



GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2023

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CHAIRMAN'S STATEMENT

I am pleased to present to you the STM Group PLC ("STM") results for the year ended 31st December 2023 - the first full year that the newly constituted Board has been in situ.

Given the embedded value within the Group's businesses and the backdrop of predictable recurring revenue and ongoing profitability, my role as Chair and that of my fellow directors has been to set a strategic course which would deliver enhanced shareholder value. This could come about by the introduction of new products and the achievement of greater efficiencies or by the orderly break-up or sale of the Group.

As announced in January 2023, the Board commissioned an independent strategic review from a third-party consultancy company to assess the Group's operating businesses, identify those with the most potential for future profitability and recommend alternative strategies for those and the remaining businesses within the Group. The results of the review were presented to the Board in March 2023 and concluded that the success of the Group would ultimately be dependent on its technology capabilities. The review did highlight that the anticipated externally realisable value of the various businesses within the Group was significantly more than the market capitalisation of the Group at the time. As a result of the strategic review, the Board initiated a technology review as the final input required for the Board to determine the strategy going forward.

However, as well documented in the various market announcements from July 2023 onwards, the Group received an initial approach and expression of interest in the Group, which culminated in the announcement of an offer for the whole of the issued and to be issued share capital of the Company, issued in accordance with Rule 2.7 of the Takeover Code, on 10th October 2023. The offer was to be effected via a Scheme of Arrangement, and the Scheme document was issued to shareholders on 9th November 2023.

Full details of the offer are set out in the CEO's Review within the Annual Report, but in summary the offeror, Jambo SRC Limited ("Jambo") would acquire the whole STM Group, with the exception of the two SIPP businesses which would exit by way of a management buyout to be completed immediately prior to the overall transaction. The acquisition, once completed, will deliver an up-front 60 pence per share in cash to STM shareholders, with up to a further 7 pence per share in deferred contingent consideration at the one-year anniversary, dependant on certain criteria.

The Scheme was approved by 99.99% of all independent Scheme Shares voted and by 89.5% of independent Scheme Shareholders who voted at an EGM held on 6th December 2023. The transaction remains subject to regulatory approval of the proposed change in control of the Group by the Gibraltar and Malta regulators.

Given the anticipated acquisition by Jambo, and the fact that any dividend declared would be deducted from the final consideration under the terms of the Scheme, the Board has taken the decision not to declare a final dividend for 2023 (2022: 0.60 pence).

Turning to the performance of the business, I am pleased to confirm that the reported 2023 revenue and underlying profit before tax were in line with management's expectations, although reported profitability was significantly reduced as a result of expensing £1.2 million of non-recurring professional advisory costs relating to the potential acquisition by Jambo.

The Group's recurring revenue continues to provide a predictable base for the Group's ongoing profitability, and this has been bolstered by the additional revenue generated from the new interest sharing policy that was implemented for the UK SIPP businesses in July 2023. Similar policies are in the process of being rolled out for the other areas of the business.

I noted in my previous Chairman's statement that STM was at a cross-roads in its evolution, and that certain parts of the business would be difficult to grow or to achieve a full valuation. In this regard, I am delighted to confirm that, on 14th June 2024, the Group announced it had signed a commercial agreement with Smart Pension Limited ("Smart"), and related agreements under which, subject to trustee approval, the members in the Group's Options master trust will transfer to Smart's master trust. This is likely to generate a consideration of £4.7m payable over the next couple of years. In addition, the Group has also signed an introducers agreement with Smart, which will allow for the Group to receive introductory fees for new business introduced by STM to Smart.

Importantly, the agreement allows STM to exit the UK workplace pension market, which is becoming more competitive and starting to be dominated by the larger players. The transaction was undertaken with Jambo's consent.

Finally, my thanks go to all of my STM colleagues for their hard work and commitment during the course of 2023 and into 2024.

I would like to extend my particular thanks to Therese Neish, who left the Group on 31st May 2024, for her considerable contribution and dedication to the Group over many years.

I look forward to updating the market in due course in relation to the change of control approvals from the Malta and Gibraltar regulators which, once received, will allow the acquisition by Jambo to conclude and the initial consideration of 60 pence per ordinary share to be paid to shareholders.

A handwritten signature in black ink, appearing to read 'Nigel Birrell'.

