



Press Release

8 September 2020

STM Group Plc
 (“STM”, “the Company” or “the Group”)
Unaudited Interim Results for the six months ended 30 June 2020
& Investor Presentation

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 2020.

Financial Highlights:

	2020 (reported)	2020 (underlying)**	2019 (reported)	2019 (underlying)**
Revenue	£11.8m	£11.8m	£11.9m	£11.6m
Profit before other items*	£1.8m	£1.9m	£2.1m	£2.3m
Profit before taxation (“PBT”)	£1.0m	£1.1m	£3.4m	£1.6m
Profit before other items margin	15%	16%	18%	20%
Earnings per share	1.33p	1.45p	5.30p	2.30p
Cash at bank (net of borrowings)	£17.6m	N/A	£17.3m	N/A
Interim dividend	0.55p	N/A	0.75p	N/A

* Profit before other items is defined as revenue less operating expenses i.e. profit before taxation, finance income and costs, depreciation, amortisation, bargain purchase gain and gain on the call options

** Underlying statistics are net of certain transactions which do not form part of the regular operations of the business as further detailed in the table below

Highlights:

- Pensions administration business underpinning increase in recurring revenues
- Stability of Group revenue demonstrated through the Covid-19 virus
- Successful transition to remote working arrangements
- Key IT projects for improved profitability remain on track with full benefits expected in 2021
- Carey acquisition now fully integrated, and UK rebranding of “Options, for your tomorrow” successfully launched
- Acquisition opportunities continue to be presented
- UK orientated products – Shariah SIPP and Workplace Pensions solution now launched, opportunity for international solution as well
- Workplace Pensions corporate business moving towards break-even
- Flexible annuity pipeline building, but frustration in slower than anticipated conversion

Post period end:

- Acquisition of the Berkeley Burke Small Self Administered Schemes (“SSAS”) and Group Personal Pension (“GPP”) companies, driving UK centric business growth on scalable operating platform

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

“Covid-19 has presented challenges however the business has responded admirably and, as anticipated, the quality of our recurring revenue stream has under-pinned our half year results. The challenge and opportunity for us over the next 12 months is to accelerate the conversion to revenue of our healthy new business pipeline, particularly in relation to our flexible annuity product.

“Within the business, as part of our new operating model and drive for improved margins, I am pleased to confirm that our key IT projects remain on track with regards to scheduled completion, which we expect to lead to a step change in profitability in 2021.

“The recent acquisition of the Berkeley Burke SSAS and GPP companies are a welcome addition to the UK business portfolio, and demonstrates our commitment to further building our UK operations and delivering on our growth potential. In addition, we continue to pursue acquisition opportunities where we are in active discussions.”

Investor Presentation: 4pm on Thursday 10 September 2020

The Directors will hold a presentation to introduce STM Group Plc to investors and cover the Interim Results and prospects at 4.00 p.m. on Thursday 10 September 2020.

The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company and add to meet STM Group Plc via the following link <https://www.investormeetcompany.com/stm-group-plc/register-investor>.

For those investors who have already registered and added to meet the Company, they will automatically be invited.

Questions can be submitted pre-event to STM@walbrookpr.com or in real time during the presentation via the "Ask a Question" function.

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

Alan Kentish, Chief Executive Officer

Via Walbrook PR

Therese Neish, Chief Financial Officer

www.stmgroupplc.com

finncap

Tel: +44 (0)20 7600 1658

Matt Goode / Emily Watts – Corporate Finance

www.finncap.com

Tim Redfern / Richard Chambers – ECM

Media enquiries:

Walbrook PR

Tel: +44 (0) 20 7933 8780

Tom Cooper / Paul Vann

Mob: +44 (0) 797 122 1972
tom.cooper@walbrookpr.com

Notes to editors:

STM is a multi-jurisdictional financial services group which is listed on AIM, a market operated by 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 two Gibraltar Life Assurance Companies which provide 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.

Chairman's Statement

I am pleased to present the results for the first six months of 2020 where the Covid-19 virus has brought with it many challenges, not only for STM and our stakeholders but to the worldwide financial sector in general.

We are proud that the nature of our business has meant that both our revenue base and cost base have remained relatively stable, with only a small loss to our existing revenue stream whilst reporting high levels of recurring revenues. Also, as part of our business continuity strategy we have continued to put the safety of our staff at the heart of our plans and I am pleased and proud of how it has gone so far.

