STM Group Plc

ANNUAL REPORT & ACCOUNTS 2014

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 Plc

REVENUE OF £15.9 MILLION

(2013: £13.4 million)

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") £2.3 million

(2013: £0.9 million)

Strong balance sheet with cash of £5.7 million at year end

(2013: £4.1 million)

Gibraltar

Corporate and Trustee Service Providers, Insurance Management, QROPS, QNUPS, Life Bonds

Jersey

Corporate and Trustee Service Providers

Malta

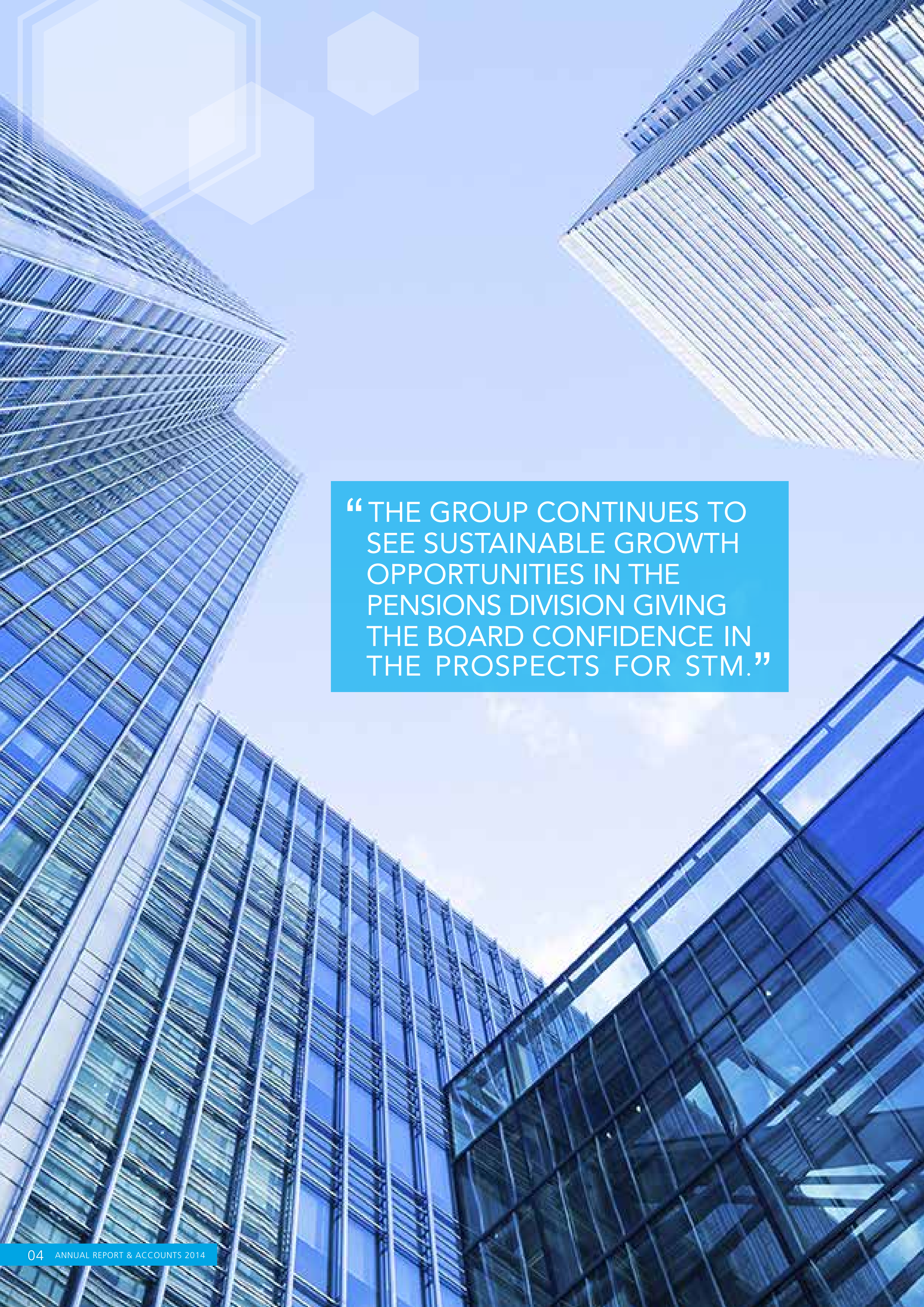
Corporate and Trustee Services, Insurance Management, QROPS, QNUPS

Cyprus

Corporate and Trustee Service Providers

Spain

Legal and Tax Services for Expatriates and Spanish Residents



> “THE GROUP CONTINUES TO SEE SUSTAINABLE GROWTH OPPORTUNITIES IN THE PENSIONS DIVISION GIVING THE BOARD CONFIDENCE IN THE PROSPECTS FOR STM.”

CHAIRMAN'S STATEMENT

MICHAEL ROSS RIDDELL
Chairman

THE GROUP IS NOW A MORE SOLID BUSINESS WITH A MUCH STRONGER BALANCE SHEET WHICH WILL ALLOW IT TO CONTINUE DEVELOPING ITS BUSINESS AND PRODUCT DEVELOPMENT ACTIVITIES DURING THE FORTHCOMING YEAR.

2014 was a very good year for STM as we start to reap the benefits of the investments made over recent years in transforming the Group from a predominantly Corporate Trustee Services led business into a multi-disciplinary international financial services provider, delivering tailor-made solutions for our clients.

