Press Release 8 June 2022

STM Group plc

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

Final Results for the
12 months ended 31 December 2021,
Investor Presentation and Board change

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 2021.

Financial Highlights:

	2021 (reported)	**2021 (adjusted)****	**2020 (reported)**	**2020 (adjusted)****
Revenue	£22.4m	£21.6m	£24.0m	£20.8m
Recurring revenue %	91%	N/A	85%	N/A
Profit before other items*	£1.4m	£1.5m	£2.2m	£2.4m
Statutory Profit Before Tax	£1.2m	N/A	*£2.0m*	N/A
Margin	*6%*	7%	*9%*	*11%*
Basic and fully diluted earnings per share	2.94p	N/A	2.99p	N/A
Cash at bank (net of borrowings)	£16.8m	N/A	£14.8m	N/A
Final dividend	0.90p	N/A	0.85p	N/A
Total dividend	1.50p	N/A	1.40p	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

Operational Highlights:

- Recurring revenues remain predictable and a corner stone of the business representing 91% of reported revenues
- Strategic focus on core activities of pension administration and life assurance leading to disposal of the CTS businesses
- Growth in the UK proposition as now a key jurisdictional focus following integration of UK acquisitions
- Centralisation of the business development function to focus on driving increased “top line” growth
- Implementation of a harmonised IT operating platform largely completed and a commitment to increased investment in Group-wide systems to support central functions
- Updated to a “hybrid” working environment to keep our colleagues safe and to maximise flexibility and efficiencies regardless of physical location
- Q1 2022 Launch of Australian superannuation solution for expatriates

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

“Whilst our existing recurring revenue has held up well, it has been frustrating that the significant amount of work and change occurring in the background has not yet resulted in the improved margins or new business growth anticipated.

“The appointment of a centralised head of distribution in October 2021, is a step change that is expected to bring about several new partnership relationships which will expand our existing product distribution.

“Operationally 2021 has been another very busy year, with the completion of major IT migrations. STM now operates all its personal pension businesses on one core in-house administration system. There remains further development work required before we expect to see the full benefits of this initiatives. Further we are looking to optimise various functions across the business to avoid duplication and to become a more agile and forward-looking business.

“Whilst it was disappointing that the Supreme Court did not grant leave to appeal on the Adam’s vs Carey (Options) case, as previously stated this will not have a financial impact on the business as the Company benefits from significant professional indemnity protection. The outcome of the case is very fact specific, and there remains other areas of uncertainty around a SIPP administrator’s duties that would benefit from additional clarity.

“It is with regret that I inform you that Nicole Coll has decided to step down from her role as CFO. Since joining STM, she has significantly contributed to the strategy and development of our optimised operating model. However, she has decided to focus on her non-executive opportunities at this time. Nicole is committed to ensuring an orderly handover process to the new incumbent over the coming months and I am grateful that she was fully engaged in seeing the audit through to completion. The board wish her well in her future endeavours and have commenced the search process for a new CFO

“We believe that we are well positioned to take advantage of all the hard work and initiatives that we have undertaken in the past few years in addition, to a more efficient centralised operating model. This is expected to increase our operating margins, so that we will be more comparable to our peers but will potentially require some additional resources in the short-term.

"There is significant energy and activity around realising new business and bringing about further operating efficiencies. The Board and I look forward to updating you in due course."

Investor Presentation – 4pm on Wednesday 8 June 2022

Chief Executive, Alan Kentish, and Chief Financial Officer, Nicole Coll, will be hosting a remote presentation to review the 2021 Results and prospects at 4pm on Wednesday 8 June 2022.

The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company and add to meet STM Group Plc via the following link https://www.investormeetcompany.com/stm-group-plc/register-investor.

For those investors who have already registered and added to meet the Company, they will automatically be invited.

Questions can be submitted pre-event to STM@walbrookpr.com or in real time during the presentation via the "Ask a Question" function.

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.

For further information, please contact:

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Notes to editors:

STM is a multi-jurisdictional financial services group which is listed on the AIM Market of the London Stock Exchange. The Group specialises in the delivery of a wide range of financial service products to professional intermediaries and the administration of assets for international clients in relation to retirement, estate and succession planning and wealth structuring.

Today, STM has operations in UK, Gibraltar, Malta, Jersey and Spain. The Group is looking to expand through the development of additional products and services that its ever more sophisticated clients demand. STM has developed a specialist international pensions division which specialises in 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 share with you the STM Group Plc ("STM") results for the year ended 31 December 2021.It has been another challenging year in several directions for STM, but we feel encouraged that the working environment is at last starting to get back to normal, and that we will manage to fulfil the true potential of the business.

One of our biggest ambitions for 2021 was to accelerate our new business initiatives. Whilst we had some success in cementing relationships with strategic partners, the delays in implementation meant that there was limited impact to our revenue line in 2021. New business activity and income whilst driving efficiencies and realising synergies across the Group remains the absolute priority to deliver both enhanced margin and shareholder value.

Importantly the strategic decision to exit the CTS businesses was completed in the first half of the year and has allowed the Plc board and executive team to focus on the core activities of pension administration and life assurance wrappers.

Several significant milestones were achieved in relation to the completion of the IT migrations onto our own administration platform, and whilst we are yet to realise the full efficiencies, we can see these starting to materialise. In addition, the implementation of Group-wide Finance and Risk systems in 2022 will allow for further enhancements.

During the last quarter of the year, Pete Marr (COO) and Therese Neish (CFO), stepped down from their roles and Nicole Coll joined the Plc board as CFO. Nicole has also taken on much of what was formerly part of the COO role. We believe the new structure is the right one for the Company. As part of this restructuring, we are looking to optimise various functions across the business to avoid duplication and to become a more agile and forward-looking business.

Since 2019, we have redefined our purpose and vision, repositioning the Group as a UK centric Plc with more UK focussed pensions and life products. We have embraced our new UK brand, *"Options for your tomorrow"* which captures our mission to give our customers freedom of choice by providing them with solutions for their tomorrow. There is no doubt that over the last couple of years we have built a much stronger foundation for the business, and it is now up to us to ensure that during 2022 that we take advantage of that infrastructure to deliver enhanced profitability through better efficiencies and accelerated new business growth. As I have said, these remain an absolute focus for the Plc Board.

Finally, I would like to take this opportunity to thank the Group's Directors, executive and all our colleagues for all their efforts during 2021, in another year dominated by the COVID-19 pandemic. The senior leadership team and staff across the Group have continued to demonstrate their great resilience and commitment through these last few challenging years. I would also like to thank Robin Ellison who stepped down from the Plc board as a non-executive director. It saddens me that Nicole Coll has decided to step down from her role as CFO but I equally take this opportunity to thank Nicole for her contributions to the Group's strategy and development of our optimised operating model. The Board wish her well in her future endeavours.

Duncan Crocker
Chairman

CHIEF EXECUTIVE'S STATEMENT

Introduction

Whilst our existing recurring revenue has held up well, it has been frustrating that the significant amount of work and change occurring in the background has not yet resulted in improved margins or the new business growth anticipated.

Our trading subsidiaries performed as expected in relation to the underlying business, recognising that these various subsidiaries are at different stages of development.

However, our UK SIPP operation fell short on its new business targets; although, some pleasing partnership relationships were finalised that is anticipated to give our new business volumes a boost in 2022 and beyond. The businesses acquired in 2020 had their first full year as part of the STM Group and performed broadly as expected, with the small shortfall in revenue resulting in a reduced deferred consideration payment.

The Options Corporate Pension business continues to see solid growth, with a year-on-year revenue uplift of almost 50%, moving it into a healthy profit contributor for the Group. The business now has in excess of 250,000 workplace pension members.

With the QROPs market static, our growth will come from our international occupational pensions. Disappointingly, our Gibraltar based life companies did not perform to their full potential in relation to flexible annuity products as new business anticipated has not yet materialised.

The first half of 2021 also saw us achieve the key strategic aim of exiting the Company and Trustee services provider market, selling both the Jersey and the Gibraltar businesses.

Operationally, 2021 has been yet another busy year, with the completion of major IT migrations - STM now operates all its personal pension businesses on one core in-house administration system. Certain efficiencies did not materialise in 2021, as originally planned but with work largely completed, we will now see the benefits starting to materialise in 2022 and beyond.

The latter part of 2021 saw several personnel changes at executive level with the CFO and COO stepping down and the executive members of the Plc board reduced to a two-person structure. Nicole Coll joined me as that other board member. I would also like to thank Therese Neish and Pete Marr for all their hard work in their time with STM.

These changes have allowed us to revisit our operating model, recognising that our peers generally have a better operating margin than STM. Whilst having three operating jurisdictions does complicate our structure, the executives have taken the decision to centralise many of the business functions.

From a work environment point of view, the year remained challenging with the need keep our STM colleagues safe whilst still having to deal with the inevitable staff absences and continued remote working. I would like to extend my thanks to all of the STM staff for their continued hard work and commitment.