However, and frustratingly, our new business flows from various areas of the Group are materialising slower than we would have liked, especially in the flexible annuities and workplace pension areas. Whilst we believe this is a timing issue that would appear to be primarily driven by Covid-19, it does put pressure on our likely performance in the second half of 2020 with some consequential impact on our 2021 financial year.

I have now been in tenure as Chairman for two years, and am pleased to say that we are continuing to make progress in many key areas, including building both a stronger leadership structure and business support infrastructure in addition to our critical investment in IT that will soon improve both our operating margins and customers' experience. This, coupled with a step change in our focus on bringing in new business and further resources for new product development, will bring a strong performance in 2021.

As a board, we continue to look for acquisition opportunities that will support and complement our organic growth plans. The recent Berkeley Burke acquisition completed in August fits such a criteria adding both a Small Self Administered Scheme ("SSAS") and Group Personal Pension ("GPP") portfolio.

In summary, it has been a challenging 2020 so far, largely due to Covid-19 impacts but we are looking forward with improved strategic clarity, strong priority focus and disciplined execution. I look forward to updating the market with our future developments and achievements at the appropriate time.

Duncan Crocker

Chairman

Chief Executive's Review

Overview

Along with all businesses, STM Group has had to navigate through unprecedented times as a result of the Covid-19 pandemic. These challenges encompass changes to how we do business, how we communicate with our customers and intermediaries, as well as our own colleagues. However, we have demonstrated that our business model is robust, and the implementation of our business continuity plans has meant that we continue to meet expected service standards for our customers.

As anticipated, the quality of our recurring revenue stream has under-pinned our half year results, with only a very small element of our fees being dependent on assets under management or driven by interest rates.

Covid-19 has however had an impact on our new business expectations in that we have seen delays in the take-up of certain product offerings. This is particularly apparent in our recently launched flexible annuity product and bulk transfers to our workplace pension master trust, albeit in both cases we see this as a matter of timing rather than lost business.

As part of our new operating model, and drive for improved margins, I am pleased to confirm that our key IT projects remain on track with regards to scheduled completion.

I am also pleased to note that during the period an agreement was reached between the STM Group Gibraltar regulated companies that formed part of the Skilled Persons Review in 2018 and the Gibraltar Financial Services Commission. This concluded that all remediation and action points identified during the Skilled Persons Review have now been implemented and no further action is contemplated.

The recent acquisition of the Berkeley Burke SSAS and GPP companies are a welcome addition to the UK business portfolio, and demonstrates our commitment to further building our UK operations.

Financial review

Financial performance in the period

The Group has reported revenues for the first half of the year of £11.8 million (2019: £11.9 million), with underlying revenue being £0.2m up on 2019 figure of £11.6m after stripping out the 2019 adjustments of the technical reserve release from the life assurance company and the accounting policy adjustment on the Carey acquisition.

Recurring revenues for the period have increased by 15% to £10.0 million (2019: £8.7 million), now representing 85% of total revenues (2019: 73%). These high levels of recurring revenues remain a key performance measure for the business and demonstrate the quality of the Group's revenues.

Profit before other items for the period is £1.8 million (2019: £2.1 million) with reported profit before tax of £1.0 million (2019: £3.4 million). However, as was the case with revenue there were a number of adjustments included in last year's figures, largely due to the Carey acquisition. Thus the underlying profit before other items is £1.9 million (2019: £2.3 million) and underlying profit before tax of £1.1 million (2019:

£1.6 million).

The decrease in underlying profitability is largely as a result of the higher professional indemnity insurance premiums which were introduced in September 2019 thus were not included in the first 6 months of 2019; and with some additional personnel costs also commencing in July 2019 to finalise the key recruits under the new operating model. This increase in costs has resulted in a decrease in underlying profit margins to 16% for profit before other items as compared to 20% for the first half of 2019. The investment in the Group's systems and IT infrastructure together with continued increase in business revenues is expected to result in improved margins for 2021 and beyond.

