# STM GROUP PLC

SOLUTIONS FOR WEALTH PRESERVATION

Annual Report & Accounts **2012**

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.

We believe that clients' assets need to be administered pro-actively by providing up-to-date and efficient solutions. We have considerable expertise in a wide range of international fiduciary and administration products and services.



STM Group AIM London Stock Exchange

# Revenue of £11.6 million

2011: £9.7 million

## Earnings before interest, taxation, depreciation and amortisation ("EBITDA") £1 million

2011: £0.6 million

## Strong balance sheet with cash of £3.4 million at year end

2011: £3.3 million

The Group's position as a multi-jurisdictional product provider has enabled it to launch a number of tax efficient products for the South African, Belgian and Japanese marketplaces. In addition, the recent opening of our Cyprus office means we are now able to offer a packaged CTS product to a Central and Eastern European sector.

**Gibraltar**

Corporate and trustee service providers, insurance management, QROPS, QNUPS, Life Bonds.

**Jersey**

Corporate and trustee service providers

**Malta**

Wealth protection using tax treaties, corporate and trustee services, insurance management, QROPS, QNUPS

**Cyprus**

Corporate and trustee service providers

**Spain**

Legal and tax services for expatriates and Spanish residents

> “STM Group has all the hallmarks of a more solid and robust business to meet the challenges it faces in today’s fast changing economies.”

STM Group employs c.150 multi-disciplinary professionals servicing a client base ranging from High Net Worth Individuals to listed companies. We place significant importance on the fact that all our subsidiaries are 100% owned by STM Group, rather than affiliated companies.

# CHAIRMAN'S STATEMENT

**The transition for STM from bespoke solutions in the CTS business to a range of product offerings across the trust, companies, pensions and life assurance sectors is well on its way.**

**Julian Telling**
Chairman

**I am pleased to report 2012 has been a year of transition, which the Board has worked tirelessly towards, and whilst this is not currently reflected in the profitability, the Board is confident that this will follow in the near term. *STM Group* has all the hallmarks of a more solid and robust business to meet the challenges it faces in today's fast changing economies.**

The highlight of the year has been the dramatic growth in STM's pensions division, particularly in Malta. The Group has always maintained the stance that the QROPS product should be properly marketed as an EU compliant pensions product, rather than a pension fund extraction mechanism, and this has been endorsed by the governments and regulatory regimes of Malta, Gibraltar and the UK.

The traditional *Corporate and Trustee Services* (CTS) sector remains fairly static, and given the economic climate and the moral tax argument, it is difficult to see much change in the forthcoming years. The transition for STM from bespoke solutions in the CTS business to a range of product offerings across the trust, companies, pensions and life assurance sectors is well on its way. Geographically the Group has now significantly reduced its reliance on the UK markets whilst opening new ones.

In 2013 the Board will focus on significantly increasing STM Life revenues. In the current climate, there is pressure on non-EU admitted insurers to cease taking on EU business, which leaves *STM Life*, with an innovative fully compliant EU life wrapper, in a strong position. As part of this focus, the Group has already recruited a senior figure in the industry to develop the Germanic markets.

*STM Group* 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.

I look forward to updating the market during 2013 on the progress made in taking this business to new levels of growth and profitability.

Julian Telling

*Chairman*
*4 March 2013*

“2012 is a fantastic platform from which to grow enhanced profitability into the future.”

STM Group is international, with a spread of offices strategically located around Europe. With offices in centres of excellence such as Gibraltar, Jersey, Malta, Cyprus and Spain, this gives access to a geographical spread required to service almost all individual and corporate clients with interests on a global basis.

# CHIEF EXECUTIVE OFFICER'S REVIEW

**2013 is a year in which STM will complete its transformation into a multi-disciplinary international financial services provider, whose products cater for the international community.**

**Colin Porter**
CEO

One of the headings in my statement of last year was "*STM's business model – a changing environment*". It is clear that 2012 was indeed exactly that. Over the last few years, the economic climate has significantly affected the traditional CTS market. This change in the traditional markets is here to stay.

I am, however, very pleased to say that the management of STM has had the foresight to adapt the business model over the last eighteen months. The mantra that "*significant future growth for the Group is in its pensions and life assurance businesses*" has finally come to fruition for the pensions division with expectations that *STM Life* will follow in 2013.

Whilst revenue is notably up on 2011; profitability overall, as expected, lags slightly behind as a result of the need to build staff resources and training requirements in Malta. 2012 is a fantastic platform from which to grow enhanced profitability into the future.

Invariably there are always challenges in any business. In 2012, it came in the form of a regulatory issue in *STM Jersey*. STM's Head of Group Risk assessed the issue within three days of the matter coming to our attention, and a rehabilitation plan endorsed by the Regulator was implemented as soon as possible.

2013 is a year in which STM will complete its transformation into a multi-disciplinary international financial services provider, whose products cater for the international community.

With the continued support of its extensive distribution channels that have helped move STM into new arenas in 2012, there is optimism 2013 will see further revenue increases across key divisions and corresponding improvements in margins and profitability.

## Operational Overview

### Core CTS division

CTS income currently accounts for 56% (2011: 77%) of the Group's revenue amounting to £6.5 million in 2012 (2011: £7.5 million) and is split relatively evenly between Jersey and Gibraltar. These two jurisdictions typically have a different market focus which gives STM a better product spread. As noted above, both of these markets are likely to face a downturn in activity as a result of the economic climate.