The UK pension market remains in a position of uncertainty as to the extent of the duties of SIPP providers. Disappointingly, in April 2022 the Supreme Court refused Carey (Options) permission to appeal on the Adams case bringing the long-standing case relating to Mr Adams SIPP investment in 2012 to a close. This decision has no direct impact on STM financially due to its ability to recover under the professional indemnity insurance in place at the time, but it has meant the business has made a provision for similar fact cases. In consultation with its professional advisers, its auditors and professional indemnity insurers, the business has agreed a balance sheet provision of £21.4 million, with a corresponding recovery from the professional indemnity insurers on the asset side of the balance sheet. The Adams case is very specific to the actions of what an unregulated introducer may or may not do. There remains uncertainty in the industry, such uncertainty is unhealthy for all stakeholders, including consumers, and has resulted in increased costs such as professional indemnity insurance which are invariably passed on to the pension member. Naturally, STM as well as the pension industry, would welcome further clarity in this area.

Finally, I would like to thank Robin Ellison for his contribution to the Plc board and continued support in a consultancy role.

Financial Review

Financial performance in the year

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

The Group has reported revenues of £22.4 million (2020: £24.0 million) in the year with profit before other items of £1.4 million (2020: £2.2 million). This reduction in revenue is largely due to the sale of the Company and Trust business offset in part by growth in the pensions business. Pleasingly, recurring annual revenue, which is an important key performance indicator for the Board, has continued to be a significant portion (91%) of the result.

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 £1.2 million (2020: £2.0 million) with adjusted PBT (defined on a consistent basis with adjusted revenue and profit before other items) for the year of £1.5 million (2020: £2.4 million).

The reported PBT is calculated after deducting net finance costs of £0.3 million (2020: £0.2 million) and various non-cash expenses totalling £0.1m (2020: £0.1m) as well as gain on disposal of subsidiaries of £0.2m (2020: nil). These non-cash items include the movement the fair value of the call option of £0.4m related to the acquisition of Carey (Options) Administration Holdings Limited. This option is exercisable in 2022 based on the audited accounts for 31 December 2021. Additionally, goodwill impairment of £0.8m was recognised following management's annual impairment assessment across several subsidiaries.

Reported profit after tax ("PAT") is £1.7m (2020: £1.6m). This increase is largely due to a tax credit of £0.5m following a change in tax treatment in Malta which resulted in a one off, £1m tax rebate being recognised in 2021.

Table 1			
KPI	**Definition**	**2021**	**2020**

Revenue (£'000s)	Income derived from the provision of services.	**22,355**	**23,982**
Adjusted revenue (£'000)	Revenue net of non-recurring costs and other exceptional items that do not form part of the normal course of business as per Table 2 below.	**21,581**	**20,815**
Recurring revenue (£'000s)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	**20,427**	**20,334**
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.	**1,373**	**2,207**
Adjusted Profit before other items (£'000s)	Profit before other items and other exceptional non-recurring items that do not form part of the normal course of business as per table 2 below	**1,498**	**2,358**
Profit before taxation (£'000s)	Revenue less administrative expenses and other items	**1,200**	**2,020**
Adjusted Profit before taxation (£'000s)	Revenue less administrative expenses, other items and other exceptional non-recurring items that do not form part of the normal course of business as per table 2 below	**1,168**	**2,112**
Profit after taxation (£'000s)	Revenue less administrative expenses and other items less/add taxation charge/credit	**1,742**	**1,607**
Profit margin before other items (%)	Profit before other items divided by revenue.	**6%**	**9%**

Table 2

	Revenue		**Profit before other items**		**Profit before tax**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Reported measure	**22,355**	**23,982**	**1,373**	**2,207**	**1,200**	**2,020**
Less: effect of companies and trust services disposal	(774)	(3,167)	(54)	(313)	(54)	(313)

Less: bargain purchase gain on acquisition and gain on call options					(406)	(59)
Less: gain on disposal of companies and trust management					(219)	
Add: integration and acquisition costs				179		179
Less: movement in deferred consideration related to prior year acquisitions					(330)	
Add: impairment of goodwill					798	
Add: other non-recurring costs			179	285	179	285
Adjusted measure	**21,581**	**20,815**	**1,498**	**2,358**	**1,168**	**2,112**

Tax Charge and Earnings per Share

The tax credit for the year was £0.5 million (2020: charge of £0.4 million). This is due to a change in tax treatment in the Malta entity which resulted in a one-off £1m tax rebate being recognised in the current year

Earnings per share (“EPS”) for 2021 is 2.94p compared to 2.99p for 2020 There was no dilutive factor in 2021 or 2020.

Cashflows

Cash and cash equivalents amounted to £18.2 million as at 31 December 2021 (2020: £16.4 million) with net cash outflow from operating activities of £0.1 million for the year ended 31 December 2021 (2020: inflow £1.6 million).

During 2020 the Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million. The facility has a 5-year term with capital repayments structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 years. The Company has drawn down £1.5 million (2020: £1.6 million) of this facility.

As such, net cash, and cash equivalents as at 31 December 2021 were £16.8 million (2020: £14.8 million).

As would be expected for a Group regulated in several jurisdictions, a significant proportion of this cash balance forms part of the regulatory and solvency requirements. The cash and cash equivalents are required for solvency purposes varies as other assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31 December 2021 was £16.9 million (2020: £18.3 million).

The balance sheet also gives visibility of future revenue and cash generation and, in line with all administration services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £1.3 million as at the year-end (2020: £1.3 million). Additionally, deferred income (a liability in the statement of financial position) relating to annual fees invoiced but not yet earned stood at £3.5 million (2020: £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

I am pleased to advise that the Board is recommending the payment of a final dividend of 0.90p per share (2020: 0.85p per share), This together with the interim dividend paid of 0.60p in November 2021 (2020: 0.55p) makes a proposed total dividend for the year of 1.50p per share (2020: 1.40p).

Subject to approval at the Company's Annual General Meeting to be held on 4 August 2022, the final dividend will be paid on 19 August 2022 to shareholders on the register at the close of business on 1 July 2022. The ordinary shares will be marked ex-dividend on 30 June 2022.

Operational Performance

Pensions

Our pension administration businesses continue to be the lifeblood of our group, and the corner stone to our profitability. The Options acquisition made in 2019 has shown significant revenue growth and the integration savings expected from the SIPP business have now started to come through.

Whilst new business levels were slower to come through than we originally expected they were still higher volumes than in prior year within the SIPP and auto-enrolment businesses.

Total revenue across our pensions businesses amounted to £17.6 million (2020: £16.5 million) and accounted for 79% of total Group revenue (2020: 69%). In addition, recurring revenues for the pension businesses remain high at 81% (2020: 75%).

The administration of our QROPS products continues to be our largest revenue generator accounting for £9.7 million of revenue (2020: £10.1 million). This administration is carried out in Malta and Gibraltar with the revenue continuing to be split 75% and 25% respectively as was the case in 2020. As has been known for a number of 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 from EEA countries the attrition rate is modestly increasing as we see our member profile age and take advantage of flexi access benefits in Malta.

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, have contributed total revenues of £3.2 million (2020: £3.5 million). The administration for both these businesses is now being carried out from the Milton Keynes offices and the integration savings expected are now starting to come through. The final aspect of this integration, being the IT migration, was completed towards the end of the year and thus the benefits will start to come through in 2022, albeit that further development and enhancements are ongoing.

As mentioned above the auto-enrolment business saw a significant increase in members and this has resulted in increased revenues for the year of £3.3 million (2020: £2.2 million). This is likely to remain a significant growth area.

The final revenue stream of the pensions divisions comes from the acquired Berkeley Burke companies. This acquisition came with a small SSAS business and a Group Pension Plan business providing third party administration. The SSAS business contributed revenues of £0.3 million (2020: £0.1 million) in the year with the Group Pension Plan generating revenue of £1.2 million (2020: £0.6 million).

Life Assurance

The 2021 combined revenue figure was £3.4 million compared to £3.7 million for 2020. Whilst the business saw some new business materialise through the launch of the flexible annuity products this growth has made up for the loss of fee income due to natural attrition on the existing client portfolios.

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

Corporate and Trustee Services (CTS)

In 2021 the Company has sold its CTS businesses. On 23 March 2021 we sold the Gibraltar business to the privately-owned group which already has a significant presence in Gibraltar, and on 8 May 2021 we sold the Jersey business to the privately-owned group which has its head office in Guernsey. Part of ensuring that we exited the CTS sector in an orderly manner was ensuring that both our work colleagues and our CTS clients would be well looked after going forward. I am pleased to say that this has been the case.

Outlook

We are now well positioned to take advantage of all the hard work and initiatives that we have undertaken in the past few years and will look to further optimise our target operating model. We are confident this will lead to an increase in our unadjusted operating margins, so that we will be more comparable to our peers. In the short term, this may result in increased costs as we redeploy our resources.

In addition, there is significant energy and activity around generating new business. We anticipate a solid steady flow of new SIPP business from our key strategic platform partners, with a further roll-out of additional products from our life companies onto these platforms during 2022. During the last quarter of 2021 we increased our business development team in the UK.

