Press Release 27th June 2024

STM Group plc

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

Final Results for the
12 months ended 31st December 2023

STM Group plc (AIM: STM), the cross-border provider of retirement solutions, life assurance products and related administrative services, is pleased to announce its audited final results for the 12 months ended 31st December 2023.

Financial Highlights:

	2023 (reported)	**2023 (adjusted)****	**2022 (reported)**	**2022 (adjusted)****
Revenue	£28.1m	£28.1m	£24.1m	£24.6m
Profit before other items*	£3.2m	£5.8m	£3.3m	£4.7m
Profit before taxation	£0.4m	£3.1m	£1.6m	£2.8m
Operating margin before other items	11%	21%	14%	19%
Earnings per share^	0.70p	5.12p	1.42p	3.44p
Cash at bank (net of borrowings)	£13.6m	£13.6m	£13.9m	£13.9m

* 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

- Group's revenue and profit before tax in line with the Board's expectations;
- Reported revenue up 17 % as a result of the interest sharing policy and full year contribution of Mercer portfolio acquisition.
- High percentage of annual recurring revenue – amounting to 81% of total revenues - provides a base for the Group's ongoing profitability;
- Adjusted profit before other items increased by 24% to £5.8m (2022: £4.7m);
- Adjusted profit before taxation increased by 10% to £3.1m (2022: £2.8m); and
- Profit before taxation decreased by 72% to £0.4m (2022: £1.6m) due to £1.2m professional costs incurred and expensed in relation to the proposed acquisition by Jambo;
- No dividends declared for 2023 in line with the terms announced for the proposed acquisition of STM by Jambo SRC Limited (see below) (2022: 1.2 pence per ordinary share).

Operational Highlights:

- Agreement reached between STM Independent Directors and the board of Jambo SRC Limited (“Jambo”), regarding the terms of the acquisition (“Acquisition”) of the entire issued and to be issued ordinary shares of STM by way of a Scheme of Arrangement (the “Scheme”).
    - Scheme approved on 6th December 2023 by 99.9% of independent Scheme Shares voted and by 89.5% of independent Scheme Shareholders who voted;
    - Shareholders entitled to receive 60 pence per ordinary share in cash at completion of the Acquisition as well as a Deferred Consideration Unit which may deliver up to 7 pence per ordinary share in cash; and
    - Acquisition subject to change of control approvals by Gibraltar and Malta; regulatory assessment processes continue in both jurisdictions but approvals yet to be received.
- Acquisition also conditional on STM board selling the UK SIPP Companies by way of an MBO to Pathlines Holdings Limited (a company in which STM CEO, Alan Kentish, and his family hold a significant minority interest) for a total cash consideration of £4.5 million; and
- Integration of Mercer SIPP & SSAS portfolios acquired in September 2022 was completed during the year – businesses performed in line with expectations.

Post Period Highlights:

- After careful consideration of its options for its Options Workplace Pensions Master Trust (“Options Master Trust”), STM signed a commercial contract with Smart Pension Limited (“Smart”) on 14th June 2024;
- Subject to approval by the trustees of the Options Master Trust, Smart will become default provider, and members of the Options Master Trust will transfer over time to Smart’s own Master Trust. STM will receive an estimated £4.7 million consideration for such transfers over the next two years;
- An introducer agreement was also signed with Smart offering STM introductory commission to new business relationships introduced to Smart. Additional introducer income from this agreement is estimated at between £1 million and £5 million over the next three years; and
- Since 31st December 2023 the Group has continued to trade in line with the Board’s expectations.

Commenting, Alan Kentish, Chief Executive Officer, said: “The Group continued to perform in line with the Board’s expectations during 2023, with the increase in interest income from the revised interest sharing policies introduced during the second half of the year offsetting the continued shortfall in new business across the Group, pending decisions re future technology strategy that have been deferred as a result of the Jambo acquisition process, and increased costs arising from that process and from other factors.**”**

Annual Report & Accounts – the Annual Report & Accounts will be available at the Company’s website - https://www.stmgroupplc.com/investor/annual_report

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

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Notes to editors:

STM is a multi-jurisdictional financial services group traded on AIM, a market operated by the London Stock Exchange. The Group specialises in the provision of retirement and life assurance solutions and related administration of client assets.

The Group has operations in the UK, Gibraltar, Malta, Australia and Spain. STM has developed a range of pension products for UK nationals and internationally domiciled clients and has two Gibraltar life assurance companies which provide life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held.

STM's growth strategy is focussed on both organic initiatives and strategic acquisitions.

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

CHAIRMAN'S STATEMENT

I am pleased to present to you the STM Group PLC ("STM") results for the year ended 31st December 2023 - the first full year that the newly constituted Board has been in situ.

Given the embedded value within the Group's businesses and the backdrop of predictable recurring revenue and ongoing profitability, my role as Chair and that of my fellow directors has been to set a strategic course which would deliver enhanced shareholder value. This could come about by the introduction of new products and the achievement of greater efficiencies or by the orderly break-up or sale of the Group.

As announced in January 2023, the Board commissioned an independent strategic review from a third-party consultancy company to assess the Group's operating businesses, identify those with the most potential for future profitability and recommend alternative strategies for those and the remaining businesses within the Group. The results of the review were presented to the Board in March 2023 and concluded that the success of the Group would ultimately be dependent on its technology capabilities. The review did highlight that the anticipated externally realisable value of the various businesses within the Group was significantly more that the market capitalisation of the Group at the time. As a result of the strategic review, the Board initiated a technology review as the final input required for the Board to determine the strategy going forward.

However, as well documented in the various market announcements from July 2023 onwards, the Group received an initial approach and expression of interest in the Group, which culminated in the announcement of an offer for the whole of the issued and to be issued share capital of the Company, issued in accordance with Rule 2.7 of the Takeover Code, on 10th October 2023. The offer was to be effected via a Scheme of Arrangement, and the Scheme document was issued to shareholders on 9th November 2023.

Full details of the offer are set out in the CEO's Review within the Annual Report, but in summary the offeror, Jambo SRC Limited ("Jambo'), would acquire the whole STM Group, with the exception of the two SIPP businesses which would exit by way of a management buyout to be completed immediately prior to the overall transaction. The acquisition, once completed, will deliver an up-front 60 pence per share in cash to STM shareholders, with up to a further 7 pence per share in deferred contingent consideration at the one-year anniversary, dependant on certain criteria.

The Scheme was approved by 99.99% of all independent Scheme Shares voted and by 89.5% of independent Scheme Shareholders who voted on 6th December 2023. The transaction remains subject to regulatory approval of the proposed change in control of the Group by the Gibraltar and Malta regulators.

Given the anticipated acquisition by Jambo, and the fact that any dividend declared would be deducted from the final consideration under the terms of the Scheme, the Board has taken the decision not to declare a final dividend for 2023 (2022: 0.60 pence).

Turning to the performance of the business, I am pleased to confirm that the reported 2023 revenue and underlying profit before tax were in line with management's expectations, although reported profitability was significantly reduced as a result of expensing £1.2 million of non-recurring professional advisory costs relating to the potential acquisition by Jambo.

