

STM GROUP PLC ANNUAL REPORT & ACCOUNTS 2022



STM is a multi-jurisdictional financial services group traded on AIM, a market operated by the London Stock Exchange. The Group specialises in the administration of client assets in relation to retirement, estate and succession planning and wealth structuring.

Today, the Group has operations in the UK, Gibraltar, Malta, Australia, and Spain. STM has developed a range of pension products for UK nationals and internationally domiciled clients and has two Gibraltar life assurance companies which provide life insurance bonds and annuities – wrappers in which a variety of investments, including investment funds, can be held.

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Our Brands

STM GROUP

options™ for your tomorrow

LONDON & COLONIAL
INNOVATION IN PENSIONS

Financial Information

Revenue	2022	2021	2020
Reported	£24.1m	£22.4m	£24.0m
Adjusted[1]	£24.6m	£21.6m	£20.8m

Recurring Revenue	2022	2021	2020
£'m	£22.0m	£20.4m	£20.3m
%	91%	91%	85%

Total Dividends		
2022	2021	2020
1.20p	1.50p	1.40p

Profitability	2022	2021	2020
Reported profit before other items	£3.3m	£2.8m	£3.6m
Adjusted profit before taxation[1]	£4.7m	£2.9m	£4.0m
Reported profit before taxation[1]	£1.6m	£1.2m	£2.0m

Adjusted Profit Margins	2022	2021	2020
Profit before other items	19%	14%	19%

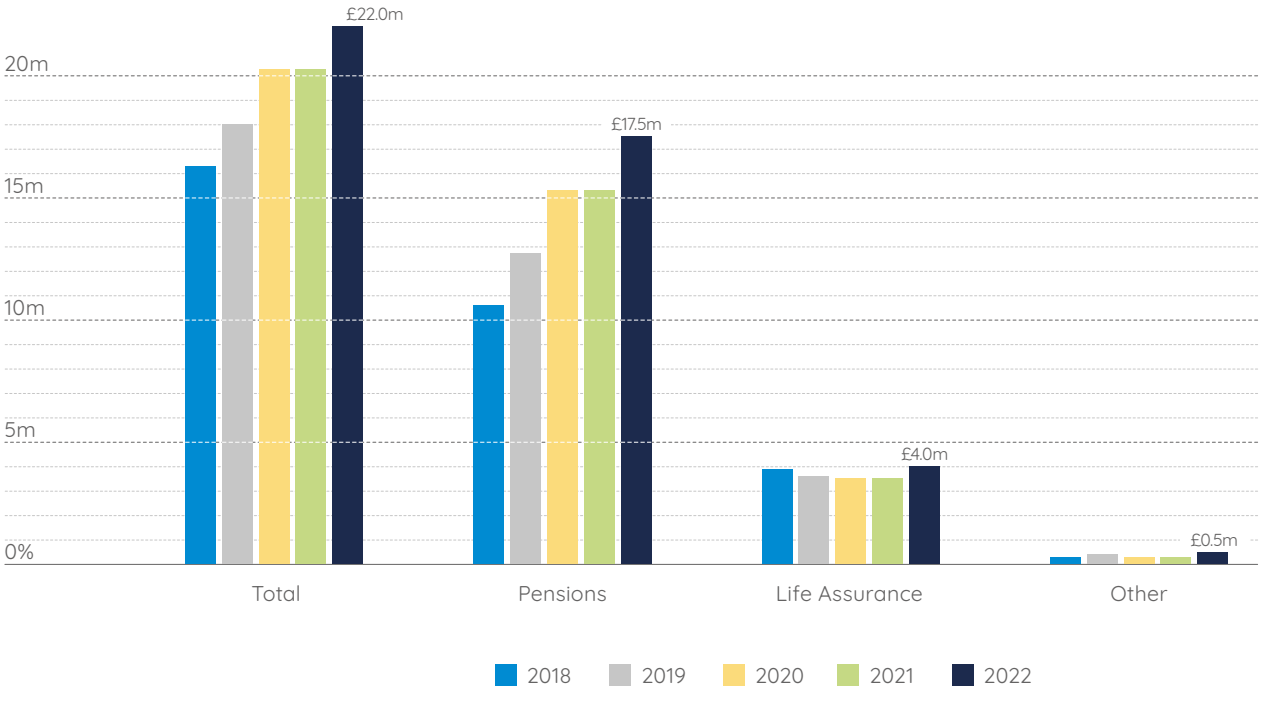
Cash & cash equivalents	2022	2021	2020
Balance net of borrowing[2]	13.9m	16.7m	£14.8m
Cash flow from operations	£3.8m	(£0.0m)	£1.6m

NOTES:

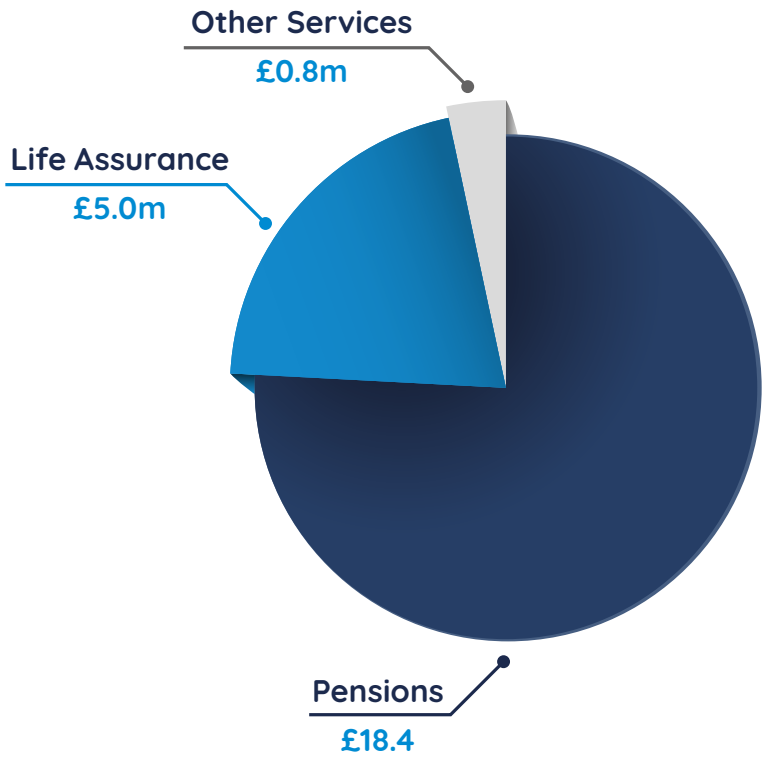
[1] Net of non-recurring items which do not form part of ordinary operations see page 13 for further details.

[2] Bank Loan fully drawn down during 2022 with £5.4m outstanding at year end (Note 23).

Recurring Revenue



Revenue by Operating Segment



Operational Highlights

- Recurring revenues remain predictable and a corner stone of the business representing 91% of reported revenues, building on the 2021 base
- All personal pension businesses (with the exclusion of the Mercer acquisition) are now on one administration system
- Launch of the Malta occupational pension on straight through processing technology
- Corporate pensions (auto-enrolment) effectively negates most of the financial impact of the “small pots” legislation by negotiating share of investment management fees
- Growth in the UK proposition as a key jurisdictional focus following integration of UK acquisitions
- Centralisation of the business development function driving increased “top line” growth - new Group Head of Business Development joined in early 2023
- Revitalised PLC board, as well as some changes at senior management level

Product Offering

UK Workplace pensions

Following acquisition of Carey (Options) Pensions in February 2019, strategic entry into the dynamic sector of auto-enrolment.

Currently: circa 275,000 members

Self-invested Personal Pensions schemes (SIPPS) & small self-administered schemes (SSAS)

UK regulated products. STM has products specifically tailored to serve both the UK and international market.

Currently: over 11,000 members

Group Pension Plans (GPP)

Acquired through the Berkeley Burke acquisition.

Currently: circa 100 customers

Qualifying Recognised Overseas Pension Schemes (QROPS)

Exported UK pensions administered by Malta and Gibraltar.

Since legislation changes in 2017 this is no longer STM's primary growth driver but continues to provide a steady recurring revenue stream.

Currently over 7,000 policy holders

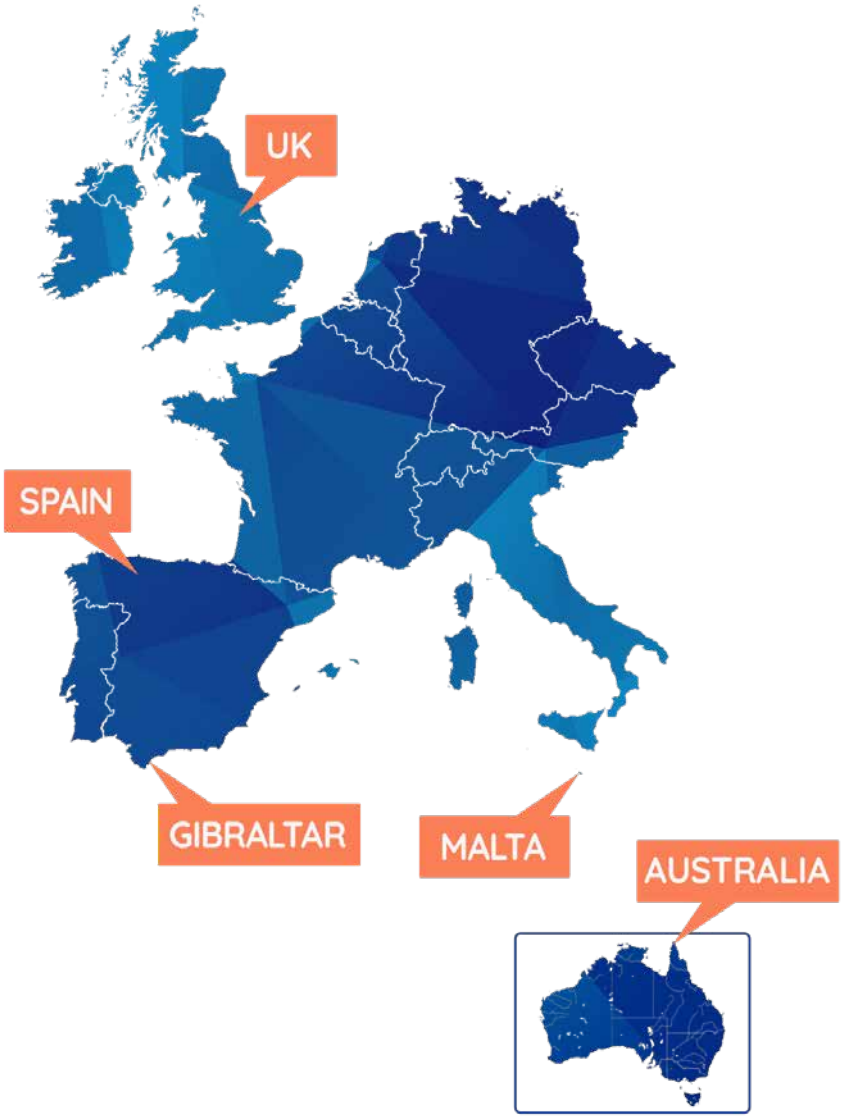
Life Assurance Wrappers

With two life assurance companies in the Group STM offers a broad range of product solutions.

Currently: circa 2,800 policy holders



Main Trading Jurisdictions



Products administered:

United Kingdom

Personal pensions
(SIPP and SSAS)

Workplace Pensions

Group Pension Plan

Gibraltar

Personal pensions
(QROPS and QNUPS)

Workplace Pensions

Life Assurance Portfolio Bonds

Annuities

Malta

Personal pensions
(QROPS, QNUPS and EURBS)

Workplace Pensions

Australia

SIPPs

Superannuation

289

Colleagues

Average number of people employed by including executive directors

296,000

Customers

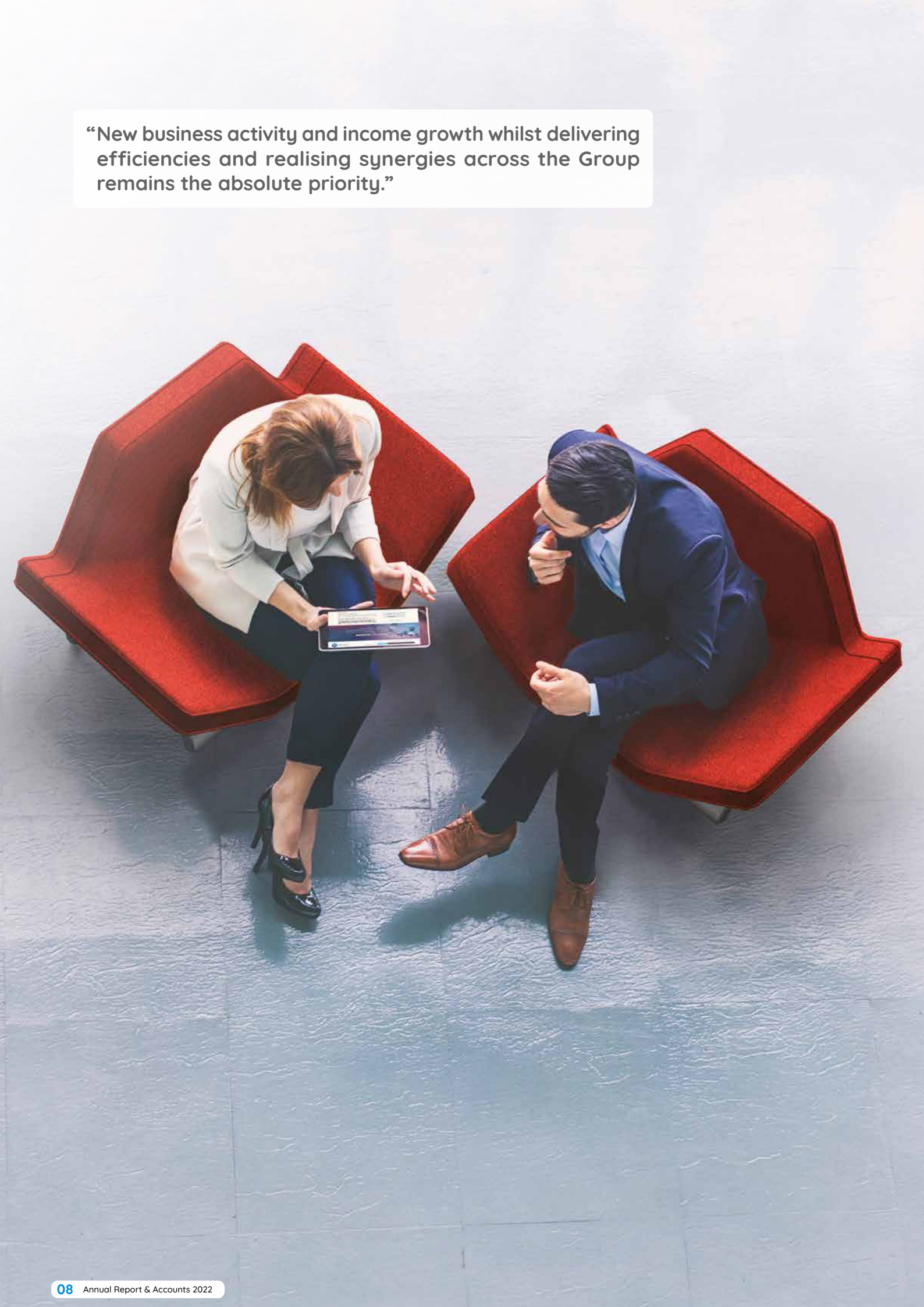
STM gives peace of mind to their customers by helping to look after their financial future.

