

Annual Report & Accounts

2009

STM Group Plc is a growing force in the international corporate and trustee service provider (CTSP) sector. STM Group's purpose is to provide innovative and unbiased financial solutions to high net worth individuals who are investing or moving cross-border, or establishing a business overseas, in a language they understand.

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Revenue of £8.5 million

2008: £9.2m

Profit before tax of £0.7 million

2008: £2.8m

EPS of 1.57 pence

2008: 6.48 pence

Strong balance sheet with cash of £3.8 million at year end

Cash generated from operating activities £0.9m

Final dividend of 0.4 pence, payable on 4 June 2010, representing a total dividend for 2009 of 0.6 pence

Trading revenues maintained

Recurring trading revenues maintained year on year despite difficult economic conditions

7% growth for Gibraltar

Organic growth of 7% in Gibraltar CTS division

Acquired CTS business in Luxembourg

STM adds further cross-border capabilities to the Group, subject to regulatory approval

New products launched

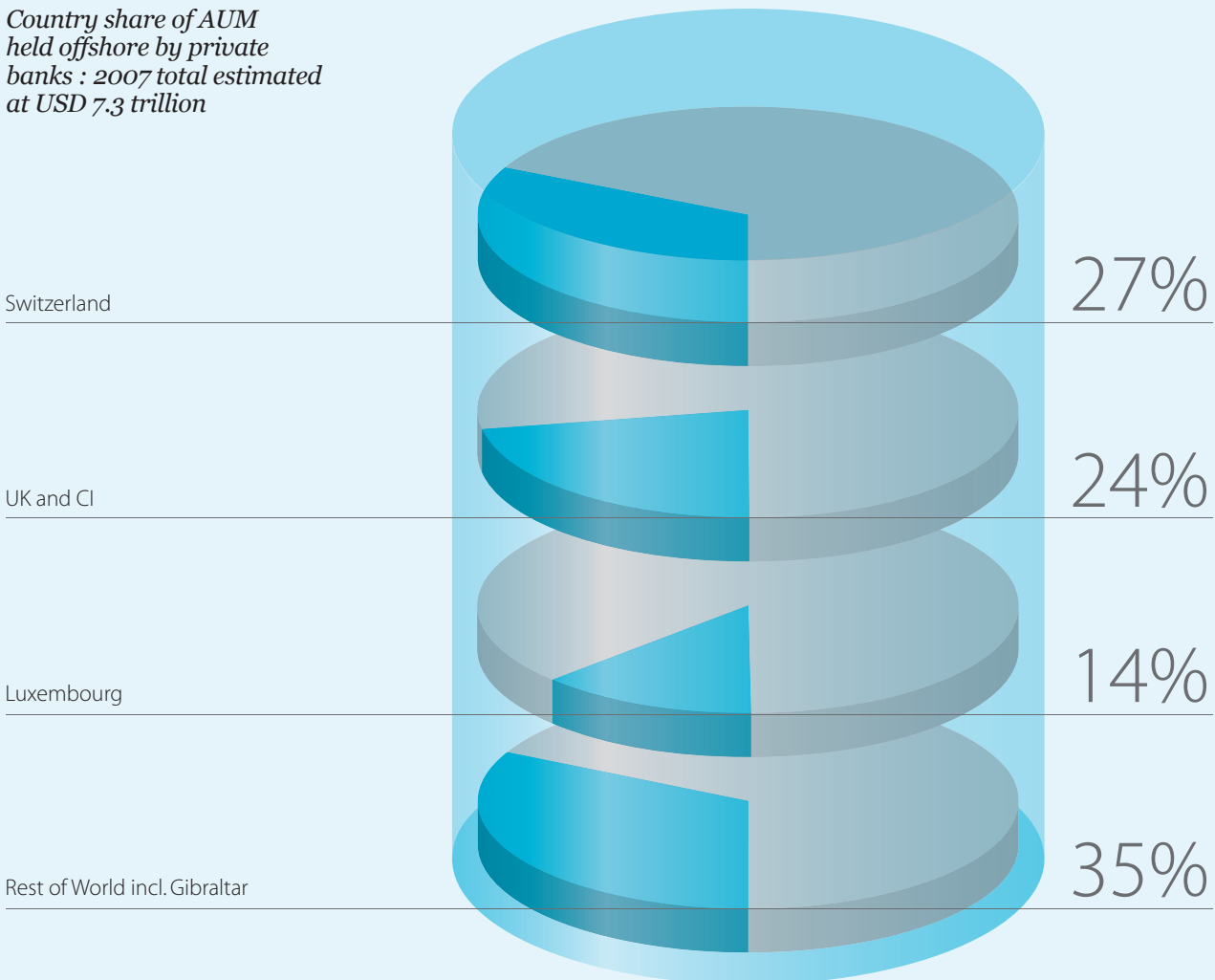
New products launched, including International Life Bond and EFRBS

STM Swiss gaining momentum

Set up STM Swiss in Zurich, now gaining traction

STM can justifiably say that it has a presence in the most important European offshore financial centres.

Country share of AUM held offshore by private banks : 2007 total estimated at USD 7.3 trillion



BVI



Corporate and trustee service providers

Spain



Legal and tax services for expatriates

Jersey



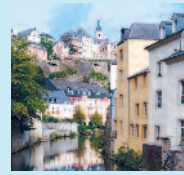
Corporate and trustee service providers

Gibraltar



Corporate and trustee service providers, insurance management, retirement benefits, life bonds

Luxembourg



Corporate and trustee service providers

Switzerland



Wealth protection for HNWIs, corporate and trustee service providers



Chairman's Statement

"The Group's recurring revenue business model remains strong, even in these times of unprecedented economic crisis."

Preserving wealth through trust and knowledge

We offer innovative and impartial tax, company, trust and pensions services for international private clients, their businesses and their families. Our guiding principle is to provide excellent personal service in clear and simple language. So we can help resident and non-resident individuals and companies protect and grow their investments. We understand the importance of addressing your specific tax and legal requirements when administering your assets or business, often at a distance.



The board views 2010 as a year in which to consolidate the initiatives of previous years in order to deliver profitable growth.

It has been a frustrating and challenging year for STM. Despite our core Corporate and Trustee Service divisions (“CTS”) delivering robust revenues in line with expectations and profitability, the new initiatives of STM Swiss and STM Life have experienced slower than expected take up, and a number of one-off factors have diminished a significant amount of that profitability.

The positives are that the Group’s recurring revenue business model remains strong, even in these times of unprecedented economic crisis, and this gives us confidence for the future performance of STM. The Board believes that both the STM Life insurance wrapper product and the jurisdictional importance of Switzerland justify the short-term cost of entry into areas that will prove profitable for the business going forward.

The Group has also seen a significant number of senior management changes, not least with the announcement that Tim Revill, currently Chief Executive Officer and founder of STM’s first acquisition, Fidecs Group Limited, has stepped down to become Deputy Chairman. Tim’s continued vision and energy will be focused into business development and marketing, and the Board

looks forward to benefiting from this in the coming years. Colin Porter, previously Chief Operations Officer has taken the role of Chief Executive Officer. Colin joined STM in 2008 and is ideally suited to drive the Group’s operational growth during 2010 and beyond.

The STM “buy and build” strategy in 2008 and previously, coupled with the Group’s Luxembourg acquisition announced in July 2009, has meant that STM can justifiably say that it has a significant international presence. STM now has offices in Gibraltar, Spain, Jersey, Switzerland, Luxembourg (subject to regulatory approval) and a presence in the British Virgin Islands, and is poised to benefit from the ability to cross-sell to clients across the jurisdictions. Such a footprint not only increases STM’s product range but also geographically diversifies the Group’s client portfolio thus decreasing its business risk profile.

The Board views 2010 as a year in which to consolidate the initiatives of previous years in order to deliver profitable growth. Acquisition activity will be limited in 2010, once the correct target in Jersey is secured which will allow STM to achieve critical mass in that jurisdiction as well as allowing the office to



Bernard Gallagher
Chairman

achieve its full potential. Any such acquisition will be earnings enhancing in its own right.

2010 will see a focus on business development to increase STM’s market share of the CTS sector, as well as targeted marketing of the Group’s newly launched products. Our Group-wide IT platform will be put in place during 2010, which is expected to increase efficiencies.

STM is a people and relationship business and its strength is in the quality of its management and staff. On behalf of the whole Board, I would like to express thanks for their continued dedication, professionalism and hard work over the last year.

