

Annual Report & Accounts

2010

STM Group Plc continues to build on its reputation as an independent cross-border financial services provider. Its core business of providing corporate and trustee services (“CTS”) is complemented by the other emerging businesses of offshore pensions and life assurance products.

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Revenue of £10.5 million

2009: £8.5m

Profit before tax of £1.5 million

2009: £0.7m

EPS of 2.90 pence

2009: 1.57p

Strong balance sheet with cash of £3.7 million at year end

Final dividend of 0.4 pence, payable on 10 June 2011 representing a total dividend for 2010 of 0.6 pence

Enhanced profitability

Overall performance benefits from strategic focus and improved trading conditions.

Strategic acquisition in Jersey

STM's acquisition gives critical mass and strong management to its business unit in Jersey.

Malta operation opened

New subsidiary trading profitably from commencement through organic growth.

Solutions for expatriates from around the globe

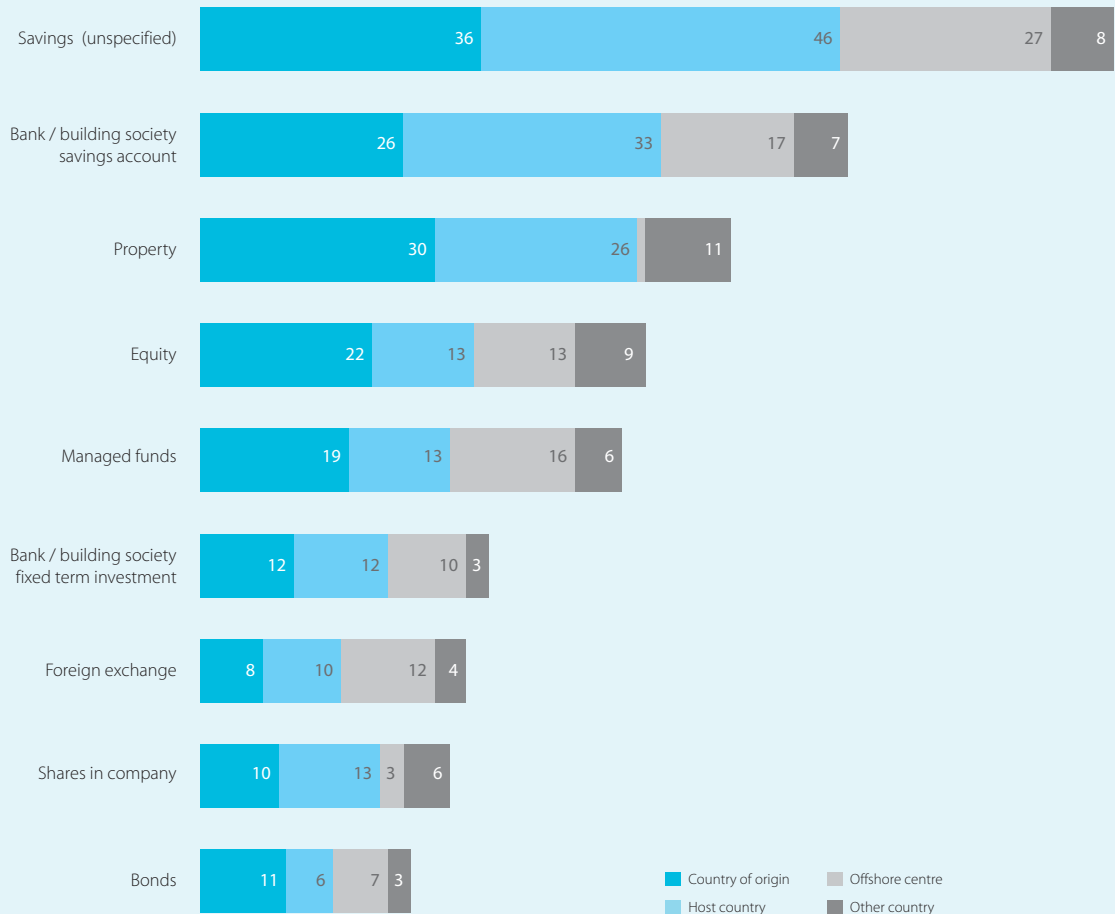
The UK Expatriate market

Expats repatriate a considerable proportion of wealth. Although expats tend to use a large variety of vehicles to save and invest, a large proportion of wealth in longer term investments is repatriated, the most common being property (30%), equity (22%), and

bonds (11%). Typically less than 30% of an expats wealth is kept in the host country. Using financial centres for structuring wealth is becoming increasingly common practice.*

