STM Group Plc Annual Report and Accounts 2011

STM Group Plc

Annual Report & Accounts

2011

STM Group Plc strives to be the provider of choice for cross-border investors, entrepreneurs and expatriates by offering clear, innovative and impartial financial and commercial solutions which help clients protect and grow their investments.

Revenue of £9.7 million

2010: £10.5 million

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") £0.6 million

2010: £1.7 million

Strong balance sheet with cash of £3.3 million at year end

2010: £3.7 million

Market leading products

The life and pensions business have developed a number of products which will provide a significant contribution to revenue and profits in 2012.

Distribution

The group has made distribution a priority, resulting in a number of agreements reached with established intermediary networks and IFAs resulting in enhanced distribution within the EU and rest of the world.

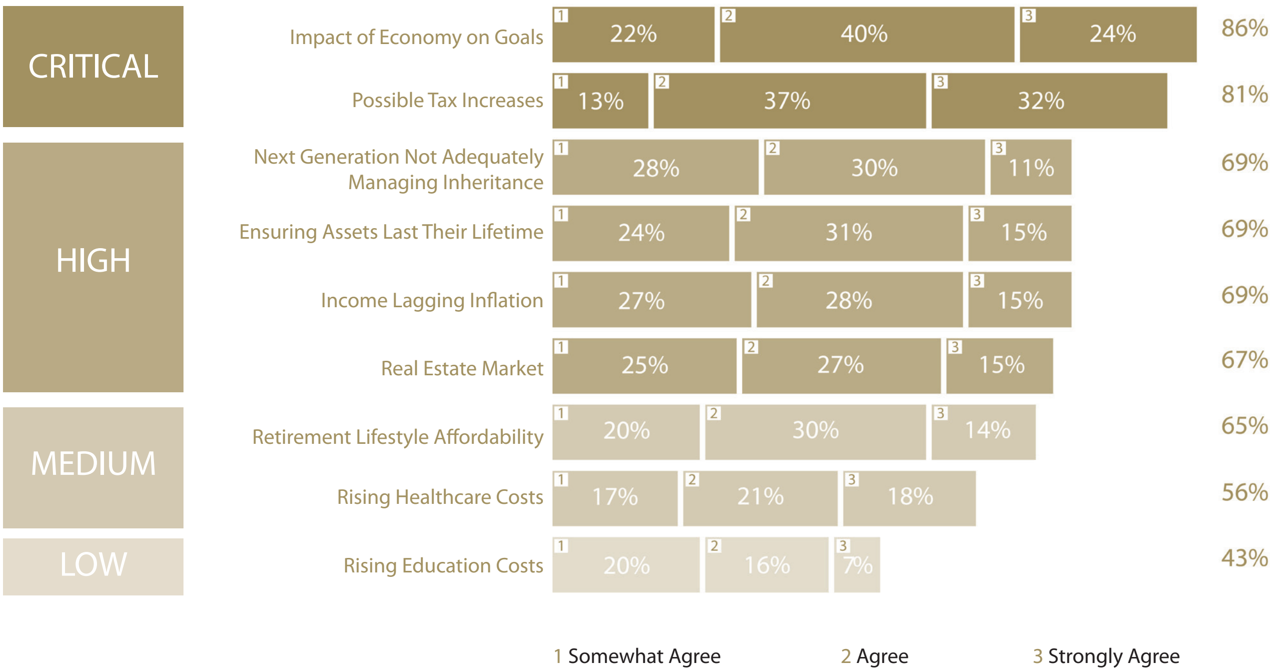
New subsidiary companies performing well

Our new Jersey business unit acquired in 2010 performed strongly and our recently opened Malta office has grown considerably to become a cornerstone for structuring of a number of our pensions products.

Offering solutions to complex post-crisis needs

The financial crisis contributed to a global decline in developed economies, a downturn in international trade, a tightening of credit, and ultimately a decline in consumer wealth. National governments responded with measures to restore growth, but concerns remain amongst clients regarding the effect of the economy on their own financial goals, potential rises in tax, consequent reductions of income and net portfolio returns, and possibly inefficient and costly transfers of assets across jurisdictions. Addressing these concerns, and structuring wealth sensitively is STM Group Plc's priority.

Major Concerns of High Net Worth Clients



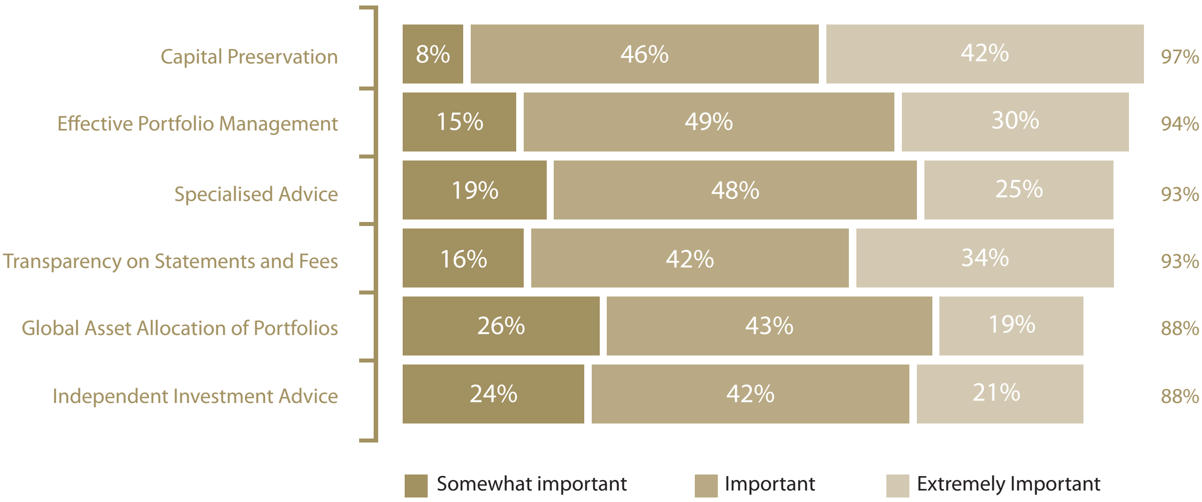
Data taken from the Capgemini-Merrill Lynch World Wealth Report 2011, pages 27 and 28
Note: Percentages may not add up to totals due to rounding.

