Press Release 13 September 2016

STM Group Plc

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

Unaudited Interim Results for the six months ended 30 June 2016

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 2016.

Financial Highlights:

- Revenue for the period of £7.9 million (2015: £8.3 million)
- EBITDA for the period of £1.3 million (2015: £1.6 million)
- Profit before tax for the period of £1.2 million (2015: £1.4 million).
- Earnings per share more than doubled to 2.27 pence (2015: 1.38 pence)
- Underlying earnings per share impact of tax refund of 1.10 pence (2015: 1.38 pence)
- Net cash generated from operations of £2.3m continues to outstrip profitability (2015: £2.2m)
- Strong balance sheet with cash balances increased to £9.3 million (2015: £7.1 million), well in excess of regulatory capital requirements
- Interim dividend of 0.5 pence per ordinary share declared

Operational Highlights:

- Growth by 12% in annuity fee income streams in both pensions and life businesses
- Increase in recurring fees to 73% of revenue (2015: 66%)
- Temporary suspension of establishment fees has impacted results in the short term but has stimulated an increase in QROPS applications since the pricing change, thus growing recurring revenue for future years
- Continuing profitability and reduced financing costs reflected in the increase in cash at bank to £9.3 million
- Increased deferred income shows visibility of revenue stream
- Business Development offices are now generating new business.

The Board is also pleased to announce that Alan Kentish, having acted as Interim Chief Executive Officer since 1 April 2016, has now been permanently appointed to this role.

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

“As previously notified, trading in the first four months of the year ultimately fell short of management’s expectations, and has thus impacted on our profitability in the first six months. However, I am encouraged by how the pricing initiative implemented by the Board during April has resulted in a significant pick-up of new business, with an increase of 78% in monthly new QROPS applications from April to August compared to the average number of applications received in the first four months. This translates into a greater long-term recurring predictable revenue stream, thus generating enhanced shareholder value.

“Our focus continues to be to increase our world-wide intermediary network for both our mainstream pensions and life bond products, whilst at the same time looking at strategic opportunities to cater for the niche expatriate sector.

“I look forward to updating the market in due course on the above.”

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 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 period ended 30 June 2016 which continue to show a solid performance in spite of the continuing investment having being made within our business development activities.

During 2016 this investment came in the form of a compelling change to our QROPS pricing structure with the temporary suspension of the establishment fees on new business. Whilst this will impact on the first year fees, it is very much an investment in the future as it has resulted in an increase to the volume of new business received. This will thus increase the long term annuity style recurring revenue stream.

This year has seen a few changes to the composition of the Board, most notably the Group's Chief Executive Officer, Colin Porter, having stepped down on 31 March 2016 with Alan Kentish stepping in as Interim CEO on 1 April. I am now pleased to confirm that Alan has been appointed to this role on a permanent basis.

On 1 May 2016, Malcolm Berryman was appointed to the Board as a Non-Executive Director. Malcolm has extensive senior management and broad experience in the financial services industry. As former group chief executive of Liverpool Victoria and a non-executive on both public and private company boards, Malcolm has expertise in customer facing development, corporate governance, mergers, acquisitions and business transformation activities.

On 30 June 2016, Jonathan Shearman resigned from the Board to spend more time on other commitments. I would like to thank him for his significant contribution during his time on the Board.

The Group is committed to adding a further suitably experienced independent non-executive Director to the Board. Further updates will be made as appropriate.

As part of our investment in our management structure, STM has created a Head of Pensions role and I am pleased to note that David Easton has been appointed to this position. David Easton has been the Managing Director of our Gibraltar pensions business since November 2014 and has 15 years of pensions experience specialising in SIPP and SSAS products.

In addition, we have also created a Head of Distribution role to oversee our business development function with the primary focus of continuing to build our intermediary network. Iain Farr, previously STM's Head of Marketing has been appointed to this role.

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 2016, which, whilst below management's original expectations, continue to show our advancement within the international financial services market.

The focus for 2016 has remained that of continuing to increase the Group's sales and product range by strengthening the business development activities of the Group. Whilst the sales offices which opened during 2015 continue to engage new financial advisor intermediaries, as well as working closely with our existing introducers, STM experienced a downturn in the number of new QROPS applications received during the first four months of the year. This was largely due to competitors' more aggressive pricing strategies as well as macro-economic factors such as the uncertainty caused by the UK referendum on EU membership.

