Press Release **9 September 2008**

STM GROUP PLC

("STM", "the Company" or "the Group")

INTERIM RESULTS ANNOUNCEMENT

For the six months ended 30 June 2008

STM Group Plc (AIM:STM), the cross border financial services provider, announces its interim results for the six months ended 30 June 2008.

FINANCIAL HIGHLIGHTS

- Profit before tax for the first half of the year was up 111% to £1.43 million (30 June 2007*: £0.68 million)
- Revenue for the period rose 154% to £4.26 million (30 June 2007*: £1.68 million)
- Basic earnings per share rose by 24% to 3.16 pence (30 June 2007*: 2.55 pence
- Maiden interim dividend per share proposed of 0.2 pence payable on Friday 17 October 2008
- Further acquisition finance secured in March through institutional equity placing raised £2.82 million

** Comparative period was for five months only and included only 3 months of trading results*

OPERATIONAL HIGHLIGHTS

- Continued healthy organic growth of acquired businesses. STM Fidecs revenue to June 2008 up 10% on a like for like basis to £3.47 million (2007: £3.16 million).
- Two acquisitions made in the first half of the year:

  A portfolio of 188 companies in Gibraltar in January 2008; and

  St. George Financial Services in Jersey in June 2008
- Leading presence now built up in Gibraltar CTSP sector, with significant

presence now being achieved in Jersey
- Launch of STM Life Assurance PCC Plc
- Strengthening of senior management with hiring of new Gibraltar and Jersey CEO and IT Development Director, to build a single Group-wide business intelligence platform
- CTSP market remains robust, with STM securing a number of substantial new client instructions
- Visibility and predictability of revenue remains excellent, with few signs of adverse affects of credit crunch

Commenting on summary and outlook, Tim Revill, CEO said :

"The CTSP sector remains robust, with significant opportunities for consolidation activity, providing confidence in our stated "buy and build" strategy. The Group will continue to focus on both maintaining double digit organic growth and seeking out earnings enhancing complementary acquisitions in existing and new jurisdictions. During the period, we've taken important steps by investing in both new senior personnel and IT infrastructure. The strengthening of our management team at both Group and operational level has provided a very strong base to take us through the next level of growth.

I am pleased with our progress so far in 2008, as evidenced by our proposed maiden interim dividend, something that we stated as an objective at the time of our admission to AIM early last year. The second half of our financial year is traditionally the stronger of the two in terms of earnings and with further acquisitions in various stages of negotiation, we remain confident of achieving the market's expectation for the full year."

- Ends -

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Chief Executive's review

Overview

I am delighted to present STM Group's unaudited interim results for the six months to 30 June 2008. STM was set up in early 2007 specifically to build a leading financial services group operating in the international corporate and trustee services provider ("CTSP") sector. STM's strategy is to build a full service, multi-jurisdictional group of CTSPs through strong organic growth coupled with strategic acquisitions of high quality complementary businesses. Since its admission to AIM in March 2007, STM has made six acquisitions, of which four have been in Gibraltar and two in Jersey.

Our results for the half year to 30 June 2008 show good progress for STM, with revenues of £4.3 million and pre tax profits of £1.4 million, both significantly up on last year. The emphasis of the buy and build strategy during the period under review has been to continue to identify and acquire bolt-on acquisitions in Gibraltar, and to develop the Jersey foothold acquired at the end of 2007. We now believe that, through the acquisition of St. George Financial Services ("St. George") announced in June 2008, we have a solid platform in Jersey upon which to accelerate the acquisition programme.

The Group was admitted to trading on AIM on 28 March 2007, raising £7.5 million and at the same time completed the acquisition of the Fidecs Group, one of the largest CTSPs based in Gibraltar (since renamed STM Fidecs). During the remainder of 2007 we acquired and fully integrated two further businesses based in Gibraltar and made the important step in late December 2007 of acquiring a presence in the Channel Islands through the purchase of Compagnie Fiduciare Trustees (since renamed STM Fiduciaire).

During the first half of 2008, we acquired two additional businesses, one being a portfolio of 188 companies from Jordans, Gibraltar through a newly incorporated Gibraltar subsidiary, Bellwether Corporate Services and the other a full service CTSP in Jersey, St. George. We also took the opportunity in March 2008 to enhance our acquisition resources by raising additional cash (£2.8 million) in an equity placing. We now believe that we are in a strong position to make considerable consolidation gains in Jersey and also to widen our jurisdictional capabilities by acquiring CTSPs in new jurisdictions, such as Switzerland.

