% which is higher than the rates noted in prior years, with the exception of 2021 which is considered an anomaly given the Malta tax rebate as noted above. This increased effective tax rate, which is also higher than the standard rates applicable across the various jurisdictions, is partly caused by some jurisdictions having tax losses brought forward or incurred in the current year but unrelieved which cannot be utilised by the profitable subsidiaries in other jurisdictions, as well as higher tax charge due to higher dividends remitted to the holding company by overseas subsidiaries.

Earnings per share ("EPS") for 2022 was 1.42p compared to 2.94p for 2021. The decrease was largely as a result of having a tax charge of £0.7 million for this year as compared to a tax credit of £0.5 million in 2021. The 2021 EPS net of the Malta tax rebate of £1.0 million would have been 1.15p. There was no dilutive factor in 2022 or 2021.

Cashflows and Balance Sheet

Cash and cash equivalents amounted to £19.2 million as at 31 December 2022 (2021: £18.2 million) with net cash inflow from operating activities of £3.8 million for the year ended 31 December 2022 (2021: £nil movement).

During 2020 the Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million which was fully drawn down during the year ended 31 December 2022 for the purposes of the Mercer portfolio acquisition. 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 year term. As at the year end the outstanding balance on the facility was £5.4 million (2021: £1.5 million).

Cash and cash equivalents, net of the above mentioned outstanding bank loan of £5.4 million, as at 31 December 2022 were £13.9 million (2021: £16.7 million).

As would be expected for a Group regulated in several jurisdictions, a significant proportion of this gross cash balance is required to underpin the regulatory capital and solvency requirements. The cash and cash equivalents required for solvency purposes varies as other, non-cash assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31 December 2022 was £17.3 million (2021: £16.9 million).

As further disclosed in the notes to the financial statements, the Carey (Options) v Adams case came to a conclusion and was settled during the course of the year. Whilst the right to appeal the Court of Appeal's decision of 1 April 2021 to the Supreme Court was rejected, the Group has received agreement for a judicial review on the Financial Ombudsmen Service's decision on the basis that it impacts on a large number of claims and raises issues of general importance. Given the potential new developments which could arise from this judicial review, and the increasing uncertainty surrounding the potential liability of other claims, the Group considers that it is not practical to estimate the potential impact on likelihood, quantum, or timing of these. As such the provision has been reclassified as a contingent liability, along with the corresponding receivables due from insurers, and both have been derecognised as at 31 December 2022. The revised treatment had no impact on the consolidated net assets of the Group as previously reported.

The Call Option Agreements entered into in 2019 as part of the acquisition of Carey Administration Holdings Limited were exercisable in 2022. It is the Company's policy to only hold wholly-owned subsidiaries and accordingly these Call Options were exercised during the year. As at the year end, the Options Corporate Pensions UK Limited acquisition was completed and the balance sheet no longer reflects this 20% non-controlling interest. The Options Personal Pensions UK LLP acquisition was completed shortly after the year end. The Group's year-end balance sheet therefore reflected this remaining 30% non-controlling interest as well as a £0.4 million liability to settle the Option and acquire the remaining interest in this business.

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 £0.9 million as at the year-end (2021: £1.3 million). Additionally, deferred income (included within current liabilities in the statement of financial position) relating to annual fees invoiced but not yet earned stood at £3.8 million (2021: £3.6 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.

Dividend

The Board is proposing a final dividend of 0.60p per ordinary share (2021: 0.90p) which recognises that there are a number of material operational and strategic matters that are yet to be concluded upon. This makes the total proposed dividend of 1.20p per ordinary share (2021: 1.50p).

Subject to approval at the Company's Annual General Meeting to be held on 22 August 2023, the final dividend will be paid on 19 September 2023 to shareholders on the register at the close of business on 1 September 2023. The ordinary shares will be marked ex dividend on 31 August 2023.

Operational Performance

Pensions

Our pension administration businesses continue to be the largest revenue stream for the Group accounting for 77% of total Group revenues (2021: 79%).

Total revenue across our pension businesses amounted to £18.5 million (2021: £17.6 million). As mentioned above, the Mercer acquisition contributed £0.8 million of this uplift, with the organic growth in the year compensating for natural attrition. In addition, recurring revenues for the pension businesses increased to 95% of total revenues (2021: 81%).

The administration of our QROPS products continues to be our largest revenue generator accounting for £9.4 million of revenue (2021: £9.7 million). As has been known for several years, this product is no longer a growth driver as a result of changes in the UK pension legislation in 2017. Whilst we continue to receive a small number of new members in Malta from EEA countries the attrition rate is modestly increasing as we see our member profile age and take advantage of flexi-access benefits. The administration is carried out in Malta and Gibraltar with the revenue split at 77% and 23% respectively (2021: 75% and 25% respectively). The change in split is largely as a result of higher attrition seen in Gibraltar compared to Malta which is as expected given that any growth in this product line is in Malta.