I am also pleased to state that our Australian superannuation solution for expatriates went live at the beginning of February 2022, and has already generated interest from new intermediaries, over and above what we expected from our existing intermediary base. We also continue to have significant interest in our short-term annuity product, albeit conversion of such opportunity is yet to come to fruition.

The ongoing Russian invasion of Ukraine has led to severe economic sanctions against the Russian state, businesses, and personnel. This has exacerbated inflationary pressures and has had wide knock-on impacts on the global economy. We do not expect this to have a material impact on the Group's operations in the foreseeable future, but management continues to monitor the situation.

Further to the above we remain committed to continued investment in technology both as an enabler for revenue growth but equally to improve operational efficiencies. We equally continue to build on a people strategy that supports the Group's values supporting engaged customer-focused colleagues who demonstrate business excellence through their level of skills and experience.

The Board remains fully committed to our acquisition strategy and see this as an important pillar of our overall growth aspirations. Focus will be on UK based acquisition targets.

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, and I hope that the 2022 working environment continues to revert to something more normal.

I look forward to updating the market during 2022 with our progress.

Alan Kentish
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Note	**31 December 2021 £000's**	31 December 2020 £000's
Revenue	9	**22,355**	23,982
Administrative expenses	10	**(20,982)**	(21,775)
Profit before other items	11	**1,373**	2,207
OTHER ITEMS			
Finance costs		**(330)**	(246)
Gain on disposals of subsidiaries	4	**219**	–
Gains on revaluation of financial instruments		**406**	59
Movement on deferred consideration	5	**330**	-
Impairment of goodwill	15	**(798)**	-
Profit before taxation		**1,200**	2,020
Taxation	13	**542**	(413)
Profit after taxation		**1,742**	1,607
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		**(33)**	(1)
Total other comprehensive loss		**(33)**	(1)
Total comprehensive income for the year		**1,709**	1,606
Profit attributable to:			
Owners of the Company		**1,749**	1,777
Non-Controlling Interests		**(7)**	(170)
		1,742	1,607
Total comprehensive income attributable to:			
Owners of the Company		**1,716**	1,776
Non-Controlling Interests		**(7)**	(170)
		1,709	1,606
Earnings per share basic (pence)*	0	**2.94**	2.99
Earnings per share diluted (pence)*	23	**2.94**	2.99

* Earnings per share disclosed in the prior year annual report and accounts was 2.70p based on profit after taxation/weighted average number of shares. This has been restated in the current year and is based on profit attributable to owners of the company/weighted average number of shares.

The results for 2021 relate to continuing activities. Disposed of activities in 2021 are disclosed in note 4.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Note	**31 December 2021 £000's**	31 December 2020 Restated* £000's
ASSETS			
Non-current assets			
Property and office equipment	14	**1,663**	1,970
Intangible assets	15	**19,355**	19,912
Other financial assets		**881**	475
Deferred tax asset		**76**	75
Total non-current assets		**21,975**	22,432
Current assets			
Accrued income		**1,311**	1,319
Trade and other receivables	17	**7,699**	5,473
Receivables due from insurers	18	**24,130**	3,600
Cash and cash equivalents	19	**18,207**	16,409
Assets held for sale		**–**	5,978
Total current assets		**51,347**	32,779
Total assets		**73,322**	55,211
EQUITY			
Called up share capital	21	**59**	59
Share premium account	21	**22,372**	22,372
Retained earnings		**14,429**	13,541
Other reserves		**(480)**	(447)
Equity attributable to owners of the Company		**36,380**	35,525
Non-controlling interest		**(452)**	(445)
Total equity		**35,928**	35,080
LIABILITIES			
Current liabilities			
Liabilities for current tax		**640**	1,197
Trade and other payables	24	**10,532**	11,374
Provisions	18	**24,130**	3,600
Liabilities directly associated with assets held for sale		**–**	1,154
Total current liabilities		**35,302**	17,325
Non-current liabilities			
Other payables	0	**1,628**	2,284
Deferred tax liabilities		**464**	522
Total non-current liabilities		**2,092**	2,806
Total liabilities and equity		**73,322**	55,211

*The restatement relates to the reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable as detailed in note 18.

These financial statements were approved by the Board of Directors and authorised for issue on 7 June 2022 and were signed on its behalf by:

AR Kentish
Chief Executive Officer

N Coll
Chief Financial Officer

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	**31 December 2021 £000's**	31 December 2020 £000's
ASSETS			
Non-current assets			
Property and office equipment	14	**239**	249
Intangible assets	15	**1,961**	1,097
Financial assets		**881**	475
Investments	16	**16,013**	20,809
Total non-current assets		**19,094**	22,630
Current assets			
Trade and other receivables	17	**13,215**	12,074
Cash and cash equivalents	0	**2,463**	2,257
Total current assets		**15,678**	14,331
Total assets		**34,772**	36,961
EQUITY			
Called up share capital	21	**59**	59
Share premium account	21	**22,372**	22,372
Retained earnings		**(1,205)**	2,172
Other reserves		**162**	162
Total equity attributable to equity shareholders		**21,388**	24,765
LIABILITIES			
Current liabilities			
Trade and other payables	24	**12,484**	11,148
Total current liabilities		**12,484**	11,148
Non-current liabilities			
Other payables	0	**900**	1,048
Total non-current liabilities		**900**	1,048
Total liabilities and equity		**34,772**	36,961

These financial statements were approved by the Board of Directors and authorised for issue on 7 June 2022 and were signed on its behalf by:

AR Kentish
Chief Executive Officer

N Coll
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Note	31 December 2021 £000's	31 December 2020 Restated £000's
OPERATING ACTIVITIES			
Profit for the year before tax		**1,200**	2,020
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	14	**659**	793
Amortisation of intangible assets	15	**791**	570
Taxation paid		**(14)**	(299)
Reclassification to assets held for sale		**–**	(725)
Unrealised gains on financial instruments at FVTPL	6	**(406)**	(59)
Impairment of goodwill	15	**798**	–
(Increase)/decrease in trade and other receivables	5,17,19	**(2,226)**	3,385
(Increase) in receivables due from insurers	18	**(20,530)**	(3,600)
Increase/(decrease) in accrued income		**8**	(485)
Increase/(decrease) in trade and other payables	5,20,24	**(936)**	(3,612)
Increase in provisions	18	**20,530**	3,600
Net cash from operating activities		**(126)**	1,588
INVESTING ACTIVITIES			
Disposal of investments	4	**4,821**	–
Purchase of property and office equipment	14	**(352)**	(70)
Increase in intangible assets	15	**(1,032)**	(875)
Consideration paid on acquisition of subsidiary	5	**-**	(1,447)
Cash acquired on acquisition of subsidiary	5	**-**	27
Net cash used in investing activities		**3,437**	(2,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans	24,25	**900**	1,600
Bank loan repayment	24	**(1,050)**	(1,200)
Lease liabilities paid		**(469)**	(843)
Dividends paid	21	**(861)**	(772)
Net cash from financing activities		**(1,480)**	(1,215)
Increase/(decrease) in cash and cash equivalents		**1,831**	(1,992)
Effect of movements in exchange rates on cash and cash equivalents		**(33)**	(5)
Cash and cash equivalents at the beginning of the year		**16,409**	18,406
Cash and cash equivalents at the end of the year	19	**18,207**	16,409

*The restatement relates to the reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable as detailed in note 18.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Share Capital £000's	Share Premium £000's	Retained Earnings £000's	Treasury Shares £000's	Foreign Currency Translation Reserve £000's	Shares Based Payments Reserve £000's	Total £000's	Non-Controlling Interests £000's	Total Equity £000's
Balance at 1 January 2020	**59**	**22,372**	**12,536**	**(549)**	**(59)**	**162**	**34,521**	**(275)**	**34,246**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD									
Profit for the year	–	–	1,777	–	–	–	1,777	(170)	1,607
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(1)	–	(1)	–	(1)
Transactions with owners, recorded directly in equity									
Dividend paid	–	–	(772)	–	–	–	(772)	–	(772)
31 December 2020 and									
1 January 2021	**59**	**22,372**	**13,541**	**(549)**	**(60)**	**162**	**35,525**	**(445)**	**35,080**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD									
Profit 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									
Dividend paid	–	–	(861)	–	–	–	(861)	–	(861)
Changes in ownership interest									
31 December 2021	**59**	**22,372**	**14,429**	**(549)**	**(93)**	**162**	**36,380**	**(452)**	**35,928**

STATEMENT OF COMPANY CHANGES IN EQUITY
FOR THE YEAR FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Share Capital £000's	Share premium £000's	Retained earnings £000's	Total £000's
Balance at 1 January 2020	**59**	**22,372**	**3,144**	**25,575**
Loss for the year	–	–	(38)	**(38)**
Dividend paid	–	–	(772)	**(772)**
At 31 December 2020 and 1 January 2021	**59**	**22,372**	**2,334**	**24,765**
Loss for the year	–	–	(2,516)	**(2,516)**
Dividend paid	–	–	(861)	**(861)**
At 31 December 2021	**59**	**22,372**	**(1,043)**	**21,388**

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS

1.Reporting entity

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and is traded on the Alternative Investment Market (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 2021 comprise the Company and its subsidiaries (see note 0) (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 has been prepared on the basis of the accounting policies set out in Note 3.