The financial results presented today are for the full six months to 30 June 2008, whereas in the comparative period, the Company only had the benefit of some three months of trading activity, commencing at the time of its flotation. Accordingly, like for like comparison is not yet feasible although we have, where possible, made references to the nine month trading period ended 31 December 2007.

Strategy

STM's strategy is to build an international group of CTSPs, providing a uniformly high standard of service from a number of complementary tax efficient jurisdictions. Each office is encouraged to cross-sell its proprietary products and services in a co-ordinated manner to clients of other STM offices.

Potential acquisition targets are subject to extensive due diligence, with a focus on the quality of the client portfolio, client service levels and compliance, and each is required to adhere to Group-wide standards following acquisition. Unless the acquisition is for long-term strategic reasons, for instance purchasing a "pathfinder" business to establish the Group in a new jurisdiction, the result should always be immediately earnings enhancing.

The traditional business of CTSPs is to administer and manage personal, family and commercial assets and income streams in tax efficient jurisdictions. The economic drivers for CTSPs include demand for more sophisticated and co-ordinated cross-border tax planning, particularly for high net worth individuals (HNWIs) and those approaching retirement age, particularly due to the increased movement and migration of individuals, as evidenced, for example, by the growth in the number of British expatriates relocating to Mediterranean countries.

The CTSP market is fragmented in nature, comprising a small number of very large international financial services groups and a large number of relatively small, owner managed trust and company management businesses regulated by, and operating out of, single offshore jurisdictions. We continue to believe that there is a significant opportunity for consolidation in this market.

We have now built up considerable expertise in identifying suitable CTSPs to join the Group and also in successfully integrating them. The same key reasons why this market is ripe for consolidation remain, namely being a combination of regulatory pressures, increasing compliance requirements, the market's need for more sophisticated products and services, and the pending retirement of owner managers of many existing CTSPs.

Unlike other CTSPs who may be part of a larger financial services group, STM is the only pure-play, independent CTSP quoted in London, not owned by a bank or investment manager, and this gives us a distinct advantage when it comes to identification of targets and also in the negotiations relating to their purchase. By being able to offer potential vendors shares in STM as part of their consideration, it allows them to continue to contribute to the value of their own business, albeit that it is then part of a larger group, with all the benefits that accrue. This has proved particularly successful when we acquire predominantly owner-managed businesses.

The Board is pleased to note that STM's share price has remained steady in light of the recent difficulties experienced in the wider financial markets, which we believe reflects the fact that :

- our business is not dependent upon the value of the underlying assets which we administer and which may fluctuate due to wider market conditions. Our income arises largely from fixed fees and fees based on time spent in administration;
- our clientele, being HNWIs, tend to be better equipped to survive an economic downturn and in many instances economic turbulence leads to the need for fee generating financial restructuring work; and
- our fees represent a small percentage both of the value of the assets we administer for HNWIs and of our client's discretionary expenditure.

Financial Results

2008 will be the Group's first full calendar year of trading. As mentioned above, the comparative period in 2007 takes into account only three months trading from STM's admission to AIM at the end of March 2007.

The Group recorded turnover of £4.26 million for the six months to 30 June 2008 (2007: £1.68 million), in line with our expectations, and profit before tax (PBT) of £1.43 million (2007: £0.68 million). The PBT margin of 33.5 per cent., whilst down when compared to the interim results in 2007, was the same as that achieved for the full year 2007. We would expect PBT margins to remain at a healthy 33-34 per cent. for the foreseeable future, although this will depend on the mix of businesses acquired.

All of the STM's key divisions performed broadly in line with budget, with Corporate and Trustee Services ("CTS") contributing approximately 60 per cent. of the Group's income with revenues of more than £2.54 million. As anticipated, Insurance Management ("FIM") has benefited from new licence applications previously deferred, recording improved revenues of £0.81 million and Tax and Financial Advisory ("FAL") saw a steady start to the year with income approaching £0.19 million. STM Nummos, our Spanish subsidiary started the year well with revenue of £0.23 million, almost matching that achieved in the whole of 2007. As the Group develops, we would anticipate that the contribution to total revenue provided by the dependable and visible CTS division will increase, primarily due to the programme of carefully targeted acquisitions.

