



Press Release

3 September 2013

STM Group Plc

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

Unaudited Interim Results for the six months ended 30 June 2013

STM Group Plc (AIM: STM), the international financial services group, is pleased to announce its unaudited interim results for the six months ended 30 June 2013.

Key Points:

	2013	2012
Revenue	£6.6m	£5.1m
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£0.8m	£0.6m
Profit after taxation	£0.5m	£0.0m
Cash	£4.4m	£3.4m

- STM Pensions remains the Group's largest division and continues to attract new business
- Profitability increasing in 2013 as Group benefits from investments made in staff and product development in 2012
- Distribution channels growing
- First proprietary product launched for German market (post period end)

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

"These results demonstrate the progress made at STM in delivering on our strategic objectives.

“The transition to a product provider will complement our existing portfolio of products and services and, as we invest for the future, reinforce our position as an innovative international financial services group focussing on the needs of our clients.”

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Notes to editors:

STM is an international financial services group which is listed on the AIM Market of the London Stock Exchange and made its first acquisition in 2007. The Group specialises in the administration of assets for international clients in relation to retirement, estate and succession planning and wealth structuring.

Today, STM has 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 2013, which show a steady and improved performance from the second half of 2012 both in terms of income and profitability. In line with management's expectations, the Group continues to see a significant growth in its pensions business.

As predicted, margins increased during the first half of 2013 as the Group, and more specifically the pensions division, reaps the benefits of the investment made in staff and product development during 2012.

The Corporate and Trustee Services (CTS) sector remains challenging given the economic climate however the Group continues to expand both its product range and markets.

As indicated at the time of our full year results, significant effort has been put into the STM Life offering and it announced the launch of a new German Life assurance product post period-end. Management is confident that this will add to the Group's financial performance in the second half of the year.

Financial results

The Group recorded turnover of £6.65 million for the six months to 30 June 2013 (2012: £5.10 million) and operating profit of £0.84 million (2012: £0.62 million).

In line with all CTS businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at 30 June 2013 of £3.46 million (30 June 2012: £3.85 million). Deferred income relating to annual fees invoiced but not yet earned stood at £1.26 million as at 30 June 2013 (30 June 2012: £0.94 million). It is expected that these amounts will be invoiced or earned in the second half of 2013, providing excellent visibility over revenues.

The Group had a gross cash balance of £4.36 million at the period end (31 December 2012: £3.38 million) having repaid external borrowings of £0.16 million during the period. Bank borrowings at 30 June 2013 amounted to £0.75 million (30 June 2012: £1.26 million).

In addition to bank financing, there remain Convertible Loan Notes to the value of £3.5 million which are repayable in March 2014. Management is considering a number of options in relation to the repayment of these amounts.

The Board continues to review the dividend policy and at this stage proposes that no interim dividend be paid (2012 interim: nil). The Board will review this position again at the year end.

Review of operations

CTS division

Whilst the Group's primary offering remains the provision of corporate and trustee services ("CTS") it accounted for only 43% of the Group's total revenue during the first half of 2013 (2012: 62%) mainly as a result of the increased pension income stream.

Revenues generated by CTS for the period were £2.88 million (2012: £3.17 million) as compared to £3.33 million in the second half of 2012. This decrease in revenues is reflective of the challenging CTS market-place given the financial climate. As indicated at the time of our full year results, we believe that this change in the traditional markets is here to stay.

As reported during 2012, the Gibraltar CTS business, given its proximity to the Southern Mediterranean expatriate community, has been significantly affected by the Eurozone crisis and seen decreases in both the number of trusts and companies under management and the level of activity carried out. 2013 is the first full year where the client losses in 2012 have fully impacted revenue. Furthermore management continues to find the development of new business challenging.

The Jersey CTS business has been predominantly focused on the UK non-domiciled market which has been impacted by the stricter requirements from HM Revenue & Customs ("HMRC"). This has resulted in a slight decrease in income during the first half of 2013. Management is now focusing on other non-UK markets and this is progressively generating new business opportunities.

The second half of the year will be challenging for the CTS businesses but management is investing time and effort on these divisions to grow its current client base and thus increase turnover and profitability.

Management is confident that it has the right cost base and infrastructure to maintain the current levels of revenue and client needs.