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, have contributed total revenues of £4.1 million (2021: £3.2 million), with the acquisition accounting for £0.7 million of this increase and the balance coming through from net organic growth.

The pension auto-enrolment business has generated revenue of £3.4 million (2021: £3.3 million).

The final revenue stream of the pensions divisions comes from the SSAS and third-party administration businesses. These contributed revenues of £1.6 million (2021: £1.5 million) in the year.

Life Assurance

The 2022 combined revenue figure for both life assurance companies was £5.0 million compared to £3.4 million for 2021. The reason for this significant increase is two-fold, an organic growth of £0.7 million on existing products and £0.8 million of revenue generated from the recently launched short-term annuity product.

Whilst there is a healthy pipeline of potential new business for these short-term annuities, which are highly profitable, they do have a long lead time. Consequently, judging the timing of receipt of such items for budgeting and forecasting purposes is not straightforward.

As previously advised our flexible annuity products are aimed at the UK markets and remain the key focus for organic growth within our life businesses.

Outlook

The latter part of 2022 and into 2023 has seen significant change in the make-up of our senior leadership team as we embark on the next phase of our change programme.

The focus for 2023 is to build our pipeline for new business revenues, both internationally and for the UK market. A key driver for success in this area is to ensure our technology is a business enabler, that compliments the hard work of our staff. As part of supporting this process, we have contracted a Head of Transformation who will oversee our IT function as well as our change programme.

The UK pensions market remains buoyant and there is significant consolidation activity in the sector, as PE-backed investment platforms seek to build AUM on their platforms. The result is a shrinking pool of independent pension providers such as STM. In addition, the Consumer Duty regime, introduced by the FCA in the UK and which comes into force on 31st July 2023, has also seen a levelling of the playing field with interest sharing policies becoming more normalised, again this typically favours the independent pension provider.

Under Nigel Birrell, the recently appointed charman of the board, we have started the process of reviewing and challenging our strategy for the next three to five years. This process, when completed, will enable the Group to focus its resources on developing businesses where the maximum growth opportunities exist and to deliver enhanced shareholder value. Progress has been made in 2023 and I look forward to updating the market in due course.

Following on from the above, and as a continuing theme of our ongoing strategic review it is recognised that the Board needs to demonstrate the ability for a tangible step change in operational efficiencies that will allow a higher proportion of the Group’s 90% plus recurring revenues to be retained as profits by the Group. A key part of that is to work with technology, be it internal or external, that takes away the majority of the processes that are currently performed manually. This technology review work stream has commenced, and the changes implemented following its conclusion will create the building blocks for a more profitable Group, not just from an efficiency point of view but also from a customer and intermediary journey.

Our technology review has identified opportunities to benefit more from the value chain through our customer’s journey, with regards to changing some of our policies and offerings. A good example would be the recently announced change to our interest sharing policy, to fall more in line with the rest of the UK pension market.

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 presenting our finalised strategy in the near future.

Alan Kentish
Chief Executive Officer
26 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue	7	24,094	22,355
Administrative expenses	8	(20,773)	(19,532)
Profit before other items	9	**3,321**	**2,823**
OTHER ITEMS			
Bargain purchase gain	4	327	-
Gains on revaluation of financial instruments		11	406
(Loss)/gain on disposals of subsidiaries	3	(162)	219
Movement on deferred consideration		-	330
Impairment of goodwill	12	-	(798)
Finance costs		(322)	(330)
Depreciation and amortisation	11,12	(1,597)	(1,450)
Profit before taxation		**1,578**	**1,200**
Taxation	10	(724)	542
Profit after taxation		**854**	**1,742**
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		12	(33)
Total other comprehensive income/(loss)		**12**	**(33)**
Total comprehensive income for the year		**866**	**1,709**
Profit/(loss) attributable to:			
Owners of the Company		844	1,749
Non-controlling Interests		10	(7)
		854	**1,742**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		856	1,716
Non-controlling Interests		10	(7)
		866	**1,709**
Earnings per share basic (pence)	16	1.42	2.94
Earnings per share diluted (pence)	16	1.42	2.94

The results for 2022 and 2021 related to continuing activities. Disposed of activities in 2021 are disclosed in Note 3.

