



ANNUAL REPORT AND ACCOUNTS

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2015

STM Group PLC is a multi-jurisdictional financial services group listed on the Alternative Investment Market of the London Stock Exchange. The Group specialises in the delivery of a wide range of financial service products to professional intermediaries and in the administration of assets for international clients in relation to retirement, estate and succession planning, and wealth structuring.

Today STM has trading operations in Gibraltar, Malta, Jersey, and Spain. It has also recently opened satellite offices in South East Asia, the Middle East, and South Africa. The Group continues to expand through the development of additional products and services that its sophisticated clients demand.

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# REVENUE OF £16.2 MILLION

(2014: £15.9 million)

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**Earnings before interest, taxation,  
depreciation and amortisation ("EBITDA")  
£3.1 million**  
(2014: £2.3 million)

**Strong balance sheet with cash  
of £8 million at year end**  
(2014: £5.7 million)



QROPS, QNUPS, Life Bonds,  
Corporate and Trustee  
Service Providers, Insurance  
Management



QROPS, QNUPS, Corporate and  
Trustee Service Providers



Corporate and Trustee Service  
Providers



Legal and Tax Services for  
Expatriates and Spanish  
Residents

“OUR BUSINESS AND PRODUCT DEVELOPMENT TEAM CONTINUES TO EXPAND OUR INTERMEDIARY NETWORKS. THE BENEFITS OF INVESTING IN THREE NEW SALES OFFICES DURING THE YEAR ARE EXPECTED TO BEGIN TO SHOW IN 2016 AND BEYOND.”

# CHAIRMAN'S STATEMENT

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**MICHAEL RIDDELL**  
Chairman

**2015 HAS BEEN A BUSY AND PRODUCTIVE YEAR FOR STM AND I AM PLEASED TO NOTE THAT THIS HAS REFLECTED POSITIVELY IN OUR RESULTS AND FINANCIAL POSITION AT THE YEAR-END.**

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We have not only seen further growth both in revenue and profitability but have additionally increased our cash balances whilst reducing borrowings. This has resulted in STM now having a much stronger balance sheet than ever before.

Going forward, our Business and Product Development team continues to expand our intermediary networks. The benefits of investing in three new sales offices during the year are expected to begin to show in 2016 and beyond. Furthermore, we continue to look at developing new products and entering new jurisdictions and I look forward to updating the market on this during the course of 2016.

Pleasingly, the convertible loan notes were reduced early in the year through a cash payment (£0.7 million) and conversion into new ordinary shares in

the Company (£1.6 million), leaving a minimal balance of £0.3 million at the year-end which will be fully repaid in March 2016 from Group working capital.

Colin Porter tendered his resignation as Chief Executive in January 2016 in order to allow him to pursue an opportunity in the United States in a non-competing sector. Whilst we are sorry to see him go, I take this opportunity to wish him well and thank him for his valued contribution throughout his 8 years with STM.

As with any services business, one of STM's most valued assets is its staff; so I would like to take this opportunity to thank, on behalf of the Board, our management and staff across all jurisdictions for their ongoing commitment and professionalism.

*Michael Riddell*

**Michael Riddell**

Chairman

1 March 2016



“AS PART OF THE GROUP’S COMMITMENT TO THE BUSINESS AND PRODUCT DEVELOPMENT STRATEGY, WE HAVE THIS YEAR OPENED NEW SALES OFFICES IN SOUTH AFRICA, SOUTH EAST ASIA, AND THE MIDDLE EAST.”

# CHIEF EXECUTIVE OFFICER'S REVIEW

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**COLIN PORTER**  
CEO

I AM PLEASED TO PRESENT THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND REPORT ANOTHER SUCCESSFUL YEAR, WITH INCREASED REVENUES AND PROFITABILITY DEMONSTRATING THE SUCCESS OF OUR STRATEGY OF CONTINUING TO FOCUS ON BUILDING OUR PENSIONS AND LIFE ASSURANCE PRODUCT OFFERINGS.

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Whilst revenue has only marginally increased, profitability is up on last year by approximately 60% to £2.7 million (2014: £1.7 million) due to the focus on higher margin products. The business is now reaping the benefits of having invested in transforming the business over the last few years.

As part of the Group's commitment to the business and product development strategy, we have this year opened new sales offices in South Africa, South East Asia, and the Middle East. These new representative offices are mandated to sign on new IFAs as well as continue working closely with our existing introducers for both existing and new products.

## OPERATIONAL OVERVIEW

### PENSIONS

Our pensions business continues to show the largest growth with turnover in the year of £8.6 million (2014: £8.0 million). This now accounts for 53% of the Group's turnover (2014: 50%).

The continued growth in the pensions business in 2015 has been in Malta. This is primarily due to two reasons; the first being that a significant amount of new business has come from the Middle East, specifically from countries where a Double Tax Agreement with Malta exists, and consequently this business is best served in Malta. The second being that our Malta based US Plan continues to gain traction. With the second largest concentration of UK expats and with fewer competitors, the US, as expected, remains and will continue to be an area of strong growth for STM.

Consequently, Malta remains the larger of our two jurisdictions with pension turnover of £6.3 million (2014: £5.5 million), with Gibraltar having generated £2.3 million (2014: £2.5 million) of turnover in the year.

# CHIEF EXECUTIVE OFFICER'S REVIEW

## CORPORATE AND TRUSTEE SERVICES

Turnover from the Corporate and Trustee Services (CTS) division for the year was £5.1 million (2014: £5.5 million) thus accounting for 31% of the Group's total turnover (2014: 35%). This business is generated predominantly in Jersey and Gibraltar, with Jersey revenue accounting for circa 54% (2014: 57%) of the CTS business at £2.7 million (2014: £3.1 million) and Gibraltar generating turnover of £2.3 million (2014: £2.4 million).

Whilst Jersey has noted the bigger decline of the two, this level of revenue is now expected to stabilise. Gibraltar, however, has seen a number of clients close their structures during 2015 and therefore the level of business for 2016 is expected to decrease by approximately 13%. As a result of this downturn, and in order to maintain profit margins, management has taken action to reduce costs in this division.

## STM LIFE

We are pleased that the turnover for 2015 for STM Life has remained constant at £1.4 million (2014: £1.4 million). Furthermore, we note that within the revenue figure reported, annual fees amounted to £0.8 million compared to £0.5 million in 2014. This provides a steady annuity income stream going forward.

As part of the business development phase of having representative offices in various locations around the world, STM Life has seen a significant increase in demand for its tax-efficient life assurance portfolio bonds.

## OTHER TRADING DIVISIONS AND NEW INITIATIVES

Trading in other divisions, which are mainly insurance management and the Spanish office, was broadly in line with management expectations. These are expected to continue at similar levels going forward having generated revenue of £1.1 million in the year (2014: £1.0 million).

## FINANCIAL POSITION

### PERFORMANCE IN THE YEAR

Revenues for the Group have once again increased in the year to £16.2 million (2014: £15.9 million) of which approximately 70% relates to recurring annuity business. EBITDA has also increased by £0.8 million to £3.1 million (2014: £2.3 million). Finance costs for the year have reduced to £0.1 million (2014:

£0.3 million) which is to be expected given the reduction in borrowings during the year. The depreciation and amortisation charge has also reduced from £0.3 million in 2014 to £0.2 million as a result of assets now being fully depreciated.

Consequently, profit before tax is £2.7 million for the year (2014: £1.7 million) with EPS having gone up by over 100% to 3.99p from 1.97p in 2014.

In line with previous years, STM continues to recover an element of the taxation charge paid by the Malta subsidiary upon the declaration of dividends up to the holding company. This has therefore resulted in a further reduction in the Group's effective tax rate. The charge for the year was £0.4 million (2014: £0.7 million).