Gibraltar	Jersey	Malta	Spain
			
Corporate and trustee service providers, insurance management, retirement benefits, life bonds	Corporate and trustee service providers	Wealth protection using tax treaties, corporate and trustee services, pension trustee, insurance management	Legal and tax services for expatriates

STM Group is international with a spread of offices strategically located around Europe

According to the Capgemini-Merrill Lynch World Wealth Report 2011, nearly all HNWIs (97%) say capital preservation is important to them and a large number (42%) say it is extremely important. Similarly, effective portfolio management is deemed important by 94% of HNWIs and extremely important by 30%. The crisis has not only made these needs more acute, it has raised or created the priority for newer issues, including specialised advice (important to 93%) and transparency on statements and fees (93%).

Top Six Priorities of HNW Clients



Data taken from the Capgemini-Merrill Lynch World Wealth Report 2011, pages 27 and 28
Note: Percentages may not add up to totals due to rounding.

Chairman's Statement

"Whilst the outlook for 2012 remains challenging, the business is well positioned to improve upon the 2011 results."

Preserving wealth in changing times

We continue to develop new financial products and services to keep pace with ever-changing financial and fiscal environments. Our independence allows us to remain impartial, offer the best advice and recommend or work closely with the most suitable advisers and service providers to implement tailor-made solutions which will help preserve and protect our clients' wealth.

The Group's life and pensions businesses have developed a number of market leading products which are now beginning to gain the traction required to meet revenue and in turn profit expectations.

Julian Telling
Chairman

It is disappointing that in my first year as Chairman, the Group has experienced such a reduction in profitability compared with 2010. Issues in the Eurozone have been a major contributor to the fall in productivity, particularly in the later part of 2011.

I am pleased to report that our Jersey business, acquired in 2010, remains robust and fully aligned with the Board's expectations.

However, our Gibraltar Corporate and Trustee Services business (CTS) has seen a significant increase in provisions against collectibles. These charges have arisen as a result of a combination of factors all of which have been addressed and therefore should not be repeated in coming years.

In addition, the significant non-cash amortisation cost of the Group's investments in its subsidiaries under IAS 38 has further masked the underlying profitability of the Group.

Historically STM Group Plc has focused on bespoke solutions primarily in the CTS business but the Board recognises that market dynamics have changed dramatically over recent times. To that end the Board has implemented a number of significant changes to its business model. The Group's life and pensions businesses have developed a number of market leading products which are now beginning to gain the traction required to meet revenue and in turn profit expectations.

The Group has placed its strategic emphasis on distribution which is beginning to bear fruit, although the rate at which we see significant increases in revenue and therefore profits remains hard to predict albeit that initial indications are good.

On behalf of the Board I would like to thank my predecessor Bernard Gallagher and former non executive director Matthew Wood for all their efforts over the years. STM Group Plc is a people business and its strength comes from the quality, dedication and professionalism of its management team and staff to whom I offer my sincere thanks on behalf of the Board.

Whilst the outlook for 2012 remains challenging, with a tidier balance sheet together with a significant, already implemented reduction in overhead, the business is well positioned to improve upon the 2011 results.

I look forward to updating the market during 2012 on the progress made in building our distribution channels, increasing revenues and the associated increase in profitability.

Julian Telling
Chairman
10 April 2012

Chief Executive Officer's Review

"We are seeing encouraging trends which support our view that the diversification of the STM business will ultimately be very rewarding."

Preserving wealth in changing times

We understand how important personal service is to our clients from those administering what is often a significant proportion of their assets or business. A dedicated team of professionals will work with each of our clients to understand their needs and objectives and provide a high level of service.

STM Life has started the year reasonably well with uplift in business compared to the latter part of 2011. Pensions, particularly, with the QROPS products and its slowly increasing distribution network, has seen more applications in the last two months than in the whole of 2011.

Colin Porter
Chief Executive Officer

2011 has been a difficult year for STM. Expectations for 2011 were that we would continue to build on the success of 2010 in pursuit of our strategy of creating a product and distribution driven business to complement our traditional professional fees based operation. That was the case for the first half of 2011, however the second half has seen a deterioration of profitability in certain areas and our pensions and life businesses are yet to reach critical mass. In addition, we have taken steps to strengthen our provisions against potentially unrecoverable debtors and work-in-progress as a result of concerns over the economic climate. A further £0.1 million provision was made between our preliminary results announcement and the audited financial statements against accrued income in relation to a specific project in our Spanish office. As a result of the above STM has turned in a disappointing result for the year.

The year has seen revenues of £9.7 million, which is slightly down on the 2010 figure of £10.5 million, however EBITDA before adjustments to carrying value of investments has fallen from £1.7 million in 2010 to £0.6 million in 2011.

It is pleasing to note that the 2010 acquisition of Zenith Trust Company Limited ("Zenith") has performed in line with expectations and has been a solid and predictable contributor to profitability. Additionally, we are seeing encouraging trends in the global product sales and distribution market which support our view that the diversification of the STM business will ultimately be very rewarding.

STM's business model – a changing environment

Currently, the Group's income continues to be mainly derived from fixed and time-based administration fees in relation to the administration services for trusts and companies under management.

Management believes that the significant future growth area for the Group is in its pensions and life assurance ("life wrappers") business, and a key part to this development will be increasing its distribution networks both within the EU and the rest of the world. These product lines are in themselves a differentiating factor as most Corporate and Trustee Service Providers ("CTS") businesses do not have any similar product offerings.

Both STM's pension and life wrapper products are licensed from within EU jurisdictions and this will become a significant benefit in gaining the credibility required to grow these businesses through established intermediary networks.

Operational Overview

Core CTS division

CTS income currently accounts for 75% of the Group's revenue amounting to £7.5 million in 2011 (2010: £7.6 million) and is split evenly between Jersey and Gibraltar.

STM Jersey's revenue amounted to £3.7 million (2010: £3.3 million) and is typically derived from non-domiciled individuals investing into the UK market. This revenue stream has held up well during the year and performed in line with management's expectations. The Board is confident that the Jersey operation, headed by a strong management team, will continue to perform as predicted going into 2012.

Gibraltar's CTS revenue stream has seen a decline in income for 2011 down to £3.8 million, from £4.3 million in 2010. This company's customer base is significantly

Chief Executive Officer's Review

more focussed on the UK expatriate that has moved or invested into the European marketplace, and management has seen a significant downturn in transactional business as a result of the Eurozone crisis. The financial crisis has also resulted in a number of customers challenging the need for their structures given the reduced profitability of their portfolios and business operations. This has had a double impact on the Gibraltar CTS business with both a reduction of chargeable time and a number of clients closing their structures in the second half of 2011.

As a result of the changes in some of our clients' circumstances, management has taken a more conservative approach to the Group's recognition of work-in-progress and decided to significantly increase the provision against bad debts, resulting in a further reduction of £0.2 million in profitability. Management does not expect these charges to be repeated in future years. Additionally, management has taken, and is continuing to take, measures to reduce costs in this area, so as to restore a healthier profit margin in the business.