Administrative costs, although up on the period to 30 June 2007, were in line with budget and the growth of turnover. The internal costs of the two acquisitions made (and of exploring and negotiating a number of other opportunities) plus approximately £70,000 of development costs in setting up and licensing STM Life Assurance, were all fully expensed in the period. In addition, investment in the development of the Group-wide open-architecture IT platform began in May with the arrival of our new Group IT Development Director, Mike Mercury.

During the period, a slightly higher than anticipated global taxation charge of £0.17 million arose, due to a proportional increase in the Group's trading profit arising in Gibraltar. However, the Group remains on track to incur a lower blended effective tax rate for the full year of around 10 per cent.

In line with all CTSP businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at the balance sheet date, of £1.62 million (2007: £1.20 million). This provides some immediate visibility of billable fees in the second half year that will be invoiced before the year end.

Trade debtors have increased to £3.19 million at 30 June 2008 from the 31 December 2007 figure of £1.99 million. This is partly as a result of June 2008 being a record month in the history of STM for turnover, with revenue generated falling just short of £1.0 million. This resulted in trade debtors increasing by some £0.6 million between May and June 2008, the cash benefit of which will be derived during the third quarter of 2008.

Trade debtors were also higher as a result of the acquisition of Venture Media Limited and St George Financial Services Limited in June. When consolidating their balance sheets with STM, between them they brought approximately £0.54 million of trade debtors onto the Group balance sheet as at 30 June 2008.

Cash generation during the first half was in line with expectations. Cash at the period end stood at a healthy £5.96 million (£0.97 million at 31 December 2007), although this figure is inflated, since it includes £2.25 million which is kept on a blocked deposit with the Group's bankers, RBSI, and cannot be used for the Group's day to day working capital needs or as acquisition finance. This amount is part of the financing structure to capitalise STM Life Assurance PCC PLC and £2.0 million was borrowed from RBSI for this purpose. The Group has no other borrowings apart from the shareholder loan of £1.33 million, which existed at the time of listing in 2007. The results from the period under review show the Group to be in good health and trading comfortably in line with our expectations.

I am pleased to report that our strategy of organic growth, supported by an active acquisition strategy, has resulted in the Board proposing a maiden interim dividend of 0.2 pence per share and, should trading continue in line with expectations, we are confident of declaring a further dividend for the full year. The interim dividend is expected to be paid on Friday 17 October 2008 to shareholders on the register on 19 September 2008.

Review of operations

Trusts and Companies

The number of trusts and companies administered by the Group has grown both organically and by acquisition during the first half of 2008. STM Fidecs and its integrated subsidiaries in Gibraltar added 31 trusts and 26 companies, whilst the acquisition of St. George in Jersey brought a further 208 trusts and 108 companies.

The portfolio of 188 companies, acquired in January from Jordans in Gibraltar, mostly require the provision of registered office and company secretarial services only. This business, which was acquired through a newly formed subsidiary, Bellwether Corporate Services, is a lower added-value business, requiring less resource, than STM's mainstream service offering. Consequently, the trading margin is lower, yet with the use of IT, the business is extremely scalable and, with larger throughput, is highly profitable. It is envisaged that STM will also offer this basic service in the BVI and other jurisdictions in the future. The total number of trusts currently under administration is 784: companies under full STM management is 1,111: and 388 companies for which we offer only registered office and company secretarial services

Insurance Management

Insurance management has seen the number of companies under management increase by two from 15 to 17 in the first half of 2008. Business remains steady and predictable with regards to visibility of revenue. There are a number of new enquiries for insurance company applications in the pipeline for the second half, at least one of which may unlock the door to the lucrative European market, capitalising on Gibraltar institutions' freedom to provide financial services directly throughout the EU. With revenue of £0.86 million for the first half of year, FIM is performing to expectations.

STM Life Assurance Company

STM Life Assurance PCC PLC was licensed by the GFSC to begin writing linked long-term life assurance business in mid March. STM is currently recruiting a managing director, with suitable industry experience, to grow STM Life into a major contributor to the Group, starting in the last quarter of 2008.