The reconciliation of reported measures to underlying measures is made up of items which are either non-recurring or exceptional and thus do not form part of the normal course of business. This reconciliation for all three key financial measures is shown in the table below:

RECONCILIATION OF REPORTED TO UNDERLYING MEASURES						
	REVENUE		PROFIT BEFORE OTHER ITEMS		PROFIT BEFORE TAX	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
Reported measure	11.8	11.9	1.8	2.1	1.0	3.4
Less: release on technical reserve	-	(0.9)	-	(0.9)	-	(0.9)
Less: adjustment on Carey revenue recognition	-	0.6	-	0.6	-	0.6
Add: integration and acquisition costs for H1	-	-	0.1	0.3	0.1	0.3
Add: other non-recurring costs	-	-	-	0.3	-	0.3
Less: bargain purchase gain and derivative asset	-	-	-	-	-	(2.0)
Underlying measure	11.8	11.6	1.9	2.3	1.1	1.6

Cashflows

Cash and cash equivalents at 30 June 2020 were £18.3 million (2019: £18.1 million) with cash generated from operating activities being £1.7 million (2019: £2.2 million) thus exceeding our reported profit before tax.

During the period we repaid £0.5 million of our bank loan leaving a balance of £0.7 million outstanding and due to be fully repaid by October (2019: £0.8 million). Net cash and cash equivalents as at 30 June 2020 were therefore £17.6 million (2019: £17.3 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. It is not possible to determine exactly how much of the cash and cash equivalents are required for solvency purposes as other assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 30 June 2020 is £18.6 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 £1.7 million as at the period end (2019: £1.1 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 £4.4 million (2019: £4.7 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 2020 were £3.2 million showing an increase from the position as at 30 June 2019 of £2.5 million.

Dividend

In line with the more prudent approach adopted by the Board with regards to the 2019 final dividend, the Board has considered the unprecedented times in conjunction with the robustness of the Group's business model. As such I am pleased to announce that the Board has declared an interim dividend of 0.55 pence per share (2019: 0.75 pence). The interim dividend is expected to be paid on 19 November 2020 to those shareholders on the register on 23 October 2020. The ordinary shares will become ex-dividend on 22 October 2020.

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

Review of operations

Pensions

The pensions administration businesses continue to be the cornerstone of our operations, with the 2019 acquisition of the Carey pension business giving us a stronger platform for growth in the UK market.

Overall the pensions revenue for the period was £7.9 million (2019: £6.8 million) representing 67% (2019: 57%) of total Group revenues. Total revenue is split between £5.1 million for QROPS (2019: £5.0 million), £1.9 million (2019: £1.3 million) for the SIPP business and a further £1.0 million (2019: £0.5 million) for the workplace pensions business.

The recurring revenue percentage for this operating segment continues to increase at 93% (2019: 90%) for the period. This combined with low attrition rates means that it remains a solid predictor of future divisional profitability.

New business applications for QROPS and SIPPs have seen an increase from the same period last year at 473 (2019: 349). This increase is largely within our UK SIPP business which is now being marketed under our new UK brand "Options, for your tomorrow".

The final pensions revenue stream within the Group is the auto-enrolment business acquired as part of the Carey acquisition, now branded Options Corporate. Whilst this business has seen circa 30,000 new members in the first six months; the levels of new business are not as high as management were originally expecting. This is very much a direct impact of the global pandemic causing employers to delay

the transfer of schemes during lockdown. We remain confident that this is purely a delay rather than potential new business being diverted elsewhere.

The UK businesses have seen significant change operationally during the first six months of the year, with all administration now being carried out from our Milton Keynes office. In addition, both the SIPP and auto-enrolment businesses are in the process of migrating onto new administration software.

In relation to the UK pension sector, there was welcome clarity from the judgment handed down on the Adams vs Carey case, with all points found in favour of Carey. It remains to be seen whether leave to Appeal will be granted, and to what extent the Financial Ombudsman and Regulator will consider this new legal precedent when reviewing complaints against SIPP providers.

Life assurance

Revenue for the combined life assurance businesses amounted to £2.0 million as compared to £2.8 million in 2019. This decrease is largely due to the 2019 figures including the final release of the technical reserve of £0.9 million. Net of this adjustment revenue in 2019 was £1.9 million.