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Countries

STM looks after customers living all over the world.

"New business activity and income growth whilst delivering efficiencies and realising synergies across the Group remains the absolute priority."



Chairman's Statement

I am pleased to present to you the STM Group Plc ("STM") results for the year ended 31 December 2022.

Having taken over the chair in September 2022, this is my inaugural chairman's statement for STM within the financial statements.



Nigel Birrell
Chairman

I am pleased to say that the reported and underlying 2022 revenue and profit before tax results are an improvement on the prior year, however, there continues to be much to do in relation to delivering the true potential of STM. The Plc board have proposed a final 2022 dividend of 0.60p per share (2021: 0.90p), having taken into account the impact of some exceptional costs in the first half year of 2023.

The recurring revenue base gives more predictability and certainty around underlying profits and allows for a solid foundation in which to grow our revenue streams, as well as allowing for us to significantly improve operating margins. Frustratingly, there continues to be too many non-recurring costs generally across the Group. However, these parameters in themselves indicate and the Board believes that there is embedded shareholder value within the group that is not reflected by the current market capitalisation of the Company.

STM is at a cross-roads in its evolution and whilst it is fortunate to have a wide range of products and services, it is important that we focus on those areas that have the potential to deliver a step-change in profitability. As part of this assessment of our next steps, the Group board initiated a strategic review in the first quarter of 2023, with the aid of external consultants. As announced in May 2023, the external advisor engagement is complete, and the Board has assessed the conclusions from it and has begun to refine the Group's strategy. In particular, the review has identified areas of the business where we are likely to struggle to materially grow in revenue and profitability, but also areas with the potential for future growth following further investment. The Board is therefore considering whether we crystallise some of that embedded shareholder value from those areas of the businesses which may struggle to materially grow under the Group's ownership.

The strategic review demonstrates that some of our competitors are significantly more profitable than ourselves in certain areas, and this in turn has initiated the natural next step of our strategic review into our use of technology and our current capabilities. There has been significant M&A activity in the UK pensions sector driven by technology and trading platform capabilities. The outcome of this technology review will inform our decisions of the areas to focus on to drive the Group's future growth.

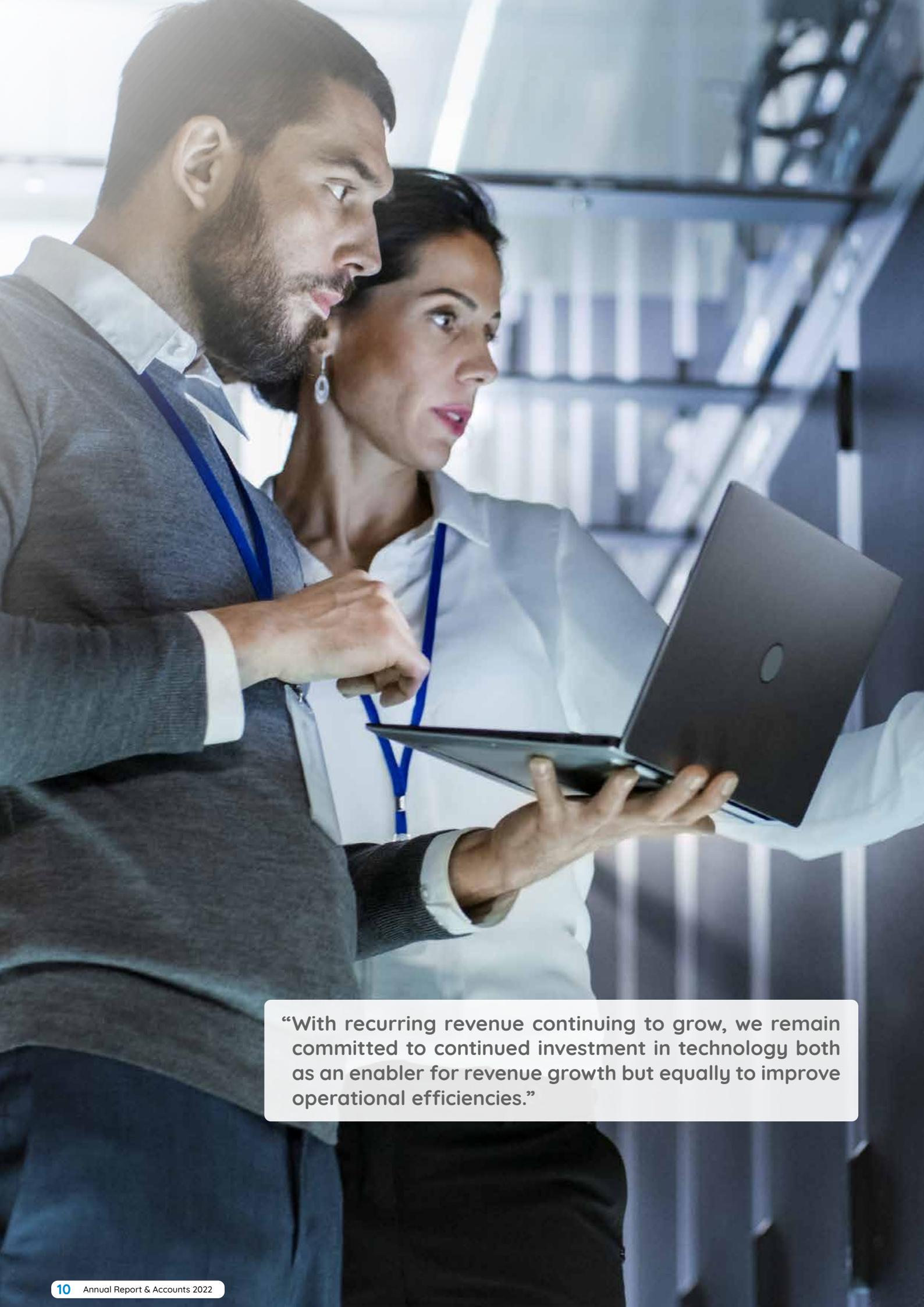
2023 will undoubtedly be a year of significant change for STM, as we look to re-shape the Group and conclude on some material items around how we operate. This will invariably lead to some further exceptional costs but having implemented some positive changes, such as our interest sharing policy, it is anticipated that we will achieve a solid 2023 performance when compared to 2022.

Finally, I would like to thank the various outgoing Plc directors for all their hard work during their tenure, and I welcome Peter Smith to the board. We are also in the process of recruiting Therese Neish's replacement as CFO, and a further NED. I would like to thank Therese for once again joining the board on an interim basis so as to see us through the year end process, and I wish her every success for the future. In addition, my thanks go to all my STM colleagues for their hard work and commitment during the course of 2022 and into 2023.

I look forward to updating the market in due course.

Nigel Birrell

Nigel Birrell
Chairman
26 June 2023



"With recurring revenue continuing to grow, we remain committed to continued investment in technology both as an enabler for revenue growth but equally to improve operational efficiencies."

Chief Executive Officer's Statement



Alan Kentish
Chief Executive Officer

Whilst we have made progress with the underlying business performance as compared to 2021, new business growth has not been at the speed or levels that I would have wanted or expected.

Recurring revenue, representing 91% of our revenue, remained the cornerstone of our profitability and continues to remain predictable and stable albeit with additional efficiencies around existing systems being slower to materialise than previously anticipated.

Our new business revenue for our pensions businesses, particularly in the UK SIPP market, whilst steady was below our previous expectations, with reliance being placed on a number of strategic partners that have not, as yet delivered new business in line with those previous expectations. Our UK personal pensions business saw organic growth of circa 9% in terms of new SIPP policies, but this was offset by similar levels of attrition. This general shortfall was somewhat compensated for by an uplift in new business in the Gibraltar based life assurance businesses, and in particular in relation to the short-term annuity product.

The acquisition of the SIPP and SSAS book from Mercer in September 2022 was however particularly pleasing. The portfolios were acquired at sensible multiples and add a solid and predictable revenue stream of circa £2.7 million for 2023 and beyond. The smooth transition from Mercer and integration into STM was achieved prior to the year end.

Our UK workplace pensions business continued to see double digit growth, with a 19% net uplift in terms of number of members. However, the change in legislation around charging ability for members with "small pots" had a more material impact than envisaged, reducing revenue generating capability by £0.6m.

In our international pensions businesses, our QROPS book remains stable but focus on growth has moved to alternative pension products. In this regard, I am pleased to confirm that by the end of 2022 we had launched our Malta international occupational scheme, which saw its first client commence in January of this year.

We also continue to see increased activity from intermediaries in the form of illustrations for our flexible annuity products issued from our Gibraltar life companies, albeit the lead time to receiving applications remains frustratingly slow.

Operationally, with the exception of the newly acquired Mercer business, we now have moved all our personal pension businesses on to our in-house "BOSS" administration system. This process has helped to align our thoughts as to the areas in our technology stack that we now need to address. The exercise has also helped us to appreciate that not all technology solutions need to be produced in-house, and that some of the functionalities available through third-party investment platforms would make our business more efficient. During 2022, we have continued to look at ways to centralise more of the Group's business functions, so as to obtain additional efficiencies.

During 2022 and into 2023, there has been significant changes to the senior leadership team as well as the Plc board. These changes have included a new managing director for both the Malta and Gibraltar businesses, the redundancy of our dedicated acquisition resource, and the appointment of a new Head of Business Development.

In addition, there has been a change of Chairman and of the independent non-executive directors at Plc level.

I would like to thank all of the above individuals for their contributions to STM over the years.

Chief Executive Officer's Statement

Financial Review

Financial performance in the year

The principal key performance indicators used by the Board to assess the financial performance of the Group are as per Table 1 below.

The Group reported revenues of £24.1 million (2021: £22.4 million) in the year with profit before other items and tax of £3.3 million (2021: £2.8 million). This £1.7m increase in revenue was largely due to the acquisition of the Mercer books which contributed £0.8 million of revenue in the year, and revenue growth in the life companies of £1.5 million. The sale of the corporate trustee service companies in 2021, which contributed £0.8 million of revenue that year, account for the balance in this movement. Pleasingly, recurring annual revenue, which is an important key performance indicator for the Board, has continued to be a significant portion (91%) of the total revenues achieved.

The Group shows both reported and adjusted financial key performance indicators in Table 1 and 2 below as historically the impact of non-recurring movements have not allowed for a clear understanding of operating performance.

Reported profit before tax ("PBT") for the year amounted to £1.6 million (2021: £1.2 million) with adjusted PBT (defined on a consistent basis with adjusted revenue and profit before other items) for the year of £2.8 million (2021: £1.2 million).

The reported PBT is calculated after deducting net finance costs of £0.3 million (2021: £0.3 million), depreciation and amortisation of £1.6 million (2021: £1.5 million) and the bargain purchase gain on the acquisition of £0.3 million (2021: £0.4 million).

Reported profit after tax ("PAT") is £0.9 million (2021: £1.7 million). The decrease compared to the prior year is largely due to a change in tax treatment in Malta in 2021 which resulted in a one-off £1.0 million tax rebate being recognised in that year.

Table 1

KPI	DEFINITION	2022 (reported)	2021 (reported)	2022 (adjusted)	2021 (adjusted)
Revenue (£000)	Income derived from the provision of services	24,094	22,355	24,599	21,581
Recurring revenue (£000)	Revenue derived from annual management charges and/or contractual fixed fee agreements	22,219	20,427	22,219	20,427
Profit before other items (£000)	Revenue less administrative expenses i.e. profit before finance income and costs, gain on disposal of subsidiary bargain purchase gain, goodwill impairment and gain on the call options and before taxation.	3,321	2,823	4,686	2,948
Profit before taxation (£000)	Revenue less administrative expenses and other items	1,578	1,200	2,778	1,168
Profit after taxation (£000)	Revenue less administrative expenses and other items less/add taxation charge/credit	854	1,742	2,054	1,710
Earnings per share (pence)	Profit after taxation attributable to shareholder of the Company divided by weighted average number of ordinary shares outstanding	1.42	2.94	3.44	2.89
Profit margin before other items (%)	Profit before other items divided by revenue	14%	13%	19%	14%

Adjusted measures are net of non-recurring costs and other exceptional items that do not form part of the normal course of business.

Table 2

	Revenue		Profit before other items		Profit before tax	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Reported measure	24,094	22,355	3,321	2,823	1,578	1,200
Add: adjustment due to revenue recognition policy change on acquisition	505	—	505	—	505	—
Add: integration and acquisition cost	—	—	390	—	390	—
Less: effect of corporate trustee service companies disposal	—	(774)	—	(54)	—	(54)
Less: bargain purchase gain on acquisition and gain on call options	—	—	—	—	(327)	(406)
Less: loss/(gain) on disposal of companies and trust management	—	—	—	—	162	(219)
Less: movement in deferred consideration related to prior year acquisitions	—	—	—	—	—	(330)
Add: impairment of goodwill	—	—	—	—	—	798
Add: other non-recurring costs	—	—	470	179	470	179
Adjusted measure	**24,599**	**21,581**	**4,686**	**2,948**	**2,778**	**1,168**

Tax Charge and Earnings per Share

The tax charge for the year was £0.7 million (2021: credit of £0.5 million). This is an effective tax rate of 46% which is higher than the rates noted in prior years, with the exception of 2021 which is considered an anomaly given the Malta tax rebate as noted above. This increased effective tax rate, which is also higher than the standard rates applicable across the various jurisdictions, is partly caused by some jurisdictions having tax losses brought forward or incurred in the current year but unrelieved which cannot be utilised by the profitable subsidiaries in other jurisdictions, as well as higher tax charge due to higher dividends remitted to the holding company by overseas subsidiaries.

Earnings per share ("EPS") for 2022 was 1.42p compared to 2.94p for 2021. The decrease was largely as a result of having a tax charge of £0.7 million for this year as compared to a tax credit of £0.5 million in 2021. The 2021 EPS net of the Malta tax rebate of £1.0 million would have been 1.15p. There was no dilutive factor in 2022 or 2021.

Cashflows and Balance Sheet

Cash and cash equivalents amounted to £19.2 million as at 31 December 2022 (2021: £18.2 million) with net cash inflow from operating activities of £3.8 million for the year ended 31 December 2022 (2021: £nil movement).

During 2020 the Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million which was fully drawn down during the year ended 31 December 2022 for the purposes of the Mercer portfolio acquisition. The facility has a 5-year term with capital repayments structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 year term. As at the year end the outstanding balance on the facility was £5.4 million (2021: £1.5 million).

Cash and cash equivalents, net of the above mentioned outstanding bank loan of £5.4 million, as at 31 December 2022 were £13.9 million (2021: £16.7 million).

As would be expected for a Group regulated in several jurisdictions, a significant proportion of the gross cash balance is required to underpin the regulatory capital and solvency requirements. The cash and cash equivalents required for solvency purposes varies as other, non-cash assets can be used to support the regulatory solvency requirement. The total regulatory capital requirement across the Group as at 31 December 2022 was £17.3 million (2021: £16.9 million).

As further disclosed in Note 28 to the financial statements, the Carey (Options) v Adams case came to a conclusion and was settled during the course of the year. Whilst the right to appeal the Court of Appeal's decision of 1 April 2021 to the Supreme Court was rejected, the Group has received agreement for a judicial review on a Financial Ombudsmen Service's decision on the basis that it impacts on a large number of claims and raises issues of general importance. Given the potential new developments which could arise from this judicial review, and the increasing uncertainty surrounding the potential liability of other claims, the Group considers that it is not practical to estimate the potential impact on likelihood, quantum, or timing of these. As such the provision has been reclassified as a contingent liability, along with the corresponding receivables due from insurers, and both have been derecognised as at 31 December 2022. The revised treatment had no impact on the consolidated net assets of the Group as previously reported.