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Property and office equipment	11	1,161	1,663
Intangible assets	12	22,125	19,355
Financial assets		1,762	881
Deferred tax asset	10	58	76
Total non-current assets		**25,106**	**21,975**
Current assets			
Accrued income		860	1,311
Trade and other receivables	13	8,461	7,699
Receivables due from insurers	19	488	24,130
Cash and cash equivalents	14	19,234	18,207
Total current assets		**29,043**	**51,347**
Total assets		**54,149**	**73,322**
EQUITY			
Called up share capital	15	59	59
Share premium account	15	22,372	22,372
Retained earnings		14,382	14,429
Other reserves		(1,843)	(480)
Equity attributable to owners of the Company		**34,970**	**36,380**
Non-controlling interests		**(68)**	**(452)**
Total equity		**34,902**	**35,928**
LIABILITIES			
Current liabilities			
Liabilities for current tax		788	640
Trade and other payables	17	12,517	10,532
Provisions	19	488	24,130
Total current liabilities		**13,793**	**35,302**
Non-current liabilities			
Other payables	18	5,050	1,628
Deferred tax liabilities	10	404	464
Total non-current liabilities		**5,454**	**2,092**
Total liabilities and equity		**54,149**	**73,322**

STATEMENT OF CONSOLIDATED CASH FLOW
FOR THE YEAR FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

	Notes	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
OPERATING ACTIVITIES			
Profit for the year before tax		1,578	1,200
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	11	673	659
Amortisation of intangible assets	12	924	791
Loss on disposal of property and office equipment		4	-
Unrealised gains on financial instruments		(11)	(406)
Bargain purchase gain	4	(327)	-
Impairment of goodwill	12	-	798
Taxation paid		(619)	(14)
Increase in trade and other receivables		(1,396)	(2,226)
Decrease/(increase) in receivables due from insurers	19	23,642	(20,530)
Decrease in accrued income		558	8
Increase/(decrease) in trade and other payables		2,428	(815)
(Decrease)/increase in provisions	19	(23,642)	20,530
Net cash generated from/(absorbed by) operating activities		**3,812**	**(5)**
INVESTING ACTIVITIES			
Purchase of property and office equipment	11	(165)	(352)
Increase in intangible assets	12	(937)	(1,032)
Disposal of investments		1,477	4,821
Purchase of financial instruments		(1,734)	-
Acquisition of non-controlling interests	5	(120)	-
Consideration paid on acquisition of portfolio	4	(3,454)	-
Net cash (absorbed by)/generated from investing activities		**(4,933)**	**3,437**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loan	17,18	4,463	900
Repayments of bank loan	17,18	(550)	(1,050)
Interest paid on bank loan*		(162)	(121)
Lease liabilities paid		(724)	(469)
Dividends paid	15	(891)	(861)
Net cash generated from/(absorbed by) financing activities		**2,136**	**(1,601)**
Increase in cash and cash equivalents		**1,015**	**1,831**
Effect of movements in exchange rates on cash and cash equivalents		12	(33)
Cash and cash equivalents at the beginning of the year		18,207	16,409
Cash and cash equivalents at the end of the year	14	**19,234**	**18,207**

*The interest paid on bank loan is presented separately this year to enhance understanding. The comparatives have been adjusted to conform with the current year presentation.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE YEAR FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

	Share capital £000	Share premium £000	Retained earnings £000	Treasury shares £000	Foreign currency translation reserve £000	Share based payments reserve £000	Other reserve £000	Total £000	Non-controlling Interests £000	Total Equity £000
Balance at 1 January 2021	**59**	**22,372**	**13,541**	**(549)**	**(60)**	**162**	**-**	**35,525**	**(445)**	**35,080**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit/(loss) for the year	-	-	1,749	-	-	-	-	1,749	(7)	**1,742**
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(33)	-	-	(33)	-	**(33)**
Transactions with owners, recorded directly in equity										
Dividends paid	-	-	(861)	-	-	-	-	(861)	-	**(861)**
At 31 December 2021 and 1 January 2022	**59**	**22,372**	**14,429**	**(549)**	**(93)**	**162**	**-**	**36,380**	**(452)**	**35,928**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit for the year	-	-	844	-	-	-	-	844	10	**854**
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	12	-	-	12	-	**12**
Transactions with owners, recorded directly in equity										
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,375)	(1,375)	374	**(1,001)**
Dividends paid	-	-	(891)	-	-	-	-	(891)	-	**(891)**
At 31 December 2022	**59**	**22,372**	**14,382**	**(549)**	**(81)**	**162**	**(1,375)**	**34,970**	**(68)**	**34,902**

STM Group plc
Notes to the consolidated financial statements for 2022

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 1st Floor Viking House, St Paul's Square, Ramsey, Isle of Man, IM8 1GB. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). 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 2022, 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 statement 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 2022.