Bernard Gallagher
Non-Executive Chairman
29 March 2010

Deputy Chairman's Review

“Our objective is to ensure that clients' assets are secure, their wealth is preserved and the transfer to the next generation is executed efficiently.”

Preserving wealth through trust and knowledge

As a large number of our senior staff are expatriates themselves, we are able to advise our clients from the wealth of our personal experience as well as from our professional knowledge.



The board anticipates that the investments undertaken in 2009 will begin to bear fruit in 2010.

Timothy J Revill
Deputy Chairman



2009 has been an extremely frustrating and challenging year for STM, which has not been immune from the global crisis. Certain divisions of the Group performed relatively well, despite the general lower levels of activity across financial markets, but, as previously flagged, the Group experienced a slower than expected take up in its new initiatives and a number of one-off factors that have impinged on the overall profitability of the Group. That said, activity levels appear to be improving and the Board anticipates that the investments undertaken in 2009 will begin to bear fruit in 2010.

Group revenue of £8.5 million for 2009 held up reasonably well compared to £9.2 million for 2008, particularly as treasury management income in 2009 was approximately £0.6 million lower than 2008.

Encouragingly, within the operational review of the business, it is apparent that the Corporate Trustee Services (CTS) revenue, the core "engine" of STM's business, has demonstrated a comparable fee level for 2009 as compared to 2008, despite the adverse economic conditions that have prevailed.

The expensed start up costs of over £0.5 million in relation to two of STM's new initiatives in

2009, STM Swiss and STM Life, further impacted on the Group's profitability but are investments that will be beneficial to the future of STM, giving further product and jurisdictional advantage when compared to our competitors. In addition, there were one-off costs of £0.3 million in relation to reorganising the management structure and recruiting a business development team that will benefit 2010 profitability but curtailed that of 2009.

Stability of STM's business model

The Group's business is the custodianship and administration of clients' assets within a variety of "wrappers": including companies and trusts in various jurisdictions; pension schemes; unit-linked life assurance policies; and foundations.

The Group's income is mainly derived from fixed and time-based administration fees from each entity and is not generally linked directly to the value of the assets under our custody. Importantly, a high proportion is repeat income. The Group's earnings are therefore largely predictable and a function of the number of entities under administration, the fees per entity and the productivity of STM's staff.

Deputy Chairman's Review



The Group's income is mainly derived from fixed and time-based administration fees from each entity and is not generally linked directly to the value of the assets under our custody, earnings are therefore largely predictable.

Acquisition activity during 2009

The hard work performed behind the scenes by the Group's small acquisition team is not immediately apparent, particularly in 2009. In July 2009, STM announced, subject to regulatory approval, the purchase of a CTSP in Luxembourg, the Citadel Group, that fitted our model and expectations. This approval has not yet been received but is anticipated in the very near future. STM will benefit from the results of the Citadel Group from the date of the approval. In addition, the team continues to seek out and assess a suitable acquisition target in Jersey that would add critical scale to our business there, but the overriding focus will centre on delivering integration gains on existing acquisitions for 2010 rather than specifically looking for further acquisition targets in new jurisdictions.

Product and business development

STM's purpose is to provide innovative and unbiased financial solutions to High Net Worth Individuals ("HNWI"), who are investing or moving cross-border or opening a business overseas. The Group's objective is to ensure that its clients' assets are secure, their wealth is preserved and the transfer to the next generation and/or to philanthropic causes is planned for and executed efficiently.

The business model of STM is designed to take advantage of a highly fragmented CTSP sector both from a buy and build philosophy as well as by being able to service the needs of its clients. To be able to do this, STM has needed a geographical spread that fulfils the requirements of its clients. In 2009, STM has achieved this spread with a small but stable Jersey operation, a Luxembourg acquisition and a small Swiss office start up which complements the existing profitable offices in Gibraltar and Spain. STM is now able to keep in-house significantly more of a HNWI's expenditure on wealth preservation and asset administration, rather than out-sourcing to other providers. This leads to new business from existing clients as the STM service is able to cater for the ever increasing financial sophistication of our clients.

Profitability during a recession is dependant on increasing market share. For this reason, STM has invested further in business development in 2009. This comprises strengthening the marketing support as well as building the Group's business development team both at a client level as well as at an intermediary level. The full benefit of this investment should become apparent in 2010.

STM has also invested in product development. Again, this is aimed at offering a wider service and accommodating the needs of both existing and new clients. STM has developed products in the area of Jersey foundations, retirement benefits, pension transfers, life bonds for expatriates returning to the UK, and an integrated inheritance management solution for expatriates in Spain. Whilst the cost of such development is expensed in 2009, the anticipated revenue benefit will commence in 2010.

Operational Review

For the purposes of reporting the Group's performance during 2009, the principal trading divisions were Corporate and Trustee Services ("CTS") and Insurance Management ("STM FIM"), as well as a number of "Other Divisions" offering complementary services.

Group turnover for 2009 amounted to £8.5 million compared to £9.2 million in 2008. The drop is partly as a result of the loss of the treasury management fee income of £0.6 million between 2009 and 2008 due to the worldwide uncertainty surrounding the banking system that resulted in clients requesting individual bank accounts rather than a pooled client account.

However, as can be seen from the more in-depth review of STM's CTS division below, the main engine of the Group's business continues to perform in line with the Board's expectations. The challenges that have arisen are from some of STM's smaller divisions that have struggled to maintain their turnover compared to 2008 as more fully explained below, and this, coupled with the expensed costs of £0.5 million for the Group's two new start-up divisions, STM Life and STM Swiss, has significantly eroded profitability. In addition, there has been a significant amount of restructuring and reorganisational costs in the form of redundancies and recruitment amounting to circa £0.3 million, which are one-off costs in 2009. These decisions have been made in 2009 so as to bring together a stronger management team that is more focussed on business development which will stand the Group in good stead for 2010.

Board Changes

Colin Porter joined STM in July 2008 as CEO of the Gibraltar and Jersey trading division, and was appointed to the Plc Board in July 2009 as Chief Operating Officer.

Tim Revill, founder of STM's first acquisition, Fidecs Group Limited, has stepped down from his current role as Chief Executive Officer but remains on the Board as Deputy Chairman, with specific responsibility for growing STM Swiss and business development throughout the Group. Colin Porter, formerly Chief Operations Officer has taken up the role of Chief Executive Officer.

Corporate and Trustee Services ("CTS")

CTS is the core revenue stream of the Group, with revenue in 2009 being generated from both Gibraltar and Jersey. STM's CTS fees comprise a fixed annual fee per entity plus time charges for ongoing administration fees and are not based on the value of assets under management. Therefore the administration revenue stream has not been significantly affected by the instability experienced in the wider financial markets during 2009. Management noted that there was a lower level of new instructions and new clients during most of 2009 as entrepreneurs held back on their decision making process. This resulted in a marginally lower than anticipated administration fees revenue. Activity levels are, however, now beginning to recover.

The only area within the CTS revenue that was materially affected by the wider economy was treasury management fee income, which fell from £0.6 million in 2008 to £nil in 2009, as clients requested separate bank accounts rather than a pooled client account. The Group is pleased to say that STM CTS revenue, excluding treasury management fees, rose from £4.6 million in 2008 to £5.3 million in 2009. Approximately £0.4 million of this can be attributed to the full year contribution of the 2008 acquisition of St George Financial Services ("St George"), but the underlying organic growth demonstrates that the principal revenue stream of the business remains robust and predictable.

CTS Gibraltar revenue, excluding treasury management fees, amounted to £4.5 million in 2009 compared to £4.2 million in 2008, a pleasing increase in revenue of 7% and is a direct like for like comparison.

CTS Jersey revenue rose from £0.4 million to £0.85 million in 2009, the increase being primarily a full year contribution from St George.

The number of entities administered at 31 December 2009 is set out below:

	Trusts	Companies	R.O. and Co sec.
Gibraltar	509	904	206
Jersey	211	101	108
	720	1,005	314

The number of entities under management remains similar to that of 2008 on a like for like basis, with an increase in trusts, but a small reduction of lower fee paying companies. These figures demonstrate a healthy spread of revenue across a large portfolio of entities thus contributing to the predictability and robustness of the CTS business.

The standard attrition rate for CTSP client portfolios throughout the sector, which also applies to STM, is approximately 10% per annum.

Insurance Management ("STM FIM")

STM FIM has had a difficult 2009. Market conditions in the general insurance sector have meant that no new clients were signed up during the year. The lack of capital available to the sector as a whole has meant that potential new start-ups have been few and far between. This, coupled with the anticipated loss of one client comprising two insurance companies that set up its own Gibraltar infrastructure early in 2009, resulted in STM FIM's turnover amounting to approximately £1.0 million compared to £1.4 million in 2008. To combat this fall in revenue STM FIM has restructured its division during the latter part of 2009 resulting in a significant staff cost reduction going into 2010.