STM has previously been successful in driving revenue growth, however, this year I am pleased to say that we can also see significant increases in profitability. Consequently this has had a positive impact on our cash balances which has allowed us to reduce our borrowings. Additionally, it has allowed the business to invest further in increasing our distribution network.

Whilst the Pensions division began to expand in 2012, the Life Assurance business has been slower in gaining traction. However, this year has seen STM Life become a significant revenue and profit contributor to the Group.

Furthermore the Group continues to see sustainable growth opportunities in the Pensions division giving the Board confidence in the prospects for STM.

The growth during the year across both divisions has resulted from selling specialist products and services through an enlarged distribution network, which is now generating business on a much more global basis. The Group is now a more solid business with a much stronger balance sheet which will allow it to continue developing its business and product development activities during the forthcoming year.

On behalf of the Board I thank my predecessor Julian Telling for all his efforts during STM's transition over the last three years. I would also like to take this opportunity to thank, on behalf of the Board, STM's management and staff across all our jurisdictions for their ongoing commitment and professionalism.

Michael R Riddell

Michael R Riddell
Chairman
10 March 2015

“STM IS NOW IN A MUCH STRONGER AND MORE MARKET DOMINANT POSITION. THE FOCUS FOR 2015 IS TO FURTHER STRENGTHEN AND MAXIMISE ITS BUSINESS DEVELOPMENT ACTIVITIES BY SECURING A MORE GLOBAL INTERMEDIARY NETWORK.”

CHIEF EXECUTIVE OFFICER'S REVIEW

Colin Porter
CEO

AS EXPECTED, GIBRALTAR HAS NOW BECOME A WELL-ESTABLISHED QROPS MARKET AND I'M PLEASED TO NOTE THAT STM, HAVING BEEN IN THIS MARKET SINCE ITS INFANCY, HAS MANAGED TO MAINTAIN ITS POSITION AS MARKET LEADER.

It gives me great pleasure to present the annual results for the year ended 31 December 2014, which pleasingly not only reflect continued growth in turnover, but a significant increase in profitability.

As advised this time last year, profitability lagged turnover as a result of having to build on resources required to sustain the expected increases in turnover. I am pleased to note that this is no longer the case and the investments made in resources over recent years, together with the creation of the Business and Product Development team earlier this year, have resulted in this year's significant increase in profitability.

As expected by management, the growth continues to come from the Pensions and Life Assurance businesses. Part of the work carried out by the Business and Product Development team was to increase the distribution network mainly through the international IFA market. This has resulted in STM generating business on a much more global basis thereby reducing reliance on the UK market.

Over the last few years STM has found the Corporate and Trustee Services ("CTS") markets challenging and regrettably this has continued throughout 2014.

OPERATIONAL OVERVIEW

STM PENSIONS

As noted already, Pensions has continued to grow during the year with this area now accounting for 50% of the Group's turnover. The Pensions division reported turnover of £8.0 million (2013: £5.9 million) reflecting a 36% increase from the previous year.

As expected, Gibraltar has now become a well-established QROPS market and I am pleased to note that STM, having been in this market since its infancy, has managed to maintain its position as market leader. Whilst our Malta division remains by far the larger of the two, the growth in the year has largely come from our Gibraltar division which has reported an increase in revenue of circa 150% from £1.0 million in 2013 to £2.5 million in 2014. Malta revenues also continue to show steady growth of 13% resulting in total turnover for the year for this division of £5.5 million (2013: £4.9 million).

CORPORATE AND TRUSTEE SERVICES

CTS turnover currently accounts for 35% of the Group's revenue compared to 44% in 2013. Whilst, in part, this is as a result of the decrease in actual CTS revenue, it is also largely due to the increase in the Group's overall revenue given the growth in Pensions and Life.

CHIEF EXECUTIVE OFFICER'S REVIEW

Total turnover for this business for the year was £5.5 million (2013: £5.8 million), generated predominantly in Jersey and Gibraltar. Jersey revenue accounted for circa 57% (2013: 58%) of the CTS business at £3.1 million (2013: £3.4 million), with Gibraltar having generated £2.4 million (43%) in 2014, directly comparable to the £2.4 million (42%) generated in the previous year.

As noted at the half-year stage, the decrease in revenues can be seen across both jurisdictions demonstrating the overall downward cycle being experienced in this area of our business. That said, these two jurisdictions typically have a different market focus which gives STM a better product spread.

STM LIFE

2014 has seen STM Life become a Group contributor both in terms of revenue and profitability, with turnover for the year of £1.4 million compared to £0.6 million in 2013.

New business is being generated from a range of intermediaries and across a wide spread of products. Not only does this suggest diversification within the division but pleasingly it also indicates that the efforts put in by management over the last few years to develop these products and build on these relationships is finally coming to fruition.

New business continues to grow in this area which, together with annual management fees, provides solid and steady revenue for 2015 and beyond.

OTHER TRADING DIVISIONS AND NEW INITIATIVES

Trading in other divisions which are mainly insurance management, advisory and the Spanish office was broadly in line with management expectations. These are expected to continue at similar levels going forward having generated revenue of £1.0 million in the year (2013: £1.1 million).

FINANCIAL POSITION

For the year ended 31 December 2014, the Group recorded turnover of £15.9 million (2013: £13.4 million) and EBITDA of £2.3 million (2013: £0.9 million). In spite of turnover having increased by 19%, administrative expenses have only increased by 9%, predominantly due to the increase in commissions payable on the Pensions business. This is as expected given the increase in growth in this part of the business however additionally goes to demonstrate the operational gearing in the Group and the potential impact on Group profitability from increasing revenues.

