STM GROUP PLC

ANNUAL REPORT & ACCOUNTS

2021

STM is a multi-jurisdictional financial services group traded on AIM, a market operated by the London Stock Exchange. The Group specialises in the administration of client assets in relation to retirement, estate and succession planning and wealth structuring.

Today, the Group has operations in the UK, Gibraltar, Malta, Australia, and Spain. STM has developed a range of pension products for UK nationals and internationally domiciled clients and has two Gibraltar life assurance companies which provide life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held.

STM's growth strategy is focussed on both organic initiatives and strategic acquisitions.

Contents

Our Brands

STM GROUP

options™ for your tomorrow

London & Colonial
Innovation in Pensions

Financial Information

REVENUE	2021	2020	2019
Reported	£22.4m	£24.0m	£23.3m

RECURRING REVENUE	2021	2020	2019
£'m	£20.4m	£20.3m	£18.0m
%	91%	85%	77%

TOTAL DIVIDENDS		
2021	2020	2019
1.50p	1.40p	1.50p

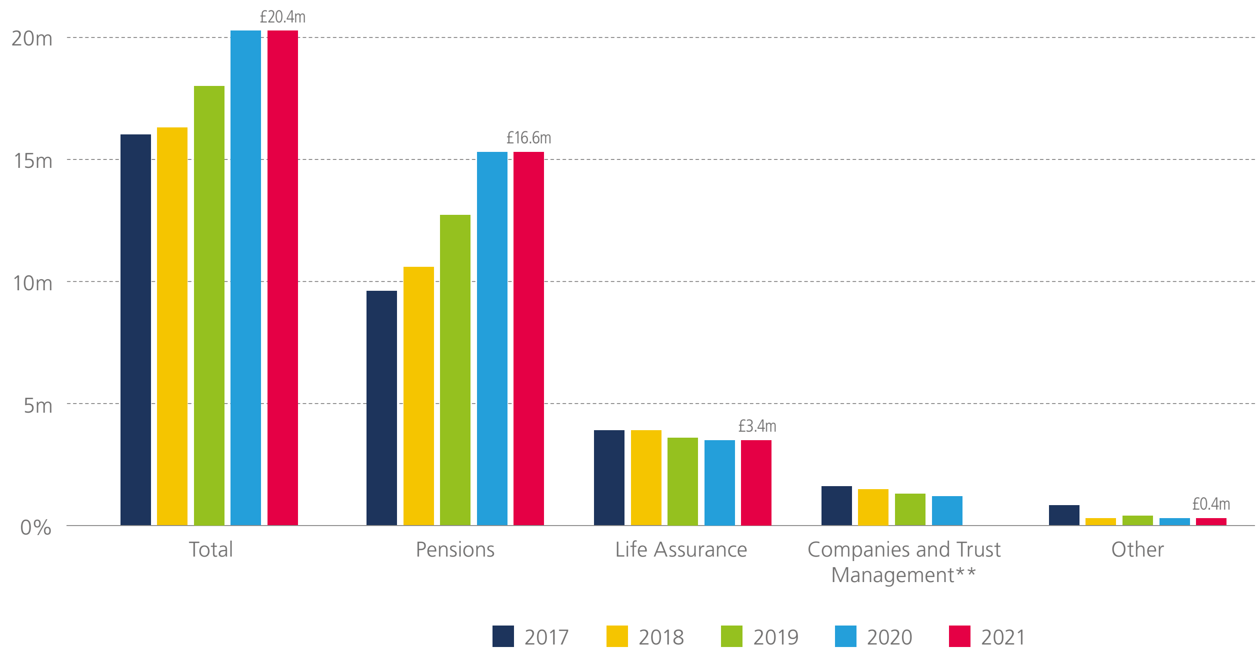
PROFITABILITY	2021	2020	2019
Reported profit before other items*	£1.4m	£2.2m	£2.1m
Reported profit before taxation	£1.2m	£2.0m	£3.9m
Reported profit after taxation	£1.7m	£1.6m	£3.4m

PROFIT MARGINS	2021	2020	2019
Profit before other items	6%	9%	9%

CASH & CASH EQUIVALENTS	2021	2020	2019
Balance net of borrowing	16.8m	£14.8m	£17.2m
Cash flow from operations	(£0.1m)	£1.6m	£3.1m

*Net of non-recurring items which do not form part of ordinary operations see page 13 for further details.

Recurring Revenue



**The Companies and Trust Management (CTS) business was disposed of in 2021.

Revenue by Operating Segment

Operational Highlights

- Recurring revenues remain predictable and a corner stone of the business representing 91% of reported revenues
- Strategic focus on core activities of pension administration and life assurance leading to disposal of the Companies Trust Service (CTS) business
- Growth in the UK proposition now a key jurisdictional focus following integration of UK acquisitions
- Centralisation of the business development function to focus driving increased "top line" growth
- Implementation of a harmonised IT operating platform largely completed and a commitment to increased investment in Group-wide systems to support central functions
- Updated to a "hybrid" working environment to keep our colleagues safe and to maximise flexibility and efficiencies regardless of physical location
- Q1-22 launch of Australian superannuation solution for expatriates

Product Offering

UK WORKPLACE PENSIONS

Following acquisition of Carey (Options) Pensions in February 2019, strategic entry into the dynamic sector of auto-enrolment.

Currently: over 250,000 members

QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES (QROPS)

Exported UK pensions administered by Malta and Gibraltar.

Since legislation changes in 2017 this is no longer STM's primary growth driver but continues to provide a steady recurring revenue stream.

SELF-INVESTED PERSONAL PENSIONS SCHEMES (SIPPS) & SMALL SELF-ADMINISTERED SCHEMES (SSAS)

UK regulated products. STM has products specifically tailored to serve both the UK and international market.

Currently: circa 7,600 members

LIFE ASSURANCE WRAPPERS

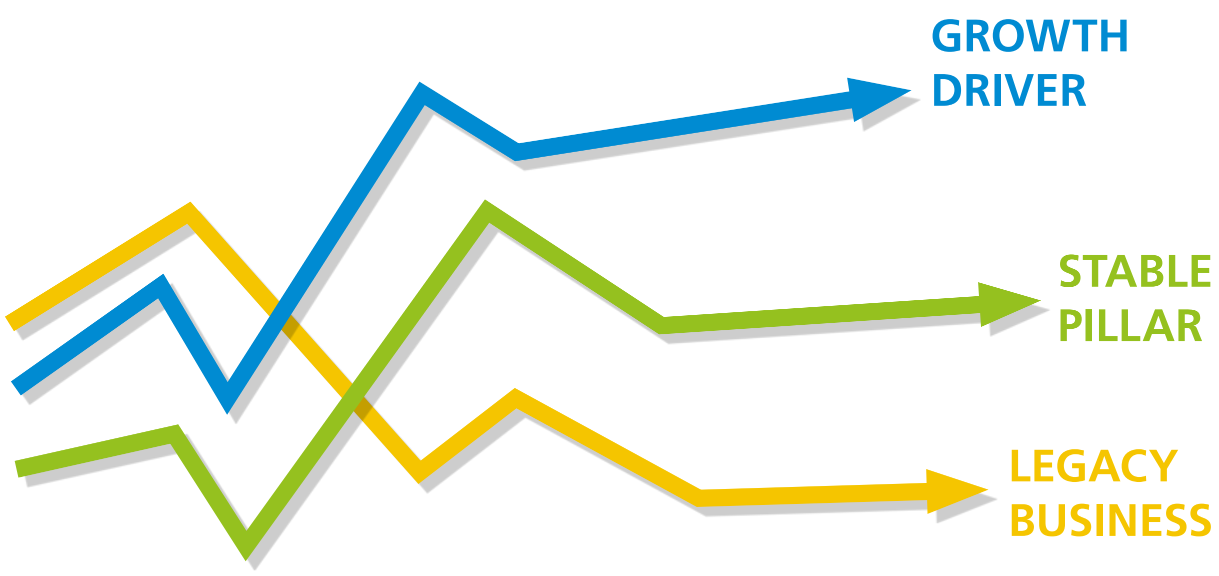
With two life assurance companies in the Group STM offers a broad range of product solutions.

Currently: circa 3,000 policy holders

GROUP PENSION PLANS (GPP)

Acquired through the Berkeley Burke acquisition.

Currently: circa 150 customers



Main Trading Jurisdictions

Products administered:

United Kingdom

Personal pensions *(SIPP and SSAS)*

Workplace Pensions

Group Pension Plan

Gibraltar

Personal pensions *(QROPS and QNUPS)*

Workplace Pensions

Life Assurance Portfolio Bonds

Annuities

Malta

Personal pensions *(QROPS, QNUPS and EURBS)*

Workplace Pensions

Australia *(satelite office)*

SIPPs

Superannuation

286
Colleagues
Average number of people employed by including executive directors

270,000
Customers
STM gives peace of mind to their customers by helping to look after their financial future.

126
Countries
STM looks after customers living all over the world.

"NEW BUSINESS ACTIVITY AND INCOME GROWTH WHILST DELIVERING EFFICIENCIES AND REALISING SYNERGIES ACROSS THE GROUP REMAINS THE ABSOLUTE PRIORITY."

Chairman's Statement

I AM PLEASED TO SHARE WITH YOU THE STM GROUP PLC ("STM") RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021. IT HAS BEEN ANOTHER CHALLENGING YEAR IN SEVERAL DIRECTIONS FOR STM, BUT WE FEEL ENCOURAGED THAT THE WORKING ENVIRONMENT IS AT LAST STARTING TO GET BACK TO NORMAL, AND THAT WE WILL MANAGE TO FULFIL THE TRUE POTENTIAL OF THE BUSINESS.

DUNCAN CROCKER
Chairman

One of our biggest ambitions for 2021 was to accelerate our new business initiatives. Whilst we had some success in cementing relationships with strategic partners, the delays in implementation meant that there was limited impact to our revenue line in 2021. New business activity and income growth whilst delivering efficiencies and realising synergies across the Group remains the absolute priority to deliver both enhanced margin and shareholder value.

Importantly the strategic decision to exit the CTS businesses was completed in the first half of the year and has allowed the Plc board and executive team to focus on the core activities of pension administration and life assurance wrappers.

Several significant milestones were achieved in relation to the completion of the IT migrations onto our own administration platform, and whilst we are yet to realise the full efficiencies, we can see these starting to materialise. In addition, the implementation of Group-wide Finance and Risk systems in 2022 will allow for further enhancements.

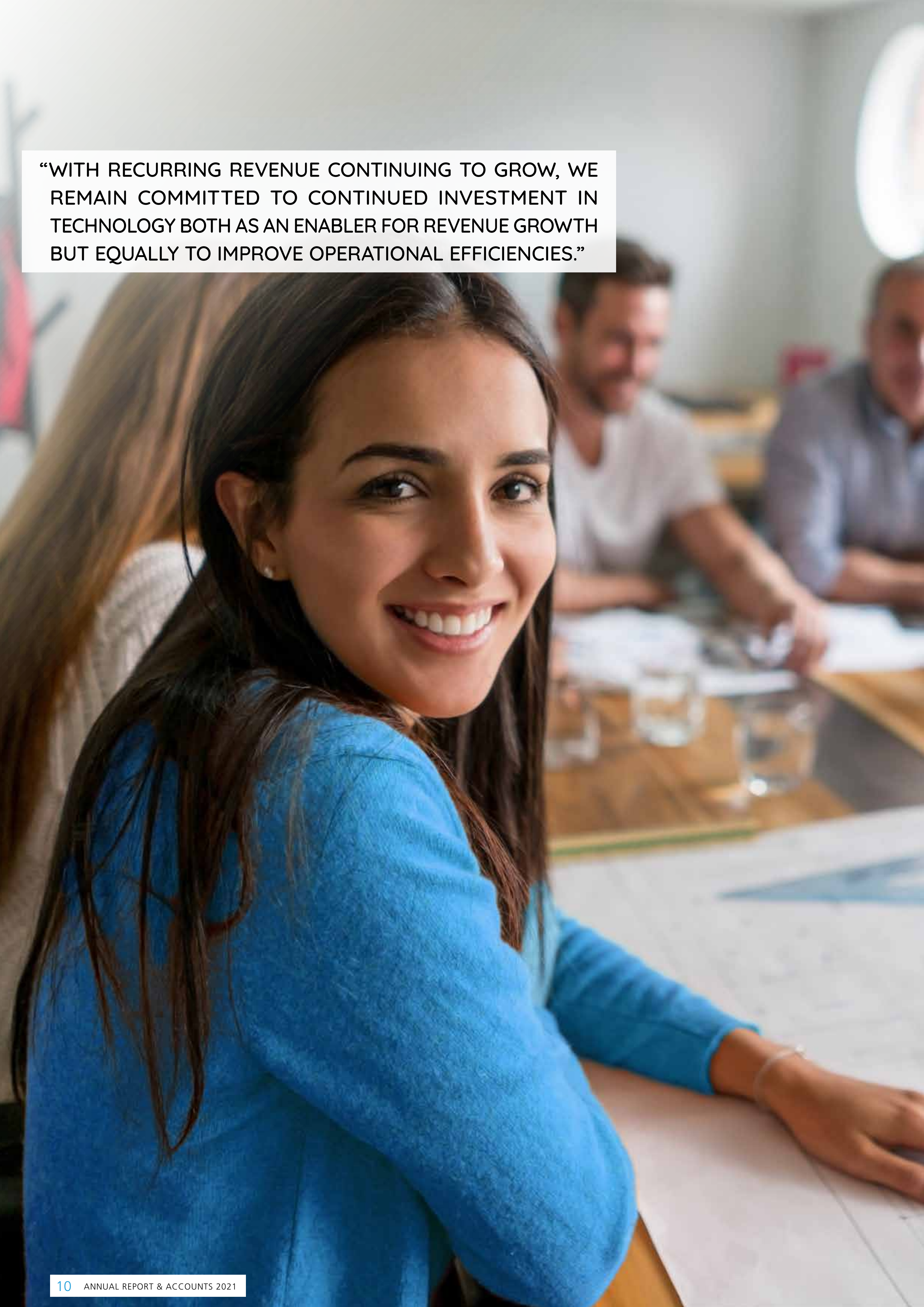
During the last quarter of the year, Pete Marr (COO) and Therese Neish (CFO), stepped down from their roles and Nicole Coll joined the Plc board as CFO. Nicole has also taken on much of what was formerly part of the COO role. We believe the new structure is the right one for the Company. As an extension of this restructuring, we are looking to optimise various functions across the business to avoid duplication and to become a more agile and forward-looking business

Since 2019, we have redefined our purpose and vision, repositioning the Group as a UK centric Plc with more UK focussed pensions and life products. We have embraced our new UK brand, "Options for your tomorrow" which captures our mission to give our customers freedom of choice by providing them with solutions for their tomorrow. There is no doubt that over the last couple of years we have built a much stronger foundation for the business, and it is now up to us to ensure that during 2022 we take advantage of that infrastructure to deliver enhanced profitability through better efficiencies and accelerated new business growth. As I have said, these remain an absolute focus for the Plc Board.

Finally, I would like to take this opportunity to thank the Group's Directors, Executive and all our colleagues for all their efforts during 2021, another year dominated by the COVID-19 pandemic. The senior leadership team and staff across the Group have continued to demonstrate great resilience and commitment through these last few challenging years. I would also like to thank Robin Ellison who stepped down from the Plc board as a non-executive director. It saddens me that Nicole Coll has decided to step down from her role as CFO and I equally take this opportunity to thank Nicole for her contributions to the Group's strategy and development of our optimised operating model. The Board wish her well in her future endeavours.

Duncan Crocker

Duncan Crocker
Chairman
7 June 2022



"WITH RECURRING REVENUE CONTINUING TO GROW, WE REMAIN COMMITTED TO CONTINUED INVESTMENT IN TECHNOLOGY BOTH AS AN ENABLER FOR REVENUE GROWTH BUT EQUALLY TO IMPROVE OPERATIONAL EFFICIENCIES."

Chief Executive Officer's Statement

WHILST OUR EXISTING RECURRING REVENUE HAS HELD UP WELL, IT HAS BEEN FRUSTRATING THAT THE SIGNIFICANT AMOUNT OF WORK AND CHANGE OCCURRING IN THE BACKGROUND HAS NOT YET RESULTED IN IMPROVED MARGINS OR THE NEW BUSINESS GROWTH ANTICIPATED.

ALAN KENTISH
Chief Executive Officer

Our trading subsidiaries performed as expected in relation to the underlying business, recognising that these various subsidiaries are at different stages of development.

However, our UK SIPP operation fell short on its new business targets, although some pleasing partnership relationships were finalised. These are anticipated to give our new business volumes a boost in 2022 and beyond. The businesses acquired in 2020 had their first full year as part of the STM Group and performed broadly as expected, with the small shortfall in revenue resulting in a reduced deferred consideration payment.