Average annual fees for the management of a third party insurance client are in excess of £100,000 per annum and remain sustainable going forward. With a solid platform of clients going into 2010 and the cost reductions mentioned above, STM FIM's profitability is anticipated to return to a similar level to that of 2008.

In addition, on a further positive note, investment market conditions in 2009 have meant that insurance companies can no longer rely on investment income to generate their business profits. This has forced the premium rates to harden generally in the latter part of 2009 and 2010, thus driving up underlying underwriting profitability and making investment in the insurance sector more attractive. This has fed through to a number of new enquiries in early 2010. The challenge for STM FIM is to ensure that these turn into new clients in the second half of the year, thus increasing revenue and profitability further.

Other Divisions

The divisions of the STM business below are all complementary to the core business of the Group, being the administration of clients' assets. These divisions either provide advisory and structuring support, or offer client asset administration through another form of "wrap", such as a life assurance bond.

STM Nummos

STM Nummos' business is the provision of legal services, including conveyancing, tax planning, tax and accounting compliance to expatriates resident in Spain and to non-residents investing in Spain. In 2009, fee and commission income for STM Nummos increased slightly from £0.6 million in 2008 to £0.7 million for 2009. This was in line with management's expectations and a positive result given the difficult state of the Spanish economy.

In addition, in late 2008 STM Nummos Life was licensed by the Spanish regulator, the DGSFP, to undertake insurance intermediary business, particularly private medical insurance, throughout Spain. The Group subsequently completed the purchase of a portfolio of over 600 BUPA clients mainly resident in Spain.

Deputy Chairman's Review

This portfolio of business generated circa £0.2 million of revenue in 2009 and has performed according to expectations. The strategy behind securing the BUPA agency is that it should lead to considerably increased 'footfall' of HNWI expatriates to STM's offices, to whom the Group will cross-sell the full range of STM services, and these are initiatives that will be promoted during 2010.

Pensions

This division was launched during 2007 and has rapidly established a reputation as the pension specialists in Gibraltar. STM Fidecs Life, Health and Pensions ("FLHP") and its associated trust company provides advice on structuring pensions, acts as a registered Pensioner Trustee (professional trustee) and provides administration services both in the local market and for international pension schemes. Overseas Pension Transfers are a fast expanding market and STM has promoted itself and Gibraltar as a preferred jurisdiction.

During 2009 FLHP revenue remained similar to that of 2008 at circa £0.3 million. New business generation was slow principally due to the ongoing debate with HMRC as to the tax treatment of pension income on Gibraltar QROPS. FLHP has been key in discussions between Gibraltar and the UK in settling this matter, and it is anticipated that the relevant legislation will be passed into Gibraltar law in the near future. In the meantime, FLHP has been developing other retirement benefit products alongside QROPS that will complement its existing product offerings. With new products and new marketing initiatives for 2010, the management of FLHP are expecting a significant increase in revenue during 2010.

Tax and Financial Advisory

The Tax and Financial Advisory division had a difficult year, which was not helped by the continuing economic uncertainty which meant that entrepreneurs were delaying their business decisions. Annual income decreased to £0.2 million from £0.4 million the previous year.

STM Group has spent significant amounts of management time in repositioning the Tax

and Financial Advisory division. The division is a centre of excellence for the benefit of the whole Group and will in future be used significantly more for in-house product development across all the jurisdictions. The benefit of such product development will be received in other divisions.

Other initiatives

In 2009, some £0.5 million was spent on developing the STM Life Assurance PCC Plc ("STM Life") business and the STM Swiss start-up jurisdiction. These costs were expensed in the year, with minimal revenue offsetting these costs. The Board believes that both these operations will add significant value to the Group going forward. STM Life's "wrapper" product has some clear advantages over its competitors and has now been marketed through various IFA networks in the UK and has been well received, with new policies and illustrations now being issued. STM Life's platform and ability to write business in other EU jurisdictions mean that it will be able to market its bond in other jurisdictions at a very low cost of entry. Initial opportunities exist in Spain, Belgium and Holland. In a similar vein, STM Swiss has now started to generate revenue in 2010 and is deemed by management to be a key jurisdiction in which to have an STM presence. STM Swiss is targeted with being break even on a monthly basis by mid 2010.

Financial Review

For the year to 31 December 2009, the Group recorded turnover of £8.5 million (2008: £9.2 million) and a profit after tax of £0.64 million (2008: £2.60 million). Turnover excluding treasury management fees was in line with the Board's revised expectations and that of 2008, but the margin at profit before tax ("PBT") level was a mere 8.0% (2008: 30.9%). The margin at PBT level has been significantly eroded because of a number of factors, as disclosed above. These include the loss of the very high margin treasury management fee revenue, the significant start-up costs of STM Life and STM Swiss which has resulted in some £0.5 million of additional costs with the revenue stream yet to come to fruition as at 31 December 2009.

STM's taxation charge for the year was on budget at £0.04 million (2008: £0.16 million). Basic EPS for the year was 1.57 pence (2008: 6.48 pence).

In line with all CTS businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at the balance sheet date, of £2.3 million (up from £1.6 million at 31 December 2008). The increase in accrued income is in part, due to the build up of pension's work that is awaiting HMRC approval and increases in the Spanish and Jersey accrued income. This also provides some immediate visibility of billable fees in the early part of 2010.

Trade receivables as at 31 December 2009 amounted to £3.3 million, down from £3.5 million at 31 December 2008. The decrease is partially due to the effort put in during the year to accelerate cash collection. Deferred income, representing fees billed in advance, yet to be credited to profit and loss account were comparable year on year at £1.0 million reflecting the stable portfolio of the core CTS business.

Pleasingly, cash generated from operating activities during 2009 increased to £0.9 million (2008: £0.4 million).

The Group ended the year with cash of £3.8 million (2008: £4.9 million), having paid out further consideration on 2008 acquisitions amounting to £0.5 million and reducing the bank loan facility that is used to support STM Life by £0.4 million and a further £0.2 million has been spent on the IT platform. In addition dividends of £0.26 million were paid during 2009. Since year end, cash collected from operations amounts to approximately £1.5 million.

Group financing

At 31 December 2009, the Group had bank borrowings of £1.29 million (2008: £1.73 million), being a loan from RBS International Limited ("RBSI") to provide part of the solvency capital required for STM Life. The term of the loan is for five years from March 2008. The loan is secured on a blocked cash deposit of £2.45 million.

At 31 December 2009, net debt (excluding finance leases) amounted to £nil. Bank gearing as a percentage of shareholder funds at the year end was 5.5% (2008: 7.5%). Bank interest cover from continuing activities before amortisation was approximately 23 times (2008: 31 times).

The loan from shareholders of £1.36 million (including accrued interest) (2008: £1.37 million), which has existed since the Group's listing in March 2007, remained outstanding on 31 December 2009.

Since the year end, RBSI has provided STM with an, as yet, undrawn £0.4 million facility to fund the Luxembourg acquisition that is currently awaiting regulatory approval, with a three year term, amortised over five years, with a bullet payment of the balance owing after three years.

Dividends

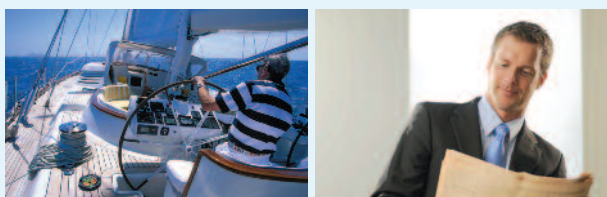
In recognition of the Directors' positive outlook on the Group's prospects, the Board is pleased to propose a final dividend of 0.4 pence per share, which, when added to the interim dividend already paid, totals 0.6 pence per share for 2009 (2008: 0.6 pence per share). Subject to shareholder approval, the final dividend will be paid on 4 June 2010 to shareholders on the Register on 14 May 2010. It is the Board's intention to continue a dividend policy subject to the Group's ongoing performance.

Current trading and outlook

2009 was a difficult and frustrating year for STM with both external and internal factors impacting on the Group's business and affecting profitability. It is clear from both the interim and full year results of STM that profitability increased significantly in the second half year compared to that of the first half year of 2009. This trend is expected to continue into 2010, as the management decisions and costs savings that took place in the latter part of 2009 take effect in 2010.