*Extracts taken from HSBC Expat Explorer Survey 2010

Expat allocation of money for savings and investments





1 Spain
Legal and tax services for expatriates



2 Jersey
Corporate and trustee service providers



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



4 Switzerland
Wealth protection for HNWI, corporate and trustee service providers



5 Malta
Wealth protection using tax treaties, corporate and trustee services, pension trustee, insurance management

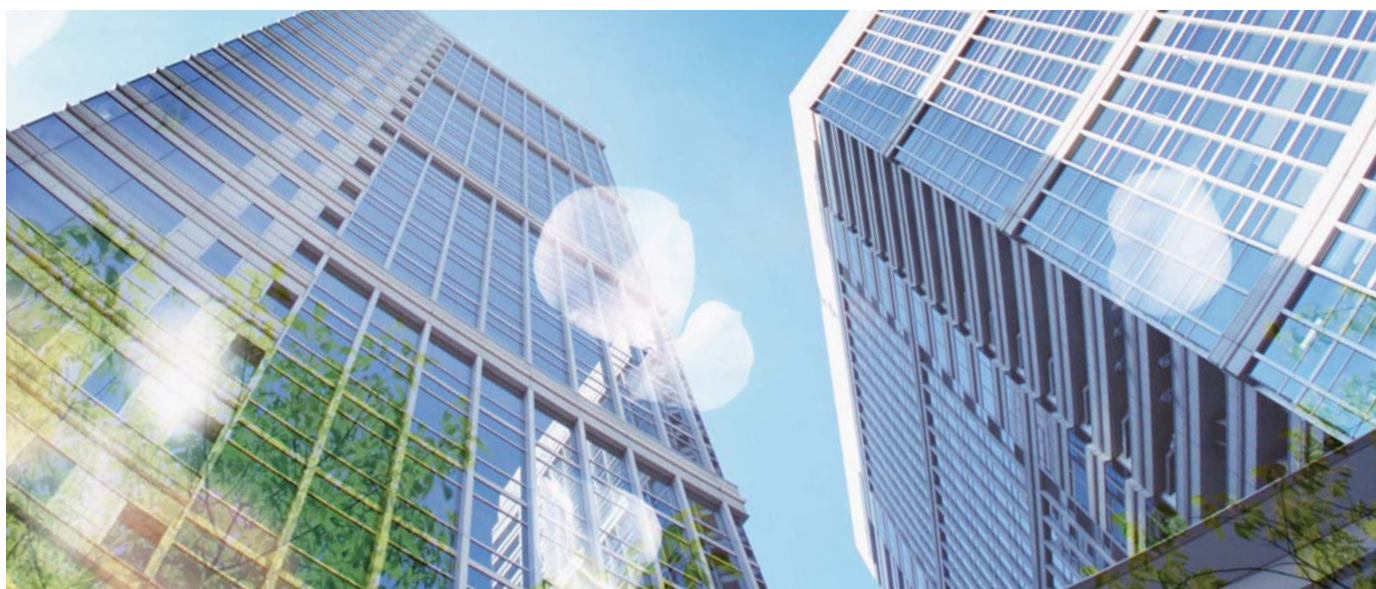


Chairman's Statement

"The Group has doubled profits on the previous year, demonstrating a robust revenue generation model and a re-inforced focus on cost efficiencies."

Preserving wealth through pro-active solutions.

The financial requirements of private clients continues to become more international requiring pro-active and tailored solutions. STM believes that no one financial centre can deliver on all these requirements. At STM we have both the independence and jurisdictional spread to address your specific tax and legal requirements.



With STM's commitment to business development and expanded product offering including overseas pensions and life insurance wrapper products, the stage is set for revenue growth in 2011.

Bernard Gallagher
Chairman



2010 has been a year of good progress for STM. The Group has doubled profits on the previous year and continues to benefit from the robust and recurring nature of its core business and gains from cost efficiency drives commenced in 2009. Our core Corporate and Trustee Service divisions ("CTS") delivered revenues and profitability in line with expectations, augmented by the strategic acquisition of Zenith Trust Company Limited ("Zenith") in April 2010. Zenith has given the STM Group the critical mass that it needed in Jersey and the Board is delighted with STM Jersey's progress and contribution to the Group to date.

In addition, with the opening of STM Malta in late 2010, the Group's overseas pension product is now gaining significant traction and the Board has high expectations that this will be a strong area of growth for the Group. STM Malta was revenue generating and profitable from inception.

The Board continues to believe 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 Group going forward.

During 2010 there were a significant number of senior management changes, not least of which Colin Porter was appointed Group CEO in March 2010, taking over from Tim Reville, a founding shareholder, who has subsequently stepped down from the Board. Colin, who joined STM in 2008 as CEO of the Gibraltar and Jersey offices, has helped to ensure that STM's senior management have delivered the expected growth for 2010.

STM can justifiably say that it has a significant international presence, and the Board believes that it is able to service its international clientele for all their structuring requirements. STM now has offices in Gibraltar, Spain, Jersey, Switzerland, and Malta, and is poised to benefit from the ability to cross-sell to clients across these jurisdictions. These jurisdictions also allow the Group to increase its product offering.

The Board views 2011 as a year in which to continue to consolidate the initiatives of previous years in order to deliver enhanced profitable growth. Acquisition activity is likely to be limited in 2011.

2010 has seen a significant focus and investment on business development across

the Group to increase STM's market share of the CTS sector, as well as targeted marketing of the Group's newly launched products. Whilst this is still in its infancy, it is a major step forward and one that should contribute to a wider range of intermediary introducers and geographical referrals.

STM is a people and relationship business and the Group's 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.

Finally, on a personal note, I have advised the Board that I will be stepping down from my role of Chairman of STM Group Plc in the near future so as to pursue my other business interests. It has been a pleasure to be involved with STM since its inception and flotation in 2007 and I am pleased that the Group is now approaching the next phase of its exciting growth plans in a strong position. I understand that the search for my replacement is progressing well.

Bernard Gallagher
Non-Executive Chairman
4 April 2011

Chief Executive Officer's Review

"2010 has seen solid performance in the Group's Core CTS engine rooms which has helped to underpin a doubling in profitability."

Preserving wealth through pro-active solutions.

The economic environment continues to encourage private individuals to organise themselves, their businesses and their families in a fiscally and administratively efficient manner.

STM has the tools and expertise to manage that process.



A significant benefit that our acquisition of Zenith in Jersey brought to the Group was an experienced and very capable management team that has provided a solid foundation for future growth in this jurisdiction.

Colin Porter
Chief Executive Officer



I am pleased to state that 2010 has delivered according to expectations. The focus was to ensure that the Board's cost efficiency drive in the latter part of 2009 resulted in enhanced profitability. This, coupled with solid performance in the Group's core CTS "engine rooms" delivering robust and profitable organic growth, has helped to put STM's profitability back in line with market expectations. Activity levels, with regards to transactions, continue to improve as the economy recovers from the crisis of 2008 / 2009, which should further bolster 2011 revenue levels.

With 2010 revenues of circa £10.5 million (2009: £8.5 million), it is pleasing to note that the business is starting to deliver improved profit margins, although there is still scope to enhance these further. The profit before tax but after exchange gains for 2010 doubled to £1.5 million from £0.7 million in 2009, and was helped by the cost efficiency drive that had been implemented in late 2009 and early 2010.

A significant milestone in the development of STM's business model was the acquisition of Zenith Trust Company Limited ("Zenith"), which gave the Group's Jersey operation the critical mass that it was previously lacking. The STM Jersey business, with some 35 staff and an

annualised turnover of almost £4.0 million, is now a well managed and significant contributor to the Group's profitability.

The deliberately low-key opening of STM's Malta office in the last quarter of 2010 is also worth highlighting. The products that the Group can now offer through STM Malta are important differentiators for STM and I am pleased to be able to report strong early demand, which has meant that this business unit has been profitable from day one of receiving its licence.

STM's business model – a robust platform for growth

The Board believes that the investment into the various acquisitions during the last few years to give the Group a balanced jurisdictional spread and a true international presence, is starting to pay off as efficiencies and the ability to administer complete international structures becomes apparent.

The Group's core business continues to be 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 continues to be 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. Some 30% of the Group's CTS income relates to fixed fees giving a significant certainty of income and therefore reducing volatility in the Group's profitability.

