

**STM Group Plc**  
 (“STM”, “the Company” or “the Group”)  
**Unaudited Interim Results for the six months ended 30 June 2019**

STM Group Plc (AIM: STM), the multi-jurisdictional financial services group, is pleased to announce its unaudited interim results for the six months ended 30 June 2019.

**Highlights include:**

	<b>2019 (reported)</b>	<b>2019 (underlying) *</b>	<b>2018</b>
Revenue	£11.9m	£11.6m	£10.8m
Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	£2.1m	£2.3m	£2.5m
Profit before taxation (“PBT”) (and exceptional bargain purchase gain)	£3.4m	£1.6m	£2.1m
EBITDA margin	18%	20%	23%
Earnings per share	5.30p	N/A	3.21p
Cash at bank (net of borrowings)	£18.1m	N/A	£16.3m
Interim dividend	0.75p	N/A	0.7p

\* net of certain transactions which do not form part of the regular operations for the business

**Operational highlights:**

- Redefined Purpose and Vision, allowing for stronger commitment to Strategy and Values
- Implementation of new Target Operating Model allowing for clearer and more efficient reporting lines
- Focus on using IT to develop greater efficiencies and enhance margins; Interim Head of IT appointed
- Continued to build on our risk management and governance platform
- Integration of the Carey acquisition well advanced
- Active pipeline of acquisition opportunities
- Launch of our new flexible annuity product, as an alternative to a SIPP

**Commenting on the results and prospects for STM, Alan Kentish, Chief Executive Officer, said:**

“The Board is pleased with the progress made in the period.

“In the early part of the year, we welcomed Pete Marr to the newly created Board role of Chief Operating Officer, and this has set in motion the Board's intention to redefine our Target Operating Model (TOM). The new TOM will bring about a stronger and more scalable platform for future growth, both organically and by acquisition, as well as ultimately seeing improved operating margins. As previously advised, this requires upfront investment in both senior hires and IT infrastructure and the Group has seen its underlying cost base increase which the Group has been able to absorb thanks to its solid revenue base.

“I am pleased to say the integration of Carey proceeds to plan, and has indeed opened STM's doors to new opportunities.

“The second half of the year is about concluding the initiatives commenced in the first six months so that these benefits start to materialise. My expectations of seeing both top line growth and PBT uplift as a result of our recent investment programme remains strong.

“In a pension market that remains buoyant and ever changing, and with STM's extensive product offerings, I have every reason to be excited about STM's prospects as we move towards 2020 and beyond.”

*The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.*

**For further information, please contact:**

**STM Group Plc**

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**Notes to editors:**

STM is a multi jurisdictional financial services group which is listed on the AIM Market of the London Stock Exchange. The Group specialises in the delivery of a wide range of financial service products to professional intermediaries and the administration of assets for international clients in relation to retirement, estate and succession planning and wealth structuring.

Today, STM has operations in the UK, Gibraltar, Malta, Jersey and Spain. The Group is looking to expand through the development of additional products and services that its ever more sophisticated clients demand. STM has developed a specialist international pensions division which specialises in Self-Invested Personal Pensions (SIPPs) for expatriates, Qualifying Recognised Overseas Pension Schemes (QROPS), Qualifying Non UK Pension Schemes (QNUPS). STM has a Gibraltar Life Insurance Company, STM Life plc, which provides life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held.

Further information on STM Group Plc can be found at [www.stmgroupplc.com](http://www.stmgroupplc.com).

## Chairman's Statement

I am pleased to present my first set of interim results as Chairman for the Group, which additionally represents my first full six month term.

The reported interim profit before tax for 2019 is significantly ahead of the previous year's comparator, albeit there have been a number of one-off adjustments, as required by accounting standards, principally relating to incorporating the Carey acquisition that occurred earlier in the year.

Our new business volumes across our pension and life businesses remain steady and similar to the previous six months, and the nature of our individual business units gives the benefit of a predictable and stable revenue stream weighing against a predominantly fixed cost base. A high proportion of recurring revenues translates into clear visibility of our underlying profitability for those businesses that have reached critical mass, and forms the backbone for future growth of the Group. For those businesses that are still in their infancy, such as the workplace pensions, further measures are being implemented to accelerate this business to profitability more quickly.

With this in mind, and since joining in September last year, my primary focus has been to look to put the essential final building blocks in place to allow the Group to capitalise on significant growth opportunities going forward.