It remains management's intention over time to reduce reliance on the UK market for generating new clients for its CTS business.

Since its incorporation in 2009, despite various initiatives by management, STM Swiss has struggled to attract new business and has therefore suffered from lack of critical mass. The decision was taken in the latter part of 2011 to retrench STM Swiss to an out-sourced office in Zurich. This will save the Group some £0.4 million in 2012.

STM Pensions

The Board has previously noted the difficulty in forecasting the revenue streams for this business. Frustratingly, the anticipated increase in revenue is yet to be seen however the business has the hallmarks of being a substantial revenue and profit contributor to the Group going forward.

The cross border and pensions transfer market is in its infancy, with STM being seen as a market leader and innovator in this area. This, coupled with the fact that Malta, in which STM has a presence and a number of HMRC-approved pension schemes, is increasingly becoming the jurisdiction of choice for the exporting of a UK, or indeed EU, pension scheme, has resulted in STM starting to build business relationships with some very significant worldwide distribution networks.

STM's pension division has yet to benefit, in revenue terms, from this business development, with the division contributing only £0.6 million of revenue for 2011 across Malta and Gibraltar. However, given the scalability of the traditional Qualifying Recognised Overseas Pension Scheme (QROPS) product, and the recent launch of some new pensions products in Malta and Gibraltar, it is anticipated that 2012 will be the year that STM's pension division changes the revenue mix of the STM Group.

STM Life

Generation of linked long term policies (Life Bonds) from the UK market remains slow, and further initiatives to strengthen IFA distribution have been undertaken in the latter part of 2011 and into 2012. In addition, STM Life recently started offering the UK market an alternative pension product aimed at the High Net Worth Individual, which, it is believed, will derive an alternative revenue stream for STM Life from the UK market.

On the positive side, STM Life is now receiving regular business from Sweden and Norway, and is dealing with a number of enquiries from other EU member states. Whilst it is very early days, it does demonstrate the pan-European nature of STM Life's products.

Other trading divisions and new initiatives

Trading in the other divisions, being insurance management, advisory and the Spanish office remain broadly in line with management's expectations, and contributed circa £1.5 million during 2011 (2010: £1.5 million). A further £0.1 million provision was made between our preliminary results announcement and the audited financial statements against accrued income in relation to a specific project in our Spanish office. Management is confident that these divisions will make a comparable contribution to next year's performance.

Financial position

The second half performance in 2011, coupled with the increase in the provisions has had an unprecedented detrimental impact on the 2011 underlying profit.

For the year to 31 December 2011, the Group recorded turnover of £9.7 million (2010: £10.5 million) and an EBITDA before adjustments to carrying value of investments of £0.6 million (2010: £1.7 million).

As noted above, the Gibraltar CTS business saw a reduction of some £0.5 million of revenue, and administrative expense costs have increased by £0.2 million due to management's decision to increase one-off provisions against debtors and work-in-progress. These are the primary differentiators in the overall Group's EBITDA result between the two years.

The depreciation and amortisation charge, a non cash expense to the income statement, has increased from £0.2 million in 2010 to £0.8 million for 2011. The increase relates to the adoption of IAS 38 which requires the identification and valuation of intangible assets as part of an acquisition to be written off over their deemed useful economic life, rather than performing an impairment review. Such amortisation costs have resulted in an additional charge of £0.5 million. This non-cash charge will continue to occur on acquisitions post 1 January 2010 for the remainder of their deemed economic life.

Interest and financing costs have increased to £0.4 million (2010: £0.2 million) as a result of the full year costs of the convertible loan note.

STM's taxation charge for the year was on budget at £0.1 million (2010: £0.2 million).

In line with all CTS businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at the balance sheet date of £2.9 million (2010: £3.1 million). This also provides some immediate visibility of billable fees in the early part of 2012.

2011 has seen a number of initiatives in relation to reducing the Group's debtor days and overall trade debt; these initiatives will continue during 2012. Trade receivables as at 31 December 2011 amounted to £3.4 million, down from £4.0 million as at 31 December 2010. Deferred income, representing fees billed in advance, yet to be credited to the statement of total comprehensive income were more or less comparable year on year at £0.7 million (2010: £0.9 million) reflecting the loss of a small number of clients during the course of the year. STM Jersey's fixed fees are billed annually in advance in January which will result in a significant cash influx during early 2012. The Group ended the year with cash of £3.3 million (2010: £3.7 million), having paid out further consideration on acquisitions amounting to £0.7 million and bank loan repayments of £0.6 million. In addition, dividends relating to the final 2010 declaration of £0.18 million were paid during 2011.

Group financing

At 31 December 2011, the Group had bank borrowings of £1.97 million (2010: £2.6 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 addition to bank financing, there remains Convertible Loan Notes ("CLN") to the value of £3.5 million. There was an option for 50% of the CLN to be converted into new ordinary shares in STM at the holders' discretion at a price of 33 pence per share in March 2012. No loan notes were converted to equity, nor redeemed at that date and therefore the CLN will run to term and be repayable in March 2014.

Board changes during the year

During the year, Julian Telling was appointed Chairman of the Board of STM, replacing Bernard Gallagher who retired after four years. Julian's connections in the Financial Services industry are starting to bring benefits to the Group, and our expectations are that this will continue to build our distribution both in the UK and elsewhere around the world. In addition, during 2011, Matthew Wood resigned as a non-executive director to follow other business opportunities.

Dividends

In recognition of the difficult 2011 year for the Group, the Board recommends that no final dividend be paid for the year ended 31 December 2011 (2010: 0.4 pence per share). It is the Board's intention to review the policy of dividend payments during 2012 and, dependent on the Group's performance, will seek to return to a progressive and formulated dividend policy as soon as it is prudent to do so.

Executive long term incentive plan

The Board has agreed a long term incentive plan for 2012 and 2013 with the executive directors based on certain targets being achieved in the next two financial years. Target hurdles relate to a fully diluted earnings per share target of 4 pence per share for 2012, and 8 pence for 2013, and an average three month share price target of between 40 pence to 80 pence. The maximum share allocation to the two executive directors is 1.3 million shares per director.

Current trading and outlook

Measures have been taken during the latter part of 2011 to reduce headcount, particularly in Gibraltar which has seen a reduced level of chargeable time in its CTS business, which will in turn increase profitability in this business unit. Whilst the Eurozone crisis and potential double-dip recession remain such a concern for our client base, we can expect the level of transactional activities to be suppressed, and this has been factored into 2012 management expectations for the CTS business. In this regard, 2012 CTS activity has started in a similar manner to the close of 2011 but with fewer costs associated with servicing this business. The Group believes that the 2011 increase in provisions across debtors and work-in-progress was a one-off and will not be repeated in 2012.