## CASHFLOWS

It is pleasing to note that cash generated from operating activities during the year amounted to £3.2 million (2014: £1.8 million) equating to operating cash conversion of 104% of EBITDA. Overall cash balances have increased by £2.4 million (2014: £1.8 million) resulting in cash and cash equivalents balance of £8.0 million at 31 December 2015 (2014: £5.7 million).

Furthermore, as mentioned within my overview, the Convertible Loan Notes have decreased during the year to leave a balance as at 31 December 2015 of £0.3 million (2014: £2.6 million). The reduction of £2.3 million was settled by a cash repayment of £0.7 million with the balance of £1.6 million converted to new ordinary shares in the Company. The balance currently outstanding will be fully repaid in March 2016 from Group working capital.

In line with most services businesses, the Group had accrued income in the form of work performed for clients but not yet billed at the year-end of £1.8 million (2014: £2.1 million). This decrease is predominantly within the CTS business which is as expected given the decrease in the level of business in this area. In addition to this decrease, trade and receivables as at 31 December 2015 has also reduced to £4.2 million (2014: £4.8 million) with trade receivables remaining constant with the prior year at £3.1 million.

Deferred income (a liability in the statement of financial position), representing fees billed in advance yet to be credited to the statement of total comprehensive income, has once again increased to £2.6 million (2014: £2.3 million). This is wholly linked to the Pensions business as a result of more and more annual renewal invoices being raised. In line with the Group accounting



policy a proportion of second year fees and beyond are deferred for the year. In spite of this increase in deferred income, I am pleased to note that the Group's current liabilities (net of Loan Notes) have decreased to £4.8 million (2014: £5.3 million).

Both the accrued and deferred income will be invoiced and earned in 2016 thus providing visibility on fees for 2016.

## BOARD CHANGES

On 1 July 2015, Jonathan Shearman, who has 20 years' experience in the City, was appointed to the Board as a Non-Executive Director.

As part of the Board's continued focus on corporate governance, STM is actively seeking to increase the number of Non-Executive Directors to the Board and it is anticipated further appointments will be made in the near future.

It was with deep regret that on 18 January 2016 I tendered my resignation to the Board as a result of being offered a non-competing opportunity in the United States. Whilst I will step down from the Board on 31 March 2016 I am committed to continue working with the management team to ensure an orderly handover. I have confidence in the current Board and its ability to deliver on its current strategy.

## DIVIDEND POLICY

Given their continued confidence, the Directors feel that it is now appropriate to introduce a formal dividend policy. The Board believes an appropriate level of cover to be in the range of 2x to 3x. Such dividends are anticipated to be split as 1/3 interim dividend and 2/3 final dividend.

Hence the Directors are, subject to shareholder approval, proposing a final dividend based on 2015 results of 0.9p per share. This dividend will be paid on 23 June 2016 to shareholders on the register at the close of business on 27 May 2016. The ordinary shares will become ex-dividend on 26 May 2016.

Going forward, the actual level of dividend each year will take into account the working capital requirements and planned investment in the business to enable us to deliver our stated growth aspirations.

## OUTLOOK

Despite the evident success of increasing profitability in the year, 2015 has primarily been a year focussed on building our business development platform to give us a stronger and more dominant market position for our UK expatriate pension offering. During 2015, we have successfully opened representative offices in the Middle East, South Africa, South East Asia and have a dedicated resource for European business development. 2016 is all about capitalising on this business development infrastructure by broadening our global intermediary network and expanding our product offerings available to such intermediaries.

Whilst it is clear that the QROPS market is still very much in its infancy, and will be a continued source of significant revenue and profitability going forward, STM recognises that the natural evolution for this revenue stream is into an administrator of international pensions and this is part of the focus for 2016. The global market for international pensions is not easy to accurately value, however it is undoubtedly the case that it offers sufficient scale for long-term growth opportunities for STM.

The Board expects continued growth during 2016 and beyond which, coupled with the ongoing initiatives to offer an Australian pension solution for expatriates, gives STM exciting opportunities to deliver enhanced profitability.

The Board is confident in the prospects for the Group and looks forward to updating the market on further progress.



**Colin Porter**

Chief Executive Officer  
1 March 2016

# DIRECTORS' REPORT

The Directors of STM Group PLC present their Report for the year to 31 December 2015 together with the accounts of the Group and the independent auditors' report for the year. These will be laid before the shareholders at the Annual General Meeting to be held on 18 May 2016.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group during the year was the structuring and administration of clients' assets.

## RESULT AND DIVIDENDS

The profit for the year of £2,255,000 (31 December 2014: Profit £979,000) has been transferred to reserves.

The Board recommends the payment of a dividend of 0.9p for the year ended 31 December 2015 (31 December 2014: nil)

## DIRECTORS

Details of the Directors of the Company who served during the period and to date, and their interests in the shares of the Company were:

Alan Roy Kentish

Colin Douglas Porter (Resigned 18 January 2016)

Michael Ross Riddell

Therese Gemma Neish

Jonathan Shearman (Appointed 1 July 2015)

Alan Kentish has an interest in 7,218,817 ordinary shares – 5,766,667 of these shares are held in the name of Clifton Participations Inc and form part of the assets of the Perros Trust of which Alan Kentish is a potential beneficiary.

Colin Porter has an interest in 1,471,113 ordinary shares.

Therese Neish has an interest in 492,756 ordinary shares.

Michael Riddell has an interest in 137,000 ordinary shares.

Jonathan Shearman has been appointed as a Director since the last Annual General Meeting and a resolution to confirm his

appointment will be tabled at the Annual General Meeting.

In accordance with the Articles of Association, Michael Ross Riddell retires as a Director of the Company at the Annual General Meeting and, being eligible, offers himself for re-election.

## POLITICAL AND CHARITABLE DONATIONS

The Group's charitable donations for the period amounted to £10,303 (31 December 2014: £6,265). There were no political contributions in either period.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These financial statements were prepared under IFRS as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law.

## SUBSTANTIAL INTERESTS

Save as disclosed in the table below, the Directors are not aware of any person who directly or indirectly is interested in 3% or more of the issued ordinary share capital of the Company as at 18 February 2016 or any persons who, directly or indirectly, jointly or separately, exercise or could exercise control over the Company.

## ISSUED ORDINARY SHARE CAPITAL OF THE COMPANY

At 18 February 2016

	%
CF Miton UK Smaller Companies	17.84
Septer Limited	12.79
Clifton Participations Inc and Alan Kentish	12.15
International Financial Options Limited	6.31
KAS Bank NV	4.37

## INDEPENDENT AUDITORS

KPMG Audit LLC were appointed as auditors to the Company during the year and being eligible, have expressed their willingness to continue in office. A resolution to re-appoint KPMG Audit LLC as independent auditors of the Company will be proposed at the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting to be held on 18 May 2016 is set out on page 37.

By order of the Board



**Elizabeth A Plummer**

Company Secretary

18 Athol Street

Douglas

Isle of Man IM1 1JA

1 March 2016

# BOARD OF DIRECTORS



**MICHAEL ROSS RIDDELL CA**  
**CHAIRMAN**

Michael is the Managing Director and 50% shareholder of Greystone Trust Company, which he joined in 2005. Michael is a Chartered Accountant and has a degree in Economics from the University of Victoria. Michael started his career in audit in 1982, and worked in Canada, Saudi Arabia, and the Cayman Islands, and then worked in banking, funds, insurance and personal trusts in Canada and the Cayman Islands from 1991 - 2001.