Invariably this has resulted in additional costs for further resources at Group level as we progress on this journey, but the investment made in our infrastructure will result in a more scalable, better protected and more robust business going forward. In addition, we continue to build on our governance structure and risk management framework to de-risk the business operations further.

The UK pension's market remains in a state of uncertainty with various high profile Court rulings awaited in relation to the legal and expected obligations of a SIPP provider. Such rulings will re-shape the industry going forward if they find against the manufacturing elements. Clarity and guidance that give certainty to the industry is welcomed and much needed for all industry stakeholders. During this period of uncertainty, we continue to actively seek out and pursue potential good value acquisition targets with high quality client portfolios in the UK pensions market, whilst at the same time simplifying our group structure in other areas.

As the major part of the integration of Carey draws to a finish, the UK businesses will turn their attention to a re-launch of their key UK pension products and finalise a re-branding proposition so as to better position ourselves in the marketplace.

The remainder of the current financial year is about finalising our operating model incorporating the new infrastructure and turning our ongoing revenue ideas and initiatives into solid business performance. We are now finishing a period of increased fixed cost investment in our business and will now turn our primary focus to new revenue generating opportunities and realising internal efficiencies, both will support our strong profit growth ambition.

I look forward to updating the market with our progress.

**Duncan Crocker**

**Chairman**

10 September 2019

## Chief Executive's Review

### Overview

I am pleased to present the interim results for the six months ended 30 June 2019 which shows a business that has invested in its infrastructure in order to reset our platform for future growth.

Our underlying businesses performed in line with expectations with no significant material deviations, despite some of the macroeconomic and other factors that the industry as a whole faces. Volumes of new business have remained steady and predictable throughout our core businesses of pension administration and life assurance wrappers. The certainty of our recurring revenue, a key characteristic of our business, remains unchanged, as would be expected.

The appointment of Pete Marr as COO in January enabled us to accelerate our transformation programme to a more robust and efficient operating model. We have recruited a number of senior individuals at Group level to support this process. The commencement of such a journey invariably comes at a cost initially, but the benefits will start to become more evident during 2020 and thereafter.

The acquisition of Carey pensions in February has added a new dimension to our UK operating group, and is allowing a consolidation of our UK businesses which will give us a solid foothold in the UK pensions market. The additional benefits of putting two slightly sub-critical mass businesses together to create a central UK operating hub also brings with it integration gains. The imminent rebranding of the Carey business and the re-launch of some niche UK SIPP orientated products in the latter part of the year will be the culmination of a successful integration.

### Financial results

For the six month period ended 30 June 2019 the Group reported revenues of £11.9 million (2018: £10.8 million). Within this year's revenue, there exists a number of one-off items relating to technical releases of life assurance reserves, acquisition accounting for the Carey acquisition as well as a negative revenue recognition adjustment to bring Carey's accounting policy in line with STM's.

Stripping away these various non-recurring movements gives underlying revenues of £11.6 million for 2019 compared to £10.8 million for 2018. Recurring revenues were £8.7 million (2018: £8.5 million), representing 73 per cent. of underlying revenues (2018: 79%).

Profit before tax for the period amounted to £3.4 million compared to £2.1 million for 2018, a very material increase, albeit as noted above this year's results have significant one-off positive adjustments of £2.4 million. There were also the additional non-recurring integration costs of £0.3 million, and the losses of the Carey corporate business in line with management's forecasts of £0.3 million. The anticipated losses in the corporate pensions business for the full financial period are more than compensated for by the bargain purchase gain.

As reported earlier in the year IFRS 3 allows for this to be adjusted for up to a year following the date of acquisition as it recognizes that there are many intricacies to understanding a newly acquired business and various valuation models which can be applied to the constituent parts that make up this figure. In the case of the Carey acquisition we have had to revalue the intangible assets and the agreements entered into with the minority shareholder, and the revised value of the bargain purchase gain is £2.0 million. Similarly, we have carried out more work on simplifying the Group structure which has resulted in a reconsideration of the existing goodwill. The outcome of this is that there is no longer a requirement to write off the previously reported amount of £0.7 million thus the uplift to the PBT as a result of these accounting transactions remains £2.0 million, as previously reported.