In a similar manner to the pensions operating segment, our life assurance business also has high recurring fees. Whilst in absolute numbers this is only slightly higher than last year at £1.9 million (2019: £1.7 million) the percentage value (as compared to total divisional revenues) is significantly higher at 95% (2019: 62%) given that there are no further technical reserve releases.

Ongoing work continues in relation to the project to merge the two life companies. This is made more complicated due to STM Life having written a number of life assurance policies for EU resident individuals.

The launch of our flexible annuity products aimed at the UK market remain the key focus for organic growth within our life businesses. Our pipeline of potential new business continues to grow, albeit, as mentioned above there remains frustration at the length of time for that to convert into new business. In addition, we continue to look to build our UK intermediary base to promote our flexible annuity product.

Corporate and Trust Services (“CTS”)

Revenue from the Corporate and Trustee Services division for the period was £1.6 million (2019: £1.9 million), thus accounting for 14% of the Group’s total revenues (2019: 16%).

Our Gibraltar business contributed 52% (2019: 46%) of this revenue, with Jersey contributing the other 48% (2019: 54%).

Recurring revenue for the CTS operating segment was consistent with the prior year’s figure at £0.6 million and thus 38% of the total CTS revenues (2019: 33%).

As noted in previous year’s reports, the CTS environment and sector remains challenging, and it is fully recognised by the Group that this will be a difficult division to grow organically.

Other divisions

Having closed down the insurance management division in March 2019, this revenue now relates solely to the Spanish office which has performed in line with management expectations. Revenue for this operating segment for the period amounted to £0.3 million and thus a slight decrease compared to last year (2019: £0.5 million).

Covid-19

There is no doubt that Covid-19 has changed the face of how many businesses operate. During these unprecedented times, our key criteria has been to ensure the welfare of our colleagues, whilst maintain service levels to all our stakeholders, not just our customers and intermediaries. As a result, our working practices have evolved and we will ensure that, where appropriate, we learn from these different ways of working.

We are continuing to follow the various governmental guidelines in each of the jurisdictions that we operate from, and have adopted a phased return to workplace policy.

Whilst there have been disruptions to our colleagues working conditions as they quickly adapted to remote working almost without warning, the transition was done with professionalism and commitment. My heartfelt thanks goes to each and every one of them for their resilience and positivity throughout this year.

Post period end events

Since the period end and as per our announcement of 13 August 2020 we have acquired 100% of the share capital of Berkeley Burke (Financial Services) Limited and Berkeley Burke Employee Benefits Consultants Limited. These companies provide administration and consultancy services to Small Self-administered Pension Schemes in the UK and to large and medium sized UK and International businesses. The acquisition comes with good quality portfolio of clients as well as competent and qualified staff, which will complement STM's existing business.

In addition, we continue to pursue acquisition opportunities.

Outlook

A key focus for the second half of the year, and into 2021, is accelerating our new business activity for new products, which for the reasons given above, is behind management's expectations. Understandably, some of this timing delay is down to the disruption caused by Covid-19. With our recent launch of additional new pension product offerings for both SIPP's and the workplace pension aimed at the Shariah market, we are confident that these will start to fill some of the shortfall. We continue to look at ways to enhance and market our products to proactively serve our target market and deliver future growth.

We expect that 2021 will see a step-change in profitability due to improved operating margins as our investment in IT initiatives start to bear fruit, and our Options workplace pension business moves from a loss making position into profitability.

We look forward to updating the market as and when we deliver on these opportunities.

Alan Kentish

Chief Executive Officer

CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2020 to 30 June 2020

	Notes	Unaudited 6 months to 30 June 2020 £'000	Unaudited 6 months to 30 June 2019 £'000	Audited Year to 31 December 2019 £'000
Revenue	4	11,810	11,945	23,251
Administrative expenses		(10,002)	(9,883)	(19,776)
Profit before other items		1,808	2,062	3,475
OTHER ITEMS				
Bargain purchase gain		–	1,630	1,702
Gains from financial instruments at FVTPL		–	416	416
Finance costs		(126)	(153)	(325)
Depreciation and amortisation		(669)	(593)	(1,345)
Profit before taxation		1,013	3,362	3,923
Taxation		(224)	(214)	(520)
Profit after taxation		789	3,148	3,403
OTHER COMPREHENSIVE INCOME				
<i>Items that are or may be reclassified to profit and loss</i>				
Foreign currency translation differences for foreign operations		16	(51)	(97)
Total other comprehensive income/(loss)		16	(51)	(97)
Total comprehensive income for the period/year		805	3,097	3,306
Profit attributable to:				
Owners of the Company		861	3,301	3,756
Non-Controlling interests		(72)	(153)	(353)
		789	3,148	3,403
Total comprehensive income attributable to:				
Owners of the Company		877	3,250	3,659
Non-Controlling interests		(72)	(153)	(353)
		805	3,097	3,306
Earnings per share basic (pence)	5	1.33	5.30	5.73
Earnings per share diluted (pence)	5	1.33	5.13	5.64

