Press Release 12 September 2017

STM Group Plc

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

Unaudited Interim Results for the six months ended 30 June 2017

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 2017.

Financial Highlights:

	2017	**2016**	**Change**
Revenue	£10.7m	£7.9m	+36%
Revenue (net of 2016 acquisition)	£8.3m	£7.9m	+5%
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£2.9m*	£1.3m	+118%
Profit before taxation	£2.4m*	£1.2m	+100%
Profit before taxation (net of 2016 acquisition)	£1.5m	£1.2m	+25%
Earnings per share	3.89p*	2.27p	+71%
Cash at bank (net of borrowings)	£11.4m	£9.3m	+20%
Interim dividend	0.6p	0.5p	+20%

* stated including impact of £0.5m release of L&C technical expense reserve

Operational Highlights:

- Recurring revenue for the period of £8.0 million (2016: £6.0 million)
- Successful launch of International SIPP product as an alternative to QROPS

- Continued smooth integration of the L&C acquisition, maintaining predictable revenue stream and delivering annualised direct cost savings of £0.7m
- Further release of £0.5m L&C technical expense reserve, with potential for further releases
- Increased deferred income shows visibility of revenue stream

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

“It is pleasing to be able to announce that the 2017 interims have delivered record six month profits for STM, despite the unprecedented UK Spring budget announcement that effectively curtailed new QROPS business by 80%.

“It goes to the core of the STM proposition of the predictable and dependable recurring revenue model that underlying profitability was maintained, whilst the flexibility and innovation of our management team has allowed us to start replacing that lost new business stream, with the International SIPP.

“There is no doubt that the International SIPP catering for the UK expatriate market is a healthy replacement for the expected reduced new business volumes in our QROPS market-place. The fact that the product is more straight-forward to understand as compared to a QROPS, supported by the fact that it is administered by a UK regulated firm, has attracted the interest of the UK expat.

“Furthermore, it is pleasing to see that the re-structuring and cost savings initiated as part of the L&C acquisition, as planned by management, are now bearing fruit in relation to direct cost savings as well as a release of technical reserves to profit from the life assurance company. This was an easy-win for STM, and it is anticipated that there will be further releases in the foreseeable future.

“Following the strong performance to date, and looking forward therefore to the rest of the year, the Board is confident that the Group is performing ahead of existing expectations.”

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

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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 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 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 can be found at www.stmgroupplc.com

Chairman's Statement

I am pleased to present the Group's financial results for the six month period ended 30 June 2017 which show a strong uplift in profitability, despite the significant challenges that the UK Spring budget brought about.

STM's decision to enter the UK SIPP market in 2016 has enabled the Group to adapt its UK expatriate pension products offering in response to the changing legislation, thus protecting its new business revenue stream generated from its network of intermediaries.

Organic growth strategy for the Group remains targeted on the expansion of its various pension product offerings, including expectations of the launch of an Australian Superannuation solution which is HMRC compliant, as well as building on the life assurance wrapper distribution and product range.

Non-organic growth will be targeted through opportunistic purchases of books of QROPS business in Malta and Gibraltar, as circumstances allow.

It is also pleasing to note the successful integration of the London & Colonial business into the STM Group from the date of acquisition in October 2016. This re-structuring has led to direct cost savings, as well as a further release of the actuarially calculated expense reserve held in the L&C life business during the first six months of the year. It is anticipated that we will see additional releases in the foreseeable future as we move to the next phase of the integration of the life businesses.

The above component parts, coupled with the strong underlying predictable recurring revenue as we opened our doors to 2017, has resulted in record half-year profits for the Group which, in turn, bodes well for 2017 as a whole.

I would like to take this opportunity to thank the staff for their hard work in the first half of this year.

Michael Riddell
Chairman

Chief Executive's Review

Overview

I am pleased to present the interim results for the six months ended 30 June 2017. Whilst the events in that time have, by any stretch of the imagination, tested management's capabilities and the resilience of the Group's business model, I am delighted to announce that the Group has overcome these challenges to report record profitability for a six month period.