**COLIN DOUGLAS PORTER**  
**CHIEF EXECUTIVE OFFICER**

Colin is a Barrister and Solicitor of the High Court of New Zealand and was admitted to the Bar in 2000. He also holds a double major business degree in Finance and International Business. Colin joined STM as CEO of the Gibraltar and Jersey offices in June 2008, and brings with him a wealth of experience in the company and trust management field, having previously held senior positions with other international trust companies.



**THERESE GEMMA NEISH BA (HONS) FCCA**  
**CHIEF FINANCIAL OFFICER**

Therese trained with KPMG where she qualified as a Chartered Certified Accountant in 2003, having previously studied Accountancy & Financial Studies at Exeter University. Therese joined STM in 2003 in the Insurance Management division where she managed and sat on the Board of various insurance companies. In 2009 Therese became Group Financial Controller and was appointed Chief Financial Officer in January 2014.



**ALAN ROY KENTISH ACA ACII AIRM**  
**DIRECTOR OF PRODUCT AND BUSINESS DEVELOPMENT**

Alan qualified as a Chartered Accountant in 1989 with Ernst & Whinney, specialising in the financial services industry. In 1993 he moved to Ernst & Young, Gibraltar and shortly afterwards qualified as an Associate of the Chartered Insurance Institute. In 1997, Alan joined Fidecs and set up its insurance management division, FIM. Alan became Chief Financial Officer of the Group when it floated in 2007. In December 2013 he became Director of Product and Business Development, with a focus on driving STM's suite of proprietary products and Group revenue.



**JONATHAN SHEARMAN**  
**NON-EXECUTIVE DIRECTOR**

Jonathan has 20 years' experience in the City, having held roles in stockbroking, fund management and investment banking with Williams de Broe, KBC Peel Hunt, Gartmore and Altium. Jonathan currently works as a consultant for a prominent fund management company and sits on the Board, as a Non-Executive Director, for both Trifast PLC and Orchard Funding Group PLC.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

## DIRECTORS' REMUNERATION REPORT

Director	Remuneration	Notes
<b>Executive Directors</b>		
Colin Porter	£250,000	a,b
Alan Kentish	£239,000	a,b
Therese Neish	£140,000	a,b
<b>Non-Executive Directors</b>		
Michael Riddell	£50,000	b,c
Jonathan Shearman	£18,000	b,d

The Company intends to implement a new long-term incentive structure for 2016. Please see the 2016 AGM circular for further details of the proposed design.

### Notes

- The Executive Directors are also entitled to a bonus of £nil as at 31 December 2015.
- No Directors received any benefits in the form of either pension contributions or share based incentives.
- Greystone Trust Company Limited invoices the Company for the Director services provided by Michael Riddell.
- AmorethanD Limited invoices the Company for the Director services provided by Jonathan Shearman.



# CORPORATE GOVERNANCE

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The Board is responsible for establishing the strategic direction of the Company, monitoring the Group's trading performance, and appraising and executing development and acquisition opportunities. During the year the Company held regular Board meetings at which financial and other reports were considered and, where appropriate, voted on.

Details of the Directors' beneficial interests in Ordinary Shares is set out in the Directors' Report. The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom Rule 21 applies. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares by directors and senior employees.

The Directors recognise the importance of sound corporate governance. The Company intends to comply with the QCA Guidelines so far as is practicable and appropriate for a public company of its size and nature.

The Board has established an audit committee and a remuneration committee both with formally delegated duties and responsibilities. The audit committee comprises Michael Riddell, as the Chairman, and Jonathan Shearman, and the remuneration committee comprises Jonathan Shearman, as the Chairman, and Michael Riddell.

The terms of reference for the audit committee provide that it will receive and review reports from the Company's management and the

Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group.

The terms of reference for the remuneration committee provide that it will review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board. No director may participate in any meeting at which discussion or decision regarding his own remuneration takes place.

The Directors have set up a Risk Management Committee comprising the CEO, CFO and the STM Group Risk Management Officer ('RMO'). The Committee has delegated the review of the risks applicable to the business and the actions required to reduce those risks to the RMO and her team. Regular reports of the status of this review have been provided to the Board.

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nomination committee.

# REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT LLC, TO THE MEMBERS OF STM GROUP PLC

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We have audited the financial statements of STM Group PLC for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the statement of consolidated changes in equity, the statement of company changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's

circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the consolidated financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs.



KPMG Audit LLC  
Chartered Accountants  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man IM99 1HN

1 March 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year from 1 January 2015  
to 31 December 2015

	Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Revenue	8	16,179	15,878
Administrative expenses	10	(13,078)	(13,575)
<b>Profit before other items</b>	11	<b>3,101</b>	<b>2,303</b>
<b>OTHER ITEMS</b>			
Finance costs		(147)	(279)
Depreciation and amortisation		(249)	(316)
<b>Profit before taxation</b>		<b>2,705</b>	<b>1,708</b>
Taxation	12	(409)	(657)
<b>Profit after taxation</b>		<b>2,296</b>	<b>1,051</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation differences for foreign operations		(41)	(72)
<b>Total other comprehensive income</b>		<b>(41)</b>	<b>(72)</b>
<b>Total comprehensive income for the year</b>		<b>2,255</b>	<b>979</b>
Earnings per share basic (pence)	18	3.99	1.97
Earnings per share diluted (pence)	18	<b>3.79</b>	1.66

There have been no discontinued activities in the year. Accordingly, the above results relate solely to continuing activities. The notes on pages 20 to 36 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 £000	31 December 2014 £000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	13	837	974
Intangible assets	14	16,832	16,810
Investments	7	708	737
<b>Total non-current assets</b>		<b>18,377</b>	18,521
Current assets			
Accrued income		1,809	2,158
Trade and other receivables	15	4,193	4,775
Cash and cash equivalents	16	8,036	5,711
<b>Total current assets</b>		<b>14,038</b>	12,644
<b>Total assets</b>		<b>32,415</b>	31,165
<b>EQUITY</b>			
Called up share capital	17	59	53
Share premium account	17	22,372	20,828
Reserves		3,614	1,368
<b>Total equity attributable to equity shareholders</b>		<b>26,045</b>	22,249
<b>LIABILITIES</b>			
Current liabilities			
Liabilities for current tax		1,271	1,061
Trade and other payables	19	5,099	5,305
<b>Total current liabilities</b>		<b>6,370</b>	6,366
Non-current liabilities			
Other payables	20	—	2,550
<b>Total non-current liabilities</b>		<b>—</b>	2,550
<b>Total liabilities and equity</b>		<b>32,415</b>	31,165

The notes on pages 20 to 36 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2016 and were signed on its behalf by:

**CD Porter**  
Chief Executive Officer

**TG Neish**  
Chief Financial Officer

1 March 2016



# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 £000	31 December 2014 £000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	13	625	729
Investments	7	16,052	16,052
Intangible assets	14	98	44
<b>Total non-current assets</b>		<b>16,775</b>	<b>16,825</b>
Current assets			
Trade and other receivables	15	8,214	8,151
Cash and cash equivalents	16	452	406
<b>Total current assets</b>		<b>8,666</b>	<b>8,557</b>
<b>Total assets</b>		<b>25,441</b>	<b>25,382</b>
<b>EQUITY</b>			
Called up share capital	17	59	53
Share premium account	17	22,372	20,828
Reserves		(3,097)	(2,950)
<b>Total equity attributable to equity shareholders</b>		<b>19,334</b>	<b>17,931</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	19	6,107	4,901
<b>Total current liabilities</b>		<b>6,107</b>	<b>4,901</b>
Non-current liabilities			
Other payables	20	—	2,550
<b>Total non-current liabilities</b>		<b>—</b>	<b>2,550</b>
<b>Total liabilities and equity</b>		<b>25,441</b>	<b>25,382</b>