The Options Corporate Pension business continues to see solid growth, with a year-on-year revenue uplift of almost 50%, moving it into a healthy profit contributor for the Group. The business now has in excess of 250,000 workplace pension members.

With the QROPs market static, our growth will come from our international occupational pensions. Disappointingly, our Gibraltar based life companies did not perform to their full potential in relation to flexible annuity products as new business anticipated has not yet materialised.

The first half of 2021 also saw us achieve the key strategic aim of exiting the Company and Trustee Services ("CTS") provider market, selling both the Jersey and the Gibraltar businesses.

Operationally, 2021 was yet another busy year, with the completion of major IT migrations STM now operates all its personal pension businesses on one core in-house administration system. Certain efficiencies did not materialise in 2021, as originally planned but with work largely completed, we will now see the benefits starting to materialise in 2022 and beyond.

The latter part of 2021 saw several personnel changes at executive level with the CFO and COO stepping down and the executive members of the Plc Board reduced to a two-person structure. Nicole Coll joined me as that other board member. I would also like to thank Therese Neish and Pete Marr for all their hard work in their time with STM.

These changes have allowed us to revisit our operating model, recognising that our peers generally have a better operating margin than STM. Whilst having three operating jurisdictions does complicate our structure, the executives have taken the decision to centralise many of the business functions.

From a work environment point of view, the year remained challenging with the need to keep our STM colleagues safe whilst still having to deal with the inevitable staff absences and continued remote working. I would like to extend my thanks to all of the STM staff for their continued hard work and commitment.

The UK pension market remains in a position of uncertainty as to the extent of the duties of SIPP providers. Disappointingly, in April 2022 the Supreme Court refused Carey (Options) permission to appeal on the Adams case bringing the long-standing case relating to Mr Adams SIPP investment in 2012 to a close. This decision has no direct impact on STM financially due to its ability to recover under the professional indemnity insurance in place at the time, but it has meant the business has made a provision for similar fact cases. In consultation with its professional advisers, its auditors and professional indemnity insurers, the business has agreed a balance sheet provision of £21.4 million, with a corresponding recovery from the professional indemnity insurers on the asset side of the balance sheet. The Adams case is very specific to the actions of what an unregulated introducer may or may not do. There remains uncertainty in the industry, such uncertainty is unhealthy for all stakeholders, including consumers, and has resulted in increased costs such as professional indemnity insurance which are invariably passed on to the pension member. Naturally, STM as well as the pension industry, would welcome further clarity in this area.

Finally, I would like to thank Robin Ellison for his contribution to the Plc Board and continued support in a consultancy role.

Chief Executive Officer's Statement

FINANCIAL REVIEW

PERFORMANCE IN THE YEAR

The principal key performance indicators used by the Board to assess the financial performance of the Group are as per Table 1 below.

The Group has reported revenues of £22.4 million (2020: £24.0 million) in the year with profit before other items of £1.4 million (2020: £2.2 million). This reduction in revenue is largely due to the sale of the Company and Trust business offset in part by growth in the pensions business. Pleasingly, recurring annual revenue, which is an important key performance indicator for the Board, has continued to be a significant portion (91%) of the result.

The Group shows both reported and adjusted financial key performance indicators in Table 1 and 2 below as historically the impact of non-recurring movements have not allowed for a clear understanding of operating performance.

Reported profit before tax ("PBT") for the year amounted to £1.2 million (2020: £2.0 million) with adjusted PBT (defined on a consistent basis with adjusted revenue and profit before other items) for the year of £1.5 million (2020: £2.4 million).

The reported PBT is calculated after deducting net finance costs of £0.3 million (2020: £0.2 million) and various non-cash expenses totalling £0.1m (2020: £0.1m) as well as gain on disposal of subsidiaries of £0.2m (2020: nil). These non-cash items include the movement the fair value of the call option of £0.4m related to the acquisition of Carey Administration Holdings Limited (Options). This option is exercisable in 2022 based on the audited accounts for 31 December 2021. Additionally, goodwill impairment of £0.8m was recognised following management's annual impairment assessment across several subsidiaries.

Reported profit after tax ("PAT") is £1.7m (2020: £1.6m). This increase is largely due to a tax credit of £0.5m following a change in tax treatment in Malta which resulted in a one-off £1m tax rebate being recognised in 2021.

Table 1

KPI	DEFINITION	2021 Results	2020 Results
Revenue (£000)	Income derived from the provision of services	22,355	23,982
Adjusted revenue (£000)	Revenue net of non-recurring costs and other exceptional items that do not form part of the normal course of business as per Table 2 below.	21,581	20,815
Recurring revenue (£000)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	20,427	20,334
Profit before other items (£000)	Revenue less administrative expenses i.e. profit before finance income and costs, gain on disposal of subsidiary bargain purchase gain, goodwill impairment and gain on the call options and before taxation.	1,373	2,207
Adjusted Profit before other items (£000)	Profit before other items and other exceptional non-recurring items that do not form part of the normal course of business as per table 2 below	1,498	2,358
Profit before taxation (£000)	Revenue less administrative expenses and other items	1,200	2,020
Adjusted Profit before taxation (£000)	Revenue less administrative expenses, other items and other exceptional non-recurring items that do not form part of the normal course of business as per table 2 below	1,168	2,112
Profit after taxation (£000)	Revenue less administrative expenses and other items less/add taxation charge/credit	1,742	1,607
Profit margin before other items (%)	Profit before other items divided by revenue.	6%	9%

Chief Executive Officer's Statement

Table 2

RECONCILIATION OF REPORTED TO UNDERLYING MEASURES:	REVENUE 2021 £000	REVENUE 2020 £000	PROFIT BEFORE OTHER ITEMS 2021 £000	PROFIT BEFORE OTHER ITEMS 2020 £000	PROFIT BEFORE TAX 2021 £000	PROFIT BEFORE TAX 2020 £000
Reported measure	22,355	23,982	1,373	2,207	1,200	2,020
Less: effect of companies and trust services disposal	(774)	(3,167)	(54)	(313)	(54)	(313)
Less: bargain purchase gain on acquisition and gain on call options	–	–	–	–	(406)	(59)
Less: gain on disposal of companies and trust management	–	–	–	–	(219)	–
Add: integration and acquisition costs	–	–	–	179	–	179
Less: movement in deferred consideration related to prior year acquisitions	–	–	–	–	(330)	–
Add: impairment of goodwill	–	–	–	–	798	–
Add: other non-recurring costs	–	–	179	285	179	285
Adjusted measure	21,581	20,815	1,498	2,358	1,168	2,112

TAX CHARGE AND EARNINGS PER SHARE

The tax credit for the year was £0.5 million (2020: charge of £0.4 million). This is due to a change in tax treatment in the Malta entity which resulted in a one-off £1 million tax rebate being recognised in the current year.

Earnings per share ("EPS") for 2021 is 2.94p compared to 2.99p for 2020 There was no dilutive factor in 2021 or 2020.

CASHFLOWS

Cash and cash equivalents amounted to £18.2 million as at 31 December 2021 (2020: £16.4 million) with net cash outflow from operating activities of £0.1 million for the year ended 31 December 2021 (2020: inflow £1.6 million).

During 2020 the Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million. The facility has a 5-year term with capital repayments structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 years. The Company has drawn down £1.5 million (2020: £1.6 million) of this facility.

As such, net cash and cash equivalents as at 31 December 2021 were £16.8 million (2020: £14.8 million).

As would be expected for a Group regulated in several jurisdictions, a significant proportion of this cash balance forms part of the regulatory and solvency requirements. The cash and cash equivalents required for solvency purposes varies as other assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31 December 2021 was £16.9 million (2020: £18.3 million).

The balance sheet also gives visibility of future revenue and cash generation and, in line with all administration services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £1.3 million as at the year-end (2020: £1.3 million). Additionally, deferred income (a liability in the statement of financial position) relating to annual fees invoiced but not yet earned stood at £3.5 million (2020: £3.6 million). Both these figures give good visibility of cash collections and in the case of deferred income revenue still to be earned through the Income Statement in the coming months.

DIVIDEND

I am pleased to advise that the Board is recommending the payment of a final dividend of 0.90p per share (2020: 0.85p per share), This together with the interim dividend paid of 0.60p in November 2021 (2020: 0.55p) makes a proposed total dividend for the year of 1.50p per share (2020: 1.40p).

Subject to approval at the Company's Annual General Meeting to be held on 4 August 2022, the final dividend will be paid on 19 August 2022 to shareholders on the register at the close of business on 1 July 2022. The ordinary shares will be marked ex-dividend on 30 June 2022.

OPERATIONAL PERFORMANCE

PENSIONS

Our pension administration businesses continue to be the lifeblood of our group, and the corner stone to our profitability. The Options acquisition made in 2019 has shown significant revenue growth and the integration savings expected from the SIPP business have now started to come through.

Whilst new business levels were slower to come through than we originally expected there were still higher volumes than in prior year within the SIPP and auto-enrolment businesses.

Total revenue across our pensions businesses amounted to £17.6 million (2020: £16.5 million) and accounted for 79% of total Group revenue (2020: 69%). In addition, recurring revenues for the pension businesses remain high at 81% (2020: 75%).

The administration of our QROPS products continues to be our largest revenue generator accounting for £9.7 million of revenue (2020: £10.1 million). This administration is carried out in Malta and Gibraltar with the revenue continuing to be split 75% and 25% respectively as was the case in 2020. As has been known for several years, this product is no longer a growth driver as a result of changes in the UK pension legislation in 2017. Whilst we continue to receive a small number of new members from EEA countries the attrition rate is modestly increasing as we see our member profile age and take advantage of flexi access benefits in Malta.

Chief Executive Officer's Statement

The SIPP businesses, both Options UK Personal Pensions LLP and London & Colonial Services Limited, have contributed total revenues of £3.2 million (2020: £3.5 million). The administration for both these businesses is now being carried out from the Milton Keynes offices and the integration savings expected are now starting to come through. The final aspect of this integration, being the IT migration, was completed towards the end of the year and thus the benefits will start to come through in 2022, albeit that further development and enhancements are ongoing.

As mentioned above, the auto-enrolment business saw a significant increase in members and this has resulted in increased revenues for the year to £3.3 million (2020: £2.2 million). This is likely to remain a significant growth area.

The final revenue stream of the pensions divisions comes from the acquired Berkeley Burke companies. This acquisition came with a small SSAS business and a Group Pension Plan business providing third party administration. The SSAS business contributed revenues of £0.3 million (2020: £0.1 million) in the year with the Group Pension Plan generating revenue of £1.2 million (2020: £0.6 million).

LIFE ASSURANCE

The 2021 combined revenue figure was £3.4 million compared to £3.7 million for 2020. Whilst the business saw some new business materialise through the launch of the flexible annuity products this growth has made up for the loss fee income due to natural attrition on the existing client portfolios.

Our flexible annuity products aimed at the UK market remain the key focus for organic growth within our life businesses. As previously reported, our pipeline of potential new business remains significant albeit, as mentioned above, the length of time for that to convert into new business is longer than we originally envisaged.

CORPORATE AND TRUSTEE SERVICES ("CTS")

In 2021 the Company has sold its CTS businesses. On 23 March 2021 we sold the Gibraltar business to the privately-owned group which already has a significant presence in Gibraltar, and on 8 May 2021 we sold the Jersey business to the privately-owned group which has its head office in Guernsey. Part of ensuring that we exited the CTS sector in an orderly manner was ensuring that both our work colleagues and our CTS clients would be well looked after going forward. I am pleased to say that this has been the case.

OUTLOOK

We are now well positioned to take advantage of all the hard work and initiatives that we have undertaken in the past few years and will look to further optimise our target operating model. We are confident this will lead to an increase in our unadjusted operating margins, so that we will be more comparable to our peers. In the short term, this may result in increased costs as we redeploy our resources.

In addition, there is significant energy and activity around generating new business. We anticipate a solid steady flow of new SIPP business from our key strategic platform partners, with a further roll-out of additional products from our life companies onto these platforms during 2022. During the last quarter of 2021 we increased our business development team in the UK.

I am also pleased to state that our Australian superannuation solution for expatriates went live at the beginning of February 2022 and has already generated interest from new intermediaries. We also continue to have significant interest in our short-term annuity product, albeit conversion of such opportunity is yet to come to fruition.

The ongoing Russian invasion of Ukraine has led to severe economic sanctions against the Russian state, businesses, and personnel. This has exacerbated inflationary pressures and has had wide knock-on impacts on the global economy. We do not expect this to have a material impact on the Group's operations in the foreseeable future, but management continues to monitor the situation.

Further to the above, we remain committed to continued investment in technology both as an enabler for revenue growth but equally to improve operational efficiencies. We equally continue to build on a people strategy that supports the Group's values, supporting engaged customer-focused colleagues who demonstrate business excellence through their level of skills and experience.

The Board remains fully committed to our acquisition strategy and see this as an important pillar of our overall growth aspirations. Focus will be on UK based acquisition targets.

Finally, it is with regret that I inform you that Nicole Coll has decided to step down from her role as CFO. Since joining STM, she has significantly contributed to the strategy and development of our optimised operating model. However, she has decided to focus on her non-executive opportunities at this time. Nicole is committed to ensuring an orderly handover process to the new incumbent over the coming months and I am grateful that she was fully engaged in seeing the audit through to completion. The Board wish her well in her future endeavours and have commenced the search process for a new CFO.

I would like to take this opportunity to thank all my STM colleagues for their continued hard work and professionalism in carrying out their duties, and I hope that the 2022 working environment continues to revert to something more normal.

I look forward to updating the market during 2022 with our progress.

Alan Kentish

Alan Kentish

Chief Executive Officer
7 June 2022

Directors' Report

The Directors of STM Group plc present their Annual Report together with the accounts of the Group and the independent auditors' report for the year ended to 31 December 2021. These will be laid before the shareholders at the Annual General Meeting to be held on 4 August 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULT AND DIVIDENDS

The profit for the year of £1,742,000 (2020: £1,607,000) has been transferred to reserves.

In respect of the year ended 31 December 2021 an interim dividend of 0.6p per share was paid in November 2021 and the Directors recommend, subject to shareholder approval at the AGM to be held on 4 August 2022, a final dividend of 0.9p per share be paid on 19 August 2022 to shareholders on the register on 1 July 2022.

GOING CONCERN

The Directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of this report. In considering this requirement, the Directors have considered the three-year business plan, three-year budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group and the indemnity related to the Carey (Options) v Adams case. In addition, the Directors have reviewed the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months (see the Risk Management section). Having considered all of these various factors the Group should continue to be cash generative, and have sufficient resources to meet its business objectives, both in the short-term and in relation to its strategic priorities.

Having due regard to these matters the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the forthcoming 12 months. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

The ongoing Russian invasion of Ukraine has led to severe economic sanctions against the Russian state, businesses, and personnel. This has exacerbated inflationary pressures and has had wide knock-on impacts on the global economy. We do not expect this to have a material impact on the Group's operations in the foreseeable future, but management continues to monitor the situation.

DIRECTORS

Details of the Directors of the Company who served during the period and to date are:

- Malcolm Berryman
- Nicole Coll (appointed 1 October 2021)
- Duncan Crocker
- Alan Kentish
- Graham Kettleborough
- Pete Marr (resigned 31 October 2021)
- Therese Neish (resigned 1 October 2021)
- Robin Ellison (resigned 31 January 2022)

Alan Kentish has an interest in 6,418,817 ordinary shares in the Company (10.8% of issued share capital). 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.

The Directors' remuneration report included on page 18 of this annual report forms part of the financial statements.

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 1 June 2022 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

As at 1 June 2022:

	%
Premier Miton Group Plc	16.99
Septer Limited	10.85
Clifton Participations Inc and A R Kentish	10.80
Peter Gyllenhammar AG	9.03
Eastmount Capital Partners LLP	4.70
Aeternitas Imperium Privatstiftung	3.59

INDEPENDENT AUDITOR

Deloitte LLP, being eligible, have expressed their willingness to continue in office as auditor. A resolution to re-appoint Deloitte LLP as independent auditor 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 4 August 2022 is set out on pages 66 to 69.

By order of the Board

Alex Small

Alex Small LL.M ACG
Company Secretary
Viking House
St Paul's Square
Ramsey
Isle of Man
IM8 1GB

7 June 2022

Board of Directors

DUNCAN CROCKER NON-EXECUTIVE CHAIRMAN (appointed September 2018)

Duncan has spent his entire working career in the UK financial services industry, the last 20 years of which being spent reporting in at group board level in a FTSE 100 group. He has extensive experience across a broad range of customer and distribution sectors and has led various legal entities with direct P&L accountability. Duncan has extensive governance, commercial and business transformation experience and believes deeply in an engaged and accountable leadership style.