3. Disposal of subsidiaries

There were no results for disposal of operations included in the year ended 31 December 2022.

On 23 March 2021 the Group disposed of its Gibraltar company and trustee services ("CTS") and tax compliance business, STM Fidecs Management Limited. On 8 May 2021 the Group disposed of its Jersey based CTS business, STM Fiduciaire Limited. These businesses were classified as discontinued operations during the year ended 31 December 2021.

The results for the discontinued operation included in the year ended 31 December 2021 were shown below.

	£'000
Revenue	774
Expenditure	(736)
Results from operating activities	**38**
Income tax	–
Results from operating activities, net of tax	**38**
Gain on sale of discontinued operation	219
Profit from disposal of subsidiaries	**257**

The profit from the discontinued operation was attributable entirely to the owners of the Company.

Both disposals were subject to a deferred variable consideration based upon the 2021 audited revenue generated by the companies. The final consideration received during the year was lower than originally expected and as such a loss of £162,000 was recognised for the year ended 31 December 2022.

4. Acquisition of portfolios

There were no acquisitions in 2021.

On 31 August 2022, the Group acquired the portfolios, net assets and trustee companies of the SIPP and SSAS businesses from Mercer Ltd ("the Portfolio"). The acquisition of the Portfolios is complementary to the Group's existing product offerings in the UK SIPP and SSAS markets and provides a solid platform for scalability, particularly for the Group's SSAS operations, and efficiencies going forward. In addition, it provides the Group with access to an expanded network of intermediaries who have previously introduced clients to Mercer Ltd.

The Group paid a gross cash consideration of £3,340,000 to acquire the Portfolios. Such consideration included the purchase of the net assets of the business which primarily related to fees yet to be collected from clients.

The acquisition was accounted for using the acquisition method. Transaction costs incurred on the acquisition total £150,000 and were expensed within administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

Details of the fair value of the client portfolio, assets and liabilities acquired are set out as follows:

	Fair value recognised on acquisition	Fair value adjustments	Previous carrying value
	£'000	**£'000**	**£'000**
Client portfolios	2,757	2,757	-
Fixed assets	10	-	10
Accrued income	107	-	107
Debtors[1]	831	-	831
Prepaid assets	28	-	28
Liabilities	(66)	-	(66)
Total identifiable net assets acquired	**3,667**	**2,757**	**910**

Note 1: The fair value of debtors is approximately the gross contractual amount at the acquisition date.

At acquisition the Group performed a valuation on the client portfolios acquired using the market approach. As a result, client portfolio assets of £1,543,000 relating to the SIPP portfolio and £1,214,000 related to the SASS portfolio were recognised.

A bargain purchase gain has arisen as a result of negotiations due to the previous revenue recognition policy being more aggressive and an adjustment being necessary to align with the Group's more conservative policy. This has resulted in the fair value of the identifiable net assets being higher than the cash consideration paid as noted below:

	£'000
Total consideration transferred	3,340
Fair value of identifiable net assets	(3,667)
Bargain purchase gain	**(327)**

The bargain purchase gain is attributable to the Portfolio acquired and is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2022.

4. Acquisition of portfolios (continued)

From the effective date of acquisition to 31st December 2022, the SIPP and SASS portfolios generated revenue of £821,000 and incurred a loss of £145,000. If the acquisition had occurred on 1 January 2022, management estimates that the impact on the consolidated revenue and profit before tax for the year would have been £2,243,000 and a loss of £99,000 respectively.

In addition, the Group paid deferred cash consideration of £114,000 during the year ended 31 December 2022 relating to the acquisition of the Berkeley Burke companies completed in 2020.

5. Acquisition of non-controlling interests

As part of the acquisition of Carey Administration Holdings Limited ("Options") in 2019, the Group entered into call option agreements to acquire the non-controlling interests ("NCIs") in Options Corporate Pensions UK Limited ("OCPUK") and Options Pensions UK LLP ("OSUK") from the current owner of the NCIs. The call options were exercisable in 2022 with the exercise prices based on the audited financial statements of these entities for the year ended 31 December 2021.

The fair value of the call options was determined using discounted cashflow techniques as no observable market transactions were available and was subject to revaluation as at each reporting date. As at 31 December 2021 these call options were valued at £881,000.

On 9 November 2022, the Group issued the Exercise Notices to the current owner of the NCIs for acquiring the additional interests in OCPUK and OSUK.

Options Corporate Pensions UK Limited

On 30 November 2022, the Group completed the transaction and acquired an additional 20% interest in OCPUK, increasing its ownership from 80% to 100%. The carrying amount of OCPUK's net liabilities in the Group's consolidated financial statement on the date of acquisition was £1,870,000.