Putting these various one-off adjustments aside, leaves an underlying Profit before tax of £1.6 million for 2019 compared to £2.1 million for 2018. This includes a loss of £0.3 million from Carey and therefore stripping these out to allow for a like for like comparison results in PBT for 2019 of £1.9 million. The slightly lower PBT for this year is principally due to an increase in Group costs in building the infrastructure as a platform for future growth, as detailed above.

<b>RECONCILIATION OF REPORTED TO UNDERLYING MEASURES</b>				
	<b>PROFIT BEFORE TAX</b>		<b>REVENUE</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Reported measure</b>	<b>3.4</b>	2.1	<b>11.9</b>	10.8
Less: release on technical reserve	<b>(0.9)</b>	–	<b>(0.9)</b>	–
Add: adjustment on Carey revenue recognition	<b>0.6</b>	–	<b>0.6</b>	–
Add: integration and acquisition costs for H1	<b>0.3</b>	–	–	–
Add: other non-recurring costs	<b>0.3</b>	–	–	–
Less: bargain purchase gain and derivative asset	<b>(2.0)</b>			
<b>Underlying measure</b>	<b>1.6</b>	2.1	<b>11.6</b>	10.8
Add: Carey losses / Less: Carey revenue	0.3	–	(0.9)	–
<b>Like for like comparison</b>	<b>1.9</b>	2.1	<b>10.7</b>	10.8

Pleasingly, all of the Group's trading operations have performed as expected with the underlying recurring revenue stream continuing to be a mainstay of the overall Group.

In relation to the balance sheet, as part of the accounting for the Carey acquisition, we have recognised two intangible assets being the client portfolios in the SIPP and Auto-Enrolment businesses. These assets have been valued at £2 million, and in line with the Group's accounting policy will be amortised over 10 years. In addition, under IFRS 16, we now recognise the cost of the rental and IT leases on the balance sheet as a rights of use asset amounting to £1.7 million with lease liabilities of £2.5 million.

In addition, cash and cash equivalents at 30 June 2019 were £18.1 million (30 June 2018: £18.8 million). As would be expected for a Group regulated in a number of jurisdictions a significant proportion of this balance forms part of the regulatory and solvency requirements. As at 30 June 2019 this was approximately £15.5 million.

During the six month period, the Group generated £2.2 million of cash as a result of operating activities, and repaid bank debt of £0.8 million, as well as paying a final dividend of £0.8 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 £1.1 million as at the period end (2018: £0.9 million). This gives some visibility of revenue still to be billed and collected as cash at bank.

Additionally, deferred income relating to annual fees invoiced but not yet earned stood at £4.7 million (2018: £4.3 million). This figure gives good visibility of revenue that is still to be earned through the Income Statement in the coming months.

Trade receivables as at 30 June 2019 were £2.5 million showing a marginal increase from the position as at 30 June 2018 of £2.3 million.

## **Dividend**

In line with our previous approach, the Group continues to build on its annual dividend payout, and I am pleased to announce that the Board has declared an interim dividend of 0.75 pence per share (2018: 0.7 pence). The interim dividend is expected to be paid on 20 November 2019 to those shareholders on the register on 25 October 2019. The ordinary shares will become ex-dividend on 24 October 2019.

Subject to trading continuing to perform in line with our expectations, the Board expects to propose a final dividend for the full year.

## **Review of operations**

### ***Pensions business***

The February 2019 acquisition of Carey has reiterated our commitment to the pension administration sector and this is without a doubt our core business offering, representing 57% of our revenue (2018: 54%).

Importantly, our pensions divisions are not pigeon-holed into one specific area but have solid distribution across three wide-ranging sectors; the UK expatriate market via our QROPS and International SIPP, the UK resident market via our UK SIPP businesses, and the ever-growing UK auto-enrolment market via our workplace Master Trust.

There is further diversification in that these sectors are administered across three different jurisdictions which each offer a slightly different product solution for our customers and are thus complementary.

Overall the pensions revenue for the period was £6.8 million (2018: £5.9 million). Total revenue is split between £5.0 million for QROPS (2018: £5.1 million), £1.3 million (2018: £0.8 million) for the SIPP business and an additional £0.5 million for the workplace pensions business (2018 - £nil).

New business applications are down for 2019 amounting to 349 compared to 671 for the same period in 2018. This appears to be driven by macro-economic factors such as Brexit concerns



by UK expatriates, as well as industry factors such as less financial advisers willing or able to advise on defined benefit transfers, through to a general scepticism by some of the private pension sector in the UK as a result of ongoing high profile civil cases in the UK Courts.