Acquisition activity during 2010

Without a doubt, the acquisition of STM's long-awaited pathfinder vehicle in 2010 has brought about a better jurisdictionally balanced Group. Zenith was acquired in the early part of 2010 for a maximum total cash consideration of £5.1 million, being £1.85 million paid upon completion, a further £1.85 million in September 2010, a further £1.3 million deferred consideration payable in 2011 and £0.1 million in 2012.

A significant benefit that Zenith brought to the Group was an experienced and very capable management team that has provided a solid foundation for future growth in this jurisdiction. The integration of the Group's legacy business in Jersey was completed successfully, and the benefits of integration gains will be felt in 2011.

Chief Executive Officer's Review



STM has taken on a number of full time business developers to help grow the company organically. That strategy for growth is already starting to deliver results.

In July 2009 STM announced, subject to regulatory approval, the purchase of Citadel Group, a CTSP in Luxembourg. As a result of the significant delay in the regulatory approval process, the Board re-evaluated the proposed acquisition in Luxembourg and during the year withdrew their offer for the business on the basis that the jurisdiction was more corporate rather than private individual facing.

For 2011 the overriding focus will centre on delivering integration gains on existing acquisitions rather than specifically looking for further acquisition targets in new jurisdictions.

Product and business development

2010 has been a significant year of change with regards to the resources allocated to business and product development. STM has taken on a number of full time business developers to help grow the Company organically. As at the year end there were five full time business developers compared to only one individual at the end of 2009. This investment into the future was sourced from the cost savings within other parts of the business. I am pleased to say that this strategy of growth is already starting to deliver results, with increased business coming not only from the UK but also Southern Africa and Central and Eastern Europe.

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.

As a result of STM's jurisdictional spread, the Group is now able to keep in-house significantly more of a HNWI's expenditure on wealth preservation and asset administration, rather than outsourcing 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 its clients.

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 HNWI clients. STM has developed products in the area of Jersey and Malta foundations, retirement benefits, pension transfers, life bonds for expatriates returning to the UK, and an integrated inheritance management solution for expatriates in Spain.

Operational Review

For the purposes of reporting the Group's performance during 2010, the principal trading division was Corporate and Trustee Services ("CTS"), the primary jurisdictions of which were Gibraltar and Jersey.

Group turnover for 2010 amounted to £10.5 million compared to £8.5 million in 2009. The increase is primarily as a result of the Zenith acquisition in April 2010 which produced revenue for STM Group of circa £2 million for the period ended 31 December 2010.

As can be seen from the more in-depth review below, our CTS division, the main engine of the Group's business, continues to perform in line with the Board's expectations. However, as previously identified, certain challenges remain in some of STM's smaller divisions which have struggled to grow their turnover compared to 2009. STM Swiss and STM Life are not yet profitable which has in turn reduced Group profitability.

In addition, during 2010 costs of circa £0.2 million have been invested in business development personnel, the benefits of which will be seen primarily from 2011 onwards.

Board Changes

Colin Porter joined the STM Group plc board in July 2009 as COO, and during March 2010 was promoted from COO to CEO of STM Group plc. Tim Revill, founder of STM's first acquisition, Fidecs Group Limited, stepped down from his role as Chief Executive Officer at that date, and subsequently retired from the Board in September 2010 to pursue other personal interests.

In December 2010, there was a further change of the Isle of Man Non-Executive Directors, with Martin Derbyshire and Mark Denton stepping down to be replaced by Mike Riddell.

Corporate and Trustee Services ("CTS")

CTS is the core revenue stream of the Group, with revenue in 2010 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.

The Group is pleased to say that the turnover of STM's CTS revenue rose from £5.3 million in 2009 to £7.6 million in 2010 and accounted for approximately 70% of the Group's 2010 revenues. Approximately £2.2 million of this can be attributed to the contribution from Zenith, acquired in 2010. The underlying organic growth demonstrates that the principal revenue stream of the business remains robust and predictable, even after a significant cost saving exercise during the latter part of 2009.

CTS Gibraltar revenue held its own in 2010 with a revenue of £4.3 million compared to £4.5 million in 2009. The small decrease in revenue is primarily as a result of an effort to shed some of the smaller entity business which proved not to be profitable, as well as a certain amount of down-time in relation to the implementation of new, upgraded IT systems. The prognosis for 2011 is that CTS Gibraltar has a solid platform in which to grow its revenue without incurring any material costs to service such business.

CTS Jersey revenue rose to £3.3 million from £0.9 million in 2009, the increase being primarily a part year contribution from Zenith, but also pleasingly some organic growth from our underlying Jersey operation of £0.1 million. Again, this "second engine room" to the Group is a solid platform in which to continue to grow organically, meaning that profit margins are expected to improve further.

Following the Zenith acquisition, the number of entities under management in our CTS businesses now exceeds 2,000. 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.

Other Divisions

Revenue from the Group's other divisions amounted to £2.9 million compared to £3.2 million for 2009. These divisions are all complimentary to the core business of the Group, being the administration of clients' assets. They either provide advisory and structuring support or offer client asset administration through another form of "wrap", such as a life assurance bond. No single division accounts for more than 10% of the Group's revenue.

Insurance Management ("FIM")

As previously identified, FIM has continued to suffer from the lack of investment by entrepreneurs in new insurance company start-ups, although FIM is seeing signs of increased activity. As a result the revenue for FIM amounted to £0.8 million compared to £1.0 million in 2009. FIM has restructured its division as a result of this anticipated fall in revenue and a significant staff cost reduction has been made that has improved profitability.

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 stable platform of clients going into 2011 and the cost reductions mentioned above, coupled with an appointment of a full time business developer and now having the ability to offer insurance management capabilities in STM Malta, FIM is confident that it will see revenue growth in 2011.

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 2010, fee and commission income for STM Nummos remained static at £0.7 million. This was in line with management's expectations and a positive result given the difficult state of the Spanish economy.

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.

This division has the potential to be a significant growth area of the Group moving into 2011. The 2010 revenue was truncated by the continued uncertainties over Gibraltar's overseas pensions product (QROPS). However, in late 2010 the STM Malta QROPS was approved by HMRC in the UK, and the division is now processing numerous applications. The pipeline and interest for this product is growing significantly and is a focus for 2011 marketing initiatives. 2010's turnover for the division remained similar to that of 2009 at around £0.3 million, but the Board has realistic expectations of doubling that level in 2011.