On the positive side, both our pensions division and STM Life have started the year reasonably well with uplift in business compared to the latter part of 2011. Pensions, particularly, with the Qualifying Recognised Overseas Pensions Scheme products and its slowly increasing distribution network, has seen more applications in the last two months than in the whole of 2011. In addition, the scaling down of STM Swiss will be complete by March 2012, further saving Group resources and management time. The successful cash generation in the period and the subsequent reduction in debt is a credit to the management team and a trend which we expect to continue. This achievement is particularly notable given the broader economic environment.

Enhanced profitability in 2012 will only come about as a result of STM continuing to grow its distribution network across the various intermediary introducers. This is a key area of focus for management, with the additional financial resources intended to accelerate distribution sign-up.

The Board is aware that 2012 will be a very important year in delivering a new look STM, in which both STM Life and the STM Pensions divisions start to fulfill the revenue potential of which management know their product range is capable. We look forward to updating the market on the Group's progress.

Colin Porter
Chief Executive Officer
10 April 2012

Director's Report

The Directors of STM Group plc present their Report for the year to 31 December 2011 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 17 May 2012.

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 loss for the year of £429,000 (31 December 2010: Profit after dividends £1,047,000) has been transferred to reserves.

The Board recommends that no dividends be paid for the year ended 31 December 2011 (31 December 2010: 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: Bernard Gallagher (Resigned 9 May 2011), Alan Roy Kentish, Colin Douglas Porter Michael Ross Riddell, Julian Philip Telling (Appointed 9 May 2011), Matthew Graham Wood (Resigned 26 September 2011).

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 537,613 ordinary shares.

Julian Telling has an interest in 85,000 ordinary shares.

Julian Philip Telling 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.

All remaining directors offer themselves for re-election.

Political and charitable donations
The Group's charitable donations for the period amounted to £5,101 (31 December 2010:Nil). 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 29 March 2012 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 29 March 2012 %
Hearth Investments Limited	17.65
Southern Rock Insurance Company Limited, Rock Holdings Limited, Arron Banks and Paul Chase-Gardener	13.31
SBS Nominees Limited	7.96
Nightingale Equities Inc	6.77
Clifton Participation Inc	6.68
KAS Bank NV	6.03
Bernard Nominees Limited	4.45
Quest Traders Limited	3.19

Independent auditors
KPMG Audit LLC were appointed as auditors to the company during the year and being eligible, have expressed their willingness to continue in office. A resolution to re-appoint KPMG Audit LLC as independent auditors of the Company will be proposed at the Annual General Meeting.

Annual General Meeting
The Notice of the Annual General Meeting to be held on 17 May 2012 is set out on page 39.

By order of the Board

Elizabeth A Plummer
Company Secretary
18 Athol Street
Douglas
Isle of Man IM1 1JA
10 April 2012

Board of Directors




Clockwise from top left:
Colin Douglas Porter
Alan Roy Kentish
Michael Ross Riddell
Julian Philip Telling

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 managers in Gibraltar.

Non-Executive Directors

Julian Philip Telling
Non-Executive Chairman

Following a brief spell in the Fleet Air Arm of the Royal Navy, Julian trained for a career in retail financial services. In 1983 he established Falcon Group, which grew into one of the largest independent financial services groups in the UK. After being admitted to AIM in 2005 under the name Sumus plc, the business merged with Lighthouse plc in 2008 and Julian chose to leave to pursue other ventures. He now holds various directorships in both public and private companies, as well as a variety of pro bono positions. He is this year's president of the Grateful Society, one of Bristol's oldest charities.

Julian also has a professional pilot's licence and flies part-time for a small airline as well as acting as a CAA examiner.

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 GreystoneTrust 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.

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. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Director's Remuneration Report

Directors' Remuneration Report

Director	Remuneration	Notes
Executive Directors		
Alan Kentish	£130,000	a,b
Colin Porter	£130,000	a,b
Non-Executive Directors		
Bernard Gallagher	£10,000	c
Julian Telling	£25,853	
Matthew Wood	£40,000	b,d
Michael Riddell	£12,000	b,e

Notes

a. The Executive Directors are also each entitled to a bonus of £nil as at 31 December 2011.
b. No Directors received any benefits in the form of either pension contributions or share based incentives.
c. Bernard Gallagher opted to take the majority of his remuneration in the form of new shares in STM.
d. ABT Associates Consulting Limited invoices the Company for the Director services provided by Matthew Wood.
e. Greystone Trust Company Limited invoices the Company for the Director services provided by Michael Riddell.

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 Michael Riddell, as the Chairman, and Julian Telling, and the remuneration committee comprises Julian Telling, as the Chairman, and Michael Riddell.

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

The terms of reference for the remuneration committee provide that it will review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the Board. No director may participate in any meeting at which discussion or decision regarding his own remuneration takes place. The remuneration committee will also administer the long term incentive plan ('LTIP') awards and set any performance criteria thereunder.

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

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

Report of the Independent Auditors, KPMG Audit LLC, to the members of STM Group PLC

We have audited the financial statements of STM Group PLC for the year ended 31 December 2011 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows and the Group Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the Directors are responsible for the preparation of financial statements that 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 Board's (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 the financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

10 April 2012

Consolidated Statement of Comprehensive Income

For the year from 1 January 2011 to 31 December 2011

	Notes	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Revenue	8	9,729	10,454
Administrative expenses	10	(9,101)	(8,778)
Profit before other items		628	1,676
Other items			
Finance Costs		(361)	(211)
Depreciation and amortisation		(765)	(157)
Adjustments to carrying value of investments		88	131
(Loss)/profit before taxation		(410)	1,439
Taxation	12	10	(192)
(Loss)/profit after taxation		(400)	1,247
Other comprehensive income			
Foreign currency translation differences for foreign operations		(29)	57
Total comprehensive (loss)/profit for the year		(429)	1,304
Earnings per share basic (pence)	18	(0.93)	2.90
Earnings per share diluted (pence)	18	(0.93)	2.59

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

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 £000	31 December 2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,480	1,460
Intangible assets	14	21,109	21,812
Other investments		64	54
Total non-current assets		22,653	23,326
Current assets			
Accrued income		2,918	3,052
Trade and other receivables	15	4,924	5,688
Cash and cash equivalents	16	3,307	3,696
Total current assets		11,149	12,436
Total assets		33,802	35,762
EQUITY			
Called up share capital	17	43	43
Share premium account	17	19,051	19,043
Reserves		4,842	5,471
Total equity attributable to equity shareholders		23,936	24,557
LIABILITIES			
Current liabilities			
Liabilities for current tax		338	494
Trade and other payables	19	5,273	5,559
Total current liabilities		5,611	6,053
Non current liabilities			
Other payables	20	4,255	5,152
Total non-current liabilities		4,255	5,152
Total liabilities and equity		33,802	35,762

