Press Release **20 September 2011**

STM Group Plc

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

Interim Results for the six months ended 30 June 2011

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 2011.

FINANCIAL HIGHLIGHTS

- Revenue for the period increased 9% to £5.07 million (30 June 2010: £4.66 million)
- Operating profit before tax up to £0.79 million (30 June 2010: £0.77 million)
- Healthy balance sheet with cash of £3.31 million (31 December 2010: £3.70 million) having repaid £1.08 million of borrowings and deferred consideration
- Healthy net cash collection generated from operating activities of £1.03 million for the six months (30 June 2010: £0.60 million)
- EPS for period 1.21 pence (30 June 2010: 1.39 pence)

OPERATIONAL HIGHLIGHTS

- Core CTS business trading in line with expectations demonstrating predictable and robust earnings
- Key acquisition of Zenith in Jersey in 2010 created critical mass and is performing in the line with management expectations
- New business and marketing initiatives increased, including business wins from new geographical areas
- Pensions division seeing significant increase in distribution network enquiries – this trend is expected to continue into the second half of the year

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

The first half of 2011 has performed broadly in line with managements' expectations and continues to build on a solid 2010 performance. Considerable effort and resources have gone into business development and marketing which have resulted in enquiries being generated from new markets, which bodes well for the future. Innovative product variations have been a key feature for the first six months of the year with anticipated release of new pensions and life assurance savings products due during the fourth quarter of 2011, which will be very well received by our intermediary introducers.

The above, coupled with the robust and predictable performance of our core CTS business should result in a milestone change for the Group in 2012.

Finally, I would like to thank Bernard Gallagher, who was STM Group's Non-Executive Chairman since the 2007 flotation, for all his efforts and hard work over the years prior to him stepping down earlier this year. Julian Telling, our new Non-Executive Chairman, has taken up the role and I am delighted with his enthusiasm at the challenge of growing our business further.

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Chief Executive's Review

Overview

I am pleased to present the interim results for the six months ended 30 June 2011, which show a steady performance broadly in line with expectations at the half year stage, despite a difficult economic background.

Our existing STM businesses and revenue streams, as expected by management, remained stable when compared to the six months of the corresponding period of last year, with increased focus and investment being dedicated to upgrading our business development capabilities and product range.

At a general level, during the period under review we are seeing more enquires and instructions from non-UK jurisdictions within our core CTS divisions. This is as a result of our business development initiatives and is a trend we expect to continue into the future.

The Zenith acquisition of 2010 continues to perform in line with expectations and has brought with it the benefits of new intermediaries and has been a key contributor to new product development initiatives. It established itself as the second engine of the business giving further visibility and predictability to the results of the Group.

On a less positive note, it is disappointing to report that a number of our initiatives and emerging businesses continue to fall short of our expectations: in particular STM Swiss has struggled to attract clients and the Board is revisiting the business model for this jurisdiction. In addition the pension and life assurance divisions whilst still gathering momentum, fell short of the growth potential in the first six months of the year.

The second half has started positively and the Board continues to believe that the significant growth areas for STM in the short term will be in the pensions and life assurance sector. STM has put significant effort into ensuring that it is at the leading edge of overseas pensions development and life assurance offerings and these initiatives will invariably differentiate us from our competitors as well as strengthen our product and service offerings for the future.

New distribution opportunities for all of our revenue streams are continually presented to STM and expectations are that volumes will increase in the last quarter of the year and that STM Malta will be an important and profitable part of the pensions offering going forward.

Financial results

The Group recorded an increased turnover of £5.07 million for the six months to 30 June 2011 (30 June 2010: £4.66 million), and increased operating profit of £0.79 million (30 June 2010: £0.77 million).

The Group continues to write off all its costs in relation to its developing businesses, such as those of STM Life, STM Swiss and STM Malta, as and when they occur.

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 2011 of £3.04 million (30 June 2010: £2.86 million). There is also deferred income, annual fees invoiced, but not yet earned at the same date of £1.11 million (30 June 2010: £1.12 million). It is expected that these amounts will be invoiced or earned in the second half of 2011, providing excellent visibility over revenues.

There was good cash collection across the Group in the first half with net cash generated from operating activities of £1.03 million for the six months (30 June 2010: £0.60 million) and the Group's balance sheet remains strong. The Group had a gross cash balance of £3.31 million at the period end (31 December 2010: £3.70 million) having repaid external borrowings of £0.45 million and deferred consideration of £0.63 million during the period.

In the past six months there have been no acquisitions or setting up of new offices with management concentrating on ensuring all its existing businesses are contributing positively to the Group’s results.

Whilst the Directors remain cautiously optimistic and anticipate continued improving trading conditions going forward the Board proposes that no interim dividend be paid (2010 interim: 0.2 pence). The Board will review this position at the year end and currently expects to recommend a dividend for the full year.

Review of operations

Core CTS division

The Group's core offering remains the provision of corporate and trustee services ("CTS"), which generated increased revenues of £3.81 million (30 June 2010: £3.45 million) and accounted for over 75% of the Group's total revenue during the first half of 2011 (30 June 2010: 70%). As in previous periods, CTS had a solid and predictable six months of trading and performed in the line with management's expectations.