The recurring revenue percentage of 90% together with the low attrition rates to this business means that it remains a solid predictor of future profitability.

The Carey pension team has slotted in well, and brings additional resources and experience, as well as a number of UK orientated products that the STM Group previously did not have. For the period to 30 June 2019 specific integration costs have amounted to £0.3 million. As we move into the latter part of the year and beyond the benefits of the integration, as previously advised, are likely to be in the region of £0.7 million.

In relation to the auto-enrolment business, the last four months has been focused on progressing the Master Trust authorisation for the Carey work-place pension. The UK Master trust sector in general remains in a state of flux, and this has in turn created opportunities.

### ***Life assurance divisions***

With the uncertainty of Brexit, the Group is in the enviable position of having two life assurance businesses and can thus have one UK facing and one to focus on the EU market. As previously announced, STM Life is in the process of re-domiciling to Malta to facilitate this focus. Whilst this may not be finalised before Brexit the risk will largely be an inability to incept new policies but should not affect our ability to continue servicing existing customers.

Revenue for the combined life assurance businesses amounted to £2.8 million as compared to £2.2 million in 2018. The life assurance businesses have continued to benefit from the release of technical reserves with this year's revenue having an amount of £0.9 million in this respect (2018: £nil). This release constitutes the entire reserve previously reflected in the Balance Sheet.

The first part of 2019 has seen significant investment in management time in a new suite of products aimed at the UK pension market, one of which is offering an assurance contract based alternative to the traditional private pension. The se new products are expected to gain traction during the latter part of the year with the benefits materialising in 2020.

### ***CTS division***

CTS, once the lifeblood of STM Group, is no longer core to our future. CTS revenue for 2019 amounted to £1.9 million (2018: £2.2 million) and accounts for only 16% of Group revenue (2018: 21%). STM's focus in this area is on client retention and maintaining operating profit margins, rather than anticipating growth. The revenue is split 54% Jersey and 46% Gibraltar.

### ***Other divisions***

This income primarily relates to the Insurance Management division and the Spanish office, with both divisions performing in line with management expectations. Revenue for the period amounted to £0.5 million (2018: £0.5 million). As part of the Group's strategy of focusing on core activities the insurance management business was closed during the early part of 2019.

## **Outlook**

The first six months of 2019 has been busy with significant investment being made in the Group's future success. Whilst this investment has increased costs the benefits, be they through increased revenue, improved efficiencies or a more robust business, are getting close to realisation.

The teams have worked diligently to deliver on both a successful Carey integration and the new Operating Model as a whole which will clearly demonstrate improved efficiencies and result in an operating margin uplift going forward.

As previously announced, STM will have a more UK focused product offering and, as part of that strategy, is in the process of recruiting a UK based Head of Distribution and Product. Our UK Company re-brand and re-launch of niche UK pension products will set out our stall for the future.

We continue to look for earnings enhancing or strategic acquisitions in the QROPS or UK pensions market. We are pursuing a number of potential acquisitions and our acquisition team has never been busier, however, with many of the acquisition targets being privately owned, we have found the timing of the sale process varies. Our ambition remains that acquisitive growth will form a meaningful part of our overall growth rate.

The second half year is about bringing all the various projects started in the year to completion so the benefits come through early in 2020. These projects include getting our framework and infrastructure ready for future growth, launching some key product initiatives and bringing the Carey integration to a successful conclusion. All of these will round-off a solid performance for the year.

We look forward to updating the market on our progress and journey as we tick off the opportunities and deliverables ahead of us.