Nigel Birrell
Chairman
26th June 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

The 2023 financial year has been dominated by strategic projects, with the focus in the second half of the year being on the initial approach and expression of interest by Jambo SRC Limited ('Jambo') in June 2023, which culminated in an offer by Jambo for the whole of the issued and to be issued share capital of the Company on 10th October 2023, subject to regulatory approval of the change of control in Gibraltar and Malta. The offer was also conditional on the UK SIPP businesses completing a management buy-out immediately prior to the Court approval of the Scheme of Arrangement (the "Scheme") by which the acquisition was to be effected, subject to change of control approval in the UK.

The Scheme was approved in an EGM on 6th December 2023 with 99.9% of Scheme shares voting to accept the Scheme offer. As at the date of these financial statements, the FCA in the UK has approved the prospective change of control of the companies subject to the management buyout, but the approval processes in Gibraltar and Malta have yet to be concluded.

2023 commenced with the appointment of third-party consultants to undertake a strategic review of the Group's operation, the results of which were reported to the Board in late March 2023. Further details of the results of the review and the impact of the approach and subsequent offer by Jambo on the Board's conclusions and further actions are set out in the Chairman's Statement.

Notwithstanding the significant distractions arising from the approach by Jambo, the Group has continued to trade in line with management expectations.

The continuing high percentage of annual recurring revenue for 2023, amounting to 81% of total revenues, underpinned the day-to-day performance of the various trading divisions, and for the latter part of 2023 this was supplemented by the new interest sharing policy implemented in the UK SIPP businesses.

The integration of the Mercer SIPP and SSAS portfolios acquired in September 2022 was successfully completed during the course of 2023, and the books of business acquired performed in line with expectations.

New business volumes remained generally disappointing across the Group, but this needs to be viewed in conjunction with the fact that certain areas of the business would only see better volumes upon an improved technology-based service offering, and that potential strategic developments of the Group's technology platforms have been paused pending the outcome of the Jambo transaction. All strategic projects remain on hold whilst the Group awaits the change of control regulatory approvals previously referred to,

Finance 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 reports both basic and adjusted financial key performance indicators in Table 1 and 2 below, as the impact of non-recurring movements does not allow for a clear understanding of operating performance without highlighting key non-recurring elements.

The Group reported revenues of £28.1 million for 2023 (2022: £24.1 million). The 17% uplift in revenues over 2022 is largely attributable to a full year's revenue contribution from the 2022 acquisition of the SIPP and SSAS books from Mercer, which contributed £2.3 million in additional revenues, and the additional £3.2 million interest income earned as a result of the new SIPP interest sharing policy. This offset the shortfalls in new business revenues across the Group.

Profit before other items on both a reported and adjusted basis for 2023, was £3.2 million and £5.8 million respectively (£3.3 million and £4.7 million respectively), and the latter represented a healthy uplift compared to 2022.

The uplift in adjusted profit before other items over 2022 was principally due to the impact of the client interest sharing policy incepted in the SIPP businesses in July 2023 which flowed through to the bottom line.

On a like-for-like basis, adjusted profit before tax was similar to the previous year, with 2023 showing £3.1 million (2022 £2.8 million), although on a statutory basis the pre-tax result for 2023 was significantly lower at £0.4 million (2022 £1.6 million). This reduction was primarily driven by the one-off, non-recurring professional advisory and legal fees of £1.2 million incurred in relation to the proposed acquisition of the Company by Jambo.

In addition, as set out below in Table 2, there were a number of non-recurring income and expense items that are added back to the reported measure for Profit Before Tax so as to give a better picture of the operating performance of the business. For 2023, this included £0.6 million (2022: £Nil) of deferred consideration and old debtors previously recognised in the sale of the Company Management and Trustee Services businesses in 2021, £0.2 million of deferred consideration previously recognised on the Berkeley Burke and Mercer acquisitions in 2020 and 2022 respectively that were ultimately not deemed to be recoverable (2022: £Nil), £0.5 million (2022: £0.5 million) of one-off costs in relation to management restructuring and legal costs and £0.1 million (2022: £Nil) advisory fees paid for the independent strategic review undertaken in the first part of the year.