The Group's recurring revenue continues to provide a predictable base for the Group's ongoing profitability, and this has been bolstered by the additional revenue generated from the new interest sharing policy that was implemented for the UK SIPP businesses in July 2023. Similar policies are in the process of being rolled out for the other areas of the business.

I noted in my previous Chairman's statement that STM was at a cross-roads in its evolution, and that certain parts of the business would be difficult to grow or to achieve a full valuation. In this regard, I am delighted to confirm that, on 14th June 2024, the Group announced it had signed a commercial agreement with Smart Pension Limited ("Smart"), and related agreements under which, subject to trustee approval, the members in the Group's Options master trust will transfer to Smart's master trust. This is likely to generate a consideration of £4.7m payable over the next couple of years. In addition, the Group has also signed an introducers agreement with Smart, which will allow for the Group to receive introductory fees for new business introduced by STM to Smart.

Importantly, the agreement allows STM to exit the UK workplace pension market, which is becoming more competitive and starting to be dominated by the larger players. The transaction was undertaken with Jambo's consent.

Finally, my thanks go to all of my STM colleagues for their hard work and commitment during the course of 2023 and into 2024.

I would like to extend my particular thanks to Therese Neish, who left the Group on 31st May 2024, for her considerable contribution and dedication to the Group over many years.

I look forward to updating the market in due course in relation to the change of control approvals from the Malta and Gibraltar regulators which, once received, will allow the acquisition by Jambo to conclude and the initial consideration of 60 pence per ordinary share to be paid to shareholders.

Nigel Birrell
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

The 2023 financial year has been dominated by strategic projects, with the focus in the second half of the year being on the initial approach and expression of interest by Jambo SRC Limited ("Jambo") in June 2023, which culminated in an offer by Jambo for the whole of the issued and to be issued share capital of the Company on 10th October 2023, subject to regulatory approval of the change of control in Gibraltar and Malta. The offer was also conditional on the UK SIPP businesses completing a management buy-out immediately prior to the Court approval of the Scheme of Arrangement (the "Scheme") by which the acquisition was to be effected, subject to change of control approval in the UK.

The Scheme was approved at an EGM held on 6th December 2023 with 99.9% of Scheme shares voting to accept the Scheme offer. As at the date of these financial statements, the FCA in the UK has approved the prospective change of control of the companies subject to the management buyout, but the approval processes in Gibraltar and Malta have yet to be concluded.

2023 commenced with the appointment of third-party consultants to undertake a strategic review of the Group's operation, the results of which were reported to the Board in late March 2023. Further details of the results of the review and the impact of the approach and subsequent offer by Jambo on the Board's conclusions and further actions are set out in the Chairman's Statement.

Notwithstanding the significant distractions arising from the approach by Jambo, the Group has continued to trade in line with management expectations.

The continuing high percentage of annual recurring revenue for 2023, amounting to 81% of total revenues, underpinned the day-to-day performance of the various trading divisions, and for the latter part of 2023 this was supplemented by the new interest sharing policy implemented in the UK SIPP businesses.

The integration of the Mercer SIPP and SSAS portfolios acquired in September 2022 was successfully completed during the course of 2023, and the books of business acquired performed in line with expectations.

New business volumes remained generally disappointing across the Group, but this needs to be viewed in conjunction with the fact that certain areas of the business would only see better volumes upon an improved technology-based service offering, and that potential strategic developments of the Group's technology platforms have been paused pending the outcome of the Jambo transaction. All strategic projects remain on hold whilst the Group awaits the change of control regulatory approvals previously referred to,

Finance 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 reports both basic and adjusted financial key performance indicators in Table 1 and 2 below, as the impact of non-recurring movements does not allow for a clear understanding of operating performance without highlighting key non-recurring elements.

The Group reported revenues of £28.1 million for 2023 (2022: £24.1 million). The 17% uplift in revenues over 2022 is largely attributable to a full year's revenue contribution from the 2022 acquisition of the SIPP and SSAS books from Mercer, which contributed £2.3 million in additional revenues, and the additional £3.2 million interest income earned as a result of the new SIPP interest sharing policy. This offset the shortfalls in new business revenues across the Group.

Profit before other items on both a reported and adjusted basis for 2023, was £3.2 million and £5.8 million respectively (£3.3 million and £4.7 million respectively), and the latter represented a healthy uplift compared to 2022.

The uplift in adjusted profit before other items over 2022 was principally due to the impact of the client interest sharing policy incepted in the SIPP businesses in July 2023 which flowed through to the bottom line.

On a like-for-like basis, adjusted profit before tax was similar to the previous year, with 2023 showing £3.1 million (2022 £2.8 million), although on a statutory basis the pre-tax result for 2023 was significantly lower at £0.4 million (2022 £1.6 million). This reduction was primarily driven by the one-off, non-recurring professional advisory and legal fees of £1.2 million incurred in relation to the proposed acquisition of the Company by Jambo.

In addition, as set out below in Table 2, there were a number of non-recurring income and expense items that are added back to the reported measure for Profit Before Tax so as to give a better picture of the operating performance of the business. For 2023, this included £0.6 million (2022: £Nil) of deferred consideration and old debtors previously recognised in the sale of the Company Management and Trustee Services businesses in 2021, £0.2 million of deferred consideration previously recognised on the Berkeley Burke and Mercer acquisitions in 2020 and 2022 respectively that were ultimately not deemed to be recoverable (2022: £Nil), £0.5 million (2022: £0.5 million) of one-off costs in relation to management restructuring and legal costs and £0.1 million (2022: £Nil) advisory fees paid for the independent strategic review undertaken in the first part of the year.

Table 1

KPI	Definition	2023 (reported)	2022 (reported)	2023 (adjusted)	2022 (adjusted)
Revenue (£'000s)	Income derived from the provision of services.	**28,078**	24,094	**28,078**	24,599
Recurring revenue (£'000s)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	**22,686**	22,219	**22,686**	22,219
Interest income (£'000s)	Interest earned from the Group's and customer cash balances	**3,740**	531	**3,740**	531
Profit before other items (£'000s)	Revenue less administrative expenses i.e. profit before finance income and costs, gain on disposal of subsidiary bargain purchase gain, goodwill impairment and gain on the call options and before taxation.	**3,200**	3,321	**5,824**	4,686
Profit before taxation (£'000s)	Revenue less administrative expenses and other items	**442**	1,578	**3,066**	2,778
Profit after taxation (£'000s)	Revenue less administrative expenses and other items less/add taxation charge/credit	**417**	854	**3,041**	2,054
Earnings per share (pence)	Profit after taxation attributable to shareholder of the Company divided by weighted average number of ordinary shares outstanding	**0.70**	1.42	**5.12**	3.44
Profit margin before other items (%)	Profit before other items divided by revenue.	**11%**	14%	**21%**	19%