Other initiatives

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 its ability to write business across the EU mean that it will be able to market its bond in other jurisdictions at a very low cost of entry. However, the complexity of the product has meant that revenues have still been slow to materialise, although the distribution network that has been built should allow for significant revenue growth in the future.

In a similar vein, STM Swiss started to generate revenue in 2010, although the business unit remains loss making going into 2011. Whilst the pipeline of potential business is materialising it remains a slow process.

Financial Review

For the year to 31 December 2010, the Group recorded turnover of £10.5 million (2009: £8.5 million) and a profit before tax and after exchange gains of £1.5 million (2009: £0.7 million). Turnover was in line with the Board's expectations and a significant increase to that

Chief Executive Officer's Review

of 2009 primarily due to the acquisition of Zenith, but pleasingly the margin improved significantly to 14.3% (2009: 7.9%). Integration costs and lost management time as part of the Zenith acquisition, as well as the trading water of the QROPS product in 2010, should result in further material margin improvements in 2011. STM's taxation charge for the year was on budget at £0.2 million (2009: £0.04 million). Basic EPS for the year was 2.9 pence (2009: 1.57 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 £3.1 million (up from £2.3 million at 31 December 2009). The increase in accrued income is in part due to the build up of pension's work that is awaiting HMRC approval and the Zenith acquisition accrued income. This also provides some immediate visibility of billable fees in the early part of 2011.

Trade receivables as at the 31 December 2010 amounted to £4.0 million, up from £3.3 million at 31 December 2009, this is primarily as a result of the new Zenith trade debtors. There continues to be significant effort put in to accelerate cash collection, with a full time credit control function being implemented during 2010. Whilst bad debts are generally low as a result of the entities under management having assets within their structures, it remains a frustration that debtor days remain higher than targeted. Deferred income, representing fees billed in advance, yet to be credited to profit and loss account were comparable year on year at £0.9 million (2009 £1.0 million) reflecting the stable portfolio of the core CTS business. Zenith's fixed fees are billed annually in advance in January.

The Group ended the year with cash of £3.7 million (2009: £3.8 million), having paid

out further consideration on acquisitions amounting to £3.8 million and bank loan repayments of £0.5 million. In addition dividends of £0.26 million were paid during 2010.

Group financing

At 31 December 2010, the Group had bank borrowings of £2.6 million (2009: £1.29 million), being loans from RBS International Limited ("RBSI") to provide part of the solvency capital required for STM Life, as well as funding the first payment of the Zenith acquisition. The term of the original loan for STM Life is for five years from March 2008. Two further loans were taken out in 2010, one for £0.4 million and one for £1.5 million; both are repayable over a three year term but being amortised over five years.

In March 2010, the Group raised a further £2.2 million in connection with the Zenith acquisition through the issue of a convertible loan note instrument ("CLN"). The loan from shareholders as at 31 December 2009 of £1.3 million which has existed since the Group's listing in March 2007 was also rolled up into the CLN. 50% of the CLN may be converted into new ordinary shares in STM at the holders' discretion at a price of 33 pence per share in March 2012. The remainder of the CLN is repayable in March 2014.

Dividends

In recognition of the Board's 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 2010 (2009: 0.6 pence per share). Subject to shareholder approval, the final dividend will be paid on 10 June 2011 to shareholders on the Register on 13 May 2011. It is the Board's intention to continue a progressive dividend policy reflecting the Group's ongoing performance.

Current trading and outlook

2010 was a satisfactory year for STM with increased profitability coming through from a robust underlying revenue base which, coupled with the significant Zenith acquisition, leaves the business well placed for further increases in profitability during 2011. Trading in the second half of our financial year is traditionally stronger than that of the first half and this trend is expected to continue into 2011.

The Board are of the view that a concerted effort to increase productivity levels of staff and to ensure that process efficiencies continue to improve, particularly in light of the new IT system will help to improve margins further.

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 2011 and beyond. Expectations are that 2011 will deliver solid organic growth in the CTS business. Going into 2011, there will be a strong marketing focus on increasing pensions and STM Life revenue significantly, both of which are relatively unique products for the CTS sector and have enormous opportunity for growth.

The Board will not actively seek new acquisition targets in 2011 but will consider opportunistic acquisitions as and when they arise. The focus will be to ensure that STM extracts the full value from the Zenith integration.

The Board is aware that 2011 will be another important year in delivering further enhanced value to its shareholders and we look forward to updating the market on the Group's progress.

Colin Porter
Chief Executive Officer
4 April 2011

Directors' Report

The Directors of STM Group plc present their Report for the year to 31 December 2010 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 6 May 2011.

Principal activities and business review

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

Result and dividends

The retained profit for the year after dividends of £1,047,000 (31 December 2009: £380,000) has been transferred to reserves.

The Board recommends the payment of a dividend of 0.6p for the year ended 31 December 2010 of which 0.2p was paid as an interim dividend in November 2010 (31 December 2009: 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 (Resigned 10 December 2010), Martin James Derbyshire (Resigned 10 December 2010), Bernard Gallagher, Alan Roy Kentish, Colin Douglas Porter, Timothy John Revill (Resigned 15 September 2010), Michael Ross Riddell (Appointed 13 December 2010), 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. Michael Ross Riddell is a director of Hearth Investments Limited.

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 377,613 ordinary shares.

Bernard Gallagher has an interest in 625,395 ordinary shares – these shares are held in the name of STM Fidecs Nominees Limited as nominee for Bernard Gallagher.

Michael Ross Riddell 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 Alan Roy Kentish retires as a Director of the Company at the Annual General Meeting and, being eligible, offers himself for re-election.

Political and charitable donations

The Group's charitable donations for the period amounted to £nil (31 December 2009: £2,000). 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 28 March 2011 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 28 March 2011 %
Hearth Investments Limited	17.76
Southern Rock Insurance Company Limited, Rock Holdings Limited, Arron Banks and Paul Chase-Gardener	12.14
Nightingale Equities Inc	6.77
Clifton Participations Inc	6.68
KAS Bank NV	6.03
Barnard Nominees Limited	4.29
Quest Traders Limited	3.19

Independent auditors

At a meeting of the directors, it was resolved that Moore Stephens Chartered Accountants of 26 – 28 Athol Street, Douglas, Isle of Man, be appointed as auditors of the Company. As such, Moore Stephens Chartered Accountants, have accepted the appointment as auditors.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 6 May 2011 is set out on page 39 and includes the following special business:

- Directors' powers to disapply pre-emption rights

By order of the Board

Elizabeth A Plummer

Company Secretary
18 Athol Street
Douglas
Isle of Man IM1 1JA

4 April 2011

Board of Directors



Clockwise from top left:

Colin Douglas Porter
 Alan Roy Kentish
 Matthew Graham Wood
 Michael Ross Riddell
 Bernard Gallagher

Executive Directors

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.

