Press Release **18 September 2012**

STM Group Plc

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

Interim Results for the six months ended 30 June 2012

STM Group Plc (AIM: STM), the cross border financial services provider, is pleased to announce its interim results for the six months ended 30 June 2012.

Key Points:

	30 June 2012	**30 June 2011**
Revenue	£5.10m	£5.07m
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£0.6m	£0.8m
Cash	£3.4m	£3.3m

- As predicted, STM Pensions substantially contributing to Group turnover and profitability
- Profitability impacted by £0.2m non-recurring operating costs
- Distribution channels growing

Commenting on the results and the prospects for STM, Colin Porter, CEO said:

"The first half of 2012 has performed broadly in line with managements' expectations and continues to build on the 2011 performance.

"Despite the challenges presented by the present economic turmoil the Group continues to expand its product offering. Early 2012 has seen significant growth in the more main stream QROPS pension products aimed at the expatriate market, which has alleviated certain pressures on the core CTS division."

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Chief Executive's Review

Overview

I am pleased to present the interim results for the six months ended 30 June 2012, which show a steady and much improved performance from the second half of 2011. In line with management expectations the Group has seen a significant growth in its pensions business which is now contributing materially to the Group's turnover and profitability.

The first half of 2012 has seen STM Malta grow to what is now fast becoming the third largest division within the Group after CTS Gibraltar and Jersey by both turnover and personnel.

The Group's Jersey operation saw a major restructure in its board composition and senior management during the first half of 2012 which has resulted in a reduction of chargeable time. The new Board has been fully operational since 1 July 2012 and I am pleased to note that this division has started the second half positively and is once again performing in line with expectations.

Financial results

The Group recorded turnover of £5.10 million for the six months to 30 June 2012 (30 June 2011: £5.07 million) and operating profit of £0.62 million (30 June 2011: £0.84 million).

In line with all CTSP businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at 30 June 2012 of £3.85 million (30 June 2011: £3.04 million). There is also deferred income relating to annual fees invoiced but not yet earned at the same date of £0.93 million (30 June 2011: £1.11 million). It is expected that these amounts will be invoiced or earned in the second half of 2012, providing excellent visibility over revenues.

The Group had a gross cash balance of £3.43 million at the period end (31 December 2011: £3.31 million) having repaid external borrowings of £0.70 million and deferred consideration of £0.10 million during the period. Bank borrowings at 30 June 2012 amounted to £1.26 million (30 June 2011: £2.17 million).

The Board continues to review the policy of dividend payments and at this stage proposes that no interim dividend be paid (2011 interim: £nil). The Board will review this position at the year end.

Review of operations

Core CTS division

Whilst the Group's core offering remains the provision of corporate and trustee services ("CTS") it now accounts for 62% of the Group's total revenue during the first half of 2012 (30 June 2011: 75%) mainly as a result of the increased pension income stream.

Revenues generated by CTS for the period were £3.17 million (30 June 2011: £3.81 million) as compared to £3.53 million in the second half of 2011.

The CTS market-place remains a challenging environment given the financial climate. This has been particularly apparent in the Gibraltar CTS business, given its proximity to the Southern Mediterranean expatriate community, which has seen a fall in numbers of trusts and companies under management. The resulting fall in chargeable time has meant that staff numbers have reduced from 42 at the beginning of the year to 35 today.

The Jersey CTS business has had a difficult second quarter of 2012, having been the subject of a review by the Jersey Financial Services Commission as a result of non-compliance to certain regulatory requirements. It is understood that the review has now been concluded and at this time no public regulatory sanction has been taken against STM Jersey. The review has prompted a significant change in Board composition of STM Jersey. It is estimated that loss of chargeable time by management in assisting in the review has cost in the region of £250,000.

STM Pensions

It is pleasing to note that the opportunities anticipated by the Board in relation to STM pension's products are now gathering pace. In particular, STM Malta has seen significant growth as a result of Malta's sensible positioning of its UK HMRC compliant expatriate pensions offering. This benefit was amplified by the de-registration of the vast majority of Guernsey QROPS in April 2012.