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

Table 2

	Revenue		Profit before other items		Profit before tax	
	2023	2022	2023	2022	2023	2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Reported measure	**28,078**	**24,094**	**3,200**	**3,321**	**442**	**1,578**
Add: adjustment due to revenue recognition policy change on acquisition	–	505	–	505	–	505
Add: integration and acquisition cost	–	–	–	390	–	390
Add: Project Atlantic professional costs			1,202	–	1,202	–
Less: bargain purchase gain on acquisition and gain on call options	–	–	–	–	–	(327)
Less: loss on disposal of companies and trust management	–	–	–	–	–	162
Less: movement in deferred consideration related to prior year acquisitions	–	–	761	–	761	–
Add: costs of strategic review	–	–	135	–	135	–
Add: other non-recurring costs	–	–	526	470	526	470
Adjusted measure	**28,078**	**24,599**	**5,824**	**4,686**	**3,066**	**2,778**

Tax Charge and Earnings per Share

The tax charge for the year was £0.03 million (2022: £0.7 million). This was an effective tax rate of 6% (2022: 46%), which was lower than the rates noted in prior years due to the writeback of tax over provided for in prior years. In the year ended 31st December 2022, the Group's effective tax rate was higher than the jurisdictional effective tax rate, as tax losses brought forward or incurred in that year in some jurisdictions could not be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher than in prior years, thus resulting in a higher overall tax charge.

Earnings per share ("EPS") for 2023 was 0.7 pence per ordinary share compared to 1.42 pence per ordinary share in 2022. The decrease was a direct result of the lower profits before tax as explained above. There were no dilutive factors in either 2023 or 2022.

Cashflows and Balance Sheet

Cash and cash equivalents amounted to £18.4 million as at 31st December 2023 (2022: £19.2 million), with net cash inflow from operating activities of £2.5 million for the year ended 31st December 2023 (2022: £5.3m).

The bank loan from RBSI, drawn down in 2021 and 2022 to finance the acquisition of the SIPP and SSAS books from Mercer, remained in place as at 31st December 2023. As at the year end the outstanding balance on the facility was £4.8 million (2022: £5.4 million).

Cash and cash equivalents, net of the above mentioned outstanding bank loan, as at 31st December 2023 amounted to £13.6 million (2022: £13.9 million).

As would be expected for a Group regulated in several jurisdictions, a significant proportion of the gross cash balance is required to underpin the regulatory capital and solvency requirements.

The cash and cash equivalents required for solvency purposes varies as other, non-cash, assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31st December 2023 was £17.3 million (2022: £17.3 million).

As further disclosed in the notes to the financial statements, the Carey ("Options") v Adams case came to a conclusion in 2022 and was settled during the course of that year. During the course of 2023 it was therefore possible to quantify the likely exposure to similar cases with the same profile. In a similar manner, but in an unrelated case, Options was unsuccessful in the Judicial review hearing of a previously determined case by the Financial Ombudsman Scheme.

As a result, this case has been settled by the professional indemnity insurers, and cases with similar characteristics have now been provided for as at 31st December 2023. Whilst a provision has been established for the estimated likely amounts payable in relation to such claims, the Group has recognised an asset equal to an equivalent recovery of such exposure from the Group's professional indemnity insurers, such that the net assets indicated in the consolidated statement of financial position are not affected. Further details in relation to the provisions held are set out in note 26 to the financial statements.

Within the consolidated statement of financial position, the Group recognised accrued income in the form of work performed for clients but not yet billed, as well as accrued interest income, of £3.1 million as at 31st December 2023 (2022: £0.9 million). Additionally, deferred income (included within current liabilities in the statement of financial position), relating to annual fees invoiced but not yet earned, amounted to £3.7 million (2022: £3.8 million). Both these figures give good visibility of cash collections and, in the case of deferred income, revenue still to be earned through the Income Statement in the coming months.

Dividend

The Board is not proposing a final dividend (2022: 0.60 pence per ordinary share), as, under the terms of the Scheme offer, any dividend declared would be deducted from the overall consideration payable by Jambo in respect of the potential acquisition, with potential adverse tax consequences for shareholders. As a result, the total proposed dividend for 2023 amounted to Nil pence per ordinary share (2022: 1.20 pence per ordinary share).

Operational Performance

Pensions

The Group's pension administration businesses continue to be the largest revenue generating stream, accounting for 84% of total Group revenues (2021: 77%), excluding interest earned on client interest sharing policy.

Total revenue, excluding interest on client funds, across the Group's pension businesses amounted to £20.4 million (2022: £18.5 million). The full year of the Mercer SIPP and SSAS acquisition during 2022 contributed £2.8 million of revenue in 2023 (2022: £0.5 million in 4 months).

In addition to the above pension administration revenue, the Pensions division also benefited from the increase in market interest rates and the implementation of its interest sharing policy within the Group's SIPP businesses, which was incepted in July 2023 to bring the Group's policy in line with market norms. Across the whole of the pension division, interest income for 2023 amounted to £3.0 million (2022: £0.3 million). 68% of this amount (2022: 86%) was attributable to the SIPP businesses.

The administration of the Group's QROPS products continues to be the largest revenue generator within the pensions division, accounting for £9.0 million of revenue (2022: £9.4 million) and remains a robust and predictable revenue stream. Since the UK pension legislation changes in 2017, these products are no longer a growth driver. There remains a small net attrition rate on the QROPS book which is expected to continue as the member age profile gradually increases and members look to take advantage of flexi-access benefits. The administration of such schemes is undertaken in Malta and Gibraltar.

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, contributed total pension administration revenues of £4.7 million in 2023 (2022: £4.1 million). As noted above, the increase is down to the full year benefit of the Mercer SIPP book of business acquired in September 2022.

The Group's Options Corporate pension auto-enrolment business generated revenue of £4.1 million in 2023 (2022: £3.4 million) and has performed as expected in a relatively mature marketplace.

The final revenue stream of the pensions divisions comes from the SSAS and EBC third-party administration businesses. These contributed revenues of £2.7 million in 2023 (2022: £1.6 million), with the uplift again being down to a full year contribution from the Mercer SSAS book acquired in September 2022.

Life Assurance

The combined revenues of the two life assurances businesses in Gibraltar was £4.0 million in 2023 (2022: £5.0 million). Those businesses did not generate any new business revenues from the Group's short term annuity product, which had contributed circa £0.8 million of revenue in 2022.

The main products for the life companies remain the flexible annuity products for both private wealth and pension solutions. Whilst there has been a small increase in illustrations requested and provided during 2023, disappointingly we have not seen conversions increase, and the Group has struggled to broaden the range of IFAs that utilise the products.

During the latter part of the year, the life companies revisited the pricing of the flexible annuity products and capped the establishment fee. Whilst this potentially reduces any upfront fees, it is anticipated that this will make the product more compelling and attractive to the larger potential policyholders.

The Group retains its intention to broaden the range of products that will be available through the two life companies, and it is expected that over time this should allow stronger organic growth. However, part of that strategy will be reliant on the finalisation of the technology review instigated as part of the strategic review but subsequently deferred in the light of the proposed acquisition of the Company by Jambo which would determine what systems could and should be used as the main administration platform for the Group.