**Alan Kentish**

**Chief Executive Officer**

10 September 2019

# STM GROUP PLC

## CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2019 to 30 June 2019

	Notes	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited Year to 31 December 2018 £'000
Revenue	4	11,945	10,782	21,401
Administrative expenses		(9,883)	(8,308)	(16,692)
<b>Profit before other items</b>		<b>2,062</b>	<b>2,474</b>	<b>4,709</b>
<b>OTHER ITEMS</b>				
Bargain purchase gain	5	1,630	–	–
Gains from financial instruments at FVTPL	5	416	–	–
Finance costs		(153)	(145)	(249)
Depreciation and amortisation		(593)	(202)	(427)
<b>Profit before taxation</b>		<b>3,362</b>	<b>2,127</b>	<b>4,033</b>
Taxation		(214)	(217)	(350)
<b>Profit after taxation</b>		<b>3,148</b>	<b>1,910</b>	<b>3,683</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that are or may be reclassified to profit and loss</i>				
Foreign currency translation differences for foreign operations		(51)	(5)	3
<b>Total other comprehensive income</b>		<b>(51)</b>	<b>(5)</b>	<b>3</b>
<b>Total comprehensive income for the period/year</b>		<b>3,097</b>	<b>1,905</b>	<b>3,686</b>
<b>Profit attributable to:</b>				
Owners of the Company		3,301	1,910	3,683
Non-Controlling interests		(153)	–	–
		<b>3,148</b>	<b>19,10</b>	<b>3,683</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		3,250	1,905	3,686
Non-Controlling interests		(153)	–	–
		<b>3,097</b>	<b>1,905</b>	<b>3,686</b>
<b>Earnings per share basic (pence)</b>	7	5.30	3.21	6.20
<b>Earnings per share diluted (pence)</b>	7	5.13	3.06	5.90

The above results relate both to continuing activities and a discontinued operation (see Note 6).

# STM GROUP PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		2,783	1,189	1,096
Intangible assets		20,733	18,978	18,966
Financial assets at FVTPL	5	416	—	—
Other assets		98	—	—
<b>Total non-current assets</b>		<b>24,030</b>	<b>20,167</b>	<b>20,062</b>
<b>Current assets</b>				
Investments		—	77	74
Accrued income		1,138	922	787
Trade and other receivables	10	4,976	4,882	6,281
Cash and cash equivalents	9	18,137	18,763	17,267
<b>Total current assets</b>		<b>24,251</b>	<b>24,644</b>	<b>24,409</b>
<b>Total assets</b>		<b>48,281</b>	<b>44,811</b>	<b>44,471</b>
<b>EQUITY</b>				
Called up share capital	13	59	59	59
Share premium account		22,372	22,372	22,372
Reserves		12,127	9,390	10,631
<b>Equity attributable to owners of the Company</b>		<b>34,558</b>	<b>31,821</b>	<b>33,062</b>
<b>Non-controlling interests</b>		<b>(78)</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>34,480</b>	<b>31,821</b>	<b>33,062</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Liabilities for current tax		888	727	908
Trade and other payables	11	10,646	11,436	10,501
<b>Total current liabilities</b>		<b>11,534</b>	<b>12,163</b>	<b>11,409</b>
<b>Non-current liabilities</b>				
Other payables	12	2,267	827	—
<b>Total non-current liabilities</b>		<b>2,267</b>	<b>827</b>	<b>—</b>
<b>Total liabilities and equity</b>		<b>48,281</b>	<b>44,811</b>	<b>44,471</b>

# STM GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 January 2019 to 30 June 2019

	Notes	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
<b>Operating Activities</b>				
Profit for the period/year before tax		3,362	2,127	4,033
<b>Adjustments for:</b>				
Depreciation and amortisation		593	202	425
Loss on sale of fixed asset		2	—	—
Taxation paid		(234)	(545)	(515)
Unrealised gains on financial instruments at FVTPL	5	(416)	—	7
Bargain purchase gain	5	(1,630)	—	—
Share based payments		18	29	55
Decrease/(increase) in trade and other receivables		1,592	946	(437)
(Increase)/decrease in accrued income		(254)	(31)	103
Decrease in trade and other payables		(808)	(124)	(1,068)
Foreign exchange losses		—	25	—
Movement in provisions		—	(7)	—
<b>Net cash from operating activities</b>		<b>2,225</b>	<b>2,622</b>	<b>2,603</b>
<b>Investing activities</b>				
Disposal of investments		74	2	—
Purchase of property, plant and equipment		(88)	(44)	(60)
Increase in intangible assets		(46)	(83)	(185)
Consideration paid on acquisitions		(350)	(800)	(800)
Cash acquired on acquisition	5	1,116	302	302
<b>Net cash used in investing activities</b>		<b>706</b>	<b>(623)</b>	<b>(743)</b>
<b>Cash flows from financing activities</b>				
Bank loan		(825)	(825)	(1,650)
Treasury shares purchased		(117)	(56)	(206)
Lease liabilities paid		(358)	—	—
Dividends paid	8	(772)	(713)	(1,129)
<b>Net cash from financing activities</b>		<b>(2,072)</b>	<b>(1,594)</b>	<b>(2,985)</b>
<b>Increase in cash and cash equivalents</b>		<b>859</b>	<b>405</b>	<b>(1,125)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>				
Analysis of cash and cash equivalents during the period/year				
Increase/(decrease) in cash and cash equivalents		859	405	(1,125)
Effect of movements in exchange rates on cash and cash equivalents		11	(5)	29
Balance at start of period/year		17,267	18,363	18,363
<b>Balance at end of period/year</b>		<b>18,137</b>	<b>18,763</b>	<b>17,267</b>