STM Pensions

As anticipated, pension's revenue has grown during the period amounting to £3.02 million (2012: £1.20 million) as compared to £2.40 million in the second half of 2012.

After the initial surge of business in April 2012, as a result of HMRC de-listing Guernsey QROPS schemes, the revenue stream has settled down to a healthy and consistent level. During the year, a number of new competitors have entered the marketplace and put significant pressure on administration fee levels for new business. However, the Company, along with a number of other pension providers and the regulators, is keen to maintain fee levels that allow delivery of a full service level.

Management has continued to focus on developing its distribution network to grow market share in this sector.

STM Life

During the first half of 2013 STM Life has performed very much in line with management's expectation. While revenues are still slow they are increasing month on month and the second half of 2013 has shown significant signs of further improvement. The German product has been successfully launched and management is confident that this division will gain traction during the second half of 2013.

Revenue for the six months to 30 June 2013 amounted to £0.20 million (2012: £0.13 million).

Other divisions

Income from other divisions amounted to £0.55 million (2012: £0.60 million) with the main contributors being the insurance management division and the Spanish office. Insurance Management revenues totaled £0.30 million in the first half of the year (2012: £0.28 million) with the Spanish office generating income of £0.16 million (2012: £0.20 million). Performance in the Spanish office continues to suffer as a result of the difficult Spanish economic climate; however, a management restructure has resulted in a reduced cost base and therefore profitability is expected to increase during the year.

Summary and outlook

The first half of 2013 has seen the pensions division grow in terms of revenues. Margins are expected to grow during the second half as the division benefits from a full year of having a complete team and infrastructure in place.

In addition, STM Life revenues are expected to grow with the delivery of new products and review of new markets.

Growth in revenues of the pension division and STM Life, together with the reduction of costs in Spain and rationalisation of operating costs across the Group, will have a positive impact on the profitability of the Group for the year. Cash generation in the second half of the year is expected to increase given the increased profitability in STM Malta and the Group's overall reduced borrowings.

STM's strategy will be maintained; to increase the Group's share of existing markets and also to find new markets for our products and services. STM continues to increase its distribution network for both its pensions and life products together with identifying new markets for its core business.

The Board believes the second half of 2013 will show increased turnover and profitability as it reaps the benefits of the investments made in staff and product development during 2012.

Colin Porter

Chief Executive Officer

3 September 2013

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT for the period from 1 January 2013 to 30 June 2013

	Notes	Unaudited 6 months to 30 June 2013 £'000	Unaudited 6 months to 30 June 2012 £'000	Audited year to 31 December 2012 £'000
Revenue		6,647	5,099	11,550
Administrative expenses		(5,806)	(4,478)	(10,555)
Profit before other items		841	621	995
Finance costs		(163)	(198)	(314)
Depreciation and amortisation		(132)	(404)	(819)
Loss on sale of fixed assets		–	–	(23)
Adjustments to carrying value of investments		–	–	(3,834)
Profit/(loss) on ordinary activities before taxation		546	19	(3,995)
Income tax expense		(90)	(40)	(271)
Profit/(loss) on ordinary activities after taxation		456	(21)	(4,266)
Other comprehensive income				
Foreign currency translation differences for foreign operations		21	(19)	(60)
Total comprehensive profit/(loss) for the period/year		477	(40)	(4,326)
Earnings per share basic (pence)	3	0.85	(0.04)	(8.43)
Earnings per share diluted (pence)	3	0.85	(0.04)	(8.43)

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

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CONSOLIDATED BALANCE SHEET as at 30 June 2013

		Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		1,230	1,396	1,297
Intangible assets		16,878	20,835	16,886
Other investments		73	63	73
Total non-current assets		18,181	22,294	18,256
Current assets				
Accrued income		3,464	3,853	3,031
Trade and other receivables	5	4,418	4,856	4,523
Cash and cash equivalents	4	4,360	3,426	3,384
Total current assets		12,242	12,135	10,938
Total assets		30,423	34,429	29,194
EQUITY				
Called up share capital	8	53	53	53
Share premium account		20,828	20,898	20,828
Reserves		958	4,751	532
Total equity attributable to equity shareholders		21,839	25,702	21,413
LIABILITIES				
Current liabilities				
Liabilities for current tax		785	243	439
Trade and other payables	6	7,799	4,269	3,892
Total current liabilities		8,584	4,512	4,331
Non-current liabilities:				
Other payables	7	–	4,215	3,450
Total non-current liabilities		–	4,215	3,450
Total liabilities and equity		30,423	34,429	29,194