Regulatory developments – Consumer Duty

The Consumer Duty rules introduced by the Financial Conduct Authority in the UK came into effect on 31st July 2023.

These rules require regulated firms to act to deliver good outcomes for retail customers.

These outcomes relate to:

- Products and services;
- Price and value;
- Consumer understanding; and
- Consumer support.

The new rules require firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey. As well as acting to deliver good customer outcomes, firms will need to understand and evidence whether those outcomes are being met.

They apply to all UK retail customers, whether serviced by firms based in the UK or in other jurisdictions such as Gibraltar.

The Group recognised the importance of the new rules and established a project group to identify the key factors to be considered in assessing the rules, develop new or amended rules and processes (including data gathering) to enable the Group to comply with its Consumer Duty obligations and to oversee such compliance.

The 31st July 2023 deadline was met in all material aspects, with some minor additional processes and procedures being identified for future development.

The process is ongoing and the Group continues to prioritise the delivery of good outcomes for its retail customers.

Outlook

The future direction of the STM Group is currently awaiting the outcome of the applications by Jambo to the Gibraltar and Maltese regulatory authorities for change of control approvals pursuant to the proposed acquisition by Jambo of the whole of the issued share capital of the Company, and to sanction the completion of the transaction that was approved by 99.99 % of Scheme shares voted on 6th December 2023.

In the meantime, other than the potential exit strategy of the Options master trust from the UK workplace pensions marketplace, which had been agreed by both the PLC board and the potential acquirer as set out in th*e Scheme* document, there is minimal ability to make strategic decisions on the business.

On 14th June 2024, the Board announced that the Group had signed a commercial agreement with Smart Pensions Limited in which, subject to approval by the trustees and regulator, members transferring from Options Master trust to Smart would result in Smart paying a consideration to the Group. It is anticipated that, over a two-year period, this consideration is likely to amount to circa £4.7million. In addition, the Group also entered into an introducers agreement with Smart at the same time, whereby any new members introduced to Smart by the Group's existing or new intermediary contacts would lead to introductory commission income for the Group. The agreement is in place for a maximum period of three years, and management estimates that the quantum of such additional introductory commission could lie in the range of £1.0 million to £5.0 million over the three-year period.

Notwithstanding the above, the Group's businesses continue to perform in line with expectations, and underlying performance for 2024 will continue to benefit from the interest sharing policies for the SIPP businesses that were implemented in the second half of 2023.

Interest sharing policies for the other parts of the Group have now been agreed, and these are in the process of being rolled out. It is anticipated that this will provide additional contribution for 2024, although, given the ongoing uncertainty around market interest rates, it is not possible to forecast any incremental contribution over market expectations with any material degree of accuracy

Whilst the technology review referred to above remains on hold as a result of the offer by Jambo, that process will need to be recommenced once the potential acquisition has been approved by the regulators in Malta and Gibraltar.

As noted in my 2022 report, the outcome of any technology reviews will no doubt determine the strategy that the Plc board will take going forward. The UK and expatriate pension space remains buoyant and exciting, with opportunities to differentiate the business from industry peers, but only if the technology can support a self-serve administration process.

I would like to take this opportunity to thank all my STM colleagues, and particularly Therese Neish, who returned as interim CFO on a fixed-term contract which was expected to see the conclusion of the acquisition, for their continued hard work and professionalism in carrying out their duties.

The Board looks forward to updating you on the progress of the proposed acquisition of the Company by Jambo in due course.

Alan Kentish
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**Year ended 31 December 2023 £000**	Year ended 31 December 2022 £000
Revenue	8	**28,078**	24,094
Administrative expenses	9	**(24,878)**	(20,773)
Profit before other items	10	**3,200**	3,321
OTHER ITEMS			
Bargain purchase gain	4	**-**	327
Gains on revaluation of financial instruments		**-**	11
Loss on disposals of subsidiaries	3	**-**	(162)
Loss on disposal of fixed assets		**(96)**	-
Finance costs		**(689)**	(322)
Depreciation and amortisation	13,14	**(1,973)**	(1,597)
Profit before taxation		**442**	1,578
Taxation	12	**(25)**	(724)
Profit after taxation		**417**	854
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		**32**	12
Total other comprehensive income		**32**	12
Total comprehensive income for the year		**449**	866
Profit attributable to:			
Owners of the Company		**417**	844
Non-controlling Interests		**-**	10
		417	854
Total comprehensive income attributable to:			
Owners of the Company		**449**	856
Non-controlling Interests		**-**	10
		449	866
Earnings per share basic (pence)	20	**0.70**	1.42
Earnings per share diluted (pence)	20	**0.70**	1.42

The results for 2023 and 2022 relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023 £000	31 December 2022 £000
ASSETS			
Non-current assets			
Property and office equipment	13	**1,304**	1,161
Intangible assets	14	**21,444**	22,125
Financial assets	15	**1,839**	1,762
Deferred tax asset	12	**39**	58
Total non-current assets		**24,626**	25,106
Current assets			
Accrued income		**3,078**	860
Trade and other receivables	16	**7,349**	8,461
Receivables due from insurers	26	**27,441**	488
Cash and cash equivalents	17	**18,365**	19,234
Total current assets		**56,233**	29,043
Total assets		**80,859**	54,149
EQUITY			
Called up share capital	18	**59**	59
Share premium account	18	**22,372**	22,372
Retained earnings		**14,443**	14,382
Other reserves	18	**(2,279)**	(1,843)
Equity attributable to owners of the Company		**34,595**	34,970
Non-controlling interests		**-**	(68)
Total equity		**34,595**	34,902
LIABILITIES			
Current liabilities			
Liabilities for current tax		**425**	788
Trade and other payables	21	**13,271**	12,517
Provisions	26	**27,441**	488
Total current liabilities		**41,137**	13,793
Non-current liabilities			
Other payables	22	**4,808**	5,050
Deferred tax liabilities	12	**319**	404
Total non-current liabilities		**5,127**	5,454
Total liabilities and equity		**80,859**	54,149