The Board are of the view that the focus for 2010 will be to deliver profitability from

The board know that 2010 will be an important year. The board is focused on delivering operational improvement and sustainable results.



an increased revenue base at margins comparable to 2007 and 2008. This will entail continuing to challenge productivity levels of staff and to ensure that process efficiencies continue to improve, particularly in light of the new IT system.

The core CTS business has proved itself to be predictable and robust even in difficult economic conditions and this visibility and predictability is expected to continue into 2010 and beyond. Specific management initiatives for 2010 include bringing STM Life and STM Swiss to a break-even basis as soon as possible in 2010. Management will also devote a significant amount of time on product and business development, differentiating STM from its competitors and building an increased pipeline of new business instructions. Going into 2010, STM has a broad geographical spread of offices in different jurisdictions, and the ability to cross-market between these various jurisdictions is a real opportunity to expand the revenue base from the Group's existing clients.

It is anticipated that regulatory approval for the purchased Luxembourg business will be forthcoming shortly, and management will dedicate resources to ensure that this is integrated smoothly into the Group, so that

the full benefit of the acquisition is received as soon as is commercially possible.

In addition, and as explained within the acquisitions strategy above, the Board continues to look to acquire a "pathfinder" CTSP business in Jersey. The rationale for this is that the existing Jersey business does not yet have adequate critical mass, and physically there is sufficient office space already available that will allow for a pathfinder to be relocated within the Group's existing infrastructure resulting in material cost savings. This will give STM a second "engine room" as well as critical mass, which will deliver both economies of scale and a number of integration savings in relation to office overheads. Any acquisition is expected to be earnings enhancing.

The Board know that 2010 will be an important year. The Board is focused on delivering operational improvement and predictable sustainable results.

Timothy Revill
Deputy Chairman
29 March 2010

Directors' Report

The Directors of STM Group plc present their Report for the year to 31 December 2009 together with the accounts of the Group and the independent auditors' report for the period. These will be laid before the shareholders at the Annual General Meeting to be held on 7 May 2010.

Principal activities and business review

The principal activity of the Group during the year was the structuring and administration of client assets.

Result and dividends

The retained profit for the year after dividends of £380,000 (31 December 2008: £2,593,000) has been transferred to reserves.

The Board recommends the payment of a dividend of 0.6p for the year ended 31 December 2009 of which 0.2p was paid as an interim dividend in October 2009 (31 December 2008: 0.6p).

Directors

Details of the Directors of the Company who served during the period and to date, and their interests in the shares of the Company were: Mark William Denton, Martin James Derbyshire, Bernard Gallagher, Alan Roy Kentish, Colin Douglas Porter, Timothy John Revill, Matthew Graham Wood

Timothy Revill has an interest in 7,647,500 ordinary shares – 7,600,000 of these shares are held by Hearth Investments Limited, the trustee of the Revill Family Settlement, a discretionary settlement of which Timothy Revill is a potential beneficiary.

Alan Kentish has an interest in 2,877,500 ordinary shares – 2,850,000 of these shares are held in the name of Clifton Participations Inc and form part of the assets of the Perros Trust of which Alan Kentish is a potential beneficiary.

Colin Porter has an interest in 277,613 ordinary shares.

Bernard Gallagher has an interest in 494,103 ordinary shares – these shares are held in the

name of STM Fidecs Nominees Limited as nominee for Bernard Gallagher.

Colin Douglas Porter has been appointed as a Director since the last Annual General Meeting and a resolution to confirm his appointment will be tabled at the Annual General Meeting.

In accordance with the Articles of Association Bernard Gallagher and Matthew Graham Wood retire as Directors of the Company at the Annual General Meeting and, being eligible, offer themselves for re-election.

Political and charitable donations

The Group's charitable donations for the period amounted to £2,000 (31 December 2008: £7,887). There were no political contributions in either period.

International Financial Reporting Standards ("IFRS")

These financial statements were prepared under IFRS and interpretations adopted by the International Accounting Standards Board ("IASB").

Substantial interests

Save as disclosed in the table below, the Directors are not aware of any person who directly or indirectly is interested in 3% or more of the issued ordinary share capital of the Company as at 17th March 2010 or any persons who, directly or indirectly, jointly or separately, exercise or could exercise control over the Company.

Issued ordinary share capital of the Company At 17th March 2010

Hearth Investments Limited and T.J. Revill	17.81
Southern Rock Insurance Company Limited, Rock Holdings Limited, Arron Banks and Paul Chase-Gardener	12.18
Nightingale Equities Inc.	6.79
Clifton Participation Inc. and A.R. Kentish	6.70
KAS Bank NV (as notified)	6.04
Barnard Nominees Limited	4.30
Quest Traders Limited	3.20

Independent auditors

KPMG Audit LLC, are auditors to the company and being eligible, have expressed their willingness to continue in office in accordance with Section 12(2) Isle of Man Companies Act 1982. A resolution to re-appoint KPMG Audit LLC as independent auditors of the Company and to authorise the Directors to agree their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 7th May 2010 is set out on page 39 and includes the following special business:

- Conversion into 2006 company
- Adoption of new memorandum and articles of association.

By order of the Board

Elizabeth A Plummer

Company Secretary
Clinch's House
Lord Street
Douglas
Isle of Man IM99 1RZ
29 March 2010

Board of Directors

Clockwise from top left:
 Timothy John Revill
 Colin Douglas Porter
 Alan Roy Kentish
 Matthew Graham Wood
 Martin James Derbyshire
 Mark William Denton
 Bernard Gallagher



Executive Directors

Timothy John Revill FCA TEP Deputy Chairman

Tim is the founder of what became STM Fidecs ("Fidecs"). He qualified as a Chartered Accountant in 1975 with PKF in London and then moved to their Isle of Man office. In 1978, he established his own professional practice in the Isle of Man and subsequently merged it with another firm. In 1982, he moved to Gibraltar to open the Gibraltar and Spanish offices of this partnership, which he ran until 1989, when he participated in a management buy-out of the Spanish office and established Fidecs.

Colin Douglas Porter Chief Executive Officer

Colin is a Barrister and Solicitor of the High Court of New Zealand and was admitted to the bar in 2000 and also holds a double major business degree in Finance and International Business. Colin joined STM as CEO of the Gibraltar and Jersey offices in June 2008, and brings with him a wealth of experience in the company and trust management field, having previously held senior positions with other international trust companies.

Alan Roy Kentish ACA ACII AIRM Chief Financial Officer

Alan qualified as a Chartered Accountant in 1989 with Ernst & Whinney, specialising in the financial services industry. In 1993 he moved to Ernst & Young, Gibraltar and shortly afterwards qualified as an Associate of the Chartered Insurance Institute. In 1997, Alan joined Fidecs and set up its insurance management division, FIM. Alan acts as Managing and Technical Director of FIM, which is recognised as one of the largest insurance manager in Gibraltar.

Non-Executive Directors

Bernard Gallagher FCMA Non-Executive Chairman

Bernard held senior positions in both financial and general management in the manufacturing sector prior to joining Premier Research as CFO in May 2003. Premier Research floated on AIM in Dec 2004 with a market capitalisation of £18m. During the following four years Bernard was responsible for M&A activity for Premier prior to it returning to the private sector in June 2008 with a market capitalisation of £100M. Bernard left Premier in Dec 2009 and is currently providing consultancy services in both the public and private sectors. Bernard is a Fellow of the Chartered Institute of Management Accountants.

Mark William Denton Non-Executive Director

Mark is the Managing Director of SMP Partners Limited a company where he has worked for over 20 years and in this time has been responsible for a number of key areas including clients services, compliance, operations and human resources. Mark took over the role of Managing Director on 1 January 2007.

Martin James Derbyshire Non-Executive Director

Martin is the Director of Client Services of SMP Partners Limited which he joined in 1994, initially working as an Accountant, providing book keeping, accounting and taxation services to the international client base of the trust and company administration teams. In 1998 he moved to a role as a direct client relationship manager, providing structuring, company administration, advisory, management and directorship services to entities established for corporate and private clients.

Matthew Graham Wood ACA Non-Executive Director

Matt graduated with a First Class honours degree in Economics in 1996 and qualified as a Chartered Accountant in 1999. He joined the corporate finance department of Beeson Gregory Limited (now Evolution Securities) in 2000, where he advised growing companies on transactions including IPOs, fundraisings, mergers and acquisitions, and all aspects of the Listing Rules, AIM rules and the takeover code. In 2006 he co-founded CMS Ltd, a small consultancy boutique specialising in assisting small quoted companies on AIM.

Directors' Remuneration Report and Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.

Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with

reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors Remuneration Report

Director	Remuneration	Notes
Executive Directors		
Timothy Revill	£130,000	a,b
Alan Kentish	£130,000	a,b
Colin Porter	£130,000	a,b
Non-Executive Directors		
Bernard Gallagher	£30,000	c
Matthew Wood	£40,000	b,d
Mark Denton	£5,000	b,e
Martin Derbyshire	£5,000	b,e

Notes

- a) The Executive Directors are also each entitled to a bonus of £Nil as at 31 December 2009.
- b) No Directors receive any benefits in the form of either pension contributions or share based incentives.
- c) Bernard Gallagher has opted to take his remuneration in the form of new shares in STM.
- d) ABT Associates Limited invoices the Company for the Director services provided by Matthew Wood.
- e) SMP Partners Limited invoices the Company for the Director services provided by Mark Denton and Martin Derbyshire.

Corporate Governance

The Board is responsible for establishing the strategic direction of the Company, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. During the year the Company held regular Board meetings in the Isle of Man at which financial and other reports, including reports on acquisition opportunities, were considered and, where appropriate, voted on.

Details of the Directors' beneficial interests in Ordinary Shares is set out in the Directors Report. The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom Rule 21 applies. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares by directors and senior employees.

The Directors recognise the importance of sound corporate governance. The Company

intends to comply with the QCA Guidelines so far as is practicable and appropriate for a public company of its size and nature.

The Board has established an Audit Committee and a Remuneration Committee both with formally delegated duties and responsibilities. The Audit Committee comprises Bernard Gallagher, as the Chairman, and Matthew Wood, and the Remuneration Committee comprises Matthew Wood, as the Chairman, and Bernard Gallagher.

The terms of reference for the Audit Committee provide that it will receive and review reports from the Company's management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group.

The terms of reference for the Remuneration Committee provide that it will review the scale and structure of the Executive Directors'

remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive directors will be set by the Board. No director may participate in any meeting at which discussion or decision regarding his own remuneration takes place. The Remuneration Committee will also administer the long term incentive plan ("LTIP") awards and set any performance criteria thereunder.

The Directors have set up a Risk Management Committee comprising the CEO, CFO and the STM Group Risk Management Officer ("RMO"). The Committee has delegated the review of the risks applicable to the business and the actions required to reduce those risks to the RMO and his team. Regular reports of the status of this review have been provided to the Board.

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination Committee.

Report of the Independent Auditors to the Members of STM Group PLC

We have audited the Group and Company financial statements (the 'financial statements') of STM Group plc for the year ended 31 December 2009, which comprise the Group income statement, the Group statement of comprehensive income, the Group cash flow statement, the Group and Company balance sheets, the Group and Company statements of changes in equity and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with

International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2009, and of the Group and Company's financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Acts 1931 to 2004.

KPMG Audit LLC
Chartered Accountants
Douglas, Isle of Man

Consolidated Income Statement

for the year from 1 January 2009 to 31 December 2009

	Notes	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Revenue	8	8,521	9,190
Administrative expenses	9	(7,726)	(6,256)
Operating profit	10	795	2,934
Finance Costs		(120)	(172)
Profit on ordinary activities before taxation		675	2,762
Income tax expense	11	(36)	(158)
Profit on ordinary activities after taxation		639	2,604
Dividends	16	(257)	(85)
Retained profit for the year attributable to equity shareholders		382	2,519
Earnings per share basic (pence)	17	1.57	6.48
Earnings per share diluted (pence)	17	1.53	6.40

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

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year from 1 January 2009 to 31 December 2009

Notes	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Profit for the period	382	2,519
Other comprehensive income		
Foreign currency translation differences for foreign operations	(2)	74
Other comprehensive income for the period, net of income tax	(2)	74
Total comprehensive income for the period	380	2,593
Attributable to:		
Owners of the Company	380	2,593
Total comprehensive income for the period	380	2,593

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2009

	Notes	31 December 2009 £000	31 December 2008 £000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,316	504
Intangible assets	13	16,886	16,562
Other investments		—	45
Total non-current assets		18,202	17,111
Current assets			
Accrued income		2,286	1,594
Trade and other receivables	14	5,140	5,380
Cash and cash equivalents	15	3,768	4,942
Total current assets		11,194	11,916
Total assets		29,396	29,027
EQUITY			
Called up share capital	16	43	43
Share premium account	16	19,011	18,896
Reserves		4,469	4,096
Total equity attributable to equity shareholders		23,523	23,035
LIABILITIES			
Current liabilities			
Liabilities for current tax		321	304
Trade and other payables	18	4,714	4,393
Total current liabilities		5,035	4,697
Non-current liabilities			
Borrowings	19	838	1,295
Total non-current liabilities		838	1,295
Total liabilities and equity		29,396	29,027

The financial statements on pages 17 to 38 have been approved by the Board of Directors and signed on its behalf by:

TJ Revill
Deputy Chairman

AR Kentish
Chief Financial Officer

29 March 2010

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Company Balance Sheet

as at 31 December 2009

	Notes	31 December 2009 £000	31 December 2008 £000
ASSETS			
Non-current assets			
Property, plant and equipment	12	851	3
Investments in subsidiaries	7	15,231	14,907
Total non-current assets		16,082	14,910
Current assets			
Accrued income		25	25
Trade and other receivables	14	6,031	4,132
Cash and cash equivalents	15	18	1,125
Total current assets		6,074	5,282
Total assets		22,156	20,192
EQUITY			
Called up share capital	16	43	43
Share premium account	16	19,011	18,896
Reserves		471	390
Total equity attributable to equity shareholders		19,525	19,329
LIABILITIES			
Current liabilities			
Trade and other payables	18	2,631	863
Total liabilities and equity		22,156	20,192

The financial statements on pages 17 to 38 have been approved by the Board of Directors and signed on its behalf by:

TJ Revill
Deputy Chairman

AR Kentish
Chief Financial Officer

29 March 2010

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year from 1 January 2009 to 31 December 2009

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Reconciliation of profit before tax to net cash flow from operating activities		
Profit for the year before tax	675	2,762
Adjustments for:		
Loss on sale of investments	—	7
Depreciation	139	138
Shares issued for services performed	40	82
Taxation paid	19	12
Decrease/(increase) in trade and other receivables	242	(1,851)
(Increase)/decrease in accrued income	(692)	18
Increase/(decrease) in trade and other payables	490	(798)
Net cash from operating activities	913	370
Investing activities		
Acquisition of property, plant and equipment	(960)	(139)
Disposal of property, plant and equipment	9	—
Acquisition of treasury shares	—	(129)
Acquisition of investments – cash consideration	(438)	(1,628)
Cash acquired as part of acquisitions	—	1,161
Net cash used in investing activities	(1,389)	(735)
Cash flows from financing activities		
Bank loan (advance)/repayments	(441)	1,729
Cash consideration from shares issued net of issuance costs	—	2,692
Dividend paid	(257)	(85)
Net cash from financing activities	(698)	4,336
(Decrease)/increase in cash and cash equivalents	(1,174)	3,971
Reconciliation of net cash flow to movement in net funds		
Analysis of cash and cash equivalents during the year		
Balance at start of year	4,942	971
(Decrease)/increase in cash and cash equivalents	(1,174)	3,971
Balance at end of year	3,768	4,942

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Statement of Consolidated Changes in Equity

for the year from 1 January 2009 to 31 December 2009

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
Balance at 1 January 2008	38	15,898	1,647	(68)	—	17,515
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit for the year	—	—	2,604	—	—	2,604
Other comprehensive income						
Foreign currency translation differences	—	—	74	—	—	74
Transactions with owners, recorded directly in equity						
Shares issued in the year	5	2,998	—	—	—	3,003
Treasury shares purchased	—	—	—	(76)	—	(76)
Dividend paid	—	—	(85)	—	—	(85)
At 31 December 2008	43	18,896	4,240	(144)	—	23,035
Balance at 1 January 2009	43	18,896	4,240	(144)	—	23,035
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit for the year	—	—	639	—	—	639
Other comprehensive income						
Foreign currency translation differences	—	—	(2)	—	—	(2)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	115	—	—	—	115
Dividend paid	—	—	(257)	—	—	(257)
Exchange loss on equity	—	—	—	—	(7)	(7)
At 31 December 2009	43	19,011	4,620	(144)	(7)	23,523

The notes on pages 24 to 38 are an integral part of these consolidated financial statements.