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law.

(b) Going concern basis of accounting
The Directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of this report. In considering this requirement, the Directors have considered the three-year business plan, three-year budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group and the indemnity related to the Carey (Options) v Adams case. In addition, the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months. These show that the Group should continue to be cash

generative, and have sufficient resources to meet its business objectives, both in the short-term and in relation to its strategic priorities.

Having due regard to these matters the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the forthcoming 12 months. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

(c) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency as this is the main currency in which it transacts business. Foreign operations are included in accordance with the policies set out in Note 3(b)(ii).

(d) Use of judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the carrying values of the assets and liabilities is included in the following notes:

- Note 3(c) - Revenue recognition: the Group applies the 5-step model under IFRS 15 revenue from contracts with customers to recognise revenue as follows:
  Step 1 – identify the contract(s) with a customer:
  The Group's pension customers are deemed to be the underlying SIPP, SSAS and QROPS members
  Step 2 – identify the performance obligations in the contract
  Performance obligations are understood to be the individual components of SIPP, SSAS and QROP administration as detailed in the Group's term and conditions and fee schedules. Establishment fees relate to onboarding of the client. Annual fees have two component parts namely (i) obligations and duties as trustees of the pension funds which are provided on an ongoing basis regardless of the invoice date and (ii) administration of the pension which includes annual valuations which are undertaken on the anniversary date of the member.
  Step 3 – determine the transaction price
  The transaction price is deemed to be that shown in the Group's products' terms and conditions and fee schedules against each individual fee item which includes interest turn on client funds. Transaction prices for individual components of the annual renewal fee are not separable as the combined set of obligations represents a continuous service over the same annual period.
  Step 4 – allocate the transaction price to the performance obligations in the contract
  The result of judgements made in Step 2 and Step 3 mean that transaction prices are allocated in substance to fee items included in the Group's product's terms and conditions and fee schedules, as these also wholly reflect the individual performance obligations.
  Step 5 – recognise revenue when (or as) the Group satisfies a performance obligation
  Establishment fees and any other ad hoc fees are recognised as the work is completed and the performance obligation is satisfied.
  Annual renewal fees are invoiced in advance and recognised in part related to annual administration services on the anniversary date and in part related to services as a trustee with recognition evenly over the year to which they relate, and held as deferred income at the year-end where the annual fee period spans multiple accounting periods. This split is assessed annually. The current revenue recognition assessment on the pensions business - to recognise

50% of the annual management fee at the point of invoicing to reflect the transfer of the performance obligation and to defer the remaining 50% over the year to reflect the provision of trusteeship (2020: 50/50 split).

- Note 26 – Determination as to whether a provision is required or is a contingent liability;
- Note 15 - Determination of identifiable cash-generating units.

(ii) Assumptions and estimates
Assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next financial year are included in the following notes:

- Note 5 – Valuation of acquired client portfolio.
- Note 6 – Valuation of call options.
- Note 18 –Measurement of provisions: assumptions about the likelihood and magnitude of an outflow of resources.
- Note 155 - Measurement of goodwill: the key assumptions used in determining whether goodwill has been impaired at each annual impairment review.

(e) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except where investments and other financial instruments are held at fair value.

(f) Employee benefit trusts
The Company contributes to an employee benefit trust. It is deemed that this trust is controlled by the Company and is therefore included within the consolidated financial statements of the Group.

3.Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies

(ii) Business combinations
The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Post 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt. Any contingent consideration is measured at fair value at the date of acquisition and re-measured at each reporting date. Subsequent changes to the contingent consideration are adjusted against goodwill where a change in the fair value of contingent consideration is the result of additional information about facts and circumstances that existed at the acquisition date. These changes are accounted for as measurement period adjustments if they arise during the measurement period. Changes resulting from events after the acquisition date do not impact goodwill but are accounted for separately. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

(iii) Non-controlling interest (NCI)
NCI, in subsidiaries are identified separately from the group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation, are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Subsequent to acquisition, the carrying amount of the NCI is the amount of those interests at initial recognition plus the NCI share of subsequent changes in equity NCI will be allocated its share of profit or loss and its share of each component of other comprehensive income in subsequent periods even if this results in the NCI having a deficit balance. NCI in subsidiaries are identified separately from the group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation are measured initially at their proportionate acquisition.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency
(i) Foreign currency transactions
In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currency at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting gain or loss is recognised in the statement of comprehensive income.

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at exchange rates at the reporting date. For the purposes of preparing the consolidated financial statements, the assets and liabilities are translated to sterling at exchange rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Foreign exchange gains and losses arising from monetary items that in substance form part of the net investment in its foreign operations are recognised in other comprehensive income and are presented within equity in the foreign currency translation reserve.

(c) Revenue

Revenue is derived from the provision of services as described in note 9 and is recognised in the statement of comprehensive income when the Group completes performance obligations and transfers control over a good or service to a customer.

Revenue derived from pensions operating segment is split between the establishment fee and the management fee. The establishment fee is recognised in full at the time of processing the application so as to reflect the completion of the performance obligation such as processing their application and setting up the pension trust. The management fees, which are invoiced annually, cover both the provision of trustee services and the administration of the pension funds. The current treatment of these fees, based on the existing profile of the client portfolio, is to recognise 52% at the time of invoicing and to defer the balance over the year of each policy as each of the performance obligations are satisfied.

(d) Accrued income

Accrued income represents billable time spent on the provision of services to clients which has not been invoiced at the reporting date. Accrued income is recorded at the staff charge-out rates in force at the reporting date, less any specific provisions against the value of accrued income where recovery will not be made in full. In terms of pension business, the accrued income is based on the number of applications received but for which an invoice has not been raised yet.

(e) Receivables from insurers

Where the Group has professional indemnity insurance that would be receivable against a provision for an insurance claim payable an asset is recognised when there is reasonable certainty as to the recovery from the insurers.

(f) Property and office equipment

(i) Recognition and measurement

Items of property and office equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it into use. Gains and losses on disposal of an item of property and office equipment are determined by comparing the proceeds from disposal with the carrying amount of property and office equipment and are recognised net within other income in profit or loss.

(ii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a reducing balance basis over the estimated useful lives of each part of an item of property and office equipment. Leased assets are depreciated over the shorter of the lease term or the estimated useful life. Depreciation commences once assets are in use.

The rates in use are as follows:

Office equipment	10% - 25% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis
Right of use assets	Over the life of the leases

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(g) Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Derivative financial instruments are measured at FVTPL and are considered to fall within level 3 of the fair value hierarchy.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All other financial assets are measured at amortised cost.

(ii)Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Call options on non-controlling interests are classified as equity instruments if and only if an option contract is settled by delivering a fixed number of equity instruments in exchange for a fixed amount of cash or another financial asset (often referred to as the 'fixed-for-fixed' criterion). Otherwise, a call option is classified as a derivative financial instrument. The Group classifies its call options as derivative financial instruments.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment
The Group makes an assessment of the financial assets it holds to best reflect the way in which the business is managed and information is provided to management. The information may include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice;
- how the performance of the assets is evaluated and reported to the Group's management;
- the risks that affect the performance of the business and these assets and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
The Group's financial liabilities are classified at amortised cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting financial assets and liabilities
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(h) Share capital
Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from share premium.

Treasury shares are those shares purchased by the STM Group Employee Benefit Trust ("EBT") for distribution to executives and senior management within the Group, which have yet to be allotted to specific employees. The consideration paid, including any attributable incremental costs (net of income taxes), is deducted from the reserves attributable to the Group's equity holders until the shares are cancelled or reissued via the Treasury Reserve.

(i) Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future leases payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where a lease has a term of less than 12 months or is of a value of less than £5,000, the Group applies the exemption not to recognise right-of-use assets and liabilities for these leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Employee benefits

The Group operates a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(k) Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues using the effective interest method. Dividend income in the holding company is recognised when declared by the subsidiaries.

Finance expense comprises interest on borrowings. Interest expense is charged to the income statement using the effective interest method.

(l) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year using enacted tax rates, updated for previous period adjustments. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes. Deferred tax is not provided in respect of goodwill. Deferred tax is measured at the tax rates expected to be enacted when they reverse.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Intangible assets

(i) Goodwill

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. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(ii) Product development
Product development relates to internal development expenditure incurred in the development of the Group's new products. When these costs meet the recognition criteria of IAS 38 'Intangible Assets' they are capitalised and amortised on a straight-line basis over a three year period from product launch.

(iii) Client portfolio
Client portfolio acquired in a business combination are recognised separately from goodwill and are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition it is amortised on a straight-line basis over the estimated useful life which is assessed at ten years.