# STM GROUP PLC

## STATEMENT OF CONSOLIDATED CHANGES IN EQUITY For the period from 1 January 2019 to 30 June 2019

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Treasury Shares £'000	Translation Reserve £'000	Shares Based Payments Reserve £'000	Total £'000	Non- Controlling Interests £'000	Total Equity £'000
<b>Balance at</b>									
<b>1 January 2018</b>	59	22,372	8,327	(226)	35	89	30,656	—	30,656
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Profit for the period	—	—	3,683	—	—	—	3,683	—	3,683
<b>Other comprehensive income</b>									
Foreign currency translation differences	—	—	—	—	3	—	3	—	3
<b>Transactions with owners, recorded directly in equity</b>									
Dividend paid	—	—	(1,129)	—	—	—	(1,129)	—	(1,129)
Shares based payments	—	—	—	—	—	55	55	—	55
Treasury shares purchased	—	—	—	(206)	—	—	(206)	—	(206)
<b>31 December 2018 and</b>									
<b>1 January 2019</b>	59	22,372	10,881	(432)	38	144	33,062	—	33,062
<b>Adjustment on initial application of IFRS 16 (net of tax) (Note 3)</b>									
	—	—	(883)	—	—	—	(883)	—	(883)
<b>Adjusted balance at 1 January 2019</b>	59	22,372	9,998	(432)	38	144	32,179	—	31,179
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Profit for the period	—	—	3,301	—	—	—	3,301	(153)	3,148
<b>Other comprehensive income</b>									
Foreign currency translation differences	—	—	—	—	(51)	—	(51)	—	(51)
<b>Transactions with owners, recorded directly in equity</b>									
Dividend paid	—	—	(772)	—	—	—	(772)	—	(772)
Share based payments	—	—	—	—	—	18	18	—	18
Treasury shares purchased	—	—	—	(117)	—	—	(117)	—	(117)
<b>Changes in ownership interest</b>									
Acquisition of subsidiary with NCI (Note 5)	—	—	—	—	—	—	—	75	75
<b>At 30 June 2019</b>	59	22,372	12,527	(549)	(13)	162	34,558	(78)	34,480

# STM GROUP PLC

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 1. Reporting entity

STM Group Plc (the “Company”) is a company incorporated and domiciled in the Isle of Man and was admitted to trading on the London Stock Exchange AIM Market on 28 March 2007. The address of the Company’s registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The Group is primarily involved in financial services.

### 2. Basis of preparation

Results for the period from 1 January 2019 to 30 June 2019 have not been audited.

The consolidated results have been prepared in accordance with International Financial Reporting Standards (“IFRS”), interpretations adopted by the International Accounting Standards Board (“IASB”) and in accordance with Isle of Man law and IAS 34, Interim Financial Reporting.

### 3. Changes in significant accounting policies

Except as described below, the accounting policies in these consolidated results are the same as those applied in the Group’s consolidated financial statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements for the year ended 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets. In addition, it has recognised lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

The Group leases properties and IT equipment. As a lessee, the Group previously classified leases as operating leases. Under IFRS 16, however the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are now on-balance sheet.

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

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 3. Changes in significant accounting policies (continued)

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, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements 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 subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

On transition to IFRS 16, the Group has recognised right-of-use assets, lease liabilities and dilapidation costs with the difference being recognised in retained earnings. The impact on transition is summarised below.

	<b>1 January 2019</b>
	<b>£'000</b>
Right-of-use assets presented in property, plant and equipment	1,929
Deferred tax assets	98
Prepayments	(30)
Provision for dilapidation costs	(100)
Lease liabilities	2,779
Retained earnings	(882)

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group has £1,699,000 of right-of-use assets and £2,487,000 of lease liabilities as at 30 June 2019.