Michael Ross Riddell CA Non-Executive Director

Michael is an experienced company director having qualified as a Chartered Accountant in Canada in 1986. Michael has worked in trust and corporate services and financial services since 1988 and is managing director of Greystone Trust Company Limited, the trust and corporate services arm of Greystone LLC based in the Isle of Man. Michael is currently a director of Hearth Investments Limited which holds a significant shareholding in STM.

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 judgments 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 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Remuneration Report

Director	Remuneration	Notes
Executive Directors		
Timothy Revill	£50,000	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 2010.
- b) No Directors received any benefits during the year 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 Fidecs 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 financial statements of STM Group Plc for the year ended 31 December 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Statement of Consolidated Changes in Equity, Statement of Company Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's Shareholders 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 Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page X, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2010 and of the Group's Profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Moore Stephens

Chartered Accountants
Douglas
Isle of Man

4 April 2011

Consolidated Income Statement

for the year from 1 January 2010 to 31 December 2010

	Notes	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Revenue	8	10,454	8,521
Administrative expenses	10	(8,804)	(7,726)
Operating profit	11	1,650	795
Finance Costs		(211)	(120)
Profit on ordinary activities before taxation		1,439	675
Taxation	12	(192)	(36)
Profit on ordinary activities after taxation		1,247	639
Dividends	17	(257)	(257)
Retained profit for the year attributable to equity shareholders		990	382
Earnings per share basic (pence)	18	2.90	1.57
Earnings per share diluted (pence)	18	2.59	1.53

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

Consolidated Statement of Comprehensive Income

for the year from 1 January 2010 to 31 December 2010

	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Profit for the year	990	382
Other comprehensive income		
Foreign currency translation differences for foreign operations	57	(2)
Other comprehensive income for the year, net of income tax	57	(2)
Total comprehensive income for the year	1,047	380
Attributable to:		
Owners of the Company	1,047	380
Total comprehensive income for the year	1,047	380

Consolidated Balance Sheet

as at 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,460	1,316
Intangible assets	14	21,812	16,886
Other investments		54	—
Total non-current assets		23,326	18,202
Current assets			
Accrued income		3,052	2,286
Trade and other receivables	15	5,688	5,140
Cash and cash equivalents	16	3,696	3,768
Total current assets		12,436	11,194
Total assets		35,762	29,396
EQUITY			
Called up share capital	17	43	43
Share premium account	17	19,043	19,011
Reserves		5,471	4,469
Total equity attributable to equity shareholders		24,557	23,523
LIABILITIES			
Current liabilities			
Liabilities for current tax		494	321
Trade and other payables	19	5,559	4,714
Total current liabilities		6,053	5,035
Non-current liabilities			
Other payables	20	5,152	838
Total non-current liabilities		5,152	838
Total liabilities and equity		35,762	29,396

CD Porter

Chief Executive Officer

AR Kentish

Chief Financial Officer

4 April 2011

Company Balance Sheet

as at 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,003	851
Investments in subsidiaries	7	20,956	15,231
Total non-current assets		21,959	16,082
Current assets			
Accrued income		25	25
Trade and other receivables	15	8,371	6,031
Cash and cash equivalents	16	101	18
Total current assets		8,497	6,074
Total assets		30,456	22,156
EQUITY			
Called up share capital	17	43	43
Share premium account	17	19,043	19,011
Reserves		249	471
Total equity attributable to equity shareholders		19,335	19,525
LIABILITIES			
Current liabilities			
Trade and other payables	19	6,328	2,631
Total current liabilities		6,328	2,631
Non-current liabilities			
Other payables		4,793	—
Total non-current liabilities		4,793	—
Total liabilities and equity		30,456	22,156

CD Porter
Chief Executive Officer

AR Kentish
Chief Financial Officer

4 April 2011

Consolidated Cash Flow Statement

for the year from 1 January 2010 to 31 December 2010

	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Reconciliation of operating profit to net cash flow from operating activities		
Profit for the year before tax	1,439	675
Adjustments for:		
Loss on sale of assets	3	—
Depreciation	157	139
Gain from bargain purchase	(451)	—
Shares issued for services performed	40	40
Non-cash acquisition costs	12	—
Taxation paid	(19)	19
(Increase)/decrease in trade and other receivables	(103)	242
Increase in accrued income	(375)	(692)
(Decrease)/increase in trade and other payables	(590)	490
Net cash from operating activities	113	913
Investing activities		
Acquisition of property, plant and equipment	(282)	(960)
Disposal of property, plant and equipment	—	9
Acquisition of treasury shares	—	—
Acquisition of investments – cash consideration	(3,759)	(438)
Cash acquired as part of acquisitions	587	—
Net cash used in investing activities	(3,454)	(1,389)
Cash flows from financing activities		
Bank loan advance/(repayments)	1,326	(441)
Cash consideration from convertible bond issued	2,200	—
Dividend paid	(257)	(257)
Net cash from financing activities	3,269	(698)
Decrease in cash and cash equivalents	(72)	(1,174)
Reconciliation of net cash flow to movement in net funds		
Analysis of cash and cash equivalents during the year		
Balance at start of year	3,768	4,942
Decrease in cash and cash equivalents	(72)	(1,174)
Balance at end of year	3,696	3,768

Statement of Consolidated Changes in Equity

for the year from 1 January 2010 to 31 December 2010

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
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
Balance at 1 January 2010	43	19,011	4,620	(144)	(7)	23,523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit for the year	—	—	1,247	—	—	1,247
Other comprehensive income						
Foreign currency translation differences	—	—	57	—	—	57
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	32	—	—	—	32
Dividend paid	—	—	(257)	—	—	(257)
Exchange loss on equity	—	—	—	—	(45)	(45)
At 31 December 2010	43	19,043	5,667	(144)	(52)	24,557

Statement of Company Changes in Equity

for the year from 1 January 2010 to 31 December 2010

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
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)
31 December 2009	43	19,011	471	19,525
Balance at 1 January 2010	43	19,011	471	19,525
Profit for the year	—	—	35	35
Shares issued in year	—	32	—	32
Dividend paid	—	—	(257)	(257)
31 December 2010	43	19,043	249	19,335

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 2010 to 31 December 2010

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 on 28 March 2007. The address of the Company's registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2010 comprise the Company and its subsidiaries (see note 26) (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 13 - Depreciation of property, plant and equipment
- Note 14 - Measurement of goodwill
- Note 21 - Provisions
- Note 22 - 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.