(iv) IT development
IT development relates to internal and external development expenditure incurred in the development of the Group's IT systems. When these costs meet the recognition criteria of IAS 38 'Intangible Assets' they are capitalised and amortised on a straight-line basis over a five year period when a specific IT module comes into use.

(n) Impairment
(i) Non derivative financial assets
Financial instruments and contract assets
The Group and Company measures loss allowances for Expected Credit Losses ("ECL") on financial assets measured at amortised cost and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are recognised in the statement of comprehensive income.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs. The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet both of the following criteria are generally not recoverable:

- when there is a breach of the contractual credit terms by the debtor; and
- there is insufficient liquidity within the debtor's pension assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, the Group may still follow procedures for recovery of financial assets that have been written off.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill which has an indefinite life, the recoverable amount being the higher of the fair value less costs of disposal or value in use is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise the effect of outstanding options. The effects of potential ordinary shares are reflected in diluted EPS only when their inclusion in the calculation would decrease EPS or increase the loss per share.

(p) Deferred income

Deferred income relates to the element of fixed fee income that has been billed in advance which has not been earned as at the year end and is released over the period to which it relates. 100% of the balance recorded as deferred income at 31 December 2021 is expected to be included as revenue in the next financial year.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Dividend

Dividends are recognised in the accounting period in which they are authorised and paid. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting. Payment of a dividend is permissible in accordance with s57 of the Companies Act 2006 (IOM) and the Articles of Association given that the solvency test has been met.

(s) Share based payments

The grant-date fair value of equity settled share payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. Where awards have a market-based performance condition attached the accounting charge reflects the expected achievement against targets and there is no true-up for differences between expected and actual outcomes.

(t) Insurance products

The life assurance business account for insurance products as investment contracts as no significant insurance risk is attached to these contracts. The assets and liabilities of the contracts are included in the Group's balance sheet only if it is deemed that control exists over the investment decision (see Note 8).

(u) Disputes and potential legal matters

The Group may at times be involved in disputes arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of these disputes when the potential losses are probable and estimable. Disputes in respect of legal matters are subject to many uncertainties and the outcome of individual matters cannot be predicted with certainty. The amount of any such provision is based on a best estimate of the expenditure required to settle this. There may be occasions when either a potential loss is probable but difficult to quantify or a potential loss can be reliably quantified but is not probable. On both occasions a contingent liability would be disclosed.

(v) New standards and interpretations

The Group has not applied any new accounting standards for the first time for the financial year commencing 1 January 2021.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards, interpretations and amendments to existing standards have been published by the IASB but are yet to be endorsed by the EU or are not effective for the period presented in the financial statements and the Group has decided not to early adopt them.

Standard	**Effective date, annual period beginning on or after**

IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 – Presentation of Financial Statements	1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. It outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. STM Group currently has two life assurance companies within its Group and therefore this may have an impact on the consolidated financial statements. At the time of signing the financial statements the Group was still assessing the impact of these standards on the consolidated financial statements and as such the extent of the impact has not yet been fully determined.

(w) Cash and cash equivalents

Cash and cash equivalents include cash balances with banks and, demand and short term deposits which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in their fair value. Short term deposits have a maturity of three months or less from the date of acquisition

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(x) Investment in subsidiaries

Investments in subsidiaries in the separate financial statements of STM Group plc are accounted for at cost.

(y) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any goodwill directly allocated to the group of assets to be disposed of is also treated as held for sale. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property and office equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

4.Disposal of subsidiaries

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 previously classified as held-for-sale and are now discontinued operations.

There results for the discontinued operation included in the year ended 31 December 2021 are shown below. There are no results for disposed of operations included in the year ended 31 December 2020:

	£'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 is attributable entirely to the owners of the Company.

5.Acquisition of subsidiary

There were no acquisitions in 2021.

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

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

The acquisition has been accounted for using the acquisition method. Transaction costs incurred on the acquisition total £88,000 and were expensed within administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Consideration for the acquisition is broken down as follows:

	£000's
Initial cash payment	1,447
Deferred consideration – maximum potentially payable	700
Total consideration transferred	**2,147**

The initial cash payment was made at the date of signing the Sale & Purchase Agreement. The deferred consideration was due for payment within 10 days following the first-year anniversary date of the completion accounts being 31 July 2021. The deferred consideration was dependent on revenue generated from the acquired clients. This revenue was below expectation and reduced the maximum potentially payable to approximately £530k there are a number of additional potential adjustments to this amount. An initial deferred consideration payment of £200k was made in November 2021 and further maximum potential accrual of £170k is included in trade payables (see note 24). The final deferred consideration payable has not yet been agreed and negotiations are ongoing.

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

	FV recognised on acquisition	**Fair value adjustments**	**Previous carrying value**
	£'000s	**£'000s**	**£'000s**
Client portfolio	1,500	1,500	–
Accrued income	112	–	112
Debtors	157	–	157
Cash at bank	27	–	27

Liabilities	(225)	–	(225)
Deferred tax liabilities on Client portfolio	(270)	(270)	–
Total identifiable assets	**1,301**	**1,230**	**71**

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

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

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

Attrition rate	7% - 12%
Discount factor	13%

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

Goodwill arising from the acquisition has been recognised as follows:

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

The total acquisition cost included a maximum potential deferred consideration of £700k, however this has been reduced to a maximum potential deferred consideration of approximately £530k. An annual assessment of goodwill is detailed in note 15.

6.Call options to acquire non-controlling interests

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

As at 31 December 2021 these call options were valued at £881,000 (31 December 2020: £475,000).

The assumptions used for the valuations of the call options as at 31 December 2021 and 31 December 2020 were as follows:

	Options Pensions UK LLP		**Options Corporate Pensions UK**	
	2021	**2020**	**2021**	**2020**
Income growth rate	2%	2%	2%	2%
Cost growth rate	3%	2%	3%	3%
Discount factor	14%	14%	14%	14%

A movement of +/- 1% on the above assumptions results in a range of values of £609,000 to £1,355,000.

7.Segmental Information

STM Group has four reportable segments: Pensions, Life Assurance, Corporate Trustee Services and Other Services. Each segment is defined as a set of business activities generating a revenue stream and offering different services to other operating segments. The Group's operating segments have been determined based on the management information reviewed by the CEO and board of directors.

The Board assesses the performance of the operating segments based on turnover generated. The performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of internally calculated proportions. Management 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	**2021**	2020
	£000's	£000's
Pensions	**17,597**	16,488
Life Assurance	**3,402**	3,709
Corporate Trustee Services	**774**	3,167
Other Services	**582**	618
	22,355	23,982

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

	Turnover	
Geographical segment	**2021**	2020
	£000's	£000's
Gibraltar	**6,099**	7,999
Malta	**7,288**	7,625
United Kingdom	**7,952**	6,379
Jersey	**445**	1,483
Other	**571**	496
	22,355	23,982

8.Life Assurance Operating Segment

These consolidated financial statements include the results for STM Life Assurance PCC PLC and London & Colonial Assurance PLC, two 100% owned subsidiaries whose principal activities are that of the provision of life assurance services. The Companies have a licence under the Financial Services (Insurance Companies) Act by the Gibraltar Financial Services Commission to carry on linked long-term insurance business.

For the purposes of these consolidated financial statements, only the shareholders' funds and surplus that emerges on the long-term fund have been included. The assets invested by the Life Assurance clients are determined by either the client or their advisor and are segregated from the assets and liabilities of other clients. Therefore, the Group considers that it does not control the investment decision nor accept any financial risk in respect of that decision and, therefore, the investment assets and associated liability to the customer should not be presented on the balance sheet.

Within total revenue of the Group of £22,355,000 (2020: £23,982,000) there is an amount of £3,402,000 (2020: £3,709,000) relating to revenues attributable to the life assurance businesses.