The notes on pages 20 to 36 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2016 and were signed on its behalf by:

**CD Porter**  
Chief Executive Officer

**TG Neish**  
Chief Financial Officer

1 March 2016

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year from 1 January 2015  
to 31 December 2015

	Notes	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the year before tax		<b>2,705</b>	1,708
<b>ADJUSTMENTS FOR:</b>			
Depreciation and amortisation	13,14	246	316
Loss on sale of fixed asset	13	3	—
Taxation paid		(199)	(209)
Unrealised loss/(gain) in investments		29	(122)
Decrease/(increase) in trade and other receivables	15	582	(561)
Decrease in accrued income		349	842
Decrease in trade and other payables	19,20	(506)	(125)
<b>Net cash from operating activities</b>		<b>3,209</b>	<b>1,849</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	13	(66)	(37)
Acquisition of treasury shares		—	(8)
Acquisition of investments		—	(25)
Increase in intangibles	14	(68)	—
<b>Net cash used in investing activities</b>		<b>(134)</b>	<b>(70)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan note repayments		(700)	—
<b>Net cash from financing activities</b>		<b>(700)</b>	<b>—</b>
<b>Increase in cash and cash equivalents</b>		<b>2,375</b>	<b>1,779</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Analysis of cash and cash equivalents during the year			
Increase in cash and cash equivalents		2,375	1,779
Translation of foreign operations		(50)	(58)
Balance at start of year		5,711	3,990
<b>Balance at end of year</b>	16	<b>8,036</b>	<b>5,711</b>

## STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

For the year from 1 January 2015  
to 31 December 2015

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
Balance at 1 January 2014	53	20,828	604	(198)	(24)	21,263
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>						
Profit for the year	—	—	1,051	—	—	1,051
Other comprehensive income						
Foreign currency translation differences	—	—	(72)	—	—	(72)
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued in the year	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	15	15
Treasury shares purchased	—	—	—	(8)	—	(8)
At 31 December 2014	53	20,828	1,583	(206)	(9)	<b>22,249</b>
Balance at 1 January 2015	53	20,828	1,583	(206)	(9)	<b>22,249</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>						
Profit for the year	—	—	2,296	—	—	2,296
Other Comprehensive income						
Foreign currency translation differences	—	—	(41)	—	—	(41)
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued in the year	6	1,544	—	—	—	1,550
Dividend paid	—	—	—	—	—	—
Exchange gain on equity	—	—	—	—	(9)	(9)
Treasury shares purchased	—	—	—	—	—	—
At 31 December 2015	<b>59</b>	<b>22,372</b>	<b>3,838</b>	<b>(206)</b>	<b>(18)</b>	<b>26,045</b>

## STATEMENT OF COMPANY CHANGES IN EQUITY

For the year from 1 January 2015  
to 31 December 2015

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2014	53	20,828	(6,758)	14,123
Profit for the year	—	—	3,808	3,808
Shares issued in year	—	—	—	—
Dividend paid	—	—	—	—
31 December 2014	53	20,828	(2,950)	<b>17,931</b>
Balance at 1 January 2015	53	20,828	(2,950)	<b>17,931</b>
Loss for the year	—	—	(147)	(147)
Shares issued in year	6	1,544	—	1,550
Dividend paid	—	—	—	—
31 December 2015	<b>59</b>	<b>22,372</b>	<b>(3,097)</b>	<b>19,334</b>

For the year from 1 January 2015  
to 31 December 2015

### 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 Alternative Investment Market of the London Stock Exchange on 28 March 2007. The address of the Company's registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2015 comprise the Company and its subsidiaries (see note 24) (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in financial services.

### 2. BASIS OF PREPARATION

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

#### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law.

#### b. Functional and presentational 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.

The estimates, assumptions and key judgement areas which have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities are included in the following notes:

- Note 3c – Revenue: a) the recognition upfront of 100% of first year revenues deriving from pension trustee and administration fees; b) the recognition upfront (and deferral of the remainder) of 50% of the annual fees from pension trustee and administration fees from the second year onwards
- Note 3d – Accrued income: the recognition of income prior to the submission of an invoice based on the estimated amount recoverable for work performed before each year-end
- Note 3s – Contingent liabilities
- Note 13 – Depreciation of property, plant and equipment: depreciation rates used and the fact that they are on a reducing balance basis
- Note 14 – Measurement of goodwill: the underlying assumptions used, and other critical judgemental considerations including the allocation of cash generating units, in determining whether goodwill has been impaired at each annual impairment review
- Note 21 – Provisions: judgement applied in determining the conditions surrounding the debtors to determine whether there is objective evidence of impairment

#### d. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except where investments and other financial instruments are held at fair value.

#### e. Employee benefit trusts

The Company contributes to two employee benefit trusts. It is deemed that these trusts are controlled by the Company and are therefore included within the consolidated financial statements of the Group.

### 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### ii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

For the year from 1 January 2015  
to 31 December 2015

## b. Foreign currency

### i. Foreign currency transactions

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

### ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at exchange rates at the reporting date.

## c. Revenue

Revenue is derived from the provision of services as described in note 6 and is recognised in the statement of comprehensive income in proportion to the stage of completion of the services at the reporting date on an accruals basis.

Revenue derived from pension trustee and administration fees is split between the Initial Fee and the Management Fee. In the first year of membership the initial and management fees are recognised in full at the time of processing the application so as to reflect the time incurred in accepting the new member and processing their application. In subsequent years a proportion of the management fee is reflected as income at the time of invoicing to reflect the timing of the work carried out for the member. The other proportion is amortised over the period to the next renewal date.

## d. 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 accrued income where recovery will not be made in full. In terms of pension business the accrued income is based on the number of applications received but for which an invoice has not been raised yet.

## e. Property, plant and 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.

Gains and losses on disposal of an item of property and office equipment are determined by comparing the proceeds from disposal with the carrying amount of property and office equipment, and are recognised net within other income in profit or loss.

### ii. Depreciation

Depreciation is recognised in the statement of comprehensive income 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. Depreciation commences once assets are in use.

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

Office equipment	10% - 25% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis
Leasehold improvements	Over the life of the leases

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

## f. Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group classifies non-derivative financial assets and liabilities into financial assets and liabilities held at fair value through profit and loss and loans and receivables.

### i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

All loans and borrowings are initially recognised at the fair value of the consideration received. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost.

### ii. Fair value through profit and loss

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 statement of comprehensive income. Investments are reviewed for impairment at each year-end.

### iii. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand with an original maturity of three months or less.

## NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2015  
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### *iv. 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 and senior management within the Group, which have yet to be allotted to specific employees. The consideration paid, including any attributable incremental costs (net of income taxes), is deducted from the reserves attributable to the Group's equity holders until the shares are cancelled or reissued via the Treasury Reserve.

### **g. Operating leases**

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

### **h. Finance leases**

Assets held under finance leases are capitalised at their initial cost. Rentals are set against accounts payable on the straight line basis.

### **i. 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 statement when they are due.

### **j. Finance income and expenses**

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

Finance expense comprises interest on borrowings. Interest expense is charged to the income statement using the effective interest method.

### **k. 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 year using enacted tax rates, updated 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.

### **l. Intangible assets**

#### *i. Goodwill*

Goodwill that arises on the acquisitions of subsidiaries is included in intangible assets. 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 less accumulated impairment losses. An annual impairment review is undertaken.

#### *ii. Product development*

Product development relates to internal development expenditure incurred in the development of the Group's new products. When these costs meet the recognition criteria of IAS 38 "Intangible Assets" they are capitalised and amortised on a straight line basis from product launch.