	£'000
Carrying amount of NCIs acquired (£1,870,000 x 20%)	374
Exercise of OCPUK's call option	881
Cash consideration paid to NCIs	120
A decrease in equity attributable to owners of the Company	**1,375**

The decrease in equity attributable to owners of the Company has been recognised in the other reserve for the year ended 31 December 2022.

Options Pensions UK LLP

As at 31 December 2022 the acquisition of NCIs in OSUK was subject to negotiation of the final exercise price and was therefore yet to complete. As such the Group's ownership of OSUK remained unchanged as at 31 December 2022.

Negotiations were completed on 12 January 2023 (see Note 20) and a payable amounting to £400,000 has been recognised by the Group representing its obligation to pay the current owner of the NCIs with a receivable for the same amount recognised to represent the Group's right to receive OSUK's shares from the current owner of the NCIs.

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").

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 believes 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	**2022**	**2021**
	£000	**£000**
Pensions	18,421	17,597
Life Assurance	5,001	3,402
Corporate Trustee Services	-	774
Other Services	672	582
Total	**24,094**	**22,355**

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

	Turnover	
Geographical segment	**2022**	**2021**
	£000	**£000**
Gibraltar	7,324	6,099
Malta	7,178	7,288
United Kingdom	9,110	7,952
Jersey	-	445
Other	482	571
Total	**24,094**	**22,355**

Revenue generated from the Corporate Trustee Services companies which were disposed of in 2021 (Note 3) is included in the above comparative figures. The Gibraltar and Jersey companies contributed revenue of £329,000 and £445,000 respectively in 2021.

7. Revenue

	31 December 2022 £000	**31 December 2021 £000**
Revenue from administration of assets	24,094	22,355
Total revenue	**24,094**	**22,355**

8. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2022 £000	31 December 2021 £000
Wages and salaries	11,633	10,932
Social insurance costs	484	463
Pension contributions	104	128
Total personnel expenses	**12,221**	**11,523**

Average number of employees

Group	31 December 2022 Number	31 December 2021 Number
Average number of people employed (including executive directors)	285	286

9. Reconciliation of reported to adjusted measures

	Revenue		Profit before other items		Profit before tax	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**	**2022 £000**	**2021 £000**
Reported measure	**24,094**	**22,355**	**3,321**	**2,823**	**1,578**	**1,200**
Add: adjustment due to revenue recognition policy change on acquisition	505	-	505	-	505	-
Add: integration and acquisition cost	-	-	390	-	390	-
Less: effect of corporate trustee service companies disposal	-	(774)	-	(54)	-	(54)
Less: bargain purchase gain on acquisition and gain on call options	-	-	-	-	(327)	(406)
Less: loss/(gain) on disposal of companies and trust management	-	-	-	-	162	(219)
Less: movement in deferred consideration related to prior year acquisitions	-	-	-	-	-	(330)
Add: goodwill impairment	-	-	-	-	-	798
Add: other non-recurring costs	-	-	470	179	470	179
Adjusted measure	**24,599**	**21,581**	**4,686**	**2,948**	**2,778**	**1,168**

Adjusted measures are net of non-recurring costs and other exceptional items including bargain purchase gain that do not form part of the normal course of business.

10. Taxation

	31 December 2022 £000	31 December 2021 £000
Current tax expense/(benefit)	766	(502)
Release of deferred tax assets on leases as per IFRS 16	18	19
Release of deferred tax liabilities on intangible assets	(60)	(59)
Total tax expense/(benefit)	**724**	**(542)**

Reconciliation of existing tax rate	**2022 %**	**31 December 2022 £000**	**2021 %**	**31 December 2021 £000**
Profit before tax for the year	-	1,578	-	1,200
Income tax using the Company's domestic rate	0.00%	-	0.00%	-
Effect of tax rates in other jurisdictions	48.54%	766	(41.81%)	(502)
Release of deferred tax assets on leases as per IFRS 16	1.14%	18	1.59%	19
Release of deferred tax liabilities on intangible assets	(3.80%)	(60)	(4.94%)	(59)
Total tax expense/(benefit)	**-**	**724**	**-**	**(542)**
Effective tax rate (%)	**-**	**45.88%**	**-**	**(45.17%)**

The effective tax rate for Gibraltar has increased to 12.5% from 1 August 2021 and the effective tax rate in the UK will increase to 25% from 1 April 2023. The effective tax rate in Malta is 5%. The Group effective tax rate is higher than the jurisdictional effective tax rate because tax losses brought forward or incurred in the current year in some jurisdictions cannot be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher during this year than in prior year thus resulting in a higher tax charge on these.