In late April, management took the decision to significantly change the pricing structure for new business by waiving the QROPS establishment fee for new polices for an initial trial period of six months. The decision was taken to stimulate and drive new business growth for the benefit of future recurring revenue, albeit at the expense of forgoing the establishment fees from new clients signed up in this promotional period. The initiative has had a positive impact on the business since implementation, although it is expected that this will be more notable in the second half of the year. As such, the financial results for the period ended 30 June 2016 have not benefitted considerably from this incentive, hence revenues for Pensions remain consistent with the comparable period in the prior year.

Financial results

For the six month period ended 30 June 2016 the Group recorded turnover of £7.9 million (2015: £8.3 million). Profit before tax for the period amounted to £1.2 million (profit margin of 15%) compared to £1.4 million for the period ended 30 June 2015 (profit margin of 17%). The decrease in revenues is predominantly within the Corporate and Trustee Services division which was expected, as advised in the 2015 final results. Whilst initiatives have taken place to reduce costs in this particular division of the business we have not yet seen the full impact of this in our results. Our Group profit margins have been further impacted this period by the full costs of the sales offices, opened mid-year in 2015, where these costs were only borne in the second half of last year and therefore not reflected in the comparable period.

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. Whilst the business has been increasing at considerable pace, the profits in the Malta trading company have been in excess of the dividends declared by this entity. Thus the corporation tax due by STM has been higher than the refund on the tax on the dividends. However, for the first time since setting up the Malta offices, the tax refund in this period has been in excess of the tax liability due and this has resulted in an overall net tax receivable in the income statement. As such this has resulted in a significant increase (63%) in the Group's profit after taxation as compared to the same period in 2015.

In line with all services businesses and previous years, the Group had accrued income in the form of work performed for clients but not yet billed of £1.5 million as at the period end (2015: £2.3 million). The Group's accounting policy for accrued income in relation to the pensions business is based on the number of QROPS 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 2015 is largely as a result of efficiencies within the Pension division in receiving the pension funds from ceding trustees and thus the Group's ability to raise invoices and receive the fees sooner.

Deferred income relating to annual fees invoiced but not yet earned stood at £2.6 million (2015: £2.3 million). The Group's accounting policy for its Pension business 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.

Both the accrued and deferred income will be invoiced or earned in the second half of 2016 (and early 2017) thus providing excellent visibility on future revenues.

Trade receivables as at 30 June 2016 were £1.8 million as compared to £1.6 million in the previous year.

As announced in the 2015 final results statement the loan notes were repaid in March 2016 and consequently the Group has no further borrowing. This position has resulted in significantly reduced financing costs which together with the profitability have resulted in an increase in the Group's cash balances of £1.3 million in the six month period. Cash balances at 30 June 2016 were £9.3 million (31

December 2015: £8.0 million). More importantly, and demonstrating the visibility and robustness of the business model, cash generated from operating activities amounted to £2.3 million (2015: £2.2 million) far outstripping the operating profit.

Dividend

Following the reinstatement of the Group's dividend policy earlier this year I am pleased to announce that the Board has declared an interim dividend of 0.5 pence per share (2015: nil pence). The interim dividend is expected to be paid on 3 November 2016 to those shareholders on the register on 30 September 2016. The ordinary shares will become ex-dividend on 29 September 2016.

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

Review of operations

STM Pensions

The Pensions business revenue has been stable when compared to the same period in 2015. Revenue for the six month period to 30 June 2016 was £4.4 million (2015: £4.5 million) thus accounting for 56% of the Group's overall turnover. Whilst we have continued to see new applications coming through in the first half of the year, the revenues associated with this new business have compensated for the deferred element of the second year fees from 2015 new business.

The total income for the period is split between the two jurisdictions as follows: Malta - £3.3 million (2015: £3.3 million) and Gibraltar - £1.2 million (2015: £1.2 million).

Whilst the level of new business in the first half of the year has been lower than originally anticipated it is pleasing to note that the change in pricing structure has resulted in progressively increasing volumes of QROPS applications since May.

Management is pleased to note that the August and July new business numbers for QROPS saw a circa 30% increase over those of June, which was in turn a 15% increase over those of May. New business applications in August 2016 represent the highest month of applications over the last twelve months and a 78% uplift on the average number of applications received in the first four months of the year. Given our increasing run rate for new applications since the change in the pricing structure I am pleased to advise that we are on track to meet our revised annual target for QROPS applications.