CD Porter
Chief Executive Officer

AR Kentish
Chief Financial Officer

10 April 2012

Company Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 £000	31 December 2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,093	1,003
Investments in subsidiaries	7	16,052	20,956
Intangible assets	14	4,382	—
Total non-current assets		21,527	21,959
Current assets			
Accrued income		25	25
Trade and other receivables	15	6,571	8,371
Cash and cash equivalents	16	2	101
Total current assets		6,598	8,497
Total assets		28,125	30,456
EQUITY			
Called up share capital	17	43	43
Share premium account	17	19,051	19,043
Reserves		(910)	249
Total equity attributable to equity shareholders		18,184	19,335
LIABILITIES			
Current liabilities			
Trade and other payables	19	5,581	6,328
Total current liabilities		5,581	6,328
Non-current liabilities			
Other payables	20	4,360	4,793
Total non-current liabilities		4,360	4,793
Total liabilities and equity		28,125	30,456

CD Porter
Chief Executive Officer

AR Kentish
Chief Financial Officer

10 April 2012

Consolidated Statement of Cash Flows

For the year from 1 January 2011 to 31 December 2011

	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Reconciliation of profit to net cash flow from operating activities		
(Loss)/profit for the year before tax	(410)	1,439
Adjustments for:		
Loss on sale of assets	—	3
Depreciation and amortisation	765	157
Shares issued for services performed	8	40
Adjustments to investments	(88)	(439)
Taxation paid	(148)	(19)
Decrease/(increase) in trade and other receivables	764	(103)
Decrease/(increase) in accrued income	134	(375)
Increase/(decrease) in trade and other payables	358	(590)
Net cash from operating activities	1,383	113
Investing activities		
Acquisition of property, plant and equipment	(240)	(282)
Acquisition of investments – cash consideration	(656)	(3,759)
Cash acquired as part of acquisitions	—	587
Net cash used in investing activities	(896)	(3,454)
Cash flows from financing activities		
Bank loan (repayments) / advance	(647)	1,326
Cash consideration from convertible bond issued	—	2,200
Dividend paid	(172)	(257)
Net cash from financing activities	(819)	3,269
Decrease in cash and cash equivalents	(332)	(72)
Reconciliation of net cash flow to movement in net funds		
Analysis of cash and cash equivalents during the year		
Decrease in cash and cash equivalents	(332)	(72)
Translation of foreign operations	(57)	–
Balance at start of year	3,696	3,768
Balance at end of year	3,307	3,696

Statement of Consolidated Changes in Equity

For the year from 1 January 2011 to 31 December 2011

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
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
Balance at 1 January 2011	43	19,043	5,667	(144)	(52)	24,557
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Loss for the year	—	—	(400)	—	—	(400)
Other comprehensive income						
Foreign currency translation differences	—	—	(29)	—	—	(29)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	8	—	—	—	8
Dividend paid	—	—	(172)	—	—	(172)
Exchange loss on equity	—	—	—	—	(28)	(28)
At 31 December 2011	43	19,051	5,066	(144)	(80)	23,936

Statement of Company Changes in Equity

For the year from 1 January 2011 to 31 December 2011

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
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
Balance at 1 January 2011	43	19,043	249	19,335
Loss for the year	—	—	(987)	(987)
Shares issued in year	—	8	—	8
Dividend paid	—	—	(172)	(172)
31 December 2011	43	19,051	(910)	18,184

During the year the Company paid a dividend of 0.4 pence per share proposed at last year's annual general meeting.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

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 2011 comprise the Company and its subsidiaries (see note 25) (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in financial services.

2. BASIS OF PREPARATION

The financial information has been prepared on the basis of the accounting policies set out in note 3.

(a) Statement of compliance

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

(b) Functional and presentation 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 for impairment
- 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 of comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at exchange rates at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Revenue

Revenue is derived from the provision of services and is recognised in the statement of comprehensive income 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 statement of comprehensive income 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	10% / 25%
Motor vehicles	25%
Leasehold improvements	Over the life of the leases

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

(f) Financial instruments

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

(i) Loans and receivables

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

(ii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost.

The Group's convertible loan has been recorded as a liability as the option to redeem or convert to equity was not taken up and therefore those will run to term.

(iii) 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 statement of comprehensive income. Investments are reviewed for impairment at each year end.

(iv) Cash and cash equivalents

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

(v) Share capital

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

Treasury shares are those shares purchased by the STM Group Employee Benefit Trust ("EBT") for distribution to executives under the Long Term Incentive Plan arrangements, which have yet to be allotted to specific employees.

(g) Operating leases

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

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES continued

(h) Finance Leases

Assets held under finance leases are capitalised at their initial cost. Rentals are set against accounts payable on a straight line basis.

(i) 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.

(j) 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.

(k) 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.

(l) Intangible assets

(i) 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.

(ii) Client Portfolio

Client Portfolio acquired in a business combination is carried at cost less accumulated amortisation and any accumulated impairment losses. This is amortised on a straight-line basis over an estimated useful life which is assessed to be nine years.

(m) 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 statement of comprehensive income.

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 statement of comprehensive income.

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.

3. SIGNIFICANT ACCOUNTING POLICIES continued

(n) Interest Rate Swap

The Group has an interest rate swap in order to manage the interest rate associated with one of the Group's bank loans. Whilst this is a derivative liability the cost of this is not significant and consequently it is included within other financial liabilities. In accordance with its treasury policy the Group does not enter into derivatives for speculative purposes.

(o) Earnings per share

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

(p) Deferred income

Deferred income relates to the element of fixed fee income that has been billed in advance which has not been earned as at the balance sheet date and is released over the period to which it relates.

(q) 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.

(r) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

(s) New standards and interpretations

The following new standards and interpretations are mandatory for the first time this year; however, following consideration and review they are believed to either not be relevant to the Group or do not have a significant impact on the Group's financial statements apart from additional disclosures:

- IFRS 1 "First-time adoption of International Financial Reporting Standards"
- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 "Presentation of Financial Statements"
- IAS 24 "Related party Disclosures"
- IAS 34 "Interim Financial Reporting"

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, 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

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.

The fair value of the client portfolio acquired is based on the carrying value 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.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

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 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. A further detail 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 objective 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. This is mitigated by the fact that assets and liabilities held by STM Nummos are in its functional currency of euros (€).