(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.

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES continued

(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 other income in 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.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. The carrying amount of an embedded derivative is reported in the same consolidated balance sheet line item as the host contract. The Group has an interest rate embedded derivative as fair value hedge of the interest rate risk associated with one of the Group's bank loans. In accordance with its treasury policy, the Group does not enter into derivatives for speculative purposes.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(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 on 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.

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.

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES continued

(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 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 probably 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

During the year the Group has adopted IFRS 3 (Revised) "Business Combinations" which requires that all costs associated with business combinations are expensed directly to the Income Statement.

The following new standards and interpretations are mandatory for the first time this year, however, these have no significant impact on the Group:

- IFRS 2 (amendment) "Share-based Payment" (amendments for group cash-settled share based payment transactions)
- IAS 39 (amendment) "Financial Instruments": Recognition and Measurement (amendments for embedded derivatives when reclassifying financial instruments).
- Annual improvements to IFRSs (2008)
- Annual improvements to IFRSs (2009)
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, 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.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, 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 21 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 21 to these financial statements.

(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 bank borrowings that incur interest and significant exposure to interest rate movements have been covered by interest rate hedging arrangements required by the bank.

(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 (£).

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

5. FINANCIAL RISK MANAGEMENT continued

(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	
	2010 £000	2009 £000
CTS – Gibraltar	4,576	4,461
CTS – Jersey	3,271	839
Insurance Management	799	1,022
Start-up operations	249	64
Other Services	1,542	2,092
Total segment information	10,437	8,478
Unallocated income	17	43
	10,454	8,521

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

Operating segment

	Turnover	
	2010 £000	2009 £000
Gibraltar	6,070	6,061
International	4,367	2,417
Total segment information	10,437	8,478

7. ACQUISITION OF SUBSIDIARIES

Acquisitions of the Company

	31 December 2010 £000	31 December 2009 £000
Shares in group undertakings		
Balance at start of year	15,231	14,907
Adjustments to prior year	—	324
Acquisitions	5,725	—
Balance at end of year	20,956	15,231

7. ACQUISITION OF SUBSIDIARIES continued

Zenith Trust Company Limited

On 7 April 2010 STM Group Plc acquired 100% of the issued equity of Zenith Trust Company Limited. The balance sheet as at that date is included within the consolidated results.

	Pre-acquisition carrying value £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets	4,925	—	4,925
Property, plant & equipment	20	—	20
Accrued income	391	—	391
Trade and other receivables	459	—	459
Cash and cash equivalents	587	—	587
Trade and other payable	(781)	—	(781)
Net identifiable assets	5,601	—	5,601
Gain on bargain purchase	—	—	(451)
Consideration paid and deferred	—	—	5,150
Cash acquired	—	—	(587)
Net cash outflow	5,601	—	4,563

STM Malta Trust & Company Limited

During the year, this company was incorporated and was successfully awarded its trust and management licence by the Malta Financial Services Authority. It has an ordinary share equity of £125,000.

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 2010 £000	31 December 2009 £000
Revenue from administration of assets	10,454	8,521
Total revenues	10,454	8,521

9. STM LIFE ASSURANCE PCC PLC

These consolidated financial statements include the results for STM Life Assurance PCC Plc ("STM Life"), a 100% owned subsidiary. STM Life's principal activity is that of the provision of life assurance services. The Company has a licence under the Insurance Companies Act by the Gibraltar Financial Services Commission to carry on linked long term insurance business.

The financial statements for STM Life include the financial performance of both the long term fund and shareholders funds. For the purposes of these consolidated financial statements, however, only the shareholders funds and surplus on the long term fund have been included as reflecting the movement and balances in the long term fund would distort the Group's results.

Within total revenue of the Group of £10,454,000 there is an amount of £107,000 relating to revenue attributable to STM Life. The financial performance and balance on the long term fund is as follows:

Technical Account – Long term business

	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Gross premiums written	5,920	13
Policy withdrawals	(107)	—
Net operating expenses	(53)	(2)
Increase in linked long term reserves	(5,730)	(9)
Surplus on long term fund	30	2

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

9. STM LIFE ASSURANCE PCC PLC continued

Assets held to cover linked liabilities

	31 December 2010 £000	31 December 2009 £000
Open Market Value	5,739	9
Cost	5,933	9

Technical provision for linked liabilities

	31 December 2010 £000	31 December 2009 £000
Balance at start of year	9	—
Change in technical provision for linked liabilities	5,730	9
Balance at end of year	5,739	9

The provision for linked liabilities is equal to the open market value of the specified assets attached to all outstanding policies on the valuation date.

10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2010 £000	31 December 2009 £000
Wages and salaries	4,281	3,920
Social insurance costs	338	243
Pension contributions	87	121
Equity settled share based payments	40	40
Total personnel expenses	4,746	4,324

Average number of employees

GROUP	31 December 2010 Number	31 December 2009 Number
Average number of people employed (including executive directors)	125	111

Company

The average number of staff employed by the company during the year including directors was 12 (2009: 6)

11. OPERATING PROFIT

Operating profit of £1,650,000 (31 December 2009: £795,000), was arrived at after charging/(crediting) the following to the income statement:

	31 December 2010 £000	31 December 2009 £000
Depreciation	157	139
Directors' remuneration	390	470
Auditors' remuneration	103	80
Loss on sale of assets	3	—
Shares issued for services rendered	40	30
Operating lease rentals	514	433

12. TAXATION

	31 December 2010 £000	31 December 2009 £000
Current tax expense	192	36
Total tax expense	192	36
Reconciliation of existing tax rate		
	31 December 2010 £000	31 December 2009 £000
Profit for the year	1,247	639
Total income tax expense	192	36
Profit excluding income tax	1,439	675
Income tax using the company's domestic rate	0%	0%
Effect of tax rates in other jurisdictions	20%	22%
Total tax expense	192	36