CTS division

Turnover from the Corporate and Trustee Services division ("CTS") accounted for 27% of the Group’s total revenue during the first half of 2016 (2015: 30%). Revenues generated by the CTS business for the period were £2.2 million as compared to £2.5 million in the second half of 2015.

Revenue resulting from the Jersey CTS business accounted for 55% of the CTS division’s revenue at £1.2 million (2015: 55% and £1.4 million), with Gibraltar’s revenue totaling £1.0 million (2015: £1.1 million). As reported in our year end report, Gibraltar’s revenue reduction was anticipated and is due to some clients having closed down their structures in 2015. Consequently, the cost base was adjusted earlier in the year in order to maintain profitability. Jersey’s reduction in turnover was harder to anticipate however management has reacted promptly to reduce costs to ensure profitability is maintained in the second half of the year.

STM Life

Revenue for the six months to 30 June 2016 amounted to £0.7 million (2015: £0.8 million). Whilst this is broadly consistent with the same period last year, it is an increase on the revenue generated in the second half of 2015 (£0.7 million). Furthermore, the income for 2016 includes a higher proportion of annual fees and thus provides good steady annuity fees going forward.

Both the new business as well as existing policies are generated via a range of intermediaries and across a spread of products therefore providing good diversification for the business.

Other divisions

Turnover from other divisions for the six month period amounted to £0.6 million (2015: £0.6 million) with the main contributors being the Insurance Management division and the Spanish office. Both divisions are performing in line with management expectation with Insurance Management revenues totaling £0.3 million in the first half of the year (2015: £0.2 million) and the Spanish office generating revenues of £0.3 million (2015: £0.2 million).

Summary and outlook

The performance in the year so far, whilst showing results below our original expectations, has been addressed by management actions; primarily our pricing strategy change. We are confident and encouraged by the potential for the remaining months to the year end, particularly given the improvement in new QROPS policy applications in July and August.

We are committed to continuing our organic growth as evidenced by the additions being made to the Business Development team. We believe STM is now strategically placed across key jurisdictions to ensure growth is maximised.

We are also pleased to confirm that we have established a small sales office in the Australian market with the current objective of engaging new intermediaries and maintaining the relationship STM enjoys with existing introducers.

In addition to our commitment to business development activities, STM is also dedicated to continuing to develop products to suit the needs of our clients. As such we have recently launched our STM Malta Pension Contract Plan, which has been created to target predominantly civil law countries in Europe where trusts are not a familiar concept.

In addition to our organic growth strategy, STM has previously stated its intention to enter the UK SIPP market as part of its expansion and accommodation strategy for its QROPS clients and intermediaries.

The above initiatives, as well as the higher cash balances, provide for a much stronger balance sheet at the half year stage, thus allowing STM the resources to grow the business further and to maximise shareholder value. I look forward to updating the market on further progress as we pursue our growth strategy.

Alan Kentish
Chief Executive Officer
13 September 2016

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2016 to 30 June 2016

	Notes	Unaudited 6 months to 30 June 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited Year to 31 December 2015 £'000
Revenue		7,884	8,321	16,179
Administrative expenses		(6,565)	(6,728)	(13,078)
Profit before other items		**1,319**	**1,593**	**3,101**
Finance costs		–	(108)	(147)
Depreciation and amortisation		(109)	(117)	(249)
Profit on ordinary activities before taxation		**1,210**	**1,368**	**2,705**
Income tax expense		139	(598)	(409)
Profit on ordinary activities after taxation		**1,349**	**770**	**2,296**
Other comprehensive income				
Foreign currency translation differences for foreign operations		193	(24)	(41)
Total comprehensive income for the period/year		**1,542**	**746**	**2,255**
Earnings per share basic (pence)	3	2.27	1.38	3.99
Earnings per share diluted (pence)	3	2.16	1.38	3.79