*STM Jersey's* revenue amounted to £3.4 million (2011: £3.7 million) which was typically derived from non-domiciled individuals investing into the UK market. The jurisdiction has generally seen a down-turn in activity as a result of pressure by the UK government to extract more tax from this profile of individuals. STM Jersey is no different to its peers in this marketplace, but in addition has had to address a regulatory issue during the year, as described above, which has further impacted on management's time and its ability to generate fee income. Whilst the regulatory matter has been resolved to the satisfaction of all parties, we estimate that the resultant changes to the management team and loss of management time have cost the business unit in excess of £0.3 million of income. *STM Group* believes that with the new management team in place revenue levels will be maintained going into 2013.

Gibraltar's CTS revenue stream has seen a decline in income for 2012 down to £3.1 million, from £3.8 million in 2011. As previously noted, this company's customer base is significantly more focussed on the UK expatriate who has moved or invested into the European marketplace. Management has seen a significant downturn in transactional business as a result of the Eurozone crisis, as well as clients assessing the need for their structures going forward. Expectations are that the resultant loss of revenue has now bottomed out.

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.

# CHIEF EXECUTIVE OFFICER'S REVIEW

## STM Pensions

As stated in last year's annual report, this division had the hallmarks for significant revenue and profit generation, albeit frustratingly this was taking significant time to materialise. 2012 has seen this growth in revenue, driven primarily by the *Qualifying Recognized Overseas Pension Scheme* (QROPS) product aimed at the expatriate market. Revenue for 2012 was £3.6 million, compared to only £0.6 million for 2011.

The cross border and pensions transfer market remains in its infancy, with STM being seen as a market leader and innovator in this area. Both the Gibraltar and Malta STM offices have HMRC recognised pension plans that are tailored to slightly differing market segments. STM has always advocated that the QROPS product must be correctly marketed and that it must not, and cannot, be used to illegitimately extract funds from a pension. This strategy has helped to build a solid and reputable intermediary network of introducers.

The very nature of a pensions business is that it is based on a stable and long term annuity client, providing clear visibility of recurring revenue over the medium term. It is therefore natural to anticipate healthy revenue growth in the pensions department in 2013 and beyond.

## STM Life

Unlike the pensions division, *STM Life* has yet to flourish and has not yet delivered on its potential. Generating policies from the UK market has remained incredibly difficult, and STM Life has seen more business generated from Swedish and Norwegian policies. Total revenue for 2012 amounted to £0.3 million compared to £0.2 million in 2011.

However, management retains great confidence that *STM Life* will become a good source of revenue and profit for the Company in the coming years. *STM Life* is focused on increasing distribution channels across other EU member states as well as a number of specific niche products aimed at the UK marketplace.

## 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. These divisions are expected to remain relatively flat, having contributed circa £1.24 million during 2012 (2011: £1.6 million). Management is confident that these divisions will make a comparable contribution in future years.

## Financial position

2012 has performed roughly in line with management's expectations in that profitability in both half years of 2012 was similar. In addition, management has taken the opportunity to strengthen the balance sheet by increasing provisions against certain specific older debtors across the Group.

For the year to 31 December 2012, the Group recorded turnover of £11.6 million (2011: £9.8 million) and an EBITDA of £1.0 million (2011: £0.7 million) before adjustments to carrying value of investments. A significant proportion (£0.8 million) of the increased administrative expenses amounting to £10.6 million for 2012, as compared to £9.1 million for 2011, was as a direct result of staffing up the Malta office to manage the dramatic increase in our pensions business. Other significant exceptional costs related to the changing of the senior management team and related regulatory matters in the Jersey office.

The depreciation and amortisation charge, a non-cash expense to the income statement, remains consistent between 2012 and 2011 at £0.8 million. The majority of this amount relates to the adoption of IAS 38 which requires the amortisation of the 2010 acquisition over its useful economic life. As a result of integrating the *Zenith* acquired client portfolio into the Group's overall CTS business unit, it is no longer possible to prepare stand alone projections to enable an impairment review. In this regard the Board has taken the decision to fully amortise the intangible asset relating to the acquired client portfolio during 2012. This has resulted in a one-off non-cash charge to the statement of comprehensive income of £3.8 million. This action means that for 2013 there are no further amortisation charges of intangible assets to be incurred.

Interest and financing costs have decreased from £0.4 million in 2011 to £0.3 million in 2012 as a result of the reduction in outstanding debt.

STM's taxation charge for the year at £0.3 million was slightly higher than anticipated but this is predominantly down to a timing difference in the Malta subsidiary which will allow a recovery in 2013 upon the declaration of a dividend.

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 year end of £3.0 million (2011: £3.0 million). The overall figure of £3.0 million underlies the more efficient billing cycle in our CTS divisions which is offset by a significant increase in our pensions division accrued income. This also provides some immediate visibility of billable fees in the early part of 2012.

The Group's debtor days and overall trade debt continued to reduce during 2012 as part of a more structured debtor

management programme. Trade receivables as at 31 December 2012 amounted to £3.0 million, down from £3.4 million as at 31 December 2011. 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 £0.6 million (2011: £0.7 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 2013.

The Group ended the year with cash of £3.4 million (2011: £3.3 million), having paid out further consideration on acquisitions amounting to £0.5 million and made bank loan repayments of £1.1 million.

## Group financing

At 31 December 2012, the Group had bank borrowings of £0.9 million (2011: £2.0 million), being loans from *RBS International Limited* ("RBSI") to provide funding for part of the 2010 Jersey acquisition. The loan outstanding which was taken out in 2010 is repayable over a three year term but being amortised over five years.