The results for the period from 1 January 2020 to 30 June 2020 relate to continuing activities. The results for the period from 1 January 2019 to 30 June 2019 include both continuing activities and discontinued operation (see Note 6).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		2,596	2,783	2,953
Intangible assets		20,634	20,733	20,488
Financial assets at FVTPL		416	416	416
Deferred tax asset		84	98	92
Total non-current assets		23,730	24,030	23,949
Current assets				
Accrued income		1,692	1,138	1,186
Trade and other receivables	9	5,062	4,976	5,765
Cash and cash equivalents	8	18,279	18,137	18,406
Total current assets		25,033	24,251	25,357
Total assets		48,763	48,281	49,306
EQUITY				
Called up share capital	12	59	59	59
Share premium account		22,372	22,372	22,372
Retained earnings		12,951	12,526	12,536
Other Reserves		(430)	(399)	(446)
Equity attributable to owners of the Company		34,952	34,558	34,521
Non-controlling interests		(347)	(78)	(275)
Total equity		34,605	34,480	34,246
LIABILITIES				
Current liabilities				
Liabilities for current tax		1,216	888	1,083
Trade and other payables	10	10,944	10,646	11,634
Total current liabilities		12,160	11,534	12,717
Non-current liabilities				
Other payables	11	1,998	2,267	2,343
Total non-current liabilities		1,998	2,267	2,343
Total liabilities and equity		48,763	48,281	49,306

CONSOLIDATED CASH FLOW STATEMENT
For the period from 1 January 2020 to 30 June 2030

	Notes	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Operating Activities				
Profit for the period/year before tax		1,013	3,362	3,923
Adjustments for:				
Depreciation of property, plant and equipment		398	347	773
Amortisation of intangible assets		271	246	572
Write-off of intangible assets		–	–	71
Loss on sale of fixed asset		–	2	5
Taxation paid		(100)	(234)	(345)
Bargain purchase gain		–	(1,630)	(1,702)
Unrealised gains on financial instruments at FVTPL		–	(416)	(416)
Share based payments		–	18	18
Decrease in trade and other receivables		703	1,592	827
Increase in accrued income		(506)	(254)	(301)
Decrease in trade and other payables		(96)	(808)	(326)
Net cash from operating activities		1,683	2,225	3,099
Investing activities				
Disposal of investments		–	74	74
Purchase of property, plant and equipment		(40)	(88)	(117)
Increase in intangible assets		(417)	(46)	(160)
Consideration paid on acquisition of subsidiary		–	(350)	(350)
Cash acquired on acquisition of Subsidiary		–	1,116	1,116
Net cash used in investing activities		(457)	706	563
Cash flows from financing activities				
Proceeds from Bank loans		–	–	1,200
Bank loan repayment		(500)	(825)	(1,650)
Lease liabilities paid		(444)	(358)	(745)
Treasury shares purchased		–	(117)	(117)
Dividends paid	7	(446)	(772)	(1,218)
Net cash from financing activities		(1,390)	(2,072)	(2,530)
(Decrease)/increase in cash and cash equivalents		(164)	859	1,132
Reconciliation of net cash flow to movement in net funds				
Analysis of cash and cash equivalents during the period/year				
(Decrease)/increase in cash and cash equivalents		(164)	859	1,132
Effect of movements in exchange rates on cash and cash equivalents		38	11	7
Balance at start of period/year		18,406	17,267	17,267
Balance at end of period/year		18,279	18,137	18,406