The STM board believe that personal portfolio bonds (specialist policies) will be as effective a tool in financial planning in the future as trusts and companies. Having the ability to issue our own policies, rather than relying on third parties, will differentiate STM from most other CTSPs. Since we already have insurance management skills within the Group, the commercial opportunities heavily outweigh any downside risks.

Future Acquisitions

STM is currently in various stages of negotiation with a range of CTSPs in Gibraltar and the Channel Islands, with the intention of making further acquisitions during the remainder of 2008.

STM's strategy for the rest of 2008 is to build a solid business in Jersey, whilst continuing to look for bolt-on opportunities in Gibraltar. To encourage the rapid integration of our Jersey acquisitions, STM has taken the lease of an entire floor in a new office development, Liberty Wharf, in the harbour area of St Helier, which is fast becoming the new financial services zone. This should be ready for occupation in November this year and we intend to re-locate all of STM's Jersey businesses to Liberty Wharf.

The Board still believes that Switzerland is an attractive jurisdiction for Ultra HNWIs. We are therefore reviewing a number of acquisition opportunities in Zurich and Geneva.

Management

To successfully manage STM's rapid growth, we have separated, both functionally and physically, the day-to-day management of STM's trading subsidiaries from the acquisition process and the running of the Plc, including the funding and implementing the Group's strategy. Colin Porter, a qualified lawyer and a member of STEP with considerable CTSP experience, has been recruited as CEO of both Gibraltar and Jersey client service offices and is focused on the continued upgrading of client service levels and profitability in both jurisdictions.

The STM Board have made the development of a single IT platform for all STM offices one of our main strategic objectives for 2008/9. In May we recruited Mike Mercury as our Group IT Development Director. Mike had previous experience of developing a similar unified platform for the CTSP subsidiaries, in a number of jurisdictions, of a world-class banking group. Once the platform is fully functional, the board believes it will put STM at a considerable competitive advantage, compared to other independent CTSPs.

Current trading

We are pleased to report that trading is well on track in the second half, with the Group securing a healthy pipeline of new instructions. These, coupled with the expected integration and operational benefits resulting from our recent acquisitions, together with the potential addition of further acquisitions bode well for the future.

The Board continues to review many opportunities that may have benefits to the Group's strategy of expansion, both organically and by acquisition. Such opportunities are in various forms, from the ability to access new populations of expatriates to delivering the next "pathfinder" acquisition in a complementary jurisdiction. Whilst many opportunities are regularly presented to the Board, STM remains focused in pursuing only proven opportunities that fit with the Group's strict quality standards and are "adjacent to" its existing business.

Summary and Outlook

The CTSP sector remains robust, with significant opportunities for consolidation activity, providing confidence in our stated "buy and build" strategy. The Group will continue to focus on both maintaining double digit organic growth and seeking out earnings enhancing complementary acquisitions in existing and new jurisdictions. During the period, we have taken important steps by investing in both new senior personnel and IT infrastructure. The strengthening of our management team at both Group and operational level has provided a very strong base to take us through the next level of growth.

We are pleased with our progress so far in 2008, as evidenced by our proposed maiden interim dividend, something that we stated as an objective at the time of our admission to AIM early last year. The second half of our financial year is traditionally the stronger of the two in terms of earnings and with further acquisitions in various stages of negotiation, we remain confident of achieving the market's expectation for the full year.

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2008 to 30 June 2008

	Notes	Unaudited 6 months to 30 June 2008 £'000	Unaudited period to 30 June 2007* £'000	Audited period to 31 December 2007** £'000
Revenue		4,258	1,678	5,292
Administrative expenses		(2,830)	(1,014)	(3,520)
Operating Profit		1,428	664	1,772
Share of profit of associate		-	12	12
Profit on ordinary activities before taxation		1,428	676	1,784
Taxation	5	(165)	(62)	(137)
Profit on ordinary activities after taxation		1,263	614	1,647
Dividends		(85)	-	-
Retained profit for the period		1,178	614	1,647
Earnings per share basic (pence)	4	3.16	2.55	5.3
Earnings per share diluted (pence)	4	3.11	2.47	5.2

*Comparative figures is for five months of which three months were trading.