He left full-time executive employment in 2014, following 37 years served across various leadership roles at Legal and General Group plc ("L&G"). Duncan was latterly managing director of L&G's UK intermediated housing / mortgage sector business, having previously headed up L&G's UK Intermediary and banking distribution divisions.

In his non-executive career, he has provided guidance and advisory as an independent non-executive director with Zurich Intermediary Group Limited (part of Zurich Insurance Group Ltd), and one of the largest UK independent mortgage brokers, London & Country Mortgages Limited. He is currently Senior Independent non-executive Director at Openwork Partnership. Duncan also acts as an adviser to a number of fledgling digital fin-tech start-up businesses both pre and post revenue.

ALAN KENTISH, ACA ACII AIRM CHIEF EXECUTIVE OFFICER (appointed CEO April 2016)

Alan trained with a Big 4 accountancy firm in the UK and specialised in financial services audits, qualifying as a Chartered Accountant over 25 years ago. He moved to Gibraltar in 1993 and joined the BDO firm as the founder of their insurance management division. Alan was at the forefront of developing the hugely successful Gibraltar insurance sector and qualified as an Associate of the Chartered Insurance Institute as well as becoming a qualified Associate of the Institute of Risk Management along the way. The BDO member firm evolved into STM as part of the AIM listing in 2007, with Alan holding the office of Chief Financial Officer at that time, as well as navigating STM through the difficult financial crisis of 2008 and 2009. Alan became the director of business development in 2012 as STM moved into its growth phase, particularly in relation to its pension product offering, and took over as CEO in April 2016 as part of continuing to build the infrastructure of the business. Alan has served on numerous company boards, both regulated and non-regulated, but primarily in the financial services and insurance sector, including a main subsidiary board of a FTSE 100 company.

NICOLE COLL CA (SA) ICAEW ACMA CPA CHIEF FINANCIAL OFFICER (appointed 1 October 2021)

Nicole is a qualified Chartered Accountant and has worked in financial services across several global jurisdictions for over twenty years in Executive and Non-Executive board level positions. She was appointed to the Board of STM in October 2021. Nicole has extensive leadership experience in the regulated financial services sector, most recently as the CFO of a privately owned UK Bank, and prior to that as Chief Financial Accountant at the Bank of England. She has experience in delivering, implementing, and communicating strategy, developing culture and governance frameworks and heading the HR function.

In addition to her role at STM, Nicole is a non-executive director at Dudley Building Society and DF Capital Bank Ltd.

MALCOLM BERRYMAN NON-EXECUTIVE DIRECTOR (appointed May 2016)
CHAIRMAN OF AUDIT & RISK COMMITTEE AND REMUNERATION COMMITTEE

Malcolm Berryman is an experienced non-executive director, strategic consultant, and actuary by profession. He has been a non-executive director for over 10 years with four different financial services companies serving as Chair of both Risk and Remuneration Committees in those companies. Most recently he has served on the Board of H&T Group (2008-2018), an AIM listed company. Prior to his non-executive roles, he was Chief Executive of Liverpool Victoria (1999-2005) and Crown Financial Management (1993-1995). He was the Appointed Actuary at Cornhill Insurance and Crown. In his consultancy business, he has advised companies on acquisitions, strategy, governance and business restructuring. He is a Fellow of the Institute of Actuaries and has a first-class Honours Degree from the University of Dundee.

GRAHAM KETTLEBOROUGH NON-EXECUTIVE DIRECTOR (appointed August 2018)

Graham is a highly experienced financial services professional and is well known in the life and pensions sector, having been Chief Executive Officer of Chesnara Plc, a London Stock Exchange listed business, during the period from 2004 to 2014. Graham was instrumental in building the company into a respected sector performer through life and pensions consolidation in the UK and acquisitions in Sweden and The Netherlands. The group delivered significant shareholder value with significant growth in assets, share price appreciation and an unbroken increasing dividend record. He has strong experience in corporate governance, has completed several successful UK and international acquisitions (including fund raising through loan finance and equity issuance) and undertaken significant business transformation and integration activity.

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

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

Isle of Man Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs and interpretations adopted by the International Accounting Standards Board ("IASB")). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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:

- properly select and apply accounting policies.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping reliable accounting records that are sufficient to show and correctly explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

	Remuneration		
DIRECTOR	**2021**	2020	Notes
Executive Directors			
Alan Kentish	£210,331	£205,000	
Pete Marr	£195,773	£192,500	a,b
Therese Neish	£163,178	£160,925	c
Nicole Coll	£51,188	—	a,d
Sub-total	£620,470	£558,425	
Non-Executive Directors			
Duncan Crocker	£60,000	£60,000	
Robin Ellison	£52,000	£52,000	e
Malcolm Berryman	£82,000	£85,000	e
Graham Kettleborough	£68,000	£68,000	e
Sub-total	£262,000	£265,000	
Total	£882,470	£823,425	

a Pete Marr received a benefit of 10% of his salary by way of pension contribution. Nicole Coll receives a pension benefit in line with auto-enrolment requirements and private medical cover. No other directors receive any benefits in the form of pension contributions of share-based incentives.

b Pete Marr resigned as a director as of 31 October 2021

c Therese Neish resigned as a director as of 1 October 2021

d Nicole Coll was appointed as a director on 1 October 2021

e Robin Ellison, Malcolm Berryman and Graham Kettleborough received remuneration for the NED role on the PLC Board as well as for their roles on various subsidiary boards.

f Robin Ellison resigned as a director as of 31 January 2022

Corporate Governance

The Board is responsible for establishing and monitoring the strategic direction and performance of the Group, within a framework of prudent controls.

STM has formally adopted the Quoted Companies Alliance Corporate Governance Code (the "Code") and remained compliant with the Code throughout 2021. We set out below how the Directors have applied the principles, and the spirit, of the Code.

STRATEGY

STM's strategy is to be the pensions and life assurance provider of choice in our chosen markets. Through organic growth, product development and targeted acquisitions, the Group will continue to leverage our reputation for product innovation and service to build sustainable, recurring revenues within a framework of sound governance and risk management.

Our business model is to:

- provide a range of innovative pension solutions to customers across our target markets.
- promote our Pensions Administration and associated Life Assurance products to internationally mobile individuals with a focus on those that have previously worked in the UK.
- focus on high growth, well-regulated markets.
- operate the highest levels of service to both its customers and financial intermediaries in all jurisdictions.
- to embed a culture of customer service, compliance and sound internal controls to build a sustainable, ethical business.
- differentiate itself from its UK competitors by being able to understand the more complex requirements of the UK expatriate market.
- differentiate itself from its international competitors through service levels, and a more comprehensive product / jurisdictional offering.
- to identify and promote products, through its intermediary partners, to UK residents.

The Board has adopted a three year strategy which includes:

- focus our business on the life and pensions sector.
- increase the introducer intermediary network.
- diversification of the pensions and life product range.
- increase our UK regulated products offer to UK residents as well as the expatriate market.
- improve margins and the customer journey through efficiency and technology.
- seek opportunistic acquisition targets for both QROPS integration, as well as expansion in niche areas of the Pension and Life markets.
- pro-actively engage with key stakeholders, including shareholders and regulators.

RISK MANAGEMENT

The Board is ultimately responsible for the Group's risk management framework. Setting strategy includes determining the extent of exposure to the identified risks that the Company can bear and is willing to take.

The Group operates a formal risk management framework which has been embedded across the Group and is overseen and monitored by the Board. In addition, the Board has adopted a formal risk appetite statement against which our strategy, business model and capital projects are tested and assessed.

The risk management function oversees the risk management framework day to day and is responsible for the implementation of risk management policies and processes throughout the Group. The compliance function in each jurisdiction provides assurance to the Group Audit & Risk Committee on regulatory and reputational risk through the completion of an annual compliance monitoring plan.

The Audit and Risk Committee meet not less than quarterly and formally report to the Board on risk across the Group.

Further assurance that our risk management processes are embedded and operating effectively is achieved via a rigorous internal audit regime which is overseen by the Audit and Risk Committee.

RISK MANAGEMENT (continued)

The Directors have carried out an assessment of the principal risks facing the Group.

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
DISTRIBUTION AND MARKET DEMOGRAPHICS	Our markets are serviced by a limited number of intermediaries and product providers thus creating a competitive environment.	• Comprehensive business development and retention team • Strong focus on intermediary liaison and customer experience • Innovative product development • Loyal intermediary base	No change
REPUTATIONAL RISK	A circumstance could arise which would adversely impact on the Group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media.	• Board review of regulatory and business changes • High level of compliance in product and service delivery • Customer focus is the main determinant in decision making and not share price or short-term earnings • Retained financial PR and media relations consultancy to provide ongoing support and media contact	No change
REGULATORY RISK	Loss arising from regulatory changes in the markets within which the Group operates or breach of existing laws and regulation.	• Subsidiary Boards with experience in regulated businesses • Dedicated Compliance functions • Completion of an annual compliance monitoring plan • Risk Management monitors legislative changes and supports jurisdictional compliance functions as required • Expert third-party legal and / or compliance advice is sought where necessary • All companies comply with the respective jurisdictions solvency capital requirements	No change but the regulatory environment continues to tighten with increased scrutiny from regulators.
KEY PERSONNEL	The Group could be adversely affected if there was a loss of key personnel or an inability to recruit individual with the appropriate skills set.	• The Group offers competitive remuneration packages • Succession planning • The Group provides appropriate training for staff and management • The Group promotes a favourable work environment to retain and attract staff	Increased as staff recruitment and retention remain challenging in a competitive market
GEOPOLITICAL RISKS	The Group could be adversely affected by changes in existing legislation, fiscal policy or political factors.	• The Group is diversified in both its product range and the jurisdictions from which it administers them • No material exposure to sanctioned markets or individuals	Since year-end the conflict in Ukraine has impacted global markets and created uncertainty and inflationary pressure for investors. Elevated risk of market downturn or recession in key markets
NON-PERFORMING INVESTMENTS	The Group recognises that the UK SIPP industry is becoming more litigious over non-performing assets and that STM also has an exposure to QROPS' non-performing assets. The Group could therefore be adversely affected by this. The market for professional indemnity insurance continues to contract	• The Group does not provide financial or investment advice to its customers • Adherence to regulatory requirements and appropriate due diligence procedures expected of a trustee for onboarding intermediaries and customers. • Professional indemnity insurance in place. Cover reviewed in detail in Q4 2021, resulting in improved terms, despite a challenging market.	No material changes in quantum of non-performing assets. Legal and regulatory environment continues to tighten.

RISK MANAGEMENT (continued)

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
APPEAL JUDGMENT IN CAREY V ADAMS (OPTIONS) CASE	The Group acknowledges that whilst the Court of Appeal upheld the High Court's ruling on COBS it ruled against Carey (Options) on s27 of the Financial Services Market Act 2000 (FSMA) and refused to exercise its discretion under s28 to disapply the effect of s27. This could have an impact on claims made against the business as well as reputational damage.	• The Carey (Options) companies have extensive insurance cover • STM obtained indemnities from the prior owners when it acquired the Carey (Options) Group of companies • The Court of Appeal upheld the High Court ruling under COBS and confirmed that Carey (Options) treated Mr Adams fairly, honestly and professionally. • The Court of Appeal judgment in respect of s.27 and s28 of FSMA was fact specific. • Permission has been sought to appeal the Court of Appeal judgment to the Supreme Court, however this request has been denied	Risk elevated by Carey (Options) v Adams outcome. Potential increasing willingness by FOS to attach liability to the SIPP provider for IFA advise.
TECHNOLOGY DISRUPTION	The Group could suffer operational disruption in the event of technology disruption such as a cyber-attack or hardware failure.	• Significant and ongoing investment in IT systems • Migration of key business applications into the Cloud as well as flexible provisioning allowing STM to scale up/down when needed • Office 365 implementation with the rollout of Teams for cloud collaboration and video conferencing • Periodic testing to identify vulnerabilities and deliver improvements • Detailed disaster recovery and business continuity plans in place.	Cyber threat has intensified. Steps taken to mitigate risk, particularly around remote working practices.
FINANCIAL RISKS	The Group has exposure to the following financial risks: • Credit risk • Liquidity risk • Market risk • Interest rate risk • Currency risk	These risks are addressed within Note 26 of the financial statements	The conflict in Ukraine has elevated the risk of economic downturn, inflation and rising input costs
COVID-19	Impact on sales and operations due to office closures, travel restrictions and the loss of personnel due to potential 'self-isolation' Potential impact on revenue due to economic uncertainty, declining asset valuations and interest rates	• Business Continuity Plans activated across all subsidiary offices • Remote working capability enhanced across the Group and working effectively • Regular communications to all staff outlining our company position with reference to local Government and Health Organisations advice and guidance • High levels of recurring revenues from annual fee structure	The risk has materially reduced in 2022 but not passed entirely. The risk is shifting to the consequences of the pandemic rather than the pandemic itself – principally changes to fiscal policy and input cost inflation
CLIMATE RISK	Climate risk is the risk of adverse impacts on the Group's business caused by climate change	• Increased awareness of climate related risks, policies, business impact and disclosure requirements.	Emerging risk - a more detailed impact assessment and review of related disclosure requirements will be undertaken in 2022.

Corporate Governance

LEADERSHIP

The Board is responsible to shareholders for the proper management and governance of the Group. It is responsible for strategic planning, business acquisitions and disposals, risk management, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements.

The Chairman is responsible for over-seeing the development and implementation of the Company's strategy, its governance framework and Board effectiveness. The Chief Executive is responsible for delivery of the strategy and the day-to-day management of the Group by the senior executive team. The Board is committed to continually developing the corporate governance and management structures of the Group to ensure they adapt to the changing needs of the business. The non-executive directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgment.

The non-executive directors provide independent oversight and challenge to the Board and bring experience at a senior level of business operations and strategy. The Company Secretary is responsible for ensuring that Board procedures are observed and the Company's obligations as an AIM listed entity on the London Stock Exchange are met.

The profiles of the individual board members can be viewed on pages 16 and 17.

The Board comprises an appropriate balance of industry, finance and public market skills and experience, as well as an appropriate balance of personal qualities and capabilities to successfully oversee and challenge the Group's strategy. The Company fully supports and funds any training, formal or otherwise, that is required by any individual Board member so as to ensure that their knowledge and experience remains relevant and effective.

BOARD EFFECTIVENESS

An internal review of Board effectiveness, led by the Chairman, was carried out in February 2021 by means of a questionnaire and one-to-one sessions. The review identified that the Board worked well, with Board meetings considered effective. A need was identified to allow more time to discuss strategy and ad hoc items requiring debate. The review also identified that more frequent interaction between meetings, outside the Boardroom environment, would be beneficial. These proposals have been addressed by means of an expanded Board agenda and more informal, one-to-one interaction, outside the Board cycle.

CULTURE

The Board promotes a culture that is based on sound ethical values, standards and behaviours. This culture is visible in the Board's actions and decisions, as well as those of the executives and senior management team. These corporate values guide the objectives and strategy of the business and form the backbone of our Code of Conduct policy. Our long-term growth expectations are underpinned by the principles within this Code of Conduct.

The Group promotes a 'customer first' ethos which is at the heart of decision-making processes, aligned to a positive and pro-active relationship with our stakeholders.

This culture has been communicated to all employees and is reinforced by the training program which all staff participate in. This starts with the Code of Conduct forming part of any new member of staff's induction program, and the application of the Code of Conduct is considered as part of all STM employees' annual appraisal process.

GOVERNANCE

The Board comprises two executive and, since the retirement of Robin Ellison as a non-executive director with effect from 31 January 2022, three independent non-executive directors (including the Chairman). External recruitment consultants have been retained to identify replacements for out-going non-executive directors, depending on availability of suitably qualified individuals to fill the roles.

The independence of directors is assessed periodically as part of the Board evaluation process. All non-executive directors have been appointed from outside the Group and are considered independent as defined by the Code.

The Board meets monthly throughout the year. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of the Board meetings. There is a formal agenda followed at all Board meetings which ensures discussions and decisions to be made on all strategic, financial and operational matters affecting the business.

The Board has established an Audit & Risk Committee and a Remuneration Committee, both with formally delegated duties and responsibilities. The Directors do not consider that, given the size of the Board, it is necessary at this stage to have a Nomination Committee. Succession planning is carried out by the Board. The Audit & Risk Committee comprise Malcolm Berryman (Chairman), Robin Ellison (until 31 January 2022) and Graham Kettleborough. The Remuneration Committee comprises all the non-executive directors, with Malcolm Berryman as Chairman.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee reviews the integrity of the financial statements of the Group, announcements relating to financial performance, accounting policies, the application of critical accounting judgments and practices, the operation of internal controls and the effectiveness of the financial reporting policies and systems. It is responsible each year for satisfying itself on the independence and objectivity of the external auditor, agreeing the audit plan and the level of audit fee. The Audit & Risk Committee meets at least four times a year and at such other times as the Chairman of the Committee sees fit. The Chairman of the Committee is appointed by the Board.