STATEMENT OF CONSOLIDATED CASH FLOW
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 £000	Year ended 31 December 2022 (restated) £000
OPERATING ACTIVITIES			
Profit for the year before tax		**442**	1,578
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	13	**620**	673
Amortisation of intangible assets	14	**1,353**	924
Loss on disposal of property and office equipment		**96**	4
Unrealised gains on financial instruments		**(77)**	(11)
Bargain purchase gain	4	**-**	(327)
Taxation paid		**(454)**	(619)
(Increase)/decrease in trade and other receivables including insurers		**(25,841)**	22,246
(Increase)/decrease in accrued income		**(2,218)**	558
Increase in trade and other payables including insurers		**28,541**	(19,737)
Net cash generated from operating activities		**2,462**	5,289
INVESTING ACTIVITIES			
Purchase of property and office equipment	13	**(170)**	(165)
Increase in intangible assets	14	**(672)**	(937)
Purchase of financial instruments		**-**	(1,734)
Acquisition of non-controlling interests	5	**(400)**	(120)
Additional consideration paid on prior acquisitions		**(228)**	-
Consideration paid on acquisition of portfolio	4	**-**	(3,454)
Net cash absorbed by from investing activities		**(1,470)**	(6,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loan	21,22	**-**	4,463
Repayments of bank loan	21,22	**(551)**	(550)
Interest paid on bank loan		**(405)**	(162)
Lease liabilities paid		**(581)**	(724)
Dividends paid	18	**(356)**	(891)
Net cash (absorbed by)/generated from financing activities		**(1,893)**	2,136
(Decrease)/increase in cash and cash equivalents		**(901)**	1,015
Effect of movements in exchange rates on cash and cash equivalents		**32**	12
Cash and cash equivalents at the beginning of the year		**19,234**	18,207
Cash and cash equivalents at the end of the year	17	**18,365**	19,234

The comparative cash flow movements for the year ended 31st December 2022 have been restated to aggregate and reclassify certain flows in order to be consistent with the presentation adopted in the year ended 31st December 2023.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

	Share capital £000	Share premium £000	Retained earnings £000	Treasury shares £000	Foreign currency translation reserve £000	Share based payments reserve £000	Other reserve £000	Total £000	Non-controlling Interests £000	Total Equity £000
Balance at 1 January 2022	**59**	**22,372**	**14,429**	**(549)**	**(93)**	**162**	**-**	**36,380**	**(452)**	**35,928**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit for the year	-	-	**844**	**-**	**-**	**-**	**-**	**844**	**10**	**854**
Other comprehensive income										
Foreign currency translation differences	-	-	**-**	**-**	**12**	**-**	**-**	**12**	**-**	**12**
Transactions with owners, recorded directly in equity										
Acquisition of non-controlling interests	-	-	**-**	**-**	**-**	**-**	**(1,375)**	**(1,375)**	**374**	**(1,001)**
Dividends paid	-	-	**(891)**	**-**	**-**	**-**	**-**	**(891)**	**-**	**(891)**
At 31 December 2022 and 1 January 2023	59	22,372	14,382	(549)	(81)	162	(1,375)	34,970	(68)	34,902
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit for the year	-	-	417	-	-	-	-	417	-	417
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	32	-	-	32	-	32
Transactions with owners, recorded directly in equity										
Acquisition of non-controlling interests	-	-	-	-	-	-	(468)	(468)	68	(400)
Dividends paid	-	-	(356)	-	-	-	-	(356)	-	(356)
At 31 December 2023	59	22,372	14,443	(549)	(49)	162	(1,843)	34,595	-	34,595

1. Reporting entity

STM Group PLC (the "Company") is a company incorporated and domiciled in the Isle of Man and is traded on AIM, a market operated by the London Stock Exchange. The address of the Company's registered office is 1st Floor Viking House, St Paul's Square, Ramsey, Isle of Man, IM8 1GB. The consolidated financial statements of the Group as at, and for the year ended, 31st December 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in financial services.

2. Basis of preparation

The financial information, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, the statement of consolidated changes in equity, the consolidated statement of cash flows and the related notes, is derived from the full Group consolidated financial statements for the year ended 31st December 2023, which 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. The accounting policies applied in preparing the financial information are consistent with those used in preparing the consolidated financial statements for the year ended 31st December 2023.

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 budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group. 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 has adequate resources to continue in operational existence for at least 12 months from the date of approval and signing of the financial statements. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling (£), rounded to the nearest £'000, which is the Group'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 the financial statements.

3. Disposal of subsidiaries

There were no disposals of subsidiaries in the two years ended 31st December 2023 and 31st December 2022. The loss on disposal reported in 2022 comprised a reduction in the final consideration received in that year in respect of the disposal of the Group's Gibraltar company and trustee services ("CTS") and tax compliance business, STM Fidecs Management Limited, and the Jersey based CTS business, STM Fiduciaire Limited, in 2021. The reduction arose from audited revenues for those businesses being lower than originally estimated.

4. Acquisition of portfolios

There were no acquisitions in 2023.

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

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

The acquisition was accounted for using the acquisition method. Transaction costs incurred on the acquisition totalled £150,000 and were expensed within administrative expenses in the Consolidated Statement of Comprehensive Income for the year ended 31st December 2022.

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

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

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

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

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

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

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

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

In addition, the Group paid deferred cash consideration of £217,000 during the year (2022: £114,000) relating to the final payment for the acquisition of the Berkeley Burke companies completed in 2020. The consideration paid in 2023 was £161,000 higher than the amount provided as at 31st December 2022 due to the collection and onward remittance of trade receivables due to the seller under the relevant share purchase agreements but not previously provided.

The Group also paid additional net consideration in 2023 of £11,000 in respect of the companies and SIPP and SSAS portfolios acquired from Mercer Limited in 2022.

As these acquisitions were completed more than twelve months prior to the dates of payment in the current reporting period, the aggregate amount of £172,000, net of the amount provided at 31st December 2022, has been written off to administrative expenses in 2023.

5. Acquisition of non-controlling interests

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

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

Options Corporate Pensions UK Limited

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

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

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

Options Pensions UK LLP

On 12th January 2023, the Group completed the transaction to acquire an additional 30% interest in OSUK, increasing its ownership from 70% to 100%. The carrying amount of OSUK's net liabilities in the Group's consolidated financial statement on the date of acquisition was £227,000.

	£'000
Carrying amount of NCIs acquired (£227,000 x 30%)	68
Exercise of OSUK's call option	-
Cash consideration paid to NCIs	400
A decrease in equity attributable to owners of the Company	468

The decrease in equity attributable to owners of the Company has been recognised in the other reserve for the year ended 31st December 2023.

6. Segmental Information

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

The Board assesses the performance of the operating segments based on turnover generated. The performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of internally calculated proportions. Management believes that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

The following table presents the turnover information regarding the Group's operating segments:

	Turnover	
Operating segment	**2023**	2022
	£000	£000
Pensions	**23,474**	18,421
Life Assurance	**4,039**	5,001
Other services	**565**	672
Total	**28,078**	24,094

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

Geographical segment	Turnover	
	2023	2022
	£000	£000
Gibraltar	**6,112**	7,324
Malta	**7,146**	7,178
United Kingdom	**14,358**	9,110
Other	**462**	482
Total	**28,078**	24,094

7. 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. These companies are licenced to carry on linked long-term insurance business under the Financial Services (Insurance Companies) Act by the Gibraltar Financial Services Commission.

For the purposes of these consolidated financial statements, only the shareholders' funds and surpluses that emerges on the long-term funds have been included. The assets invested by the Life Assurance clients are determined by either the clients or their advisers and are segregated from the assets and liabilities of other clients. Therefore, the Group considers that it does not control the investment decision nor does it bear any financial risk in respect of that decision and, therefore, the investment assets and associated liabilities to the customers should not be presented within the consolidated statement of financial position. The total revenue of the Group of £28,078,000 (2022: £24,094,000) included £4,039,000 (2022: £5,001,000) relating to revenues attributable to the life assurance businesses.