The resulting challenges for the Group, as a result of the UK Spring budget changes are well documented and led management to re-define its pension administration services to the UK expatriate market, with the launch of the UK International SIPP proposition from its offices in Haywards Heath.

As previously indicated, early signs of the take-up of the International SIPP remain encouraging and have already gone a significant way to replacing the fall-off of new QROPS applications. The fact that the product is more straight-forward to understand as compared to a QROPS, supported by the fact that it is administered by a UK regulated firm has attracted the interest of UK expats.

Other business units continue to perform in line with expectations, including the full integration of the London & Colonial (L&C) acquisition of the 4th quarter of 2016. As part of this integration, management continues to reduce the cost base of the L&C life assurance business. In addition, the reporting actuary at the six months reporting date has reduced the required level of expense reserve to be carried by the company.

It is this new SIPP business, along with the solid predictable underlying recurring revenue stream and the release of part of the expense reserve within L&C that has allowed the Group to post a record half-year profit before tax of £2.4 million (2016: £1.2 million).

Financial results

For the six month period ended 30 June 2017 the Group recorded a 36 per cent. increase in turnover to £10.7 million (2016: £7.9 million) after a £2.4m contribution from L&C (2016: £0.0m). Excluding the impact of the L&C acquisition, revenue growth was 5 per cent. Profit before tax for the period amounted to £2.4 million (profit margin of 23%) compared to £1.2 million for the period ended 30 June

2016 (profit margin of 15%). Like for like profits for 2017 (excluding the impact of the L&C acquisition) amount to £1.5 million and hence up 25% on 2016.

Pleasingly, all component parts of the Group's trading operations have performed in line with management expectations having taken into account the changing environment within our pension administration divisions. Solid and predictable recurring revenue on a monthly basis has been a key component in being able to achieve enhanced profits across the Group. This, in conjunction with managing costs, particularly in relation to the reduction in QROPS new business post March 2017, has also allowed better profit margins to be achieved.

The results and financial information set out below for the six months to 30 June 2017, include a full six months contribution for the London & Colonial acquisition.

In line with previous years, STM continues to receive a refund on a proportion of the tax paid to the Malta tax authorities on dividends declared to the holding company which has resulted in a lower effective tax rate. This is predominantly as a result of timing and is expected to revert to normal rates by the year end.

In line with all administration services businesses and, as per previous years, the Group had accrued income in the form of work performed for clients but not yet billed of £1.0 million as at the period end (2016: £1.5 million). The Group's accounting policy for accrued income in relation to the pensions business is based on the number of new business applications received but for which an invoice has not yet been raised. Invoices are raised once the pension funds are received and the fees can be taken. The decrease in accrued income as compared to 30 June 2016 is evenly split between pensions and CTS, with the former being as a result of the reduced QROPS business. This gives some visibility of revenue still to be billed and collected as cash at bank.

In addition, deferred income relating to annual fees invoiced but not yet earned stood at £4.0 million (2016: £2.6 million). The Group's accounting policy for its pension businesses is for first year fees to be recognised in full at the time of receiving the application with a proportion of the second year fees and beyond to be deferred over the year in which the fee relates. Consequently, deferred income continues to increase as more and more invoices for second year fees and subsequent years are raised as the Group continues to attract more clients. Pleasingly, this gives good visibility of revenue that has still to be earned through the Profit and Loss account in the coming months. The increase in deferred income is predominantly due to the L&C life assurance company.

Trade receivables as at 30 June 2017 were £2.3 million as compared to £1.8 million in the previous year.

During 2016, the Company took out a bank loan of £3.3 million to finance the acquisition of London & Colonial in October 2016 which has resulted in financing costs of £0.2 million (2016: £0.0 million).

Cash and cash equivalents at 30 June 2017 were £14.7 million (30 June 2016: £9.3 million). The increase is partly due to the acquisition of L&C as well as continued profitability. Of this balance some £10.9 million (30 June 2016: £4.9 million) currently represents regulatory cash or assets supporting capital solvency requirements. More importantly, and demonstrating the visibility and robustness of the business model, cash generated from operating activities amounted to £4.1 million (2016: £2.3 million).