### **m. Impairment**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. 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. Losses are recognised in the statement of comprehensive income.

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.

Any impairment losses would be recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

The decrease in impairment loss is reversed through the statement of comprehensive income.

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.

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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 the income statement.

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.

#### 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. The effects of potential ordinary shares are reflected in diluted EPS only when their inclusion in the calculation would decrease EPS or increase the loss per share.

#### o. 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 year-end and is released over the period to which it relates.

#### p. Borrowing costs

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using effective interest method.

#### q. Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

#### r. New standards and interpretations

The following new standards and interpretations (as endorsed by the European Union - "EU") are mandatory for the first time this year. However, following consideration and review they are believed to either not be relevant to the Group or do not have a significant impact on the Group's financial statements apart from additional disclosures:

- IAS 19 (amended) Defined Benefit Plans: Employee contributions
- Annual improvements to IFRSs 2010 – 2012 Cycle
- Annual improvements to IFRSs 2011 – 2013 Cycle

In addition to a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group.

#### s. Disputes and potential legal matters

The Group may at times be involved in disputes arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of these disputes when the potential losses are probable and estimable. Disputes in respect of legal matters are subject to many uncertainties and the outcome of individual matters cannot be predicted with certainty.

## 4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### a. Intangible assets - goodwill

The fair value of goodwill acquired in a business combination is based on the excess of the fair value of the consideration over the fair value of the underlying assets and liabilities acquired less any impairment considered necessary.

#### b. Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on carrying values. The carrying value of property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

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### 5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Currency risk
- Regulatory risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. The demographics of the Group's client base, including the default risk of the country in which the clients operate, has less of an influence on credit risk. There is no one client to which a significant percentage of the Group's revenue can be attributed.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Further detail in respect of credit risk is provided in note 21 to these financial statements.

#### b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. A further detail in respect of liquidity risk is provided in note 21 to these financial statements.

#### c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The object of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return. The Group does not have a significant exposure to market risk.

#### d. Interest rate risk

The Group did not have any bank borrowings at the year-end therefore has no exposure to interest rate movements.

#### e. Currency risk

The Group has a small exposure to currency risk in relation to the investment in STM Nummos. This is mitigated by the fact that the assets and liabilities held by STM Nummos are in its functional currency of Euros (€).

The Company has minimised exposure to foreign exchange rates, with the majority of transactions being carried out in its functional currency of Pounds Sterling (£).

#### f. Regulatory Risk

The Group is subject to laws, regulations and specific solvency requirements in the various jurisdictions in which it operates. The Group has established policies and procedures aimed at compliance with local laws and regulations.

#### g. Capital management

The Board's policy is to maintain a strong capital base, which is defined as share capital and retained earnings, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern, while



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maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes convertible loan notes as disclosed in Notes 19 and 20, and equity attributable to shareholders, comprising reserves and retained earnings as disclosed. The Board reviews the capital structure and as part of this review, considers the cost of capital and the risks associated with each class of capital. In addition the Board of Directors considers the liquidity and solvency of the Group on an ongoing basis.

The Group monitors capital using a ratio of "adjusted net debt" to "adjusted equity". For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

The Group's adjusted net debt to equity ratio at 31 December 2015 was negative. Net debt compared to equity at 31 December 2015 was as follows:

	31 December 2015 £000	31 December 2014 £000
Total Liabilities	6,370	8,916
Less: cash and cash equivalents	8,036	5,711
<b>Adjusted net debt</b>	<b>(1,666)</b>	<b>3,205</b>
Total equity and adjusted equity	26,045	22,249
<b>Adjusted net debt to adjusted equity ratio</b>	<b>(0.06)</b>	<b>0.14</b>

## 6. SEGMENTAL INFORMATION

STM Group has five reportable segments: Corporate Trustee Services, Pensions, Insurance Management, STM Life and Other Services. Each segment is defined as a set of business activities generating a revenue stream and offering different services to other operating segments. The Group's operating segments have been determined based on the management information reviewed by the CEO and Board of Directors.

The Board assesses the performance of the operating segments based on turnover generated. The performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of arbitrary proportions. Management believe that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

The following table presents the turnover information regarding the Group's operating segments:

Operating Segment	Turnover	
	31 December 2015 £000	31 December 2014 £000
Corporate Trustee Services	5,050	5,477
Pensions	8,587	7,981
Insurance Management	523	556
STM Life	1,399	1,433
Other Services	620	431
	<b>16,179</b>	<b>15,878</b>

Analysis of the Group's turnover information by geographical location is detailed below:

Geographical Segment	Turnover	
	31 December 2015 £000	31 December 2014 £000
Gibraltar	6,574	6,899
Jersey	2,704	3,103
Malta	6,315	5,570
Other	586	306
	<b>16,179</b>	<b>15,878</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 7. INVESTMENTS

#### Group – Other investments

Investments relate to UK Government Gilts which pay coupons of 4.75% and 4.25% per annum and mature on 7 December 2030 and 7 September 2039.

#### Company – Investments in subsidiaries

Acquisitions of the Company	31 December 2015 £000	31 December 2014 £000
Shares in group undertakings		
Balance at start of year	16,052	16,052
Adjustments to prior year	—	—
Acquisitions	—	—
<b>Balance at end of year</b>	<b>16,052</b>	<b>16,052</b>

### 8. REVENUE

	31 December 2015 £000	31 December 2014 £000
Revenue from administration of assets	16,179	15,878
<b>Total revenues</b>	<b>16,179</b>	<b>15,878</b>

### 9. STM LIFE ASSURANCE PCC PLC

These consolidated financial statements include the results for STM Life Assurance PCC PLC (“STM Life”), a 100% owned subsidiary. STM Life’s principal activity is that of the provision of life assurance services. The Company has a licence under the Financial Services (Insurance Companies) Act issued by the Gibraltar Financial Services Commission to carry on linked long-term insurance business.

The financial statements for STM Life include the financial performance of both the long-term fund and shareholders’ funds. For the purposes of these consolidated financial statements, however, only the shareholders’ funds and surplus on the long-term fund have been included as reflecting the movement and balances in the long-term fund would distort the Group’s results.

Within total revenue of the Group of £16,179,000 there is an amount of £1,399,000 relating to revenue attributable to STM Life. The financial performance and balance on the long-term fund is as follows:

Technical Account – Long-term business	Year ended 31 December 2015 £000	Year ended 31 December 2014 £000
Gross premiums written	129,515	73,820
Policy withdrawals	(17,415)	(7,625)
Net operating expenses	(47,679)	(20,252)
Change in long-term business provisions	11	144
Increase in long-term reserves	(62,749)	(44,377)
<b>Surplus on long-term fund</b>	<b>1,683</b>	<b>1,710</b>

Assets held to cover liabilities	31 December 2015 £000	31 December 2014 £000
Open Market Value	164,834	104,821
<b>Cost</b>	<b>175,279</b>	<b>115,618</b>

Technical provision for liabilities	31 December 2015 £000	31 December 2014 £000
Balance at start of year	104,821	61,790
Increase in technical provision for liabilities	62,749	44,377
Foreign exchange movement on liabilities	(2,736)	(1,346)
<b>Balance at end of year</b>	<b>164,834</b>	<b>104,821</b>

The provision for technical liabilities is equal to the open market value of the specified assets attached to all outstanding policies on the valuation date.