9.Revenue

	31 December 2021 £000's	31 December 2020 £000's
Revenue from administration of assets	**22,355**	23,982
Total revenue	**22,355**	23,982

10.Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2021 £000's	31 December 2020 £000's
Wages and salaries	**10,932**	11,634
Social insurance costs	**463**	522
Pension contributions	**128**	156
Total personnel expenses	**11,523**	12,312

Average number of employees

Group	**31 December 2021 Number**	31 December 2020 Number
Average number of people employed (including executive directors)	**286**	287

Company	**31 December 2021 Number**	31 December 2020 Number
Average number of people employed (including executive directors)	**32**	34

11.Profit before other items

Profit before other items of £1,373,000 (31 December 2020: £2,207,000), was arrived at after charging the following to the income statement:

	2021 £000's	2020 £000's
Depreciation and amortisation	**1,450**	1,363
Directors' remuneration	**882**	823

Auditors’ remuneration for audit	**392**	394
Auditors’ remuneration for non-audit services	**–**	42

The directors’ remuneration report is included on page 18 of the annual report and accounts

12.Reconciliation of reported to adjusted measures

	Revenue		**Profit before other items**		**Profit before tax**	
	2021 £000’s	2020 £000’s	**2021 £000’s**	2020 £000’s	**2021 £000’s**	2020 £000’s
Reported measure	**22,355**	23,982	**1,373**	2,207	**1,200**	2,020
Less: effect of companies and trust services disposal	**(774)**	(3,167)	**(54)**	(313)	**(54)**	(313)
Less: bargain purchase gain on acquisition and gain on call options	**–**	–	**–**	–	**(406)**	(59)
Less: gain on disposal of companies and trust management	**–**	–	**–**	–	**(219)**	–
Add: integration and acquisition costs	**–**	–	**–**	179	**–**	179
Less: movement in deferred consideration related to prior year acquisitions	**–**	–	**–**	–	**(330)**	–
Add: goodwill impairment	**–**	–	**–**	–	**798**	–
Add: non-recurring costs	**–**	–	**179**	285	**179**	285
Adjusted measure	**21,581**	20,815	**1,498**	2,358	**1,168**	2,112

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

13.Taxation

	31 December 2021 £000’s	31 December 2020 £000’s
Current tax (benefit)/expense	**(502)**	439
Release of deferred tax assets on leases as per IFRS 16	**19**	17
Release of deferred tax liabilities on intangible assets	**(59)**	(43)
Total tax (benefit)/expense	**(542)**	413

Reconciliation of existing tax rate	**2021**	**31 December 2021 £000’s**	2020	31 December 2020 £000’s
Profit before tax for the year		**1,200**		2,020
Income tax using the Company’s domestic rate	**0.00%**		0.00%	–
Effect of tax rates in other jurisdictions	**(41.81%)**	**(502)**	21.73%	439

Release of deferred tax assets on leases as per IFRS 16	**1.59%**	**19**	0.84%	17
Release of deferred tax liabilities on intangible assets	**(4.94%)**	**(59)**	(2.13%)	(43)
Total tax expense		**(542)**		413
Effective tax rate (%)		**(45.17%)**		20.45%

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%. 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 have formed a fiscal unit which as alleviated the need for this reclaim process. As a result, a one-off tax credit of £1,056,440 has been recognised in the current year.

14.Property and office equipment

Group	Motor Vehicles £000's	Office Equipment £000's	Leasehold Improvements £000's	Right-of-use Assets £000's	Total £000's
Costs					
As at 1 January 2020	15	2,099	641	5,722	8,477
Additions	–	70	–	–	70
Reclassification to assets held for sale (Note 0)	–	(410)	(164)	(319)	(893)
Disposals	–	–	–	–	–
As at 31 December 2020 and 1 January 2021	**15**	**1,759**	**477**	**5,403**	**7,654**
Additions	–	157	13	265	435
Disposals	–	–	–	(83)	(83)
As at 31 December 2021	**15**	**1,916**	**490**	**5,585**	**8,006**
Depreciation					
As at 1 January 2020	10	1,379	381	3,754	5,524
Charge for the year	1	171	37	584	793
Reclassification to assets held for sale (Note 0)	–	(357)	(58)	(218)	(633)
Disposals	–	–	–	–	–
As at 31 December 2020 and 1 January 2021	**11**	**1,193**	**360**	**4,120**	**5,684**
Charge for the year	1	153	20	485	659
Disposals	–	–	–	–	–
As at 31 December 2021	**12**	**1,346**	**380**	**4,605**	**6,343**
Net Book Value					
As at 31 December 2020	4	566	117	1,283	1,970
As at 31 December 2021	**3**	**570**	**110**	**980**	**1,663**

Company	Office Equipment £000's
Costs	
As at 1 January 2020	734
Additions at cost	9
Disposals	–
As at 31 December 2020 and 1 January 2021	**743**
Additions at cost	28
Disposals	–
As at 31 December 2021	**771**
Depreciation	
As at 1 January 2020	452
Charge for the year	42
Disposals	–
As at 31 December 2020 and 1 January 2021	**494**
Charge for the year	38
Disposals	–
As at 31 December 2021	**532**
Net book value	
As at 31 December 2020	249
As at 31 December 2021	**239**

15.Intangible assets

Group	Goodwill £000's	Client Portfolio £000's	Product Development £000's	IT Development £000's	Total £000's
Costs					
Balance as at 1 January 2020	**16,490**	**4,242**	**613**	**423**	**21,768**
Acquired through business combination (Note 6)	846	1,500	–	–	2,346
Additions	–	–	10	865	875
Reclassification to assets held for sale (Note 0)	(3,227)	–	–	–	(3,227)
Balance at 31 December 2020 and 1 January 2021	**14,109**	**5,742**	**623**	**1,288**	**21,762**
Additions	–	–	78	954	1,032
Balance at 31 December 2021	**14,109**	**5,742**	**701**	**2,242**	**22,794**
Amortisation and impairment					
Balance as at 1 January 2020	26	674	430	150	1,280
Charge for the year	–	469	17	84	570

Balance at 31 December 2020 and 1 January 2021	**26**	**1,143**	**447**	**234**	**1,850**
Charge for the year	–	574	(2)	219	791
Impairment	798	-	-	-	798
Balance at 31 December 2021	**824**	**1,717**	**445**	**453**	**3,439**
Carrying amounts					
At 31 December 2020	14,083	4,599	176	1,054	19,912
At 31 December 2021	**13,285**	**4,025**	**256**	**1,789**	**19,355**

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2020 and reflects the difference between the 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, add in 'On disposal of a cash-generating unit, 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 CGU's, which are also operating and reportable segments. CGU's are determined based on whether the entity is a separate and distinct entity and/or whether that entity is management as a stand alone business unit.

The carrying amount of goodwill allocated to each of the CGU's is as follows:

	2021	**2020**
	£000	**£000**
1. STM Life	1,256	1,756
2. LCA	7,735	7,735
3. FLHP	3,698	3,698
4. Options - Berkeley Burke acquisition	596	846
5. Spain	-	48
Total	**13,285**	**14,083**

The Group tests goodwill annually for impairment or more frequently if there is an indication that a CGU or Group of GCU's maybe 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. As at 31 December 2021, the market capitalisation of the Group was above the book value of its recorded goodwill.

- **STM Life CGU**

The recoverable amount of the STM Life CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. 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% 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, management has recognised an impairment charge of £500,000 in the current year against goodwill. The impairment charge is recorded within the statement of profit or loss.

- **LCA CGU**

The recoverable amount of the LCA CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. 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% 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.

- **FLHP CGU**

The recoverable amount of the FLHP CGU of as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of nil % per annum. 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% 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.

- **Options Berkley Burke CGU**

The Berkeley Businesses were acquired in August 2020. The goodwill and the client portfolio are not considered to be separate and distinct and have been assessed on a combined basis. The recoverable amount of the Options Berkeley Burke CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. 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% 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, management has decided to recognise an impairment charge equal to the carrying value in the current year against goodwill. The impairment charge of £250,000 is recorded within the statement of profit or loss.

- **Spain CGU**

The recoverable amount of the Spain CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of -1% per annum. 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% 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. Management further took into consideration performance of this CGU in recent years. As a result of this analysis, management has decided to recognise an impairment charge equal to the carrying value in the current year against goodwill. The impairment charge of £48,000 is recorded within the statement of profit or loss.

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 further potential impairment charge of approximately £.360,000.

Expense increases and inflation rates – forecast increases in personnel and other expenses have been based on known costs for the coming year with an average growth of 3% per annum for the next three years and then dropping back to a more modest 2%. Management has considered the possibility of increased inflation resulting in higher than anticipated costs. Should expense growth rates remain at 3% or above per annuum beyond the next three years this could result in additional impairment. A 1% increase in the expense growth rates would result in a further potential impairment charge of approximately £.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 rates. A 1% increase in the WACC would result in an additional potential impairment charge of approximately £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 portfolio portfolios acquired through acquisitions are as follows:

	Acquisition date	**31 December 2021 £000's**	31 December 2020 £000's
London & Colonial Holding Ltd	October 2016	**483**	583
STM Nummos Life SL	January 2018*	**257**	299
Harbour Pensions Ltd	February 2018	**637**	729
Options Corporate Pensions UK Limited	February 2019	**499**	569
Options UK Personal Pensions LLP	February 2019	**855**	975
Options SSAS Limited	August 2020	**259**	289
Options EBC Limited	August 2020	**1,035**	1,155
Total		**4,025**	4,599

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

Company	Product Development £000's	IT Development £000's	Total £000's
Costs			
Balance as at 1 January 2020	387	114	501
Additions	9	851	860
As at 31 December 2020 and 1 January 2021	**396**	**965**	**1,361**
Additions	78	934	1,012
As at 31 December 2021	**474**	**1,899**	**2,373**
Amortisation and impairment			
Balance as at 1 January 2020	227	14	241
Charges for the year	13	10	23
As at 31 December 2020 and 1 January 2021	**240**	**24**	**264**
(Adjustments)/Charges for the year	(7)	155	148
As at 31 December 2021	**233**	**179**	**412**
Carrying amounts			
As at 31 December 2020	156	941	1,097
As at 31 December 2021	**241**	**1,720**	**1,961**

16.Investments

Company – Investments in subsidiaries

Acquisitions of the Company	**31 December 2021 £000's**	31 December 2020 £000's
Shares in group undertakings		
Balance at start of year	**20,809**	21,030
Dormant entities closure	**(1,746)**	(221)
Impairment of investment	**(3,050)**	-
Balance at end of year	**16,013**	20,809

An impairment in the investment in STM Fidecs Ltd of £3m has been recognised in the current year as the net assets of the subsidiary entities are below the carrying value of the investment.