8. Revenue

	31 December 2023 £000	31 December 2022 £000
Revenue from provision of retirement and life assurance solutions and related administrative services	**24,338**	23,563
Interest and investment income	**3,740**	531
Total revenue	**28,078**	24,094

9. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2023 £000	31 December 2022 £000
Wages and salaries	**12,263**	11,633
Social insurance costs	**1,045**	484
Pension contributions	**398**	104
Total personnel expenses	**13,706**	12,221

Average number of employees

Group	**31 December 2023 Number**	31 December 2022 Number
Average number of people employed (including executive directors)	**293**	285

10. Profit before other items

Profit before other items of £3,200,000 (2022: £3,321,000), was arrived at after charging the following to the income statement:

	31 December 2023 £000	31 December 2022 £000

(Loss)/profit on disposal of property and office equipment	**(96)**	4
Directors' remuneration	**588**	663
Auditors' remuneration for audit services	**450**	472

11. Reconciliation of reported to adjusted measures

	Revenue		**Profit before other items**		**Profit before tax**	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Reported measure	**28,078**	24,094	**3,200**	3,321	**442**	1,578
Add: adjustment due to revenue recognition policy change on acquisition	**-**	505	**-**	505	**-**	505
Add: integration and acquisition cost	**-**	-	**-**	390	**-**	390
Add: Professional advisory costs incurred in relation to the proposed acquisition of the Company	**-**	-	**1,202**	-	**1,202**	-
Add: write-off of debtors related to prior year disposals	**-**	-	**761**	-	**761**	-
Less: bargain purchase gain on acquisition	**-**	-	**-**	-	**-**	(327)
Less: loss on disposal of companies and trust management	**-**	-	**-**	-		162
Add: costs of strategic reviews	**-**	-	**135**	-	**135**	-
Add: senior management exit costs, non-recurring professional costs and other non-recurring costs	**-**	-	**526**	470	**526**	470
Adjusted measure	**28,078**	24,599	**5,824**	4,686	**3,066**	2,778

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

12. Taxation

	31 December 2023 £000	31 December 2022 £000
Current tax expense	**91**	766
Deferred tax expenses/(income)		
Release of deferred tax assets on leases as per IFRS 16	**19**	18
Release of deferred tax liabilities on intangible assets	**(85)**	(60)
Total tax expense	**25**	724

Reconciliation of existing tax rate	**2023 %**	**31 December 2023 £000**	2022 %	31 December 2022 £000
Profit before tax for the year	**-**	**442**	-	1,578
Income tax using the Company's domestic rate	**0.00%**	**-**	0.00%	-
Effect of tax rates in other jurisdictions	**20.59%**	**91**	48.54%	766
Release of deferred tax assets on leases as per IFRS 16	**4.30%**	**19**	1.14%	18

Release of deferred tax liabilities on intangible assets	**(19.23%)**	**(85)**	(3.80%)	(60)
Total tax expense	**-**	**25**	-	724
Effective tax rate (%)	**-**	**5.66%**	-	45.88%

The effective tax rate for UK increased to 25% from 1 April 2023. The effective tax rates in Malta and Gibraltar are 5% and 12.5% respectively. The Group effective tax rate is lower in the year ended 31st December 2023 than the jurisdictional effective tax rate due to the writeback of tax over provided for in prior years. However, in the year ended 31st December 2022, the Group effective tax rate was higher than the jurisdictional effective tax rate because tax losses brought forward or incurred in that year in some jurisdictions could not be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher than in the prior year thus resulting in a higher tax charge on these.

13. Property and office equipment

Group	**Note**	**Motor Vehicles £000**	**Office Equipment £000**	**Leasehold Improvements £000**	**Right-of-use Assets £000**	**Total £000**
Costs						
At 1st January 2022		15	1,916	490	5,585	8,006
Additions		-	163	2	-	165
Acquired through business combination	4	-	10	-	-	10
Disposals		-	(6)	-	-	(6)
At 31st December 2022 and 1st January 2023		15	2,083	492	5,585	8,175
Additions		**-**	**170**	**-**	**689**	**859**
Disposals		**(15)**	**(1,189)**	**(15)**	**(4,705)**	**(5,924)**
At 31st December 2023		**-**	**1,064**	**477**	**1,569**	**3,110**
Depreciation						
At 1st January 2022		12	1,346	380	4,605	6,343
Charge for the year		1	165	20	487	673
Disposals		-	(2)	-	-	(2)
At 31st December 2022 and 1st January 2023		13	1,509	400	5,092	7,014
Charge for the year		**2**	**143**	**20**	**455**	**620**
Disposals		**(15)**	**(1,104)**	**(4)**	**(4,705)**	**(5,828)**
At 31st December 2023		**-**	**548**	**416**	**842**	**1,806**
Net Book Value						
At 31st December 2022		2	574	92	493	1,161
At 31st December 2023		**-**	**516**	**61**	**727**	**1,304**

14. Intangible assets

Group	**Note**	**Goodwill £000**	**Client Portfolio £000**	**Product Development £000**	**IT Development £000**	**Total £000**
Costs						
At 1st January 2022		14,109	5,742	701	2,242	22,794
Additions		-	-	30	907	937
Acquired through business combination	4	-	2,757	-	-	2,757
At 31st December 2022 and		14,109	8,499	731	3,149	26,488

1st January 2023					
Additions	**-**	**-**	**-**	**672**	**672**
At 31st December 2023	**14,109**	**8,499**	**731**	**3,821**	**27,160**
Amortisation and impairment					
At 1st January 2022	824	1,717	445	453	3,439
Charge for the year	-	574	30	320	924
At 31st December 2022 and 1st January 2023	824	2,291	475	773	4,363
Charge for the year	**-**	**850**	**57**	**446**	**1,353**
At 31st December 2023	**824**	**3,141**	**532**	**1,219**	**5,716**
Carrying amounts					
At 31st December 2022	13,285	6,208	256	2,376	22,125
At 31st December 2023	**13,285**	**5,358**	**199**	**2,602**	**21,444**

Impairment testing for cash-generating units containing goodwill

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

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

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

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

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

	2023	2022
	£000	£000
STM Life	**1,256**	1,256
LCA	**7,735**	7,735
FLHP	**3,698**	3,698
Options - Berkeley Burke acquisition	**596**	596
Total	**13,285**	13,285

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

The recoverable amount of each CGU or group of CGUs as at 31st December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets prepared for the subsequent three years and which have been approved by the Board. The subsequent two years' cashflows have been calculated based on the following assumptions thereby providing a five-year estimate of prospective net cashflows:

	2023	**2022**

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

The range of revenue growth and attrition rates, and those for expense increases and inflation, has narrowed in comparison with 2022,to bring the assumptions for certain business units in line with those used elsewhere in the Group. 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 13.5% (2022: 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, no impairment charge has been recognised in either of the two years ended 31st December 2023 or 31st December 2022.