It is anticipated that our pension's revenue will continue to grow in the second half of 2012, as the division's IFA distribution channels expand. In addition, the newly approved Gibraltar QROPS product will add a further dimension to the division during the remainder of 2012.

Income from the pensions divisions amounted to £1.20 million (30 June 2011: £0.25 million) and accounted for 23% of the Group's total revenues (30 June 2011: 5%).

STM Life

Progress in terms of revenue growth in STM Life remains slow and behind expectations, although opportunities still present themselves. The Board continues to believe that STM Life will be a significant profit contributor in the future and a differentiator to other CTS businesses.

Revenue for the six months to 30 June 2012 amounted to £0.13 million (30 June 2011 £0.07 million).

Other divisions

Income from other divisions amounted to £0.60 million (30 June 2011: £0.94 million) with the main contributors being the insurance management division and the Spanish office. Insurance Management revenues totalled £0.28 million in the first half of the year (30 June 2011: £0.34 million) with the Spanish office generating income of £0.20 million (30 June 2011: £0.43 million). Performance in both these divisions has suffered as a result of the lack of available capital of new start ups in the case of the former and the difficult Spanish economic climate in the case of the latter.

Current trading

The Board believes that the second half of 2012 will continue to show increased turnover and profitability in the pensions divisions as well as a more normal trading environment in STM Jersey. The second half of the year will also see the benefit of lower operating costs as a result of now having a full team in STM Malta and thus no further recruitment costs and reduced headcount in CTS Gibraltar as a result of natural attrition.

Cash generation in the second half of the year is expected to increase given the increased profitability in STM Malta and the Group's overall reduced borrowings.

The second half of the year will be challenging for CTS Gibraltar and the Spanish office but management is investing time and effort on these divisions to grow its current client base and thus increase turnover and profitability.

Summary and outlook

The first half of 2012 has seen the pensions divisions start to fulfill their revenue potential. This is expected to continue to grow throughout the second half of the year however the precise rate of growth remains difficult to predict.

In addition as the continued reduction of operating costs during the second half of the year will have a positive impact on the profitability of the Group.

STM's strategy continues to be to increase the Group's share of the existing market and also to find new markets for our products and services. Specifically STM is continuing to increase its distribution network for their pensions and STM Life products as well as identifying new markets for its core business.

Colin Porter
Chief Executive Officer
18 September 2012

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2012 to 30 June 2012

	Notes	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited year to 31 December 2011 £'000
Revenue		5,099	5,069	9,729
Administrative expenses		(4,478)	(4,226)	(9,101)
Operating Profit		621	843	628
Finance costs		(198)	(207)	(361)
Depreciation and amortisation		(404)	(58)	(765)
Adjustments to carrying value of investments		-	-	88
Profit/(loss) on ordinary activities before taxation		19	578	(410)
Income tax expense		(40)	(58)	10
(Loss)/profit on ordinary activities after taxation		(21)	520	(400)
Other comprehensive income				
Foreign currency translation differences for foreign operations		(19)	(2)	(29)
Total comprehensive loss for the period/year		(40)	518	(429)
Earnings per share basic (pence)	3	(0.04)	1.21	(0.93)
Earnings per share diluted (pence)	3	(0.04)	1.08	(0.93)

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 2012

	Notes	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,396	1,570	1,480
Intangible assets		20,835	21,810	21,109
Other investments		64	54	64
Total non-current assets		22,294	23,434	22,653
Current assets				
Accrued income		3,853	3,040	2,918
Trade and other receivables	5	4,856	5,500	4,924
Cash and cash equivalents	4	3,426	3,310	3,307
Total current assets		12,135	11,850	11,149
Total assets		34,429	35,284	33,802
EQUITY				
Called up share capital	8	53	43	43
Share premium account		20,898	19,051	19,051
Reserves		4,751	5,861	4,842
Total equity attributable to equity shareholders		25,702	24,955	23,936
LIABILITIES				
Current liabilities				
Liabilities for current tax		243	504	338
Trade and other payables	6	4,269	5,120	5,273
Total current liabilities		4,512	5,624	5,611
Non-current liabilities:				
Other payables	7	4,215	4,705	4,255
Total non-current liabilities		4,215	4,705	4,255
Total liabilities and equity		34,429	35,284	33,802