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## 10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2015 £000	31 December 2014 £000
Wages and salaries	6,353	6,211
Social Insurance costs	330	341
Pension contributions	61	64
<b>Total personnel expenses</b>	<b>6,744</b>	<b>6,616</b>

Average number of employees

Group	31 December 2015 Number	31 December 2014 Number
Average number of people employed (including executive directors)	<b>163</b>	159

Company	31 December 2015 Number	31 December 2014 Number
Average number of staff employed (including executive directors)	<b>14</b>	14

## 11. PROFIT BEFORE OTHER ITEMS

Profit before other items of £3,101,000 (31 December 2014 £2,303,000), was arrived at after charging the following to the income statement:

	31 December 2015 £000	31 December 2014 £000
Directors' remuneration	697	631
Auditors' remuneration	165	153
Operating lease rentals	646	635

## 12. TAXATION

	31 December 2015 £000	31 December 2014 £000
Current tax expense	409	657
Release from prior years	—	—
<b>Total tax expense</b>	<b>409</b>	<b>657</b>

Reconciliation of existing tax rate	31 December 2015 £000	31 December 2014 £000
Profit for the year	2,705	1,708
<b>Total income tax expense</b>	<b>409</b>	<b>657</b>
Profit before tax	2,705	1,708
Income tax using the Company's domestic rate - 0%	—	—
Effect of tax rates in other jurisdictions	409	657
<b>Total tax expense</b>	<b>409</b>	<b>657</b>

As at the statement of financial position date various subsidiaries had tax losses carried forward which are based on tax computations prepared and submitted but not yet agreed by the tax authorities. These amounts are not material.

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Total £000
<b>Costs</b>				
As at 1 January 2014	12	1,506	876	2,394
Additions at cost	—	37	—	37
<b>As at 31 December 2014</b>	<b>12</b>	<b>1,543</b>	<b>876</b>	<b>2,431</b>
As at 1 January 2015	12	1,543	876	2,431
Additions at cost	—	66	—	66
Disposals	—	(10)	—	(10)
<b>As at 31 December 2015</b>	<b>12</b>	<b>1,599</b>	<b>876</b>	<b>2,487</b>
<b>Depreciation</b>				
As at 1 January 2014	10	681	547	1,238
Charge for the year	—	133	86	219
<b>As at 31 December 2014</b>	<b>10</b>	<b>814</b>	<b>633</b>	<b>1,457</b>
As at 1 January 2015	10	814	633	1,457
Charge for the year	1	118	81	200
Disposals	—	(7)	—	(7)
<b>As at 31 December 2015</b>	<b>11</b>	<b>925</b>	<b>714</b>	<b>1,650</b>
<b>Net Book Value</b>				
As at 31 December 2015	<b>1</b>	<b>674</b>	<b>162</b>	<b>837</b>
As at 31 December 2014	2	729	243	974

Company	Office Equipment £000	Leasehold Improvements £000	Total £000
<b>Costs</b>			
As at 1 January 2014	690	567	1,257
Additions at cost	6	—	6
<b>As at 31 December 2014</b>	<b>696</b>	<b>567</b>	<b>1,263</b>
As at 1 January 2015	696	567	1,263
Additions at cost	27	—	27
<b>As at 31 December 2015</b>	<b>723</b>	<b>567</b>	<b>1,290</b>
<b>Depreciation</b>			
As at 1 January 2014	155	243	398
Charge for the year	55	81	136
<b>As at 31 December 2014</b>	<b>210</b>	<b>324</b>	<b>534</b>
As at 1 January 2015	210	324	534
Charge for the year	50	81	131
<b>As at 31 December 2015</b>	<b>260</b>	<b>405</b>	<b>665</b>
<b>Net Book Value</b>			
As at 31 December 2015	<b>463</b>	<b>162</b>	<b>625</b>
As at 31 December 2014	486	243	729

For the year from 1 January 2015  
to 31 December 2015

## 14. INTANGIBLE ASSETS

Group	Goodwill £000	Client Portfolio £000	Product Development £000	Total £000
<b>Costs</b>				
Balance as at 1 January 2014	16,727	4,927	215	21,869
Additions - acquired	—	—	27	27
Reallocation	—	—	(27)	(27)
<b>Balance at 31 December 2014</b>	<b>16,727</b>	<b>4,927</b>	<b>215</b>	<b>21,869</b>
Balance as at 1 January 2015	16,727	4,927	215	21,869
Additions - acquired	—	—	68	68
<b>Balance at 31 December 2015</b>	<b>16,727</b>	<b>4,927</b>	<b>283</b>	<b>21,937</b>
<b>Amortisation and impairment</b>				
Balance as at 1 January 2014	—	4,927	35	4,962
Charge for the year	—	—	97	97
<b>Balance at 31 December 2014</b>	<b>—</b>	<b>4,927</b>	<b>132</b>	<b>5,059</b>
Balance as at 1 January 2015	—	4,927	132	5,059
Charge for the year	—	—	46	46
<b>Balance at 31 December 2015</b>	<b>—</b>	<b>4,927</b>	<b>178</b>	<b>5,105</b>
<b>Carrying amounts</b>				
At 1 January 2014	16,727	—	180	16,907
<b>At 31 December 2014</b>	<b>16,727</b>	<b>—</b>	<b>83</b>	<b>16,810</b>
At 1 January 2015	16,727	—	83	16,810
<b>At 31 December 2015</b>	<b>16,727</b>	<b>—</b>	<b>105</b>	<b>16,832</b>

### Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made during the period from 28 March 2007 to 31 December 2015, and reflects the difference between the identifiable net asset value of those acquisitions and the total consideration incurred for those acquisitions.

Goodwill is allocated to the Group's operating entities and consequently to the generating units comprising these acquired businesses. However, as subsequent to the acquisitions, the acquired businesses have been integrated and are managed on a unified basis it is more appropriate to allocate goodwill to three cash-generating units for the purposes of impairment testing, being the Fidecs Group with a carrying value of £15,280,000; the Nummos Group with a carrying value of £470,000 and the Fiduciaire Group with a carrying value of £977,000.

The Group tests goodwill annually for impairment with the recoverable amount being determined from value in use calculations which are based on board approved cash flow projections. A pre-tax discount rate of 9% has been used in discounting the projected cash flows. The assumptions applied for turnover growth range between 0% and 5% for the various CGUs and have been arrived at using past experience and knowledge of the various markets and internal strategies for each CGU. Similarly for expenses a growth rate of 3% has been applied.

The valuations indicate sufficient headroom such that a reasonable potential change to key assumptions is unlikely to result in an impairment of the related goodwill.

Based on the operating performance of the respective CGUs, no impairment loss was deemed necessary in the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2015  
to 31 December 2015

### 14. INTANGIBLE ASSETS (continued)

Company	Client Portfolio £000	Product Development £000	Total £000
<b>Costs</b>			
As at 1 January 2014	4,927	70	4,997
Additions	—	18	18
As at 31 December 2014	<b>4,927</b>	<b>88</b>	<b>5,015</b>
As at 1 January 2015	4,927	88	5,015
Additions	—	79	79
As at 31 December 2015	<b>4,927</b>	<b>167</b>	<b>5,094</b>
<b>Amortisation and impairment</b>			
As at 1 January 2014	4,927	22	4,949
Charges for the year	—	22	22
As at 31 December 2014	<b>4,927</b>	<b>44</b>	<b>4,971</b>
As at 1 January 2015	4,927	44	4,971
Charges for the year	—	25	25
As at 31 December 2015	<b>4,927</b>	<b>69</b>	<b>4,996</b>
<b>Carrying amounts</b>			
As at 1 January 2014	—	48	48
As at 31 December 2014	<b>—</b>	<b>44</b>	<b>44</b>
As at 1 January 2015	—	44	44
As at 31 December 2015	<b>—</b>	<b>98</b>	<b>98</b>

### 15. TRADE AND OTHER RECEIVABLES

Group	31 December 2015 £000	31 December 2014 £000
Trade receivables	3,102	3,096
Other receivables	1,091	1,679
<b>Total</b>	<b>4,193</b>	<b>4,775</b>

  

Company	31 December 2015 £000	31 December 2014 £000
Trade receivables due from related parties	7,970	7,935
Other receivables	244	216
<b>Total</b>	<b>8,214</b>	<b>8,151</b>

Amounts due from related parties are unsecured, interest free and repayable on demand.