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 2016

	Notes	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		826	895	837
Intangible assets		16,879	16,779	16,832
Other investments		766	756	708
Total non-current assets		**18,471**	**18,430**	**18,377**
Current assets				
Accrued income		1,453	2,313	1,809
Trade and other receivables	6	3,225	2,813	4,193
Cash and cash equivalents	5	9,281	7,119	8,036
Total current assets		**13,959**	**12,245**	**14,038**
Total assets		**32,430**	**30,675**	**32,415**
EQUITY				
Called up share capital	8	59	59	59
Share premium account		22,372	22,372	22,372
Reserves		4,439	2,103	3,614
Total equity attributable to equity shareholders		**26,870**	**24,534**	**26,045**
LIABILITIES				
Current liabilities				
Liabilities for current tax		933	1,531	1,271
Trade and other payables	7	4,627	4,610	5,099
Total current liabilities		**5,560**	**6,141**	**6,370**
Non-current liabilities:				
Other payables		—	—	—
Total non-current liabilities		**—**	**—**	—
Total liabilities and equity		**32,430**	**30,675**	**32,415**

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2016 to 30 June 2016

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Profit for the period/year before tax	1,210	1,367	2,705
Adjustments for:			
Depreciation and amortisation	110	117	246
Loss on Sale of Fixed Asset			3
Taxation paid	(199)	(128)	(199)
Unrealised loss in investments	—	—	29
Decrease in trade and other receivables	969	1,962	582
Decrease/(increase) in accrued income	356	(155)	349
Decrease in trade and other payables	(174)	(995)	(506)
Net cash from operating activities	**2,272**	**2,168**	**3,209**
Investing activities			
Acquisition of property, plant and equipment	(89)	(15)	(66)
Acquisition of treasury shares	(25)	—	—
Acquisition of investments	(57)	(20)	—
(Increase)/decrease in intangibles	(56)	8	(68)
Net cash used in investing activities	**(227)**	**(27)**	**(134)**
Dividends	**(535)**	**—**	**—**
Cash flows from financing activities			
Loan repayments made	(300)	(700)	(700)
Net cash from financing activities	**(300)**	**(700)**	**(700)**
Increase in cash and cash equivalents	**1,210**	**1,441**	**2,375**
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	8,036	5,711	2,375
Translation of foreign operations	35	(33)	(50)
Increase in cash and cash equivalents	1,210	1,441	5,711
Balance at end of period/year	**9,281**	**7,119**	**8,036**

STM GROUP PLC

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the period from 1 January 2016 to 30 June 2016

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2015	53	20,828	1,583	(206)	(9)	22,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit for the year	—	—	2,296	—	—	2,296
Other comprehensive income						
Foreign currency translation differences	—	—	(41)	—	—	(41)
Transactions with owners, recorded directly in equity						
Shares issued in the year	6	1,544	—	—	—	1,550
Dividend paid	—	—	—	—	—	—
Treasury shares purchased	—	—	—	—	—	—
Exchange loss on equity	—	—	—		(9)	(9)
At 31 December 2015	**59**	**22,372**	**3,838**	**(206)**	**(18)**	**26,045**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	—	—	1,349	—	—	1, 349
Other comprehensive income						
Foreign currency translation differences	—	—	193	—	—	193
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	—	—	—	—	—
Dividend paid	—	—	(535)	—	—	(535)
Treasury shares purchased	—	—	—	(25)	—	(25)
Exchange loss on equity			—	—	(157)	(157)
At 30 June 2016	**59**	**22,372**	**4,845**	**(231)**	**(175)**	**26,870**

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2016 to 30 June 2016

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 2016 to 30 June 2016 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 2016 to 30 June 2016 is based on the profit after taxation of £1,349,000 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 2016 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 2016 £'000	**Unaudited 30 June 2015 £'000**	**Audited 31 December 2015 £'000**
0.9 pence per qualifying ordinary share	535	—	—

5. 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 £9,281,059

NOTES TO THE CONSOLIDATED RESULTS (continued)
for the period from 1 January 2016 to 30 June 2016

6. Trade and other receivables

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Trade receivables	1,827	1,617	3,102
Other receivables	1,398	1,196	1,091
	3,225	**2,813**	**4,193**

7. Trade and other payables

Current liabilities

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Loans from related parties	—	57	26
Deferred income	2,555	2,272	2,618
Trade payables	308	282	263
Other creditors and accruals	1,764	1,699	1,892
Convertible loan notes	—	300	300
	4,627	**4,610**	**5,099**

Loans from related parties in 2015 related to a loan by the founding shareholders of STM Fidecs Limited, the Group's first acquisition. This loan amount which was repaid during this period was unsecured and interest bearing at 7% per annum.

8. Called up share capital

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'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-