Statement of Company Changes in Equity

for the year from 1 January 2009 to 31 December 2009

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2008	38	15,898	(198)	15,738
Profit for the year	—	—	673	673
Shares issued in year	5	2,998	—	3,003
Dividend paid	—	—	(85)	(85)
At 31 December 2008	43	18,896	390	19,329
Balance at 1 January 2009	43	18,896	390	19,329
Profit for the year	—	—	338	338
Shares issued in year	—	115	—	115
Dividend paid	—	—	(257)	(257)
At 31 December 2009	43	19,011	471	19,525

During the year the Company paid a dividend of 0.6 pence per share being 0.4 pence proposed at last year's Annual General Meeting and 0.2 pence per share interim dividend. A further 0.4 pence per share has been proposed by the directors and will be put to the shareholders at the Annual General Meeting.

Notes to the Consolidated Results

for the year from 1 January 2009 to 31 December 2009

1. REPORTING ENTITY

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and was admitted to trading on the London Stock Exchange AIM Market on 28 March 2007. The address of the Company's registered office is PO Box 227, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2009 comprise the Company and its subsidiaries (see note 25) (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled 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) Functional and presentational currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency.

(c) Use of estimates and judgments

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 and in any future periods affected.

The estimates and assumptions which have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities are included in the following notes:

- Note 12 - Depreciation of property, plant and equipment
- Note 13 - Measurement of goodwill
- Note 20 - Provisions
- Note 21 - Lease classification

(d) 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.

(e) Employee benefit trusts

The Company contributes to two employee benefit trusts. It is deemed that these trusts are controlled by the Company and are 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. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date. The resulting gain or loss is recognised in the income statement.

(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.

(c) Revenue

Revenue is derived from the provision of services and is recognised in the income statement in proportion to the stage of completion of the services at the reporting date on an accruals basis.

(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.

(e) Property, plant and 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 profit or loss.

(ii) Depreciation

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and 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 on a reducing balance basis are as follows:

Office equipment	25%
Motor vehicles	25%
Leasehold improvements	10%

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

(f) Financial instruments

Financial assets and liabilities are recognised on the Group's Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised initially at fair value and subsequently at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

(ii) Investments

Investments are carried at fair value, subject to provisions for impairment where the current value of the investment is considered to be less than cost. Impairment losses are recognised in the income statement. Investments are reviewed for impairment at each year end. Investments in associates are accounted for on an equity accounting basis.

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES continued

(iii) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand with an original maturity of three months or less.

(iv) 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 under the Long Term Incentive Plan arrangements, which have yet to be allotted to specific employees.

(g) Operating leases

Payments under operating leases are charged directly to the income statement on a straight line basis over the term of the lease.

(h) 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.

Certain executives, on achieving their performance and services criteria, will be awarded with shares in STM Group Plc which are held within an employee benefit trust. The expense is released to the income statement over a period of three years on a straight line basis.

(i) Finance income

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues using the effective interest method.

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

(j) 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.

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.

(k) Intangible assets – goodwill

Goodwill that arises on the acquisitions of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. An annual impairment review is undertaken.

(l) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the income statement.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Any impairment losses would be recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES continued

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through the income statement.

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 and intangible assets that have indefinite lives, the recoverable amount 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.

(m) 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 shares relating to deferred consideration, and the effect of outstanding options.

(n) 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 balance sheet date and is released over the period to which it relates.

(o) Borrowing costs

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transactions costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

(p) Provisions

Provisions are recognised 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.

(q) New standards and interpretations not yet adopted

The Group has applied revised IAS 1 Presentation of Financial Statements which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

The Group has adopted IFRS 8 Operating Segments which requires operating segments to be disclosed on the same basis as that reported to the CEO and Board of Directors (the Chief Operating Decision Maker). The adoption of this standard has had no impact on the results or net assets of the Group and only impacts presentational aspects.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentational aspects, there is no impact on earnings per share.

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group.

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets – goodwill

The fair value of goodwill acquired in a business combination is based on the excess of the fair value of the consideration over the fair value of the underlying assets and liabilities acquired less any impairment considered necessary.

(b) Investments

The fair value of investments is based on the carrying value of those investments less any impairment considered necessary.

(c) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on carrying values. The carrying value of items of plant and equipment has been assessed as equal to its fair value.

5. 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

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 established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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.

(i) 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 Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Further detail in respect of credit risk is provided in note 20 to these financial statements.

(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. Further details in respect of liquidity risk is provided in note 20 to these financial statements.

5. FINANCIAL RISK MANAGEMENT continued

(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 market place is robust in that the target market is the "mid-tier millionaires" who are more resilient to adverse changes in the economy. The Board of Directors believe that this mitigates a significant element of the Group's market risk.

(d) Interest rate risk

The Company has minimal borrowings that incur interest and therefore has no significant exposure to interest rate movements.

(e) Currency risk

The Group has a small exposure to currency risk in relation to the investment in STM Nummos and STM Swiss. This is considered to be long term in nature and net assets retained in a foreign currency are minimal.

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

(f) 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. This also allows the Group to continue on its stated "buy and build" strategy. The Group has complied with all Regulatory capital requirements.

6. SEGMENTAL INFORMATION

STM Group has five reportable segments: Corporate Trustee Services ("CTS") in Gibraltar, CTS in Jersey, Insurance Management, Start-up operations 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 operating segments based on turnover and allocated group resources. Profitability of segments can vary depending on the allocation of central resources across each segment. Central resources include executive time, which is apportioned based on the time devoted to each operating segment and therefore segment performance can be misinterpreted. Information relating to assets and liabilities are reviewed by the Board for the Group as a whole and no separate information is reported to the CEO on individual segments.

Segment information includes revenue directly attributable to a segment. Other items such as treasury management and revenue accrued to the Group are not included in the measure of segment turnover as they are not considered part of the core operations of any segment.

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

Operating segment

	Turnover	
	2009	2008
CTS – Gibraltar	4,461	4,229
CTS – Jersey	839	406
Insurance management	1,022	1,377
Start-up operations	64	32
Other services	2,092	2,364
Total segment information	8,478	8,408
Unallocated income	43	782
	8,521	9,190

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

Operating segment

	Turnover	
	2009	2008
Gibraltar	6,061	6,228
International	2,417	2,180
Total segment information	8,478	8,408

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

7. ACQUISITION OF SUBSIDIARIES

Acquisitions of the Company

	31 December 2009 £000	31 December 2008 £000
Shares in group undertakings		
Balance at start of year	14,907	14,267
Adjustments to prior year	324	(38)
Acquisitions	—	678
Balance at end of year	15,231	14,907

During the year, the prior year acquisitions were reassessed resulting in a £324,000 adjustment to the cost of the investment and goodwill in the current year.

Subsequent performance of acquisitions

As a result of the fact that the Group has materially changed the composition of the acquired companies' cost structure by fully integrating them into the existing major trading operations of the Group, the Board of Directors consider it to be impractical to disclose the underlying profitability of the acquired companies after the date of acquisition.

8. REVENUE

	31 December 2009 £000	31 December 2008 £000
Revenue from administration of assets	8,521	9,190
Total revenues	8,521	9,190

9. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2009 £000	31 December 2008 £000
Wages and salaries	3,920	4,023
Social insurance costs	243	230
Pension contributions	121	51
Equity settled share based payments	40	30
Total personnel expenses	4,324	4,334

Average number of employees

GROUP	31 December 2009 Number	31 December 2008 Number
Average number of people employed (including executive directors)	111	122

Company

The average number of staff employed by the company during the year including directors was 6 (2008:- 4)

10. OPERATING PROFIT

Operating profit of £795,000 (31 December 2008: £2,934,000), was arrived at after charging/(crediting) the following to the income statement:

	31 December 2009 £000	31 December 2008 £000
Depreciation	139	138
Directors' remuneration including bonuses	470	330
Auditors' remuneration	80	80
Loss on sale of investments	—	7
Shares issued for services rendered	30	30
Operating lease rentals	433	207

11. TAXATION

	31 December 2009 £000	31 December 2008 £000		
Current tax expense	36	158		
Total tax expense	36	158		
Reconciliation of existing tax rate				
	Tax rate %	31 December 2009 £000	Tax rate %	31 December 2008 £000
Profit for the year		639		2,604
Total income tax expense		36		158
Profit excluding income tax		675		2,762
Income tax using the company's domestic rate	0%	—	0%	—
Effect of tax rates in other jurisdictions	22%	36	27%	158
Total tax expense		36		158