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

(f) Capital management

The Board's policy is to maintain a strong capital base, which is defined as share capital and retained earnings, so as to maintain investor, creditor and market confidence and to sustain future development of the business. This also allows the Group to continue on its stated "buy and build" strategy. The Group has complied with all Regulatory capital requirements.

6. SEGMENTAL INFORMATION

STM Group has five reportable segments: Corporate Trustee Services ("CTS") in Gibraltar, CTS in Jersey, Insurance Management, Start-up operations and Other Services. Each segment is defined as a set of business activities generating a revenue stream and offering different services to other operating segments. The Group's operating segments have been determined based on the management information reviewed by the CEO and board of directors.

The Board assess the performance of the operating segments based on turnover generated. The costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these are based on utilisation of arbitrary proportions. Management believe that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

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:

	Turnover	
Operating Segment	2011 £000	2010 £000
CTS – Gibraltar	3,770	4,576
CTS – Jersey	3,705	3,271
Insurance Management	649	799
Start-up operations	—	249
Other Services	1,653	1,542
Total segment information	9,777	10,437
Unallocated income	(48)	17
	9,729	10,454

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

	Turnover	
Operating Segment	2011 £000	2010 £000
Gibraltar	4,910	6,070
International	4,867	4,367
Total segment information	9,777	10,437

7. INVESTMENTS IN SUBSIDIARIES

Acquisitions by the Company	31 December 2011 £000	31 December 2010 £000
Shares in group undertakings		
Balance at start of year	20,956	15,231
Reallocations and adjustments to goodwill	(4,949)	—
Acquisitions	45	5,725
Balance at end of year	16,052	20,956

During the year the prior years acquisitions were reassessed resulting in the reallocation of intangible assets of £4,927,000 (note 14) and adjustments to the cost of investments and goodwill of £22,000.

STM Malta Insurance Management Limited
During the year, this company was incorporated and was successfully awarded its insurance management licence by the Malta Financial Services Authority. It has an ordinary share equity of £45,000.

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.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

8. REVENUE

	31 December 2011 £000	31 December 2010 £000
Revenue from administration of assets	9,729	10,454
Total revenues	9,729	10,454

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 £9,829,000 there is an amount of £121,000 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 2011 £000	Year ended 31 December 2010 £000
Gross premiums written	15,653	5,920
Policy withdrawals	(964)	(107)
Net operating expenses	(126)	(53)
Increase in linked long term reserves	(14,403)	(5,730)
Surplus on long term fund	160	30

Assets held to cover linked liabilities	31 December 2011 £000	31 December 2010 £000
Open Market Value	20,142	5,739
Cost	20,879	5,933

Technical provision for linked liabilities	31 December 2011 £000	31 December 2010 £000
Balance at start of year	5,739	9
Change in technical provision for linked liabilities	14,403	5,730
Balance at end of year	20,142	5,739

10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2011 £000	31 December 2010 £000
Wages and salaries	5,148	4,281
Social insurance costs	302	338
Pension contributions	85	87
Equity settled share based payments	8	40
Total personnel expenses	5,543	4,746

10. ADMINISTRATIVE EXPENSES continued

Average number of employees

GROUP	31 December 2011 £000	31 December 2010 £000
Average number of people employed (including executive directors)	129	125

Company

The average number of staff employed by the company during the year including directors was 15 (2010:- 12)

11. PROFIT BEFORE OTHER ITEMS

Profit before other terms of £628,000 (31 December 2010 £1,676,000), was arrived at after charging the following to the income statement:

	31 December 2011 £000	31 December 2010 £000
Directors' remuneration	348	390
Auditors' remuneration	113	103
Loss on sale of assets	—	3
Shares issued for services rendered	8	40
Operating lease rentals	514	514

12. TAXATION

	31 December 2011 £000	31 December 2010 £000
Current tax expense	159	192
Release from prior years	(169)	—
Total tax expense	(10)	192

Reconciliation of existing tax rate	Tax rate	31 December 2011 £000	Tax rate	31 December 2011 £000
(Loss)/profit for the year		(410)		1,247
Total income tax expense		(10)		192
(Loss)/profit excluding income tax		(400)		1,439
Income tax using the company's domestic rate	0%	—	0%	—
Effect of tax rates in other jurisdictions	10%	138	10%	106
Effect of tax rates in other jurisdictions	22%	21	22%	86
Total tax expense		159		192

During the year the Group has released the provision for taxation on subsidiaries which were previously tax exempt.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT

Group	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
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
As at 1 January 2011	12	1,091	857	1,960
Additions at cost	—	228	12	240
As at 31 December 2011	12	1,319	869	2,200
Depreciation				
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 1 January 2011	7	313	180	500
Charge for the year	2	104	114	220
As at 31 December 2011	9	417	294	720
Net Book Value				
As at 31 December 2011	3	902	575	1,480
As at 31 December 2010	5	778	677	1,460

Company	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs			
As at 1 January 2010	300	551	851
Additions at cost	148	4	152
As at 31 December 2010	448	555	1,003
As at 1 January 2011	448	555	1,003
Additions at cost	191	12	203
As at 31 December 2011	639	567	1,206
Depreciation			
As at 1 January 2010	—	—	—
Charge for the year	—	—	—
As at 31 December 2010	—	—	—
As at 1 January 2011	—	—	—
Charge for the year	32	81	113
As at 31 December 2011	32	81	113
Net book value			
As at 31 December 2011	607	486	1,093
As at 31 December 2010	448	555	1,003

14. INTANGIBLE ASSETS

Group	Goodwill £000	Client Portfolio £000	Total £000
Costs			
Balance as at 1 January 2010	16,886	—	16,886
Acquisitions through business combinations	4,926	—	4,926
Balance at 31 December 2010	21,812	—	21,812
Balance as at 1 January 2011	21,812	—	21,812
Reallocations	(4,927)	4,927	—
Adjustment to carrying value of investments	(158)	—	(158)
Balance at 31 December 2011	16,727	4,927	21,654
Amortisation and impairment			
Balance as at 1 January 2010	—	—	—
Charge for the year	—	—	—
Balance at 31 December 2010	—	—	—
Balance as at 1 January 2011	—	—	—
Charge for the year	—	545	545
Balance at 31 December 2011	—	545	545
Carrying amounts			
At 1 January 2010	16,886	—	16,886
At 31 December 2010	21,812	—	21,812
At 1 January 2011	21,812	—	21,812
At 31 December 2011	16,727	4,382	21,109

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 2011, and reflects the difference between identifiable net asset value of those acquisitions and total consideration incurred for those acquisitions.