During 2021, the Audit & Risk Committee continued to monitor the Group's risk appetite and risk framework, its policies, methodologies, systems, processes and procedures, through a three-lines of defence model. The first line being the business systems and controls in place to prevent and detect errors, the second provided by compliance monitoring and the third by internal audit review. The Group's risk and compliance capabilities continue to evolve.

The Audit & Risk Committee has primary responsibility for the Group's Risk Appetite Statement which sets out the Group's attitude to risk and the limits of acceptable risk taking. The Committee has established the high-level qualitative Risk Appetite Statement for the Group and requires the Subsidiaries to link their own Risk Appetite to the Group. The subsidiaries are required to identify and manage Key Risk Indicators. The statement is subject to annual review by the Audit & Risk Committee and the Group Board. The Committee makes recommendations to the Board in respect of any risks faced by the Group outside of its declared risk appetite.

The Audit & Risk Committee is responsible for the Risk Framework with all risks identified being recorded in the Corporate Risk Register and reviewed by the Committee on a biannual basis.

REMUNERATION COMMITTEE

The duties of the Committee are to:

- determine and agree with the Board the policy for the remuneration of the Chairman, Executive Directors and other members of the Group Executive team.
- determine individual remuneration packages including bonuses, incentive payments, share options and any other benefits.
- determine the contractual terms on termination and individual termination payment.
- be informed of and advise on changes in benefit structures in the Group; and
- agree the policy for approving expense claims of the Chief Executive and the Chairman of the Board.

The Committee meets at least twice in each year and at such other times as the Chairman of the Committee sees fit. The Chairman of the Committee is appointed by the Board.

The Committee met three times in 2021. Key areas of focus included the new CFO's remuneration package, bonus targets and the development of the executive long-term incentive plan.

Meeting attendance for the year ended 31 December 2021 was:

DIRECTOR	Board Attended	Audit & Risk Committee Attended	Remuneration Committee Attended
Duncan Crocker	10/10	—	3/3
Alan Kentish	10/10	—	—
Therese Neish	7/7	—	—
Pete Marr	8/8	—	—
Nicole Coll	3/3	—	—
Malcolm Berryman	10/10	4/4	3/3
Robin Ellison	10/10	4/4	3/3
Graham Kettleborough	10/10	4/4	3/3

Independent Auditor's Report to the Members of STM Group PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of STM Group Plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB and as applied in accordance with provisions of the Isle of Man Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statement of changes in equity;
- the consolidated statement of cash flow; and
- the related Notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB and, as regards the parent company financial statements, as applied in accordance with the provisions of the Isle of Man Companies Act 2006 .

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS

The key audit matters that we identified in the current year were:

- Impairment of goodwill relating to the CGU(s);
- Call options valuations; and
- Litigation provisions.

Within this report, key audit matters are identified as follows:

- Newly identified
- Increased level of risk
- Similar level of risk
- Decreased level of risk

MATERIALITY

The materiality that we used for the group financial statements was £330,000 which was determined on the basis of 1.5% of the revenue.

SCOPING

We have identified reporting components across the regulated and trading entities within the jurisdictions in which the group operates. The regulated and trading entities in Gibraltar, Malta and the UK are considered of individual financial significance to the reported results of the group. These components were subjected to either full scope audits or audit of specified account balances for group reporting purposes.

Additionally, we have completed specified audit procedures in respect of the two Spanish entities (STM Nummos) which, although not financially significant, did present specific audit risks which needed to be addressed. The components within the scope of our audit procedures account for 100% of the group's revenue, 99% of profit before taxation and 95% of net assets.

SIGNIFICANT CHANGES IN OUR APPROACH

During the year, the Group has seen several changes to the business and environment it operates in, which has had an effect to our audit approach. The sale of the Group's CTS businesses has had an impact on the Group and the results for the year ended 2021. In the current year the Supreme Court announced the rejection of the Group's application for leave to appeal to the judgment of the Court of Appeal in the long-standing Adams -v- Options cases.

In our audit for the year ended 31 December 2020 we considered the provisioning for potential complaints as a result of the UK Court of Appeal decision "Adams -v- Options UK Personal Pensions LLP" as a key audit matter; given the result of the Supreme Court's decision on the Adams -v- Options case noted above, we have broadened this key audit matter to include the provisions for potential litigation across the Group.

In our audit for the year ended 31 December 2020 we considered the valuation of the acquired Berkeley Burke entities' client portfolios as a key audit matter. The acquisition was completed during 2020 and therefore not deemed a relevant key audit matter in the current year.

Furthermore, in our audit for the year ended 31 December 2020 we considered the allocation of goodwill relating to the Gibraltar cash generating units (CGU's) as a key audit matter. Given there have been no changes in the allocation of the CGU's, we do not deem this a relevant key audit matter in the current year. The impairment of group goodwill made up of allocated CGU(s) and other CGU(s) remains a key audit matter in the current year.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and assessed management's going concern assessment which included board approved budgets for recurring revenue and cash generation plans;
- Assessed the forward-looking assumptions and the reasonableness of this based on recent historic performance;
- Evaluated information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment; and
- Assessed the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. IMPAIRMENT OF GOODWILL RELATING TO THE CGU(S)

KEY AUDIT MATTER DESCRIPTION

Management is required by IAS 36 'Impairment of assets', to perform an annual impairment review for goodwill where there are indicators of impairment. Management's impairment assessment for each CGU includes a determination of its recoverable value, being its value in use for all CGU(s) which is higher than its fair value less costs of disposal. With the backdrop of Covid-19, the cessation of the growth of some of the non-EU business and the sale of the Group's CTS businesses for the year ended 2021 the significance of the assumptions is increased. Management's assessment concluded that the carrying value of goodwill was impaired by £798,000.

We consider there to be a risk of material misstatement due to fraud or error in respect of the impairment of goodwill, specific to certain assumptions within the assessment, including the cashflows assumed within the discounted cash flow model and the assumptions applied to these, including growth rates and discount rates.

The accounting policy for goodwill is provided in Note 3(l) and the management judgement is discussed in more detail in the key sources of estimation uncertainty section of Note 2(d). Goodwill is disclosed in Note 15 of the financial statements.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We performed the following audit procedures on the impairment of goodwill:

- Obtained an understanding of the relevant controls over the impairment review performed;
- Evaluated the cashflow forecast used in the model against the historical trading of the CGU's and challenged the assumptions underpinning the forecast, including retrospective review of the estimates, growth rate and discount rate used;
- Assessed factors behind growth and financial performance forecast for each CGU;
- Worked with our valuation specialists to determine an estimate of the discount rate independently in order to challenge the rate selected by management;
- Compared the forecasts used in the impairment test to the forecasts used in the going concern assumption for consistency; and
- Tested the impairment calculations for mechanical accuracy and consistency.

KEY OBSERVATIONS

Based on our audit procedures, we concur with management's assessment of the carrying value of goodwill for each CGU and that the impairment charge recorded in the period is appropriate.

5.2. CALL OPTIONS VALUATIONS

KEY AUDIT MATTER DESCRIPTION

As disclosed in Note 6 to the financial statements, as part of the acquisition of Carey (Options) Administration Holdings Limited ('CAHL') in February 2019, the Group entered into call option agreements to acquire the non-controlling interests in Options UK Personal Pensions LLP and Options Corporate Pensions UK Limited from the current owner of the non-controlling interests (NCIs).

The call options are exercisable in 2022 and the prices will be based on the audited financial statements for these entities for the year ended 31 December 2021. The fair value of the call options as at 31 December 2021 was determined at £881,000 (2020: £475,000) using discounted cashflow techniques as no observable market transactions are available. Several key assumptions were included around future growth rates in respect of revenue and expenses as well as the discount rate applied.

Our key audit matter was focused on the 2022-year cash flows used within the discounted cash flow model across the two valuations, given the degree of judgement and estimation.

Independent Auditor's Report to the Members of STM Group PLC

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We performed the following audit procedures on the call option valuations:

- Obtained an understanding of the relevant controls which management performed in relation to the call options valuation.
- We also involved our Deloitte valuation specialists to review the methodology used to determine the discount rate.
- Challenged management's assumptions on the valuation of the call options by assessing performance of the entities to date to support the underlying assumptions, with particular focus on the appropriateness of the 2022 year cash flows within the calculation for the NCI value.
- Tested the accuracy and completeness of the data used in the calculations in determining the value of the NCI at the exercise date. We performed a review of actual performance and costs to date for Options UK Personal Pensions LLP and Options Corporate Pensions UK Limited. We also challenged forecasts and significant assumptions by analysing performance and data from date of acquisition, and benchmarking against peers of Options UK Personal Pensions LLP and Options Corporate Pensions UK Limited.

KEY OBSERVATIONS

Based on the audit procedures we have concluded the methodology and assumptions applied are appropriate and that the value of the call options recorded appears reasonable.

5.3. LITIGATION PROVISIONS

KEY AUDIT MATTER DESCRIPTION

As disclosed in Note 18 to the financial statements, following the Court of Appeal judgment on 1 April 2021, the group has considered the potential impact on the outcome of other claims. Options UK Personal Pensions LLP (formerly Carey UK Pensions LLP) sought permission to appeal to the Supreme Court, however notice was received in April 2022 that this had been refused.

An estimate has been arrived at by considering a cohort of claims which may be deemed to have similar characteristics to the Adams -v- Options case. The value of this estimate, which has been reflected within trade and other payables is £21,400,000 (2020: £3,600,000). Given the coverage available under professional indemnity insurance, an associated asset has also been reflected within trade and other receivables. As disclosed in Note 18 to the financial statements, management has taken the prejudicial exemption under IAS 37 to disclose any further information about the assumptions for the provision.

In addition, the group is subject to claims and litigation in the other jurisdictions they operate in. At 31 December 2021, provisions totalling £2.8m have been reflected within trade and other payables. Given coverage by professional indemnity insurance, an associated asset has also been reflected within trade and other receivables.

We consider there to be a risk of material misstatement due to fraud or error in respect of the underlying provision balance given the key assumptions within the assessment. As such we determine this to be a key audit matter in the current year, given the degree of judgement and estimation.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We performed the following audit procedures on the valuation of litigation provisions:

- Obtained an understanding of the relevant controls which management performed in relation to the determination of the litigation provision balance.
- Tested the completeness and accuracy of the key reports used by management to determine an estimate of the provision.
- Obtained and re-performed management's calculation of its best estimate of the provision.
- Assessed the appropriateness of the key assumptions used in respect of the cohort of claims deemed to have similar characteristics to the Adams -v- Options case within the calculations.
- Assessed the professional indemnity insurance cover held by the group.
- Evaluated the appropriateness of disclosures within the Financial Statements in respect of the provision and insurance asset recorded.

KEY OBSERVATIONS

Based on the audit procedures we have concluded the methodology and assumptions applied are appropriate and that the value of the litigation provision recorded appears reasonable.

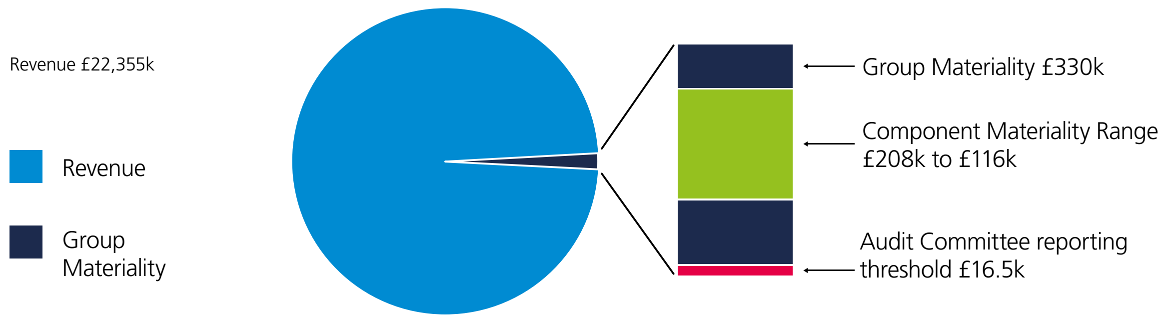
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	£330,000 (2020: £220,000)	£184,000 (2020: £176,000)
Basis for determining materiality	1.5% of revenue (2020: 1% of revenue capped at £220,000)	3% (2020: 3%) of net assets capped at 80% of group performance materiality.
Rationale for the Benchmark Applied	We consider revenue to be the appropriate benchmark of the performance of the group, given the importance of this benchmark for investors and the stability of the benchmark in recent years. In 2020 the basis for determining materiality was 1% of the revenue capped at £220,000 given the increased economic uncertainty in the period as a result of the Covid-19 pandemic. This is no longer the case in the current year.	The entity has limited transactions and is a holding company, hence we consider net assets as the most appropriate benchmark.



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: - Whether there were any significant changes in the business; and - Low number of prior year uncorrected and corrected misstatements and the likelihood of errors occurring based on previous experience.	

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £16,500 (2020: £11,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor’s Report to the Members of STM Group PLC

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

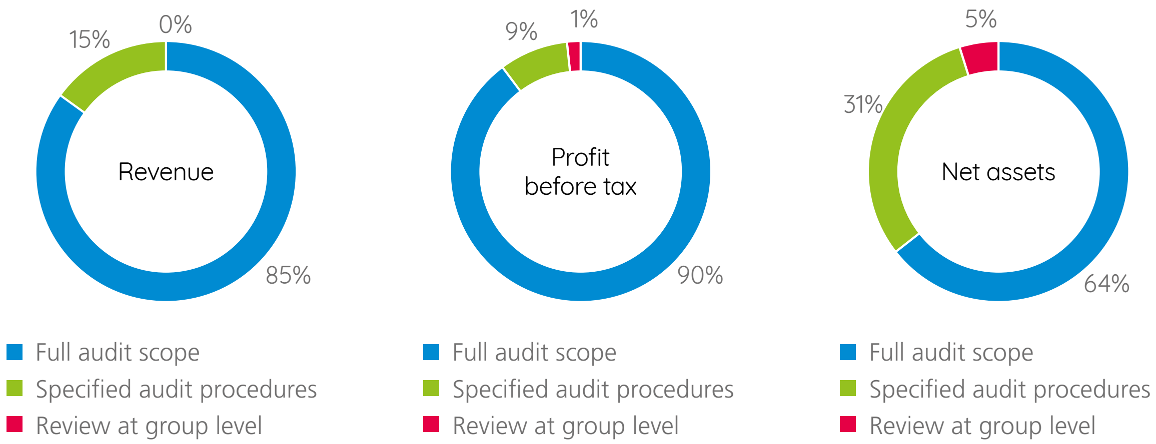
7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The group operates through a number of legal entities which form reporting components based on service lines. A combination of full scope audits and audit of specified account balances were performed over the significant legal entities covering the main trading jurisdictions, namely the regulated and trading entities in Gibraltar, Malta and the UK. Audit of specified account balances were also performed on trading entities in Spain.

Combined, these entities represent 100% (2020: 99%) of revenue, 99% (2020: 97%) of profit before tax and 95% (2020: 85%) of net assets of the group. The group audit team used component materiality levels, which ranged from £116,000 to £208,000 (2020: £77,000 to £176,000) having regard to the mix of size and risk profile of the group across the components.

The group audit team tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement throughout the audit process covering planning and fieldwork.



7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

From a group audit perspective, we involved our IT specialists to perform work on understanding of the relevant general IT controls in place for all systems significantly impacting the group, including financial reporting systems. As part of our planned audit approach, we did not plan to rely on the IT controls associated with these systems, this is in line with previous years.

We adopted a non-controls reliance approach to our testing, similarly to prior year.

We obtained an understanding of the relevant controls in place with regards to the significant areas of our audit, including goodwill, call options and financial reporting.

Based on the procedures performed in understanding the relevant controls in place, we recommend management improve the controls surrounding key processes, including areas of judgement and estimation.

We further obtained an understanding of the entity-level controls of the group which assisted in identifying and assessing the risks of material misstatement at a group level.

7.3. WORKING WITH OTHER AUDITORS

The work on all components was performed by component audit teams in Gibraltar, UK and Malta under the direction and supervision of the group engagement partner. The group engagement partner is also the partner for the UK subsidiaries. Similarly, to previous years, the group engagement partner was unable to visit any of the component teams outside the UK.

Various video conference meetings were held with the auditors in all the jurisdictions.

7.4. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

As part of our audit procedures, we have considered the potential impact of climate change on the group’s business and its financial statements.