Chief Executive Officer's Statement

Financial Review (continued)

Cashflows and Balance Sheet (continued)

The Call Option Agreements entered into in 2019 as part of the acquisition of Carey Administration Holdings Limited were exercisable in 2022. It is the Company's policy to only hold wholly-owned subsidiaries and accordingly these Call Options were exercised during the year. As at the year end, the Options Corporate Pensions UK Limited acquisition was completed and the balance sheet no longer reflects this 20% non-controlling interest. The Options Personal Pensions UK LLP acquisition was completed shortly after the year end. The Group's year-end balance sheet therefore reflected this remaining 30% non-controlling interest as well as a £0.4 million liability to settle the Option and acquire the remaining interest in this business.

The balance sheet also gives visibility of future revenue and cash generation and, in line with all administration services businesses, the Group had accrued income in the form of work performed for clients but not yet billed of £0.9 million as at the year-end (2021: £1.3 million). Additionally, deferred income (included within current liabilities in the statement of financial position) relating to annual fees invoiced but not yet earned stood at £3.8 million (2021: £3.6 million). Both these figures give good visibility of cash collections and, in the case of deferred income, revenue still to be earned through the Income Statement in the coming months.

Dividend

The Board is proposing a final dividend of 0.60p per ordinary share (2021: 0.90p) which recognises that there are a number of material operational and strategic matters that are yet to be concluded upon. This makes the total proposed dividend of 1.20p per ordinary share (2021: 1.50p).

Subject to approval at the Company's Annual General Meeting to be held on 22 August 2023, the final dividend will be paid on 19 September 2023 to shareholders on the register at the close of business on 1 September 2023. The ordinary shares will be marked ex dividend on 31 August 2023.

Operational Performance

Pensions

Our pension administration businesses continue to be the largest revenue stream for the Group accounting for 77% of total Group revenues (2021: 79%).

Total revenue across our pension businesses amounted to £18.5 million (2021: £17.6 million). As mentioned above, the Mercer acquisition contributed £0.8 million of this uplift, with the organic growth in the year compensating for natural attrition. In addition, recurring revenues for the pension businesses increased to 95% of total revenues (2021: 94%).

The administration of our QROPS products continues to be our largest revenue generator accounting for £9.4 million of revenue (2021: £9.7 million). As has been known for several years, this product is no longer a growth driver as a result of changes in the UK pension legislation in 2017. Whilst we continue to receive a small number of new members in Malta from EEA countries the attrition rate is modestly increasing as we see our member profile age and take advantage of flexi-access benefits. The administration is carried out in Malta and Gibraltar with the revenue split at 77% and 23% respectively (2021: 75% and 25% respectively). The change in split is largely as a result of higher attrition seen in Gibraltar compared to Malta which is as expected given that any growth in this product line is in Malta.

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, have contributed total revenues of £4.1 million (2021: £3.2 million), with the acquisition accounting for £0.7 million of this increase and the balance coming through from net organic growth.

The pension auto-enrolment business has generated revenue of £3.4 million (2021: £3.3 million).

The final revenue stream of the pensions divisions comes from the SSAS and third-party administration businesses. These contributed revenues of £1.6 million (2021: £1.5 million) in the year.

Life Assurance

The 2022 combined revenue figure for both life assurance companies was £5.0 million compared to £3.4 million for 2021. The reason for this significant increase is two-fold, an organic growth of £0.7 million on existing products and £0.8 million of revenue generated from the recently launched short-term annuity product.

Whilst there is a healthy pipeline of potential new business for these short-term annuities, which are highly profitable, they do have a long lead time. Consequently, judging the timing of receipt of such items for budgeting and forecasting purposes is not straightforward.

As previously advised our flexible annuity products are aimed at the UK markets and remain the key focus for organic growth within our life businesses.

Outlook

The latter part of 2022 and into 2023 has seen significant change in the make-up of our senior leadership team as we embark on the next phase of our change programme.

The focus for 2023 is to build our pipeline for new business revenues, both internationally and for the UK market. A key driver for success in this area is to ensure our technology is a business enabler that compliments the hard work of our staff. As part of supporting this process, we have contracted a Head of Transformation who will oversee our IT function as well as our change programme.

The UK pensions market remains buoyant and there is significant consolidation activity in the sector as PE-backed investment platforms seek to build AUM. The result is a shrinking pool of independent pension providers such as STM. In addition, the Consumer Duty regime, introduced by the FCA in the UK and which comes into force on 31 July 2023, has also seen a levelling of the playing field with interest sharing policies becoming more normalised. Again this typically favours the independent pension provider.

Outlook (continued)

Under Nigel Birrell, the recently appointed Chairman of the Board, we have started the process of reviewing and challenging our strategy for the next three to five years. This process, when completed, will enable the Group to focus its resources on developing businesses where the maximum growth opportunities exist and to deliver enhanced shareholder value. Progress has been made in 2023 and I look forward to updating the market in due course.

Following on from the above, and as a continuing theme of our ongoing strategic review it is recognised that the Board needs to demonstrate the ability for a tangible step change in operational efficiencies that will allow a higher proportion of the Group's 90% plus recurring revenues to be retained as profits by the Group. A key part of that is to work with technology, be it internal or external, that takes away the majority of the processes that are currently performed manually. This technology review work stream has commenced, and the changes implemented following its conclusion will create the building blocks for a more profitable Group, not just from an efficiency point of view but also from a customer and intermediary journey.

Our technology review has identified opportunities to benefit more from the value chain through our customer's journey, with regards to changing some of our policies and offerings. A good example would be the recently announced change to our interest sharing policy, to fall more in line with the rest of the UK pension market.

I would like to take this opportunity to thank all my STM colleagues for their continued hard work and professionalism in carrying out their duties.

I look forward to presenting our finalised strategy in the near future.



Alan Kentish
Chief Executive Officer
26 June 2023

Directors' Report

The Directors of STM Group Plc present their Annual Report together with the accounts of the Group and the independent auditors' report for the year ended to 31 December 2022. These will be laid before the shareholders at the Annual General Meeting to be held on 22 August 2023.

Principal activities and business review

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

Result and dividends

The retained profit for the financial year of £854,000 (2021: £1,742,000) has been transferred to reserves.

In respect of the year ended 31 December 2022 an interim dividend of 0.60p per share was paid in November 2022 (2021: 0.60p per share) and the Directors recommend, subject to shareholder approval at the AGM to be held on 22 August 2023, a final dividend of 0.60p per share be paid on 19 September 2023 to shareholders on the record on 1 September 2023 (2021: 0.90p per share).

Going Concern

The Directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of this report. In considering this requirement, the Directors have considered budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group and the indemnity related to the Carey v Adams case. In addition, the Directors have considered the risks included in the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months. These show that the Group should continue to be cash generative, and have sufficient resources to meet its business objectives, both in the short-term and in relation to its strategic priorities.

Having due regard to these matters the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the forthcoming 12 months. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

The ongoing Russian invasion of Ukraine has led to the imposition of economic and other sanctions against the Russian state, businesses, and certain personnel. This continues to exacerbate inflationary pressures and has had a well publicised knock-on impact on the global economy. But for the impact on monetary policy, most notably interest rates, we do not expect this to have a significant impact on the Group's operations in the foreseeable future, but management continues to monitor the situation.

Directors

Details of the Directors of the Company who served during the year and to date are:

- Alan Kentish
- Nigel Birrell (appointed 1 September 2022)
- Therese Neish (appointed 14 October 2022)
- Peter Smith (appointed 19 January 2023)
- Graham Kettleborough (resigned 28 April 2023)
- Nicole Coll (resigned 14 October 2022)
- Duncan Crocker (resigned 31 August 2022)
- Malcolm Berryman (resigned 4 August 2022)
- Robin Ellison (resigned 31 January 2022)

Alan Kentish has an interest in 6,418,817 ordinary shares in the Company (10.8% of the issued share capital). 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. Therese Neish has an interest in 492,756 ordinary shares of the Company (0.8% of the issued share capital).

None of the other Directors had any interest in the issued share capital of the Company, either at the year-end or as at the date of this Report.

The Directors' Remuneration Report included on page 18 of this Annual Report forms part of the financial statements.

International Financial Reporting Standards ("IFRS")

These financial statements were prepared under IFRS, and interpretations adopted by the International Accounting Standards Board ("IASB").

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 23 June 2023 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

As at 23 June 2023:

	%
Premier Miton Group Plc	16.99
Septer Limited	10.85
Clifton Participations Inc and A R Kentish	10.80
Peter Gyllenhammar AG	9.03
Eastmount Capital Partners LLP	4.70
Aeternitas Imperium Privatstiftung	3.59

Independent auditor

Following an audit tender process carried out in 2022, the Directors are recommending the appointment of Grant Thornton as auditors to the company at the 2023 Annual General Meeting.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 22 August 2023 is set out on pages 62 to 64.

By order of the Board



Alex Small LL.M ACG

Company Secretary

Viking House,
St Paul's Square,
Ramsey,
Isle of Man, IM8 1GB

26 June 2023

Board of Directors



NIGEL BIRRELL NON-EXECUTIVE CHAIRMAN (appointed September 2022)

Nigel has served as the Chief Executive Officer of Lottoland Group since May 2014. Lottoland is an online gaming operator based in Gibraltar, which operates across multiple territories and has 17 million customers. Prior to this, Nigel was a group director on the executive board of bwin.party digital entertainment plc (now Entain plc), then the world's leading on-line gaming business. Prior to bwin.party, Nigel was a main board director of the FTSE 250 media group HIT Entertainment PLC ("HIT"). In his early career, Nigel worked as an investment banker with both Dresdner Kleinwort Benson and later Donaldson, Lufkin & Jenrette (subsequently, Credit Suisse). Nigel is the non-executive Chairman of Duke Royalty Limited (AIM listed) and also holds a number of other private company non-executive positions. He holds a Bachelor of Laws (LLB) from the University of London (Queen Mary College) and is a Solicitor of the Senior Courts of England and Wales.

Nigel is Chair of the Remuneration Committee.



ALAN KENTISH, ACA ACII AIRM CHIEF EXECUTIVE OFFICER (appointed CEO April 2016)

Alan trained with a Big 4 accountancy firm in the UK and specialised in financial services audits, qualifying as a Chartered Accountant over 25 years ago. He moved to Gibraltar in 1993 and joined the BDO firm as the founder of their insurance management division. Alan was at the forefront of developing the hugely successful Gibraltar insurance sector and qualified as an Associate of the Chartered Insurance Institute as well as becoming a qualified Associate of the Institute of Risk Management along the way. The BDO member firm evolved into STM as part of the AIM listing in 2007, with Alan holding the office of Chief Financial Officer at that time, as well as navigating STM through the difficult financial crisis of 2008 and 2009. Alan became the director of business development in 2012 as STM moved into its growth phase, particularly in relation to its pension product offering, and took over as CEO in April 2016 as part of continuing to build the infrastructure of the business. Alan has served on numerous company boards, both regulated and non-regulated, but primarily in the financial services and insurance sector, including a main subsidiary board of a FTSE 100 company.



THERESE NEISH, BA (HONS) FCCA INTERIM CHIEF FINANCIAL OFFICER (appointed October 2022)

Therese first joined the insurance management division of STM in 2003, before becoming Group Financial Controller in 2008. She was Chief Financial Officer from January 2014 until October 2021. She returned to the Company as Interim CFO in October 2022. Therese trained with KPMG where she qualified as a Chartered Certified Accountant in 2003.



PETER SMITH NON-EXECUTIVE DIRECTOR (appointed January 2023)

Peter is a Fellow of the Institute of Chartered Accountants in England and Wales and has extensive experience in the financial services sector and in helping businesses to develop and implement their strategic goals. Peter was previously Chief Financial Officer of two AIM-quoted financial advisory businesses between 2005 and 2019, including Lighthouse Group plc ("Lighthouse") from 2008 until 2019 when that business was acquired by Quilter plc. Most recently, Peter has been a consultant to Quilter in respect of its integration of Lighthouse. Prior to this, Peter held a number of senior finance roles, including as a corporate finance partner at KPMG. Peter is Chair of the Audit & Risk Committee and a member of the Remuneration Committee.

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Isle of Man Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs and interpretations adopted by the International Accounting Standards Board ("IASB"). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 Group for that period.

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

- properly select and apply accounting policies.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping reliable accounting records that are sufficient to show and correctly explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

DIRECTOR	2022	2021	Notes
Executive Directors			
Alan Kentish	£210,331	£210,331	
Therese Neish	£48,750	£163,178	a,b
Nicole Coll	£180,625	£51,188	a,c
Pete Marr	—	£195,773	a
Sub-total	**£439,706**	£620,470	
Non-Executive Directors			
Nigel Birrell	£20,000	—	d
Duncan Crocker	£70,231	£60,000	e
Graham Kettleborough	£68,000	£68,000	g,h
Robin Ellison	£4,333	£52,000	f,g
Malcolm Berryman	£60,374	£82,000	g
Sub-total	**£222,938**	£262,000	
Total	**£662,644**	£882,470	

a. Pete Marr received a benefit of 10% of his salary by way of a pension contribution. Therese Neish also received a benefit of 5% of her salary by way of a pension contribution as from October 2022 (2021: £nil). Nicole Coll received a pension benefit in line with auto-enrolment requirements. No other directors receive any benefits in the form of pension contributions or share-based incentives.

b Therese Neish was appointed as a director on 14 October 2022.

c Nicole Coll resigned as a director on 14 October 2022.

d Nigel Birrell was appointed as a director on 1 September 2022.

e Duncan Crocker resigned as a director on 31 August 2022.

f Robin Ellison resigned as a director on 31 January 2022.

g Robin Ellison, Malcolm Berryman and Graham Kettleborough received remuneration for their NED role on the PLC Board as well as for their roles on various subsidiary boards.

h Graham Kettleborough resigned as a director on 28 April 2023.

Corporate Governance

The Board is responsible for establishing and monitoring the strategic direction and performance of the Group, within a framework of prudent controls.

STM has formally adopted the Quoted Companies Alliance Corporate Governance Code (the "Code") and remained compliant with the Code throughout 2022 except that the Company did not have a quorate Audit & Risk Committee from August 2022 until January 2023. During this period, the work of the Group's Audit & Risk Committee was undertaken by the full Board of Directors. We set out below how the Directors have applied the principles, and the spirit, of the Code.

Strategy

STM's strategy is to be the pensions and life assurance provider of choice in our chosen markets, being UK citizens who have or had a UK company pension scheme and have either moved overseas or remain in the UK. Through organic growth, product development and targeted acquisitions, the Group will continue to leverage our reputation for product innovation and service to build sustainable, recurring revenues within a framework of sound governance and risk management.

Our business model is to:

- provide a range of innovative pension solutions to customers across our target markets.
- promote our Pensions Administration and associated Life Assurance products to internationally mobile individuals with a focus on those that have previously worked in the UK.
- focus on high growth, well-regulated markets.
- operate the highest levels of service to both our customers and financial intermediaries in all jurisdictions.
- to embed a culture of customer service, compliance and sound internal controls to build a sustainable, ethical business.
- differentiate from our UK competitors by being able to effectively operate within the more complex requirements of the UK expatriate market.
- differentiate from our international competitors through service levels, and a more comprehensive product / jurisdictional offering.
- to identify and promote products, through our intermediary partners, to UK residents.