The Gibraltar and Jersey CTS divisions are similar in terms of revenue and the Group is starting to benefit from this critical mass as well as more inter-group referrals generally. There continues to be a strong focus on debtor collection to improve debtor days and increase cash inflow in the business. Both jurisdictions are starting to see the benefits of the Group's investments into business development and marketing which commenced in 2010. In addition, the Group continues to see the promising results of marketing initiatives into new jurisdictions which also reduces the Group's reliance on its historic UK-centric client base.

Other divisions

Income from other divisions amounted to £1.26 million (30 June 2010: £1.21 million) with the main contributors being our Spanish financial advisory business, STM Nummos, totaling £0.53 million turnover (30 June 2010: £0.38 million). The business has benefitted from increased client instructions despite the difficult Spanish economic climate. The insurance management division contributed £0.34 million (30 June 2010: £0.43 million) of revenue and trading remains difficult due to a lack of new start ups in the insurance sector. Although the business has down-sized over recent years it remains profitable, performing in line with managements' expectations.

Review of developing businesses within "Other divisions"

STM Pensions, STM Life Assurance and STM Malta are performing broadly in line with managements expectations although none are currently a significant contributor to STM Group's trading profits. The Board believes in due course that all of these businesses will become key offerings within STM Group's range of services.

Trading in STM Swiss continues to be difficult in that it lacks a critical mass of clients and struggles to convert its pipeline of enquiries within a reasonable timeframe. The Board is exploring various options for the jurisdiction going forward.

Current trading

The Board believes that the second half of 2011 will remain challenging, with the expected revenue increases yet to catch up with the expenditure on business and product development. However, these initiatives, put in place during the first half of the year, have started to bear fruit and significant opportunities lay ahead. The timing of the conversion of this pipeline into revenues will be the key to whether the out-turn for the remainder of the year will show an improvement on last year's performance.

The core business continues to perform as expected and the challenge for the second half of the year is to ensure that the Board maximises the possibility for the developing businesses within the Group's "Other Divisions" noted above. Both the pensions division and STM Life are making significant inroads into increasing distribution channels as well as adding to their product range.

Margins generally are expected to improve during the second half of the year, as a number of initiatives, both cost savings and the take-up of new products and services, come to fruition. Cash flow is expected to remain reasonably tight but is expected to show improvements on the back of increased profit margins.

Board appointment and director change

During the six months to 30 June 2011, there has been a change of Non-Executive Chairman with Bernard Gallagher stepping down and being replaced by Julian Telling. Julian's connections to the Financial Services industry are starting to bring benefits to the Group, and our expectations are that this experience will continue to help build our distribution both in the UK and elsewhere around the world.

Summary and outlook

The first half of 2011 has built on the foundations of a solid core business performance in 2010, and we believe that this will continue.

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. Our core CTS business is delivering predictable revenues and contributions to profits. Management believes that the next significant growth area will be in pensions and STM Life's assurance products, with promising opportunities developing for the last quarter of this year and continuing into next year.

Colin Porter
Chief Executive Officer
20 September 2011

STM GROUP PLC

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2011 to 30 June 2011

	Notes	Unaudited 6 months to 30 June 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited year to 31 December 2010 £'000
Revenue		5,069	4,655	10,454
Administrative expenses		(4,284)	(3,882)	(8,804)
Operating Profit		785	773	1,650
Finance costs		(207)	(94)	(211)
Profit on ordinary activities before taxation		578	679	1,439
Income tax expense		(58)	(84)	(192)
Profit on ordinary activities after taxation		520	595	1,247
Dividends		(172)	(172)	(257)
Profit for the period/year		348	423	990
Earnings per share basic (pence)	3	1.21	1.39	2.90
Earnings per share diluted (pence)	3	1.08	1.35	2.59

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

STM GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period from 1 January 2011 to 30 June 2011

	Notes	Unaudited 6 months to 30 June 2011 £'000	Unaudited 6 months to 30 June 2010 £'000	Audited year to 31 December 2010 £'000
Profit for the period/year		348	423	990
Other comprehensive income				
Foreign currency translation differences for foreign operations		53	(2)	57
Other comprehensive income for the period, net of income tax		53	(2)	57
Total comprehensive income for the period/year		401	421	1,047
Attributable to:				
Owners of the Company		401	421	1,047
Total comprehensive		401	421	1,047