Table 1

KPI	Definition	2023 (reported)	2022 (reported)	2023 (adjusted)	2022 (adjusted)
Revenue (£'000s)	Income derived from the provision of services.	28,078	24,094	28,078	24,599
Recurring revenue (£'000s)	Revenue derived from annual management charges and/or contractual fixed fee agreements.	22,686	22,219	22,686	22,219
Interest income (£'000s)	Interest earned from the Group's and customer cash balances	3,740	531	3,740	531
Profit before other items (£'000s)	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.	3,200	3,321	5,824	4,686
Profit before taxation (£'000s)	Revenue less administrative expenses and other items	442	1,578	3,066	2,778
Profit after taxation (£'000s)	Revenue less administrative expenses and other items less/add taxation charge/credit	417	854	3,041	2,054
Earnings per share (pence)	Profit after taxation attributable to shareholder of the Company divided by weighted average number of ordinary shares outstanding	0.70	1.42	5.12	3.44
Profit margin before other items (%)	Profit before other items divided by revenue.	11%	14%	21%	19%

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	
	2023	2022	2023	2022	2023	2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Reported measure	28,078	24,094	3,200	3,321	442	1,578
Add: adjustment due to revenue recognition policy change on acquisition	–	505	–	505	–	505
Add: integration and acquisition cost	–	–	–	390	–	390
Add: Project Atlantic professional costs	–	–	1,202	–	1,202	–
Less: bargain purchase gain on acquisition and gain on call options	–	–	–	–	–	(327)
Less: loss on disposal of companies and trust management	–	–	–	–	–	162
Less: movement in deferred consideration related to prior year acquisitions	–	–	761	–	761	–
Add: costs of strategic review	–	–	135	–	135	–
Add: other non-recurring costs	–	–	526	470	526	470
Adjusted measure	28,078	24,599	5,824	4,686	3,066	2,778

Tax Charge and Earnings per Share

The tax charge for the year was £0.03 million (2022: £0.7 million). This was an effective tax rate of 6% (2022: 46%), which was lower than the rates noted in prior years due to the writeback of tax over provided for in prior years. In the year ended 31st December 2022, the Group's effective tax rate was higher than the jurisdictional effective tax rate, as tax losses brought forward or incurred in that year in some jurisdictions could not be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher than in prior years, thus resulting in a higher overall tax charge.

Earnings per share ("EPS") for 2023 were 0.7 pence per ordinary share compared to 1.42 pence per ordinary share in 2022. The decrease was a direct result of the lower profit before tax as explained above. There were no dilutive factors in either 2023 or 2022.

Cashflows and Balance Sheet

Cash and cash equivalents amounted to £18.4 million as at 31st December 2023 (2022: £19.2 million), with net cash inflow from operating activities of £2.5 million for the year ended 31st December 2023 (2022: £5.3m).

The bank loan from RBSI, drawn down in 2021 and 2022 to finance the acquisition of the SIPP and SSAS books from Mercer, remained in place as at 31st December 2023. As at the year end the outstanding balance on the facility was £4.8 million (2022: £5.4 million).

Cash and cash equivalents, net of the above mentioned outstanding bank loan, as at 31st December 2023 amounted to £13.6 million (2022: £13.9 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 31st December 2023 was £17.3 million (2022: £17.3 million).

As further disclosed in the notes to the financial statements, the Carey (“Options”) v Adams case came to a conclusion in 2022 and was settled during the course of that year. During the course of 2023 it was therefore possible to quantify the likely exposure to similar cases with the same profile. In a similar manner, but in an unrelated case, Options was unsuccessful in the Judicial review hearing of a previously determined case by the Financial Ombudsman Scheme.

As a result, this case has been settled by the professional indemnity insurers, and cases with similar characteristics have now been provided for as at 31st December 2023. Whilst a provision has been established for the estimated likely amounts payable in relation to such claims, the Group has recognised an asset equal to an equivalent recovery of such exposure from the Group’s professional indemnity insurers, such that the net assets indicated in the consolidated statement of financial position are not affected. Further details in relation to the provisions held are set out in note 28 to the financial statements.

Within the consolidated statement of financial position, the Group recognised accrued income in the form of work performed for clients but not yet billed, as well as accrued interest income, of £3.1 million as at 31st December 2023 (2022: £0.9 million). Additionally, deferred income (included within current liabilities in the statement of financial position), relating to annual fees invoiced but not yet earned, amounted to £3.7 million (2022: £3.8 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 not proposing a final dividend (2022: 0.60 pence per ordinary share), as, under the terms of the Scheme offer, any dividend declared would be deducted from the overall consideration payable by Jambo in respect of the potential acquisition, with potential adverse tax consequences for shareholders. As a result, the total proposed dividend for 2023 amounted to Nil pence per ordinary share (2022: 1.20 pence per ordinary share).