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 customer attrition rates
- Expense increases and inflation rates
- Discount rates

Revenue growth rates and attrition – a higher decline in revenue growth rates and/or an increase in attrition rates would result in a further impairment charge being required. A 1% reduction in both revenue growth and attrition rates would result in a potential impairment charge of approximately £199,000 (2022: £185,000).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Expense increases and inflation rates – management has considered the possibility of increased inflation resulting in higher than anticipated costs and an increase in expenses growth rates would result in potential impairment. A 1% increase in the expense growth rates would result in a potential impairment charge being required of £50k (2022: £nil).

Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (“WACC”). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate is made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A 1% increase in the WACC would result in a potential impairment charge of approximately £173,000 (2022: £229,000).

Management also considered the potential impact of a scenario that combines adverse changes in all three key metrics, namely where the revenue growth rate reduces by 1%, expenses increase by 1% and the WACC increases by 1%. This would result in a potential impairment charge of approximately £510,000 (2022: £1,194,000).

Client portfolio

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

	Acquisition date	**31 December 2023 £000**	31 December 2022 £000
London & Colonial Services Ltd	October 2016	**283**	383
STM Nummos Life SL	January 2018	**173**	215
Harbour Pensions Ltd	February 2018	**453**	545

Options Corporate Pensions UK Limited	February 2019	**359**	429
Options UK Personal Pensions LLP	February 2019	**615**	735
Options SSAS Limited	August 2020	**199**	229
Options EBC Limited	August 2020	**795**	915
SIPP portfolio acquired from Mercer Ltd	August 2022	**1,389**	1,543
SSAS portfolio acquired from Mercer Ltd	August 2022	**1,092**	1,214
Total		**5,358**	6,208

15. Financial assets

Group	**31 December 2023 £000**	31 December 2022 £000
Financial instrument designated at FVTPL	**1,839**	1,762
Total	**1,839**	1,762

The financial instrument designated at FVTPL represents UK sovereign debt instrument with a stated interest rate of 2% and is held for trading.

This investment has been classified as Level 1 as its value is derived from quoted prices in active market.

16. Trade and other receivables

Group	**31 December 2023 £000**	31 December 2022 £000
Trade receivables	**3,915**	4,266
Prepayments	**1,691**	999
Other receivables	**1,743**	3,196
Total	**7,349**	8,461

Amounts due from related parties comprise intercompany balances which 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 244.

17. Cash and cash equivalents

Group	**31 December 2023 £000**	31 December 2022 £000
Bank balances	**18,365**	19,234

The Group has a secured bank loan liability of £4,813,000 (2022: £5,363,000) which is included within Trade and Other Payables in Notes 21 and 22. Details of the security held is set out in Note 21.

Within cash and cash equivalents held by the Group there is a balance of £4,209,000 (2022: £2,903,000) which is not available for use by the Group. This mainly represented the blocked accounts that form part of Options Corporate and Options SIPP regulatory requirements and the funds collected on behalf of clients but yet to be paid across to the respective clients or relevant authority bodies.

18. Capital and reserves

Authorised, called up, issued and fully paid	**31 December 2023 £000**	31 December 2022 £000
59,408,088 ordinary shares of £0.001 each (2022: 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.

Share premium

There were no new shares issued during either of the two years ended 31st December 2023 and 31st December 2022. The balance of the share premium account as at 31st December 2023 amounted to £22,372,000 (2022: £22,372,000).

Other reserves

Other reserves are made up of:

	Note	**31 December 2023 £000**	31 December 2022 £000
Treasury reserves		**549**	549
Foreign Currency translation reserve		**49**	81
Share based payments reserve	19	**(162)**	(162)
Other reserve	5	**1,843**	1,375
Total other reserves		**2,279**	1,843

Treasury shares

The treasury shares relate to those shares purchased by the STM Group Employee Benefit Trust (EBT) for allocation to executives. The trustees of the Employee Benefit Trust held 1,089,780 ordinary shares of £0.001 each in the Company at 31st December 2023 and at 31st December 2022. 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. The balance held on the treasury shares account as at 31st December 2023 amounted to £549,000 (2022: £549,000).

Translation reserve

The translation reserve comprises all cumulative foreign currency differences arising from the translation of the financial statements of foreign operations. The balance at 31st December 2023 amounted to a negative £49,000 (2022: negative £81,000), with the movement of £32,000 in 2023 (2022: £12,000) representing the foreign currency differences arising from the translation of the financial statements of foreign operations during the year.

Dividends

The following dividends were declared and paid by the Group during the year:

	31 December 2023 £000	31 December 2022 £000
Nil pence per qualifying ordinary share (2022: 1.50 pence per qualifying ordinary share)	**-**	891

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 2023 £000	31 December 2022 £000
Nil pence per qualifying ordinary share (2022: 0.60 pence per qualifying ordinary share)	**-**	356

19 . 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 (2022: £Nil). The share-based payments reserve at 31st December 2023 amounted to £162,000 (2022: £162,000).

20. Earnings per share

Earnings per share for the year from 1st January 2023 to 31st December 2023 is based on the profit attributable to owners of £417,000 (2022: £844,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2022: 59,408,088) and £59,408,088 dilutive (2022: 59,408,088) in issue.

21. Trade and other payables

Group	**31 December 2023 £000**	31 December 2022 £000
Deferred income	**3,664**	3,842
Trade payables	**1,970**	882
Bank loan (secured)	**550**	552
Deferred consideration	**-**	56
Lease liabilities	**304**	570
Other creditors and accruals	**6,783**	6,615
Total	**13,271**	12,517

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

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

The Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million in 2020, with drawn down being completed in September in 2022 to fund the acquisition of the Mercer portfolios (Note 4). The facility has a 5-year term from November 2020, 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 balance outstanding on this facility as at 31st December 2023 was £4.8 million (2022: £5.4 million). Interest on the loan is charged at 3.5% per annum over the Sterling Relevant Reference Rate on the outstanding balance. Prior to fully drawing down the loan interest was paid on the undrawn balance at a rate of 1.75% per annum over the Sterling Relevant Reference Rate.

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

The Group's exposure to liquidity risk related to trade and other payables is described in Note 23.

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

Group	**31 December 2023 £000**	31 December 2022 £000
Lease liabilities	**546**	143
Bank loan (secured)	**4,262**	4,811
Other payables	**-**	96
Total	**4,808**	5,050

23. 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
- Capital management

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 Group has one bank borrowing at the year end, as detailed in Note 21. A change of 100 basis points in the relevant underlying interest rate would have increased or decreased equity and profit or loss by £51,000 before tax (2022: £34,000).