Management concluded that there was no material impact on the financial statements, this has been disclosed within the Corporate Governance report in the financial statements. We have assessed this risk and our evaluation of this conclusion included challenging assumptions and estimates where we considered there was potential impact of climate change, including risk of impairment of goodwill.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including valuations, actuarial and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the impairment of goodwill relating to the CGU(s), call options valuations and litigation provisions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Isle of Man Companies Act 2006, AIM Listing Rules, financial services legislation related to regulated subsidiaries and tax legislation for the jurisdiction in which the group operates.

Independent Auditor's Report to the Members of STM Group PLC

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulated subsidiaries within the group's operating licence and regulatory capital and solvency requirements.

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified the impairment of goodwill relating to the CGU(s), call options valuations and litigation provisions as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit and risk committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities in the jurisdiction the Group operates; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

12. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Section 80C of the Isle of Man Companies Act 2006. 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.

David Heaton

David Heaton

For and on behalf of **Deloitte LLP**
Douglas, Isle of Man
7 June 2022

Consolidated Statement of Comprehensive Income

For the year from 1 January 2021 to 31 December 2021

	Notes	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
REVENUE	9	22,355	23,982
Administrative expenses	10	(20,982)	(21,775)
Profit before other items	11	**1,373**	2,207
OTHER ITEMS			
Finance costs		(330)	(246)
Gain on disposals of subsidiaries	4	219	—
Gains on revaluation of financial instruments		406	59
Movement on deferred consideration	5	330	—
Impairment of goodwill	15	(798)	—
Profit before taxation		**1,200**	2,020
Taxation	13	542	(413)
Profit after taxation		**1,742**	1,607
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(33)	(1)
Total other comprehensive loss		(33)	(1)
Total comprehensive income for the year		**1,709**	1,606
Profit attributable to:			
Owners of the Company		1,749	1,777
Non-Controlling Interests		(7)	(170)
		1,742	1,607
Total comprehensive income attributable to:			
Owners of the Company		1,716	1,776
Non-Controlling Interests		(7)	(170)
		1,709	1,606
Earnings per share basic (pence)*	23	2.94	2.99
Earnings per share diluted (pence)*	23	**2.94**	2.99

* Earnings per share disclosed in the prior year annual report and accounts was 2.70p based on profit after taxation/weighted average number of shares. This has been restated in the current year and is based on profit attributable to owners of the company/weighted average number of shares.

The results for 2021 relate to continuing activities. Disposed of activities in 2021 are disclosed in Note 4.

The notes on pages 36 to 65 form an integral part of these financial statements.

Consolidated Statement of Financial Position

For the year from 1 January 2021 to 31 December 2021

	Notes	31 December 2021 £000	31 December 2020 Restated* £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,663	1,970
Intangible assets	15	19,355	19,912
Other financial assets		881	475
Deferred tax asset		76	75
Total non-current assets		**21,975**	22,432
Current assets			
Accrued income		1,311	1,319
Trade and other receivables	17	7,699	5,473
Receivables due from insurers	18	24,130	3,600
Cash and cash equivalents	19	18,207	16,409
Assets held for sale		—	5,978
Total current assets		**51,347**	32,779
Total assets		**73,322**	55,211
EQUITY			
Called up share capital	21	59	59
Share premium account	21	22,372	22,372
Retained earnings		14,429	13,541
Other reserves		(480)	(447)
Equity attributable to owners of the Company		**36,380**	35,525
Non-controlling interest		**(452)**	(445)
Total equity		**35,928**	35,080
LIABILITIES			
Current liabilities			
Liabilities for current tax		640	1,197
Trade and other payables	24	10,532	11,374
Provisions	18	24,130	3,600
Liabilities directly associated with assets held for sale		—	1,154
Total current liabilities		**35,302**	17,325
Non-current liabilities			
Other payables	25	1,628	2,284
Deferred tax liabilities		464	522
Total non-current liabilities		2,092	2,806
Total liabilities and equity		**73,322**	55,211

* The restatement relates to the reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable as detailed in Note 18.

The notes on pages 36 to 65 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 7 June 2022 and were signed on its behalf by:

AR Kentish
Chief Executive Officer

N Coll
Chief Financial Officer

Date: 7 June 2022

Company Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 £000	31 December 2020 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	239	249
Intangible assets	15	1,961	1,097
Financial assets		881	475
Investments	16	16,013	20,809
Total non-current assets		**19,094**	22,630
Current assets			
Trade and other receivables	17	13,215	12,074
Cash and cash equivalents	19	2,463	2,257
Total current assets		**15,678**	14,331
Total assets		**34,772**	36,961
EQUITY			
Called up share capital	21	59	59
Share premium account	21	22,372	22,372
Retained earnings		(1,205)	2,172
Other reserves		162	162
Total equity attributable to equity shareholders		**21,388**	24,765
LIABILITIES			
Current liabilities			
Trade and other payables	24	12,484	11,148
Total current liabilities		**12,484**	11,148
Non-current liabilities			
Other payables	25	900	1,048
Total non-current liabilities		**900**	1,048
Total liabilities and equity		**34,772**	36,961

The notes on pages 36 to 65 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 7 June 2022 and were signed on its behalf by:

AR Kentish
Chief Executive Officer

N Coll
Chief Financial Officer

Date: 7 June 2022

Consolidated Statement of Cash Flows

For the year from 1 January 2021
to 31 December 2021

	Notes	Year ended 31 December 2021 £000	Year ended 31 December 2020 Restated* £000
OPERATING ACTIVITIES			
Profit for the year before tax		1,200	2,020
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	15	659	793
Amortisation of intangible assets	16	791	570
Taxation paid		(14)	(299)
Reclassification to assets held for sale	20	—	(725)
Unrealised gains on financial instruments at FVTPL	7	(406)	(59)
Impairment of goodwill		798	—
(Increase)/decrease in trade and other receivables	6,18,20	(2,226)	3,385
(Increase) in receivables due from insurers		(20,530)	(3,600)
Increase/(decrease) in accrued income		8	(485)
Decrease in trade and other payables	6,20,24	(936)	(3,612)
Increase in provisions		20,530	3,600
Net cash from operating activities		**(126)**	1,588
INVESTING ACTIVITIES			
Disposal of investments	5	4,821	—
Purchase of property and office equipment	15	(352)	(70)
Increase in intangible assets	16	(1,032)	(875)
Consideration paid on acquisition of subsidiary	6	—	(1,447)
Cash acquired on acquisition of subsidiary	6	—	27
Net cash used in investing activities		**3,437**	(2,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans	24,25	900	1,600
Bank loan repayment	24	(1,050)	(1,200)
Lease liabilities paid		(469)	(843)
Dividends paid	21	(861)	(772)
Net cash from financing activities		**(1,480)**	(1,215)
Increase/(decrease) in cash and cash equivalents		**1,831**	(1,992)
Effect of movements in exchange rates on cash and cash equivalents		(33)	(5)
Cash and cash equivalents at the beginning of the year		16,409	18,406
Cash and cash equivalents at the end of the year	19	**18,207**	16,409

* The restatement relates to the reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable as detailed in Note 18. In addition, reclassification to assets held for sale has been reflected in adjustments to operating activity in the current year as opposed to within investing activity as was the case in the prior year.

Statement of Consolidated Changes in Equity

For the year from 1 January 2021 to 31 December 2021

	Share capital £000	Share premium £000	Retained earnings £000	Treasury shares £000	Foreign currency translation reserve £000	Shares based payments reserve £000	**Total £000**	**Non-Controlling Interests £000**	**Total Equity £000**
Balance at 1 January 2020	59	22,372	12,536	(549)	(59)	162	34,521	(275)	34,246
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD									
Profit for the year	—	—	1,777	—	—	—	1,777	(170)	1,607
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	(1)	—	(1)	—	(1)
Transactions with owners, recorded directly in equity									
Dividend paid	—	—	(772)	—	—	—	(772)	—	(772)
31 December 2020 and 1 January 2021	**59**	**22,372**	**13,541**	**(549)**	**(60)**	**162**	**35,525**	**(445)**	**35,080**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD									
Profit for the year	—	—	1,749	—	—	—	1,749	(7)	1,742
Other comprehensive income									
Foreign currency translation differences	—	—	—	—	(33)	—	(33)	—	(33)
Transactions with owners, recorded directly in equity									
Dividend paid	—	—	(861)	—	—	—	(861)	—	(861)
Changes in ownership interest									
At 31 December 2021	**59**	**22,372**	**14,429**	**(549)**	**(93)**	**162**	**36,380**	**(452)**	**35,928**

Statement of Company Changes in Equity

For the year from 1 January 2021 to 31 December 2021

	Share capital £000	Share premium £000	Retained earnings £000	**Total £000**
Balance at 1 January 2020	59	22,372	3,144	**25,575**
Loss for the year	—	—	(38)	(38)
Dividend paid	—	—	(772)	(772)
At 31 December 2020 and 1 January 2021	**59**	**22,372**	**2,334**	**24,765**
Loss for the year	—	—	(2,516)	(2,516)
Dividend paid	—	—	(861)	(861)
At 31 December 2021	**59**	**22,372**	**(1,043)**	**21,388**

Notes To The Financial Statements

For the year from 1 January 2021
to 31 December 2021

1. REPORTING ENTITY

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and is traded on the Alternative Investment Market (AIM), a market operated by the London Stock Exchange. The address of the Company's registered office is 1st Floor Viking House, St Paul's Square, Ramsey, Isle of Man, IM8 1GB. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2021 comprise the Company and its subsidiaries (see Note 30) (together referred to as the "Group" and individually as "Group 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. Going concern basis of accounting

The Directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of this report. In considering this requirement, the Directors have considered the three-year business plan, three-year budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group and the indemnity related to the Carey (Options) v Adams case. In addition, the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months. These show that the Group should continue to be cash generative, and have sufficient resources to meet its business objectives, both in the short-term and in relation to its strategic priorities.

Having due regard to these matters the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the forthcoming 12 months. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

c. Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency as this is the main currency in which it transacts business. Foreign operations are included in accordance with the policies set out in Note 3(b)(ii).

d. Use of judgements and estimates

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.

i. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the carrying values of the assets and liabilities is included in the following notes:

Note 3(c) – Revenue recognition: the Group applies the 5 step model under IFRS 15 revenue from contracts with customers to recognise revenue as follows:

Step 1 – identify the contract(s) with a customer:
The Group's pension customers are deemed to be the underlying SIPP, SSAS and QROPS members

Step 2 – identify the performance obligations in the contract
Performance obligations are understood to be the individual components of SIPP, SSAS and QROP administration as detailed in the Group's term and conditions and fee schedules. Establishment fees relate to onboarding of the client. Annual fees have two component parts namely (i) obligations and duties as trustees of the pension funds which are provided on an ongoing basis regardless of the invoice date and (ii) administration of the pension which includes annual valuations which are undertaken on the anniversary date of the member.

Step 3 – determine the transaction price
The transaction price is deemed to be that shown in the Group's products' terms and conditions and fee schedules against each individual fee item which includes interest turn on client funds. Transaction prices for individual components of the annual renewal fee are not separable as the combined set of obligations represents a continuous service over the same annual period.

Step 4 – allocate the transaction price to the performance obligations in the contract
The result of judgements made in Step 2 and Step 3 mean that transaction prices are allocated in substance to fee items included in the Group's product's terms and conditions and fee schedules, as these also wholly reflect the individual performance obligations.

2. BASIS OF PREPARATION (continued)

Step 5 – recognise revenue when (or as) the Group satisfies a performance obligation

Establishment fees and any other adhoc fees are recognised as the work is completed and the performance obligation is satisfied.

Annual renewal fees are invoiced in advance and recognised in part related to annual administration services on the anniversary date and in part related to services as a trustee with recognition evenly over the year to which they relate, and held as deferred income at the year- end where the annual fee period spans multiple accounting periods. This split is assessed annually. The current revenue recognition assessment on the pensions business - to recognise 50% of the annual management fee at the point of invoicing to reflect the transfer of the performance obligation and to defer the remaining 50% over the year to reflect the provision of trusteeship (2020: 50/50 split).

Note 15 – Determination of identifiable cash-generating units.

Note 26 – Determination as to whether a provision is required or is a contingent liability.

ii. Assumptions and estimates

Assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next financial year are included in the following notes:

Note 5 – Valuation of acquired client portfolio;

Note 6 – Valuation of call options;

Note 15 - Measurement of goodwill: the key assumptions used in determining whether goodwill has been impaired at each annual impairment review;

Note 18 – Measurement of provisions: assumptions about the likelihood and magnitude of an outflow of resources;

e. 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.

f. Employee benefit trusts

The Company contributes to an employee benefit trust. It is deemed that this trust is controlled by the Company and is 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

ii. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. Post 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt. Any contingent consideration is measured at fair value at the date of acquisition and re-measured at each reporting date. Subsequent changes to the contingent consideration are adjusted against goodwill where a change in the fair value of contingent consideration is the result of additional information about facts and circumstances that existed at the acquisition date. These changes are accounted for as measurement period adjustments if they arise during the measurement period. Changes resulting from events after the acquisition date do not impact goodwill but are accounted for separately. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Non-controlling interest (NCI)

NCI, in subsidiaries are identified separately from the group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation, are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Subsequent to acquisition, the carrying amount of the NCI is the amount of those interests at initial recognition plus the NCI share of subsequent changes in equity NCI will be allocated its share of profit or loss and its share of each component of other comprehensive income in subsequent periods even if this results in the NCI having a deficit balance. NCI in subsidiaries are identified separately from the group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation are measured initially at their proportionate acquisition.

iv. 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

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currency at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. 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. For the purposes of preparing the consolidated financial statements, the assets and liabilities are translated to sterling at exchange rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Foreign exchange gains and losses arising from monetary items that in substance form part of the net investment in its foreign operations are recognised in other comprehensive income and are presented within equity in the foreign currency translation reserve.

c. Revenue

Revenue is derived from the provision of services as described in Note 9 and is recognised in the statement of comprehensive income when the Group completes performance obligations and transfers control over a good or service to a customer.

Revenue derived from pensions operating segment is split between the establishment fee and the management fee. The establishment fee is recognised in full at the time of processing the application so as to reflect the completion of the performance obligation such as processing their application and setting up the pension trust. The management fees, which are invoiced annually, cover both the provision of trustee services and the administration of the pension funds. The current treatment of these fees, based on the existing profile of the client portfolio, is to recognise 52% at the time of invoicing and to defer the balance over the year of each policy as each of the performance obligations are satisfied.

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. Receivables from insurers

Where the Group has professional indemnity insurance that would be receivable against a provision for an insurance claim payable an asset is recognised when there is reasonable certainty as to the recovery from the insurers

f. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and office 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 are as follows:

Office equipment	10% - 25% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis
Right of use assets	Over the life of the leases

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

g. Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Derivative financial instruments are measured at FVTPL and are considered to fall within level 3 of the fair value hierarchy.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All other financial assets are measured at amortised cost.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Call options on non-controlling interests are classified as equity instruments if and only if an option contract is settled by delivering a fixed number of equity instruments in exchange for a fixed amount of cash or another financial asset (often referred to as the 'fixed-for-fixed' criterion). Otherwise, a call option is classified as a derivative financial instrument. The Group classifies its call options as derivative financial instruments.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – Business model assessment

The Group makes an assessment of the financial assets it holds to best reflect the way in which the business is managed and information is provided to management. The information may include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice;
- how the performance of the assets is evaluated and reported to the Group's management;
- the risks that affect the performance of the business and these assets and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Group's financial liabilities are classified at amortised cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h. 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. The consideration paid, including any attributable incremental costs (net of income taxes), is deducted from the reserves attributable to the Group's equity holders until the shares are cancelled or reissued via the Treasury Reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future leases payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where a lease has a term of less than 12 months or is of a value of less than £5,000, the Group applies the exemption not to recognise right-of-use assets and liabilities for these leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

j. 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.

k. Finance income and expenses

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues using the effective interest method. Dividend income in the holding company is recognised when declared by the subsidiaries.

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

l. 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. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

m. Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the group's interest in the net fair value of the identifiable assets and liabilities of the acquire. Goodwill is not amortised but is measured at cost less accumulated impairment losses. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

ii. Product development

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

iii. Client portfolio

Client portfolio acquired in a business combination are recognised separately from goodwill and are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition it is amortised on a straight-line basis over the estimated useful life which is assessed at ten years.

iv. IT development

IT development relates to internal and external development expenditure incurred in the development of the Group's IT systems. When these costs meet the recognition criteria of IAS 38 'Intangible Assets' they are capitalised and amortised on a straight-line basis over a five year period when a specific IT module comes into use.

n. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Group and Company measures loss allowances for Expected Credit Losses ("ECL") on financial assets measured at amortised cost and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs. The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet both of the following criteria are generally not recoverable:

- when there is a breach of the contractual credit terms by the debtor; and
- there is insufficient liquidity within the debtors pension assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, the Group may still follow procedures for recovery of financial assets that have been written off.

ii. Non-financial assets

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 which has an indefinite life, the recoverable amount being the higher of the fair value less costs of disposal or value in use 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.

o. Earnings per share

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

p. Deferred income

Deferred income relates to the element of fixed fee income that has been billed in advance which has not been earned as at the year end and is released over the period to which it relates. 100% of the balance recorded as deferred income at 31 December 2021 is expected to be included as revenue in the next financial year.