STM GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2011 to 30 June 2012

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Operating profit for the period/year before tax	20	578	(410)
Adjustments for:			
Depreciation and amortisation	404	58	765
Gain from bargain purchase	–	(140)	–
Shares issued for services performed	–	8	8
Adjustments to investments	–	–	(88)
Taxation paid	(131)	(47)	(148)
Decrease in trade and other receivables	68	188	764
(Increase)/decrease in accrued income	(938)	11	134
Increase in trade and other payables	12	329	358
Net cash from operating activities	(565)	985	1,383
Investing activities			
Acquisition of property, plant and equipment	(45)	(168)	(240)
Acquisition of investments – cash consideration	(104)	(629)	(656)
Net cash used in investing activities	(149)	(797)	(896)
Cash flows from financing activities			
Loan repayments made	(703)	(447)	(647)
Cash consideration from shares issued	1,568	–	–
Dividend paid	–	(172)	(172)
Net cash from financing activities	865	(619)	(819)
Increase in cash and cash equivalents	151	(431)	(332)
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	3,307	3,696	3,696
Translation of foreign operations	(32)	45	(57)
Increase/(decrease) in cash and cash equivalents	151	(431)	(332)
Balance at end of period/year	3,426	3,310	3,307

STM GROUP PLC

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the period from 1 January 2012 to 30 June 2012

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2011	43	19,043	5,667	(144)	(52)	24,557
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit of the year	–	–	(400)	–	–	(400)
Other comprehensive income						
Foreign currency translation differences	–	–	(29)	–	–	(29)
Transactions with owners, recorded directly in equity						
Shares issued in the year	–	8	–	–	–	8
Dividend paid	–	–	(172)	–	–	(172)
Exchange loss on equity	–	–	–	–	(28)	(45)
At 31 December 2011	43	19,051	5,066	(144)	(80)	23,936
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	–	–	(21)	–	–	(21)
Other comprehensive income						
Foreign currency translation differences	–	–	19	–	–	19
Transactions with owners, recorded directly in equity						
Shares issued in the period	10	1,847	–	–	–	1,857
Dividend paid	–	–	–	–	–	–
Exchange loss on equity	–	–	–	–	(89)	(89)
At 30 June 2012	**53**	**20,898**	**5,064**	**(144)**	**(169)**	**25,702**

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2012 to 30 June 2012

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 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 2012 to 30 June 2012 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 2012 to 30 June 2012 is based on the loss after taxation of £20,000 divided by the weighted average number of shares during the period 47,954,725 (basic and dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2012 is:

Weighted average number of shares	47,954,725
Dilutive share options	–
Diluted	47,954,725

4. 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 £3,426,000.

5. Trade and other receivables

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Trade receivables	3,018	3,874	3,320
Other receivables	1,838	1,626	1,604
	4,856	5,500	4,924

NOTES TO THE CONSOLIDATED RESULTS cont.
for the period from 1 January 2012 to 30 June 2012

6. Trade and other payables

Current liabilities

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Bank Loan	498	912	912
Bank overdraft	-		250
Loans from related parties	39	105	94
Deferred income	935	1,111	667
Trade payables	514	423	490
Deferred and contingent consideration	592	823	700
Other creditors and accruals	1,691	1,746	2,160
	4,269	5,120	5,273

As at 30 June 2012 the Group had three bank loans from NatWest Bank Plc amounting to £1.26m repayable in quarterly and monthly instalments at variable rate of interest currently ranging from 2% to 4.25%. The loans are secured by capital guarantees supplied by subsidiary companies.

Loans from related parties amount to £39,000 and relate to a loan by the founding shareholders of STM Fidecs Limited, the Group's first acquisition. This loan amount is unsecured and interest bearing at 7% per annum.

7. Other payables – amount falling due in more than one year

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Bank loan – repayable between year 2 and year 5	765	1,255	805
Convertible loan notes	3,450	3,450	3,450
	4,215	4,705	4,255

8. Called up share capital

	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
53,445,877 ordinary shares of £0.001 each	53	43	43

-Ends-