As would be expected given the decrease in Group borrowings (see below), finance costs are down at £0.3 million (2013: £0.4 million). The depreciation and amortisation charge, a non-cash expense to the income statement, has remained consistent in 2014 at £0.3 million (2013: £0.3 million). Profit before tax is consequently £1.7 million for the year (2013: £0.3 million) reflecting an increase of over 500%.

As noted in last year's report STM has recovered an element of the taxation charge paid by the Malta subsidiary upon the declaration of dividends up to the holding company. This has therefore reduced the Group's effective tax rate. The charge for the year was £0.7 million (2013: £0.4 million).

In line with most services businesses, the Group had accrued income in the form of work performed for clients but not yet billed at the year-end of £2.1 million (2013: £3.0 million) which provides immediate visibility of billable fees in the early part of 2015. This decrease is predominantly within the Pensions business and is mainly as a result of increased efficiencies in the overall process.

Trade receivables as at 31 December 2014 amounted to £3.1 million, compared with £2.5 million as at 31 December 2013. This increase is purely due to the Pensions business, given the increase in revenue related to this division. I am pleased to note that the debtor days, a key measure in the management of debtors, have remained consistent.

Deferred income, representing fees billed in advance yet to be credited to the statement of total comprehensive income, have once again increased considerably to £2.3 million (2013: £1.6 million). As is the case with the trade debtors this is wholly linked to the Pensions business. In line with the Group's accounting policy for the Pensions business, first year fees are reflected as turnover upon invoicing whereas second year fees and beyond are deferred. Consequently as the Pension business matures and enters into its second and third years, this will continue to increase. As with the accrued income, this provides visibility into 2015 revenues.

The Group ended the year with cash of £5.7 million (2013: £4.1 million). The Group's overall external borrowings were reduced by £1.0 million during the year, through the repayment of £0.9 million of convertible loan notes and the £0.1 million overdraft facility.

GROUP FINANCING

During the year the Group has decreased the level of external borrowing by £1.0 million. This decrease is largely as a result of having repaid the convertible loan notes ("Loan Notes") issued in 2010 to the value of £3.5 million and having issued new ones to certain holders of the 2010 Loan Notes to the value £2.6 million. The new Loan Notes have a fixed term of 2 years and carry an annual coupon of 7%, payable half-yearly. They also carry an option to convert into new ordinary shares at a price of 26p per share after the first year with STM having the option to repay those that do not convert. Those Loan Notes not converted or redeemed will run to term.

BOARD CHANGES DURING THE YEAR

After three and a half years as the Group's Chairman, Julian Telling stepped down from this role on 31 December 2014 and has been replaced by Michael Riddell who has been a member of the Board since 2010. Julian has been instrumental in STM's transition from offering bespoke solutions in the CTS market to becoming a multi-disciplinary international financial services provider delivering tailor-made solutions for our clients. The Board joins me in thanking him for his dedicated and valued work and we wish him every success in the future.

Therese Neish, having assumed the role of Chief Financial Officer in December 2013, was officially appointed to the Board in January 2014.

DIVIDENDS

No dividend has been recommended for the year ended 31 December 2014, however, noting the steady progress in the business, the Board hopes to re-introduce a progressive dividend policy as resources allow.

OUTLOOK

STM is now in a much stronger and more market dominant position. The focus for 2015 is to further strengthen and maximise its business development activities by securing a more global intermediary network. These specialist business developers in untapped regions will significantly enhance the scalability of the Group across all product areas, particularly in our Pensions and Life Assurance businesses.

Much progress has already been made in achieving these ambitions, without compromising the high levels of service our clients have come to expect of us. New financial products and services have been developed from a deep understanding of our clients' needs and objectives. This is a focus that we will maintain to ensure that we remain at the forefront of their needs as the financial world and their circumstances evolve.

The Board is confident in the prospects for the Group and looks forward to updating the market on further progress.

Colin Porter

Colin Porter
Chief Executive Officer
10 March 2015

DIRECTORS' REPORT

The Directors of STM Group plc present their Report for the year to 31 December 2014 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 13 May 2015.

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 profit for the year of £979,000 (31 December 2013: Loss £136,000) has been transferred to reserves.

The Board recommends that no dividends be paid for the year ended 31 December 2014 (31 December 2013: 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 (Resigned 31 December 2014)

Therese Gemma Neish (Appointed 17 January 2014)

Alan Kentish has an interest in 5,968,817 ordinary shares – 4,516,667 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 1,471,113 ordinary shares.

Julian Telling has an interest in 223,889 ordinary shares.

Therese Neish has an interest in 492,756 ordinary shares.

All remaining Directors offer themselves for re-election.

POLITICAL AND CHARITABLE DONATIONS

The Group's charitable donations for the period amounted to £6,265 (31 December 2013: £4,985). 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 2015 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 2015

	%
Southern Rock Insurance Company Limited, Rock Holdings Limited and Arron Banks	16.36
Hearth Investments Limited	14.22
Clifton Participations Inc and Alan Kentish	11.17
International Financial Options Limited	7.89
Nightingale Equities Inc	5.46
KAS Bank NV	4.86
Quest Traders Limited	3.26

INDEPENDENT AUDITORS

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

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting to be held on 13 May 2015 is set out on page 37

By order of the Board

Elizabeth A Plummer

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

10 March 2015

BOARD OF DIRECTORS

MICHAEL ROSS RIDDELL CA
CHAIRMAN

Mike is the Managing Director and a part owner of Greystone Trust Company, a licensed trust and corporate service provider in the Isle of Man which he joined in 2005. A Canadian Chartered Accountant, Mike has worked in trust and corporate and financial services since 1988 in Canada, the Cayman Islands and the Isle of Man. Mike is a director of Hearth Investments Limited, which holds a significant shareholding in STM.