The Board had adopted a three-year strategy which included:

- focus our business on the life and pensions sector.
- increase the introducer intermediary network.
- diversification of the pensions and life product range.
- increase our UK regulated product offering to UK residents as well as the expatriate market.
- improve margins and the customer journey through efficiency and technology.
- seek opportunistic acquisition targets for both QROPS integration, as well as expansion in niche areas of the Pension and Life markets.
- pro-actively engage with key stakeholders, including shareholders and regulators.

This strategy is currently being reviewed as noted in the Chief Executive Officer's statement above and an update will be communicated in due course.

Risk Management

The Board is ultimately responsible for the Group's risk management framework. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take.

The Group operates a formal risk management framework which has been embedded across the Group and is overseen and monitored by the Board. In addition, the Board has adopted a formal risk appetite statement against which our strategy, business model and capital projects are tested and assessed.

The risk management function oversees the risk management framework day to day and is responsible for the implementation of risk management policies and processes throughout the Group. The compliance function in each jurisdiction provides assurance to the Group Audit & Risk Committee on regulatory and reputational risk through the completion of an annual compliance monitoring plan.

The Audit and Risk Committee meets not less than four times a year and reports to the Board on risk across the Group.

Further assurance that risk management processes are embedded and operating effectively is achieved via the internal audit function, which is itself supported by specialist co-sourced audit consultants and overseen by the Audit and Risk Committee.

Risk Management (continued)

The Directors have carried out an assessment of the principal risks facing the Group.

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
DISTRIBUTION AND MARKET DEMOGRAPHICS	Our markets are serviced by a limited number of intermediaries and product providers thus creating a competitive environment.	• Appointment of Group Head of Business Development in March 2023 • Strong focus on intermediary liaison and customer experience • Innovative product development • Loyal intermediary base	No change
REPUTATIONAL RISK	A circumstance could arise which would adversely impact on the Group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media.	• Board review of regulatory and business changes • High level of compliance in product and service delivery • Putting the customer at the heart of decision-making processes • Retained financial PR and media relations consultancy to provide ongoing support and media contact	No change
REGULATORY RISK	Loss arising from regulatory changes in the markets within which the Group operates or breach of existing laws and regulation.	• Subsidiary Boards with experience in regulated businesses • Dedicated Compliance function, supported by specialist external consultants in the UK and Gibraltar • Completion of an annual compliance monitoring plan • Risk Management monitors legislative changes and supports jurisdictional compliance functions as required • Expert third-party legal and/or compliance advice is sought where necessary • All companies comply with the respective jurisdictions' solvency capital requirements	No change but regulatory environment in the UK continues to tighten with increased scrutiny from the Financial Services Ombudsman and the Financial Conduct Authority (see Consumer Duty comments above)
KEY PERSONNEL	The Group could be adversely affected if there was a loss of key personnel or an inability to recruit individuals with the appropriate skills set.	• The Group offers competitive remuneration packages • Succession planning • The Group provides appropriate training for staff and management • The Group promotes a favourable work environment to retain and attract staff	Significant planned and unplanned changes at Board and senior management level
GEOPOLITICAL RISKS	The Group could be adversely affected by changes in existing legislation, fiscal policy or political factors.	• The Group is diversified in both its product range and the jurisdictions from which it administers them • No material exposure to sanctioned markets or individuals	The conflict in Ukraine has impacted global markets and created uncertainty and inflationary pressure for investors. Elevated risk of market downturn or recession in key markets
NON-PERFORMING INVESTMENTS	The Group recognises that the UK SIPP industry is becoming more litigious over non-performing assets and that STM also has an exposure to QROPS' non-performing assets. The Group could therefore be adversely affected by this. The market for professional indemnity insurance continues to contract.	• The Group does not provide financial or investment advice to its customers • Adherence to regulatory requirements and appropriate due diligence procedures expected of a trustee for onboarding intermediaries and customers • Professional indemnity insurance in place. Cover reviewed in detail in Q4 2021, resulting in improved terms, despite a challenging market	No material changes in quantum of non-performing assets. Legal and regulatory environment continues to tighten

Risk Management (continued)

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
APPEAL JUDGMENT IN ADAMS V CAREY CASE	The Group acknowledges that whilst the Court of Appeal upheld the High Court's ruling on COBS it ruled against Carey (now Options) on s27 of the Financial Services Market Act 2000 (FSMA) and refused to exercise its discretion under s28 to disapply the effect of s27. This could have an impact on claims made against the business as well as reputational damage.	• The Carey companies have extensive insurance cover • STM obtained indemnities from the prior owners when it acquired the Carey Group of companies • The Court of Appeal upheld the High Court ruling under COBS and confirmed that Carey treated Mr Adams fairly, honestly and professionally • The Court of Appeal judgment in respect of s27 and s28 of FSMA was fact specific • Agreement has been received for a judicial review on a Financial Ombudsman Service's decision which could impact outcome of other claims	Risk elevated by Carey v Adams judgment. Increasing willingness by FOS to attach liability to the SIPP provider for IFA advice
TECHNOLOGY DISRUPTION	The Group could suffer operational disruption in the event of technology disruption such as a cyber-attack or hardware failure.	• Significant and ongoing investment in IT systems • Cyber Essentials plus accreditation • Migration of key business applications into the Cloud as well as flexible provisioning allowing STM to scale up/down when needed • Office 365 implementation with the rollout of Teams for cloud collaboration and video conferencing • Periodic testing to identify vulnerabilities and deliver improvements • Detailed disaster recovery and business continuity plans in place	Cyber threat has intensified. Steps taken to mitigate risk, particularly around remote working practices
FINANCIAL RISKS	The Group has exposure to the following financial risks: • Credit risk • Liquidity risk • Market risk • Interest rate risk • Currency risk • Capital management risk	These risks are addressed within Note 25 of the financial statements	Russian invasion of Ukraine has elevated the risk of economic downturn, inflation, interest rates rises and higher input costs
CLIMATE RISK	Climate risk is the risk of adverse impacts on the Group's business caused by climate change.	Increased awareness of climate related risks, policies, business impact and disclosure requirements	Emerging risk - a more detailed impact assessment and review of related disclosure requirements will be undertaken in 2023

Leadership

The Board is responsible to shareholders for the proper management and governance of the Group. It is responsible for strategic planning, business acquisitions and disposals, risk management, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements.

The Chairman is responsible for over-seeing the development and implementation of the Company's strategy, its governance framework and Board effectiveness. The Chief Executive is responsible for delivery of the strategy and the day-to-day management of the Group by the senior executive team. The Board is committed to continually developing the corporate governance and management structures of the Group to ensure they adapt to the changing needs of the business. The non-executive directors are considered by the Board to be independent of management and free from any relationship which might materially interfere with the exercise of independent judgment.

The non-executive directors provide independent oversight and challenge to the Board and bring experience at a senior level of business operations and strategy. The Company Secretary is responsible for ensuring that Board procedures are observed and the Company's obligations as an AIM listed entity on the London Stock Exchange are met.

The profiles of the individual board members can be viewed on page 17.

The Board comprises an appropriate balance of industry, finance and public market skills and experience, as well as an appropriate balance of personal qualities and capabilities to successfully oversee and challenge the Group's strategy. The Company fully supports and funds any training, formal or otherwise, that is required by any individual Board member so as to ensure that their knowledge and experience remains relevant and effective.

Corporate Governance

Board Effectiveness

An internal review of Board effectiveness, led by the then Chairman, was carried out in February 2021 by means of a questionnaire and one-to-one sessions. The findings were considered and implemented. Given the number of Board changes in 2022 and 2023, no review exercise was undertaken during the year and to date. This will be considered once the Board is fully constituted.

Culture

The Board promotes a culture that is based on sound ethical values, standards and behaviours. This culture is visible in the Board's actions and decisions, as well as those of the executives and senior management team. These corporate values guide the objectives and strategy of the business and form the backbone of our Code of Conduct policy. Our long-term growth expectations are underpinned by the principles within this Code of Conduct.

The Group promotes a 'customer first' ethos which is at the heart of decision-making processes, aligned to a positive and proactive relationship with our stakeholders.

This culture has been communicated to all employees and is reinforced by the training program which all staff participate in. This starts with the Code of Conduct forming part of any new member of staff's induction program, and the application of the Code of Conduct is considered as part of all STM employees' annual appraisal process.

Governance

The Board comprises two executives and, since the resignation of Graham Kettleborough as a non-executive director in April 2023, two independent non-executive directors (including the Chairman). The search for a third non-executive director is well advanced, and the Company anticipates being able to announce an appointment in advance of the AGM.

The independence of directors is assessed periodically as part of the Board evaluation process. All non-executive directors have been appointed from outside the Group and are considered independent as defined by the Code.

The Board meets bi-monthly throughout the year, or more frequently if appropriate. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of the Board meetings. There is a formal agenda followed at all Board meetings which ensures discussions and decisions to be made on all strategic, financial and operational matters affecting the business.

The Board has established an Audit & Risk Committee and a Remuneration Committee, both with formally delegated duties and responsibilities. The Directors do not consider that, given the size of the Board, it is necessary at this stage to have a Nomination Committee. Succession planning is carried out by the Board. The Audit & Risk Committee will resume duties when a third non-executive director is appointed. The Remuneration Committee comprises all the non-executive directors, with Nigel Birrell acting as Chairman.

Audit & Risk Committee

The Audit & Risk Committee reviews the integrity of the financial statements of the Group, announcements relating to financial performance, accounting policies, the application of critical accounting judgments and practices, the operation of internal controls and the effectiveness of the financial reporting policies and systems. It is responsible each year for satisfying itself on the independence and objectivity of external auditor, agreeing the audit plan and the level of audit fee. The Audit & Risk Committee meets at least four times a year and at such other times as the Chairman of the Committee sees fit. The Chairman of the Committee is appointed by the Board.

During 2022, the Audit & Risk Committee met on four occasions. It continued to monitor the Group's risk appetite and risk framework, its policies, methodologies, systems, processes and procedures, through a three-lines of defence model. The first line being the business systems and controls in place to prevent and detect errors, the second provided by compliance monitoring and the third by internal audit review. The Group's risk and compliance capabilities continue to evolve, providing local-level management and Group level oversight.

The Audit & Risk Committee has primary responsibility for the Group's Risk Appetite Statement which sets out the Group's attitude to risk and the limits of acceptable risk taking. The Committee has established the high-level qualitative Risk Appetite Statement for the Group and requires the Subsidiaries to link their own Risk Appetite to the Group. The subsidiaries are required to identify and manage Key Risk Indicators. The statement is subject to annual review by the Audit & Risk Committee and the Group Board. The Committee makes recommendations to the Board in respect of any risks faced by the Group outside of its declared risk appetite.

The Audit & Risk Committee is responsible for the Risk Framework with all risks identified being recorded in the Corporate Risk Register and reviewed by the Committee on a bi-annual basis.

Remuneration Committee

The duties of the Committee are to:

- determine and agree with the Board the policy for the remuneration of the Chairman, Executive Directors and other members of the Group Executive team.
- determine individual remuneration packages including bonuses, incentive payments, share options and any other benefits.
- determine the contractual terms on termination and individual termination payment.
- be informed of and advise on changes in benefit structures in the Group; and
- agree the policy for approving expense claims of the Chief Executive and the Chairman of the Board.

The Committee meets at least twice in each year and at such other times as the Chairman of the Committee sees fit. The Chairman of the Committee is appointed by the Board.

Remuneration Committee (continued)

The Committee met three times in 2022. Key areas of focus included the new CFO's remuneration package, bonus targets and the development of the executive long-term incentive plan.

Directors' attendance at scheduled meetings of the Board and its Committees that they were eligible to attend during 2022 is shown below:

DIRECTOR	Board Attended	Audit & Risk Committee Attended	Remuneration Committee Attended
Duncan Crocker[1]	5/5	—	2/2
Nigel Birrell[2]	2/2	—	1/1
Alan Kentish	7/7	—	—
Therese Neish[3]	2/2	—	—
Nicole Coll[4]	4/5	—	—
Malcolm Berryman[5]	4/4	4/4	2/2
Robin Ellison[6]	1/1	—	—
Graham Kettleborough	6/7	4/4	3/3

1 Duncan Crocker resigned with effect from 31 August 2022
2 Nigel Birrell was appointed with effect from 1 September 2022
3 Therese Neish was appointed with effect from 14 October 2022
4 Nicole Coll resigned with effect from 14 October 2022
5 Malcolm Berryman resigned with effect from 4 August 2022
6 Robin Ellison resigned with effect from 31 January 2022

Independent Auditor's Report to the Members of STM Group PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STM Group Plc ("the Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the statement of consolidated cash flow, the statement of consolidated changes in equity, the statement of company changes in equity for the year ended 31 December 2022, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

In our opinion:

- the consolidated financial statements of the Group and Parent Company give a true and fair view in accordance with IFRS as adopted by the IASB of the assets, liabilities and financial position of the Group and Company at 31 December 2022 and of the Group's financial performance and cash flows for the year then ended;
- the Parent Company's statement of financial position and statement of company changes in equity have been properly prepared in accordance with IFRSs as issued by the IASB and as applied in accordance with provisions of the Isle of Man Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating To Going Concern

In auditing the financial statements, we have concluded that the directors' use of going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the validity of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included understanding the process management has followed in preparing their assessment which included board approved budgets for recurring revenue and cash generation plans and assessed the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

Overall audit strategy

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was any evidence of potential bias that could result in a risk of material misstatement due to fraud.

Based on the considerations set out below, our area of focus included impairment of goodwill relating to the cash generating units (CGUs).

How we tailored the audit scope

We tailored the scope of our audit by obtaining an understanding of the Group and the Parent Company and its environment, including assessing the risks of material misstatements to be able to give an opinion on the consolidated and company financial statements as a whole, taking into account the operational structure of the Group and the Parent Company, the accounting processes and controls, the involvement of third parties and the industry in which the Group and the Parent Company operates. Audit work on the Group and Parent Company was performed by the same audit team.

Key Audit Matters (continued)

How we tailored the audit scope (continued)

We have also identified the reporting components across the regulated and trading entities within the jurisdictions in which the group operates. The regulated and trading entities in Gibraltar, Malta and the UK are considered of individual financial significance to the reported results of the Group. These components were subjected to either full scope audits or audits of specified account balances for group reporting purposes.

Materiality and audit approach

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, such as our understanding of the entity and its environment and the complexity of the Group and Parent Company and the reliability of the control environment, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Materiality is defined as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Based on our professional judgement, we determined materiality for the Group to be £241,000, which is 1% of the revenue and the Parent Company to be £211,000, which is 1% of the net assets. We believe that a percentage of revenue is the appropriate benchmark as it reflects the interests of the investors and stability of the benchmark in recent years for the Group and a percentage of net assets as the Parent Company has limited transactions and is a holding company.

Performance materiality is defined as the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group and the Parent Company's overall control environment, our judgement was that performance materiality was 75% of materiality. We have set performance materiality at this percentage having taken account of there being no uncorrected misstatements in the prior year.