17.Trade and other receivables

Group	**31 December 2021 £00's**	31 December 2020 Restated £000's
Trade receivables	**3,921**	3,450
Prepayments	**508**	634

Other receivables	**3,270**	1,389
Total	**7,699**	5,473

Company	**31 December 2021 £000's**	31 December 2020 £000's
Receivables due from related parties	**9,817**	11,097
Other receivables	**3,398**	977
Total	**13,215**	12,074

Amounts due from related parties are unsecured, interest free and repayable on demand.

The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding accrued income) are described in note 0.

Trade and other receivables for the year ended 31 December 2020 have been restated because of the amended disclosure of receivables from insurers which have now been separately disclosed in note 18.

18.Reclassification – receivables from insurers and provision

The balance sheet has been restated to reflect reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable in the current year given the materiality and qualitative nature of this item. There was no provision recorded for the year ended 31 December 2019 and hence no amended disclosures are required in respect of the year then ended. There is no impact to the income statement. The table below reflects the impact of this change in presentation.

	31 December 2021 £000's	31 December 2020 £000's
ASSETS		
Current assets		
Trade and other receivables	**31,829**	9,073
Reclassification:		
Trade and other receivables	7,699	5,473
Receivables from insurers	24,130	3,600
Total current assets	**51,347**	32,779
Total assets	**73,364**	55,211
LIABILITIES		
Current liabilities		
Trade and other payables	**34,662**	14,974
Reclassification:		
Trade and other payables	10,532	11,374
Provisions	24,130	3,600
Total current liabilities	**35,302**	17,325

As stated in note 3(p) and as required by IFRS, provisions are recorded when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. As stated in note 0(i) this requires judgement and the use of assumptions about the likelihood and magnitude of any cash outflow. The Group analyses its exposure based on available information, including consultation with professional indemnity insurers and external legal advisors where appropriate, to assess any potential liability.

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

		31 December 2021		**31 December 2020**
		£000		**£000**
Receivables from insurers Carey (Options) v Adams		21,400		3,600
Receivables from insurers other		2,730		-
		24,130		**3,600**
Provision – Carey (Options) v Adams		21,400		3,600
Provision - other		2,730		-
		24,130		**3,600**

Carey (Options) v Adams:
Following the Court of Appeal judgment on 1 April 2021 the Group has considered the potential impact this might have on the outcome of other claims made by SIPP members in respect of non-performing assets. Options sought permission to appeal to the Supreme Court, however notice was received in April 2022 that this has been refused.

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 had 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 arrived at by considering a cohort of claims which may be deemed to have similar characteristics to Mr Adams' claim resulted in a provision of £3.6m being recognised in the annual accounts for the year ended 31 December 2020.

Following receipt of notice that right to appeal to the Supreme Court had been denied management in consultation with its legal advisors and insurers, reviewed the potential i claims payable applying a broader range of criteria given that there is no further basis to appeal the judgement, and this may result in a wider cohort of claimants. This has resulted in a provision of £21.4m being recognised in the annual accounts for the year ended 31 December 2021. In the prior year with the possibility of appeal the cohort of potential claims was limited to those with similar characteristics as Mr Adams.
This is covered by professional indemnity insurance and thus has also been reflected as a receivable due from insurers.

Other:
In respect of present information, amounts already recognised and the availability of insurance coverage FLHP and STM Malta have made estimates in the financial statements for the year ended 31 December

2021. The value of these estimates, which has been reflected a provision for claims payable in the statement of financial position, are £2,010,000 and £720,000 respectively. This is covered by professional indemnity insurance net of insurance excesses and thus has also been reflected as a receivable due from insurers.

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

19.Cash and cash equivalents

Group	**31 December 2021 £000's**	31 December 2020 £000's
Bank balances	**18,207**	16,409

Company	**31 December 2021 £000's**	31 December 2020 £000's
Bank balances	**2,463**	2,257

The Group has a bank loan liability of £1,450,000 (2020: £1,600,000) which is included in note 24 and 25.

Within cash and cash equivalents held by the Group there is a balance of £2,847,000 (2020: £2,566,000) which is not available for use by the Group as most of it is in a blocked account as part of Options Corporate regulatory requirement.

20.Disposal group held for sale

At 31 December 2021 there is no disposal group held for sale.

At 31 December 2020 management was committed to exit the non-core element of the Group's activities and accordingly, net assets together with the goodwill allocated to the Gibraltar and Jersey CTS businesses were presented as a disposal group held for sale. Efforts to sell the disposal group resulted in the completed sales of the Gibraltar and Jersey CTS businesses during the current year.

The impairment review for the goodwill of the assets held for sale was carried out at the time by determining the recoverable amount based on fair value less costs of disposal and the results of the disposal are included in the current financial year.

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

	31 December 2020 £000's
Property and office equipment	260
Goodwill	3,227
Accrued income	463
Trade and other receivables	1,303
Cash and cash equivalents	725

Assets held for sale	**5,978**
Trade and other payables	1,154
Liabilities held for sale	**1,154**

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

21.Capital and reserves

Authorised, called up, issued and fully paid	**31 December 2021 £000's**	31 December 2020 £000's
59,408,088 ordinary shares of £0.001 each (2020: 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 2021 and 31 December 2020. 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 2021 and 31 December 2020.
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 2021 £000's	31 December 2020 £000's
1.45p pence per qualifying ordinary share (2020: 1.3 pence)	**861**	772

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 2021 £000's	31 December 2020 £000's
0.90 pence per qualifying ordinary share (2020: 0.85 pence)	**535**	505

22.Share based payments

There was no Long-Term Incentive Plan in place during the year. As such the charge for the year which has been recognised within the share-based payment reserve is £nil. It is anticipated that this will be reinstated in 2022.

23.Earnings per share

Earnings per share for the year from 1 January 2021 to 31 December 2021 is based on the profit attributable to owners of £1,749,000 (2020: £1,777,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2020: 59,408,088) and £59,408,088 dilutive (2020: 59,408,088) in issue.

24.Trade and other payables

Group	**31 December 2021 £000's**	31 December 2020 Restated £000's
Deferred income	**3,579**	3,647
Trade payables	**638**	368
Bank loan	**550**	552
Deferred Consideration	**170**	700
Lease liabilities	**747**	783
Other creditors and accruals	**4,848**	5,324
	10,532	11,374

Trade and other payables for the year ended 31 December 2020 have been restated because of the amended disclosure of provisions which have now been separately disclosed in note 18.

Company	**31 December 2021 £000's**	31 December 2020 £000's
Owed to related parties	**10,448**	9,548
Bank loan	**550**	552
Accruals	**596**	731
Other creditors	**890**	317
	12,484	11,148

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 maintains a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million. The facility has a 5-year term with capital repayment's 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 £1.5 million (2020: £1.6 million) of this facility remains drawn down and was outstanding. Interest on the drawn funds is charged at 3.5% per annum over the Sterling Relevant Reference Rate, with the undrawn balance charged at an interest 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 debenture over these companies.

The Group's exposure to liquidity risk related to trade and other payables is described in note 26.

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

Group		31 December 2021 £000's	31 December 2020 £000's
Lease Liabilities	28	**637**	1,070
Bank Loan		**900**	1,048
Other payables		**91**	166
		1,628	2,284

Company	31 December 2021 £000's	31 December 2020 £000's
Bank Loan	**900**	1,048
	900	1,048

26.Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Currency risk
- Regulatory risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from clients.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. The demographics of the Group's client base, including the default risk of the country in which the clients operate, has less of an influence on credit risk. There is no one client to which a significant percentage of the Group's revenue can be attributed. The level of liquidity of customer investments determines the

level of credit risk associated with each customer. The liquidity of customers is monitored at each anniversary date.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Group believes its exposure to liquidity risk is minimal given its current cash balances and existing financial obligations.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The object of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return. The Group does not have a significant exposure to market risk.

d) Interest rate risk

The Company only has one bank borrowing at the year end. A change of 100 basis points in an interest rate would have increased or decreased equity and profit or loss by £15,500 after tax (2020: £16,000).

e) Currency risk

The Group has a small exposure to currency risk in relation to the investment in STM Nummos. This is mitigated by the fact that the assets and liabilities held by STM Nummos are in its functional currency of Euros (€). It has a further currency risk in relation to the expenses incurred in Malta as these are in Euros. A change of 100 basis points in the Euro to Sterling exchange rate increases or decreases equity and profit or loss by £28,000 after tax (2020: £29,000) This is mitigated by the fact that clients are invoiced in its and the Group's functional currency of sterling (£).