In addition to bank financing, there remains Convertible Loan Notes to the value of £3.5 million which are repayable in March 2014. Management is considering a number of options in relation to the repayment of these amounts.

In March 2012 the Company raised £1,568,000 by issuing 8,960,000 ordinary shares to *International Financial Options Limited*. The proceeds of the Issue were used to advance the Company's current work programme and free up regulatory capital for business purposes.

As announced in April 2012, a further 1,424,900 shares were issued to the CEO, CFO and Company Secretary to repay loans made to the Company to provide short term working capital.

## Board changes during the year

There have been no changes to the Board during the year.

## Dividends

Despite the cautious optimism of 2013 the Board recognises that it is too early to instigate a new dividend policy at this point in time but will assess the position at the time of announcing the interim results for 2013.

## Current trading and outlook

2013 has started off in a positive manner across the Group as a whole, and is reflective of the efforts made in 2012 to increase distribution and markets for our various revenue streams.

Our QROPS offering continues to see further steady increases of applications from existing distribution channels which will be complemented with campaigns to attract further intermediaries and introducers that operate in this area.

Our CTS business, particularly in Gibraltar, is seeing an uplift in new enquiries which, pleasingly, is non-UK focused. This, combined with the launch of various tax efficient products for the South African, Belgian and Japanese marketplaces should mean that any further decline in the traditional CTS markets is comfortably absorbed. The Group has opened a small office in Cyprus, and this will allow our Jersey office to offer a packaged CTS product to a Central and Eastern European sector, again allowing for dilution away from a UK centric focus.

*STM Life* has recently appointed a senior person for the development of German and related markets, where it is apparent that there are few fully compliant EU authorised life assurance businesses operating. In addition, *STM Life* is in the process of launching a number of niche UK orientated products which will help to build the revenue flows to critical mass in the important UK market.

There remain challenges in relation to the declining traditional CTS business. STM has worked hard to create innovative products and services for the new generation of international, mobile, High Net Worth and mass affluent clients, which can now be coupled with a much improved distribution and introducer network. The Board believes that STM is well placed to deliver on its strategy in 2013 and beyond.

Colin Porter

*Chief Executive Officer*
*4 March 2013*

# DIRECTORS' REPORT

The Directors of *STM Group plc* present their Report for the year to 31 December 2012 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 16 May 2013.

## 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 £4,326,000 (31 December 2012: Loss £429,000) has been transferred to reserves.

The Board recommends that no dividends be paid for the year ended 31 December 2012 (31 December 2011: Nil).

## 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:

Alan Roy Kentish
Colin Douglas Porter
Michael Ross Riddell
Julian Philip Telling

Alan Kentish has an interest in 3,202,150 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 1,271,113 ordinary shares.

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

All directors offer themselves for re-election.

## Political and charitable donations

The Group's charitable donations for the period amounted to £1,337 (31 December 2011: £5,101). There were no political contributions in either period.

## International Financial Reporting Standards ("IFRS")

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

## Substantial interests

Save as disclosed in the table below, the Directors are not aware of any person who directly or indirectly is interested in 3% or more of the issued ordinary share capital of the Company as at 28 February 2013 or any persons who, directly or indirectly, jointly or separately, exercise or could exercise control over the Company.

## Issued ordinary share capital of the Company

At 28 February 2013

| | % |
|---|---|
| International Financial Options Limited | 23.18 |
| Hearth Investments Limited | 14.22 |
| Southern Rock Insurance Company Limited, Rock Holdings Limited, Arron Banks and Paul Chase-Gardener | 10.73 |
| Clifton Participation Inc | 5.99 |
| Nightingale Equities Inc | 5.46 |
| KAS Bank NV | 4.86 |
| Quest Traders Limited | 3.26 |

## Independent auditors

*KPMG Audit LLC* 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 16 May 2013 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
4 March 2013

# BOARD OF 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. He 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.

## 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 Chairman

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

# 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 Group 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.

# DIRECTORS' REMUNERATION REPORT

| **Director** | Remuneration | Notes |
|---|---|---|
| Executive Directors | | |
| Alan Kentish | £230,000 | a, b |
| Colin Porter | £230,000 | a, b |
| Non-Executive Directors | | |
| Julian Telling | £40,000 | c |
| Michael Riddell | £12,000 | b, d |

Notes

a. The Executive Directors are also each entitled to a bonus of £nil as at 31 December 2012.
b. No Directors received any benefits in the form of either pension contributions or share based incentives.
c. Julian Telling Consulting Limited invoices the Company for the Director services provided by Julian Telling.
d. 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 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Statement of Cash Flows and the Group and Company 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).

## 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 2012 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs.

KPMG

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

4 March 2013

# Consolidated Statement of Comprehensive Income

For the year from 1 January 2012
to 31 December 2012

| | Notes | Year ended 31 December **2012** £000 | Year ended 31 December **2011** £000 |
|---|---|---|---|
| Revenue | 8 | 11,550 | 9,729 |
| Administrative expenses | 10 | (10,555) | (9,101) |
| Profit before other items | | **995** | 628 |
| OTHER ITEMS | | | |
| Finance Costs | | (314) | (361) |
| Depreciation and amortisation | | (819) | (765) |
| Loss on sale of fixed assets | | (23) | — |
| Adjustments to carrying value of investments | 14 | (3,834) | 88 |
| Loss before taxation | | **(3,995)** | (410) |
| Taxation | 12 | (271) | 10 |
| Loss after taxation | | **(4,266)** | (400) |
| OTHER COMPREHENSIVE INCOME | | | |
| Foreign currency translation differences for foreign operations | | (60) | (29) |
| Total comprehensive loss for the year | | **(4,326)** | (429) |
| Earnings per share basic (pence) | 18 | (8.43) | (0.93) |
| Earnings per share diluted (pence) | 18 | **(8.43)** | (0.93) |