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.

THERESE GEMMA NEISH BA (HONS) FCCA
CHIEF FINANCIAL OFFICER

Therese trained with KPMG where she qualified as a Chartered Certified Accountant in 2003, having previously studied Accountancy & Financial Studies at Exeter University. Therese joined STM in 2003 in the Insurance Management division where she managed and sat on the board of various insurance companies. In 2009 Therese became Group Financial Controller and was appointed Chief Financial Officer in January 2014.

ALAN ROY KENTISH ACA ACII AIRM
DIRECTOR OF PRODUCT AND BUSINESS DEVELOPMENT

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 became Chief Financial Officer of the Group when it floated in 2007. In December 2013 he became Director of Product and Business Development, with a focus on driving STM's suite of proprietary products and Group revenue.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

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

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

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

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

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

DIRECTORS' REMUNERATION REPORT

Director	Remuneration	Short-term incentive arrangements	Total	Notes
Executive Directors				
Alan Kentish	£230,000	53,068	287,668	a
Colin Porter	£230,000	53,068	287,668	a
Therese Neish	£110,000	24,883	134,883	
Non-Executive Directors				
Julian Telling	£40,000	—	£40,000	a,b
Michael Riddell	£12,000	—	£12,000	a,c

For the year ended 31 December 2014 the short term incentive arrangements for the Executive Directors comprised a bonus based on actual profit achieved compared to target profit.

Notes

a. No Directors received any benefits in the form of either pension contributions or share based incentives.
b. Julian Telling Consulting Limited invoices the Company for the Director services provided by Julian Telling.
c. 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 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 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 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 the 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 2014 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).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs.

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

10 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year from 1 January 2014
to 31 December 2014

	Notes	**Year ended 31 December 2014 £000**	Year ended 31 December **2013** £000
Revenue	8	15,878	13,357
Administrative expenses	10	(13,575)	(12,419)
Profit before other items	11	**2,303**	938
OTHER ITEMS			
Finance costs		(279)	(359)
Depreciation and amortisation		(316)	(310)
Profit before taxation		**1,708**	269
Taxation	12	(657)	(380)
Profit/(loss) after taxation		**1,051**	(111)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations		(72)	(25)
Total comprehensive income/(loss) for the year		**979**	(136)
Earnings per share basic (pence)	18	1.97	(0.21)
Earnings per share diluted (pence)	18	**1.66**	(0.21)

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 2014

	Notes	**31 December 2014 £000**	31 December **2013** £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	974	1,156
Intangible assets	14	16,810	16,907
Investments	7	737	614
Total non-current assets		**18,521**	18,677
Current assets			
Accrued income		2,158	3,000
Trade and other receivables	15	4,775	4,214
Cash and cash equivalents	16	5,711	4,090
Total current assets		**12,644**	11,304
Total assets		**31,165**	29,981
EQUITY			
Called up share capital	17	53	53
Share premium account	17	20,828	20,828
Reserves		1,368	382
Total equity attributable to equity shareholders		**22,249**	21,263
LIABILITIES			
Current liabilities			
Liabilities for current tax		1,061	613
Trade and other payables	19	5,305	8,105
Total current liabilities		**6,366**	8,718
Non-current liabilities			
Other payables	20	2,550	—
Total non-current liabilities		**2,550**	—
Total liabilities and equity		**31,165**	29,981

CD Porter
Chief Executive Officer

TG Neish
Chief Financial Officer

10 March 2015

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31 December 2014 £000	31 December 2013 £000
ASSETS			
Non-current assets			
Property, plant and equipment	13	729	859
Investments	7	16,052	16,052
Intangible assets	14	44	48
Total non-current assets		**16,825**	16,959
Current assets			
Trade and other receivables	15	8,151	4,102
Cash and cash equivalents	16	406	20
Total current assets		**8,557**	4,122
Total assets		**25,382**	21,081
EQUITY			
Called up share capital	17	53	53
Share premium account	17	20,828	20,828
Reserves		(2,950)	(6,758)
Total equity attributable to equity shareholders		**17,931**	14,123
LIABILITIES			
Current liabilities			
Trade and other payables	19	4,901	6,958
Total current liabilities		**4,901**	6,958
Non-current liabilities			
Other payables	20	2,550	—
Total non-current liabilities		**2,550**	—
Total liabilities and equity		**25,382**	21,081

CD Porter
Chief Executive Officer

TG Neish
Chief Financial Officer

10 March 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year from 1 January 2014
to 31 December 2014

	Notes	**Year ended 31 December 2014 £000**	Year ended 31 December **2013** £000
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before tax		**1,708**	269
ADJUSTMENTS FOR:			
Depreciation and amortisation	13,14	316	310
Taxation paid		(209)	(206)
Unrealised gain in investments		(122)	—
(Increase)/decrease in trade and other receivables	15	(561)	309
Decrease in accrued income		842	31
(Decrease)/increase in trade and other payables	19	(125)	1,746
Net cash from operating activities		**1,849**	2,459
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	13	(37)	(134)
Acquisition of treasury shares		(8)	(54)
Acquisition of investments		(25)	(714)
Increase in intangibles		—	(56)
Net cash used in investing activities		**(70)**	(958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loan repayments		—	(911)
Cash consideration from shares issued		—	—
Net cash from financing activities		—	(911)
Increase in cash and cash equivalents		**1,779**	590
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Analysis of cash and cash equivalents during the year			
Increase in cash and cash equivalents		1,779	590
Translation of foreign operations		(58)	16
Balance at start of year		3,990	3,384
Balance at end of year	16	**5,711**	3,990

