

STM Group Plc

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

Unaudited Interim Results for the six months ended 30 June 2015

STM Group Plc (AIM: STM), the multi-jurisdictional financial services group, is pleased to announce its unaudited interim results for the six months ended 30 June 2015.

Key Points:

	2015	2014	Change
Revenue	£8.3m	£7.4m	+12%
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£1.6m	£1.3m	+23%
Profit before taxation	£1.4m	£1.0m	+40%
Earnings per share	1.38p	1.17p	+18%
Cash at bank	£7.1m	£5.5m	+29%

- Consistent growth in both Pensions and STM Life businesses
- Profit margin increased to 17% (2014: 13%) despite current investment cost in business development programme
- Growth in annuity fee income streams
- New wholly owned business development offices opened in South Africa, South East Asia and Middle East
- £2.25 million of loan notes either settled or converted into equity in STM
- Improved cash collection in CTS business reflected in cash at bank

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

"These results are starting to demonstrate the successful roll out of our growth strategy. The Product and Business Development team is now in place and has commenced to formalise new distribution agreements in our target territories. Our experience to date suggests that after the expected lead time, these new representative offices will become a key factor in contributing to enhanced revenue streams.

"The Board is pleased with progress during the first half of the year and views the remainder of the year and beyond with optimism."

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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 trading operations in Gibraltar, Spain, Jersey, Malta and Cyprus. The Group is looking to expand through the development of additional products and services that its ever more sophisticated clients demand. STM has, for example, incorporated a Gibraltar Life Insurance Company, STM Life plc, which provides life insurance bonds - wrappers in which a variety of investments, including investment funds, can be held. STM has developed a specialist international pensions division which specialises in Qualifying Recognised Overseas Pension Schemes (QROPS), Qualifying Non UK Pension Schemes (QNUPS) and Employer Funded Retirement Benefit Schemes (EFRBS).

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

Chief Executive's Review

Overview

I am pleased to present the interim results for the six months ended 30 June 2015, which continue to show solid growth in turnover and enhanced profitability.

This year is proving to be a very productive and exciting year for STM. Not only are we continuing to enhance our product and business development function but we have seen the successful settlement of most of the Convertible Loan Notes.

As expected, the growth in the period continues to come from our Pensions and Life businesses. Our priority for 2015, as previously stated is to further develop the platform for business development within these divisions. Offices in the newly opened regions (South Africa, South East Asia and the Middle East) are mandated to sign on new IFAs as well as continue working closely with our existing introducers. The current year has already seen more IFA's signed on than in the whole of 2014, which, as already highlighted, allows the Board to view the future with optimism.

The Convertible Loan Notes, which totalled £2.55 million at the year ended 31 December 2014, have during the period been reduced to £0.30 million. Whilst a proportion of the original balance was repaid (£0.70 million) the majority of the loan note holders (£1.55 million) took advantage of the conversion option and were issued new ordinary shares. This not only demonstrates confidence in the business but will result in reduced finance costs in the year.

Financial results

For the six month period ended 30 June 2015 the Group recorded an increased turnover of 12% to £8.32 million when compared to the equivalent period (2014: £7.42 million). Profit before tax has also increased from £1.03 million (profit margin of 13%) in the six month period to 30 June 2014 to £1.37 million (profit margin of 17%) in this current period.

As is normal in services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £2.31 million as at the period end (2014: £2.46 million). In addition, deferred income relating to annual fees invoiced but not yet earned stood at £2.27 million (2014: £1.81 million). This increase is as a result of the Pensions business revenue where deferred income will continue to increase as more and more invoices for annual renewal fees are raised. Both the

accrued and deferred income will be invoiced or earned in the second half of 2015 (and early 2016) thus providing excellent visibility on future revenues.

Trade receivables as at 30 June 2015 were £1.62 million as compared to £2.81 million in the previous year. Pleasingly this decrease is largely as a result of successful initiatives introduced in the CTS business to significantly reduce debtor days. As one would expect this improved debtor profile, together with the increased profitability, has resulted in an increase in the Group's cash balances of £1.41 million in the six month period. Cash balances at 30 June 2015 were £7.12 million (31 December 2014: £5.71 million). More importantly, and demonstrating the visibility and robustness of the business model, cash generated from operating activities amounted to £2.17 million (2014: £1.54 million) far outstripping the operating profit.

This cash generated was used to reduce trade and other payables by £1.00 million as well as having settled £0.70 million of the Convertible Loan Notes. In addition to this cash repayment a further £1.55 million of the Convertible Loan Notes were, during the period, converted into new ordinary shares of the Company. This has resulted in a total reduction of this borrowing of £2.25 million to leave a minimal amount of £0.30 million as at 30 June 2015. This balance is repayable in March 2016 and management does not envisage any issues with the ability to settle this out of working capital.

Pleasingly, and as expected, the STM Jersey compliance matter has been successfully resolved.