**Comparative figures is for eleven months of which nine months were trading.

STM GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	Notes	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
ASSETS			
Non-current assets			
Property and office equipment	7	528	503
Intangible assets	7	16,188	15,184
Investments	8	18	74
Total non-current assets		16,734	15,761
Current assets			
Accrued income		1,624	1,558
Trade and other receivables	10	4,793	3,219
Cash and cash equivalents	9	5,962	971
Total current assets		12,379	5,748
Total assets		29,113	21,509
EQUITY			
Called up share capital	12	42	38
Share premium account		18,594	15,898
Profit and loss reserve		2,757	1,579
Total equity attributable to equity shareholders		21,393	17,515
Minority Interests		143	-
Total Equity		21,536	17,515
LIABILITIES			
Current liabilities			
Trading and other payables	11	6,054	3,994
Liabilities:			
Amounts falling due in more than one year	11	1,523	-
Total liabilities and equity		29,113	21,509

STM GROUP PLC

COMPANY BALANCE SHEET
as at 30 June 2008

	Notes	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
ASSETS			
Non-current assets			
Investments	8	15,084	14,267
Total non-current assets		15,084	14,267
Current assets			
Trade and other receivables	10	2,581	1,578
Cash and cash equivalent	9	2,286	91
Total current assets		4,867	1,669
Total assets		19,951	15,936
EQUITY			
Called up share capital	12	42	38
Share premium account		18,594	15,898
Profit and loss reserve		327	(198)
Total equity attributable to equity shareholders		18,963	15,738
LIABILITIES			
Current liabilities			
Trade and other liabilities	11	988	198
Total liabilities and equity		19,951	15,936

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2008 to 30 June 2008

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Reconciliation of operating profit to net cash flow from operating activities		
Profit for the period before tax	1,428	1,784
Adjustments for:		
Profit on sale of investments	-	(9)
Depreciation	68	67
Share of associate profits	-	(12)
Shares issued for services performed	8	22
Taxation paid	-	(3)
Increase in trade and other receivables	(1,317)	(2,919)
Increase in accrued income	(12)	(1,558)
(Decrease) /Increase in trade and other payables	(150)	3,860
Net cash from operating activities	25	1,232
Investing activities		
Acquisition of property, plant and equipment	(60)	(570)
Acquisition of treasury shares	-	(68)
Acquisition of investments – cash consideration	(734)	(7,747)
Cash acquired as part of acquisitions	1,161	1,182
Net cash from investing activities	367	(7,203)
Cash flows from financing activities		
	2,692	6,942
Cash consideration from shares issued net of issuance costs		
New loan drawn down –net	1,907	-
Net cash from financing activities	4,599	6,942
Increase in cash and cash equivalents	4,991	971
Reconciliation of net cash flow to movement in net funds		
Change in cash and cash equivalents	4,991	971
New loan drawn down	(1,097)	-
Movements in net funds period	3,084	971
Net funds at start of period	971	-
Net funds at end of period	4,055	971
Reconciliation of cash and cash equivalents		
Increase in cash and cash equivalents	4,991	971
Cash and cash equivalents at start of period	971	-
Cash and cash equivalents at end of period	5,962	971

STM GROUP PLC

STATEMENT OF CHANGES IN EQUITY
for the period from 1 January 2008 to 30 June 2008

Group

	Share Capital £000	Share Premium £000	Profit & Loss Reserve £000	Treasury Shares £000	Total £000
At 1 January 2008	38	15,898	1,647	(68)	17,515
Profit for the period	-	-	1,263	-	1,263
Interim dividend declared	-	-	(85)	-	(85)
Shares Issued	4	2,696	-	-	2,700
At 30 June 2008	42	18,594	2,825	(68)	21,393

Company

	Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2008	38	15,898	(198)	15,738
Profit for the period	-	-	610	610
Shares Issued	4	2,696	-	2,700
Dividends declared	-	-	(85)	(85)
At 30 June 2008	42	18,594	327	18,963

STM GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
for the period from 1 January 2008 to 30 June 2008

1. Reporting entity

STM Group Plc (the "Company") is a company domiciled in the Isle of Man. The address of the Company's registered office is PO Box 227, Clinch's House, Lord Street, Douglas, IM99 1RZ.