Reporting threshold is defined as the amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above 5% of materiality, as well as misstatements below that amount that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Significant Matters Identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out in the table below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Description of significant matter	Our audit response
Impairment of goodwill relating to the cash generating units (CGUs) Management are required by IAS 36 – Impairment of Assets, to perform an annual impairment review of goodwill where there are indicators of impairment. We consider there to be a risk of material misstatement due to fraud or error in respect of the impairment of goodwill, specific to certain assumptions within the assessment, including the cash flows assumed within the discounted cash flow model and the assumptions applied to these, including growth rates and discount rates. As a result, a significant portion of the audit effort was directed towards the audit of the impairment assessment of goodwill. Refer to accounting policy in Note 3 and disclosures in Note 15 of the financial statements.	Our response to address these risks include: • Obtained an understanding of the impairment process and key controls over the impairment review performed by management. • Evaluated the cash flow forecast used in the model against the historical trading of the CGUs and challenged the assumptions underpinning the forecast, including the retrospective review of the estimates, growth rate and discount rate used. • Assessed factors behind the growth and financial performance forecast for each CGU. • Compared the forecast used in the impairment test to the forecasts used in the going concern assessment for consistency. • Reviewed the disclosures in relation to goodwill in the financial statements to ensure compliance with accounting standards. We completed our planned audit procedures, with no exceptions noted.

Independent Auditor's Report to the Members of STM Group PLC

Other Matter

The financial statements of STM Group Plc for the year ended 31 December 2021, were audited by Deloitte LLP who expressed an unmodified opinion on those statements on 7 June 2022.

Other Information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Directors' Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the IASB, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Parent Company's financial reporting process.

Responsibilities of the Auditor for the Audit of the Financial Statements

A further description of an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Group and industry, we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Isle of Man Companies Act 2006 and the Group's obligations in AIM , a market operated by the London Stock Exchange. The Audit engagement partner considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but not limited to:

- enquiries of management on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- as the Group operates in the financial services industry, the Audit Engagement Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities;
- gaining an understanding of the entity's current activities and the scope of its authorisation;
- inspection of the Group's regulatory and legal correspondence and review of minutes during the year to corroborate inquiries made;
- obtaining an understanding of internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;

Responsibilities of the Auditor for the Audit of the Financial Statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates (i.e. valuation of acquired client portfolio, measurement of goodwill and measurement of provisions); and
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

The Purpose Of Our Audit Work And To Whom We Owe Our Responsibilities

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement letter. 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.

Report On Other Legal And Regulatory Requirements

We were appointed by the Board of Directors on 4 November 2022 to audit the financial statements for the year ended 31 December 2022. This is the first year we have been engaged to audit the financial statements of the Parent Company.

We have not provided non-audit services prohibited by the FRC's Ethical Standard and have remained independent of the entity in conducting the audit.

The audit opinion is consistent with the additional report to the Audit & Risk Committee.

Christopher Rogers

Christopher Rogers
For and on behalf of
Grant Thornton
Chartered Accountants & Statutory Auditors
Dublin, Ireland
26 June 2023



Consolidated Statement of Comprehensive Income

For the year from 1 January 2022
to 31 December 2022

	Notes	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
REVENUE	9	24,094	22,355
Administrative expenses	10	(20,773)	(19,532)
Profit before other items	11	**3,321**	2,823
OTHER ITEMS			
Bargain purchase gain	5	327	—
Gains on revaluation of financial instruments		11	406
(Loss)/gain on disposals of subsidiaries	4	(162)	219
Movement on deferred consideration		—	330
Impairment of goodwill	15	—	(798)
Finance costs		(322)	(330)
Depreciation and amortisation	14, 15	(1,597)	(1,450)
Profit before taxation		**1,578**	1,200
Taxation	13	(724)	542
Profit after taxation		**854**	1,742
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		12	(33)
Total other comprehensive income/(loss)		**12**	(33)
Total comprehensive income for the year		**866**	1,709
Profit/(loss) attributable to:			
Owners of the Company		844	1,749
Non-Controlling Interests		10	(7)
		854	1,742
Total comprehensive income/(loss) attributable to:			
Owners of the Company		856	1,716
Non-Controlling Interests		10	(7)
		866	1,709
Earnings per share basic (pence)	22	1.42	2.94
Earnings per share diluted (pence)	22	**1.42**	2.94

The results for 2022 and 2021 relate to continuing activities. Disposed of activities in 2021 are disclosed in Note 4.
The notes on pages 34 to 61 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Property and office equipment	14	1,161	1,663
Intangible assets	15	22,125	19,355
Financial assets	16	1,762	881
Deferred tax asset	13	58	76
Total non-current assets		**25,106**	21,975
Current assets			
Accrued income		860	1,311
Trade and other receivables	18	8,461	7,699
Receivables due from insurers	28	488	24,130
Cash and cash equivalents	19	19,234	18,207
Total current assets		**29,043**	51,347
Total assets		**54,149**	73,322
EQUITY			
Called up share capital	20	59	59
Share premium account	20	22,372	22,372
Retained earnings		14,382	14,429
Other reserves		(1,843)	(480)
Equity attributable to owners of the Company		**34,970**	36,380
Non-controlling interest		**(68)**	(452)
Total equity		**34,902**	35,928
LIABILITIES			
Current liabilities			
Liabilities for current tax		788	640
Trade and other payables	23	12,517	10,532
Provisions	28	488	24,130
Total current liabilities		**13,793**	35,302
Non-current liabilities			
Other payables	24	5,050	1,628
Deferred tax liabilities	13	404	464
Total non-current liabilities		**5,454**	2,092
Total liabilities and equity		**54,149**	73,322

The notes on pages 34 to 61 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2023 and were signed on its behalf by:



AR Kentish
Chief Executive Officer



TG Neish
Chief Financial Officer

26 June 2023

Company Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Property and office equipment	14	214	239
Intangible assets	15	2,586	1,961
Financial assets	16	—	881
Investments	17	17,013	16,013
Total non-current assets		**19,813**	19,094
Current assets			
Trade and other receivables	18	15,923	13,215
Cash and cash equivalents	19	2,425	2,463
Total current assets		**18,348**	15,678
Total assets		**38,161**	34,772
EQUITY			
Called up share capital	20	59	59
Share premium account	20	22,372	22,372
Retained earnings		(1,754)	(1,205)
Other reserves		162	162
Total equity attributable to equity shareholders		**20,839**	21,388
LIABILITIES			
Current liabilities			
Trade and other payables	23	12,511	12,484
Total current liabilities		**12,511**	12,484
Non-current liabilities			
Other payables	24	4,811	900
Total non-current liabilities		**4,811**	900
Total liabilities and equity		**38,161**	34,772

The notes on pages 34 to 61 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2023 and were signed on its behalf by:



AR Kentish
Chief Executive Officer



TG Neish
Chief Financial Officer

26 June 2023

Statement of Consolidated Cash Flow

For the year from 1 January 2022
to 31 December 2022

	Notes	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
OPERATING ACTIVITIES			
Profit for the year before tax		1,578	1,200
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	14	673	659
Amortisation of intangible assets	15	924	791
Loss on disposal of property and office equipment		4	—
Unrealised gains on financial instruments		(11)	(406)
Bargain purchase gain	5	(327)	—
Impairment of goodwill	15	—	798
Taxation paid		(619)	(14)
Increase in trade and other receivables		(1,396)	(2,226)
Decrease/(increase) in receivables due from insurers	28	23,642	(20,530)
Decrease in accrued income		558	8
Increase/(decrease) in trade and other payables		2,428	(815)
(Decrease)/increase in provisions	28	(23,642)	20,530
Net cash generated from/(absorbed by) operating activities		**3,812**	(5)
INVESTING ACTIVITIES			
Purchase of property and office equipment	14	(165)	(352)
Increase in intangible assets	15	(937)	(1,032)
Disposal of investments		1,477	4,821
Purchase of financial instruments		(1,734)	—
Acquisition of non-controlling interests	6	(120)	—
Consideration paid on acquisition of portfolio	5	(3,454)	—
Net cash (absorbed by)/generated from investing activities		**(4,933)**	3,437
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans	23, 24	4,463	900
Repayment of bank loans	23, 24	(550)	(1,050)
Interest paid on bank loans		(162)	(121)
Lease liabilities paid		(724)	(469)
Dividends paid	20	(891)	(861)
Net cash generated from/(absorbed by) financing activities		**2,136**	(1,601)
Increase in cash and cash equivalents		**1,015**	1,831
Effect of movements in exchange rates on cash and cash equivalents		12	(33)
Cash and cash equivalents at the beginning of the year		18,207	16,409
Cash and cash equivalents at the end of the year	19	**19,234**	18,207

* The interest paid on the bank loan is presented separately this year to enhance understanding. The comparatives have been adjusted to conform with the current year presentation.

Statement of Consolidated Changes in Equity

For the year from 1 January 2022 to 31 December 2022

	Share capital £000	Share premium £000	Retained earnings £000	Treasury shares £000	Foreign currency translation reserve £000	Share based payments reserve £000	Other reserve £000	Total £000	Non-Controlling Interests £000	Total Equity £000
Balance at 1 January 2021	59	22,372	13,541	(549)	(60)	162	—	35,525	(445)	35,080
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit/(loss) for the year	—	—	1,749	—	—	—	—	1,749	(7)	1,742
Other comprehensive income										
Foreign currency translation differences	—	—	—	—	(33)	—	—	(33)	—	(33)
Transactions with owners, recorded directly in equity										
Dividends paid	—	—	(861)	—	—	—	—	(861)	—	(861)
At 31 December 2021 and 1 January 2022	**59**	**22,372**	**14,429**	**(549)**	**(93)**	**162**	**—**	**36,380**	**(452)**	**35,928**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit for the year	—	—	844	—	—	—	—	844	10	854
Other comprehensive income										
Foreign currency translation differences	—	—	—	—	12	—	—	12	—	12
Transactions with owners, recorded directly in equity										
Acquisition of non-controlling interests	—	—	—	—	—	—	(1,375)	(1,375)	374	(1,001)
Dividends paid	—	—	(891)	—	—	—	—	(891)	—	(891)
At 31 December 2022	**59**	**22,372**	**14,382**	**(549)**	**(81)**	**162**	**(1,375)**	**34,970**	**(68)**	**34,902**

Statement of Company Changes in Equity

For the year from 1 January 2022 to 31 December 2022

	Share capital £000	Share premium £000	Retained earnings £000	Share based payments reserve £000	Total £000
Balance at 1 January 2021	59	22,372	2,172	162	**24,765**
Loss for the year	—	—	(2,516)	—	(2,516)
Dividends paid	—	—	(861)	—	(861)
At 31 December 2021 and 1 January 2022	**59**	**22,372**	**(1,205)**	**162**	**21,388**
Profit for the year	—	—	342	—	342
Dividends paid	—	—	(891)	—	(891)
At 31 December 2022	**59**	**22,372**	**(1,754)**	**162**	**20,839**

Notes To The Financial Statements

For the year from 1 January 2022
to 31 December 2022

1. REPORTING ENTITY

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and is traded on AIM, a market operated by the London Stock Exchange. The address of the Company's registered office is 1st Floor Viking House, St Paul's Square, Ramsey, Isle of Man, IM8 1GB. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2022 comprise the Company and its subsidiaries (see Note 30) (together referred to as the "Group" and individually as "Group 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") and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man law.

b. Going concern basis of accounting

The Directors have prepared the financial statements on a going concern basis, as in their opinion the Group is able to meet its obligations as they fall due for a period of at least 12 months from the date of this report. In considering this requirement, the Directors have considered budgets and rolling cashflow forecasts for the forthcoming 18-month period and the level of professional indemnity insurance held by the Group. In addition, the risks included on the Group's risk register that could impact on the Group's liquidity and solvency over the next 12 months. These show that the Group should continue to be cash generative, and have sufficient resources to meet its business objectives, both in the short-term and in relation to its strategic priorities.

Having due regard to these matters, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the forthcoming 12 months. As such, the Board continues to adopt the going concern basis in preparing the financial statements.

c. Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling (£) which is the Company's functional currency as this is the main currency in which it transacts business. Foreign operations are included in accordance with the policies set out in Note 3(b)(ii).

d. Use of judgements and estimates

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.

i. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the carrying values of the assets and liabilities is included in the following notes:

- **Note 3(c)** — Revenue recognition: timing of the satisfaction of performance obligations and recognition of revenue either over time or at a point in time;
- **Note 15** — Determination of identifiable cash-generating units; and
- **Note 28** — Determination as to whether a provision for potential customer detriment is required or should be disclosed as a contingent liability.

ii. Assumptions and estimates

Assumptions and estimation uncertainties at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next financial year are included in the following notes:

- **Note 5** — Valuation of acquired client portfolio;
- **Note 15** — Measurement of goodwill: the key assumptions used in determining whether goodwill has been impaired at each annual impairment review; and
- **Note 28** — Measurement of provisions: assumptions about the likelihood and magnitude of an outflow of resource in respect of customer claims for detriment.

e. 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.

2. BASIS OF PREPARATION (continued)

f. Employee benefit trusts

The Company contributes to an employee benefit trust. It is deemed that this trust is controlled by the Company and is 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. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains effective control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

ii. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt. Any contingent consideration is measured at fair value at the date of acquisition and re-measured at each reporting date. Subsequent changes to the contingent consideration are adjusted against goodwill where a change in the fair value of contingent consideration is the result of additional information about facts and circumstances that existed at the acquisition date. These changes are accounted for as measurement period adjustments if they arise during the measurement period. Changes resulting from events after the acquisition date do not impact goodwill but are accounted for separately. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

iii. Non-controlling interest (NCI)

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation, are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Subsequent to acquisition, the carrying amount of the NCI is the amount of those interests at initial recognition plus the NCI share of subsequent changes in equity. NCI will be allocated its share of profit or loss and its share of each component of other comprehensive income in subsequent periods even if this results in the NCI having a deficit balance. NCI in subsidiaries are identified separately from the group's equity therein. Those interests of NCI that are present ownership interest entitling their holders to a proportionate share of net assets upon liquidation are measured initially at their proportionate acquisition.

iv. 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.

b. Foreign currency

i. Foreign currency transactions

In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currency at the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting gain or loss is recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. For the purposes of preparing the consolidated financial statements, the assets and liabilities are translated to sterling at exchange rates at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Foreign exchange gains and losses arising from monetary items that in substance form part of the net investment in its foreign operations are recognised in other comprehensive income and are presented within equity in the foreign currency translation reserve.

c. Revenue

Revenue is derived from the provision of services as described in Note 9 and is recognised in the statement of comprehensive income when the Group completes performance obligations and transfers control over a good or service to a customer.

Revenue derived from pensions operating segment is split between the establishment fee and the management fee. The establishment fee is recognised in full at the time of processing the application so as to reflect the completion of the performance obligation such as processing their application and setting up the pension trust. The management fees, which are invoiced annually, cover both the provision of trustee services and the administration of the pension funds. The current treatment of these fees, based on the existing profile of the client portfolio, is to recognise 50% at the time of invoicing and to defer the balance over the year of each policy as each of the performance obligations are satisfied.

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. The accrued income is based on the number of applications received but for which an invoice has not been raised yet.

e. Receivables from insurers

Where the Group has professional indemnity insurance that would be receivable against a provision for an insurance claim payable an asset is recognised within receivables in the statement of financial position when there is reasonable certainty as to the recovery from the insurers.

f. Property and office 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 and office 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 are as follows:

Office equipment	10% - 25% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis
Right-of-use assets	Over the life of the leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Derivative financial instruments are measured at FVTPL and are considered to fall within level 3 of the fair value hierarchy.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- **Level 1** — fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** — fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** — fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All other financial assets are measured at amortised cost.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

Call options on non-controlling interests are classified as equity instruments if and only if an option contract is settled by delivering a fixed number of equity instruments in exchange for a fixed amount of cash or another financial asset (often referred to as the "fixed-for-fixed" criterion). Otherwise, a call option is classified as a derivative financial instrument. The Group classifies its call options as derivative financial instruments.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the financial assets it holds to best reflect the way in which the business is managed and information is provided to management. The information may include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice;
- how the performance of the assets is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business and these assets and how those risks are managed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

The Group's financial liabilities are classified at amortised cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

iv. Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h. 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.

i. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where a lease has a term of less than 12 months or is of a value of less than £5,000, the Group applies the exemption not to recognise right-of-use assets and liabilities for these leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

j. 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 statement of comprehensive income when they are due.

k. 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. Dividend income in the holding company is recognised when declared by the subsidiaries.