Dividend

The Group continues to follow a progressive dividend policy and I am pleased to announce that the Board has declared an interim dividend of 0.6 pence per share (2016: 0.5 pence). The interim dividend is expected to be paid on 8 November 2017 to those shareholders on the register on 6 October 2017. The ordinary shares will become ex-dividend on 5 October 2017.

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 business

STM's pension administration businesses are now based in three locations, Malta, Gibraltar and more recently, since October 2016, in the UK.

Whilst the composition of where our new pension business is administered has changed significantly, overall the volumes of new business has continued to climb steadily since the UK Spring budget.

As previously advised to the market, new QROPS applications following the UK Spring budget are very much in line with management's revised expectations at circa 20% of original pre-Budget forecasts but this reduction of anticipated new business has started to be offset by an uplift in our International SIPP offering.

The pensions business revenue has therefore remained stable when compared to the same period in 2016, but with the added benefit of the additional revenue contribution from the UK SIPP acquisition. Revenue for the six month period to 30 June 2017 was £5.1 million (2016: £4.4 million) thus accounting for 48% of the Group's overall turnover.

The total income for the period is split between the different jurisdictions as follows: Malta - £3.2 million (2016: £3.3 million); Gibraltar - £1.3 million (2016: £1.2 million); with UK being £0.6 million (2016: £nil).

Life assurance divisions

This is the first full six months results period that incorporates both of the life assurance businesses based in Gibraltar.

Revenue for the six months to 30 June 2017 amounted to £3.1 million (2016: £0.7 million). Pleasingly, the revenue growth has come from a steady and predictable increase in monthly recurring revenue in STM life, as well as a particularly good first quarter in relation to its short term annuity product. This complements the very predictable nature of the L&C book of business that delivered recurring revenues of £1.1 million (2016: £nil) in line with management's expectations.

In addition, and in line with the 2016 year end release, the actuarially calculated expense reserve in L&C has been decrease by a further £0.5 million, resulting in a balance as at 30 June 2017 of £2.34 million. This release is as a result of further costs savings and the diminishing portfolio. When added to the recurring revenues as per above the total revenue generated by L&C is £1.6 million (2016: £nil).

CTS division

Turnover from the Corporate and Trustee Services division ("CTS") accounted for 20% (2016: 27%) of the Group's total revenue during the first half of 2017. Revenues generated by the CTS business for the period were £2.1 million as compared to £2.2 million in the second half of 2016. The proportional reduction of the CTS division's revenue to Group is largely due to the increase of the other divisions.

Revenue resulting from the Jersey CTS business accounted for 60% (2016: 55%) of the CTS division's revenue at £1.2 million (2016 £1.2 million), with Gibraltar's revenue totaling £0.8 million (2016: £1.0 million). The CTS market remains a difficult market for expansion, with various macro and micro economic factors; in this regard STM's focus in this area is on client retention and maintaining operating profit margins.

Other divisions

Turnover from other divisions for the six month period amounted to £0.5 million (2016: £0.6 million) with the main contributors being the Insurance Management division and the Spanish office. Both divisions are performing in line with management expectations.

Summary and outlook

There is no doubt that our International SIPP catering for the UK expatriate market, is a healthy replacement for the expected reduction in new business volumes in our QROPS market-place.

STM continues to see a steady increase in applications which has partly been as a result of the launch of the user-friendly electronic application version during July.

There remains a strong focus on our pension businesses both from an organic growth perspective as well as continuing to pursue acquisitions in the now static QROPS market. Management expectations are that the launch of our Australian superannuation product, currently awaiting HMRC approval under the QROPS regime, will open up opportunities in a new populace of UK expatriate and Australian nationals that have a UK pension. On the acquisition front, we continue to explore the possibility of acquiring books of business which no longer have the ability to grow and that are struggling to deliver decent returns due to lack of critical mass.