Operational Performance

Pensions

The Group’s pension administration businesses continue to be the largest revenue generating stream, accounting for 84% of total Group revenues (2021: 77%), excluding interest earned on client interest sharing policy.

Total revenue, excluding interest on client funds, across the Group’s pension businesses amounted to £20.4 million (2022: £18.5 million). The full year of the Mercer SIPP and SSAS acquisition during 2022 contributed £2.8 million of revenue in 2023 (2022: £0.5 million in 4 months).

In addition to the above pension administration revenue, the Pensions division also benefited from the increase in market interest rates and the implementation of its interest sharing policy within the Group’s SIPP businesses, which was incepted in July 2023 to bring the Group’s policy in line with market norms. Across the whole of the pension division, interest income for 2023 amounted to £3.0 million (2022: £0.3 million). 68% of this amount (2022: 86%) was attributable to the SIPP businesses.

The administration of the Group’s QROPS products continues to be the largest revenue generator within the pensions division, accounting for £9.0 million of revenue (2022: £9.4 million) and remains a robust and predictable revenue stream. Since the UK pension legislation changes in 2017, these products are no longer a growth driver. There remains a small net attrition rate on the QROPS book which is expected to continue as the member age profile gradually increases and members look to take advantage of flexi-access benefits. The administration of such schemes is undertaken in Malta and Gibraltar.

The SIPP businesses, both Options Personal Pensions and London & Colonial Services Limited, contributed total pension administration revenues of £4.7 million in 2023 (2022: £4.1 million). As noted above, the increase is down to the full year benefit of the Mercer SIPP book of business acquired in September 2022.

The Group's Options Corporate pension auto-enrolment business generated revenue of £4.1 million in 2023 (2022: £3.4 million) and has performed as expected in a relatively mature marketplace.

The final revenue stream of the pensions divisions comes from the SSAS and EBC third-party administration businesses. These contributed revenues of £2.7 million in 2023 (2022: £1.6 million), with the uplift again being down to a full year contribution from the Mercer SSAS book acquired in September 2022.

Life Assurance

The combined revenues of the two life assurances businesses in Gibraltar was £4.0 million in 2023 (2022: £5.0 million). Those businesses did not generate any new business revenues from the Group's short term annuity product, which had contributed circa £0.8 million of revenue in 2022.

The main products for the life companies remain the flexible annuity products for both private wealth and pension solutions. Whilst there has been a small increase in illustrations requested and provided during 2023, disappointingly we have not seen conversions increase, and the Group has struggled to broaden the range of IFAs that utilise the products.

During the latter part of the year, the life companies revisited the pricing of the flexible annuity products and capped the establishment fee. Whilst this potentially reduces any upfront fees, it is anticipated that this will make the product more compelling and attractive to the larger potential policyholders.

The Group retains its intention to broaden the range of products that will be available through the two life companies, and it is expected that over time this should allow stronger organic growth. However, part of that strategy will be reliant on the finalisation of the technology review instigated as part of the strategic review but subsequently deferred in the light of the proposed acquisition of the Company by Jambo which would determine what systems could and should be used as the main administration platform for the Group.

Regulatory developments – Consumer Duty

The Consumer Duty rules introduced by the Financial Conduct Authority in the UK came into effect on 31st July 2023.

These rules require regulated firms to act to deliver good outcomes for retail customers.

These outcomes relate to:

- Products and services;
- Price and value;
- Consumer understanding; and
- Consumer support.

The new rules require firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey. As well as acting to deliver good customer outcomes, firms will need to understand and evidence whether those outcomes are being met.

They apply to all UK retail customers, whether serviced by firms based in the UK or in other jurisdictions such as Gibraltar.

The Group recognised the importance of the new rules and established a project group to identify the key factors to be considered in assessing the rules, develop new or amended rules and processes (including data gathering) to enable the Group to comply with its Consumer Duty obligations and to oversee such compliance.

The 31st July 2023 deadline was met in all material aspects, with some minor additional processes and procedures being identified for future development.

The process is ongoing and the Group continues to prioritise the delivery of good outcomes for its retail customers.

Outlook

The future direction of the STM Group is currently awaiting the outcome of the applications by Jambo to the Gibraltar and Maltese regulatory authorities for change of control approvals pursuant to the proposed acquisition by Jambo of the whole of the issued share capital of the Company, and to sanction the completion of the transaction that was approved by 99.99 % of Scheme shares voted on 6th December 2023.