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

For the year from 1 January 2014 to 31 December 2014

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	**Total £000**
Balance at 1 January 2013	53	20,828	740	(144)	(64)	21,413
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Loss for the year	—	—	(111)	—	—	(111)
Other comprehensive income						
Foreign currency translation differences	—	—	(25)	—	—	(25)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	40	40
Treasury shares purchased	—	—	—	(54)	—	(54)
At 31 December 2013	**53**	**20,828**	**604**	**(198)**	**(24)**	**21,263**
Balance at 1 January 2014	53	20,828	604	(198)	(24)	**21,263**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	—	—	1,051	—	—	1,051
Other comprehensive income						
Foreign currency translation differences	—	—	(72)	—	—	(72)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	15	15
Treasury shares purchased	—	—	—	(8)	—	(8)
At 31 December 2014	**53**	**20,828**	**1,583**	**(206)**	**(9)**	**22,249**

STATEMENT OF COMPANY CHANGES IN EQUITY

For the year from 1 January 2014 to 31 December 2014

	Share Capital £000	Share premium £000	Retained earnings £000	**Total £000**
Balance at 1 January 2013	53	20,828	(5,579)	15,302
Loss for the year	—	—	(1,179)	(1,179)
Shares issued in year	—	—	—	—
Dividend paid	—	—	—	—
31 December 2013	**53**	**20,828**	**(6,758)**	**14,123**
Balance at 1 January 2014	53	20,828	(6,758)	**14,123**
Loss for the year	—	—	3,808	3,808
Shares issued in year	—	—	—	—
Dividend paid	—	—	—	—
31 December 2014	**53**	**20,828**	**(2,950)**	**17,931**

NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2014
to 31 December 2014

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 2014 comprise the Company and its subsidiaries (see note 24) (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in financial services.

2. BASIS OF PREPARATION

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

a. Statement of compliance

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

b. Functional and presentational currency

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

c. Use of estimates and judgments

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

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

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

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

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 Management Fee. In the first year of membership the initial and 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 a proportion of the management fee is reflected as income at the time of invoicing to reflect the timing of the work carried out for the member. The other proportion is 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. In terms of pension business the accrued income is based on the number of applications received but for which an invoice has not been raised yet.

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 in 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.

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 and senior management within the Group, 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. 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.

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.

n. 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.

o. 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.

p. 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.

q. 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.

r. New standards and interpretations

The following new standards and interpretations (as endorsed by the European Union (EU)) are mandatory for the first time this year. However, following consideration and review they are believed to either not be relevant to the Group or do not have a significant impact on the Group's financial statements apart from additional disclosures:

- IFRS 10 (amended) — Consolidated Financial Statements
- IFRS 12 (amended) — Disclosure of Interests in Other Entities
- IAS 27 (amended) — Separate Financial Statements (2011)
- IAS 32 (amended) — Financial Instruments: Presentation
- IAS 36 (amended) — Impairment of Assets
- IAS 39 (amended) — Financial Instruments: Recognition and Measurement

In addition, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, 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.

s. Disputes and potential legal matters

The Group may at times be involved in disputes arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of these disputes when the potential losses are probable and estimable. Disputes in respect of legal matters are subject to many uncertainties and the outcome of individual matters cannot be predicted with certainty.

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 conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. Credit risk

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

Trade and other receivables

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

The 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 did not have any bank borrowings at the year-end therefore has no exposure to interest rate movements.

e. Currency risk

The Group has a small exposure to currency risk in relation to the investment in STM Nummos and STM Cyprus. This is mitigated by the fact that assets and liabilities held by STM Nummos and STM Cyprus are in its functional currency of Euros (€).

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

f. 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.

6. SEGMENTAL INFORMATION

STM Group has five reportable segments: Corporate Trustee Services, Pensions, Insurance Management, STM Life 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	**31 December 2014 £000**	31 December **2013** £000
Corporate Trustee Services	5,477	5,834
Pensions	7,981	5,861
Insurance Management	556	591
STM Life	1,433	560
Other Services	431	511
	15,878	13,357

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

	Turnover	
Geographical Segment	**31 December 2014 £000**	31 December **2013** £000
Gibraltar	6,899	4,635
Jersey	3,103	3,366
Malta	5,570	4,925
Other	306	431
	15,878	13,357

For the year from 1 January 2014
to 31 December 2014

7. INVESTMENTS

Group – Other investments

Investments relate to UK Government Gilts which pay coupons of 4.75% and 4.25% per annum and mature on 7 December 2030 and 7 September 2039.