The Board continues to review the dividend policy and at this stage proposes that no interim dividend be paid (2014 interim: nil). However, given the profitability and cash position, the Board intends to re-introduce a progressive dividend policy in due course.

Review of operations

STM Pensions

As previously reported, the Pensions business continues to grow, with revenue up by over 16% compared to the same period for 2014. Revenue for the six month period to 30 June 2015 is £4.48 million (2014: £3.76 million) thus accounting for 54% of the Group's overall turnover (2014: 51%).

The income for the period is split between the two jurisdictions as follows: Malta - £3.30 million (2014: £2.69 million) and Gibraltar - £1.18 million (2014: £1.16 million). As can be observed from these figures the growth in this period has been in Malta. This is primarily due to two reasons; the first being that a significant amount of new business has come from the Middle East, specifically from countries where a Double Tax Agreement with Malta exists and consequently this business is best served in Malta. The second being that our Malta based US Plan continues to gain traction.

CTS division

Turnover from the Corporate and Trustee Services division ("CTS") accounted for 30% of the Group's total revenue during the first half of 2015 (2014: 36%).

Revenues generated by the CTS business for the period were £2.54 million (2014: £2.69 million). The split shows the Jersey CTS business accounting for 55% of the revenue at £1.41 million (2014: 57% and £1.52 million) with Gibraltar's revenue totaling £1.13 million (2014: £1.17 million).

As can be noted, the decrease in revenues has been consistent in both Gibraltar and Jersey demonstrating the market wide effect of the downward cycle being experienced in the general CTS market, largely as a result of the ongoing financial climate.

STM Life

As reported at the 2014 year end, STM Life is showing significant growth and becoming a reasonable contributor to Group results. Revenue for the six months to 30 June 2015 amounted to £0.75 million (2014: £0.48 million). The income for 2015 so far now includes a higher proportion of annual fees and thus provides good annuity fees going forward, with the second half of the year expected to perform better than the first half.

Both the new business as well as existing policies are generated via a range of intermediaries and across a spread of products therefore providing good diversification for the business.

Other divisions

Turnover from other divisions for the six month period amounted to £0.56 million (2014: £0.49 million) with the main contributors being the Insurance Management division and the Spanish office. Both these divisions are performing to management's expectations.

Board Changes

As reported in July the Company welcomed Jonathan Shearman to the Board as a Non-Executive Director. Jonathan has 20 years' experience in the City and we look forward to working with him as we continue to grow the STM business globally.

Summary and outlook

The Board is pleased with progress in the year so far which shows results in line with management expectations. We are both excited and optimistic with regard to the remainder of this year, and the foreseeable future.

Our core products of international pension administration, particularly for the UK expatriate, and our "up and coming" life assurance tax compliant wrappers will remain the focus for our business development team where there remain very significant opportunities for sustainable and profitable growth.

STM's investment in its business development infrastructure during the first six months of the year allows the Group to be well positioned to grow its distribution network of introducing intermediaries. This infrastructure now gives STM a more global distribution, with business developers based in the Middle East, Africa and South East Asia, as well as Europe. The Board believes that this, along with strong management teams in our trading operations, allows STM to deliver better service levels thus enhancing the intermediary experience for both existing and new intermediaries, as well as the underlying clients.

Colin Porter

Chief Executive Officer

1 September 2015

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2015 to 30 June 2015

	Notes	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited Year to 31 December 2014 £'000
Revenue		8,321	7,422	15,878
Administrative expenses		(6,728)	(6,126)	(13,575)
Profit before other items		1,593	1,296	2,303
Finance costs		(108)	(140)	(279)
Depreciation and amortisation		(117)	(124)	(316)
Profit on ordinary activities before taxation		1,368	1,032	1,708
Income tax expense		(598)	(407)	(657)
Profit on ordinary activities after taxation		770	625	1,051
Other comprehensive income				
Foreign currency translation differences for foreign operations		(24)	(38)	(72)
Total comprehensive profit for the period/year		746	587	979
Earnings per share basic (pence)	3	1.38	1.17	1.97
Earnings per share diluted (pence)	3	1.38	1.17	1.66

There have been no discontinued activities in the period. Accordingly, the above results relate solely to continuing activities.