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

r. Dividend

Dividends are recognised in the accounting period in which they are authorised and paid. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting. Payment of a dividend is permissible in accordance with s57 of the Companies Act 2006 (IOM) and the Articles of Association given that the solvency test has been met.

s. Share based payments

The grant-date fair value of equity settled share payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. Where awards have a market-based performance condition attached the accounting charge reflects the expected achievement against targets and there is no true-up for differences between expected and actual outcomes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Insurance products

The life assurance business account for insurance products as investment contracts as no significant insurance risk is attached to these contracts. The assets and liabilities of the contracts are included in the Group's balance sheet only if it is deemed that control exists over the investment decision (see Note 8).

u. 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. The amount of any such provision is based on a best estimate of the expenditure required to settle this. There may be occasions when either a potential loss is probable but difficult to quantify or a potential loss can be reliably quantified but is not probable. On both occasions a contingent liability would be disclosed.

v. New standards and interpretations

The Group has not applied any new accounting standards for the first time for the financial year commencing 1 January 2021.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards, interpretations and amendments to existing standards have been published by the IASB but are yet to be endorsed by the EU or are not effective for the period presented in the financial statements and the Group has decided not to early adopt them.

Standard	Effective date, annual period beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 – Presentation of Financial Statements	1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. It outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. STM Group currently has two life assurance companies within its Group and therefore this may have an impact on the consolidated financial statements. At the time of signing the financial statements the Group was still assessing the impact of these standards on the consolidated financial statements and as such the extent of the impact has not yet been fully determined.

w. Cash and cash equivalents

Cash and cash equivalents' include cash balances with banks and, demand and short term deposits which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in their fair value. Short term deposits have a maturity of three months or less from the date of acquisition

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

x. Investment in subsidiaries

Investments in subsidiaries in the separate financial statements of STM Group plc are accounted for at cost.

y. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any goodwill directly allocated to the group of assets to be disposed of is also treated as held for sale. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property and office equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

4. DISPOSAL OF SUBSIDIARIES

On 23 March 2021 the Group disposed of its Gibraltar company and trustee services ("CTS") and tax compliance business, STM Fidecs Management Limited. On 8 May 2021 the Group disposed of its Jersey based CTS business, STM Fiduciaire Limited. These businesses were previously classified as held-for-sale and are now discontinued operations.

There results for the discontinued operation included in the year ended 31 December 2021 are shown below. There are no results for disposed of operations included in the year ended 31 December 2020.

	£'000
Revenue	774
Expenditure	(736)
Results from operating activities	38
Income tax	—
Results from operating activities, net of tax	38
Gain on sale of discontinued operation	219
Profit from disposal of subsidiaries	257

The profit from the discontinued operation is attributable entirely to the owners of the Company.

5. ACQUISITION OF SUBSIDIARY

There were no acquisitions in 2021.

On 13 August 2020, the Group acquired 100% of the share capital of Options SSAS Limited ("OSSAS") formally named (Berkeley Burke (Financial Services) Ltd ("BBFS")) and Options EBC Limited ("OEBC") formally named (Berkeley Burke Employee Benefit Consultants Ltd ("EBC")), referred to jointly as the BB companies, from Berkeley Burke Group Limited, which together provide administration and consultancy services to Small Self-administered Pension schemes ("SSAS") in the UK and to large and medium sized UK and international businesses, delivering pension solutions for their UK and overseas employees.

The SSAS business will allow for efficiency gains when it is integrated into the Group's existing UK operations, and the UK and international group pension plan business will strengthen our position in that sector. In addition, the acquisition allowed the Group to enter a new market – the group pension plan business – providing the growth opportunities in the UK.

The acquisition has been accounted for using the acquisition method. Transaction costs incurred on the acquisition total £88,000 and were expensed within administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Consideration for the acquisition is broken down as follows:

	£000
Initial cash payment	1,447
Deferred consideration	700
Total consideration transferred	**2,147**

The initial cash payment was made at the date of signing the Sale & Purchase Agreement. The deferred consideration was due for payment within 10 days following the first-year anniversary date of the completion accounts being 31 July 2021. The deferred consideration was dependent on revenue generated from the acquired clients. This revenue was below expectation and reduced the maximum potentially payable to approximately £530k there are a number of additional potential adjustments to this amount. An initial deferred consideration payment of £200k was made in November 2021 and further maximum potential accrual of £170k is included in trade payables (see Note 24). The final deferred consideration payable has not yet been agreed and negotiations are ongoing.

5. ACQUISITION OF SUBSIDIARY (continued)

The following table summarises the fair value of the identifiable assets and liabilities assumed of the acquired companies as at the acquisition date:

	Fair value recognised on acquisition £000	Fair value adjustments £000	Previous carrying value £000
Client portfolio	1,500	1,500	—
Accrued income	112	—	112
Debtors	157	—	157
Cash at bank	27	—	27
Liabilities	(225)	—	(225)
Deferred tax liabilities on client portfolio	(270)	(270)	—
Total identifiable assets	**1,301**	**1,230**	**71**

At acquisition the Group performed an exercise to identify the fair value of intangible assets acquired. As a result of that exercise, a client portfolio asset of £300,000 relating to the OSSAS portfolio and £1,200,000 related to the OEBC portfolio were recognised.

The client portfolios have been valued using an excess earnings model which disregards future growth of the acquired portfolio but takes into consideration cost synergies achieved following the integration of the businesses.

The assumptions used for the valuation of the client portfolios were as follows:

Attrition rate	7% - 12%
Discount factor	13%

A movement of +/- 1% on the above assumptions results in a range of values of £1,467,000 to £1,611,000.

Goodwill arising from the acquisition has been recognised as follows:

	£000
Total acquisition cost	2,147
Fair value of identifiable net assets	(1,301)
Goodwill	**846**

The total acquisition cost included a maximum potential deferred consideration of £700k, however this has been reduced to a maximum potential deferred consideration of approximately £530k. An annual assessment of goodwill is detailed in Note 15.

6. CALL OPTIONS TO ACQUIRE NON-CONTROLLING INTERESTS

As part of the acquisition of Carey Administration Holdings Limited (Options), the Group entered into call option agreements to acquire the non controlling interests in Options UK Personal Pensions LLP and Options Corporate Pensions UK Limited from the current owner of the NCIs. The call options are exercisable in 2022 and the prices are based on the audited financial statements of these entities for the year ended 31 December 2021. The fair value of the call options as at acquisition date and as at 31 December 2019 was determined at £416,000 using discounted cashflow techniques as no observable market transactions are available. This is subject to revaluation as at each reporting date.

As at 31 December 2021 these call options were valued at £881,000 (31 December 2020: £475,000).

The assumptions used for the valuations of the call options as at 31 December 2021 and 31 December 2020 were as follows:

	Options Pensions UK LLP		Options Corporate Pensions UK	
	2021	2020	**2021**	2020
Income growth rate	2%	2%	2%	2%
Cost growth rate	3%	2%	3%	3%
Discount factor	14%	14%	14%	14%

A movement of +/- 1% on the above assumptions results in a range of values of £609,000 to £1,355,000.

7. SEGMENTAL INFORMATION

STM Group has four reportable segments: Pensions, Life Assurance, Corporate Trustee Services 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 performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of internally calculated proportions. Management believes 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	**2021 £000**	2020 £000
Pensions	17,597	16,488
Life Assurance	3,402	3,709
Corporate Trustee Services	774	3,167
Other Services	582	618
Total	**22,355**	23,982

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

	Turnover	
Geographical Segment	**2020 £000**	2019 £000
Gibraltar	6,099	7,999
Malta	7,288	7,625
United Kingdom	7,952	6,379
Jersey	445	1,483
Other	571	496
Total	**22,355**	23,982

8. LIFE ASSURANCE OPERATING SEGMENT

These consolidated financial statements include the results for STM Life Assurance PCC PLC and London & Colonial Assurance PLC, two 100% owned subsidiaries whose principal activities are that of the provision of life assurance services. The Companies have a licence under the Financial Services (Insurance Companies) Act by the Gibraltar Financial Services Commission to carry on linked long-term insurance business.

For the purposes of these consolidated financial statements, only the shareholders' funds and surplus that emerges on the long-term fund have been included. The assets invested by the Life Assurance clients are determined by either the client or their advisor and are segregated from the assets and liabilities of other clients. Therefore, the Group considers that it does not control the investment decision nor accept any financial risk in respect of that decision and, therefore, the investment assets and associated liability to the customer should not be presented on the balance sheet.

Within total revenue of the Group of £22,355,000 (2020: £23,982,000) there is an amount of £3,402,000 (2020: £3,709,000) relating to revenues attributable to the life assurance businesses.

9. REVENUE

	31 December 2021 £000	31 December 2020 £000
Revenue from administration of assets	22,355	23,982
Total revenues	**22,355**	23,982

10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2021 £000	31 December 2020 £000
Wages and salaries	10,932	11,634
Social insurance costs	463	522
Pension contributions	128	156
Total personnel expenses	**11,523**	12,312

Average number of employees

Group	**31 December 2021 Number**	31 December 2020 Number
Average number of people employed (including Executive Directors)	**286**	287

Company	**31 December 2021 Number**	31 December 2020 Number
Average number of people employed (including Executive Directors)	**32**	34

11. PROFIT BEFORE OTHER ITEMS

Profit before other items of £1,373,000 (31 December 2020: £2,207,000), was arrived at after charging the following to the income statement:

	31 December 2021 £000	31 December 2020 £000
Depreciation and amortisation	1,450	1,363
Directors’ remuneration	882	823
Auditor’s remuneration for audit	392	394
Auditor’s remuneration for non-audit services	—	42

The directors’ remuneration report is included on page 18.

12. RECONCILIATION OF REPORTED TO ADJUSTED MEASURES

	REVENUE		PROFIT BEFORE OTHER ITEMS		PROFIT BEFORE TAX	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
REPORTED MEASURE	22,355	23,982	1,373	2,207	1,200	2,020
Less: effect of companies and trust services disposal	(774)	(3,167)	(54)	(313)	(54)	(313)
Less: bargain purchase gain on acquisition and gain on call options	—	—	—	—	(406)	(59)
Less: gain on disposal of companies and trust management	—	—	—	—	(219)	—
Add: integration and acquisition costs	—	—	—	179	—	179
Less: movement in deferred consideration related to prior year acquisitions	—	—	—	—	(330)	—
Add: goodwill impairment	—	—	—	—	798	—
Add: other non-recurring costs	—	—	179	285	179	285
Adjusted measure	**21,581**	**20,815**	**1,498**	**2,358**	**1,168**	**2,112**

Adjusted measures are net of non-recurring costs and other exceptional items including bargain purchase gains and technical reserve releases that do not form part of the normal course of business.

13. TAXATION

	31 December 2021 £000	31 December 2020 £000
Current tax (benefit)/expense	(502)	439
Release of deferred tax assets on leases as per IFRS 16	19	17
Release of deferred tax liabilities on intangible assets	(59)	(43)
Total tax (benefit)/expense	**(542)**	413

RECONCILIATION OF EXISTING TAX RATE	**2021**	**31 December 2021 £000**	2020	31 December 2020 £000
Profit before tax for the year	—	1,200	—	2,020
Income tax using the Company's domestic rate	**0.00%**	**—**	0.00%	—
Effect of tax rates in other jurisdictions	(41.81%)	(502)	21.73%	439
Release of deferred tax assets on leases as per IFRS 16	1.59%	19	0.84%	17
Release of deferred tax liabilities on intangible assets	(4.94%)	(59)	(2.13%)	(43)
Total tax expense	**—**	**(542)**	—	413
Effective tax rate (%)	**—**	**(45.17%)**	—	20.45%

The effective tax rate for Gibraltar has increased to 12.5% from 1 August 2021 and the effective tax rate in the UK will increase to 25% from 1 April 2023. The effective tax rate in Malta is 5%. Prior to 2020 tax was paid based on a corporate tax rate of 35% and then reclaimed with the receipt of the rebate being accounted for when received. From 2021, following a change in legislation, the Malta entities have formed a fiscal unit which has alleviated the need for this reclaim process. As a result, a one-off tax credit of £1,056,440 has been recognised in the current year.

Notes To The Financial Statements

For the year from 1 January 2021
to 31 December 2021

14. PROPERTY AND OFFICE EQUIPMENT

GROUP	Notes	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Right-of-use Assets £000	Total £000
COSTS						
As at 1 January 2020		15	2,099	641	5,722	8,477
Additions		—	70	—	—	70
Reclassification to assets held for sale	20	—	(410)	(164)	(319)	(893)
Disposals		—	—	—	—	—
As at 31 December 2020 and 1 January 2021		**15**	**1,759**	**477**	**5,403**	**7,654**
Additions		—	157	13	265	435
Disposals		—	—	—	(83)	(83)
As at 31 December 2021		**15**	**1,916**	**490**	**5,585**	**8,006**
DEPRECIATION						
As at 1 January 2020		10	1,379	381	3,754	5,524
Charge for the year		1	171	37	584	793
Reclassification to assets held for sale	20	—	(357)	(58)	(218)	(633)
Disposals		—	—	—	—	—
As at 31 December 2020 and 1 January 2021		**11**	**1,193**	**360**	**4,120**	**5,684**
Charge for the year		1	153	20	485	659
Disposals		—	—	—	—	—
As at 31 December 2021		**12**	**1,346**	**380**	**4,605**	**6,343**
Net Book Value						
As at 31 December 2020		4	566	117	1,283	1,970
As at 31 December 2021		**3**	**570**	**110**	**980**	**1,663**

COMPANY	Office Equipment £000
COSTS	
As at 1 January 2020	734
Additions at cost	9
Disposals	—
As at 31 December 2020 and 1 January 2021	**743**
Additions at cost	28
Disposals	—
As at 31 December 2021	**771**
DEPRECIATION	
As at 1 January 2020	452
Charge for the year	42
Disposals	—
As at 31 December 2020 and 1 January 2021	**494**
Charge for the year	38
Disposals	—
As at 31 December 2021	**532**
Net Book Value	
As at 31 December 2020	249
As at 31 December 2021	**239**

15. INTANGIBLE ASSETS

GROUP	Notes	Goodwill £000	Client Portfolio £000	Product Development £000	IT Development £000	Total £000
COSTS						
Balance as at 1 January 2020		16,490	4,242	613	423	21,768
Acquired through business combination	6	846	1,500	—	—	2,346
Additions		—	—	10	865	875
Reclassification to assets held for sale	20	(3,227)	—	—	—	(3,227)
Balance at 31 December 2020 and 1 January 2021		**14,109**	**5,742**	**623**	**1,288**	**21,762**
Additions		—	—	78	954	1,032
Balance at 31 December 2021		**14,109**	**5,742**	**701**	**2,242**	**22,794**
AMORTISATION AND IMPAIRMENT						
Balance as at 1 January 2020		26	674	430	150	1,280
Charge for the year		—	469	17	84	570
Balance at 31 December 2020 and 1 January 2021		**26**	**1,143**	**447**	**234**	**1,850**
Charge for the year		—	574	(2)	219	791
Impairment		798	—	—	—	798
Balance at 31 December 2021		**824**	**1,717**	**445**	**453**	**3,439**
CARRYING AMOUNTS						
At 31 December 2020		14,083	4,599	176	1,054	19,912
At 31 December 2021		**13,285**	**4,025**	**256**	**1,789**	**19,355**

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 2020 and reflects the difference between the fair value of the identifiable net asset value of those acquisitions and the fair value of the consideration paid for those acquisitions.

Goodwill represents the excess of the cost of the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the group's interest in the net fair value of the identifiable assets and liabilities of the acquire. Goodwill is not amortised but is measured at cost less accumulated impairment losses. Additionally, add in 'On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to the smallest identifiable group of assets that generate largely independent inflows. Management have assessed the number of CGUs and determined that there are five identifiable CGU's, which are also operating and reportable segments. CGU's are determined based on whether the entity is a separate and distinct entity and/or whether that entity is management as a stand alone business unit.