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 2012*

| | Notes | 31 December **2012** £000 | 31 December **2011** £000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 1,297 | 1,480 |
| Intangible assets | 14 | 16,886 | 21,109 |
| Other investments | | 73 | 64 |
| Total non-current assets | | **18,256** | 22,653 |
| Current assets | | | |
| Accrued income | | 3,031 | 2,918 |
| Trade and other receivables | 15 | 4,523 | 4,924 |
| Cash and cash equivalents | 16 | 3,384 | 3,307 |
| Total current assets | | **10,938** | 11,149 |
| Total assets | | **29,194** | 33,802 |
| EQUITY | | | |
| Called up share capital | 17 | 53 | 43 |
| Share premium account | 17 | 20,828 | 19,051 |
| Reserves | | 532 | 4,842 |
| Total equity attributable to equity shareholders | | **21,413** | 23,936 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Liabilities for current tax | | 439 | 338 |
| Trade and other payables | 19 | 3,892 | 5,273 |
| Total current liabilities | | **4,331** | 5,611 |
| Non-current liabilities | | | |
| Other payables | 20 | 3,450 | 4,255 |
| Total non-current liabilities | | **3,450** | 4,255 |
| Total liabilities and equity | | **29,194** | 33,802 |

**CD Porter**
Chief Executive Officer

**AR Kentish**
Chief Financial Officer

4 March 2013

# Company Statement of Financial Position

As at 31 December 2012

| | Notes | 31 December **2012** £000 | 31 December **2011** £000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 953 | 1,093 |
| Investments in subsidiaries | 7 | 16,052 | 16,052 |
| Intangible assets | 14 | 66 | 4,382 |
| Total non-current assets | | **17,071** | 21,527 |
| Current assets | | | |
| Accrued income | | 23 | 25 |
| Trade and other receivables | 15 | 5,555 | 6,571 |
| Cash and cash equivalents | 16 | 101 | 2 |
| Total current assets | | **5,679** | 6,598 |
| Total assets | | **22,750** | 28,125 |
| EQUITY | | | |
| Called up share capital | 17 | 53 | 43 |
| Share premium account | 17 | 20,828 | 19,051 |
| Reserves | | (5,579) | (910) |
| Total equity attributable to equity shareholders | | **15,302** | 18,184 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 3,998 | 5,581 |
| Total current liabilities | | **3,998** | 5,581 |
| Non-current liabilities | | | |
| Other payables | 20 | 3,450 | 4,360 |
| Total non-current liabilities | | 3,450 | 4,360 |
| Total liabilities and equity | | **22,750** | 28,125 |

**CD Porter**
Chief Executive Officer

**AR Kentish**
Chief Financial Officer

4 March 2013

# Consolidated Statement of Cash Flows

For the year from 1 January 2012
to 31 December 2012

| | Year ended 31 December **2012** £000 | Year ended 31 December **2011** £000 |
|---|---|---|
| RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss for the year before tax | (3,995) | (410) |
| ADJUSTMENTS FOR: | | |
| Depreciation and amortisation | 819 | 765 |
| Loss on sale of fixed assets | 23 | — |
| Shares issued for services performed | — | 8 |
| Adjustments to investments | 3,834 | (88) |
| Taxation paid | (168) | (148) |
| Decrease in trade and other receivables | 401 | 764 |
| (Increase)/decrease in accrued income and intangible assets | (272) | 134 |
| (Decrease)/increase in trade and other payables | (402) | 358 |
| Net cash from operating activities | **240** | 1,383 |
| INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (111) | (240) |
| Acquisition of investments – cash consideration | (450) | (656) |
| Net cash used in investing activities | **(561)** | (896) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Bank loan repayments | (1,056) | (647) |
| Cash consideration from shares issued | 1,498 | — |
| Dividend paid | — | (172) |
| Net cash from financing activities | **442** | (819) |
| Increase/(decrease) in cash and cash equivalents | **121** | (332) |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS | | |
| Analysis of cash and cash equivalents during the year | | |
| Increase/(decrease) in cash and cash equivalents | 121 | (332) |
| Translation of foreign operations | (44) | (57) |
| Balance at start of year | 3,307 | 3,696 |
| Balance at end of year | **3,384** | 3,307 |

# Statement of Consolidated Changes in Equity

For the year from 1 January 2012 to 31 December 2012

| | Share Capital £000 | Share premium £000 | Retained earnings £000 | Treasury Shares £000 | Translation reserve £000 | Total £000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | 43 | 19,043 | 5,667 | (144) | (52) | 24,557 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | | | | |
| 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** |
| Balance at 1 January 2012 | 43 | 19,051 | 5,066 | (144) | (80) | 23,936 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | | | | |
| Loss for the year | — | — | (4,266) | — | — | (4,266) |
| Other comprehensive income | | | | | | |
| Foreign currency translation differences | — | — | (60) | — | — | (60) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Shares issued in the year | 10 | 1,777 | — | — | — | 1,787 |
| Dividend paid | — | — | — | — | — | — |
| Exchange loss on equity | — | — | — | — | 16 | 16 |
| At 31 December 2012 | **53** | **20,828** | **740** | **(144)** | **(64)** | **21,413** |