Goodwill is allocated to the Group's operating entities and consequently to the generating units comprising these acquired businesses. However, as subsequent to the acquisitions the acquired businesses have been integrated and are managed on a unified basis it is more appropriate to allocate goodwill to three cash-generating units ("CGU") for the purposes of impairment testing, being the Fidecs Group with a carrying value of £15,380,000; the Nummos Group with a carrying value of £470,000 and the Fiduciaire Group with a carrying value of £980,000.

The Group tests goodwill annually for impairment with the recoverable amount being determined from value in use calculations which are based on board approved cash flow projections. A pre-tax discount rate of 6% has been used in discounting the projected cash flows. The valuations indicate sufficient headroom such that a reasonable potential change to key assumptions is unlikely to result in an impairment of the related goodwill.

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

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

14. INTANGIBLE ASSETS continued

Company	Client Portfolio £000
Costs	
Balance as at 1 January 2011	—
Reallocations	4,927
Adjustment to carrying value of investments	—
Balance at 31 December 2011	4,927
Amortisation and impairment	
Balance as at 1 January 2011	—
Charge for the year	545
Balance at 31 December 2011	545
Carrying amounts	
At 1 January 2011	—
At 31 December 2011	4,382

Client portfolio represents the value assigned to the individual client portfolio acquired through the acquisition of Zenith Trust Company Limited and is amortised on a straight line basis over an estimated useful life of 9 years. This was previously classified as goodwill.

15. TRADE AND OTHER RECEIVABLES

Group	31 December 2011 £000	31 December 2010 £000
Trade receivables	3,320	4,049
Other receivables	1,604	1,639
Total	4,924	5,688

Company	31 December 2011 £000	31 December 2010 £000
Trade receivables due from related parties	6,360	8,042
Other receivables	211	329
Total	6,571	8,371

Within the Group's other receivables is a balance of £447,000 which has been personally guaranteed by Alan Kentish.

Amounts due from related parties are unsecured, interest free and repayable on demand, except for receivables from STM Swiss AG amounting to £1,057,000 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 2011 £000	31 December 2010 £000
Bank balances	3,307	3,696
Cash and cash equivalents in the statement of cash flow	3,307	3,696

Company	31 December 2011 £000	31 December 2010 £000
Bank balances	2	101
Cash and cash equivalents in the statement of cash flow	2	101

17. CAPITAL AND RESERVES

	31 December 2011 £000	31 December 2010 £000
Authorised, called up, issued and fully paid		
43,061,649 ordinary shares of £0.001 each (1 January 2011: 43,026,602 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 shares (1 January 2011: 323,555) at 31 December 2011, amounting to £205,000 (1 January 2011: £205,000).

Share premium
During the year 35,047 (2010:- 133,981) shares were issued for a total share premium of £7,465 (2010:- £32,366). During 2011, transaction costs of £nil (2010:- £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 2011 £000	31 December 2010 £000
0.4 pence per qualifying ordinary share (2010: 0.6 pence)	172	257

18. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2011 to 31 December 2011 is based on the loss after taxation of £400,000 (2010:- profit £1,247,000) divided by the weighted average number of £0.001 ordinary shares during the year of 43,060,977 basic (2010:- 42,976,168) and 48,288,250 dilutive (2010:- 48,203,441) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2011 is:

Weighted average number of shares	43,060,977
Dilutive share incentive plan, options and contingent consideration shares	5,227,273
Diluted	48,288,250

The dilutive shares have not been used to calculate the diluted earnings per share as they were anti-dilutive.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

19. TRADE AND OTHER PAYABLES

Group	31 December 2011 £000	31 December 2010 £000
Bank loans (see note 20)	912	912
Bank overdraft	250	—
Loans from related parties	94	105
Deferred income	667	866
Trade payables	490	358
Deferred and contingent consideration	700	1,553
Other creditors and accruals	2,160	1,765
	5,273	5,559

Company	31 December 2011 £000	31 December 2010 £000
Bank loans	438	438
Bank overdraft	250	—
Owed to related parties	3,483	4,053
Deferred Consideration	608	1,462
Other creditors and accruals	802	375
	5,581	6,328

Loans from related parties amount to £94,000 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 £667,000 as at 31 December 2011 (31 December 2010: £866,000).

As at 31 December 2011 the Company had a bank overdraft with NatWest Bank Plc of £250,000 at interest of 4% per annum and is secured by capital guarantees supplied by subsidiary companies.

Deferred and contingent consideration

Under the terms of the acquisition of STM Nummos SL a further £76,000 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 £624,000 is payable during 2012.

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 2011 £000	31 December 2010 £000
Bank loan – repayable between year 2 and year 5	805	1,702
Convertible loan notes	3,450	3,450
	4,255	5,152

Company	31 December 2011 £000	31 December 2010 £000
Bank loan – repayable between year 2 and year 5	910	1,343
Convertible loan notes	3,450	3,450
	4,360	4,793

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

As at 31 December 2011 the Group had three bank loans from NatWest Bank Plc amounting to £1.7 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 an interest rate swap. This swap is fixed at an interest rate of 1.78% per annum and is attached to a bank loan with a balance at 31 December 2011 of £1.2 million. The floating rate is currently in the region of 1% per annum and therefore whilst the swap is a derivative liability the cost is not significant and therefore not disclosed separately.

In addition the Company has £3.5 million of convertible loan notes ("loan notes"). 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"). Subsequent to year end, no loan notes were converted to equity, nor redeemed at that date, and therefore the loan notes will run to term. The Loan Notes are secured against all the assets of the Group.

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 December2011 £000	31 December 2010 £000
Trade and other receivables	4,924	5,688
Cash and cash equivalents	3,307	3,696
	8,231	9,384

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 2011 and 31 December 2010.

The credit risk of monies at bank is the net carrying amount of all the Group's deposits, the majority of which are held at NatWest Bank Plc.

Impairment losses on trade receivables

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

	Gross receivables 31 December 2011 £000	Impairment 31 December 2011 £000	Gross receivables 31 December 2010 £000	Impairment 31 December 2010 £000
Not past due	462	—	1,384	—
past due 0–30 days	317	—	294	—
past due 31–120 days	104	—	237	—
More than 120 days past due	2,956	(519)	2,673	(539)
	3,839	(519)	4,588	(539)

Standard credit terms vary between presentation of the fee note and 30 days from the date of the fee note.