Prior to 2020 tax was paid based on a corporate tax rate of 35% and then reclaimed with the receipt of the rebate being accounted for when received. From 2021, following a change in legislation, the Malta entities formed a fiscal unit which alleviated the need for this reclaim process. As a result, a one-off tax credit of £1,056,440 was recognised in 2021.

11. Property and office equipment

Group	Note	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Right-of-use Assets £000	Total £000
Costs						
At 1 January 2021		15	1,759	477	5,403	7,654
Additions		-	157	13	265	435
Disposals		-	-	-	(83)	(83)
At 31 December 2021 and 1 January 2022		**15**	**1,916**	**490**	**5,585**	**8,006**
Additions		-	163	2	-	165
Acquired through business combination	4	-	10	-	-	10
Disposals		-	(6)	-	-	(6)
At 31 December 2022		**15**	**2,083**	**492**	**5,585**	**8,175**
Depreciation						
At 1 January 2021		11	1,193	360	4,120	5,684
Charge for the year		1	153	20	485	659
At 31 December 2021 and 1 January 2022		**12**	**1,346**	**380**	**4,605**	**6,343**
Charge for the year		1	165	20	487	673
Disposals		-	(2)	-	-	(2)
At 31 December 2022		**13**	**1,509**	**400**	**5,092**	**7,014**
Net Book Value						
At 31 December 2021		3	570	110	980	1,663
At 31 December 2022		**2**	**574**	**92**	**493**	**1,161**

12. Intangible assets

Group	Note	Goodwill £000	Client Portfolio £000	Product Development £000	IT Development £000	Total £000
Costs						
At 1 January 2021		14,109	5,742	623	1,288	21,762
Additions		-	-	78	954	1,032
At 31 December 2021 and 1 January 2022		**14,109**	**5,742**	**701**	**2,242**	**22,794**
Additions		-	-	30	907	937
Acquired through business combination	4	-	2,757	-	-	2,757
At 31 December 2022		**14,109**	**8,499**	**731**	**3,149**	**26,488**
Amortisation and impairment						
At 1 January 2021		26	1,143	447	234	1,850
Charge/(adjustment) for the year		-	574	(2)	219	791
Impairment		798	-	-	-	798
At 31 December 2021 and 1 January 2022		**824**	**1,717**	**445**	**453**	**3,439**
Charge for the year		-	574	30	320	924
At 31 December 2022		**824**	**2,291**	**475**	**773**	**4,363**
Carrying amounts						
At 31 December 2021		13,285	4,025	256	1,789	19,355
At 31 December 2022		**13,285**	**6,208**	**256**	**2,376**	**22,125**

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made and reflects the difference between the fair value of the identifiable net asset value of those acquisitions and the fair value of the consideration paid for those acquisitions.

Goodwill represents the excess of the cost of the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the group's interest in the net fair value of the identifiable assets and liabilities of the acquire. Goodwill is not amortised but is measured at cost less accumulated impairment losses. Additionally, on disposal of a cash-generating unit ("CGU"), the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to the smallest identifiable group of assets that generate largely independent inflows. Management have assessed the number of CGUs and determined that there are five identifiable CGUs, which are also operating and reportable segments. CGUs are determined based on whether the entity is a separate and distinct entity and/or whether that entity is management as a standalone business unit.

12. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2022 £000	2021 £000
STM Life	1,256	1,256
LCA	7,735	7,735
FLHP	3,698	3,698
Options - Berkeley Burke acquisition	596	596
Spain	-	-
Total	**13,285**	**13,285**

The Group tests goodwill annually for impairment or more frequently if there is an indication that a CGU or group of CGUs may be impaired. The annual impairment assessment is made by comparing the carrying amount of the CGU or group of CGUs to which goodwill has been allocated with the recoverable amount of the CGU or group of CGUs.

In addition, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At 31 December 2022 and 31 December 2021, the market capitalisation of the Group was above the book value of its recorded goodwill.

The recoverable amount of each CGU or group of CGUs as at 31 December 2022 has been determined based on a value in use calculation using cash flow projections from three-years financial budgets approved by the Board. The subsequent two years cashflows have been calculated based on the following assumptions thereby providing a five-year net cashflows:

Percentage ranged from:	2022 %	2021 %
Revenue growth rates and attrition	-1.5% - 4%	0% - 2%
Expense increases and inflation rates	-3% - 4%	2% - 3%

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 14% (2021: 13%) has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use.