# Statement of Company Changes in Equity

For the year from 1 January 2012 to 31 December 2012

| | Share Capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|
| 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** |
| Balance at 1 January 2012 | 43 | 19,051 | (910) | 18,184 |
| Loss for the year | — | — | (4,669) | (4,669) |
| Shares issued in year | 10 | 1,777 | — | 1,787 |
| Dividend paid | — | — | — | — |
| 31 December 2012 | **53** | **20,828** | **(5,579)** | **15,302** |

# Notes to the Financial Statements

For the year from 1 January 2012
to 31 December 2012

## 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 2012 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 judgements

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

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

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

- Note 13 – Depreciation of property, plant and equipment
- Note 14 – Measurement of goodwill
- Note 21 – Provisions
- Note 22 – Lease classification

### d. Basis of measurement

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

### e. Employee benefit trusts

The Company contributes to two employee benefit trusts. It is deemed that these trusts are controlled by the Company and are therefore included within the consolidated financial statements of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### a. Basis of consolidation

*i. Subsidiaries*

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

*ii. Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### b. Foreign currency

*i. Foreign currency transactions*

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

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.

Revenue derived from pension trustee and administration fees is split between the Initial Fee and the Annual Fee. In the first year of membership the initial and annual management fees are recognised in full at the time of processing the application so as to reflect the time effort incurred in accepting the new member and processing their application. In subsequent years the annual management fees are amortised over the period to the next renewal date.

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 | 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 statement of financial position 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 these 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 statement of financial position comprise cash at banks 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 income statement on a straight line basis over the term of the lease.

h. Finance leases

Assets held under finance leases are capitalised at their initial cost. Rentals are set against accounts payable on the 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 was being carried at cost less accumulated amortisation and any accumulated impairment losses. However, this business has been fully integrated into the existing trading operations to such an extent that the Board of Directors no longer feel it is possible to review for impairment. Therefore this has been written off in the year.

*iii. Product development*

Product development relates to internal development expenditure incurred in the development of the Groups' new products. When these costs meet the recognition criteria of IAS 38 'Intangible Assets' they are capitalised and amortised on a straight line basis from product launch.

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 statement of comprehensive income.

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.

d. 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.

e. 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.

f. Deferred income

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

g. 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.

h. Provisions

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

i. 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:

- Amendments to IFRS 7 Disclosure – Transfer of Financial Assets
- Amendments to IAS 12 Deferred Tax – Recovering of Underlying Assets
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First time adopters

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group.

## 4. DETERMINATION OF FAIR VALUES

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

a. Intangible assets - goodwill

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

b. Investments

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

c. Property, plant and equipment

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

## 5. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

a. Credit risk

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

*i. Trade and other receivables*

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

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Further detail in respect of credit risk is provided in note 21 to these financial statements.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. 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 object of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return.

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

d. Interest rate risk

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

e. Currency risk

The Group has a small exposure to currency risk in relation to the investment in *STM Nummos*. 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. The Group has complied with all Regulatory capital requirements.

## 6. SEGMENTAL INFORMATION

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

The Board assesses the performance of the operating segments based on turnover generated. The costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is 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.

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

| | Turnover | |
|---|---|---|
| Operating Segment | 2012<br>£000 | 2011<br>£000 |
| Corporate Trustee Services | 6,477 | 7,475 |
| Pensions | 3,566 | 578 |
| Insurance Management | 536 | 649 |
| Other Services | 971 | 1,027 |
| | **11,550** | 9,729 |

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

| | Turnover | |
|---|---|---|
| Geographical Segment | 2012<br>£000 | 2011<br>£000 |
| Gibraltar | 4,131 | 4,910 |
| Jersey | 3,347 | 3,705 |
| Malta | 3,421 | 289 |
| Other | 651 | 825 |
| | **11,550** | 9,729 |

## 7. INVESTMENTS IN SUBSIDIARIES

| Acquisitions of the Company | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Shares in group undertakings | | |
| Balance at start of year | 16,052 | 20,956 |
| Adjustments to prior year | — | (4,949) |
| Acquisitions | — | 45 |
| Balance at end of year | **16,052** | 16,052 |

### Subsequent performance of acquisitions

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

## 8. REVENUE

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Revenue from administration of assets | 11,550 | 9,729 |
| Total revenues | **11,550** | 9,729 |

## 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 Financial Services (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 £11,550,000 there is an amount of £300,000 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 2012 £000 | Year ended 31 December 2011 £000 |
|---|---|---|
| Gross premiums written | 15,201 | 15,653 |
| Policy withdrawals | (734) | (964) |
| Net operating expenses | (1,230) | (126) |
| Increase in linked long term reserves | (13,069) | (14,403) |
| Surplus on long term fund | **168** | 160 |

| Assets held to cover linked liabilities | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Open Market Value | 32,899 | 20,142 |
| Cost | **34,953** | 20,879 |

| Technical provision for linked liabilities | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Balance at start of year | 20,142 | 5,739 |
| Increase in technical provision for linked liabilities | 13,069 | 14,403 |
| Foreign exchange movement on linked liabilities | (312) | — |
| Balance at end of year | **32,899** | 20,142 |

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

## 10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Wages and salaries | 5,544 | 5,148 |
| Social insurance costs | 308 | 302 |
| Pension contributions | 46 | 85 |
| Equity settled share based payments | — | 8 |
| Total personnel expenses | **5,898** | 5,543 |

Average number of employees

| Group | 31 December 2012 Number | 31 December 2011 Number |
|---|---|---|
| Average number of people employed (including executive directors) | **147** | 129 |

Company

The average number of staff employed by the company during the year including directors was 13 (2011:- 15)