The subsidiaries acquired that are based in Gibraltar were subject to a tax rate of 22% of taxable profits.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
As at 1 January 2008	6	268	296	570
Acquired on acquisition at net book value	—	33	—	33
Additions at cost	12	88	6	106
As at 31 December 2008	18	389	302	709
As at 1 January 2009	18	389	302	709
Additions at cost	3	406	551	960
Disposals	(9)	—	—	(9)
As at 31 December 2009	12	795	853	1,660
Depreciation				
As at 1 January 2008	1	34	32	67
Charge for the year	2	92	44	138
Depreciation on disposal	—	—	—	—
As at 31 December 2008	3	126	76	205
As at 1 January 2009	3	126	76	205
Charge for the year	2	79	58	139
As at 31 December 2009	5	205	134	344
Net book value				
As at 31 December 2009	7	590	719	1,316
As at 31 December 2008	15	263	226	504

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

12. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs			
As at 1 January 2008	—	—	—
Additions at cost	3	—	3
As at 31 December 2008	3	—	3
As at 1 January 2009	3	—	3
Additions at cost	297	551	848
As at 31 December 2009	300	551	851
Depreciation			
As at 1 January 2008	—	—	—
Charge for the year	—	—	—
As at 31 December 2008	—	—	—
As at 1 January 2009	—	—	—
Charge for the year	—	—	—
As at 31 December 2009	—	—	
Net book value			
As at 31 December 2009	300	551	851
As at 31 December 2008	3	—	3

13. INTANGIBLE ASSETS

GROUP	Goodwill £000
Costs	
Balance as at 1 January 2008	15,184
Adjustments to prior year	(38)
Acquisitions through business combinations	1,416
Balance at 31 December 2008	16,562
Balance as at 1 January 2009	16,562
Adjustments to prior year	324
Acquisitions through business combinations	—
Balance at 31 December 2009	16,886
Amortisation and impairment	
Balance as at 1 January 2008	—
Acquisitions through business combinations	—
Balance at 31 December 2008	—
Balance as at 1 January 2009	—
Acquisitions through business combinations	—
Balance at 31 December 2009	—
At 1 January 2008	15,184
At 31 December 2008	16,562
Carrying amounts	
At 1 January 2009	16,562
At 31 December 2009	16,886

During the year, the prior year acquisitions were reassessed resulting in a £324,000 adjustment to the cost of investment and goodwill in the current year.

13. INTANGIBLE ASSETS continued

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made during the period from 1 February 2007 to 31 December 2009, and reflects the difference between identifiable net asset value of those acquisitions and total consideration incurred for those acquisitions (see note 7 for goodwill on acquisitions during 2009).

For the purposes of impairment testing, goodwill is allocated to the Group's operating entities. These operating entities form the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the cash-generating units – "CGU"). The Group's largest CGU relates to the operations of the Fidecs Group for which the carrying amount of goodwill is £15,202,000. All other acquisitions are classified as one CGU with the carrying amount of goodwill being £1,684,000.

The Group tests goodwill annually for impairment with the recoverable amount being determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in income and costs. Changes in income and costs are based on past practices and expectations of future changes in the market.

To calculate the CGU's value in use, Board approved cash flows for the following financial year are assumed to inflate at a steady growth rate applicable to the relevant market. This rate does not exceed the long-term average growth rate for the relevant markets. The cashflows are then extrapolated to perpetuity. Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. A pre-tax discount rate of 5% has been used.

Based on the operating performance of the respective CGUs, no impairment loss was deemed necessary in the current financial year.

14. TRADE AND OTHER RECEIVABLES

GROUP	31 December 2009 £000	31 December 2008 £000
Other receivables due from related parties	—	826
Trade receivables	3,317	3,527
Other receivables	1,823	1,027
	5,140	5,380
COMPANY	31 December 2009 £000	31 December 2008 £000
Trade receivables due from related parties	5,554	3,628
Other receivables	477	504
	6,031	4,132

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) is described in note 20.

15. CASH AND CASH EQUIVALENTS

GROUP	31 December 2009 £000	31 December 2008 £000
Bank balances	3,768	4,942
Cash and cash equivalents in the statement of cash flow	3,768	4,942
COMPANY	31 December 2009 £000	31 December 2008 £000
Bank balances	18	1,125
Cash and cash equivalents in the statement of cash flow	18	1,125

The Group has £2.45 million in a deposit account with NatWest Bank £1.3 million of which is security against the bank loan.

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

16. CAPITAL AND RESERVES

	31 December 2009 £000	31 December 2008 £000
Authorised		
100,000,000 (2008:- 100,000,000) ordinary shares of £0.001 each	100	100
Called up, issued and fully paid		
42,892,621 ordinary shares of £0.001 each (1 January 2009: 42,680,762 ordinary shares of £0.001 each)	43	43

Treasury shares

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives under the terms of the Long Term Incentive Plan. The trustees held 323,555 (1 January 2009: 323,555) shares at 31 December 2009, amounting to £205,000 (1 January 2009: £205,000).

Share premium

During the year 211,859 (2008:- 5,138,488) shares were issued for a total share premium of £114,788 (2008:- £3,112,914). During 2009, transaction costs of £nil (2008:- £114,626) have been deducted from the share premium account.

Translation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations for the purpose of consolidation.

Dividends

The following dividends were declared and paid by the Group:

	31 December 2009 £000	31 December 2008 £000
0.6 pence per qualifying ordinary share (2008: 0.2 pence)	257	85

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 2009 £000	31 December 2008 £000
0.4 pence per qualifying ordinary share (2008: 0.4 pence)	172	172

17. EARNINGS PER SHARE

Earnings per share for the period from 1 January 2009 to 31 December 2009 is based on the profit after taxation of £639,000 (2008:- £2,604,000) divided by the weighted average number of £0.001 ordinary shares during the period of 42,776,649 basic (2008:- 41,324,827) and 44,048,014 dilutive (2008:- 41,852,827) in issue.

A reconciliation of the basic and diluted number of shares used in the period ended 31 December 2009 is:

Weighted average number of shares	42,776,649
Dilutive share incentive plan, options and contingent consideration shares	1,271,365
Diluted	44,048,014

18. TRADE AND OTHER PAYABLES

GROUP	31 December 2009 £000	31 December 2008 £000
Bank loans (see note 20)	450	434
Loans from related parties	1,363	1,370
Deferred income	977	1,003
Trade payables	549	358
Deferred and contingent consideration	91	279
Other creditors and accruals	1,284	949
	4,714	4,393
COMPANY	31 December 2009 £000	31 December 2008 £000
Owed to related parties	2,543	631
Deferred Consideration	—	187
Other creditors and accruals	88	45
	2,631	863

Loans from related parties amount to £1,363,000 and relate to a loan by the founding shareholders of Fidecs, the loan is unsecured and interest bearing at 7% per annum.

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the balance sheet date. These amounted to £977,000 as at 31 December 2009 (31 December 2008: £1,003,000).

Deferred and contingent consideration

Under the terms of the acquisition of STM Nummos SL (formerly Nummos Professional SL and Fidecs Audiberia SA) a further £91,000 may be payable to the vendors depending on certain targets being achieved.

The Group's exposure to liquidity risk related to trade and other payables is described in note 20.

19. OTHER PAYABLES – AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	31 December 2009 £000	31 December 2008 £000
Bank loan – repayable between year 2 and year 5	838	1,295

As at 31 December 2009 the bank loan from NatWest Bank Plc amounted to £1.3 million repayable in quarterly instalments at a variable rate interest of 1.5% above UK base rate. The loan is secured by capital guarantees supplied by subsidiary companies, STM Fidecs Management Limited and STM Fidecs Insurance Management Limited.

20. 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 2009 £000	31 December 2008 £000
Trade and other receivables	5,140	5,380
Cash and cash equivalents	3,768	4,942
	8,908	10,322

The Group's maximum exposure to credit risks relating to one entity or group of related entities amounts to less than 10% of the overall trade receivable amount as at 31 December 2009 and 31 December 2008.

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

20. FINANCIAL INSTRUMENTS continued

Impairment losses on trade receivables

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

	Gross receivables 31 December 2009 £000	Impairment 31 December 2009 £000	Gross receivables 31 December 2008 £000	Impairment 31 December 2008 £000
Not past due	1,103	—	1,067	—
Past due 0–30 days	182	—	423	—
Past due 31–120 days	108	—	394	—
More than 120 days past due	2,136	(212)	1,828	(185)
	3,529	(212)	3,712	(185)

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

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

	31 December 2009 £000	31 December 2008 £000
Balance at start of period	185	216
Impairment loss recognised/(released)	27	(31)
Balance at end of period	212	185

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables that are not more than one year old. This is because, invariably, the Group are administering clients' assets and therefore have further recourses for the recoverability of any debts outstanding.