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

l. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using enacted tax rates, updated for previous period adjustments. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

m. Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is not amortised but is measured at cost less accumulated impairment losses. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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 over a three-year period from product launch.

iii. Client portfolio

Client portfolios acquired in a business combination are recognised separately from goodwill and are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition it is amortised on a straight-line basis over the estimated useful life which is assessed at ten years.

iv. IT development

IT development relates to internal and external development expenditure incurred in the development of the Group's IT systems. When these costs meet the recognition criteria of IAS 38 'Intangible Assets' they are capitalised and amortised on a straight-line basis over a five-year period when a specific IT module comes into use.

n. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Group and Company measures loss allowances for Expected Credit Losses ("ECL") on financial assets measured at amortised cost and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs. The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet both of the following criteria are generally not recoverable:

- when there is a breach of the contractual credit terms by the debtor; and
- there is insufficient liquidity within the debtors pension assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, the Group may still follow procedures for recovery of financial assets that have been written off.

ii. Non-financial assets

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 which has an indefinite life, the recoverable amount being the higher of the fair value less costs of disposal or value in use is estimated at each reporting date.

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.

o. 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 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.

p. 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. 100% of the balance recorded as deferred income at 31 December 2022 is expected to be included as revenue in the next financial year.

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

r. Dividends

Dividends are recognised in the accounting period in which they are authorised and paid. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting. Payment of a dividend is permissible in accordance with s57 of the Companies Act 2006 (IOM) and the Articles of Association given that the solvency test has been met.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Share based payments

The grant-date fair value of equity settled share payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. Where awards have a market-based performance condition attached the accounting charge reflects the expected achievement against targets and there is no true-up for differences between expected and actual outcomes.

t. Insurance products

The life assurance business account for insurance products as investment contracts as no significant insurance risk is attached to these contracts. The assets and liabilities of the contracts are Group's Statement of Financial Position only if it is deemed that control exists over the investment decision (see Note 8).

u. 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. The amount of any such provision is based on a best estimate of the expenditure required to settle this. There may be occasions when either a potential loss is probable but difficult to quantify or a potential loss can be reliably quantified but is not probable. On both occasions a contingent liability would be disclosed.

v. New standards and interpretations

The Group has not applied any new accounting standards for the first time for the financial year commencing 1 January 2022. Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards, interpretations and amendments to existing standards have been published by the IASB but are yet to be endorsed by the EU or are not effective for the period presented in the financial statements and the Group has decided not to early adopt them.

Standard	Effective date, annual period beginning on or after
IFRS 17, Insurance Contracts	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendment to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	1 January 2024

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 "Insurance Contracts". It outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The Group currently has two life assurance companies and a detailed assessment has been performed to assess whether the policies underwritten by these life assurance companies fall within the scope of IFRS 17. Without significant insurance risk being transferred, it is concluded that the majority of the policies underwritten are out scoped of IFRS 17 and therefore the implementation of IFRS 17 is not expected to have a material impact on the Group.

None of the proposed amendments to IAS or IFRS noted above are expected to have any material impact on the Group.

w. Cash and cash equivalents

Cash and cash equivalents include cash balances with banks and, demand and short-term deposits which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in their fair value. Short term deposits have a maturity of three months or less from the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

x. Investment in subsidiaries

Investments in subsidiaries in the separate financial statements of STM Group plc are accounted for at cost.

4. DISPOSAL OF SUBSIDIARIES

There were no results for disposal of operations included in the year ended 31 December 2022.

On 23 March 2021 the Group disposed of its Gibraltar company and trustee services ("CTS") and tax compliance business, STM Fidecs Management Limited. On 8 May 2021 the Group disposed of its Jersey based CTS business, STM Fiduciaire Limited. These businesses were classified as discontinued operations during the year ended 31 December 2021.

The results for the discontinued operation included in the year ended 31 December 2021 were shown below.

	£'000
Revenue	774
Expenditure	(736)
Results from operating activities	38
Income tax	—
Results from operating activities, net of tax	38
Gain on sale of discontinued operation	219
Profit from disposal of subsidiaries	257

The profit from the discontinued operation is attributable entirely to the owners of the Company.

Both disposals were subject to a deferred variable consideration based upon the 2021 audited revenue generated by the companies. The final consideration received during the year was lower than originally expected and as such a loss of £162,000 was recognised for the year ended 31 December 2022.

5. ACQUISITION OF PORTFOLIOS

There were no acquisitions in 2021.

On 31 August 2022, the Group acquired the portfolios, net assets and trustee companies of the SIPP and SSAS businesses from Mercer Ltd ("the Portfolio"). The acquisition of the Portfolios is complementary to the Group's existing product offerings in the UK SIPP and SSAS markets and provides a solid platform for scalability, particularly for the Group's SSAS operations, and efficiencies going forward. In addition, it provides the Group with access to an expanded network of intermediaries who have previously introduced clients to Mercer Ltd.

The Group paid a gross cash consideration of £3,340,000 to acquire the Portfolios. Such consideration included the purchase of the net assets of the business which primarily related to fees yet to be collected from clients.

The acquisition was accounted for using the acquisition method. Transaction costs incurred on the acquisition total £150,000 and were expensed within administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

Details of the fair value of the client portfolio, assets and liabilities acquired are set out as follows:

	Fair value recognised on acquisition £'000	Fair value adjustments £'000	Previous carrying value £'000
Client portfolio	2,757	2,757	—
Fixed assets	10	—	10
Accrued income	107	—	107
Debtors[1]	831	—	831
Prepaid assets	28	—	28
Liabilities	(66)	—	(66)
Total identifiable net assets acquired	**3,667**	**2,757**	**910**

Note 1: The fair value of debtor's is approximately the gross contractual amount at the acquisition date.

At acquisition the Group performed a valuation on the client portfolios acquired using the market approach. As a result, client portfolio assets of £1,543,000 relating to the SIPP portfolio and £1,214,000 related to the SASS portfolio were recognised.

5. ACQUISITION OF PORTFOLIO (continued)

A bargain purchase gain has arisen as a result of negotiations due to the previous revenue recognition policy being more aggressive and an adjustment being necessary to align with the Group's more conservative policy. This has resulted in the fair value of the identifiable net assets being higher than the cash consideration paid as noted below:

	£000
Total consideration transferred	3,340
Fair value of identifiable net assets	(3,667)
Bargain purchase gain	**(327)**

The bargain purchase gain is attributable to the portfolio acquired and is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2022.

From the effective date of acquisition to 31 December 2022, the SIPP and SSAS portfolios generated revenue of £821,000 and incurred a loss of £145,000. If the acquisition had occurred on 1 January 2022, management estimates that the impact on the consolidated revenue and profit before tax for the year would have been £2,243,000 and a loss of £99,000 respectively.

In addition, the Group paid deferred cash consideration of £114,000 during the year ended 31 December 2022 relating to the acquisition of the Berkeley Burke companies completed in 2020.

6. ACQUISITION OF NON-CONTROLLING INTERESTS

As part of the acquisition of Carey Administration Holdings Limited ("Options") in 2019, the Group entered into call option agreements to acquire the non-controlling interests ("NCIs") in Options Corporate Pensions UK Limited ('OCPUK') and Options UK Personal Pensions LLP ('OSUK') from the current owner of the NCIs. The call options were exercisable in 2022 with the exercise prices based on the audited financial statements of these entities for the year ended 31 December 2021.

The fair value of the call options was determined using discounted cashflow techniques as no observable market transactions were available and was subject to revaluation as at each reporting date. As at 31 December 2021 these call options were valued at £881,000.

On 9 November 2022, the Group issued the Exercise Notices to the current owner of the NCIs for acquiring the additional interests in OCPUK and OSUK.

Options Corporate Pensions UK Limited

On 30 November 2022, the Group completed the transaction and acquired an additional 20% interest in OCPUK, increasing its ownership from 80% to 100%. The carrying amount of OCPUK's net liabilities in the Group's consolidated financial statements on the date of acquisition was £1,870,000.

	£000
Carrying amount of NCIs acquired (£1,870,000 x 20%)	374
Exercise of OCPUK's call option	881
Cash consideration paid to NCIs	120
A decrease in equity attributable to owners of the Company	**1,375**

The decrease in equity attributable to owners of the Company has been recognised in the other reserves for the year ended 31 December 2022.

Options UK Personal Pensions LLP

As at 31 December 2022 the acquisition of NCIs in OSUK was subject to negotiation of the final exercise price and was therefore yet to complete. As such the Group's ownership of OSUK remained unchanged as at 31 December 2022.

Negotiations were completed on 12 January 2023 (see Note 31) and a payable amounting to £400,000 has been recognised by the Group representing its obligation to pay the current owner of the NCIs with a receivable for the same amount recognised to represent the Group's right to receive OSUK's shares from the current owner of the NCIs.

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to 31 December 2022

7. SEGMENTAL INFORMATION

STM Group has four reportable segments: Pensions, Life Assurance, Corporate Trustee Services 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 revenue 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 internally calculated proportions. Management believes that this information and consequently profitability could potentially be misleading and would not enhance the disclosure above.

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

Operating Segment	**2022 £000**	2021 £000
Pensions	18,421	17,597
Life Assurance	5,001	3,402
Corporate Trustee Services	—	774
Other Services	672	582
Total	**24,094**	22,355

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

Geographical Segment	**2022 £000**	2021 £000
Gibraltar	7,324	6,099
Malta	7,178	7,288
United Kingdom	9,110	7,952
Jersey	—	445
Other	482	571
Total	**24,094**	22,355

Revenue generated from the Corporate Trustee Services companies which were disposed of in 2021 (Note 4) is included in the above comparative figures. The Gibraltar and Jersey companies contributed revenue of £329,000 and £445,000 respectively in 2021.

8. LIFE ASSURANCE OPERATING SEGMENT

These consolidated financial statements include the results for STM Life Assurance PCC PLC and London & Colonial Assurance PCC PLC, two 100% owned subsidiaries whose principal activities are that of the provision of life assurance services. These companies are licenced to carry on linked long-term insurance business under the Financial Services (Insurance Companies) Act by the Gibraltar Financial Services Commission.

For the purposes of these consolidated financial statements, only the shareholders' funds and surpluses that emerge on the long-term funds have been included. The assets invested by the Life Assurance clients are determined by either the clients or their advisers and are segregated from the assets and liabilities of other clients. Therefore, the Group considers that it does not control the investment decision nor does it bear any financial risk in respect of that decision and, therefore, the investment assets and associated liabilities to the customers should not be presented within the consolidated statement of financial position. The total revenue of the Group of £24,094,000 (2021: £22,355,000) included £5,001,000 (2021: £3,402,000) relating to revenue attributable to the life assurance businesses.

Notes To The Financial Statements

For the year from 1 January 2022
to 31 December 2022

9. REVENUE

	31 December 2022 £000	31 December 2021 £000
Revenue from administration of assets	24,094	22,355
Total revenues	**24,094**	22,355

10. ADMINISTRATIVE EXPENSES

Included within administrative expenses are personnel costs as follows:

	31 December 2022 £000	31 December 2021 £000
Wages and salaries	11,633	10,932
Social insurance costs	484	463
Pension contributions	104	128
Total personnel expenses	**12,221**	11,523

Average number of employees

Group	31 December 2022 Number	31 December 2021 Number
Average number of people employed (including Executive Directors)	**285**	286

Company	31 December 2022 Number	31 December 2021 Number
Average number of people employed (including Executive Directors)	**32**	32

11. PROFIT BEFORE OTHER ITEMS

Profit before other items of £3,321,000 (31 December 2021: £2,823,000), was arrived at after charging the following to the income statement:

	31 December 2022 £000	31 December 2021 £000
Loss on disposal of property and office equipment	4	—
Directors' remuneration	663	882
Auditors' remuneration for audit services	472	392

The directors' remuneration report is included on page 18.

For the year from 1 January 2022 to 31 December 2022

12. RECONCILIATION OF REPORTED TO ADJUSTED MEASURES

	Revenue		Profit before other items		Profit Before Tax	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Reported measure	24,094	22,355	3,321	2,823	1,578	1,200
Add: adjustment due to revenue recognition policy change on acquisition	505	—	505	—	505	—
Add: integration and acquisition costs	—	—	390	—	390	—
Less: effect of corporate trustee service companies disposal	—	(774)	—	(54)	—	(54)
Less: bargain purchase gain on acquisition and gain on call options	—	—	—	—	(327)	(406)
Less: loss/(gain) on disposal of companies and trust management	—	—	—	—	162	(219)
Less: movement in deferred consideration related to prior year acquisitions	—	—	—	—	—	(330)
Add: goodwill impairment	—	—	—	—	—	798
Add: other non-recurring costs	—	—	470	179	470	179
Adjusted measure	**24,599**	21,581	**4,686**	2,948	**2,778**	1,168

Adjusted measures are net of non-recurring costs and other exceptional items including bargain purchase gain that do not form part of the normal course of business.

13. TAXATION

	31 December 2022 £000	31 December 2021 £000
Current tax expense/(benefit)	766	(502)
Release of deferred tax assets on leases as per IFRS 16	18	19
Release of deferred tax liabilities on intangible assets	(60)	(59)
Total tax expense/(benefit)	**724**	(542)

Reconciliation of existing tax rate	**2022 %**	**31 December 2022 £000**	2021 %	31 December 2021 £000
Profit before tax for the year	—	1,578	—	1,200
Income tax using the Company's domestic rate	0.00%	—	0.00%	—
Effect of tax rates in other jurisdictions	48.54%	766	(41.81%)	(502)
Release of deferred tax assets on leases as per IFRS 16	1.14%	18	1.59%	19
Release of deferred tax liabilities on intangible assets	(3.80%)	(60)	(4.94%)	(59)
Total tax expense/(benefit)	**—**	**724**	—	(542)
Effective tax rate (%)	**—**	**45.88%**	—	(45.17)%

The effective tax rate for Gibraltar has increased to 12.5% from 1 August 2021 and the effective tax rate in the UK will increase to 25% from 1 April 2023. The effective tax rate in Malta is 5%. The Group effective tax rate is higher than the jurisdictional effective tax rate because tax losses brought forward or incurred in the current year in some jurisdictions cannot be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher during this year than in prior year thus resulting in a higher tax charge on these.

Prior to 2020 tax was paid based on a corporate tax rate of 35% and then reclaimed with the receipt of the rebate being accounted for when received. From 2021, following a change in legislation, the Malta entities formed a fiscal unit which alleviated the need for this reclaim process. As a result, a one-off tax credit of £1,056,440 was recognised in 2021.