The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding accrued income) are described in note 21.

For the year from 1 January 2015  
to 31 December 2015

## 16. CASH AND CASH EQUIVALENTS

Group	31 December 2015 £000	31 December 2014 £000
Bank balances	8,036	5,711
Cash and cash equivalents in the statement of cash flow	8,036	5,711

Company	31 December 2015 £000	31 December 2014 £000
Bank balances	452	406
Cash and cash equivalents in the statement of cash flow	452	406

## 17. CAPITAL AND RESERVES

Authorised, called up, issued and fully paid	31 December 2015 £000	31 December 2014 £000
59,408,087 ordinary shares of £0.001 each (2014: 53,446,549 ordinary shares of £0.001 each)	59	53

### Treasury shares

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives. The trustees held 530,513 (2014: 530,513) shares at 31 December 2015, amounting to £205,776 (2014: £205,776).

### Share premium

During the year 5,961,538 shares were issued (2014: nil) for a total share premium of £1,544,039 (2014: £nil).

### Translation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 18. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2015 to 31 December 2015 is based on the profit after taxation of £2,296,000 (2014: £1,051,000) divided by the weighted average number of £0.001 ordinary shares during the year of 57,562,460 basic (2014:- 53,446,549) and 60,598,814 dilutive (2014:- 63,254,421) in issue.

A reconciliation of the basic and diluted number of shares used in the year ended 31 December 2015 is:

Weighted average number of shares	57,562,460
Dilutive share incentive plan, options and contingent consideration shares	3,036,354
<b>Diluted</b>	<b>60,598,814</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2015  
to 31 December 2015

### 19. TRADE AND OTHER PAYABLES

Group	31 December 2015 £000	31 December 2014 £000
Loans from related parties	26	57
Deferred income	2,618	2,273
Trade payables	263	334
Convertible Loan Notes (note 20)	300	—
Other creditors and accruals	1,892	2,641
	<b>5,099</b>	<b>5,305</b>

Company	31 December 2015 £000	31 December 2014 £000
Owed to related parties	5,570	3,524
Convertible Loan Notes (note 20)	300	—
Other creditors and accruals	237	1,377
	<b>6,107</b>	<b>4,901</b>

Loans from related parties amount to £26,000 and relate to a loan by a founding shareholder of Fidecs, the loan is unsecured and interest bearing at 7% per annum.

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the year-end. These amounted to £2,618,000 as at 31 December 2015 (31 December 2014: £2,273,000).

The Group's exposure to liquidity risk related to trade and other payables is described in note 21.

### 20. OTHER PAYABLES - AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

Group	31 December 2015 £000	31 December 2014 £000
Convertible Loan Notes	—	2,550
	<b>—</b>	<b>2,550</b>

Company	31 December 2015 £000	31 December 2014 £000
Convertible Loan Notes	—	2,550
	<b>—</b>	<b>2,550</b>

As at 31 December 2015 the Company had £0.3 million of convertible loan notes ("Loan Notes"), the conversion date having lapsed in March 2015. The Loan Notes had a fixed term of 2 years from March 2014 and the balance will therefore be repaid in March 2016. The Loan Notes carry an annual coupon of 7%, payable half-yearly and are secured against all the assets of the Group.



For the year from 1 January 2015  
to 31 December 2015

## 21. FINANCIAL INSTRUMENTS

### Credit Risk

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2015 £000	31 December 2014 £000
Investments	708	737
Trade and other receivables	4,193	4,775
Cash and cash equivalents	8,036	5,711
	<b>12,937</b>	<b>11,223</b>

The Group's maximum exposure to credit risk on trade and other receivables relating to one entity or group of related entities amounts to less than 10% of the overall trade receivable amount as at 31 December 2015 and 31 December 2014.

#### Impairment losses on trade receivables

Impairment on trade receivables is determined by assessing the conditions of the debtors to determine whether there is objective evidence of impairment. Objective evidence that trade receivables are impaired include:

- Default or delinquency by a debtor;
- Indications that a debtor will enter bankruptcy;
- Adverse changes in the payment status of the debtor;
- Observable data indicating that there is a measurable decrease in the expected cash flows from a debtor.

The ageing of the Group's trade receivables at the reporting date was:

	Gross receivables 31 December 2015 £000	Individual Impairment 31 December 2015 £000	Total £000	Gross receivables 31 December 2014 £000	Individual Impairment 31 December 2014 £000	Total £000
Not past due	543	—	543	302	—	302
Past due 0–30 days	759	—	759	938	—	938
Past due 31–120 days	357	—	357	389	—	389
More than 120 days past due	2,142	(699)	1,443	2,675	(1,208)	1,467
	<b>3,801</b>	<b>(699)</b>	<b>3,102</b>	<b>4,304</b>	<b>(1,208)</b>	<b>3,096</b>

Standard credit terms are 30 days from the date of issuing the fee note.

The movement in the allowance for impairment in respect of trade receivables during the period was:

	31 December 2015 £000	31 December 2014 £000
Balance at start of year	1,208	838
Impairment loss (released)/increased	(509)	370
Balance at end of year	<b>699</b>	<b>1,208</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2015  
to 31 December 2015

### 21. FINANCIAL INSTRUMENTS (continued)

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of some of the trade receivables older than a year and those that are not more than one year old. This is because, invariably, the Group are administering clients' assets and therefore have further recourses for the recoverability of any debts outstanding.

#### Liquidity Risk

The Group holds sufficient liquid assets, including cash at bank, to enable it to meet its liabilities as they fall due. The following are the Group's contractual maturity liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements.

31 December 2015	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000
<b>Non-derivative financial liabilities</b>					
Trade payables	263	263	263	—	—
Loans from related parties	26	26	26	—	—
Convertible Loan Notes	300	300	300	—	—
Other creditors and accruals	1,892	1,892	1,892	—	—
Corporation tax payable	1,271	1,271	1,271	—	—
	<b>3,752</b>	<b>3,752</b>	<b>3,752</b>	<b>—</b>	<b>—</b>

31 December 2014	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-2 years £000
<b>Non-derivative financial liabilities</b>					
Trade payables	334	334	334	—	—
Loans from related parties	57	57	57	—	—
Convertible Loan Notes	2,550	2,550	—	—	2,550
Other creditors and accruals	2,641	2,641	2,641	—	—
Corporation tax payable	1,061	1,061	1,061	—	—
	<b>6,643</b>	<b>6,643</b>	<b>4,093</b>	<b>—</b>	<b>2,550</b>

#### Currency, interest rate risk and market risk

The Group has minimal exposure to currency risk and market risk. The net impact to the results on interest bearing assets and liabilities is also considered to be minimal.

### 22. LEASES

#### Operating Leases

Non-cancellable operating leases are payable as follows:

	31 December 2015 £000	31 December 2014 £000
Less than one year	518	646
Between one year and five years	1,553	1,719
More than five years	1,059	1,412
	<b>3,130</b>	<b>3,777</b>

The Group leases a number of offices from which they operate, the largest of which is for Montagu Pavilion which runs for a further 8 years.