Company – Investments in subsidiaries

Acquisitions of the Company	31 December 2014 £000	31 December 2013 £000
Shares in group undertakings		
Balance at start of year	16,052	16,052
Adjustments to prior year	—	—
Acquisitions	—	—
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 2014 £000	31 December 2013 £000
Revenue from administration of assets	15,878	13,357
Total revenues	**15,878**	13,357

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 £15,878,000 there is an amount of £1,433,000 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	31 December 2014 £000	31 December 2013 £000
Gross premiums written	73,820	31,305
Policy withdrawals	(7,625)	(1,442)
Net operating expenses	(20,252)	(430)
Change in long-term business provisions	144	(63)
Increase in linked long-term reserves	(44,377)	(28,946)
Surplus on long-term fund	**1,710**	424

Assets held to cover linked liabilities	31 December 2014 £000	31 December 2013 £000
Open Market Value	104,821	61,790
Cost	**115,618**	63,547

Technical provision for linked liabilities	31 December 2014 £000	31 December 2013 £000
Balance at start of year	61,790	32,899
Increase in technical provision for linked liabilities	44,196	28,946
Foreign exchange movement on linked liabilities	(1,346)	(55)
Balance at end of year	**104,640**	61,790

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 2014 £000	31 December 2013 £000
Wages and salaries	6,211	5,952
Social Insurance costs	341	325
Pension contributions	64	71
Total personnel expenses	**6,616**	6,348

Average number of employees

Group	31 December 2014 Number	31 December 2013 Number
Average number of people employed (including executive directors)	**159**	146

Company	31 December 2014 Number	31 December 2013 Number
Average number of staff employed (including executive directors)	**12**	14

11. PROFIT BEFORE OTHER ITEMS

Profit before other items of £2,303,000 (31 December 2013 £938,000), was arrived at after charging the following to the income statement:

	31 December 2014 £000	31 December 2013 £000
Directors' remuneration	631	512
Auditor's remuneration	153	140
Operating lease rentals	635	667

12. TAXATION

	31 December 2014 £000	31 December 2013 £000
Current tax expense	657	380
Release from prior years	—	—
Total tax expense	**657**	380

Reconciliation of existing tax rate	31 December 2014 £000	31 December 2013 £000
Profit for the year	1,708	269
Total income tax expense	**657**	380
Profit before tax	1,708	269
Income tax using the Company's domestic rate -0%	—	—
Effect of tax rates in other jurisdictions	657	380
Total tax expense	**657**	380

As at the statement of financial position date various subsidiaries had tax losses brought forward which are based on tax computations prepared and submitted to the tax authorities.

For the year from 1 January 2014
to 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT

Group	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs				
As at 1 January 2013	12	1,379	869	2,260
Additions at cost	—	127	7	134
Disposals	—	—	—	—
As at 31 December 2013	**12**	**1,506**	**876**	**2,394**
As at 1 January 2014	12	1,506	876	2,394
Additions at cost	—	37	—	37
As at 31 December 2014	**12**	**1,543**	**876**	**2,431**
Depreciation				
As at 1 January 2013	10	536	417	963
Charge for the year	—	145	130	275
Disposals	—	—	—	—
As at 31 December 2013	**10**	**681**	**547**	**1,238**
As at 1 January 2014	10	681	547	1,238
Charge for the year	—	133	86	219
As at 31 December 2014	**10**	**814**	**633**	**1,457**
Net Book Value				
As at 31 December 2014	**2**	**729**	**243**	**974**
As at 31 December 2013	2	825	329	1,156

Company	Office Equipment £000	Leasehold Improvements £000	Total £000
Costs			
As at 1 January 2013	644	567	1,211
Additions at cost	46	—	46
As at 31 December 2013	**690**	**567**	**1,257**
As at 1 January 2014	690	567	1,257
Additions at cost	6	—	6
As at 31 December 2014	**696**	**567**	**1,263**
Depreciation			
As at 1 January 2013	96	162	258
Charge for the year	59	81	140
As at 31 December 2013	**155**	**243**	**398**
As at 1 January 2014	155	243	398
Charge for the year	55	81	136
As at 31 December 2014	**210**	**324**	**534**
Net Book Value			
As at 31 December 2014	**486**	**243**	**729**
As at 31 December 2013	535	324	859

14. INTANGIBLE ASSETS

Group	Goodwill £000	Client Portfolio £000	Product Development £000	**Total £000**
Costs				
Balance as at 1 January 2013	16,727	4,927	159	21,813
Additions	—	—	56	56
Balance at 31 December 2013	**16,727**	**4,927**	**215**	**21,869**
Balance as at 1 January 2014	16,727	4,927	215	21,869
Additions	—	—	27	27
Reallocation	—	—	(27)	(27)
Balance at 31 December 2014	**16,727**	**4,927**	**215**	**21,869**
Amortisation and impairment				
Balance as at 1 January 2013	—	4,927	—	4,927
Charge for the year	—	—	35	35
Balance at 31 December 2013	**—**	**4,927**	**35**	**4,962**
Balance as at 1 January 2014	—	4,927	35	4,962
Charge for the year	—	—	97	97
Balance at 31 December 2014	**—**	**4,927**	**132**	**5,059**
Carrying amounts				
At 1 January 2013	16,727	—	159	16,886
At 31 December 2013	**16,727**	**—**	**180**	**16,907**
At 1 January 2014	16,727	—	180	16,907
At 31 December 2014	**16,727**	**—**	**83**	**16,810**

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2014, and reflects the difference between the identifiable net asset value of those acquisitions and the 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 £977,000.

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 8% 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.