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
Balance at 1 January 2019	59	22,372	9,998	(432)	38	144	32,179	–	32,179
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD									
Profit for the period	–	–	3,756	–	–	–	3,756	(353)	3,403
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	(97)	–	(97)	–	(97)
Transactions with owners, recorded directly in equity									
Dividend paid	–	–	(1,218)	–	–	–	(1,218)	–	(1,218)
Treasury shares purchased	–	–	–	(117)	–	–	(117)	–	(117)
Share based payments	–	–	–	–	–	18	18	–	18
Changes in ownership interest									
	–	–	–	–	–	–	–	78	78
At 31 December 2019 and 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 period	–	–	861	–	–	–	861	(72)	789
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	16	–	16	–	16
Transactions with owners, recorded directly in equity									
Dividend paid	–	–	(446)	–	–	–	(446)	–	(446)
Treasury shares purchased	–	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	–	–	–	–	–
At 30 June 2020	59	22,372	12,951	(549)	(43)	162	34,952	(347)	34,605

NOTES TO THE CONSOLIDATED RESULTS

For the period from 1 January 2020 to 30 June 2020

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 2020 to 30 June 2020 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. Significant accounting policies

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 2019. No changes in accounting policies are expected to be reflected in the Group’s consolidated financial statements for the year ended 31 December 2020.

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:

Operating Segment	Unaudited	Unaudited	Audited
	6m 2020	6m 2019	2019
	£’000	£’000	£’000
Pensions	7,930	6,760	14,074
Life Assurance	1,945	2,798	4,768
Corporate Trustee Services	1,613	1,881	3,662
Other Services	322	506	747
	11,810	11,945	23,251

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

Geographical Segment	Unaudited 6m 2020 £'000	Unaudited 6m 2019 £'000	Audited 2019 £'000
Gibraltar	4,080	5,144	9,329
Malta	3,855	3,750	7,542
United Kingdom	2,828	1,739	3,964
Jersey	773	1,011	1,901
Other	274	301	515
	11,810	11,945	23,251

5. Earnings per Share

Earnings per share for the period from 1 January 2020 to 30 June 2020 is based on the profit after taxation of £789,000 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 2020 and 30 June 2019 is as follows:

	2020	2019
Weighted average number of shares	59,408,088	59,408,088
Share incentive plan	–	1,915,343
Diluted	59,408,088	60,365,759

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.

There are no results for the discontinued operation included in the six month period ended 30 June 2020. Results of the discontinued operation are as follows for both the six month ended 30 June 2019 and the year ended 31 December 2019:

	£'000
Revenue	179
Expenditure	(140)
Results from operating activities	39
Income tax	(3)
Results from operating activities, net of tax	36
Gain on sale of discontinued operation	–
Profit from discontinued operation	36

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

7. Dividends

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

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
0.75 pence (2019: 1.3 pence) per qualifying ordinary share	446	772	446

8. 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 £18,279,000.

9. Trade and other receivables

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Trade receivables	3,236	2,524	3,908
Prepayments	879	956	621
Other receivables	947	1,496	1,236
Total	5,062	4,976	5,765

10. Trade and other payables

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Deferred income	4,369	4,662	4,193
Trade payables	659	445	466
Bank loan	700	825	1,200
Lease liabilities	788	652	795
Contingent consideration	–	100	39
Other creditors and accruals	4,428	3,962	4,941
	10,944	10,646	11,634

In October 2019 the Company took out a one year loan for £1.20 million with quarterly instalments which pays interest of 4% above LIBOR. This loan is secured by a capital guarantee provided by STM Fidecs Limited.

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 and this was fully repaid during 2019.

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

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2020	2019	2019
	£'000	£'000	£'000
Lease liabilities	1,508	1,835	1,889
Deferred tax liabilities	279	329	295
Provisions for dilapidation costs	211	103	159
	1,998	2,267	2,343

12. Called up share capital

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2020	2019	2019
	£'000	£'000	£'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

13. Post balance sheet event

Subsequent to the period end, on 13 August 2020 the Company acquired 100% of the share capital of Berkeley Burke (Financial Services) Limited and Berkeley Burke Employee Benefits Consultants Limited. These companies provide administration and consultancy services to Small Self-administered Pension Schemes in the UK and to large and medium sized UK and International businesses. The acquisition comes with good quality portfolio of clients as well as competent and qualified staff, which will complement STM's existing business.