In addition, it is pleasing to see that the re-structuring and cost savings planned by management as part of the L&C acquisition are now bearing fruit, and this has allowed a further release of technical reserves to profit from the life assurance company during the six month period. This was an "easy-win" for STM given that it already has a Gibraltar based life business and, as further integration continues, will likely result in further releases in the foreseeable future.

STM is on track to deliver record annual profits since its initial listing on AIM in 2007 for the year ended 31 December 2017. It does this, having transformed its core trading activities over the last few years in to a more robust and predictable business model where recurring revenue continues to account for circa 75% of total revenues. The Board looks forward to updating the market during the second half of the year.

Alan Kentish
Chief Executive Officer
12 September 2017

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2017 to 30 June 2017

	Notes	Unaudited 6 months to 30 June 2017 £'000	Unaudited 6 months to 30 June 2016 £'000	Audited Year to 31 December 2016 £'000
Revenue		10,702	7,884	17,433
Administrative expenses		(7,823)	(6,565)	(14,318)
Profit before other items		**2,879**	**1,319**	**3,115**
Finance costs		(196)	–	(87)
Depreciation and amortisation		(260)	(109)	(273)
Profit on ordinary activities before taxation		**2,423**	**1,210**	**2,755**
Income tax expense		(115)	139	(382)
Profit on ordinary activities after taxation		**2,308**	**1,349**	**2,373**
Other comprehensive income				
Foreign currency translation differences for foreign operations		83	193	282
Total comprehensive income for the period/year		**2,391**	**1,542**	**2,655**
Earnings per share basic (pence)	3	3.89	2.27	3.99
Earnings per share diluted (pence)	3	3.89	2.16	3.99

There have been no discontinued activities in the period. Accordingly, the above results relate solely to continuing activities.

STM GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 30 June 2017

	Notes	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,096	826	889
Intangible assets		18,504	16,879	18,544
Other investments		––	766	792
Total non-current assets		**19,600**	**18,471**	**20,225**
Current assets				
Investments	5	5,289	–	4,239
Accrued income		1,001	1,453	1,214
Trade and other receivables	7	4,292	3,225	5,193
Cash and cash equivalents	6	14,671	9,281	11,869
Total current assets		**25,253**	**13,959**	**22,515**
Total assets		**44,853**	**32,430**	**42,740**
EQUITY				
Called up share capital	10	59	59	59
Share premium account		22,372	22,372	22,372
Reserves		6,957	4,439	5,231
Total equity attributable to equity shareholders		**29,388**	**26,870**	**27,662**
LIABILITIES				
Current liabilities				
Liabilities for current tax		1,166	933	1,070
Trade and other payables	8	11,824	4,627	10,708
Total current liabilities		**12,990**	**5,560**	**11,778**
Non-current liabilities:				
Other payables	9	2,475	––	3,300
Total non-current liabilities		**2,475**	**––**	**3,300**
Total liabilities and equity		**44,853**	**32,430**	**42,740**

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2017 to 30 June 2017

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Profit for the period/year before tax	2,423	1,210	2,755
Adjustments for:			
Depreciation and amortisation	251	110	262
Loss on Sale of Fixed Asset	9	—	11
Taxation paid	(19)	(199)	(583)
Unrealised gain in investments	(7)	—	(291)
Share based payments	28	—	34
Decrease/(increase) in trade and other receivables	901	969	(472)
Decrease in accrued income	213	356	595
Increase/(decrease) in trade and other payables	291	(174)	(1,154)
Net cash from operating activities	**4,090**	**2,272**	**1,157**
Investing activities			
Acquisition of property, plant and equipment	(340)	(89)	(204)
Consideration paid on acquisition	—	—	(4,235)
Cash acquired on acquisition	—	—	5,018
Acquisition of treasury shares	(51)	(25)	(45)
Increase in intangibles	(88)	(57)	(113)
Acquisition of investments	(250)	(56)	—
Net cash used in investing activities	**(729)**	**(227)**	**421**
Cash flows from financing activities			
Bank loan	—	—	3,300
Loan note repayments	—	(300)	(300)
Dividends paid	(594)	(535)	(832)
Net cash from financing activities	**(594)**	**(835)**	**2,168**
Increase in cash and cash equivalents	**2,767**	**1,210**	**3,746**
Reconciliation of net cash flow to movement in net funds			
Analysis of cash and cash equivalents during the period/year			
Balance at start of period/year	11,869	8,036	8,036
Translation of foreign operations	35	35	87
Increase in cash and cash equivalents	2,767	1,210	3,746
Balance at end of period/year	**14,671**	**9,281**	**11,869**