14. PROPERTY AND OFFICE EQUIPMENT

Group	Notes	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Right-of-use Assets £000	Total £000
Costs						
As at 1 January 2021		15	1,759	477	5,403	7,654
Additions		—	157	13	265	435
Disposals		—	—	—	(83)	(83)
At 31 December 2021 and 1 January 2022		**15**	**1,916**	**490**	**5,585**	**8,006**
Additions		—	163	2	—	165
Acquired through business combination	5	—	10	—	—	10
Disposals		—	(6)	—	—	(6)
At 31 December 2022		**15**	**2,083**	**492**	**5,585**	**8,175**
Depreciation						
As at 1 January 2021		11	1,193	360	4,120	5,684
Charge for the year		1	153	20	485	659
At 31 December 2021 and 1 January 2022		**12**	**1,346**	**380**	**4,605**	**6,343**
Charge for the year		1	165	20	487	673
Disposals		—	(2)	—	—	(2)
At 31 December 2022		**13**	**1,509**	**400**	**5,092**	**7,014**
Net Book Value						
At 31 December 2021		3	570	110	980	1,663
At 31 December 2022		**2**	**574**	**92**	**493**	**1,161**

Company	Office Equipment £000
Costs	
At 1 January 2021	743
Additions	28
At 31 December 2021 and 1 January 2022	**771**
Additions	10
At 31 December 2022	**781**
Depreciation	
At 1 January 2021	494
Charge for the year	38
At 31 December 2021 and 1 January 2022	**532**
Charge for the year	35
At 31 December 2022	**567**
Net Book Value	
At 31 December 2021	239
At 31 December 2022	**214**

15. INTANGIBLE ASSETS

Group	Notes	Goodwill £000	Client Portfolio £000	Product Development £000	IT Development £000	Total £000
Costs						
At 1 January 2021		14,109	5,742	623	1,288	21,762
Additions		—	—	78	954	1,032
At 31 December 2021 and 1 January 2022		**14,109**	**5,742**	**701**	**2,242**	**22,794**
Additions		—	—	30	907	937
Acquired through business combination	5	—	2,757	—	—	2,757
At 31 December 2022		**14,109**	**8,499**	**731**	**3,149**	**26,488**
Amortisation and impairment						
At 1 January 2021		26	1,143	447	234	1,850
Charge/(adjustment) for the year		—	574	(2)	219	791
Impairment		798	—	—	—	798
At 31 December 2021 and 1 January 2022		**824**	**1,717**	**445**	**453**	**3,439**
Charge for the year		—	574	30	320	924
At 31 December 2022		**824**	**2,291**	**475**	**773**	**4,363**
Carrying amounts						
At 31 December 2021		13,285	4,025	256	1,789	19,355
At 31 December 2022		**13,285**	**6,208**	**256**	**2,376**	**22,125**

Impairment testing for cash-generating units containing goodwill

All goodwill relates to the acquisitions made and reflects the difference between the fair value of the identifiable net asset value of those acquisitions and the fair value of the consideration paid for those acquisitions.

Goodwill represents the excess of the cost of the acquisition, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill is not amortised but is measured at cost less accumulated impairment losses. Additionally, on disposal of a cash-generating unit ("CGU"), the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to the smallest identifiable group of assets that generate largely independent inflows. Management have assessed the number of CGUs and determined that there are five identifiable CGUs, which are also operating and reportable segments. CGUs are determined based on whether the entity is a separate and distinct entity and/or whether that entity is managed as a stand alone business unit.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2022 £000	2021 £000
STM Life	1,256	1,256
LCA	7,735	7,735
FLHP	3,698	3,698
Options - Berkeley Burke acquisition	596	596
Spain	—	—
Total	**13,285**	13,285

15. INTANGIBLE ASSETS (continued)

The Group tests goodwill annually for impairment or more frequently if there is an indication that a CGU or group of CGUs may be impaired. The annual impairment assessment is made by comparing the carrying amount of the CGU or group of CGUs to which goodwill has been allocated with the recoverable amount of the CGU or group of CGUs.

In addition, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At 31 December 2022 and 31 December 2021, the market capitalisation of the Group was above the book value of its recorded goodwill.

The recoverable amount of each CGU or group of CGUs as at 31 December 2022 has been determined based on a value in use calculation using cash flow projections from three-years financial budgets approved by the Board. The subsequent two years cashflows have been calculated based on the following assumptions thereby providing a five-year net cashflows.

Percentage ranged from:	**2022 %**	2021 %
Revenue growth rates and attrition	-1.5% - 4%	0% - 2%
Expense increases and Inflation rates	-3% - 4%	2% - 3%

As goodwill is considered to have an indefinite life the year 5 net cashflow has been extrapolated to perpetuity. A post- tax discount rate of 14% (2021: 13%) has been used in discounting the projected cashflows. It was concluded that the fair value less costs of disposal did not exceed the value in use.

As a result of this analysis, £nil impairment charge has been recognised for the year ended 31 December 2022. For the year ended 31 December 2021, management recognised impairments charges of £500,000, £250,000 and £48,000 against the goodwill allocated to the STM Life, Options - Berkeley Burke acquisition and Spain respectively and were recorded within the consolidated statement of comprehensive income.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of the value in use for the CGUs is most sensitive to the following assumptions:

- Revenue growth rates and attrition
- Expense increases and Inflation rates
- Discount rates

Revenue growth rates and attrition – a decline in revenue growth rates and/or an increase in attrition rates would result in further impairment. A 1% reduction in revenue growth rates would result in a potential impairment charge of approximately £185,000 (2021: £360,000).

Expense increases and inflation rates – management has considered the possibility of increased inflation resulting in higher than anticipated costs and an increase in expenses growth rates would result in potential impairment. A 1% increase in the expense growth rates would result in a potential impairment charge of approximately £nil (2021: £515,000).

Discount rates – discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A 1% increase in the WACC would result in a potential impairment charge of approximately £229,000 (2021: £300,000).

15. INTANGIBLE ASSETS (continued)

Client portfolio

Client portfolio assets acquired in a business combination are recognised separately from goodwill and are recognised initially at fair value at the acquisition date and subsequently assessed annually for impairment. The Group's client portfolios are amortised over the useful lives which have been determined to be ten years. Client portfolios acquired through acquisitions are as follows:

	Acquisition date	31 December 2022 £000	31 December 2021 £000
London & Colonial Services Ltd	October 2016	383	483
STM Nummos Life SL	January 2018*	215	257
Harbour Pensions Ltd	February 2018	545	637
Options Corporate Pensions UK Limited	February 2019	429	499
Options UK Personal Pensions LLP	February 2019	735	855
Options SSAS Limited	August 2020	229	259
Options EBC Limited	August 2020	915	1,035
SIPP portfolio acquired from Mercer Ltd	August 2022	1,543	—
SSAS portfolio acquired from Mercer Ltd	August 2022	1,214	—
Total		**6,208**	4,025

*The client portfolio of STM Nummos Life SL was reclassified from Goodwill in January 2018.

Company	Product Development £000	IT Development £000	**Total £000**
Costs			
At 1 January 2021	396	965	1,361
Additions	78	934	1,012
At 31 December 2021 and 1 January 2022	474	1,899	**2,373**
Additions	30	888	918
At 31 December 2022	504	2,787	**3,291**
Amortisation and impairment			
At 1 January 2021	240	24	264
(Adjustments)/charges for the year	(7)	155	148
At 31 December 2021 and 1 January 2022	233	179	**412**
Charges for the year	30	263	293
At 31 December 2022	263	442	**705**
Carrying amounts			
At 31 December 2021	241	1,720	1,961
At 31 December 2022	241	2,345	**2,586**

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16. FINANCIAL ASSETS

Group	31 December 2022 £000	31 December 2021 £000
Financial instrument designated at FVTPL	1,762	—
Call options to acquire non-controlling interests (Note 6)	—	881
Total	**1,762**	881

Company	31 December 2022 £000	31 December 2021 £000
Call options to acquire non-controlling interests (Note 6)	—	881
Total	**—**	881

The financial instrument designated at FVTPL represents a UK sovereign debt instrument with a stated interest rate of 2% and is held for trading.

This investment has been classified as Level 1 as its value is derived from quoted prices in active market.

17. INVESTMENTS

Company – Investments in subsidiaries

Acquisitions of the Company	31 December 2022 £000	31 December 2021 £000
Shares in Group undertakings		
Balance at start of year	16,013	20,809
Acquisition of non-controlling interests (Note 6)	1,001	—
Dormant entities closure	(1)	(1,746)
Impairment of investment	—	(3,050)
Balance at end of year	**17,013**	16,013

An impairment in the investment in STM Fidecs Ltd of £3,050,000 was recognised in 2021 as the net assets of the subsidiary entities were below the carrying value of the investment.

18. TRADE AND OTHER RECEIVABLES

Group	31 December 2022 £000	31 December 2021 £000
Trade receivables	4,266	3,921
Prepayments	999	508
Other receivables	3,196	3,270
Total	**8,461**	7,699

Company	31 December 2022 £000	31 December 2021 £000
Receivables due from related parties	13,708	9,817
Other receivables	2,215	3,398
Total	**15,923**	13,215

Amounts due from related parties comprise intercompany balances which 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 26.

19. CASH AND CASH EQUIVALENTS

Group	31 December 2022 £000	31 December 2021 £000
Bank balances	**19,234**	18,207

Company	31 December 2022 £000	31 December 2021 £000
Bank balances	**2,425**	2,463

The Group has a secured bank loan liability of £5,363,000 (2021: £1,450,000) which is included in Notes 23 and 24.

Within cash and cash equivalents held by the Group there is a balance of £2,903,000 (2021: £2,847,000) which is not available for use by the Group. This mainly represented the blocked account that forms part of Options Corporate's regulatory requirement and the funds collected on behalf of clients but yet to be paid across to the respective clients or relevant authority bodies.

20. CAPITAL AND RESERVES

Authorised, called up, issued and fully paid	31 December 2022 £000	31 December 2021 £000
59,408,088 ordinary shares of £0.001 each (2021: 59,408,088 ordinary shares of £0.001 each)	59	59

Ordinary Shares

Ordinary shares carry full voting rights; full dividend rights; full rights as respects capital, to participate in a distribution (including on winding up); no redemption rights.

Employee Benefit Trust

The trustees of the Employee Benefit Trust held 1,089,780 shares at 31 December 2022 and 31 December 2021. The shares held may be used to satisfy awards made to employees and/or senior executives, such as conditional share awards granted under a long-term incentive plan.

Share premium

There were no new shares issued during the years ended 31 December 2022 and 31 December 2021.

Translation

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

Dividends

The following dividends were declared and paid by the Group during the year:

	31 December 2022 £000	31 December 2021 £000
1.50p per qualifying ordinary share (2021: 1.45p)	891	861

After the respective reporting dates the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	31 December 2022 £000	31 December 2021 £000
0.60p per qualifying ordinary share (2021: 0.90p)	356	535

21. SHARE BASED PAYMENTS

There was no Long-Term Incentive Plan in place during the year. As such the charge for the year which has been recognised within the share based payment reserve is £nil (2021: £nil).

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22. EARNINGS PER SHARE

Earnings per share for the year from 1 January 2022 to 31 December 2022 is based on the profit attributable to owners of £844,000 (2021: £1,749,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2021: 59,408,088) and 59,408,088 dilutive (2021: 59,408,088) in issue.

23. TRADE AND OTHER PAYABLES

Group	31 December 2022 £000	31 December 2021 £000
Deferred income	3,842	3,579
Trade payables	882	638
Bank loan (secured)	552	550
Deferred consideration	56	170
Lease liabilities	570	747
Other creditors and accruals	6,615	4,848
Total	**12,517**	10,532

Company	31 December 2022 £000	31 December 2021 £000
Owed to related parties	10,131	10,448
Bank loan (secured)	552	550
Accruals	731	596
Other creditors	1,097	890
Total	**12,511**	12,484

Amounts owed to related parties comprise intercompany balances which are unsecured, interest free and repayable on demand.

Deferred income consists of fixed fee revenues billed in advance to clients which have not yet been earned as at the year end.

The Company signed a credit facility with Royal Bank of Scotland (International) Ltd for £5.5 million in 2020 which was fully drawn during the year for the purposes of the acquisition of the Mercer portfolios (Note 5). The facility has a 5-year term with capital repayments structured over ten years and a final instalment to settle the outstanding balance in full at the end of the 5 years. At the year-end the balance outstanding on this facility was £5.4 million (2021: £1.5 million). Interest on the loan is charged at 3.5% per annum over the Sterling Relevant Reference Rate. Prior to fully drawing down the loan interest was paid on the undrawn balance at a rate of 1.75% per annum over the Sterling Relevant Reference Rate.

The facility is subject to customary cashflow to debt service liability ratios and EBITDA to debt service liability ratio covenants tested quarterly and is secured by a capital guarantee provided by a number of non-regulated holding subsidiary companies within the Group and debentures over these companies.

The Group's exposure to liquidity risk related to trade and other payables is described in Note 26.

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

Group	31 December 2022 £000	31 December 2021 £000
Lease liabilities	143	637
Bank loan (secured)	4,811	900
Other payables	96	91
Total	**5,050**	1,628

Company	31 December 2022 £000	31 December 2021 £000
Bank loan (secured)	4,811	900

25. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Market risk
- Currency risk
- Capital management risk
- Liquidity risk
- Interest rate 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 an Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies.

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 level of liquidity of customer investments determines the level of credit risk associated with each customer. The liquidity of customers is monitored at each anniversary date.

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. The Group believes its exposure to liquidity risk is minimal given its current cash balances and existing financial obligations.

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 has one bank borrowing at the year end. A change of 100 basis points in an interest rate would have increased or decreased equity and profit or loss by £34,000 after tax (2021: £15,500).

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 (€). It has a further currency risk in relation to the expenses incurred in Malta as these are in Euros. A change of 100 basis points in the Euro to Sterling exchange rate increases or decreases equity and profit or loss by £28,000 after tax (2021: £28,000) This is mitigated by the fact that clients are invoiced in its and the Group's functional currency of sterling (£).

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.

25. FINANCIAL RISK MANAGEMENT (continued)

g. Capital management risk

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.

Furthermore, certain of the Company's subsidiaries are licensed by the respective jurisdictions regulators and as such all comply with the regulatory capital requirements set by each respective regulatory body.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes a bank loan as per Notes 23 and 24, and equity attributable to shareholders, comprising share capital, 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 net of the balances which are not available for use by the Group (Note 19). Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio at 31 December 2022 suggests that the Group has sufficient liquidity to meet its obligations as they fall due. Net debt compared to equity at 31 December 2021 was as follows:

	31 December 2022 £000	31 December 2021 £000
Total liabilities	19,247	37,394
Less: net cash and cash equivalents available	(16,331)	(15,360)
Adjusted net debt	2,916	22,034
Total equity attributable to owners of the Company	**34,970**	36,380
Adjusted net debt to adjusted equity ratio	**8%**	61%

The net cash and cash equivalents available excludes the balances not available for use by the Group of £2,903,000 (2021: £2,847,000) as more fully explained in Note 19. The comparatives have been adjusted to conform with the current year presentation.

26. 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:

	31 December 2022 £000	31 December 2021 £000
Financial instrument designated as FVTPL	1,762	—
Trade and other receivables	8,461	7,699
Cash and cash equivalents	19,234	18,207
Total	**29,457**	25,906

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 2022 and 31 December 2021. Segmental disclosures are included in Note 7 reflecting the Group's operating segment and geographic concentration.

The Group limits its exposure to credit risk by investing only in liquid debt securities issued by the UK government. The financial instrument designated at FVTPL held by the Group is rated as investment grade.

Impairment on trade and other receivables is determined applying an ECL model as discussed in Note 3(n).