## 11. PROFIT BEFORE OTHER ITEMS

Profit before other terms of £995,000 (31 December 2011 £628,000), was arrived at after charging the following to the income statement:

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Directors' remuneration | 512 | 348 |
| Auditor's remuneration | 177 | 113 |
| Loss on sale of assets | 23 | — |
| Shares issued for services rendered | — | 8 |
| Operating lease rentals | 514 | 514 |

## 12. TAXATION

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Current tax expense | 348 | 159 |
| Release from prior years | (77) | (169) |
| Total tax expense | **271** | (10) |

| Reconciliation of existing tax rate | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Loss for the year | (3,995) | (410) |
| Total income tax expense | 271 | (10) |
| Loss excluding income tax | (3,995) | (400) |
| Income tax using the company's domestic rate | — | — |
| Effect of tax rates in other jurisdictions | 348 | 159 |
| Total tax expense | **348** | 159 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group | Motor Vehicles £000 | Office Equipment £000 | Leasehold Improvements £000 | Total £000 |
|---|---|---|---|---|
| Costs | | | | |
| 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** |
| As at 1 January 2012 | 12 | 1,319 | 869 | 2,200 |
| Additions at cost | — | 111 | — | 111 |
| Disposals | — | (51) | — | (51) |
| As at 31 December 2012 | **12** | **1,379** | **869** | **2,260** |
| Depreciation | | | | |
| 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** |
| As at 1 January 2012 | 9 | 417 | 294 | 720 |
| Charge for the year | 1 | 147 | 123 | 271 |
| Disposals | — | (28) | — | (28) |
| As at 31 December 2012 | **10** | **536** | **417** | **963** |
| Net Book Value | | | | |
| As at 31 December 2012 | **2** | **843** | **452** | **1,297** |
| As at 31 December 2011 | 3 | 902 | **575** | **1,480** |

| Company | Office Equipment £000 | Leasehold Improvements £000 | Total £000 |
|---|---|---|---|
| Costs | | | |
| As at 1 January 2011 | 448 | 555 | 1,003 |
| Additions at cost | 191 | 12 | 203 |
| As at 31 December 2011 | 639 | 567 | **1,206** |
| As at 1 January 2012 | 639 | 567 | 1,206 |
| Additions at cost | 5 | — | 5 |
| As at 31 December 2012 | **644** | **567** | **1,211** |
| Depreciation | | | |
| As at 1 January 2011 | — | — | — |
| Charge for the year | 32 | 81 | 113 |
| As at 31 December 2011 | 32 | 81 | **113** |
| As at 1 January 2012 | 32 | 81 | 113 |
| Charge for the year | 64 | 81 | 145 |
| As at 31 December 2012 | **96** | **162** | **258** |
| Net Book Value | | | |
| As at 31 December 2012 | **548** | **405** | **953** |
| As at 31 December 2011 | 607 | 486 | **1,093** |

## 14. INTANGIBLE ASSETS

| Group | Goodwill £000 | Client Portfolio £000 | Product Development £000 | Total £000 |
|---|---|---|---|---|
| Costs | | | | |
| 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** |
| Balance as at 1 January 2012 | 16,727 | 4,927 | — | 21,654 |
| Additions | — | — | 159 | 159 |
| Balance at 31 December 2012 | **16,727** | **4,927** | **159** | **21,813** |
| Amortisation and impairment | | | | |
| Balance as at 1 January 2011 | — | — | — | — |
| Charge for the year | — | 545 | — | 545 |
| Balance at 31 December 2011 | **—** | **545** | **—** | **545** |
| Balance as at 1 January 2012 | — | 545 | — | 545 |
| Charge for the year | — | 548 | — | 548 |
| Adjustments | — | 3,834 | — | 3,834 |
| Balance at 31 December 2012 | **—** | **4,927** | **—** | **4,927** |
| Carrying amounts | | | | |
| At 1 January 2011 | 21,812 | — | — | 21,812 |
| At 31 December 2011 | **16,727** | **4,382** | **—** | **21,109** |
| At 1 January 2012 | 16,727 | 4,382 | — | 21,109 |
| At 31 December 2012 | **16,727** | **—** | **159** | **16,886** |

### Impairment testing for cash-generating units containing goodwilll

All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2012, 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 for the purposes of impairment testing, being the *Fidecs Group* with a carrying value of £15,280,000; 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.

## 14. INTANGIBLE ASSETS (continued)

| Company | Client Portfolio £000 | Product Development £000 | Total £000 |
|---|---|---|---|
| Costs | | | |
| As at 1 January 2011 | — | — | — |
| Reallocations | 4,927 | — | 4,927 |
| As at 31 December 2011 | 4,927 | — | **4,927** |
| As at 1 January 2012 | 4,927 | — | 4,927 |
| Additions | — | 66 | 66 |
| Balance at 31 December 2012 | **4,927** | **66** | **4,993** |
| Amortisation and impairment | | | — |
| As at 1 January 2011 | — | — | — |
| Changes for the year | 545 | — | 545 |
| As at 31 December 2011 | **545** | **—** | **545** |
| As at 1 January 2012 | 545 | — | 545 |
| Changes for the year | 548 | — | 548 |
| Adjustments | 3,834 | — | 3,834 |
| As at 31 December 2012 | **4,927** | **—** | **4,927** |
| Carrying amounts | | | |
| As at 1 January 2011 | — | — | — |
| As at 31 December 2011 | 4,382 | — | **4,382** |
| As at 1 January 2012 | 4,382 | — | 4,382 |
| As at 31 December 2012 | **—** | **66** | **66** |

Client portfolio represents the value assigned to the individual client portfolio acquired through the acquisition of Zenith Trust Company Limited and was being amortised over nine years. However, this business has been fully integrated into the existing trading operations to such an extent that the Board of Directors no longer feel it is possible to review for impairment. Therefore this has been written off in the year.

