

STM Group Plc

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

Unaudited Interim Results for the six months ended 30 June 2014

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 2014.

Key Points:

	2014	2013	Change
Revenue	£7.4m	£6.6m	+12.1%
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£1.3m	£0.8m	+63%
Profit before taxation	£1.0m	£0.3m	+313%
Earnings per share	1.17p	0.85p	+38%
Cash at bank	£5.5m	£4.4m	+25%

- Profit margins increasing - EBITDA margin in 2014 of 17.5% (2013: 12.1%)
- STM Pensions remains the Group's largest and most profitable division with continued growth and new product initiatives
- STM Life gaining traction with new business growing month on month
- Reduction in debt of £1.0m
- Net cash generated by operations of £1.5m
- Increased cash at period end of £5.5m

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

"These results demonstrate the continued delivery of a new look STM, with more focus on supporting the IFA markets with product initiatives in the expatriate pensions and life assurance arena that meet their specific needs. As predicted, this has allowed us to differentiate ourselves from the traditional corporate and trustee service provider industry, where the market remains challenging, and places STM in an enviable position for continued growth and profitability for the coming years.."

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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 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 2014, which show the Group performing in line with management expectation.

The growth in turnover experienced in 2013 continues to be delivered during 2014. Pleasingly, profitability, which was previously lagging turnover, has also increased during the first half of 2014 as the Group has been able to take on this revenue with little further investment in resources being needed.

The Business and Product Development team, newly structured earlier in the year, has been working tirelessly to deliver further specialised financial services products which cater for the specific needs of our clients. They have also made inroads into tailoring our products to meet the requirements in new jurisdictions, again with a focus on the pensions and life assurance markets. This focus has been primarily aimed at the International IFA market, rather than the traditional routes to market of accountancy and law firms for the Corporate and Trustee Service ("CTS") Provider sector.

This has resulted in solid and steady continued growth in our Pensions division. I am also pleased to note that STM Life is now gaining traction and becoming a Group profit contributor with turnover and profitability increasing month on month.

Whilst, as previously reported, the CTS sector remains challenging given the economic climate, the Board believes that there remain opportunities in emerging and less developed markets.

Financial results

The Group recorded turnover of £7.42 million for the six months to 30 June 2014 (2013: £6.65 million) and operating profit of £1.30 million (2013: £0.84 million).

In line with all services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £2.43 million as at the period end (2013: £3.46 million). Deferred income relating to annual fees invoiced but not yet earned stood at £1.81 million (2013: £1.26 million). In line with the Group's accounting policy, first year fees on

pension business are recognised in full at the time of receiving the application whereas a proportion of the second year fees are deferred over the year in which the fee relates. Invoicing second year fees for our pensions products, which are billed annually, has now commenced, resulting in higher deferred income in 2014. Both the accrued and deferred income will be invoiced or earned in the second half of 2014 (and early 2015), providing excellent visibility over revenues.

During the period the Group has decreased the level of external borrowing by £1 million. This decrease is largely as a result of having successfully settled the 2010 Convertible Loan Notes ("2010 Loan Notes") of £3.45 million and having issued £2.55 million of new Convertible Loan Notes in May 2014 ("2014 Loan Notes"). The 2014 Loan Notes carry similar terms and conditions as the 2010 Loan Notes and can be converted into new ordinary shares in March 2015 or repaid in cash in March 2016. The Board also has the option to repay some or all of the 2014 Loan Notes on the first anniversary, being March 2015. In addition, the Group has fully repaid its remaining bank borrowings of £0.10 million.

Notwithstanding the above external debt repayments, the Group's cash has increased in the six month period by £1.38 million due to strong cash generated by operations, resulting in a cash balance of £5.47 million at 30 June 2014 (31 December 2013: £4.09 million).

The Board continues to review the dividend policy and at this stage proposes that no interim dividend be paid (2013 interim: nil). The Board will review this position again at the year end.

Review of operations

STM Pensions

As previously reported, the Pensions business has now become the largest contributor to Group in terms of both turnover and profitability, now accounting for over 50% of the Group's income at £3.76 million (2013: £3.02 million). Growth in this division has been a strategic target for the Group and has been achieved since 2011 when turnover was a much more modest £0.60m.