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the period from 1 January 2017 to 30 June 2017

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Treasury Shares £'000	Translation Reserve £'000	Shares Based Payments reserve £'000	Total £'000
Balance at 1 January 2016	59	22,372	3,879	(206)	(59)	—	26,045
TOTAL COMPREHENSIVE INCOME FOR THE YEAR							
Profit for the year	—	—	2,373	—	—	—	2,373
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	282	—	282
Transactions with owners, recorded directly in equity							
Dividend paid	—	—	(832)	—	—	—	(832)
Exchange loss on equity	—	—	—	—	(195)	—	(195)
Shares based payments	—	—	—	—	—	34	34
Treasury shares purchased	—	—	—	(45)	—	—	(45)
At 31 December 2016 and 1 January 2017	**59**	**22,372**	**5,420**	**(251)**	**28**	**34**	**27,662**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							
Profit of the period	—	—	2,308	—	—	—	2,308
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	83	—	83
Transactions with owners, recorded directly in equity							
Dividend paid	—	—	(594)	—	—	—	(594)
Exchange loss on equity	—	—	—	—	(48)	—	(48)
Shares based payments	—	—	—	—	—	28	28
Treasury shares purchased	—	—	—	(51)	—	—	(51)
At 30 June 2017	**59**	**22,372**	**7,134**	**(302)**	**63**	**62**	**29,388**

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2017 to 30 June 2017

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 2017 to 30 June 2017 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. Earnings per Share

Earnings per share for the period from 1 January 2017 to 30 June 2017 is based on the profit after taxation of £2,308,000 divided by the weighted average number of £0.001 ordinary shares during the period of 59,408,087 basic and 62,378,491 dilutive shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2017 is:

Weighted average number of shares	59,408,087
Dilutive share options	2,970,404
Diluted	62,378,491

4. Dividends

The following dividends were declared and paid by the Group:

	Unaudited 30 June 2017 £'000	**Unaudited 30 June 2016 £'000**	**Audited 31 December 2016 £'000**
2017: 1.0 pence (2016: 0.9 pence) per qualifying ordinary share	594	535	832

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2017 to 30 June 2017

5. Investments

Investments relate to £784,000 of UK Government Gilts and £4,505,000 in a discretionary portfolio managed by SG Hambros. This is low risk conservative investing predominately in sterling high grade corporate bonds with limited duration risk. The UK Government Gilts pay coupons of 4.75% and 4.25% per annum and mature on 7 December 2030 and 7 September 2039.

These investments have been classified as Level 2 as their value has been based on significant other observable inputs available.

6. 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 £14,671,000.

7. Trade and other receivables

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Trade receivables	2,262	1,827	3,397
Other receivables	2,030	1,398	1,796
	4,292	**3,225**	**5,193**

8. Trade and other payables

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Bank loan (see note 9)	825	—	—
Deferred income	3,982	2,555	3,730
Trade payables	610	308	436
Contingent consideration	1,150	—	1,150
Insurance technical reserve	2,340	—	2,805
Other creditors and accruals	2,917	1,764	2,587
	11,824	**4,627**	**10,708**

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2017 to 30 June 2017

9. Other payables – amounts falling due in more than one year

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Bank loan	2,475	––	3,300
	2,475	**––**	**3,300**

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 is 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.

10. Called up share capital

	Unaudited 30 June 2017 £'000	Unaudited 30 June 2016 £'000	Audited 31 December 2016 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
59,408,087 ordinary shares of £0.001 each	59	59	59

-Ends-