## 15. TRADE AND OTHER RECEIVABLES

| Group | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Trade receivables | 2,951 | 3,320 |
| Other receivables | 1,572 | 1,604 |
| Total | **4,523** | 4,924 |

| Company | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Trade receivables due from related parties | 5,277 | 6,360 |
| Other receivables | 278 | 211 |
| Total | **5,555** | 6,571 |

## 15. TRADE AND OTHER RECEIVABLES (continued)

Within the Group's other receivables is a balance of £446,000 which has been personally guaranteed by Alan Kentish.

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

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

## 16. CASH AND CASH EQUIVALENTS

| Group | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank balances | 3,384 | 3,307 |
| Cash and cash equivalents in the statement of cash flow | 3,384 | 3,307 |

| Company | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank balances | 101 | 2 |
| Cash and cash equivalents in the statement of cash flow | 101 | 2 |

## 17. CAPITAL AND RESERVES

| Authorised, called up, issued and fully paid | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| 53,446,549 ordinary shares of £0.001 each (2011: 43,061,649 ordinary shares of £0.001 each) | 53 | 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 (2011: 323,555) shares at 31 December 2012, amounting to £205,000 (2011: £205,000).

### Share premium

During the year 10,384,900 (2011:- 35,047) shares were issued for a total share premium of £1,847,582 (2011:- £7,465). During 2011, transaction costs of £70,000 (2011:- £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 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| nil pence per qualifying ordinary share (2011: 0.4 pence) | — | 172 |

## 18. EARNING PER SHARE

Earnings per share for the year from 1 January 2012 to 31 December 2012 is based on the loss after taxation of £4,266,000 (2011:- £400,000) divided by the weighted average number of £0.001 ordinary shares during the year of 50,624,640 basic (2011:- 43,060,977) and 50,624,640 dilutive (2011:- 48,288,250) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2012 is:

| | |
|---|---|
| Weighted average number of shares | 50,624,640 |
| Dilutive share incentive plan, options and contingent consideration shares | — |
| Diluted | 50,624,640 |

## 19. TRADE AND OTHER PAYABLES

| Group | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank loans (see note 20) | 911 | 912 |
| Bank overdraft | — | 250 |
| Loans from related parties | 57 | 94 |
| Deferred income | 547 | 667 |
| Trade payables | 268 | 490 |
| Deferred and contingent consideration | 198 | 700 |
| Other creditors and accruals | 1,911 | 2,160 |
| | **3,892** | 5,273 |

| Company | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank loans | 911 | 438 |
| Bank overdraft | — | 250 |
| Owed to related parties | 2,367 | 3,483 |
| Deferred Consideration | 158 | 608 |
| Other creditors and accruals | 562 | 802 |
| | **3,998** | 5,581 |

Loans from related parties amounting to £57,000 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 year end. These amounted to £547,000 as at 31 December 2012 (31 December 2011: £667,000).

During the year the Company repaid its bank overdraft with *Natwest Bank plc* of £250,000 at interest of 4% per annum.

### Deferred and contingent consideration

Under the terms of the acquisition of *STM Nummos SL* a further £26,000 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 £172,000 is payable during 2013.

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 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank loan - repayable between year 2 and year 5 | — | 805 |
| Convertible loan notes | 3,450 | 3,450 |
| | **3,450** | 4,255 |

| Company | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Bank loan - repayable between year 2 and year 5 | — | 910 |
| Convertible loan notes | 3,450 | 3,450 |
| | **3,450** | 4,360 |

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

As at 31 December 2012 the Group had two bank loans from *NatWest Bank plc* amounting to £0.9 million. The bank loans are repayable in monthly and quarterly instalments at variable rates of interest currently ranging from 2.75% to 4.25% and are secured by capital guarantees supplied by subsidiary companies.

As requested by *Natwest Bank plc* the Group is managing the interest rate risk of one of the bank loans with the purchase of an interest rate swap. 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 2012 of £0.9 million. The floating rate is currently in the region of 0.5% 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. The loan notes are repayable on 14 March 2014 and 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 December 2012 £000 | 31 December 2011 £000 |
| Trade and other receivables | 4,523 | 4,924 |
| Cash and cash equivalents | 3,384 | 3,307 |
| | **7,907** | 8,231 |

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 2012 and 31 December 2011.

### Impairment losses on trade receivables

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

| | Gross receivables 31 December 2012 £000 | Impairment 31 December 2012 £000 | Gross receivables 31 December 2011 £000 | Impairment 31 December 2011 £000 |
|---|---|---|---|---|
| Not past due | 694 | — | 462 | — |
| past due 0–30 days | 331 | — | 317 | — |
| past due 31–120 days | 129 | — | 104 | — |
| More than 120 days past due | 2,211 | (414) | 2,956 | (519) |
| | **3,365** | **(414)** | 3,839 | (519) |

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

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

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Balance at start of year | 519 | 539 |
| Impairment loss released | (105) | (20) |
| Balance at end of year | **414** | 519 |

## 21. FINANCIAL INSTRUMENTS (continued)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of some of the trade receivables older than a year and those 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 2012 | 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 | 911 | 911 | 161 | 750 | — |
| Bank overdraft | — | — | — | — | — |
| Trade payables | 268 | 268 | 268 | — | — |
| Deferred consideration on acquisitions | 198 | 198 | 198 | — | — |
| Loans from related parties | 57 | 57 | 57 | — | — |
| Other creditors and accruals | 1,911 | 1,911 | 1,911 | — | — |
| Corporation tax payable | 440 | 440 | 440 | — | — |
| | **3,785** | **3,785** | **3,035** | **750** | **—** |

| 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** |

### Currency risk

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

## 22. OPERATING LEASES

### Operating Leases

Non-cancellable operating leases are payable as follows:

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Less than one year | 667 | 514 |
| Between one year and five years | 2,122 | 1,893 |
| More than five years | 2,119 | 2,144 |
| | **4,908** | 4,551 |

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 11 years.