The growth has been predominantly in Gibraltar where the turnover recorded for the six month period was £1.16 million (2013: £0.40 million) thus an increase of circa 200% and which now accounts for 30% (2013: 13%) of the Group's Pensions business. Income generated in Malta in the period was £2.60 million (2013: £2.62 million).

The combined growth in the overall Pensions business is due to new distributors and intermediaries having been signed on during the year to date to promote STM's suite of products.

CTS division

Income from the Corporate and Trustee Services division ("CTS") accounted for 36% of the Group's total revenue during the first half of 2014 (2013: 43%). Whilst this is in part due to a slight decrease in CTS revenue when compared to the same period last year, it is predominantly the effect of the significant increase in Pensions revenue.

Revenues generated by CTS for the period were £2.69 million (2013: £2.88 million) as compared to £2.95 million in the second half of 2013. Revenue resulting from the Jersey CTS business accounted for 57% of the CTS business and was £1.52 million (2013: 56% and £1.62 million) with Gibraltar's revenue totaling £1.17 million (2013: £1.26 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

It is very pleasing to note that STM Life is finally gaining traction and contributing to Group profitability. Revenue for the six months to 30 June 2014 amounted to £0.48 million (2013: £0.20 million) which is a 33% increase on the revenue generated in the second half of 2013 of £0.36 million.

New business is coming from a range of intermediaries and across a spread of products suggesting diversification and that the efforts put in by management over the last few years to develop these products and build on these relationships is finally coming to fruition. New business continues to grow month on month which, together with the annual management fees on these long-term products, should see revenues continue to increase in the second half of 2014. The cost base will need to be considered further during 2014 to ensure sufficient head count to manage the new business and maintain service levels, while at the same time driving further increases in profitability.

Other divisions

Turnover from other divisions for the six month period amounted to £0.49 million (2013: £0.55 million) with the main contributors being the Insurance Management division and the

Spanish office. Insurance Management revenues totaled £0.29 million in the first half of the year (2013: £0.30 million) with the Spanish office generating income of £0.18 million (2013: £0.16 million). It is welcoming to see that whilst the Spanish economic climate remains difficult, management is proving successful in their ability to sustain the income levels. Furthermore they continue to challenge the cost base with a view to increasing profitability.

Board Changes

After three and a half years as the Group's Chairman, it is Julian Telling's intention to stand down at the end of the year to pursue other personal interests. Julian has been instrumental in STM's transition from offering bespoke solutions in the CTS market to becoming a multi-disciplinary international financial services provider delivering tailor-made solutions for our clients. The Board joins me in thanking him for his dedicated and valued work and wishes him every success for the future. The Board is in discussions with a view to appointing a new Chairman upon Julian's departure and will update the market as and when a decision has been made.

Summary and outlook

The benefits of the creation of the Business and Product Development team are already clear with further growth in the Pensions division and STM Life. The Group has also seen an increase in profitability in the first half of 2014 which is expected to continue during the second half of the year and beyond as Pensions continues to grow and second year fees in this area fall due.

In addition, STM Life has a healthy pipeline of expected new business which, together with continued efforts to increase our distribution networks and launch new products, should result in further growth in this area.

Cash generation in the second half of the year is expected to increase given the increase in the Group's profitability and the overall reduction in the Group's borrowings.

The Board believes the progress being made in the first half of 2014 will continue well into the second half and beyond and looks forward to updating the market in this respect.

Colin Porter

Chief Executive Officer

9 September 2014

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT for the period from 1 January 2014 to 30 June 2014

	Notes	Unaudited 6 months to 30 June 2014 £'000	Unaudited 6 months to 30 June 2013 £'000	Audited year to 31 December 2013 £'000
Revenue		7,422	6,647	13,357
Administrative expenses		(6,126)	(5,806)	(12,419)
Profit before other items		1,296	841	938
Finance costs		(140)	(163)	(359)
Depreciation and amortisation		(124)	(132)	(310)
Profit on ordinary activities before taxation		1,032	546	296
Income tax expense		(407)	(90)	(380)
Profit/(loss) on ordinary activities after taxation		625	456	(111)
Other comprehensive income				
Foreign currency translation differences for foreign operations		(38)	21	(25)
Total comprehensive profit/(loss) for the period/year		587	477	(136)
Earnings per share basic (pence)	3	1.17	0.85	(0.21)
Earnings per share diluted (pence)	3	1.17	0.85	(0.21)