In the meantime, other than the potential exit strategy of the Options master trust from the UK workplace pensions marketplace, which had been agreed by both the PLC Board and the potential acquirer as set out in the *Scheme* document, there is minimal ability to make strategic decisions on the business.

On 14th June 2024, the Board announced that the Group had signed a commercial agreement with Smart Pension Limited in which, subject to approval by the trustees and regulator, members transferring from Options Master trust to Smart would result in Smart paying a consideration to the Group. It is anticipated that, over a two-year period, this consideration is likely to amount to circa £4.7million. In addition, the Group also entered into an introducers agreement with Smart at the same time, whereby any new members introduced to Smart by the Group's existing or new intermediary contacts would lead to introductory commission income for the Group. The agreement is in place for a maximum period of three years, and management estimates that the quantum of such additional introductory commission could lie in the range of £1.0 million to £5.0 million over the three-year period.

Notwithstanding the above, the Group's businesses continue to perform in line with expectations, and underlying performance for 2024 will continue to benefit from the interest sharing policies for the SIPP businesses that were implemented in the second half of 2023.

Interest sharing policies for the other parts of the Group have now been agreed, and these are in the process of being rolled out. It is anticipated that this will provide additional contribution for 2024, although, given the ongoing uncertainty around market interest rates, it is not possible to forecast any incremental contribution over market expectations with any material degree of accuracy

Whilst the technology review referred to above remains on hold as a result of the offer by Jambo, that process will need to be recommenced once the potential acquisition has been approved by the regulators in Malta and Gibraltar.

As noted in my 2022 report, the outcome of any technology reviews will no doubt determine the strategy that the Plc board will take going forward. The UK and expatriate pension space remains buoyant and exciting, with opportunities to differentiate the business from industry peers, but only if the technology can support a self-serve administration process.

I would like to take this opportunity to thank all my STM colleagues, and particularly Therese Neish, who returned as interim CFO on a fixed-term contract which was expected to see the conclusion of the acquisition, for their continued hard work and professionalism in carrying out their duties.

The Board looks forward to updating you on the progress of the proposed acquisition of the Company by Jambo in due course.



Alan Kentish
Chief Executive Officer
26th June 2024

CORPORATE GOVERNANCE REPORT

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 2023 except that the Company did not have a quorate Audit & Risk Committee from 1st May 2023, as there were only two non-executive directors from that date whereas the quorate number for that Committee is three. During the period from 1st May 2023 on, the work of the Group's Audit & Risk Committee was overseen and, where appropriate, undertaken by the full Board of Directors. This report sets out below how the Directors have applied the principles, and the spirit, of the Code.

STRATEGY

STM's overarching 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 has continued to leverage our reputation for product innovation and service to build sustainable, recurring revenues within a framework of sound governance and risk management.

The Group's business model has been to:

- provide a range of innovative pension solutions to customers across our target markets.
- promote the Group's Pensions Administration service 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 UK competitors by being able to effectively operate within the more complex requirements of the UK expatriate market.
- differentiate from international competitors through service levels, and a more comprehensive product/jurisdictional offering.
- to identify and promote products, through the Group's intermediary partners, to UK residents.

During the first half of 2023 the Board recognised that, whilst it has a wide range of products and services, it is important to focus on the areas that have the potential to deliver step-change in profitability. As such it started the process of reviewing and challenging the strategy for the next three to five years by engaging with external advisors who carried out an independent review to identify areas to focus on. The Board assessed these recommendations and started the process of refining the strategy.

The strategic review process required a review of the areas of the business that were not likely to materially grow in revenue and profitability in the short to medium term, with a view to conducting a staged realisation programme where appropriate. As such the Board had already commenced the process of examining options for the Options Workplace Pension Master Trust, the auto-enrolment vehicle which is administered by the Group's wholly owned subsidiary, Options Corporate Pensions UK Limited.

The strategic review was put on hold during the summer following an approach by Jambo SRC Limited ("Jambo") to acquire the entire issued and to be issued ordinary share capital of STM. On 10th October 2023, the boards of directors of both STM and Jambo announced that they had agreed the terms and conditions of a recommended cash acquisition by Jambo of STM (the "Acquisition"). It is intended that the Acquisition will be effected by means of a scheme of arrangement under Part X of the Isle of Man Companies Act 2006 (the "Scheme").