(e) Currency risk

The Group has a small exposure to currency risk in relation to its 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 would have increased or decreased equity and profit or loss by £27,000 after tax (2022: £28,000) 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 Notes 21 and 22, 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 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 net of the balances which are not available for use by the Group (Note 17). Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at 31st December 2023 suggests that the Group has sufficient liquidity to meet its obligations as they fall due. Net debt compared to equity at 31st December 2022 was as follows:

	31st December 2023 £000	31st December 2022 (restated) £000
Total liabilities	**18,823**	18,759
Less: net cash and cash equivalents available	**(14,156)**	(16,331)
Adjusted net debt	**4,667**	2,428
Total equity attributable to owners of the Company	**34,595**	34,970
Adjusted net debt to equity ratio	**13%**	7%

Total liabilities above are stated after excluding provisions for customer redress of £27,441,000 (2022: £488,000) as these are exactly matched buy amounts recoverable from the Group's insurers. The comparative for total liabilities has been adjusted accordingly as such provisions were not excluded in the financial statements of the Group for the year ended 31st December 2022, as the amount involved was not material.

The net cash and cash equivalents available excludes the balances not available for use by the Group of £4,209,000 (2022: £2,903,000) as more fully explained in Note 17.

24. 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	
	31st December 2023 £000	31st December 2022 £000
Financial instrument designated as FVTPL	**1,839**	1,762
Trade and other receivables	**7,349**	8,461

Cash and cash equivalents	**18,365**	19,234
Total	**27,553**	29,457

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 receivables amount as at 31st December 2023 and 31st December 2022. Segmental disclosures are included in Note 6 reflecting the Group's operating segment and geographic concentration.

The Group limits its exposure to credit risk by investing only in liquid debt securities issued by the UK government. The financial instrument designated at FVTPL held by the Group is rated as investment grade.

Impairment on trade and other receivables is determined applying an ECL model as discussed in the financial statements.

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

	Gross receivables 31st December 2023 £000	**Individual Impairment 31st December 2023 £000**	**Total £000**	Gross receivables 31st December 2022 £000	Individual Impairment 31st December 2022 £000	Total £000
Not past due	**1,398**	**-**	**1,398**	933	-	933
Past due 0–30 days	**350**	**-**	**350**	464	-	464
Past due 31–120 days	**198**	**-**	**198**	333	-	333
More than 120 days past due	**2,570**	**(601)**	**1,969**	3,060	(524)	2,536
Total	**4,516**	**(601)**	**3,915**	4,790	(524)	4,266

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:

	31st December 2023 £000	31st December 2022 £000
Balance at start of year	**524**	174
Movement in expected credit loss allowance	**77**	350
Balance at end of year	**601**	524

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

31st December 2023	**Carrying amounts £000**	**Contractual cash flow £000**	**6 months or less £000**	**6-12 months £000**	**1-4 years £000**
Non-derivative financial liabilities					
Trade payables	**1,970**	**1,970**	**1,970**	**-**	**-**
Bank loan (secured)	**4,812**	**5,013**	**330**	**327**	**4,356**
Lease liabilities	**850**	**844**	**194**	**110**	**540**
Other creditors and accruals	**6,783**	**6,783**	**6,783**	**-**	**-**
Total	**14,415**	**14,610**	**9,277**	**437**	**4,896**

31st December 2022	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-4 years £000
Non-derivative financial liabilities					
Trade payables	882	882	882	-	-
Bank loan (secured)	5,363	5,682	336	333	5,013
Deferred consideration	56	56	56	-	-
Lease liabilities	713	736	363	226	147
Other creditors and accruals	6,615	6,615	6,615	-	-
Total	13,629	13,971	8,252	559	5,160

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	**31st December 2023 £000**	31st December 2022 £000
Balance at 1st January	-	881
Settlement (Note 5)	-	(881)
Balance at 31st December	**-**	**-**

25. Leases

In relation to leases under IFRS 16, the Group has charged depreciation and interest expenses. The Group recognised £455,000 (2022: £487,000) of depreciation charges and £41,000 (2021: £53,000) of interest expenses from these leases during the year ended 31st December 2023. The Group recognised £72,000 (2022: £61,000) of expenses relating to short-term leases or leases that can be cancelled with no penalties and £6,000 (2022: £6,000) of expenses for leases of low-value assets, excluding short-term leases, for the year ended 31st December 2023.

The total cash outflow for leases for the year ended 31st December 2023 was £660,000, including short-term lease cash outflows of £78,000 (2022: £791,000, including short-term lease cash outflows of £67,000).

Lease liabilities

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

	31st December 2023 £000	31st December 2022 £000
Less than one year	**304**	589
Between one year and five years	**540**	147
More than five years	**-**	-
Total	**844**	736

The maturity analysis of lease liabilities is disclosed in Note 24. Right-of-use assets are disclosed in Note 13.

The Group leases a number of offices from which they operate, the largest of which are the offices in Gibraltar, Cardiff and Milton Keynes with the leases terminating in 2028, 2025 and 2024 respectively.

26. Provisions, receivables due from insurers and contingent liability

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. This requires judgement and the use of assumptions about the likelihood and magnitude of any cash outflow. The Group analyses its exposure based on available information, including consultation with professional indemnity insurers and external legal advisors where appropriate, to assess any potential liability.

Provisions and receivables due from insurers	31st December 2023 £000	31st December 2022 £000
Customer redress in relation to UK SIPP claims	27,441	-
Other claims	-	488
Total	**27,441**	488

Customer redress in relation to UK SIPP claims

During the year ended 31st December 2023, numerous claims from clients arising across various policy years and investments were settled and the cost covered in full by the professional indemnity insurance in place for the relevant policy years based on the relevant reserving held. In addition, a Judicial Review heard on 16 and 17 April 2024 that affected a further cohort of cases rejected the Group's appeal against the previous determination by the Financial Ombudsman Service and upheld the original ruling. These events have enabled a reasonably materially accurate assessment to be done of the potential liability relating to the remaining open cases and legal claims in similar circumstances. In accordance with IAS 37, a provision of £27,441,000 (2022: £nil) has been made in the financial statements for the year ended 31st December 2023 with a corresponding receivable from insurers as these are fully covered by professional indemnity insurance.

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

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

Other claims

As at 31st December 2022 there were potential claims in respect of the historic trading of STM Malta Pensions Services Limited. These claims were estimated based on present information available at the time and a provision made. This was covered by professional indemnity insurance net of relevant insurance case excesses and thus was also reflected as a receivable due from insurers. Following progress made on these claims during the year ended 31st December 2023, the provision (and corresponding receivable from insurers) has reduced to £Nil (2022: £488,000).

General

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

27. Non-adjusting subsequent events

On 14th June 2024, the Company announced that the Group had signed a commercial agreement with Smart Pension Limited ("Smart") under which members transferring from of the Group's Options Workplace Master Trust would, subject to approval by the Trustees and the Pensions Regulator, transfer to Smart's Master Trust with Smart paying a consideration for such transfers to the Group. It is anticipated that, over a two-year period, this consideration is likely to amount to circa £4.7million. In addition, the Group also entered into an introducer's agreement with Smart at the same time, whereby any new members introduced to Smart by the Group's existing or new intermediary contacts would lead to introductory commission income for the Group. The agreement is in place for a maximum period of three years, and management estimates that the quantum of such additional introductory commission could lie in the range of £1.0 million to £5.0 million over the three-year period.

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