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
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
As at 1 January 2010	12	795	853	1,660
Additions at cost	—	280	4	284
Acquisition of subsidiary	—	20	—	20
Disposals	—	(4)	—	(4)
As at 31 December 2010	12	1,091	857	1,960
Depreciation				
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
As at 1 January 2010	5	205	134	344
Charge for the year	2	109	46	157
Disposals	—	(1)	—	(1)
As at 31 December 2010	7	313	180	500
As at 31 December 2010	5	778	677	1,460
As at 31 December 2009	7	590	719	1,316

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs			
As at 1 January 2009	3	—	3
Additions at cost	297	551	848
As at 31 December 2009	300	551	851
As at 1 January 2010	300	551	851
Additions at cost	148	4	152
As at 31 December 2010	448	555	1,003
Depreciation			
As at 1 January 2009	—	—	—
Charge for the year	—	—	—
As at 31 December 2009	—	—	—
As at 1 January 2010	—	—	—
Charge for the year	—	—	—
As at 31 December 2010	—	—	—
Net book value			
As at 31 December 2010	448	555	1,003
As at 31 December 2009	300	551	851

14. INTANGIBLE ASSETS

GROUP	Goodwill £000
Costs	
Balance as at 1 January 2009	16,562
Adjustments to prior year	324
Acquisitions through business combinations	—
Balance at 31 December 2009	16,886
Balance as at 1 January 2010	16,886
Acquisitions through business combinations	4,926
Balance at 31 December 2010	21,812
Amortisation and impairment	
Balance as at 1 January 2009	—
Acquisitions through business combinations	—
Balance at 31 December 2009	—
Balance as at 1 January 2010	—
Acquisitions through business combinations	—
Balance at 31 December 2010	—
Carrying amounts	
At 1 January 2009	16,562
At 31 December 2009	16,886
At 1 January 2010	16,886
At 31 December 2010	21,812

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2010, 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 2010).

14. INTANGIBLE ASSETS continued

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 £15,380,000. All other acquisitions are classified as one CGU with the carrying amount of goodwill being £6,433,000.

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.

15. TRADE AND OTHER RECEIVABLES

GROUP	31 December 2010 £000	31 December 2009 £000
Trade receivables	4,049	3,317
Other receivables	1,639	1,823
	5,688	5,140
COMPANY	31 December 2010 £000	31 December 2009 £000
Trade receivables due from related parties	8,042	5,554
Other receivables	329	477
	8,371	6,031

Amounts due from related parties are unsecured, interest free and repayable on demand, except for receivables from STM Swiss AG amounting to £671,000 which is subordinated in favour of other creditors.

The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding accrued income) are described in note 21.

16. CASH AND CASH EQUIVALENTS

GROUP	31 December 2010 £000	31 December 2009 £000
Bank balances	3,696	3,768
Cash and cash equivalents in the statement of cash flow	3,696	3,768
COMPANY	31 December 2010 £000	31 December 2009 £000
Bank balances	101	18
Cash and cash equivalents in the statement of cash flow	101	18

17. CAPITAL AND RESERVES

	31 December 2010 £000	31 December 2009 £000
Authorised, called up, issued and fully paid		
43,026,602 ordinary shares of £0.001 each (1 January 2010:		
42,892,621 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 2010: 323,555) shares at 31 December 2010, amounting to £144,000 (1 January 2010: £205,000).

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

17. CAPITAL AND RESERVES continued

Share premium

During the year 133,981 (2009:211,859) shares were issued for a total share premium of £32,366 (2009: £114,788). During 2010, transaction costs of £nil (2009: £nil) 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.

Dividends

The following dividends were declared and paid by the Group:

	31 December 2010 £000	31 December 2009 £000
0.6 pence per qualifying ordinary share (2009:0.6 pence)	257	257

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 2010 £000	31 December 2009 £000
0.4 pence per qualifying ordinary share (2009:0.4 pence)	172	172

18. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2010 to 31 December 2010 is based on the profit after taxation of £1,247,000 (2009: £639,000) divided by the weighted average number of £0.001 ordinary shares during the year of 42,976,168 basic (2009: 42,776,649) and 48,203,441 dilutive (2009: 44,048,014) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2010 is:

Weighted average number of shares	42,976,168
Dilutive share incentive plan, options, contingent consideration shares and convertible bond	5,227,273
Diluted	48,203,441

19. TRADE AND OTHER PAYABLES

GROUP	31 December 2010 £000	31 December 2009 £000
Bank loans (see note 20)	912	450
Loans from related parties	105	1,363
Deferred income	866	977
Trade payables	358	549
Deferred and contingent consideration	1,553	91
Other creditors and accruals	1,765	1,284
	5,559	4,714
	31 December 2010 £000	31 December 2009 £000
COMPANY		
Bank loans	438	—
Owed to related parties	4,053	2,543
Deferred Consideration	1,462	—
Other creditors and accruals	375	88
	6,328	2,631

Loans from related parties amount to £105,000 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 £866,000 as at 31 December 2010 (31 December 2009: £977,000).

19. TRADE AND OTHER PAYABLES continued**Deferred and contingent consideration**

Under the terms of the acquisition of STM Nummos SL a further £91,000 may be payable to the vendors depending on certain targets being achieved.

Under the terms of the acquisition of Zenith Trust Company Limited a further £1,462,000 is payable during 2011.

The Group's exposure to liquidity risk related to trade and other payables is described in note 21.

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

GROUP	31 December 2010 £000	31 December 2009 £000
Bank loan – repayable between year 2 and year 5	1,702	838
Convertible loan notes	3,450	—
	5,152	838
COMPANY	31 December 2010 £000	31 December 2009 £000
Bank loan – repayable between year 2 and year 5	1,343	—
Convertible loan notes	3,450	—
	4,793	—

As at 31 December 2010 the Group had three bank loans from NatWest Bank Plc amounting to £2.6 million. The bank loans are repayable in monthly and quarterly instalments at variable rates of interest currently ranging from 2% to 4.25% and are secured by capital guarantees supplied by subsidiary companies.

As requested by Natwest Bank plc the Group is managing the interest rate risk of one of the bank loans with the purchase of an interest rate swap. The economic characteristics and risks of the swap are closely related to the economic characteristics and risks of the bank loan and as such has been accounted for as part of the hybrid instrument.