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CONSOLIDATED CASH FLOW STATEMENT for the period from 1 January 2013 to 30 June 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Profit/(loss) for the period/year before tax	546	20	(3,995)
Adjustments for:			
Depreciation and amortisation	132	404	819
Loss on sale of fixed assets	–	–	23
Adjustments to investments	–	–	3,834
Taxation paid	256	(131)	(168)
Decrease in trade and other receivables	104	68	401
Increase in accrued income	(433)	(938)	(272)
Increase/(decrease) in trade and other payables	788	12	(402)
Net cash from operating activities	1,393	(565)	240
Investing activities			
Acquisition of property, plant and equipment	(54)	(45)	(111)
Acquisition of treasury shares	(54)	–	–
Acquisition of investments – cash consideration	(173)	(104)	(450)
Net cash used in investing activities	(281)	(149)	(561)
Cash flows from financing activities			
Loan repayments made	(161)	(703)	(1,056)
Cash consideration from shares issued	–	1,568	1,498
Net cash from financing activities	(161)	865	442
Increase in cash and cash equivalents	951	151	121
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	3,384	3,307	3,307
Translation of foreign operations	25	(32)	(44)
Increase in cash and cash equivalents	951	151	121
Balance at end of period/year	4,360	3,426	3,384

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STATEMENT OF CONSOLIDATED CHANGES IN EQUITY for the period from 1 January 2013 to 30 June 2013

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2012	43	19,051	5,066	(144)	(80)	23,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	–	–	(4,266)	–	–	(4,266)
Other comprehensive income						
Foreign currency translation differences	–	–	(60)	–	–	(60)
Transactions with owners, recorded directly in equity						
Shares issued in the year	10	1,777	–	–	–	1,787
Exchange loss on equity	–	–	–	–	16	16
At 31 December 2012	53	20,828	740	(144)	(64)	21,413
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	–	–	456	–	–	456
Other comprehensive income						
Foreign currency translation differences	–	–	21	–	–	21
Transactions with owners, recorded directly in equity						
Treasury shares purchased	–	–	–	(54)	–	(54)
Exchange loss on equity	–	–	–	–	3	3
At 30 June 2013	53	20,828	1,217	(198)	(61)	21,839

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NOTES TO THE CONSOLIDATED RESULTS for the period from 1 January 2013 to 30 June 2013

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 2013 to 30 June 2013 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 2013 to 30 June 2013 is based on the profit after taxation of £456,000 divided by the weighted average number of shares during the period 53,445,877 (basic and dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2013 is:

Weighted average number of shares	53,445,877
Dilutive share options	–
<u>Diluted</u>	<u>53,445,877</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 £4,360,000.

5. Trade and other receivables

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Trade receivables	2,459	3,018	2,951
Other receivables	1,959	1,838	1,572
	<u>4,418</u>	<u>4,856</u>	<u>4,523</u>

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NOTES TO THE CONSOLIDATED RESULTS cont. for the period from 1 January 2013 to 30 June 2013

6. Trade and other payables

Current liabilities

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Bank Loan	750	498	911
Loans from related parties	47	39	57
Deferred income	1,260	935	547
Trade payables	379	514	268
Deferred and contingent consideration	24	592	198
Other creditors and accruals	1,889	1,691	1,911
Convertible loan notes	3,450	–	–
	<u>7,799</u>	<u>4,269</u>	<u>3,892</u>

As at 30 June 2013 the Group had a bank loan from NatWest Bank Plc amounting to £750,000 repayable in quarterly instalments at a variable rate of interest currently at 4%. The loan is secured by capital guarantees supplied by subsidiary companies.

Loans from related parties amount to £47,000 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 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Bank loan – repayable between year 2 and year 5	–	765	–
Convertible loan notes	–	3,450	3,450
	<u>–</u>	<u>4,215</u>	<u>3,450</u>

8. Called up share capital

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
53,445,877 ordinary shares of £0.001 each	53	53	53

-Ends-