The Company has minimised exposure to foreign exchange rates, with the majority of transactions being carried out in its functional currency of Pounds Sterling (£).

f) Regulatory risk

The Group is subject to laws, regulations and specific solvency requirements in the various jurisdictions in which it operates. The Group has established policies and procedures aimed at compliance with local laws and regulations.

g) Capital management

The Board's policy is to maintain a strong capital base, which is defined as share capital and retained earnings, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Furthermore, certain of the Company's subsidiaries are licensed by the respective jurisdictions regulators and as such all comply with the regulatory capital requirements set by each respective regulatory body.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes a bank loan as per Note 0, and equity attributable to shareholders, comprising share capital, reserves and retained earnings as disclosed. The board reviews the capital structure and as part of this review, considers the cost of capital and the risks associated with each class of capital. In addition, the Board of Directors considers the liquidity and solvency of the Group on an ongoing basis.

The Group monitors capital using a ratio of "adjusted net debt" to "adjusted equity". For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at 31 December 2021 suggests that the Group has sufficient liquidity to meet its obligations as they fall due. Net debt compared to equity at 31 December 2020 was as follows:

	31 December 2021 £000's	31 December 2020 £000's
Total liabilities	**37,394**	20,131
Less: cash and cash equivalents	**(18,207)**	(16,409)
Adjusted net debt	**19,187**	3,722
Total equity and adjusted equity	**36,380**	35,525
Adjusted net debt to adjusted equity ratio	**0.53**	**0.10**

27.Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2021 £000's	31 December 2020 £000's
Trade and other receivables	**7,699**	5,473
Cash and cash equivalents	**18,207**	16,409
	25,906	21,882

The Group's maximum exposure to credit risk on trade and other receivables relating to one entity or group of related entities amounts to less than 10% of the overall trade receivable amount as at 31 December 2021 and 31 December 2020. Segmental disclosures are included in note 8 reflecting the Group's operating segment and geographic concentration.

All of the banks currently used by the Group have long-term credit ratings of at least A (Fitch)

Impairment on trade and other receivables is determined applying an ECL model as discussed in note 3(m).

The ageing of the Group's trade receivables at the reporting date was:

	Gross receivables 31 Dec 2021 £000's	**Individual Impairment 31 Dec 2021 £000's**	**Total £000's**	Gross receivables 31 Dec 2020 £000's	Individual Impairment 31 Dec 2020 £000's	Total £000's
Not past due	**1,782**	**–**	**1,782**	1,623	–	1,623
Past due 0–30 days	**306**	**–**	**306**	268	–	268

Past due 31–120 days	**189**	**–**	**189**	160	–	160
More than 120 days past due	**1,818**	**(174)**	**1,644**	1,442	(43)	1,399
	4,095	**(174)**	**3,921**	3,493	(43)	3,450

Standard credit terms are 30 days from the date of issuing the fee note.

The movement in the allowance for impairment in respect of trade receivables during the period was:

	31 December 2021 £000's	31 December 2020 £000's
Balance at start of year	**43**	258
Movement in expected credit loss allowance	**131**	81
Amounts written off	**–**	(126)
Amounts recovered	**–**	(27)
Reclassification to assets held for sale	**–**	(143)
Balance at end of year	**174**	43

Based on historic default rates and knowledge of the customers, the Group believes that no impairment allowance is necessary in respect of some of the trade receivables.

Liquidity Risk
The Group holds sufficient liquid assets, including cash at bank, to enable it to meet its liabilities as they fall due. The following are the Group's contractual maturity liabilities. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting arrangements.

31 December 2021	**Carrying amounts £000's**	**Contractual cash flow £000's**	**6 months or less £000's**	**6-12 months £000's**	**1-4 years £000's**
Non-derivative financial liabilities					
Trade payables	638	638	638	–	–
Bank Loan	1,450	1,526	329	324	873
Deferred consideration	170	170	170	–	–
Lease liabilities	1,384	1,360	361	363	636
Other creditors and accruals	4,848	4,848	4,848	–	–
	8,490	**8,542**	**6,346**	**687**	**1,509**

31 December 2020	**Carrying amounts £000's**	**Contractual cash flow £000's**	**6 months or less £000's**	**6-12 months £000's**	**1-4 years £000's**
Non-derivative financial liabilities					
Trade payables	368	368	368	–	–
Bank Loan	1,600	1,734	332	327	1,075
Deferred consideration	700	700	700	–	–
Other creditors and accruals	1,724	1,724	1,724	–	–
Lease Liabilities	1,889	2,017	425	444	1,148

	6,281	**6,543**	**3,549**	**771**	**2,223**

Fair value hierarchy

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Financial assets - call options	**31 December 2021 £000's**	31 December 2020 £000's
Balance as at 1 January	**475**	416
Additions	**–**	-
Total gains recognised in profit or loss	**406**	59
Balance as at 31 December	**881**	475

28.Leases

In relation to leases under IFRS 16, the Group has charged depreciation and interest costs. The Group recognised £486,000 (2020: £584,000) of depreciation charges and £83,000 (2020: £115,000) of interest expenses from these leases during the year ended 31 December 2021. The Group recognised £60,000 (2020: £56,000) of expenses relating to short-term leases or leases that can be cancelled with no penalties and £2,000 (2020: £2,000) of expenses for leases of low-value assets, excluding short-term leases, for the year ended 31 December 2021.

Lease liabilities

Non-cancellable lease liabilities as per IFRS 16 are payable as follows:

	31 December 2021 £000's	31 December 2020 £000's
Less than one year	**724**	869
Between one year and five years	**637**	1,148
More than five years	**–**	–
	1,361	2,017

The maturity analysis of lease liabilities is disclosed in note 28. Right of use asset are disclosed in note 15.

The Group leases several offices from which they operate, the largest of which is for Montagu Pavilion in Gibraltar which runs for a further two years.

29.Related Parties

Transactions with key management personnel and Directors Compensation

Key management compensation comprised:

	31 December 2021 £000's	31 December 2020 £000's
Short-term employee benefits	**850**	823
Share-based payments	**–**	–

	850	823

Key management personnel and Director Transactions
Trusts and related parties connected to the Directors held 12% of the voting shares of the Company as at 31 December 2021 (2020: 12%).

The Group provided administration services to Gold Management Limited a company partly owned by Louise Kentish, spouse of Alan Kentish, a Director of the Company. These services amounted to £nil for the period to 31 December 2021 (2020: £4,139), of which £nil was outstanding at 31 December 2021 (2020: £nil).

All services relating to the above transactions were carried out by the Group on an arm's length basis and are payable/receivable under the standard credit terms.

As at 31 December 2021 the Group owed Fiander Properties Limited a company related to the Group by virtue of common ownership £nil (2020: £22,000).

The Company received dividends of £2,218,470 (2020: £2,716,819) from STM Malta Limited, £75,000 (2020: £1,330,000) from STM Fidecs Limited, £1,800,000 (2020: £334,000) from London & Colonial Holdings Limited and £nil from STM (Caribbean) Limited (2020: £101,959).

30.Group entities

Principal subsidiaries
As at 31 December 2021 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

		Ownership interest		
	Country of incorporation	**31 December 2021**	**31 December 2020**	**Activity**
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and Administration
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Life Assurance PCC plc	Gibraltar	100% indirectly	100% indirectly	Life Assurance company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of client assets
STM Malta Pension Services Limited	Malta	100% indirectly	100% indirectly	Administration of client assets
London & Colonial Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Life Assurance Company
London & Colonial Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial Central Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial (Trustee Services) Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets

Options Corporate Pensions UK Limited	England	80% indirectly	80% indirectly	Administration of clients' assets
Options UK Personal Pensions LLP	England	70% indirectly	70% indirectly	Administration of clients' assets
Options SSAS Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
Options EBC Limited	England	100% indirectly	100% indirectly	Administration of clients' assets

31.Subsequent events

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

1: that under the FCA's Conduct of Business Sourcebook rules (COBS) 2.1.1, Carey (Options) had failed to act fairly, honestly and in accordance with the best interests of its client; and

2: that, given the unregulated introducer 'advised' (for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO)) Mr Adams to purchase the investment, transfer his pension and establish the SIPP, and the introducer 'arranged' (for the purposes of the RAO) the underlying investment, without the necessary permissions and therefore in breach of the general prohibition under s.19 of FSMA, that under section 27 of the FSMA, Mr Adams' agreement with Carey (Options) should be unwound, and Carey (Options) should provide relief to Mr Adams.

The judgment dismissed the first claim but upheld the second. Permission to appeal this judgment had filed with the Supreme Court on 29 April 2021 and on 31st March 2022 the Supreme Court declined this request. As a result of the Supreme Court's announcement the partners of Options UK Personal Pensions LLP have considered the amount of provisioning held. The provision in the end of year accounts has been increased because of the above to £21,400,000 with an offsetting £21,400,000 amount being reflected in trade and other receivables as the liability is covered by professional indemnity insurance. See note 18.

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