STM GROUP PLC

CONSOLIDATED BALANCE SHEET
as at 30 June 2011

	Notes	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,570	1,537	1,460
Intangible assets		21,810	21,826	21,812
Other investments		54	–	54
Total non-current assets		23,434	23,363	23,326
Current assets				
Accrued income		3,040	2,858	3,052
Trade and other receivables	5	5,500	5,379	5,688
Cash and cash equivalents	4	3,310	4,942	3,696
Total current assets		11,850	13,179	12,436
Total assets		35,284	36,542	35,762
EQUITY				
Called up share capital	8	43	43	43
Share premium account		19,051	19,028	19,043
Reserves		5,861	4,850	5,471
Total equity attributable to equity shareholders		24,955	23,921	24,557
LIABILITIES				
Current liabilities				
Liabilities for current tax		504	399	494
Trade and other payables	6	5,120	7,980	5,559
Total current liabilities		5,624	8,379	6,053
Non-current liabilities:				
Other payables	7	4,705	4,242	5,152
Total non-current liabilities		4,705	4,242	5,152
Total liabilities and equity		35,284	36,542	35,762

STM GROUP PLC

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

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Reconciliation of profit before tax to net cash flow from operating activities			
Operating profit for the period/year before tax	578	679	1,439
Adjustments for:			
Depreciation and amortisation	58	60	157
Foreign exchange movements	45	–	–
Loss on sale of property, plant & equipment	–	4	3
Gain from bargain purchase	(140)	(451)	(451)
Shares issued for services performed	8	17	40
Non-cash acquisition costs	–	–	12
Taxation paid	(47)	5	(19)
Decrease/(increase) in trade and other receivables	188	207	(103)
(Increase)/decrease in accrued income	11	(182)	(375)
Increase/(decrease) in trade and other payables	329	266	(590)
Net cash from operating activities	1,030	605	113
Investing activities			
Acquisition of property, plant and equipment	(168)	(261)	(282)
Acquisition of investments – cash consideration	(629)	(1,904)	(3,759)
Cash acquired as part of acquisitions	–	587	587
Net cash used in investing activities	(797)	(1,578)	(3,454)
Cash flows from financing activities			
New loan drawn down	–	400	1,500
Loan repayments made	(447)	(281)	(174)
Cash consideration from loan stock issued	–	2,200	2,200
Dividend paid	(172)	(172)	(257)
Net cash from financing activities	(619)	2,147	3,269
Increase in cash and cash equivalents	(386)	1,174	(72)
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	3,696	3,768	3,768
(Decrease)/Increase in cash and cash equivalents	(386)	1,174	(72)
Balance at end of period/year	3,310	4,942	3,696

STM GROUP PLC

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
for the period from 1 January 2011 to 30 June 2011

	Share Capital £'000	Share Premium £'000	Profit & Loss Reserve £'000	Treasury Shares £'000	Translation Reserve £'000	Total £'000
Balance at 1 January 2010	43	19,011	4,620	(144)	(7)	23,523
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Profit of the year	–	–	1,247	–	–	1,247
Other comprehensive income						
Foreign currency translation differences	–	–	57	–	–	57
Transactions with owners, recorded directly in equity						
Shares issued in the year	–	32	–	–	–	32
Dividend paid	–	–	(257)	–	–	(257)
Exchange loss on equity	–	–	–	–	(45)	(45)
At 31 December 2010	43	19,043	5,667	(144)	(52)	24,557
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit of the period	–	–	520	–	–	520
Other comprehensive income						
Foreign currency translation differences	–	–	53	–	–	53
Transactions with owners, recorded directly in equity						
Shares issued in the period	–	8	–	–	–	8
Dividend paid	–	–	(172)	–	–	(172)
Exchange loss on equity	–	–	–	–	(11)	(11)
At 30 June 2011	**43**	**19,051**	**6,068**	**(144)**	**(63)**	**24,955**

NOTES TO THE CONSOLIDATED RESULTS
for the period from 1 January 2011 to 30 June 2011

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 2011 to 30 June 2011 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 2011 to 30 June 2011 is based on the profit after taxation of £520,000 divided by the weighted average number of shares during the period 43,060,294 (basic) and 48,287,566 (dilutive) £0.001 ordinary shares.

A reconciliation of the basic and diluted number of shares used in the period ended 30 June 2011 is:

Weighted average number of shares	43,060,294
Dilutive share options	5,227,272
Diluted	48,287,566

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 £3,310,000.

5. Trade and other receivables

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Trade receivables	3,874	3,710	4,049
Other receivables	1,626	1,669	1,639
	5,500	5,379	5,688

NOTES TO THE CONSOLIDATED RESULTS cont.
for the period from 1 January 2011 to 30 June 2011

6. Trade and other payables

Current liabilities

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Bank Loan	912	614	912
Loans from related parties	105	113	105
Deferred income	1,111	1,116	866
Trade payables	423	742	358
Deferred and contingent consideration	823	3,464	1,553
Other creditors and accruals	1,746	1,931	1,765
	5,120	7,980	5,559

As at 30 June 2011 the Group had three bank loans from NatWest Bank Plc amounting to £2.17m 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 £105,000 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 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Bank loan – repayable between year 2 and year 5	1,255	792	1,702
Convertible loan notes	3,450	3,450	3,450
	4,705	4,242	5,152

8. Called up share capital

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Authorised			
100,000,000 ordinary shares of £0.001 each	100	100	100
Called up, issued and fully paid			
43,061,649 ordinary shares of £0.001 each	43	43	43

-Ends-