As a result of this analysis, £nil impairment charge has been recognised for the year ended 31 December 2022. For the year ended 31 December 2021, management recognised impairments charges of £500,000, £250,000 and £48,000 against the goodwill allocated to the STM Life, Options - Berkeley Burke acquisition and Spain respectively and were recorded within the consolidated statement of comprehensive income.

12. Intangible assets (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of the value in use for the CGUs is most sensitive to the following assumptions:

- Revenue growth rates and attrition
- Expense increases and inflation rates
- Discount rates

Revenue growth rates and attrition – a decline revenue growth rates and/or an increase in attrition rates would result in further impairment. A 1% reduction in revenue growth rates would result in a potential impairment charge of approximately £185,000 (2021: £360,000).

Expense increases and inflation rates – management has considered the possibility of increased inflation resulting in higher than anticipated costs and an increase in expenses growth rates would result in potential impairment. A 1% increase in the expense growth rates would result in a potential impairment charge of approximately £nil (2021: £515,000).

Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate is made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A 1% increase in the WACC would result in a potential impairment charge of approximately £229,000 (2021: £300,000).

Client portfolio

Client portfolio assets acquired in a business combination are recognised separately from goodwill and are recognised initially at fair value at the acquisition date and subsequently assessed annually for impairment. The Group's client portfolios are amortised over the useful lives which have been determined to be ten years. Client portfolios acquired through acquisitions are as follows:

	Acquisition date	31 December 2022 £000	31 December 2021 £000
London & Colonial Services Ltd	October 2016	383	483
STM Nummos Life SL	January 2018*	215	257
Harbour Pensions Ltd	February 2018	545	637
Options Corporate Pensions UK Limited	February 2019	735	499
Options UK Personal Pensions LLP	February 2019	429	855
Options SSAS Limited	August 2020	229	259
Options EBC Limited	August 2020	915	1,035
SIPP portfolio acquired from Mercer Ltd	August 2022	1,543	-
SASS portfolio acquired from Mercer Ltd	August 2022	1,214	-
Total		**6,208**	**4,025**

*The client portfolio of STM Nummos Life SL was reclassified from Goodwill in January 2018.

13. Trade and other receivables

Group	31 December 2022 £000	31 December 2021 £000
Trade receivables	4,266	3,921
Prepayments	999	508
Other receivables	3,196	3,270
Total	**8,461**	**7,699**

Amounts due from related parties comprise intercompany balances which are unsecured, interest free and repayable on demand.

14. Cash and cash equivalents

Group	31 December 2022 £000	31 December 2021 £000
Bank balances	**19,234**	18,207

The Group has a secured bank loan liability of £5,363,000 (2021: £1,450,000) which is included in Notes 17 and 18.

Within cash and cash equivalents held by the Group there was a balance of £2,903,000 (2021: £2,847,000) which is not available for use by the Group. This mainly represented the blocked account that forms part of Options Corporate's regulatory requirement and the funds collected on behalf of clients but yet to be paid across to the respective clients or relevant authority bodies.

15. Capital and reserves

Authorised, called up, issued and fully paid	31 December 2022 £000	31 December 2021 £000
59,408,088 ordinary shares of £0.001 each (2021: 59,408,088 ordinary shares of £0.001 each)	**59**	59

Ordinary Shares

Ordinary shares carry full voting rights; full dividend rights; full rights as respects capital, to participate in a distribution (including on winding up); no redemption rights.

Employee Benefit Trust

The trustees of the Employee Benefit Trust held 1,089,780 shares at 31 December 2022 and 31 December 2021. The shares held may be used to satisfy awards made to employees and/or senior executives, such as conditional share awards granted under a long-term incentive plan.

Share premium

There were no new shares issued during the years ended 31 December 2022 and 31 December 2021.

15. Capital and reserves (continued)

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 2022 £000	31 December 2021 £000
1.50p pence per qualifying ordinary share (2021: 1.45 pence)	**891**	861

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 2022 £000	31 December 2021 £000
0.60 pence per qualifying ordinary share (2021: 0.90 pence)	**356**	535

16. Earnings per share

Earnings per share for the year from 1 January 2022 to 31 December 2022 is based on the profit attributable to owners of £844,000 (2021: £1,749,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2021: 59,408,088) and £59,408,088 dilutive (2021: 59,408,088) in issue.

17. Trade and other payables

Group	31 December 2022 £000	31 December 2021 £000
Deferred income	3,842	3,579
Trade payables	882	638
Bank loan (secured)	552	550
Deferred consideration	56	170
Lease liabilities	570	747
Other creditors and accruals	6,615	4,848
Total	**12,517**	**10,532**

Amounts owed to related parties comprise intercompany balances which are unsecured, interest free and repayable on demand.