The Board recognised that, whilst there were significant growth and value realisation opportunities for the Group in the short to medium term, there were also uncertainties and risks which may impact the Group's ability to both optimise growth as a standalone quoted entity, and to execute a realisation strategy of certain parts of the business. The Board further acknowledged that there were additional commercial benefits which could be obtained as part of a larger group with a clear vision to deliver a complete solution to pension savers and members. As such it recommended the acquisition to STM's shareholders.

Further details of the strategic review and the proposed Acquisition of STM by Jambo are set out in the Chairman's Statement and the CEO's Review within the Annual Report.

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 Group 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 generally meets not less than four times a year and reports to the Board on risk across the Group. As noted above, in the particular circumstances of the proposed acquisition of the Group by Jambo SRC, risk matters have been considered by the full Board during 2023.

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.

The Board has carried out an assessment of the principal risks facing the Group and have concluded that these remain materially as applied in prior years, namely:

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.	<ul style="list-style-type: none"> • Appointment of Group Business Development Director in March 2023 and further expansion of this team in Q4 of 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.	<ul style="list-style-type: none"> • 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

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
Regulatory Risk	Loss arising from regulatory changes in the markets within which the Group operates or breach of existing laws and regulation.	<ul style="list-style-type: none"> • 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 jurisdiction's solvency capital requirements • Action plan developed and implemented to enable the Group to fulfil its obligations under the Consumer Duty rules introduced by the Financial Conduct Authority in the UK, which became effective from 31st July 2023 	No change but regulatory environment in the UK continues to tighten with increased scrutiny from the Financial Services Ombudsman and the Financial Conduct Authority ("FCA") (including the Consumer Duty obligations introduced by the FCA becoming effective from 31 st July 2023 – see further comments in CEO's Review)
Key personnel	The Group could be adversely affected if there was a loss of key personnel or an inability to recruit individual with the appropriate skills set.	<ul style="list-style-type: none"> • 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 	No change – the Board recognises that whilst there is currently no CFO in place there are measures in place to ensure the finance function remains effective with appropriate oversight at Board level.
Geopolitical risks	The Group could be adversely affected by changes in existing legislation, fiscal policy or political factors.	<ul style="list-style-type: none"> • 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 	No material change.
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.	<ul style="list-style-type: none"> • 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. 	No material changes in quantum of non-performing assets. Legal and regulatory environment continues to tighten.

Area	Description of risk	Examples of mitigating activities and factors	Change from prior year
Technology disruption	The Group could suffer operational disruption in the event of technology disruption such as a cyber-attack or hardware failure.	<ul style="list-style-type: none"> • Significant and ongoing investment in IT systems • Cyber Essentials accreditation • Migration of key business applications into the Cloud as well as flexible provisioning allowing STM to scale up/down when needed • Ongoing management of deployment and maintenance of Microsoft applications to enable the Group to continue to function effectively notwithstanding local or wider disruption. • 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.
Climate risk	Climate risk is the risk of adverse impacts on the Group's business caused by climate change	<ul style="list-style-type: none"> • Increased awareness of climate related risks, policies, business impact and disclosure requirements. 	No material change.
Financial risks	The Group has exposure to the following financial risks: <ul style="list-style-type: none"> • Credit risk • Liquidity risk • Market risk • Interest rate risk • Currency risk 	These risks are addressed within Note 25 of the financial statements	No material change.

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. During the year the Company Secretary was responsible for ensuring that Board procedures were observed and the Company's obligations as an AIM listed entity on the London Stock Exchange were met. Whilst the Board acknowledges that the Company Secretary left the business on 31st December 2023, it remains confident that there are measures and resources in place to ensure that the obligations of the Company continue to be met.

The profiles of the individual board members can be viewed on page 20.

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 Group 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.

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, as well as the pending acquisition, no review exercise was undertaken during the year or to date.

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

During the year the Board comprised two executive and, since the resignation of Graham Kettleborough as a non-executive director in April 2023, two independent non-executive directors (including the Chairman). The Board acknowledges that there is now no Chief Financial Officer in place since Therese Neish stepped down on 31st May 2024. However, it remains confident that it has the resources in place to ensure the business and the finance function continue being run effectively during the current period until the acquisition completes.

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. In the absence of a fully quorate Audit & Risk Committee, the full Board continues to meet and discharge its duties on such matters. The Remuneration Committee comprises both the non-executive directors, with Nigel Birrell acting as Chairman.

The Board had commenced recruitment processes for an additional independent Non-Executive Director and a new Chief Finance Officer during the first half of 2023, following Graham Kettleborough's notification of his intention to resign as a director on 28th April 2023 and Therese Neish's confirmation that she would not seek to extend her then fixed term contract beyond 2nd October 2023 (subsequently extended to 31st May 2024).