Liquidity Risk

The following are the Group's contractual maturity liabilities, including estimated interest payments where applicable, and excluding the impact of netting arrangements.

31 December 2009	Carrying amounts £000	Conditional cash flow £000	6 months or less £000	6-12 months £000	Over 1 year £000
Non-derivative financial liabilities					
Bank loans	1,288	1,288	—	450	838
Trade payables	549	549	549	—	—
Deferred consideration on acquisitions	91	91	—	—	91
Loans from related parties	1,363	1,363	1,363	—	—
Other creditors and accruals	1,284	1,284	1,284	—	—
Corporation tax payable	321	321	321	—	—
	4,896	4,896	3,517	450	929
<hr/>					
31 December 2008	Carrying amounts £000	Conditional cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000
Non-derivative financial liabilities					
Bank loans	758	758	—	434	324
Trade payables	358	358	358	—	—
Deferred consideration on acquisitions	279	279	188	—	91
Loans from related parties	1,370	1,370	1,370	—	—
Other creditors and accruals	949	949	949	—	—
Corporation tax payable	304	304	—	—	304
	4,018	4,018	2,865	434	719

Currency, interest rate risk and market risk

The company has minimal exposure to currency risk and market risk. The net impact to the results on interest bearing assets and liabilities is also considered to be minimal.

21. OPERATING LEASES**Leases as lessee**

Non-cancellable operating leases are payable as follows:

	31 December 2009 £000	31 December 2008 £000
Less than one year	514	439
Between one year and five years	2,056	1,662
More than five years	3,009	2,607
	5,579	4,708

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 14 years.

22. CAPITAL COMMITMENTS

The Group had £104,269 of capital commitments as at 31 December 2009 (31 December 2008:- £240,000) for the installation of the new IT system.

23. RELATED PARTIES**Transactions with key management personnel and directors****Compensation**

Key management compensation comprised:

	31 December 2009 £000	31 December 2008 £000
Short-term employee benefits	260	260
Post-employment benefits	—	—
Share-based payments	—	—
	260	260

Key management personnel and Director transactions

Trusts and related parties connected to the Directors held 26.31% of the voting shares of the Company as at 31 December 2009.

Other related party transactions

As more fully explained in note 18, a loan of £1,363,000 has been provided to the Group by the founding shareholders of Fidecs (the Company's first acquisition) who are also shareholders.

The Group also leases its main premises from a company that is owned by three shareholders and two Directors of the Company. Rental costs of such premises are £285,000 per annum, of which £nil was outstanding at 31 December 2009. The rental cost is at normal market rates.

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 £18,500 for the period to 31 December 2009, of which £10,000 was outstanding at 31 December 2009.

The Group provides services to subsidiaries of Rock Holdings Limited, a shareholder of the Company. These services amounted to £175,000 during the period, of which £14,500 was outstanding at 31 December 2009.

The Group provides services to Nightingale Equities Inc, a shareholder of the Group. These services amounted to £3,000 for the period, of which £nil was outstanding at 31 December 2009.

SMP Partners Limited of which Mark Denton and Martin Derbyshire are shareholders, charged the Company £15,500 for services rendered during 2009, of which £nil was outstanding at 31 December 2009.

ABT Associates Consulting Limited, of which Matthew Wood is a shareholder, charged the Company £40,000 for services rendered during 2009, of which £10,000 was outstanding at 31 December 2009.

The Group provided administration services to Retire to the Sun Limited, a company owned by five shareholders and two directors of the Company. Such services amounted to £35,000 for 2009, of which £35,000 was outstanding at 31 December 2009.

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.

Notes to the consolidated results

for the year from 1 January 2009 to 31 December 2009

24. SHARE BASED PAYMENTS

The long term incentive plan ("LTIP") provides incentives for certain executives. None of the Directors are entitled to receive benefits from the LTIP. The plan is administered by the trustees of the STM Group Employee Benefit Trust. The nominated executive is entitled to receive fully paid shares in STM ("STM shares") providing they achieve certain predetermined performance targets and also satisfy a two year employment condition.

The executive will receive the shares on the first day of dealing after the end of the two year employment condition. For 2009, relating to the 2009 performance, no shares (2008: 117,938 shares) were appointed to specific individuals.

25. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2009 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

	Country of Incorporation	Ownership interest		Activity
		31 December 2009	31 December 2008	
STM Fidecs Limited	Isle of Man	100% directly	100% directly	Holding company
STM Fidecs Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Insurance Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Advisory Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Trust Company Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and Administration
STM Fidecs Pension Trustees Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Management (Gibraltar) Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
Atlas Trust Company Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
Parliament Corporate Services Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Consumer Services Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Trustees Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM (BVI) Limited	BVI	100% directly	100% directly	Intellectual property holding company
Venture Media (Gibraltar) Limited	Gibraltar	100% indirectly	100% indirectly	Media agency
STM Life Assurance PCC plc	Gibraltar	100% indirectly	100% indirectly	Insurance company
STM Swiss AG	Switzerland	100% directly	—	Administration of clients' assets

26. SUBSEQUENT EVENTS

On 12 January 2010 the Company issued 37,736 new ordinary shares of 0.1 pence each based on a value of 26.5 pence per ordinary share giving a total consideration of £10,000 to two individuals for services to the Company.

Notice Of Annual General Meeting

STM GROUP PLC (the "Company")

Notice is hereby given that the Annual General Meeting of the Company will be held on 7th May 2010 at 12 noon at Clinch's House, Lord Street, Douglas, Isle of Man for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary Resolutions

1. THAT the accounts for the year ended 31st December 2009 and the reports of the Directors and auditors thereon be received.
2. THAT the final dividend of 0.4p per share recommended by the directors be declared to be payable on 4th June 2010 to shareholders registered at the close of business on 14th May 2009. An interim dividend of 0.2p was paid in October 2009 making a total dividend payable for the year of 0.6p.
3. As Colin Douglas Porter has been appointed during the period since the last AGM, to confirm his appointment as a director of the Company.
4. THAT Bernard Gallagher, who has retired from office by rotation in accordance with Article 92.2 of the Company's Articles of Association, be reappointed as a director of the Company.
5. THAT Matthew Graham Wood, who has retired from office by rotation in accordance with Article 92.2 of the Company's Articles of Association, be reappointed as a director of the Company.
6. THAT KPMG LLP be reappointed as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the Annual General Meeting held in 2011.
7. THAT, subject to and conditional on the passing of Special Resolution 1 and the Isle of Man Registrar of Companies issuing a certificate of re-registration in respect of the Company pursuant to section 150 of the Isle of Man Companies Act 2006 (the "2006 Act"), the Directors be authorised to issue up to a maximum of 100,000,000 ordinary shares of £0.001 each in the capital of the Company, with such maximum number to be inclusive of any ordinary shares in issue as at the date hereof.

Special Resolutions

1. THAT:
 - a) the Company be re-registered as a company incorporated under the 2006 Act;
 - b) the Company adopts the memorandum of association complying with section 149(2) of the 2006 Act in the form initialled by the Chairman of the meeting; and
 - c) the Company adopts the articles of association in the form initialled by the Chairman of the meeting.

By order of the Board

.....
Elizabeth A Plummer
Company Secretary

Clinch's House, Lord Street
 Douglas, Isle of Man IM99 1RZ
 29 March 2010

Notes:

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of that member. A proxy need not be a member of the Company. A form of proxy is enclosed. Proxy forms must be returned by post or by hand to the office of the Company's registrars, Computershare Investor Services (Jersey) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW not less than 48 hours before the time of holding of the meeting. The Company specifies, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005 (SD No. 754/05), that only those members entered on the register of members as at 12:00 noon on 5 May 2010 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at the time. Changes to the register of members after 12:00 noon on 5 May 2010 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A copy of the proposed new memorandum of association and new articles of association will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the AGM at the Company's registered office at Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ or on the Company's website www.stmgroupplc.com.

Company Information

CORPORATE

Directors

Timothy John Reville FCA TEP
Deputy Chairman

Bernard Gallagher FCMA
Non-Executive Chairman

Colin D Porter
Chief Executive Officer

Mark William Denton
Non-Executive Director

Alan Roy Kentish ACA ACII AIRM
Chief Financial Officer

Martin James Derbyshire
Non-Executive Director

Matthew Graham Wood ACA
Non-Executive Director

Registered Office

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Company Number
114064C

Company Secretary
Elizabeth Anne Plummer
FCA TEP CTA

Advisers

Administrator
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and Broker**
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