For the year from 1 January 2014
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14. INTANGIBLE ASSETS (continued)

Company	Client Portfolio £000	Product Development £000	**Total £000**
Costs			
As at 1 January 2013	4,927	66	4,993
Additions	—	4	4
As at 31 December 2013	**4,927**	**70**	**4,997**
As at 1 January 2014	4,927	70	4,997
Additions	—	18	18
As at 31 December 2014	**4,927**	**88**	**5,015**
Amortisation and impairment			
As at 1 January 2013	4,927	—	4,927
Charges for the year	—	22	22
As at 31 December 2013	**4,927**	**22**	**4,949**
As at 1 January 2014	4,927	22	4,949
Charges for the year	—	22	22
As at 31 December 2014	**4,927**	**44**	**4,971**
Carrying amounts			
As at 1 January 2013	—	66	66
As at 31 December 2013	**—**	**48**	**48**
As at 1 January 2014	—	**48**	**48**
As at 31 December 2014	**—**	**44**	**44**

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 felt it was no longer possible to review for impairment and was written off in the year ended 31 December 2012.

15. TRADE AND OTHER RECEIVABLES

Group	**31 December 2014 £000**	31 December **2013** £000
Trade receivables	3,096	2,513
Other receivables	1,679	1,701
Total	**4,775**	4,214

Company	**31 December 2014 £000**	31 December **2013** £000
Trade receivables due from related parties	7,935	3,651
Other receivables	216	451
Total	**8,151**	4,102

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 2014 £000	31 December 2013 £000
Bank balances	5,711	4,090
Cash and cash equivalents in the statement of financial position	5,711	4,090
Bank overdrafts	—	(100)
Cash and cash equivalents in the statement of cash flow	5,711	3,990

Company	31 December 2014 £000	31 December 2013 £000
Bank balances	406	20
Cash and cash equivalents in the statement of financial position	406	20
Bank overdrafts	—	(100)
Net cash and cash equivalents	406	(80)

17. CAPITAL AND RESERVES

Authorised, called up, issued and fully paid	31 December 2014 £000	31 December 2013 £000
53,446,549 ordinary shares of £0.001 each (2013: 53,446,549 ordinary shares of £0.001 each)	53	53

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 530,513 (2013: 502,735) shares at 31 December 2014, amounting to £205,776 (2013: £198,276).

Share premium

There were no new shares issued during the year (2013: nil).

Translation

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

18. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2014 to 31 December 2014 is based on the profit after taxation of £1,051,000 (2013:- loss of £111,000) divided by the weighted average number of £0.001 ordinary shares during the year of 53,446,549 basic (2013:- 53,446,549) and 63,254,421 dilutive (2013:- 53,446,549) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2014 is:

Weighted average number of shares	53,446,549
Dilutive share incentive plan, options and contingent consideration shares	9,807,692
Diluted	63,254,241

For the year from 1 January 2014
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19. TRADE AND OTHER PAYABLES

Group	31 December 2014 £000	31 December 2013 £000
Bank overdraft	—	100
Loans from related parties	57	58
Deferred income	2,273	1,578
Trade payables	334	463
Convertible Loan Notes (note 20)	—	3,450
Deferred and contingent consideration	—	25
Other creditors and accruals	2,641	2,431
	5,305	8,105

Company	31 December 2014 £000	31 December 2013 £000
Bank overdraft	—	100
Owed to related parties	3,524	2,529
Convertible Loan Notes (note 20)	—	3,450
Other creditors and accruals	1,377	879
	4,901	6,958

Loans from related parties amount to £57,000 and relate to a loan by the founding shareholders of Fidecs, the loan is unsecured and interest bearing at 7% per annum.

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the year-end. These amounted to £2,273,000 as at 31 December 2014 (31 December 2013: £1,578,000).

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 2014 £000	31 December 2013 £000
Convertible Loan Notes	2,550	—
	2,550	—

Company	31 December 2014 £000	31 December 2013 £000
Convertible Loan Notes (note 19)	2,550	—
	2,550	—

As at 31 December 2014 the Company has £2.5 million of convertible loan notes ("Loan Notes"). The Loan Notes have a fixed term of 2 years and carry an annual coupon of 7%, payable half-yearly. The Loan Notes can be converted into new ordinary shares of 0.1p each in the Company at a price of 26p per share at the option of holders on the first year anniversary. Any loan notes not converted will run to term and be fully repaid in March 2016. The Loan Notes are secured against all the assets of 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 2014 £000	31 December **2013** £000
Investments	737	614
Trade and other receivables	4,775	4,214
Cash and cash equivalents	5,711	4,090
	11,223	8,918

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 2014 and 31 December 2013.

Impairment losses on trade receivables

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

	Gross receivables 31 December 2014 £000	**Impairment 31 December 2014 £000**	**Total £000**	Gross receivables 31 December **2013** £000	Impairment 31 December **2013** £000	**Total** £000
Not past due	302	—	302	399	—	399
Past due 0–30 days	938	—	938	721	—	721
Past due 31–120 days	389	—	389	145	—	145
More than 120 days past due	2,675	(1,208)	1,467	2,086	(838)	1,248
	4,304	**(1,208)**	**3,096**	3,351	(838)	2,513

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

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

	31 December 2014 £000	31 December **2013** £000
Balance at start of year	838	414
Impairment loss increased	370	424
Balance at end of year	**1,208**	838

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 2014	Carrying amounts £000	Conditional cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000
Non-derivative financial liabilities					
Trade payables	334	334	334	—	—
Loans from related parties	57	57	57	—	—
Convertible Loan Notes	2,550	2,550	—	—	2,550
Other creditors and accruals	2,641	2,641	2,641	—	—
Corporation tax payable	1,061	1,061	1,061	—	—
	6,643	**6,643**	**4,093**	**—**	**2,550**