17. Trade and other payables (continued)

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the year end.

The Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million in 2020 which was fully drawn during the year for the purposes of the acquisition of the Mercer portfolios (Note 4). 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. At the year-end the balance outstanding on this facility was £5.4 million (2021: £1.5 million). Interest on the loan is charged at 3.5% per annum over the Sterling Relevant Reference Rate. Prior to fully drawing down the loan interest was paid on the undrawn balance at a rate of 1.75% per annum over the Sterling Relevant Reference Rate.

The facility is subject to customary cashflow to debt service liability ratios and EBITDA to debt service liability ratio covenants tested quarterly and is secured by a capital guarantee provided by a number of non-regulated holding subsidiary companies within the Group and debentures over these companies.

18. Other payables – amounts falling due in more than one year

Group	**31 December 2022 £000**	**31 December 2021 £000**
Lease liabilities	143	637
Bank loan (secured)	4,811	900
Other payables	96	91
Total	**5,050**	**1,628**

19. Provisions, receivables due from insurers and contingent liability

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.

Provisions and receivables due from insurers	**31 December 2022 £000**	**31 December 2021 £000**
Carey (Options) v Adams	-	21,400
Others	488	2,730
Total	**488**	**24,130**

Carey (Options) v Adams:

The high profile and protracted Court case of Carey (Options) v Adams came to a conclusion in April 2022 when the right to appeal the Court of Appeal’s decision of 1 April 2021 to the Supreme Court was refused.

19. Provisions, receivables due from insurers and contingent liability (continued)

It was 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 also at the time of its ruling did not determine the appropriate relief payable to Mr Adams. It was therefore difficult to assess the exact obligation that could arise on other claims based on this one case. An estimate was therefore arrived at by considering a cohort of claims which were deemed to have similar characteristics to Mr Adams' claim resulting in a provision of £3.6 million for the year ended 31 December 2020. Following receipt of notice that right to appeal to the Supreme Court had been denied in March 2022 management, in consultation with its legal advisors and insurers reviewed the potential claims payable applying a broader range of criteria given that there was no further basis to appeal the judgement. This resulted in a provision of £21.4 million for the year ended 31 December 2021. This is covered by professional indemnity insurance and was therefore also reflected as receivables due from insurers.

During the year ended 31 December 2022 the insurers settled the claim with Mr Adams as mandated by the Courts. However, the Group has received agreement for a judicial review on a Financial Ombudsman Service's decision on the basis that it impacts on a large number of claims and raises issues of general importance. The outcome of this judicial review could subsequently impact a significant number of claims handled, including the cohort of claims arising from the Carey v Adams case. The matter is currently being considered by the courts and the timing of any judgement remains uncertain.

The Group has reassessed the probability of an outflow of economic benefits arising from this case and the reliability of estimates based on the latest information. Subject to the new developments on the judicial review and the increasing uncertainty surrounding the potential liability, the Group considers that it is not practical to estimate the potential impacts on the cohort of claims and the likelihood and timing of settlements. As a result, the provision has been reclassified as contingent liability and the corresponding receivables due from insurers have been derecognised as at 31 December 2022. There would have been no impact on the net assets of the Group as previously reported if the same treatment had been adopted as at 31 December 2021.

Other:

As at 31 December 2022 and 31 December 2021 there were potential claims in respect of the historic trading of STM Fidecs Life, Health & Pensions Limited and STM Malta Pensions Services Limited. These claims were estimated based on present information available at the time and a provision made. This was covered by professional indemnity insurance net of insurance excesses and thus also reflected as a receivable due from insurers. Following progress made on these claims during the year ended 31 December 2022 the provision (and corresponding receivable from insurers) has reduced to £488,000 (2021: £2,730,000).

General:

With reference to the prejudicial exemption allowed under IAS 37, the Company will not disclose any further information about the contingent liability, including any details about current and potential claims as these claims are ongoing.

On the basis of present information, amounts already recognised and the availability of insurance coverage, it is the opinion of the Group that the ultimate determination of complaints received to date will not have a material adverse effect on the consolidated financial position of the Group. However, it is possible that future results of operations or cash flows for any annual period could be materially affected by an unfavourable resolution of these matters.

20. Non-adjusting subsequent event

On 12 January 2023, the Group completed the acquisition of the remaining external 30% interest in Options Pensions UK LLP, increasing its ownership from 70% to 100% (Note 5). A decrease in equity attributable to owners of the Company has been recognised in the other reserve amounted to £468,000. Subsequent to this acquisition, all subsidiaries are wholly owned.

The Directors are not aware of any significant events occurring after the reporting date.