STM GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 30 June 2015

	Notes	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		895	1,064	974
Intangible assets		16,779	16,873	16,810
Other investments		756	614	737
Total non-current assets		18,430	18,551	18,521
Current assets				
Accrued income		2,313	2,425	2,158
Trade and other receivables	5	2,813	4,244	4,775
Cash and cash equivalents	4	7,119	5,472	5,711
Total current assets		12,245	12,141	12,644
Total assets		30,675	30,692	31,165
EQUITY				
Called up share capital	8	59	53	53
Share premium account		22,373	20,828	20,828
Reserves		2,102	969	1,368
Total equity attributable to equity shareholders		24,534	21,850	22,249
LIABILITIES				
Current liabilities				
Liabilities for current tax		1,531	850	1,061
Trade and other payables	6	4,610	5,442	5,305
Total current liabilities		6,141	6,292	6,366
Non-current liabilities:				
Other payables	7	--	2,550	2,550
Total non-current liabilities		--	2,550	2,550
Total liabilities and equity		30,675	30,692	31,165

STM GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2015 to 30 June 2015

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Profit for the period/year before tax	1,367	1,032	1,708
Adjustments for:			
Depreciation and amortisation	117	124	316
Taxation paid	(128)	(171)	(209)
Unrealised gain in investments	--	--	(122)
(Increase)/decrease in trade and other receivables	1,962	(30)	(561)
Decrease/(increase) in accrued income	(155)	575	842
Increase in trade and other payables	(995)	14	(125)
Net cash from operating activities	2,168	1,544	1,849
Investing activities			
Acquisition of property, plant and equipment	(15)	(15)	(37)
Acquisition of treasury shares	--	--	(8)
Acquisition of investments - cash consideration	(20)	(24)	(25)
Decrease/(increase) in intangibles	8	16	-
Net cash used in investing activities	(27)	(23)	(70)
Cash flows from financing activities			
Shares issued	1,550	--	--
Loan repayments made	(2,250)	--	--
Net cash from financing activities	(700)	--	--
Increase in cash and cash equivalents	1,441	1,521	1,779
Reconciliation of net cash flow to movement in net funds			
Analysis of cash and cash equivalents during the period/year			
Balance at start of period/year	5,711	3,990	3,990
Translation of foreign operations	(33)	(39)	(58)
Increase in cash and cash equivalents	1,441	1,521	1,779
Balance at end of period/year	7,119	5,472	5,711

STM GROUP PLC

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the period from 1 January 2015 to 30 June 2015

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2014	53	20,828	604	(198)	(24)	21,263
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	--	--	1,051	--	--	1,051
Other comprehensive income						
Foreign currency translation differences	--	--	(72)	--	--	(72)
Transactions with owners, recorded directly in equity						
Shares issued in the year	--	--	--	--	--	--
Dividend paid	--	--	--	--	--	--
Treasury shares purchased	--	--	--	--	--	--
Exchange loss on equity	--	--	--	(8)	15	7
At 31 December 2014	53	20,828	1,583	(206)	(9)	22,249
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	--	--	770	--	--	770
Other comprehensive income						
Foreign currency translation differences	--	--	(24)	--	--	(24)
Transactions with owners, recorded directly in equity						
Shares issued in the year	6	1,545	--	--	--	1,551
Dividend paid	--	--	--	--	--	--
Treasury shares purchased	--	--	--	--	--	--
Exchange loss on equity	--	--	--	--	(12)	(12)
At 30 June 2015	59	22,373	2,329	(206)	(21)	24,534

STM GROUP PLC

NOTES TO THE CONSOLIDATED RESULTS for the period from 1 January 2015 to 30 June 2015

1. Reporting entity

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and was admitted to trading on the London Stock Exchange AIM Market on 28 March 2007. The address of the Company's registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The Group is primarily involved in financial services.

2. Basis of preparation

Results for the period from 1 January 2015 to 30 June 2015 have not been audited.

The consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law and IAS 34, Interim Financial Reporting.

3. Earnings per Share

Earnings per share for the period from 1 January 2015 to 30 June 2015 is based on the profit after taxation of £770,000 divided by the weighted average number of shares during the period 55,686,243 (basic and dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2015 is:

Weighted average number of shares	55,686,243
Dilutive share options	--
<u>Diluted</u>	<u>55,686,243</u>

4. Cash and cash equivalents

Cash at bank earns interest at floating rates based on prevailing rates. The fair value of cash and cash equivalents in the Group is £7,119,000

5. Trade and other receivables

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Trade receivables	1,617	2,807	3,096
Other receivables	1,196	1,437	1,679
	<u>2,813</u>	<u>4,244</u>	<u>4,775</u>

STM GROUP PLC**NOTES TO THE CONSOLIDATED RESULTS (continued)**
for the period from 1 January 2015 to 30 June 2015**6. Trade and other payables**

	Current liabilities		
	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Loans from related parties	57	57	57
Deferred income	2,272	1,806	2,273
Trade payables	282	485	334
Other creditors and accruals	1,699	3,094	2,641
Convertible loan notes	300	-	-
	4,610	5,442	5,305

Loans from related parties amount to £57,000 and relate to a loan by the founding shareholders of STM Fidecs Limited, the Group's first acquisition. This loan amount is unsecured and interest bearing at 7% per annum.

7. Other payables - amount falling due in more than one year

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Convertible loan notes	--	2,550	2,550
	--	2,550	2,550

8. Called up share capital

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
59,408,087 ordinary shares of £0.001 each	59	53	53