2. Basis of preparation

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

Results for the period from 1 January 2008 to 30 June 2008 have not been audited.

a) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

b) Functional and presentation currency

These Consolidated Financial Statements are presented in Pounds Sterling (£) which is the Company's functional currency.

c) Use of estimates and judgments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

a) Basis of consolidation

(i) ***Subsidiaries***

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

(ii) ***Associates (equity accounted investees)***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or control commences until the date that significant influence or control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) ***Transactions eliminated on consolidation***

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence if impairment.

b) Revenue

Revenue is derived from the provision of services and is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date on an accruals basis.

c) 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 accrual income where recovery will not be made in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

3. Significant accounting policies (cont.)

d) Property and office 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.

(ii) ***Depreciation***

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or the estimated useful life.

The rates in use on a reducing balance basis are as follows:

Office equipment – 25%
Motor vehicles – 25%
Leasehold improvements – 10%

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

e) Investments and associates

Investments are carried at fair value, subject to provisions for impairment where the current value of the investment is considered to be less than cost. Impairment losses are recognised in the profit and loss account. Investments are reviewed for impairment at each year end.

f) Operating leases

Payments under operating leases are charged directly to the income statement on a straight line basis over the term of the lease.

g) 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 statements when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

3. Significant accounting policies (cont.)

h) Finance income and expense

Finance income comprises interest income on funds invested, dividend income and foreign currency gains. Interest income is recognised as it accrues using the effective interest method.

The Group also earns interest on pooled client monies, which under the client agreements is shared by the Group and its clients. This interest income is included in revenue.

Finance expense comprises interest in borrowings and foreign currency losses. Interest expense is charged to the income statement using the effective interest method.

i) 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 period using enacted tax rates, adjusted for previous period adjustments.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes. Deferred tax is not provided in respect of goodwill. Deferred tax is measured at the tax rates expected to be enacted when they reverse.

j) Foreign currency

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

k) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

l) Intangible Assets - Goodwill

Goodwill arises on the acquisitions of subsidiaries and associates. Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is measured at cost . An annual impairment review is undertaken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

3. Significant accounting policies (cont.)

m) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit & loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash –generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

3. Significant accounting policies (cont.)

n) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise shares relating to deferred consideration, and the effect of outstanding options.

o) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from share premium.

Treasury shares are those shares purchased by the STM Group Employee Benefit Trust ("EBT") for distribution to executives under the Long Term Incentive plan arrangements which have yet to be allotted to specific employees.

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 balance sheet date.

4. Earnings per Share

Earnings per share for the period from 1 January 2008 to 30 June 2008 is based on the profit after taxation of £1,263,000 divided by the weighted average number of shares during the period 40,004,014 (basic) and 40,590,838 (dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2008 is:

Weighted average number of shares	40,004,014
Dilutive share options	586,824
Diluted	40,590,838

5. Tax on profit on ordinary activities

Tax is based upon the profit on ordinary activities.

The Company's main trading subsidiaries are based in Gibraltar and these companies relinquished their tax exempt status on 28 March 2007, being the date that they were acquired by STM Group Plc. The Corporation tax rate relating to income derived from and accrued in Gibraltar is currently 27%.

STM GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

6. Acquisition of subsidiaries cont.

Bellwether Corporate Services Limited

On 3 January 2008 STM Fidecs Limited acquired 100% of the portfolio of clients from Jordans (Gibraltar) Limited and transferred this portfolio to a newly incorporated subsidiary, Bellwether Corporate Services Limited. The results for the period since acquisition are included within the consolidated results.

The acquisition had the following effect on STM Fidecs Limited's assets and liabilities at acquisition.

	£'000
Net identifiable assets and liabilities	-
Goodwill	224
Consideration paid including costs (including stringent consideration)	224

St George Financial Services Limited

On 27 June 2008, STM Group plc acquired 100% of the issued equity of St George Financial Services Limited. The balance sheet as at that date is included within the consolidated results. The acquisition had the following effect on STM Group Plc's assets and liabilities at acquisition.

	£'000
Net identifiable assets and liabilities	-
Goodwill	471
Consideration paid and deferred including costs	471

Acquisition of BUPA portfolio

On 2 June 2008, STM Group Plc acquired 100% of the portfolio of clients relating to the BUPA agency held by Jerry Williams S.L. based in Southern Spain. The results for the period since acquisition are included within the consolidated results.

The acquisition had the following effect on the Company's assets and liabilities at acquisition.