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 2014

		Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		1,064	1,230	1,156
Intangible assets		16,873	16,878	16,907
Other investments		614	73	614
Total non-current assets		18,551	18,181	18,677
Current assets				
Accrued income		2,425	3,464	3,000
Trade and other receivables	5	4,244	4,418	4,214
Cash and cash equivalents	4	5,472	4,360	4,090
Total current assets		12,141	12,242	11,304
Total assets		30,692	30,423	29,981
EQUITY				
Called up share capital	8	53	53	53
Share premium account		20,828	20,828	20,828
Reserves		969	958	382
Total equity attributable to equity shareholders		21,850	21,839	21,263
LIABILITIES				
Current liabilities				
Liabilities for current tax		850	785	613
Trade and other payables	6	5,442	7,799	8,105
Total current liabilities		6,292	8,584	8,718
Non-current liabilities:				
Other payables	7	2,550	-	-
Total non-current liabilities		2,550	-	-
Total liabilities and equity		30,692	30,423	29,981

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CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January 2014 to 30 June 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Profit for the period/year before tax	1,032	546	269
Adjustments for:			
Depreciation and amortisation	124	132	310
Taxation paid	(171)	256	(206)
(Increase)/decrease in trade and other receivables	(30)	104	309
Decrease/(increase) in accrued income	575	(433)	31
Increase in trade and other payables	14	788	1,746
Net cash from operating activities	1,544	1,393	2,459
Investing activities			
Acquisition of property, plant and equipment	(15)	(54)	(134)
Acquisition of treasury shares	-	(54)	(54)
Acquisition of investments - cash consideration	(24)	(173)	(714)
Decrease/(increase) in intangibles	16	-	(56)
Net cash used in investing activities	(23)	(281)	(958)
Cash flows from financing activities			
Loan repayments made	-	(161)	(911)
Net cash from financing activities	-	(161)	(911)
Increase in cash and cash equivalents	1,521	951	590
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	3,990	3,384	3,384
Translation of foreign operations	(39)	25	16
Increase in cash and cash equivalents	1,521	951	590
Balance at end of period/year	5,472	4,360	3,990

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STATEMENT OF CONSOLIDATED CHANGES IN EQUITY for the period from 1 January 2014 to 30 June 2014

	Share Capital £'000	Share Premium £'000	& Profit Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2013	53	20,828	740	(144)	(64)	21,413
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	-	-	(111)	-	-	(111)
Other comprehensive income						
Foreign currency translation differences	-	-	(25)	-	-	(25)
Transactions with owners, recorded directly in equity						
Exchange loss on equity	-	-	-	-	40	40
Treasury shares purchased	-	-	-	(54)	-	(54)
At 31 December 2013	53	20,828	604	(198)	(24)	21,263
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	-	-	625	-	-	625
Other comprehensive income						
Foreign currency translation differences	-	-	(38)	-	-	(38)
Transactions with owners, recorded directly in equity						
Treasury shares purchased	-	-	-	-	-	-
Exchange loss on equity	-	-	-	-	-	-
At 30 June 2014	53	20,828	1,191	(198)	(24)	21,850

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NOTES TO THE CONSOLIDATED RESULTS for the period from 1 January 2014 to 30 June 2014

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 2014 to 30 June 2014 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 2014 to 30 June 2014 is based on the profit after taxation of £625,000 divided by the weighted average number of shares during the period 53,446,549 (basic and dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2014 is:

Weighted average number of shares	53,446,549
Dilutive share options	-
<u>Diluted</u>	<u>53,446,549</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 £5,472,000

5. Trade and other receivables

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 Decemb er 2013 £'000
Trade receivables	2,807	2,459	2,513
Other receivables	1,437	1,959	1,701
	<u>4,244</u>	<u>4,418</u>	<u>4,214</u>

6. Trade and other payables

Current liabilities

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Bank Loan	-	750	-
Bank overdraft	-	-	100
Loans from related parties	57	47	58
Deferred income	1,806	1,260	1,578
Trade payables	485	379	463
Deferred and contingent consideration	-	24	25
Other creditors and accruals	3,094	1,889	2,431
Convertible loan notes	-	3,450	3,450
	5,442	7,799	8,105

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 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 December 2013 £'000
Convertible loan notes	2,550	-	-
	2,550	-	-

8. Called up share capital

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	Audited 31 Decemb er 2013 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
53,446,549 ordinary shares of £0.001 each	53	53	53