The carrying amount of goodwill allocated to each of the CGU's is as follows:

	2021 £000	2020 £000
STM Life	1,256	1,756
LCA	7,735	7,735
FLHP	3,698	3,698
Options - Berkeley Burke acquisition	596	846
Spain	—	48
Total	**13,285**	14,083

15. INTANGIBLE ASSETS (continued)

The Group tests goodwill annually for impairment or more frequently if there is an indication that a CGU or Group of GCU's maybe impaired. The annual impairment assessment is made by comparing the carrying amount of the CGU or group of CGUs to which goodwill has been allocated with the recoverable amount of the CGU or group of CGUs.

In addition, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2021, the market capitalisation of the Group was above the book value of its recorded goodwill.

STM Life CGU

The recoverable amount of the STM Life CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of £500,000 in the current year against goodwill. The impairment charge is recorded within the statement of profit or loss.

LCA CGU

The recoverable amount of the LCA CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use.

FLHP CGU

The recoverable amount of the FLHP CGU of as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of nil % per annum. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use.

Options Berkley Burke CGU

The Berkeley Businesses were acquired in August 2020. The goodwill and the client portfolio are not considered to be separate and distinct and have been assessed on a combined basis. The recoverable amount of the Options Berkeley Burke CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of 2% per annum. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has decided to recognise an impairment charge equal to the carrying value in the current year against goodwill. The impairment charge of £250,000 is recorded within the statement of profit or loss.

Spain CGU

The recoverable amount of the Spain CGU as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board for the coming year. The following four years cashflows have been calculated based on growth rates of -1% per annum. As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use. Management further took into consideration performance of this CGU in recent years. As a result of this analysis, management has decided to recognise an impairment charge equal to the carrying value in the current year against goodwill. The impairment charge of £48,000 is recorded within the statement of profit or loss.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of the value in use for the CGUs is most sensitive to the following assumptions:

- Revenue growth rates and attrition
- Expense increases and Inflation rates
- Discount rates

Revenue growth rates and attrition – a decline revenue growth rates and/or an increase in attrition rates would result in further impairment. A 1% reduction in revenue growth rates would result in a further potential impairment charge of approximately £360,000.

Expense increases and inflation rates – forecast increases in personnel and other expenses have been based on known costs for the coming year with an average growth of 3% per annum for the next three years and then dropping back to a more modest 2%. Management has considered the possibility of increased inflation resulting in higher than anticipated costs. Should expense growth rates remain at 3% or above per annum beyond the next three years this could result in additional impairment. A 1% increase in the expense growth rates would result in a further potential impairment charge of approximately £515,000.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate is made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rates.

A 1% increase in the WACC would result in an additional potential impairment charge of approximately £300,000.

Client portfolio

Client portfolio assets acquired in a business combination are recognised separately from goodwill and are recognised initially at fair value at the acquisition date and subsequently assessed annually for impairment. The Group's client portfolios are amortised over the useful lives which have been determined to be ten years. Client portfolio portfolios acquired through acquisitions are as follows:

	Acquisition date	31 December 2021 £000	31 December 2020 £000
London & Colonial Holding Ltd	October 2016	483	583
STM Nummos Life SL	January 2018*	257	299
Harbour Pensions Ltd	February 2018	637	729
Options Corporate Pensions UK Limited	February 2019	499	569
Options UK Personal Pensions LLP	February 2019	855	975
Options SSAS Limited	August 2020	259	289
Options EBC Limited	August 2020	1,035	1,155
Total		**4,025**	**4,599**

* The client portfolio of STM Nummos Life SL was reclassified from Goodwill in January 2018.

COMPANY	Product Development £000	IT Development £000	Total £000
COSTS			
Balance as at 1 January 2020	387	114	501
Additions	9	851	860
As at 31 December 2020 and 1 January 2021	**396**	**965**	**1,361**
Additions	78	934	1,012
As at 31 December 2021	**474**	**1,899**	**2,373**
AMORTISATION AND IMPAIRMENT			
Balance as at 1 January 2020	227	14	241
Charges for the year	13	10	23
As at 31 December 2020 and 1 January 2021	**240**	**24**	**264**
(Adjustments)/Charges for the year	(7)	155	148
As at 31 December 2021	**233**	**179**	**412**
CARRYING AMOUNTS			
As at 31 December 2020	156	941	1,097
As at 31 December 2021	**241**	**1,720**	**1,961**

16. INVESTMENTS

Company – Investments in subsidiaries

ACQUISITIONS OF THE COMPANY	31 December 2021 £000	31 December 2020 £000
SHARES IN GROUP UNDERTAKINGS		
Balance at start of year	20,809	21,030
Dormant entities closure	(1,746)	(221)
Impairment of investment	(3,050)	—
Balance at end of year	**16,013**	20,809

An impairment in the investment in STM Fidecs Ltd of £3 million has been recognised in the current year as the net assets of the subsidiary entities are below the carrying value of the investment.

17. TRADE AND OTHER RECEIVABLES

GROUP	31 December 2021 £000	31 December 2020 Restated £000
Trade receivables	3,921	3,450
Prepayments	508	634
Other receivables	3,270	1,389
Total	**7,699**	5,473

COMPANY	31 December 2021 £000	31 December 2020 £000
Receivables due from related parties	9,817	11,097
Other receivables	3,398	977
Total	**13,215**	12,074

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 27.

Trade and other receivables for the year ended 31 December 2020 have been restated because of the amended disclosure of receivables from insurers which have now been separately disclosed in Note 18.

18. RECLASSIFICATION – RECEIVABLES FROM INSURERS AND PROVISION

The balance sheet has been restated to reflect reclassification of provisions as a separate line item on the balance sheet as well as an associated insurance receivable in the current year given the materiality and qualitative nature of this item. There was no provision recorded for the year ended 31 December 2019 and hence no amended disclosures are required in respect of the year then ended. There is no impact to the income statement. The table below reflects the impact of this change in presentation.

ASSETS	31 December 2021 £000	31 December 2020 £000
CURRENT ASSETS		
Trade and other receivables	31,829	5,473
Reclassification:		
Trade and other receivables	7,699	3,600
Receivables from insurers	24,130	32,779
Total current assets	**51,347**	32,779
Total assets	**73,364**	55,211

18. RECLASSIFICATION – RECEIVABLES FROM INSURERS AND PROVISION (continued)

LIABILITIES	31 December 2021 £000	31 December 2020 £000
CURRENT LIABILITIES		
Trade and other payables	34,662	14,974
Reclassification:		
Trade and other payables	10,532	11,374
Provisions	24,130	3,600
Total current liabilities	**35,302**	17,325

As stated in Note 3(p) and as required by IFRS, provisions are recorded when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. As stated in Note 2 this requires judgement and the use of assumptions about the likelihood and magnitude of any cash outflow. The Group analyses its exposure based on available information, including consultation with professional indemnity insurers and external legal advisors where appropriate, to assess any potential liability.

The Group operates in a legal and regulatory environment that exposes it to certain litigation risks and in particular the Group recognises that the UK SIPP industry is becoming more litigious over non-performing assets. Whilst the Group does not provide financial or investment advice to its customers and therefore believes it is not responsible for the performance of the investments, the Group occasionally receives complaints in respect to these matters as well as others relating to general services provided. Each complaint is dealt with on its merits and remains a contingent liability until an outflow of economic benefits is assessed as probable and the quantum can be reliably estimated.

LIABILITIES	31 December 2021 £000	31 December 2020 £000
Receivables from insurers Carey (Options) v Adams	21,400	3,600
Receivables from insurers other	2,730	—
	24,130	3,600
Provision – Carey (Options) v Adams	21,400	3,600
Provision – other	2,730	—
	24,130	3,600

Carey (Options) v Adams:

Following the Court of Appeal judgment on 1 April 2021 the Group has considered the potential impact this might have on the outcome of other claims made by SIPP members in respect of non-performing assets. Options sought permission to appeal to the Supreme Court, however notice was received in April 2022 that this has been refused.

It was recognised that the ruling made in Mr Adams case was fact specific and included the exercise of discretion on the part of the Court of Appeal, and which was exercised in the context of those facts. The Court of Appeal also at the time of its ruling did not determine the appropriate relief payable to Mr Adams. It was therefore difficult to assess the exact obligation that could arise on other claims based on this one case. An estimate was arrived at by considering a cohort of claims which may be deemed to have similar characteristics to Mr Adams' claim and resulted in a provision of £3.6 million being recognised in the annual accounts for the year ended 31 December 2020.

Following receipt of notice that right to appeal to the Supreme Court had been denied, management in consultation with its legal advisors and insurers reviewed the potential claims payable applying a broader range of criteria given that there is no further basis to appeal the judgement, and this may result in a wider cohort of claimants. This has resulted in a provision of £21.4 million being recognised in the annual accounts for the year ended 31 December 2021. In the prior year with the possibility of appeal the cohort of potential claims was limited to those with similar characteristics as Mr Adams.

This is covered by professional indemnity insurance and thus has also been reflected as a receivable due from insurers.

18. RECLASSIFICATION – RECEIVABLES FROM INSURERS AND PROVISION (continued)

Other:

In respect of present information, amounts already recognised and the availability of insurance coverage FLHP and STM Malta have made estimates in the financial statements for the year ended 31 December 2021. The value of these estimates, which has been reflected a provision for claims payable in the statement of financial position, are £2,010,000 and £720,000 respectively. This is covered by professional indemnity insurance net of insurance excesses and thus has also been reflected as a receivable due from insurers.

With reference to the prejudicial exemption allowed under IAS 37, the Company will not disclose any further information about the assumptions for the provision, including any details about current and potential claims as these claims are ongoing.

19. CASH AND CASH EQUIVALENTS

GROUP	31 December 2021 £000	31 December 2020 £000
Bank balances	**18,207**	16,409

COMPANY	31 December 2021 £000	31 December 2020 £000
Bank balances	**2,463**	2,257

The Group has a bank loan liability of £1,450,000 (2020: £1,600,000) which is included in Note 24 and 25.

Within cash and cash equivalents held by the Group there is a balance of £2,847,000 (2020: £2,566,000) which is not available for use by the Group as most of it is in a blocked account as part of Options Corporate regulatory requirement.

20. DISPOSAL GROUP HELD FOR SALE

At 31 December 2021 there is no disposal group held for sale.

At 31 December 2020 management was committed to exit the non-core element of the Group's activities and accordingly, net assets together with the goodwill allocated to the Gibraltar and Jersey CTS businesses were presented as a disposal group held for sale. Efforts to sell the disposal group resulted in the completed sales of the Gibraltar and Jersey CTS businesses during the current year.

The impairment review for the goodwill of the assets held for sale was carried out at the time by determining the recoverable amount based on fair value less costs of disposal and the results of the disposal are included in the current financial year.

Assets and liabilities of disposal group held for sale

At 31 December 2020, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

	31 December 2020 £000
Property and office equipment	260
Goodwill	3,227
Accrued income	463
Trade and other receivables	1,303
Cash and cash equivalents	725
Assets held for sale	**5,978**
Trade and other payables	1,154
Liabilities held for sale	**1,154**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

21. CAPITAL AND RESERVES

AUTHORISED, CALLED UP, ISSUED AND FULLY PAID	31 December 2021 £000	31 December 2020 £000
59,408,088 ordinary shares of £0.001 each (2020: 59,408,088 ordinary shares of £0.001 each)	59	59

Ordinary Shares
Ordinary shares carry full voting rights; full dividend rights; full rights as respects capital, to participate in a distribution (including on winding up); no redemption rights.

Employee Benefit Trust
The trustees of the Employee Benefit Trust held 1,089,780 shares at 31 December 2021 and 31 December 2020. The shares held may be used to satisfy awards made to employees and/or senior executives, such as conditional share awards granted under a long-term incentive plan.

Share premium
There were no new shares issued during the years ended 31 December 2021 and 31 December 2020.

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 during the year:

	31 December 2021 £000	31 December 2020 £000
1.45 pence per qualifying ordinary share (2020: 1.3 pence)	861	772

After the respective reporting dates the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	31 December 2021 £000	31 December 2020 £000
0.90 pence per qualifying ordinary share (2020: 0.85 pence)	535	505

22. SHARE BASED PAYMENTS

There was no Long-Term Incentive Plan in place during the year. As such the charge for the year which has been recognised within the share-based payment reserve is £nil. It is anticipated that this will be reinstated in 2022.

23. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2021 to 31 December 2021 is based on the profit attributable to owners of £1,749,000 (2020: £1,777,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2020: 59,408,088) and £59,408,088 dilutive (2020: 59,408,088) in issue.

24. TRADE AND OTHER PAYABLES

GROUP	31 December 2021 £000	31 December 2020 Restated* £000
Deferred income	3,579	3,647
Trade payables	638	368
Bank loan	550	552
Deferred consideration	170	700
Lease liabilities	747	783
Other creditors and accruals	4,848	5,324
Total	**10,532**	11,374

* Trade and other payables for the year ended 31 December 2020 have been restated because of the amended disclosure of provisions which have now been separately disclosed in Note 18.

COMPANY	31 December 2021 £000	31 December 2020 £000
Owed to related parties	10,448	9,548
Bank loan	550	552
Accruals	596	731
Other creditors	890	317
Total	**12,484**	11,148

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the year end.

The company maintains a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million. The facility has a 5-year term with capital repayment's structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 years. At the year-end £1.5 million (2020: £1.6 million) of this facility remains drawn down and was outstanding. Interest on the drawn funds is charged at 3.5% per annum over the Sterling Relevant Reference Rate, with the undrawn balance charged at an interest rate of 1.75% per annum over the Sterling Relevant Reference Rate.

The facility is subject to customary cashflow to debt service liability ratios and EBITDA to debt service liability ratio covenants tested quarterly and is secured by a capital guarantee provided by a number of non-regulated holding subsidiary companies within the Group and debenture over these companies.

The Group's exposure to liquidity risk related to trade and other payables is described in Note 26.

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

GROUP	Notes	31 December 2021 £000	31 December 2020 £000
Lease liabilities	29	637	1,070
Bank loan		900	1,048
Other payables		91	166
Total		**1,628**	2,284

COMPANY	31 December 2021 £000	31 December 2020 £000
Bank loan	900	1,048
Total	**900**	1,048

26. 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
- Regulatory 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 an Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies.

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

a. Credit risk

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

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 level of liquidity of customer investments determines the level of credit risk associated with each customer. The liquidity of customers is monitored at each anniversary date.

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. The Group believes its exposure to liquidity risk is minimal given its current cash balances and existing financial obligations.

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 Group does not have a significant exposure to market risk.

d. Interest rate risk

The Company only has one bank borrowing at the year end. A change of 100 basis points in an interest rate would have increased or decreased equity and profit or loss by £15,500 after tax (2020: £16,000).

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 the assets and liabilities held by STM Nummos are in its functional currency of Euros (€). It has a further currency risk in relation to the expenses incurred in Malta as these are in Euros. A change of 100 basis points in the Euro to Sterling exchange rate increases or decreases equity and profit or loss by £28,000 after tax (2020: £29,000) This is mitigated by the fact that clients are invoiced in its and the Group's functional currency of sterling (£).

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. Regulatory risk

The Group is subject to laws, regulations and specific solvency requirements in the various jurisdictions in which it operates. The Group has established policies and procedures aimed at compliance with local laws and regulations.

26. FINANCIAL RISK MANAGEMENT (continued)

g. 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.

Furthermore, certain of the Company's subsidiaries are licensed by the respective jurisdictions regulators and as such all comply with the regulatory capital requirements set by each respective regulatory body.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes a bank loan as per Note 24, and equity attributable to shareholders, comprising share capital, reserves and retained earnings as disclosed. The board reviews the capital structure and as part of this review, considers the cost of capital and the risks associated with each class of capital. In addition, the Board of Directors considers the liquidity and solvency of the Group on an ongoing basis.

The Group monitors capital using a ratio of "adjusted net debt" to "adjusted equity". For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at 31 December 2021 suggests that the Group has sufficient liquidity to meet its obligations as they fall due. Net debt compared to equity at 31 December 2020 was as follows:

	31 December 2021 £000	31 December 2020 £000
Total liabilities	37,394	20,131
Less: cash and cash equivalents	(18,207)	(16,409)
Adjusted net debt	19,187	3,722
Total equity and adjusted equity	**36,380**	35,525
Adjusted net debt to adjusted equity ratio	**0.53**	0.10

27. 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 2021 £000	31 December 2020 £000
Trade and other receivables	7,699	5,473
Cash and cash equivalents	18,207	16,409
Total	**25,906**	21,882

The Group's maximum exposure to credit risk on trade and other receivables relating to one entity or group of related entities amounts to less than 10% of the overall trade receivable amount as at 31 December 2021 and 31 December 2020. Segmental disclosures are included in Note 8 reflecting the Group's operating segment and geographic concentration.

All the banks currently used by the Group have long-term credit ratings of at least A (Fitch).