For the year from 1 January 2015  
to 31 December 2015

## 22. LEASES (continued)

### Finance Leases

Non-cancellable finance leases are payable as follows:

	31 December 2015 £000	31 December 2014 £000
Less than one year	—	3
Between one year and five years	—	—
More than five years	—	—
	<b>—</b>	<b>3</b>

## 23. RELATED PARTIES

### Transactions with key management personnel and Directors' Compensation

Key management compensation comprised:

	31 December 2015 £000	31 December 2014 £000
Short-term employee benefits	697	631
Post-employment benefits	—	—
Share-based payments	—	—
	<b>697</b>	<b>631</b>

### Key management personnel and Director Transactions

Trusts and related parties connected to the Directors held 16% of the voting shares of the Company as at 31 December 2015 (2014: 29.06%).

### Other related party transactions

As more fully explained in note 19, a loan of £26,000 has been provided to the Group by a founding shareholder of Fidecs (the Company's first acquisition) who is also a shareholder (2014: £57,000).

The Group provided administration services to Gold Management Limited a company partly owned by Louise Kentish, spouse of Alan Kentish, a Director of the Company. These services amounted to £3,160 for the period to 31 December 2015 (2014: £6,100), of which £nil was outstanding at 31 December 2015 (2014: £nil).

Greystone Trust Company Limited, of which Michael Riddell is a director, charged the Company £72,114 for services rendered during 2015 (2014: £28,400), of which £210 was outstanding at 31 December 2015 (2014: £nil).

All services relating to the above transactions were carried out by the Group on an arm's length basis and are payable/receivable under the standard credit terms.

Ready Finance Ltd and Bespoke Finance Ltd, companies related to the Group by virtue of common ownership and directors owe the Group a combined balance of £384,000 at 31 December 2015 (2014: £384,000).

As at 31 December 2015 the Group owed Fiander Properties Limited a company related to the Group by virtue of common ownership £100,602 (2014: £43,500).

During the year the Company charged STM Fidecs Life, Health and Pensions Limited a head office charge of £117,591 (2014: £ 124,400) and received dividends from STM Malta Limited amounting to £1,985,222 (2014: £1,220,005).

## NOTES TO THE FINANCIAL STATEMENTS

For the year from 1 January 2015  
to 31 December 2015

### 24. GROUP ENTITIES

#### Principal subsidiaries

As at 31 December 2015 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

Group	Country of incorporation	Ownership interest		Activity
		31 December 2015	31 December 2014	
STM Fidecs Limited	Isle of Man	100% directly	100% directly	Holding company
STM Fidecs Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Insurance Management Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Fiscalis Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Trust Company Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and Administration
STM Fidecs Pension Trustees Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Trustees Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Fiduciaire Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM (Caribbean) Limited	BVI	100% directly	100% directly	Intellectual property holding company
STM Life Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Insurance company
Zenith Trust Company Limited	Jersey	100% indirectly	100% indirectly	Administration of clients' assets
STM Nummos Limited	England	100% directly	100% directly	Holding company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Malta Limited	Malta	100% directly	100% directly	Holding company
STM Malta Trust and Company Management Limited	Malta	100% indirectly	100% indirectly	Administration of clients' assets

### 25. SUBSEQUENT EVENTS

On 18 January 2016 Colin Porter, CEO of the Company and Group tendered his resignation to pursue an opportunity in a non-competing industry in the United States. Colin will serve his 12 month notice period to ensure an orderly handover and will work closely with the Board to support the transitional period. Alan Kentish will assume the role of Interim Chief Executive Officer as of 1 April 2016.

**IMPORTANT NOTE****THIS NOTICE AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are resident outside the United Kingdom, from another appropriately qualified financial adviser.

If you have sold or transferred all of your shares, please forward this Notice together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

**STM Group PLC (the "Company")  
Notice of Annual General Meeting**

Notice is hereby given that the Annual General Meeting of the Company will be held on 18 May 2016 at 11am at 18 Athol Street, Douglas, Isle of Man IM1 1JA for the purpose of considering and, if thought fit, passing the following resolutions:

- Ordinary Resolutions**
1. THAT the accounts for the year ended 31 December 2015 and the reports of the Directors and auditors thereon be received.
  2. THAT the final dividend of 0.9 p per share recommended by the directors be declared to be payable on 23 June 2016 to shareholders registered at the close of business on 27 May 2016, the shares will become ex-dividend on 26 May 2016.
  3. As Jonathan Shearman has been appointed during the period since the last AGM, to confirm his appointment as a Director of the Company.
  4. THAT Michael Ross Riddell who has retired from office by rotation in accordance with article 88 of the Company's Articles of Association (the "Articles"), be reappointed as a Director of the Company.
  5. THAT KPMG Audit LLC be reappointed as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the Annual General Meeting held in 2017.
  6. THAT the new STM Group PLC Value Creation Plan be approved.
- Special Resolution**
7. THAT the Directors be authorised to allot Ordinary Shares for cash as if the restrictions at Article 7.1 (Pre-emption) of the Articles do not apply to such allotment, provided such allotment or allotments are limited to the allotment of Ordinary Shares up to an aggregate nominal amount equal to 10 per cent of the aggregate nominal amount of all the Ordinary Shares in issue as of the date of passing this resolution, which would amount to a maximum of 5,940,808 Ordinary Shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company after passing of this resolution (the "First Period") save that the Company may before the expiry of the First Period make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry of the First Period (as the case may be) and the directors of the Company may allot Ordinary Shares in pursuance of such offer or agreement as if their authority conferred hereby had not expired.

By order of the Board



**Elizabeth A Plummer**  
Company Secretary  
18 Athol Street  
Douglas  
Isle of Man IM1 1JA  
9 March 2016

**Notes:**

Resolutions 1 to 6 are to be proposed as Ordinary Resolutions. Resolution 7 is to be proposed as a Special Resolution requiring the approval of (i) on a show of hands a majority of not less than 75 per cent of such members as are present and voting at the relevant meeting and are entitled under the Articles to vote on a show of hands; or (ii) on a poll members of the Company holding not less than 75 per cent of the voting rights attributable to the shares held by the members present and voting at the relevant meeting and entitled under these Articles to vote on a poll.

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of that member. A proxy need not be a member of the Company. A form of proxy is enclosed. Proxy forms must be returned by post or by hand to the office of the agent of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Rd, Bristol BS99 6ZY not less than 48 hours before the time of holding of the meeting. The Company specifies, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (SD No. 743/06), that only those members entered on the register of members as at 11:00 am on 16 May 2016 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at the time. Changes to the register of members after 11:00am on 16 May 2016 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

CORPORATE

Directors

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Michael Ross Riddell CA  
*Non-Executive Chairman*

Colin Douglas Porter  
*Chief Executive Officer*

Therese Gemma Neish BA (Hons) FCCA  
*Chief Financial Officer*

Alan Roy Kentish ACA ACII AIRM  
*Director of Product and Business Development*

Jonathan Shearman  
*Non-Executive Director*

Company Details

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Company Number  
005398V

Company Secretary  
Elizabeth Anne Plummer  
FCA TEP CTA

Registrars and CREST  
Service Provider  
Computershare Investor  
Services (Jersey) Limited  
Queensway House  
Hilgrove Street St Helier  
Jersey JE1 1ES

Advisers

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Registered Agent  
Greystone Trust  
Company Limited  
18 Athol Street Douglas  
Isle of Man IM1 1JA

Nominated Adviser  
and Broker  
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London EC2M 1JJ

Solicitors to the Company  
as to English law  
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London WC2A 1AP

Solicitors to the Company  
as to Isle of Man law  
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The Chambers  
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Auditors

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KPMG Audit LLC  
Heritage Court  
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Isle of Man IM99 1HN



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