During the year the Company issued £2.2 million of new convertible loan notes ("loan notes") for cash. The Loan Notes have a fixed term of 4 years and carry an annual coupon of 7%, payable half yearly. Up to 50% of each Loan Note can be converted into new ordinary shares of £0.001 each in the Company ("Ordinary Shares") at a price of 33p at the option of the holder in the month following the release of the Company's preliminary results for the year ending 31 December 2011 ("Convertible Notes"). Any Convertible Notes not converted into new Ordinary Shares at that date can, at the option of the Company, be redeemed at par, together with any outstanding interest due thereon. The balance of the Loan Notes will run to term. The Loan Notes are secured against all the assets of the Group.

In addition the Company also issued a further £1.3 million of Loan Notes in exchange for the £1.3 million of loans outstanding to the founding shareholders of STM Fidecs, the Group's first acquisition. These loans have been in place since the Group's admission to AIM in March 2007 and have earned the same rate of interest as the Loan Notes.

21. 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 2010 £000	31 December 2009 £000
Trade and other receivables	5,451	5,140
Cash and cash equivalents	3,696	3,768
	9,147	8,908

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 2010 and 31 December 2009.

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

21. FINANCIAL INSTRUMENTS continued

Impairment losses on trade receivables

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

	Gross receivables 31 December 2010 £000	Impairment 31 December 2010 £000	Gross receivables 31 December 2009 £000	Impairment 31 December 2009 £000
Not past due	1,384	—	1,103	—
past due 0–30 days	294	—	182	—
past due 31–120 days	237	—	108	—
More than 120 days past due	2,699	(539)	2,136	(212)
	4,614	(539)	3,529	(212)

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 2010 £000	31 December 2009 £000
Balance at start of period	212	185
Impairment loss recognised/(released)	327	27
Balance at end of period	539	212

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 2010	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	2,614	2,614	456	456	1,702
Trade payables	326	326	326	—	—
Deferred consideration on acquisitions	1,553	1,553	1,362	—	191
Loans from related parties	105	105	105	—	—
Other creditors and accruals	1,765	1,765	1,765	—	—
Corporation tax payable	494	494	494	—	—
	6,857	6,857	4,508	456	1,893
31 December 2009					
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

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.

22. OPERATING LEASES**Leases as lessee**

Non-cancellable operating leases are payable as follows:

	31 December 2010 £000	31 December 2009 £000
Less than one year	514	514
Between one year and five years	1,974	2,056
More than five years	2,577	3,009
	5,065	5,579

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 13 years.

23. CAPITAL COMMITMENTS

The Group had £72,326 of capital commitments as at 31 December 2010 (31 December 2009: £104,269) for the installation of the new IT system.

24. RELATED PARTIES**Transactions with key management personnel and Directors****Compensation**

Key management compensation comprised:

	31 December 2010 £000	31 December 2009 £000
Short-term employee benefits	340	260
Post-employment benefits	—	—
Share-based payments	—	—
	340	260

Key management personnel and Director Transactions

Trusts and related parties connected to the Directors held 24.29% of the voting shares of the Company as at 31 December 2010.

Other related party transactions

As more fully explained in note 19, a loan of £105,000 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 Fiander Properties Limited 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 2010. 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 £10,000 for the period to 31 December 2010, of which £3,000 was outstanding at 31 December 2010.

The Group provides services to subsidiaries of Rock Holdings Limited, a shareholder of the Company. These services amounted to £176,000 during the period, of which £41,500 was outstanding at 31 December 2010.

SMP Partners Limited, of which Mark Denton and Martin Derbyshire are shareholders, charged the Company £22,600 for services rendered during 2010, of which £6,100 was outstanding at 31 December 2010.

ABT Associates Limited, of which Matthew Wood is a shareholder, charged the Company £40,000 for services rendered during 2010, of which £10,000 was outstanding at 31 December 2010.

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.

25. SHARE BASED PAYMENTS

The Long Term Incentive Plan ("LTIP") provides incentives for certain executives. 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.

Notes to the Consolidated Results

for the year from 1 January 2010 to 31 December 2010

25. SHARE BASED PAYMENTS continued

The executive will receive the shares on the first day of dealing after the end of the two year employment condition. For 2010, relating to the 2010 performance, no shares (2009: nil) were appointed to specific individuals.

26. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2010 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 2010	31 December 2009	
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 Fiscalis Limited (formerly 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 (Caribbean) Limited (formerly 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	100% directly	Administration of clients' assets
Zenith Trust Company Limited	Jersey	100% indirectly	—	Administration of clients' assets

27. SUBSEQUENT EVENTS

On 7 January 2011 the Company issued 35,047 new ordinary shares of 0.1 pence each based on a value of 21.4 pence per ordinary share giving a total consideration of £7,500 to one individual for services to the Company.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 6 May 2011 at 10 a.m. at 18 Athol Street, Douglas, Isle of Man IM1 1JA for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary Resolutions

1. THAT the accounts for the year ended 31 December 2010 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 10 June 2011 to shareholders registered at the close of business on 13 May 2011. An interim dividend of 0.2p was paid in November 2010 making a total dividend payable for the year of 0.6p.
3. As Michael Ross Riddell has been appointed during the period since the last AGM, to confirm his appointment as a Director of the Company.
4. THAT Alan Roy Kentish, who has retired from office by rotation in accordance with article 88 of the Company's Articles of Association, be reappointed as a Director of the Company.
5. As Moore Stephens have been appointed as auditors of the Company during the period, to confirm their appointment and to reappoint them 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 2012.

Special Resolution

1. THAT the Directors of the Company be authorised to issue, free of pre-emption rights, up to a maximum of 60,000,000 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 at the date of the Annual General Meeting.

By order of the Board

.....
Elizabeth A Plummer
Company Secretary

18 Athol Street
 Douglas
 Isle of Man IM1 1JA
 4 April 2011

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 agent of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Rd, Bristol BS99 6ZY 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 2006 (SD No. 743/06), that only those members entered on the register of members as at 10:00 a.m. on 4 May 2011 (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 10:00 a.m. on 4 May 2011 (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.

Company Information

CORPORATE

Directors

Bernard Gallagher FCMA
Non-Executive Chairman

Colin D Porter
Chief Executive Officer

Alan Roy Kentish ACA ACII AIRM
Chief Financial Officer

Matthew Graham Wood ACA
Non-Executive Director

Michael Ross Riddell CA
Non-Executive Director

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Company Secretary
Elizabeth Anne Plummer
FCA TEP CTA

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