31 December **2013**	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 overdraft	100	100	100	—	—
Trade payables	463	463	463	—	—
Deferred consideration	25	25	25	—	—
Loans from related parties	58	58	58	—	—
Convertible Loan Notes	3,450	3,450	3,450	—	—
Other creditors and accruals	2,431	2,431	2,431	—	—
Corporation tax payable	613	613	613	—	—
	7,140	**7,140**	**7,140**	**—**	**—**

Currency, interest rate risk and market risk

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

22. LEASES

Operating Leases

Non-cancellable operating leases are payable as follows:

	31 December 2014 £000	31 December **2013** £000
Less than one year	646	635
Between one year and five years	1,719	1,861
More than five years	1,412	1,766
	3,777	4,262

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 9 years.

22. LEASES (continued)

Finance Leases

Non-cancellable finance leases are payable as follows:

	31 December 2014 £000	31 December **2013** £000
Less than one year	3	8
Between one year and five years	—	3
More than five years	—	—
	3	11

23. RELATED PARTIES

Transactions with key management personnel and Directors' Compensation

Key management compensation comprised:

	31 December 2014 £000	31 December **2013** £000
Short-term employee benefits	631	512
Post-employment benefits	—	—
Share-based payments	—	—
	631	512

Key management personnel and Director Transactions

Trusts and related parties connected to the Directors held 29.06% of the voting shares of the Company as at 31 December 2014.

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 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 £6,100 for the period to 31 December 2014, of which £nil was outstanding at 31 December 2014.

The Group provides services to subsidiaries of Rock Holdings Limited, a shareholder of the Company. These services amounted to £232,000 during the year, of which £12,500 was outstanding at 31 December 2014.

Greystone Trust Company Limited, of which Michael Riddell is a director, charged the Company £28,400 for services rendered during 2014, of which £nil was outstanding at 31 December 2014.

During the year the Group has incurred commissions to deVere Group; a company related to the Group by virtue of a shareholder in common of £901,900. As at 31 December 2014 a balance of £327,267 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 £384,000 at 31 December 2014.

As at 31 December 2014 the Group owed Clifton Participations Inc and Fiander Properties Limited, companies related to the Group by virtue of common ownership and/or directors £145,157 and £43,500 respectively.

As at 31 December 2014 the Company has Loan Notes of £2.55 million (note 20). Within this balance Southern Rock Insurance Company Limited, a company related to the Group by virtue of common ownership held £650,000, with Hearth Investments Limited and Clifton Participations Inc, companies related by virtue of common ownership and directors holding £400,000 and £325,000 respectively.

For the year from 1 January 2014
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24. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2014 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

Group	Country of incorporation	Ownership interest		Activity
		31 December 2014	31 December 2013	
STM Fidecs Limited	Isle of Man	100% directly	100% directly	Holding company
STM Fidecs Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Insurance Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiscalis Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Trust Company Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and Administration
STM Fidecs Pension Trustees Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Trustees Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM (Caribbean) Limited	BVI	100% directly	100% directly	Intellectual property holding company
STM Life Assurance PCC plc	Gibraltar	100% indirectly	100% indirectly	Insurance company
Zenith Trust Company Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos Limited	England	100% directly	100% directly	Holding company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Malta Limited	Malta	100% directly	100% directly	Holding company
STM Malta Trust and Company Management Limited	Malta	100% indirectly	100% indirectly	Administration of clients' assets
STM Malta Insurance Management Limited	Malta	100% indirectly	100% indirectly	Administration of clients' assets
STM (Cyprus) Limited	Cyprus	100% directly	100% directly	Administration of clients' assets
STM Cyprus Services Limited	Cyprus	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Insurance Solutions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets

IMPORTANT NOTE

THIS NOTICE AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. *If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are resident outside the United Kingdom, from another appropriately qualified financial adviser.*

If you have sold or transferred all of your shares, please forward this Notice together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

STM Group PLC (the "Company")

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held on 13 May 2015 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 2014 and the reports of the Directors and auditors thereon be received.
2. THAT Colin Douglas Porter 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 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 2016.

Special Resolution

4. 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 30 per cent of the aggregate nominal amount of all the Ordinary Shares in issue as of the date of passing this resolution, 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

Elizabeth A Plummer
Company Secretary
18 Athol Street
Douglas
Isle of Man IM1 1JA
17 March 2015

Notes:

Resolutions 1 to 3 are to be proposed as Ordinary Resolutions. Resolution 4 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 11 May 2015 (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 11 May 2015 (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

Michael R. Riddell CA
Non-Executive Chairman

Colin D. Porter
Chief Executive Officer

Therese G. Neish BA(Hons) FCCA
Chief Financial Officer

Alan R. Kentish ACA ACII AIRM
Director of Product and Business Development

Registered Office

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Company Number
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Company Secretary
Elizabeth Anne Plummer
FCA TEP CTA

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Registered Agent
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ANNUAL REPORT & ACCOUNTS

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STM Group Plc

STM in Gibraltar is regulated by the **Gibraltar Financial Services Commission**
STM in Jersey is regulated by the **Jersey Financial Services Commission**
STM in Malta is regulated by the **Malta Financial Services Authority**
STM in Spain is regulated by the **Director General de Seguros, Fondos y Pensiones**

REGULATIONS: STM Group companies are regulated in the jurisdictions in which they operate.

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