The processes were suspended following the approach and subsequent offer by Jambo. Should the proposed acquisition by Jambo not take place, the Board would recommence the recruitment processes in order to recruit a new Chief Finance Officer and an additional independent Non-Executive Director as soon as possible. Once completed, the Audit & Risk and Remuneration Committee would again become quorate.

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 ordinarily 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 2023, the Audit & Risk Committee met on two occasions, with ongoing risk monitoring being undertaken in conjunction with the full Board as noted above.

The Committee and the Board 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.

As noted above, as the Audit & Risk Committee has not been quorate since 30th April 2023, the Board acknowledged the position and has overseen and, where appropriate, discharged these responsibilities on behalf of the Committee.

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 biannual 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 ordinarily 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.

The Committee met twice in 2023. Key areas of focus included the extension of the CFO's fixed term contract and the retention arrangements for the proposed acquisition of the Company.

Directors' attendance at scheduled meetings of the Board and its Committees that they were eligible to attend during 2023 is shown below:

	Board	Audit & Risk	Remuneration
Nigel Birrell	14/14	2/2	2/2
Alan Kentish	14/14	-	-
Therese Neish	13/14	-	-
Peter Smith ^[1]	13/13	2/2	2/2
Graham Kettleborough ^[2]	5/5	2/2	2/2

^[1] Peter Smith was appointed on 26th January 2023

^[2] Graham Kettleborough resigned with effect from 30th April 2023



Peter Smith
Non-Executive Director
 26th June 2024

DIRECTORS' REPORT

The Directors of STM Group PLC present their Annual Report together with the financial statements of the Group and the Company and the independent auditors' report for the year ended 31st December 2023. These will be laid before the shareholders at the Annual General Meeting, details of which will be sent to shareholders in due course.

Principal activities and business review

The principal activity of the Group during the year was the provision of UK and international retirement solutions and life assurance products. A review of the business performance during the year ended 31st December 2023 is contained in the CEO's Review within the Annual Report.

Result and dividends

The retained profit for the financial year of £417,000 (2022: £854,000) has been transferred to reserves.

The final dividend for the year ended 31st December 2022 of 0.60 pence per ordinary share (£356,000 in aggregate) was paid during the year. No interim dividend was declared or paid in respect of the year ended 31st December 2023 (2022: 0.60 pence per ordinary share) and the Directors do not recommend any dividend for the year (2022: 0.60 pence per ordinary share). This is consistent with the terms of the offer, via a Scheme of Arrangement, by Jambo SRC Limited for the whole of the issued and to be issued share capital of the Company announced on 10th October 2023 and approved by the Company's shareholders on 6th December 2023.

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 the three-year business plan, three-year 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 UK SIPP claims. 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 at least 12 months from the date on which the financial statements were approved and signed. 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. 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
Therese Neish (resigned 31 May 2024)
Peter Smith (appointed 19 January 2023)
Graham Kettleborough (resigned 28 April 2023)

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.

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 25th June 2024 or any persons who, directly or indirectly, jointly or separately, exercise or could exercise control over the Company.

At 25th June 2024
%

Premier Miton Group	16.14
Septer Limited	10.85
Clifton Participations Inc and A R Kentish	10.80
Peter Gyllenhammar AG	9.93
Eastmount Capital Partners LLP	4.70
Aeternitas Imperium Privatstiftung	3.59

Independent auditor

Grant Thornton, being eligible, have expressed their willingness to continue in office as auditor. A resolution to re-appoint Grant Thornton will be proposed at the Annual General Meeting.

Annual General Meeting

The date of the Annual General Meeting for 2024 has yet to be determined, pending the outcome of the offer by Jambo SRC Limited to acquire the whole of the issued and to be issued share capital of the Company, and will be communicated to shareholders in due course.

By order of the Board

**Alan Kentish**

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

26th June 2024

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

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 holds a BSc Econ (Hons) degree from Cardiff University and 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

	2023	2022	Notes
Executive Directors			
Alan Kentish	210,331	210,331	
Therese Neish	210,061	48,750	a
Nicole Coll	-	180,625	a,b
Sub-total	420,392	439,706	
Non-Executive Directors			
Nigel Birrell	60,000	20,000	c
Duncan Crocker	-	70,231	d
Robin Ellison	-	4,333	e,i
Malcolm Berryman	-	60,374	f,i
Graham Kettleborough	56,667	68,000	g,i
Peter Smith	50,481	-	a,h
Sub-total	167,148	222,939	
Total	587,539	662,644	

a. Therese Neish was appointed as a director on 14th October 2022 and resigned on 31st May 2024. She received a benefit of 5% of her salary by way of a pension contribution. Peter Smith (and Nicole Coll in 2022) received pension benefits by way of pension contributions in line with auto-enrolment requirements. No other directors receive any benefits in the form of pension contributions or share based incentives.