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

	31 December 2011 £000	31 December 2010 £000
Balance at start of period	539	212
Impairment loss (released) / recognised	(20)	327
Balance at end of period	519	539

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

21. FINANCIAL INSTRUMENTS continued

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 2011	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	1,717	1,717	456	456	805
Bank overdraft	250	250	250	—	—
Trade payables	490	490	490	—	—
Deferred consideration on acquisitions	700	700	—	700	—
Loans from related parties	94	94	94	—	—
Other creditors and accruals	2,160	2,160	2,160	—	—
Corporation tax payable	338	338	338	—	—
	5,749	5,749	3,788	1,156	805

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

Currency risk

The Group has a small exposure to currency risk in its investment in STM Nummos. However, as all assets and liabilities are in the company's functional currency of Euros (€) this risk is minimal.

Interest rate risk and market risk

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

22. LEASES

Operating Leases

Non-cancellable operating leases are payable as follows:

	31 December 2011 £000	31 December 2010 £000
Less than one year	514	514
Between one year and five years	1,893	1,974
More than five years	2,144	2,577
	4,551	5,065

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 12 years.

22. LEASES continued

Finance Leases

Non-cancellable finance leases are payable as follows:

	31 December 2011 £000	31 December 2010 £000
Less than one year	6	6
Between one year and five years	18	24
More than five years	—	—
	24	30

23. RELATED PARTIES

Transactions with key management personnel and Directors

Compensation

Key management compensation comprised:

	31 December 2011 £000	31 December 2010 £000
Short-term employee benefits	348	390
Post-employment benefits	—	—
Share-based payments	—	—
	348	390

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 2011.

Other related party transactions

As more fully explained in note 19, a loan of £94,000 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 a Director of the Company. Rental costs of such premises are £285,000 per annum of which £nil was outstanding at 31 December 2011. 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 £5,400 for the period to 31 December 2011, of which £nil was outstanding at 31 December 2011.

The Group provides services to subsidiaries of Rock Holdings Limited, a shareholder of the Company. These services amounted to £150,000 during the period, of which £12,500 was outstanding at 31 December 2011.

Greystone Trust Company Limited, of which Michael Riddell is a director, charged the Company £21,500 for services rendered during 2011, of which £13,600 was outstanding at 31 December 2011.

ABT Associates Consulting Limited, of which Matthew Wood is a shareholder, charged the Company £40,000 for services rendered during 2011, of which £10.000 was outstanding at 31 December 2011.

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.

Ready Finance Ltd and Bespoke Finance Ltd, companies related to the Group by virtue of the fact that Alan Kentish is a director of both owe the Group a combined balance of £474,356 at 31 December 2011.

Notes to the Financial Statements

For the year from 1 January 2011 to 31 December 2011

24. 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.

The executive will receive the shares on the first day of dealing after the end of the two year employment condition. For 2011, relating to the 2011 performance, no shares (2010: nil) were appointed to specific individuals.

25. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2011 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

		Ownership interest		
Group	Country of incorporation	31 December 2011	31 December 2010	Activity
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	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	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% indirectly	Administration of clients' assets
Zenith Trust Company Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos Limited	England	100% directly	100% directly	Holding company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of client assets
STM Malta Limited	Malta	100% directly	100% directly	Holding company
STM Malta Trust and Company Management Limited	Malta	100% indirectly	100% indirectly	Administration of client assets
STM Malta Insurance Management Limited	Malta	100% indirectly	–	Administration of client assets

26. SUBSEQUENT EVENTS

On 4 April 2012 the Company issued 8,960,000 new ordinary shares of 0.1 pence each based on a value of 17.5 pence per ordinary share giving a total consideration of £1,568,000.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 17 May 2012 at 11am 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 2011 and the reports of the Directors and auditors thereon be received.

2. As Julian Philip Telling has been appointed during the period since the last AGM, to confirm his appointment as a Director of the Company.

3. THAT Colin Douglas Porter, 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.

4. THAT Alan Roy Kentish and Michael Ross Riddell be reappointed as Directors of the Company.

5. As KPMG Audit LLC 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 2013.

6. THAT the authority granted to the Directors pursuant to article 7.5 of the Company's Articles of Association, to allot and issue for cash Ordinary Shares with an aggregate nominal value of not more than 25 per cent of the aggregate nominal value of the share capital of the Company in issue as at 7 May 2010, be renewed and continue until the end of the annual general meeting of the Company in 2013.

By order of the Board

....

Elizabeth A Plummer
Company Secretary

18 Athol Street
Douglas
Isle of Man IM1 1JA
10 April 2012

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 am on 15 May 2012 (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 10:00am on 15 May 2012 (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

Julian P. Telling
Non-Executive Chairman

Colin D. Porter
Chief Executive Officer

Alan Roy Kentish ACA ACII AIRM
Chief Financial Officer

Michael Ross Riddell CA
Non-Executive Director

Registered Office

18 Athol Street
Douglas
Isle of Man IM1 1JA

T +44 (0)1624 626 242

Company Number
005398V

Company Secretary
Elizabeth Anne Plummer
FCA TEP CTA

Advisers

Registered Agent
Greystone Trust
Company Limited
18 Athol Street Douglas
Isle of Man IM1 1JA

Nominated Adviser and Broker
FinnCap
60 New Broad Street
London EC2M 1JJ

Solicitors to the Company as to English law
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Solicitors to the Company as to Isle of Man law
Appleby's
– Advocates & Notaries 33
Athol Street, Douglas, Isle of
Man IM1 1LB

Auditors
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

Registrars and CREST Service Provider
Computershare Investor
Services (Jersey) Limited
Queensway House Hil-
grove Street St Helier
Jersey JE1 1ES

OFFICES

Gibraltar

STM Fidecs
Montagu Pavilion
8 – 10 Queensway
Gibraltar

T (+350) 200 42686
F (+350) 200 42701

www.stmfidecs.gi
info@stmfidecs.gi

Malta

STM Malta
62 Regent House
Bisazza Street Sliema
SLM 1641 Malta

T (+356) 213 33210
F (+356) 213 33220

www.stmmalta.com
info@malta.com

Jersey

STM Fiduciaire 3rd floor
Windward House
La Route de la Liberation
St Helier
JE2 3BQ

T (+44) (0)1534 837600
F (+44) (0)1534 837601

www.stmfiduciaire.je info@
stmfiduciaire.je

Spain

STM Nummos S.L.
Edif. Sotovila, Plaza Mayor
P.N. de Guadiaro
Sotogrande
Cádiz (Spain)

T (+34) 956 794 781
F (+34) 956 795 853

www.stmnummos.com
info@stmnummos.es

online

www.stmgroupplc.com/html/
investor/annual_report.asp

STM Group Plc 18 Athol
Street Douglas
Isle of Man IM1 1JA
T +44 (0)1624 626 242
www.stmgroupplc.com