	£'000
Net identifiable assets and liabilities	-
Goodwill	320
Consideration paid including costs	320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

6. Acquisition of subsidiaries cont.

Acquisition of Venture Media Limited

On 1 January 2008, STM Fidecs Limited purchased a further 25% of Venture Media Limited for a consideration of £10,000. The results for the period since are included within the consolidated results.

STM Life Assurance PCC plc

During the period, this Company was incorporated and was successfully awarded its life assurance licence by the Financial Services Commission in Gibraltar. It has an ordinary share equity of £2,500,000.

7. Non-current assets

Property and office equipment

	Office Equipment £'000	Motor Vehicles £'000	Leasehold Improvements £'000	Total £'000
Costs				
As at 1 January 2008	268	6	296	570
Acquired on acquisition at net book value	33	-	-	33
Additions at cost	60	-	-	60
As at 30 June 2008	361	6	296	663
Depreciation				
As at 1 January 2008	34	1	32	67
Charge for the period	48	-	20	68
As at 30 June 2008	82	1	52	135
Net book value				
As at 30 June 2008	279	5	244	528
As at 31 December 2007	234	5	264	503

The company has no property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

7. Non-current assets cont.

Intangible assets

Group

	Goodwill £000
Cost	
Balance at 1 January 2008	15,184
Acquisitions through business contributions	1,004
Balance at 30 June 2008	16,188
Amortisation and impairment	
Balance at 1 January 2008	-
Acquisitions through business contributions	-
Balance at 30 December 2007	-
Carrying amounts	
At 1 January 2008	15,184
At 31 December 2008	16,188

All goodwill increases relate to the recent acquisitions made in the six month period and reflects the difference between identifiable net assets value of these acquisition and total consideration incurred or those acquisition. (see note 6).

The impairment review was carried out by assessing whether the acquisitions had performed as expected since the time of the purchase and whether there are any known factors that would affect the profit performance of these acquisitions for the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

8. Investments

The fair value of investments comprises:

Group

	Cost £'000
Investments	
Balance at 1 January 2008	74
Disposals – Transfer to subsidiary	(52)
Balance at 30 June 2008	18

Company

	Cost £'000
Investments	
Balance at 1 January 2008	14,267
Additions	817
Balance at 30 June 2008	15,084

9. Cash and cash equivalents

Cash at bank earns interest at floating rates based on prevailing rates and the balance. The fair value of cash and cash equivalents in the Group is £5,962,000 and in the company is £2,286,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

10. Trade and other receivable

Group

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Other receivables due from related parties	684	640
Trade receivables	3,188	1,985
Other receivables	921	594
	4,793	3,219

Company

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Trade receivables due from related parties	2,331	1,379
Other receivables	250	199
	2,581	1,578

Amounts owed by related parties are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

11. Trade and other payables

Group

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Bank Loan	384	-
Loans from related parties	1,333	1,333
Deferred income	471	384
Trade payable	582	327
Corporation tax	299	134
Deferred and other consideration	1,273	904
Other creditors and accruals	1,627	912
Dividends payable	85	-
	6,054	3,994

Company

Creditors: amounts falling due within one year

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Owed to related undertakings	491	46
Other creditors and accruals	182	152
Deferred and other consideration	315	-
	988	198

As at 30 June 2008 the bank loan from NatWest Bank Plc amounts to £1.9m repayable in quarterly instalments at a variable rate of interest, currently 7%. The loan is secured by capital guarantees supplied by subsidiary companies STM Fidecs Management Limited and STM Fidecs Insurance Limited. The amount falling due after more than one year amounts to £1,523,000.

Loans from related parties amount to £1,333,000 and relate to a loan by Equity Special Situations Limited, a shareholder of STM Group Plc. The loan is repayable by 31 December 2008.

Amounts owed to related parties are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT cont.
for the period from 1 January 2008 to 30 June 2008

12. Called up share capital

	Unaudited 30 June 2008 £'000	Audited 31 December 2007 £'000
Authorised		
100,000,000 ordinary shares of £0.001 each (2007 – 50,000,000 ordinary shares of £0.001 each)	100	50
Called up, issued and fully paid		
42,247,362 ordinary shares of £0.001 each (2007-37,542,274 ordinary shares of £0.001 each)	42	38

-Ends-