26. FINANCIAL INSTRUMENTS (continued)

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

	Gross receivables 31 December 2022 £000	Individual impairment 31 December 2022 £000	Total £000	Gross receivables 31 December 2021 £000	Individual impairment 31 December 2021 £000	Total £000
Not past due	933	—	933	1,782	—	1,782
Past due 0-30 days	464	—	464	306	—	306
Past due 31-120 days	333	—	333	189	—	189
More than 120 days past due	3,060	(524)	2,536	1,818	(174)	1,644
Total	**4,790**	**(524)**	**4,266**	4,095	(174)	3,921

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 2022 £000	31 December 2021 £000
Balance at start of year	174	43
Movement in expected credit loss allowance	350	131
Balance at end of year	**524**	174

Based on historic default rates and knowledge of the customers, the Group believes that no impairment allowance is necessary in respect of the trade receivables.

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 2022	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-4 years £000
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade payables	882	882	882	—	—
Bank loan (secured)	5,363	5,682	336	333	5,013
Deferred consideration	56	56	56	—	—
Lease liabilities	713	736	363	226	147
Other creditors and accruals	6,615	6,615	6,615	—	—
Total	**13,629**	**13,971**	**8,252**	**559**	**5,160**

31 December 2021	Carrying amounts £000	Contractual cash flow £000	6 months or less £000	6-12 months £000	1-4 years £000
NON-DERIVATIVE FINANCIAL LIABILITIES					
Trade payables	638	638	638	—	—
Bank loan (secured)	1,450	1,526	329	324	873
Deferred consideration	170	170	170	—	—
Other creditors and accruals	1,384	1,360	361	363	636
Lease Liabilities	4,848	4,848	4,848	—	—
Total	8,490	8,542	6,346	687	1,509

26. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Financial assets - call options	**31 December 2022 £000**	31 December 2021 £000
Balance as at 1 January	881	475
Settlement (Note 6)	(881)	—
Total gains recognised in profit or loss	—	406
Balance as at 31 December	**—**	881

27. LEASES

In relation to leases under IFRS 16, the Group has charged depreciation and interest costs. The Group recognised £487,000 (2021: £486,000) of depreciation charges and £53,000 (2021: £83,000) of interest expenses from these leases during the year ended 31 December 2022. The Group recognised £61,000 (2021: £60,000) of expenses relating to short-term leases or leases that can be cancelled with no penalties and £6,000 (2021: £2,000) of expenses for leases of low-value assets, excluding short-term leases, for the year ended 31 December 2022.

The total cashflow for leases for the year ended 31 December 2022 was £791,000 (2021: £532,000).

Lease liabilities

Non-cancellable lease liabilities as per IFRS 16 are payable as follows:

	31 December 2022 £000	31 December 2021 £000
Less than one year	589	724
Between one year and five years	147	637
More than five years	—	—
Total	**736**	1,361

The maturity analysis of lease liabilities is disclosed in note 26. Right-of-use assets are disclosed in Note 14.

The Group leases a number of offices from which they operate, the largest of which are the offices in Gibraltar and Milton Keynes with the leases terminating in 2023 and 2024 respectively.

28. PROVISION, RECEIVABLES DUE FROM INSURERS AND CONTINGENT LIABILITY

As stated in Note 3(q) and as required by IFRS, provisions are recorded 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. As stated in Note 2 this requires judgement and the use of assumptions about the likelihood and magnitude of any cash outflow. The Group analyses its exposure based on available information, including consultation with professional indemnity insurers and external legal advisors where appropriate, to assess any potential liability.

Provision and receivables due from insurers	**31 December 2022 £000**	31 December 2021 £000
Carey (Options) v Adams	—	21,400
Others	488	2,730
Total	**488**	24,130

28. PROVISION, RECEIVABLES DUE FROM INSURERS AND CONTINGENT LIABILITY (continued)

Carey (Options) v Adams:

The high profile and protracted Court case of Carey (Options) v Adams came to a conclusion in April 2022 when the right to appeal the Court of Appeal's decision of 1 April 2021 to the Supreme Court was refused.

It was recognised that the ruling made in Mr Adams case was fact specific and included the exercise of discretion on the part of the Court of Appeal, and which was exercised in the context of those facts. The Court of Appeal also at the time of its ruling did not determine the appropriate relief payable to Mr Adams. It was therefore difficult to assess the exact obligation that could arise on other claims based on this one case. An estimate was therefore arrived at by considering a cohort of claims which were deemed to have similar characteristics to Mr Adams' claim resulting in a provision of £3.6 million for the year ended 31 December 2020. Following receipt of notice that right to appeal to the Supreme Court had been denied in March 2022 management, in consultation with its legal advisors and insurers reviewed the potential claims payable applying a broader range of criteria given that there was no further basis to appeal the judgement. This resulted in a provision of £21.4 million for the year ended 31 December 2021. This is covered by professional indemnity insurance and was therefore also reflected as receivables due from insurers.

During the year ended 31 December 2022 the insurers settled the claim with Mr Adams as mandated by the Courts. However, the Group has received agreement for a judicial review on a Financial Ombudsman Service's decision on the basis that it impacts on a large number of claims and raises issues of general importance. The outcome of this judicial review could subsequently impact a significant number of claims handled, including the cohort of claims arising from the Carey v Adams case. The matter is currently being considered by the courts and the timing of any judgement remains uncertain.

The Group has reassessed the probability of an outflow of economic benefits arising from this case and the reliability of estimates based on the latest information. Subject to the new developments on the judicial review and the increasing uncertainty surrounding the potential liability, the Group considers that it is not practical to estimate the potential impacts on the cohort of claims and the likelihood and timing of settlements. As a result, the provision has been reclassified as contingent liability and the corresponding receivables due from insurers have been derecognised as at 31 December 2022. There would have been no impact on the net assets of the Group as previously reported if the same treatment had been adopted as at 31 December 2021.

Other:

As at 31 December 2022 and 31 December 2021 there were potential claims in respect of the historic trading of STM Fidecs Life, Health & Pensions Limited and STM Malta Pensions Services Limited. These claims were estimated based on present information available at the time and a provision made. This was covered by professional indemnity insurance net of insurance excesses and thus also reflected as a receivable due from insurers. Following progress made on these claims during the year ended 31 December 2022 the provision (and corresponding receivable from insurers) has reduced to £488,000 (2021: £2,730,000).

General:

With reference to the prejudicial exemption allowed under IAS 37, the Company will not disclose any further information about the contingent liability, including any details about current and potential claims as these claims are ongoing.

On the basis of present information, amounts already recognised and the availability of insurance coverage, it is the opinion of the Group that the ultimate determination of complaints received to date will not have a material adverse effect on the consolidated financial position of the Group. However, it is possible that future results of operations or cash flows for any annual period could be materially affected by an unfavourable resolution of these matters.

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29. RELATED PARTIES

Transactions with key management personnel and Directors' compensation

Key management compensation comprised:

	31 December 2022 £000	31 December 2021 £000
Short-term employee benefits	692	850
Share-based payments	—	—
Total	**692**	850

Key management personnel and Director transactions

Trusts and related parties connected to the Directors held 12% of the voting shares of the Company as at 31 December 2022 (2021: 12%).

The Company received dividends of £4,716,863 (2021: £2,218,470) from STM Malta Limited, £100,000 (2021: £75,000) from STM Fidecs Limited and £nil (2021: £1,800,000) from London & Colonial Holdings Limited.

30. GROUP ENTITIES

Principal subsidiaries

At 31 December 2022 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

		Ownership interest		
Name of subsidiary	Country of incorporation	31 December 2022	31 December 2021	Activity
STM Fidecs Life, Health and Pensions Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
STM Fidecs Central Services Limited	Gibraltar	100% indirectly	100% indirectly	Services and Administration
STM Nummos SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Life Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Life Assurance company
STM Nummos Life SL	Spain	100% indirectly	100% indirectly	Administration of clients' assets
STM Malta Pension Services Limited	Malta	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial Assurance PCC PLC	Gibraltar	100% indirectly	100% indirectly	Life Assurance Company
London & Colonial Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial Central Services Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
London & Colonial (Trustee Services) Limited	Gibraltar	100% indirectly	100% indirectly	Administration of clients' assets
Options Corporate Pensions UK Limited	England	100% indirectly	80% indirectly	Administration of clients' assets
Options UK Personal Pensions LLP	England	70% indirectly	70% indirectly	Administration of clients' assets
Options SSAS Limited	England	100% indirectly	100% indirectly	Administration of clients' assets
Options EBC Limited	England	100% indirectly	100% indirectly	Administration of clients' assets

31. NON-ADJUSTING SUBSEQUENT EVENT

On 12 January 2023, the Group completed the acquisition of the remaining external 30% interest in Options UK Personal Pensions LLP, increasing its ownership from 70% to 100% (Note 6). A decrease in equity attributable to owners of the Company has been recognised in the other reserve amounted to £468,000. Subsequent to this acquisition, all subsidiaries are wholly owned.

The Directors are not aware of any significant events occurring after the reporting date.

Notice of Annual General Meeting

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 recently sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

STM GROUP PLC
(the 'Company')

NOTICE OF ANNUAL GENERAL MEETING

The Board considers that all of the resolutions set out in the notice of AGM are likely to promote the success of the Company and are in the best interests of both the Company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

Notice is hereby given that the AGM of the Company will be held on 22 August 2023 at 10.00am at 1st floor, 21 Perrymount Road, Haywards Heath, West Sussex, RH16 3TP, for the purpose of considering and, if thought fit, passing the following resolutions:

Resolutions

1. To receive the Company's annual accounts for the financial year ended 31 December 2022, together with the Directors' Report and Auditor's Report.
2. To declare a final dividend of 0.6p per ordinary share.
3. To elect Nigel Birrell as a Director.
4. To re-elect Alan Kentish as a Director.
5. To elect Peter Smith as a Director.
6. To appoint Grant Thornton Ireland as auditor.
7. To authorise the Directors to determine the auditor's remuneration.
8. THAT the Directors be generally and unconditionally authorised pursuant to and for the purposes of Article 6 of the Company's articles (the "Articles") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Relevant Securities"):

   (a) up to a nominal amount of £19,802; and

   (b) comprising equity securities (as defined by section 560 of the UK Companies Act 2006) ('equity securities') up to a nominal amount of £38,604 in connection with an offer by way of a rights issue to:

      (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

The authorities conferred on the Directors under paragraphs (a) and (b) to allot Relevant Securities shall expire at 6pm on 31 October 2024, or, if earlier, the conclusion of the next AGM of the Company to be held in 2024 unless previously revoked, varied or renewed by the Company in a general meeting.

The Company shall be entitled to make, prior to the expiry of such authorities, any offer or agreement which would or might require Relevant Securities to be allotted after the expiry of these authorities and the Directors may allot Relevant Securities pursuant to such offer or agreement as if these authorities had not expired.

All prior authorities to allot Relevant Securities shall be revoked but without prejudice to any allotment of Relevant Securities already made thereunder.

Special Resolutions

9. That, if resolution 8 is passed, the Board be authorised to allot equity securities for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section Article 7 of the Articles did not apply to any such allotment or sale, such authority to be limited:
   (a) allotments for rights issues and other pre-emptive issues; and
   (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £5940.80; and
   (c) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) or paragraph (b) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (b) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Pre-Emption Group's Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice;

   such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 31 October 2024) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

10. That if resolution 8 is passed, the Board be authorised in addition to any authority granted under resolution 9 to allot equity securities for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Article 7 of the Articles did not apply to any such allotment or sale, such authority to be:
   (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £5940.80 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Board of the Company determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and
   (b) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (a) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 31 October 2024 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

11. THAT the Company be generally authorised pursuant to Article 15 to make market purchases (within the meaning of section 693(4) of the UK Companies Act 2006) of ordinary shares of £0.001 each in the capital of the Company on such terms and in such manner as the Directors shall determine, provided that:
   (a) the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 5,940,808 ordinary shares;
   (b) the minimum price, exclusive of any expenses, which may be paid for each ordinary share is its nominal value;
   (c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
   (d) this authority shall expire on 31 October 2024, or, if earlier, at the conclusion of the next AGM of the Company to be held in 2024 unless previously revoked, varied or renewed; and
   (e) the Company may make a contract to purchase ordinary shares under this authority prior to the expiry of this authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract as if such authority had not expired.

12. THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board



Alex Small LL.M ACG
Company Secretary
Viking House, St Paul's Square,
Ramsey, Isle of Man, IM8 1GB

Company number: 005398V

26 June 2023

Notice of Annual General Meeting

Notes:

1. Resolutions 1 to 8 are to be proposed as ordinary Resolutions. Resolutions 9 to 12 are to be proposed as Special Resolutions 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.
2. A member who is entitled to attend and vote at the AGM is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and to vote at the AGM. A proxy need not also be a member.
3. A member must be registered as the holder of ordinary shares by 11am on 18 August 2023 in order to be entitled to vote at the AGM as a member in respect of those shares.
4. 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 by 11am on 18 August 2023. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically.
5. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual.

Explanatory Notes: Resolutions 8, 9, 10 & 11

Resolution 8 – Authority to allot relevant equity securities

Resolution 8 is proposed to renew the Directors' powers to allot shares. The Directors' existing authority, which was granted (pursuant to Article 3) at the AGM held on 4 August 2022 and will expire at the end of this year's AGM. Accordingly, paragraph (a) of resolution 8 would renew this authority by authorising the Directors to allot relevant securities up to an aggregate nominal amount equal to approximately one third of the current issued share capital of the Company.

In accordance with the Investment Association Share Capital Management Guidelines issued in February 2023, resolution 8 seeks to grant the Directors authority to allot ordinary shares equal to a further one third of the Company's issued share capital in connection with a rights issue in favour of ordinary shareholders.

The Directors have no present intention to exercise the authority sought under this resolution. In the event of any exercise of the authority, the Directors intend to follow the Guidelines concerning its use including as regards the Directors standing for re-election.

The authorities sought under this resolution will expire at the conclusion of the AGM of the Company to be held in 2024, or at 6pm on 31 October 2024, whichever is sooner, unless renewed or revoked prior to such time.

Resolutions 9 and 10 – Disapplication of statutory pre-emption rights

In November 2022, the Pre-Emption Group updated their Statement of Principles (the "Pre-Emption Group Principles") to, amongst other things, support companies seeking authority to issue non-pre-emptively for cash equity securities.

Resolutions 9 and 10 are to approve the disapplication of pre-emption rights. The passing of these resolutions would allow the Directors to allot shares for cash and/or sell treasury shares without first having to offer such shares to existing shareholders in proportion to their existing holdings.

The authorities contained in resolutions 9 and 10 will expire at the conclusion of the AGM of the Company to be held in 2024 or at 6pm on 31 October 2024, whichever is sooner.

Resolution 11 – Authority to purchase Company's own shares

Resolution 11 seeks to grant the Directors authority (until 31 October 2024 or, if earlier, the next AGM to be held in 2024, unless such authority is revoked or renewed prior to such time) to make market purchases of the Company's own ordinary shares, up to a maximum of 5,940,808 ordinary shares, being an amount equal to approximately 10% of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105% of the average of the middle market quotations for an ordinary share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of the shares.

The Directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The authority will only be exercised in circumstances where the Directors expect that such purchases will result in an improvement in earnings per share and will be in the best interests of shareholders generally.

Company Information

CORPORATE

Directors

Nigel Birrell
Non-Executive Chairman

Alan Kentish ACA ACII AIRM
Chief Executive Officer

Therese Neish BA (HONS) FCCA
Interim Chief Financial Officer

Peter Smith
Non-Executive Director

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