Impairment on trade and other receivables is determined applying an ECL model as discussed in Note 3(n).

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

	Gross receivables 31 December 2021 £000	**Individual impairment 31 December 2021 £000**	**Total £000**	Gross receivables 31 December 2020 £000	Individual impairment 31 December 2020 £000	Total £000
Not past due	1,782	—	1,782	1,623	—	1,623
Past due 0-30 days	306	—	306	268	—	268
Past due 31-120 days	189	—	189	160	—	160
More than 120 days past due	1,818	(174)	1,644	1,442	(43)	1,399
Total	**4,095**	**(174)**	**3,921**	3,493	(43)	3,450

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 2021 £000	31 December 2020 £000
Balance at start of year	43	258
Movement in expected credit loss allowance	131	81
Amounts written off	—	(126)
Amounts recovered	—	(27)
Reclassification to assets held for sale	—	(143)
Balance at end of year	**174**	43

Based on historic default rates and knowledge of the customers, the Group believes that no impairment allowance is necessary in respect of some of the trade receivables.

27. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

The Group holds sufficient liquid assets, including cash at bank, to enable it to meet its liabilities as they fall due. The following are the Group's contractual maturity liabilities. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting arrangements.

31 December 2021	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-4 years £000
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade payables	638	638	638	—	—
Bank loan	1,450	1,526	329	324	873
Deferred consideration	170	170	170	—	—
Lease liabilities	1,384	1,360	361	363	636
Other creditors and accruals	4,848	4,848	4,848	—	—
Total	**8,490**	**8,542**	**6,346**	**687**	**1,509**

31 December 2020	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-4 years £000
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade payables	368	368	368	—	—
Bank loan	1,600	1,734	332	327	1,075
Deferred consideration	700	700	700	—	—
Other creditors and accruals	1,724	1,724	1,724	—	—
Lease Liabilities	1,889	2,017	425	444	1,148
Total	**6,281**	**6,543**	**3,549**	**771**	**2,223**

Fair value hierarchy

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

FINANCIAL ASSETS - CALL OPTIONS	31 December 2021 £000	31 December 2020 £000
Balance as at 1 January	475	416
Additions	—	—
Total gains recognised in profit or loss	406	59
Balance as at 31 December	**881**	**475**

28. LEASES

In relation to leases under IFRS 16, the Group has charged depreciation and interest costs. The Group recognised £486,000 (2020: £584,000) of depreciation charges and £83,000 (2020: £115,000) of interest expenses from these leases during the year ended 31 December 2021. The Group recognised £60,000 (2020: £56,000) of expenses relating to short-term leases or leases that can be cancelled with no penalties and £2,000 (2020: £2,000) of expenses for leases of low-value assets, excluding short-term leases, for the year ended 31 December 2021.

Lease liabilities

Non-cancellable lease liabilities as per IFRS 16 are payable as follows:

	31 December 2021 £000	31 December 2020 £000
Less than one year	724	869
Between one year and five years	637	1,148
More than five years	—	—
Total	**1,361**	**2,017**

The maturity analysis of lease liabilities is disclosed in Note 28. Right of use asset are disclosed in Note 15.

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

29. RELATED PARTIES

Transactions with key management personnel and Directors compensation

Key management compensation comprised:

	31 December 2021 £000	31 December 2020 £000
Short-term employee benefits	850	823
Share-based payments	—	—
Total	**850**	**823**

Key management personnel and Director transactions

Trusts and related parties connected to the Directors held 12% of the voting shares of the Company as at 31 December 2021 (2020: 12%).

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 £nil for the period to 31 December 2021 (2020: £4,139), of which £nil was outstanding at 31 December 2021 (2020: £nil).

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.

As at 31 December 2021 the Group owed Fiander Properties Limited a company related to the Group by virtue of common ownership £nil (2020: £22,000).

The Company received dividends of £2,218,470 (2020: £2,716,819) from STM Malta Limited, £75,000 (2020: £1,330,000) from STM Fidecs Limited, £1,800,000 (2020: £334,000) from London & Colonial Holdings Limited and £nil from STM (Caribbean) Limited (2020: £101,959).

30. GROUP ENTITIES

Principal subsidiaries

As at 31 December 2021 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

Name of subsidiary	Country of incorporation	Ownership interest 31 December 2021	Ownership interest 31 December 2020	Activity
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and administration
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Life Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Life assurance company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Malta Pension Services Limited	Malta	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Life assurance company
London & Colonial Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial Central Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial (Trustee Services) Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
Options Corporate Pensions UK Limited	England	80% indirectly	80% indirectly	Administration of clients' assets
Options UK Personal Pensions LLP	England	70% indirectly	70% indirectly	Administration of clients' assets
Options SSAS Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
Options EBC Limited	England	100% indirectly	100% indirectly	Administration of clients' assets

31. SUBSEQUENT EVENTS

On the 1 April 2021 the Court of Appeal handed down their judgment on the Adams v Carey (Options) case which had been heard remotely by videoconferencing in early March 2021. Mr Adams had appealed primarily two causes of action as follows:

1. that under the FCA's Conduct of Business Sourcebook rules (COBS) 2.1.1, Carey (Options) had failed to act fairly, honestly and in accordance with the best interests of its client; and
2. that, given the unregulated introducer 'advised' (for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO)) Mr Adams to purchase the investment, transfer his pension and establish the SIPP, and the introducer 'arranged' (for the purposes of the RAO) the underlying investment, without the necessary permissions and therefore in breach of the general prohibition under s.19 of FSMA, that under section 27 of the FSMA, Mr Adams' agreement with Carey (Options) should be unwound, and Carey (Options) should provide relief to Mr Adams.

The judgment dismissed the first claim but upheld the second. Permission to appeal this judgment was filed with the Supreme Court on 29 April 2021 and on 31st March 2022 the Supreme Court declined this request. As a result of the Supreme Court's announcement the partners of Options UK Personal Pensions LLP have considered the amount of provisioning held. The provision in the end of year accounts has been increased because of the above to £21,400,000 with an offsetting £21,400,000 amount being reflected in trade and other receivables as the liability is covered by professional indemnity insurance. See Note 18.

The Directors are not aware of any significant events occurring after the reporting date.

Notice of Annual General Meeting

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 recently sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

STM GROUP PLC
(the 'Company')

NOTICE OF ANNUAL GENERAL MEETING

The Board considers that all of the resolutions set out in the notice of AGM are likely to promote the success of the Company and are in the best interests of both the Company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

Notice is hereby given that the AGM of the Company will be held on 4 August 2022 at 10.00am at 1st floor, 21 Perrymount Road, Haywards Heath, West Sussex, RH16 3TP, for the purpose of considering and, if thought fit, passing the following resolutions:

Resolutions

1. To receive the Company's annual accounts for the financial year ended 31 December 2021, together with the Directors' Report and Auditors' Report.
2. To declare a final dividend of 0.9p per ordinary share.
3. To re-elect Duncan Crocker as a Director.
4. To re-elect Alan Kentish as a Director.
5. To re-elect Malcolm Berryman as a Director.
6. To re-elect Graham Kettleborough as a Director.
7. To elect Nicole Coll as a Director.
8. To reappoint Deloitte LLP as auditors.
9. To authorise the Directors to determine the auditors' remuneration.
10. THAT the Directors be generally and unconditionally authorised pursuant to and for the purposes of Article 5 of the Company's articles (the "Articles") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"):
    (a) up to a nominal amount of £19,802; and
    (b) comprising equity securities (as defined by the Articles) up to a nominal amount of £38,604 in connection with an offer by way of a rights issue to:
        (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

The authorities conferred on the Directors under paragraphs (a) and (b) to allot Relevant Securities shall expire at 6pm on 30 September 2023, or, if earlier, the conclusion of the next AGM of the Company to be held in 2023 unless previously revoked, varied or renewed by the Company in a general meeting.

The Company shall be entitled to make, prior to the expiry of such authorities, any offer or agreement which would or might require Relevant Securities to be allotted after the expiry of these authorities and the Directors may allot Relevant Securities pursuant to such offer or agreement as if these authorities had not expired.

All prior authorities to allot Relevant Securities shall be revoked but without prejudice to any allotment of Relevant Securities already made thereunder.

Special Resolutions

11. THAT, subject to the passing of resolution 10 in the notice of this meeting, the Directors are empowered to allot equity securities (as defined by the Articles) for cash, pursuant to the authority conferred on them by resolution 12 in the notice of this meeting or by way of sale of treasury shares, provided that this power is limited to:
    (a) the allotment of equity securities in connection with any rights issue or open offer or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and
    (b) the allotment of equity securities or sale of treasury shares (other than pursuant to sub-paragraph (a) above) to any person with an aggregate nominal value of £2,970.40, and shall expire when the authority conferred on the Directors by resolution 11 in the notice of this meeting expires or is revoked, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.
12. THAT, subject to the passing of resolution 10 in the notice of this meeting and in addition to the power contained in resolution 11 set out in the notice of this meeting, the Directors are empowered to allot equity securities (as defined by the Articles) to any person for cash, pursuant to the authority conferred on them by resolution 10 in the notice of this meeting or by way of sale of treasury shares, provided that this power is:
    (a) limited to the allotment of equity securities up to an aggregate nominal value of £2,970.40; and
    (b) used only for the purposes of financing (or refinancing, if the power is to be exercised within six months after the date of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of this meeting;

    and shall expire when the authority conferred on the Directors by resolution 10 in the notice of this meeting expires or is revoked, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.
13. THAT the Company be generally authorised pursuant to Article 5 to make market purchases (within the meaning of section 693(4) of the UK Companies Act 2006) of ordinary shares of £0.001 each in the capital of the Company on such terms and in such manner as the Directors shall determine, provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 5,940,808 ordinary shares;
    (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is its nominal value;
    (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
    (d) this authority shall expire on 30 September 2023, or, if earlier, at the conclusion of the next AGM of the Company to be held in 2023 unless previously revoked, varied or renewed; and
    (e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.
14. THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

Further information on resolutions 10 to 13 can be found in the Explanatory Notes below.

By order of the Board

Alex Small

Alex Small LL.M ACG
Company Secretary
Viking House, St Paul's Square,
Ramsey, Isle of Man, IM8 1GB

Company number: 005398V

7 June 2022

Notice of Annual General Meeting

Notes:

1. Resolutions 1 to 10 are to be proposed as ordinary Resolutions. Resolutions 11 to 14 are to be proposed as Special Resolutions 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.
2. A member who is entitled to attend and vote at the AGM is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and to vote at the AGM. A proxy need not also be a member.
3. A member must be registered as the holder of ordinary shares by 10am on 2 August 2022 in order to be entitled to vote at the AGM as a member in respect of those shares.
4. 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. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically.
5. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual.

Explanatory Notes: Resolutions 10, 11, 12 & 13

Resolution 10 – Authority to allot relevant securities

Resolution 10 is proposed to renew the Directors' powers to allot shares. The Directors' existing authority, which was granted (pursuant to Article 3) at the AGM held on 24 June 2021 and will expire at the end of this year's AGM. Accordingly, paragraph (a) of resolution 10 would renew this authority by authorising the Directors to allot relevant securities up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

In accordance with the Investment Association Share Capital Management Guidelines issued in July 2016, resolution 9(b) seeks to grant the Directors authority to allot ordinary shares equal to a further one third of the Company's issued share capital in connection with a rights issue in favour of ordinary shareholders.

The Directors have no present intention to exercise the authority sought under this resolution. In the event of any exercise of the authority, the Directors intend to follow the Guidelines concerning its use including as regards the Directors standing for re-election.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the AGM of the Company to be held in 2023, or at 6pm on 30 September 2023, whichever is sooner, unless renewed or revoked prior to such time.

Resolutions 11 and 12 – Disapplication of statutory pre-emption rights

Resolutions 11 and 12 are to approve the disapplication of pre-emption rights. The passing of these resolutions would allow the Directors to allot shares for cash and/or sell treasury shares without first having to offer such shares to existing shareholders in proportion to their existing holdings.

The authority under resolution 11 would be limited to:

(a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board considers necessary; and

(b) allotments or sales (otherwise than pursuant to (a) above) up to an aggregate nominal amount of £2,970.40, being an amount equal to approximately 5% of the current issued share capital of the Company as at 6 June 2022 (being the latest practicable date prior to the publication of this Notice).

Resolution 12 would give the Directors authority to allot a further 5% of the issued ordinary share capital of the Company as at 6 June 2022 (being the latest practicable date prior to the publication of this Notice) for the purposes of financing a transaction which the Directors determine to be an acquisition or other capital investment contemplated by the Pre-Emption Group's Statement of Principles most recently published by the Pre-Emption Group prior to the date of this Notice.

The disapplication authorities under resolutions 11 and 12 are in line with guidance set out in the Pre-Emption Group's Statement of Principles. The Pre-Emption Group's Statement of Principles allow a board to allot shares for cash otherwise than in connection with a pre-emptive offer (i) up to 5% of a company's issued share capital for use on an unrestricted basis and (ii) up to a further 5% of a company's issued share capital for use in connection with an acquisition or specified capital investment announced either contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The authorities contained in resolutions 11 and 12 will expire at the conclusion of the AGM of the Company to be held in 2023 or at 6pm on 30 September 2023, whichever is sooner.

Resolution 13 – Authority to purchase Company's own shares

Resolution 13 seeks to grant the Directors authority (until 30 September 2023 or, if earlier, the next AGM to be held in 2023, unless such authority is revoked or renewed prior to such time) to make market purchases of the Company's own ordinary shares, up to a maximum of 5,940,808 ordinary shares, being an amount equal to approximately 10% of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of the shares.

The Directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The authority will only be exercised in circumstances where the Directors expect that such purchases will result in an improvement in earnings per share and will be in the best interests of shareholders generally.

Company Information

CORPORATE

Directors

Duncan Crocker
Non-Executive Chairman

Alan Kentish ACA ACII AIRM
Chief Executive Officer

Nicole Coll CA (SA) ICAEW ACMA CPA
Chief Financial Officer

Malcolm Berryman
Non-Executive Director

Graham Kettleborough
Non-Executive Director

Company Details

Registered Office
Viking House
St Paul's Square
Ramsey
Isle of Man
IM8 1GB

Company Number
005398V

Company Secretary
Alex Small LLM ACG

Registrar
Computershare
13 Castle Street
St. Helier, Jersey CI
JE1 1ES
T +44 (0)1534 281 800

Advisers

Registered Agent
Viking House
St Paul's Square
Ramsey
Isle of Man
IM8 1GB

Nominated Adviser
and Broker
FinnCap
One Bartholomew Close
London
EC1A 7BL

Solicitors
Pinsent Masons
30 Crown Place
Earl Street
London EC2A 4ES

Dougherty Quinn
The Chambers
5 Mount Pleasant
Douglas
Isle of Man IM1 2PU

Auditor

Deloitte LLP
Statutory Auditor
The Old Courthouse
Athol Street
Douglas
Isle of Man IM1 1LD

STM GROUP

options™ for your tomorrow

LONDON & COLONIAL
INNOVATION IN PENSIONS

ISLE OF MAN
Viking House
St Paul's Square
Ramsey
Isle of Man
IM8 1GB

www.stmgroupplc.com
info@stmgroupplc.com

LONDON
STM Group Plc
Suite 315
5 Chancery Lane
London
EC4A 1BL

www.stmgroupplc.com
info@stmgroupplc.com

HAYWARDS HEATH
Commerce House
21 Perrymount Road
Haywards Heath
West Sussex
RH16 3TP

T (+44) 203 479 5505
www.londoncolonial.com

MILTON KEYNES
Options
Lakeside House
Shirwell Crescent
Furzton
Milton Keynes
MK4 1GA

T (+44) 330 124 1505
www.optionspensions.co.uk

GIBRALTAR
STM Fidecs Group of Companies
Montagu Pavilion
8-10 Queensway
Gibraltar

T (+350) 200 42686
www.stmfidecs.gi
info@stmfidecs.gi

MALTA
STM Malta
San Gwakkin Building Level 1
Triq is-Salib tal-Imriehel, Zone 4
Central Business District Birkirkara,
Malta
CBD4020

T (+356) 213 33 210
www.stmmalta.com
info@stmmalta.com

AUSTRALIA
My Options Superannuation Pty Ltd
114 Flinders Street
Melbourne
VIC 3000
Australia

www.myoptionssuper.com.au
info@myoptionssuper.com.au

SPAIN
STM Nummos
Edif. Sotovila, Plaza Mayor
Pueblo Nuevo de Guadiaro
Sotogrande, 11311
Cádiz, Spain

T (+34) 956 794 781
www.stmnummos.com
info@stmnummos.com

STM GROUP PLC

UK - GIBRALTAR - MALTA - AUSTRALIA - SPAIN