Also, in relation to those leases under IFRS 16, the Group has charged depreciation and interest costs, rather than operating lease expenses. During the six months ended 30 June 2019, the Group recognised £230,000 of depreciation charges and £65,000 of interest costs from these leases.



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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 4. 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 arbitrary proportions. Management believe that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

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

<b>Operating Segment</b>	<b>Unaudited 6m 2019 £'000</b>	<b>Unaudited 6m 2018 £'000</b>	<b>Audited 2018 £'000</b>
Pensions	6,760	5,874	11,555
Life Assurance	2,798	2,179	4,669
Corporate Trustee Services	1,881	2,235	4,185
Other Services	506	494	992
	<b>11,945</b>	<b>10,782</b>	<b>21,401</b>

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

<b>Geographical Segment</b>	<b>Unaudited 6m2019 £'000</b>	<b>Unaudited 6m2018 £'000</b>	<b>Audited 2018 £'000</b>
Gibraltar	5,144	4,491	9,235
Jersey	1,011	1,417	2,611
Malta	3,750	3,759	7,383
United Kingdom	1,739	835	1,585
Other	301	280	587
	<b>11,945</b>	<b>10,782</b>	<b>21,401</b>

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 5. Acquisition of subsidiary

On 12 February 2019, the Group acquired 100% of Carey Administration Holdings Limited ("CAHL"). CAHL in turn owns 70% of Carey Pensions UK LLP, offering SIPP administration products to the UK market, and 80% of Carey Corporate Pensions UK Limited, offering auto-enrolment workplace pensions solutions ("AE") to the UK based SMEs. The non-controlling interests ("NCI") of both entities are owned by Christine Hallett, who continues as Managing Director of the Carey Pensions businesses.

The acquisition of the SIPP business is highly complementary to the existing Group's business and strategy and will contribute to the growth of the UK focused business. In addition, the acquisition of the AE business enabled the Group to diversify its business by entering a new market which is at an early stage of its lifecycle providing the Group momentum for success. Taking control of CAHL will also benefit from cost synergies, economies of scale and an experienced management team that has been retained by the Group.

The acquisition has been accounted for using the acquisition method. Transaction costs incurred on the acquisition total £67,000 and have been expensed within administrative expenses in the consolidated statement of comprehensive income.

Consideration for the acquisition is broken down as follows:

	<b>£'000s</b>
Initial cash payment	100
Second cash payment	200
Contingent consideration	100
<b>Total consideration transferred</b>	<b>400</b>

The contingent consideration is due on the first anniversary date following the completion of the acquisition and is dependent on standard indemnities provided by the Sellers.

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 5. Acquisition of subsidiary (continued)

The following table summarises the fair value of the identifiable assets and liabilities assumed of CAHL as at the date of the acquisition.

	Fair value recognised on acquisition £'000s	Fair value adjustments £'000s	Previous carrying value £'000s
Tangible fixed assets	19	—	19
Intangible assets	106	—	106
Client portfolio	1,900	1,900	—
Accrued income	97	—	97
Debtors	413	—	413
Cash at bank	1,116	—	1,116
Liabilities	(664)	—	(664)
Deferred income on annual fees	(540)	606	(1,146)
Deferred tax liabilities on client portfolio	(342)	(342)	—
<b>Total identifiable assets</b>	<b>2,105</b>	<b>2,164</b>	<b>(59)</b>

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 £1,200,000 relating to the UK SIPP business and £700,000 related to the AE business were recognised. In line with accounting standards the fair value of the SIPP client portfolio has been determined on a provisional basis given the valuation is dependent on a number of inputs which are subject to certain management estimates, one of them being cost synergies achieved following the complete integration of CAHL. Currently the integration is well under way and the complete amounts of costs synergies used to value the SIPP client portfolio will be measured when the integration of CAHL is fully completed in the second half of the year. Any changes to this value are not expected to be material.

In addition, following a detailed review of the revenue recognition policy for the Carey Pensions businesses, the Group made a fair value adjustment of £606,000 to deferred income to align the accounting policy for the SIPP business with the one for the Group, which complies with IFRS 15. In respect to the remaining balances, the Group determined that the fair value of the identifiable assets and liabilities assumed was equal to the carrying value.