## 22. OPERATING LEASES (continued)

### Finance Leases

Non-cancellable finance leases are payable as follows:

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Less than one year | 7 | 6 |
| Between one year and five years | 11 | 18 |
| More than five years | — | — |
| | **18** | 24 |

## 23. RELATED PARTIES

### Transactions with key management personnel and Directors Compensation

Key management compensation comprised:

| | 31 December 2012 £000 | 31 December 2011 £000 |
|---|---|---|
| Short-term employee benefits | 512 | 348 |
| Post-employment benefits | — | — |
| Share-based payments | — | — |
| | **512** | 348 |

### Key management personnel and Director Transactions

Trusts and related parties connected to the Directors held 22.75% of the voting shares of the Company as at 31 December 2012.

### Other related party transactions

As more fully explained in note 19, a loan of £57,000 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*, a Company that is owned by three shareholders and a Director of the Company. Rental costs of such premises for the year were £285,000 of which £nil was outstanding at 31 December 2012. 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 £5,800 for the period to 31 December 2012, of which £2,844 was outstanding at 31 December 2012.

The Group provides services to subsidiaries of *Rock Holdings Limited*, a shareholder of the Company. These services amounted to £202,000 during the year, of which £12,500 was outstanding at 31 December 2012.

*Greystone Trust Company Limited*, of which Michael Riddell is a director, charged the Company £22,600 for services rendered during 2012, of which £nil was outstanding at 31 December 2012.

During the year the Group has incurred commissions to *deVere Group*; a company related to the Group by virtue of a related party ownership of £255,100. As at 31 December 2012 a balance of £83,000 was outstanding.

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 common ownership and directors owe the Group a combined balance of £378,791 at 31 December 2012.

## 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 2012, relating to the 2012 performance, no shares (2011: nil) were appointed to specific individuals.

## 25. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2012 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

| Group | Country of incorporation | Ownership interest 31 December 2012 | Ownership interest 31 December 2011 | Activity |
|---|---|---|---|---|
| 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 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 |
| STM Life Assurance PCC plc | Gibraltar | 100% indirectly | 100% indirectly | Insurance company |
| STM Nummos Life SL | Spain | 100% indirectly | 100% indirectly | Administration of client assets |
| STM Malta Trust and Company Management Limited | Malta | 100% indirectly | 100% indirectly | Administration of client assets |

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 16 May 2013 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 2012 and the reports of the Directors and auditors thereon be received.
2. THAT Michael Ross Riddell, who has retired from office by rotation in accordance with article 88 of the Company's Articles of Association (the "Articles"), be reappointed as a Director of the Company.
3. THAT Alan Roy Kentish , Colin Douglas Porter and Julian Philip Telling be reappointed as Directors of the Company.
4. THAT KPMG Audit LLC be reappointed as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the Annual General Meeting held in 2014.
5. THAT the Directors be authorised to issue up to a maximum of 100,000,000 ordinary shares of £0.001 each ("Ordinary Shares") in the capital of the Company, with such maximum number to be inclusive of any ordinary shares in issue at the date of the Annual General Meeting.

## Special Resolution

6. THAT the Directors be authorised to allot Ordinary Shares for cash as if the restrictions at Article 7.1 (Pre-emption) of the Articles do not apply to such allotment, provided such allotment or allotments are limited to the allotment of Ordinary Shares up to an aggregate nominal amount equal to 10 per cent of the aggregate nominal amount of all the Ordinary Shares currently in issue, such authority to expire at the conclusion of the next annual general meeting of the Company after passing of this resolution (the "First Period") save that the Company may before the expiry of the First Period make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry of the First Period (as the case may be) and the directors of the Company may allot Ordinary Shares in pursuance of such offer or agreement as if their authority conferred hereby had not expired.

By order of the Board

................................................

Elizabeth A. Plummer

**Company Secretary**
18 Athol Street
Douglas
Isle of Man IM1 1JA
4 March 2013

Notes:

Resolutions 1 to 5 are to be proposed as Ordinary Resolutions. Resolution 6 is to be proposed as a Special Resolution requiring the approval of (i) on a show of hands a majority of not less than 75 per cent of such members as are present and voting at the relevant meeting and are entitled under the Articles to vote on a show of hands; or (ii) on a poll members of the Company holding not less than 75 per cent of the voting rights attributable to the shares held by the members present and voting at the relevant meeting and entitled under these Articles to vote on a poll.

*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 11:00 am on 14 May 2013 (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 11:00am on 14 May 2013 (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

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Company Number
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Company Secretary
Elizabeth Anne Plummer
FCA TEP CTA

### Advisers

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and Broker
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### Auditors

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Registrars and CREST
Service Provider
Computershare Investor Services
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Annual Report & Accounts

2012

STM Group Plc