From the date of acquisition CAHL has generated a revenue of £1,146,000 and incurred an underlying loss of £282,000. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been £1,504,000 and consolidated loss would have been £412,000.

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 5. Acquisition of subsidiary (continued)

A bargain purchase gain has arisen as a result of the fair value of the identifiable net assets being higher than the consideration transferred. This bargain purchase gain has been recognised as follows:

	<b>£'000s</b>
Total consideration transferred	400
NCI based on their proportionate interest in the recognised amounts of the assets and liabilities	75
Fair value of identifiable net assets	<u>(2,105)</u>
<b>Bargain purchase gain</b>	<b><u>(1,630)</u></b>

The bargain purchase is attributable to the client portfolios acquired. Under IFRS 3, this needs to be recognised in the consolidated statement of comprehensive income for the period.

### Call options to acquire non-controlling interests

As part of acquisition of CAHL, the Group entered into call options agreements to acquire the non-controlling interests in Carey Pensions UK LLP and Carey 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 for the year ended 31 December 2021. The fair value of the call options as at acquisition date is determined at £416,000 and subject to revaluation as at each reporting date.

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 6. Discontinued operation

In March 2019, the Group closed down its Insurance management business. Management committed to a plan to cease trading for this part of the segment following an assessment of the viability of the insurance management business and its alignment with the Group's long term strategy to focus on its core activities.

This other services segment, of which the insurance management business was a part of, was not previously classified as held-for-sale or as a discontinued operation.

Results of the discontinued operation are as follows:

	Unaudited 6m 2019 £'000s	Unaudited 6m 2018 £'000s	Audited 12m 2018 £'000s
Revenue	179	200	362
Expenditure	(140)	(176)	(325)
<b>Results from operating activities</b>	<b>39</b>	<b>24</b>	<b>37</b>
Income tax	(3)	(2)	(4)
<b>Results from operating activities, net of tax</b>	<b>36</b>	<b>22</b>	<b>33</b>
Gain on sale of discontinued operation	—	—	—
<b>Profit from discontinued operation</b>	<b>36</b>	<b>22</b>	<b>33</b>

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

### 7. Earnings per Share

Earnings per share for the period from 1 January 2019 to 30 June 2019 is based on the profit after taxation of £3,148,000 divided by the weighted average number of £0.001 ordinary shares during the period of 59,408,088 basic. Dilutive share options expired one month after the Company announced its 2018 results, no options were exercised.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2019 is:

	2019	2018
Weighted average number of shares	59,408,088	59,408,088
Dilutive share options	1,915,343	2,970,404
<b>Diluted</b>	<b>61,323,431</b>	<b>62,378,492</b>

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 8. Dividends

The following dividends were declared and paid by the Group during the period:

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
1.3 pence (2018: 1.2 pence) per qualifying ordinary share	772	713	1,129

### 9. Cash and cash equivalents

Cash at bank earns interest at floating rates based on prevailing rates. The fair value of cash and cash equivalents in the Group is £18,138,000.

### 10. Trade and other receivables

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Trade receivables	2,524	2,265	3,508
Other receivables	2,452	2,617	2,773
	<b>4,976</b>	<b>4,882</b>	<b>6,281</b>

### 11. Trade and other payables

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Deferred income	4,662	4,251	3,997
Trade payables	445	483	384
Bank Loan	825	1,648	1,650
Contingent consideration	100	150	150
Lease liabilities (Note 3)	652	—	—
Insurance technical reserve	—	1,530	947
Other creditors and accruals	3,962	3,374	3,373
	<b>10,646</b>	<b>11,436</b>	<b>10,501</b>

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## NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2019 to 30 June 2019

### 11. Trade and other payables (continued)

In October 2016 the Company took out a 3 year bank loan for £3.30 million which pays interest of 4% above LIBOR. The bank loan was interest only for the first year with quarterly repayments thereafter commencing in January 2018. The loan is secured by a capital guarantee provided by STM Fidecs Limited.

### 12. Other payables – amounts falling due in more than a year

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Lease liabilities (Note 3)	1,835	—	—
Deferred tax liabilities (Note 5)	329	—	—
Provisions for dilapidation costs (Note 3)	103	—	—
Bank loan	—	827	—
	<b>2,267</b>	<b>827</b>	<b>—</b>

### 13. Called up share capital

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
59,408,088 ordinary shares of £0.001 each	59	59	59

-Ends-