- b. Nicole Coll resigned as a director on 14th October 2022
- c. Nigel Birrell was appointed as a director on 1st September 2022
- d. Duncan Crocker resigned as a director on 31st August 2022
- e. Robin Ellison resigned as a director on 31st January 2022
- f. Malcolm Berryman resigned from the PLC Board on 4th August 2022
- g. Graham Kettleborough resigned as a director on 28th April 2023
- h. Peter Smith was appointed as a director on 19th January 2023
- i. Robin Ellison and Malcolm Berryman (in 2022) and Graham Kettleborough (in 2022 and in 2023) received remuneration for their NED roles on the PLC Board as well as for their roles on various subsidiary boards.

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 2023, 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 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 at 31 December 2023 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.

Independent auditor's report to the members of STM Group Plc

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 directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's future cash flow forecasts, understanding the process by which they were prepared, and assessed the calculations are mathematically accurate.
- Challenging the underlying key assumptions such as expected cash inflow from technology and development sales and cash outflow from project costs and other operating expenses.
- Making inquiries on the status of the projects and understanding on how the Group and Parent Company's future plans for each of the projects will be funded and assessing whether this can support the future developments and cost projections.
- Making inquiries with management and reviewing the board minutes and available written communication with commercial partners in order to understand the future plans and to identify potential contradictory information.
- Assessing the adequacy of the disclosures with respects to the going concern assertion.

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).

Independent auditor's report to the members of STM Group Plc

Key audit matters (cont'd)

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.

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 £281,000, 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 as 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 minimal 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.

Independent auditor's report to the members of STM Group Plc

Key audit matters (cont'd)

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 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
<p><i>Impairment of goodwill relating to the cash generating units (CGUs)</i> Management are required by IAS 36 – Impairment of Assets, to perform an annual impairment review of goodwill where there are indicators of impairment.</p> <p>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.</p> <p>As a result, a significant portion of the audit effort was directed towards the audit of the impairment assessment of goodwill.</p> <p>Refer to accounting policy in Note 3 and disclosures in Note 15 of the financial statements.</p>	<p>Our response to address these risks include:</p> <ul style="list-style-type: none"> • Obtained an understanding and evaluated the design and implementation of key controls relevant to 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 cash generating units (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. <p>We completed our planned audit procedures, with no exceptions noted.</p>

Independent auditor's report to the members of STM Group Plc

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Corporate Governance and 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.

Independent auditor's report to the members of STM Group Plc

Responsibilities of the auditor for the audit of the financial statements (cont'd)

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

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;
- 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.

Independent auditor's report to the members of STM Group Plc

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 and subsequent financial periods. This is the second year we have been engaged to audit the financial statements of the Group.

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

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Auditors

Dublin, Ireland

26 June 2024

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Revenue	9	28,078	24,094
Administrative expenses	10	(24,878)	(20,773)
Profit before other items	11	3,200	3,321
OTHER ITEMS			
Bargain purchase gain	5	-	327
Gains on revaluation of financial instruments		-	11
Loss on disposals of subsidiaries	4	-	(162)
Loss on disposal of fixed assets		(96)	-
Finance costs		(689)	(322)
Depreciation and amortisation	14,15	(1,973)	(1,597)
Profit before taxation		442	1,578
Taxation	13	(25)	(724)
Profit after taxation		417	854
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		32	12
Total other comprehensive income		32	12
Total comprehensive income for the year		449	866
Profit attributable to:			
Owners of the Company		417	844
Non-controlling Interests		-	10
		417	854
Total comprehensive income attributable to:			
Owners of the Company		449	856
Non-controlling Interests		-	10
		449	866
Earnings per share basic (pence)	22	0.70	1.42
Earnings per share diluted (pence)	22	0.70	1.42

The results for 2023 and 2022 relate to continuing activities.

The notes on pages 34 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	31 December 2023 £000	31 December 2022 £000
ASSETS			
Non-current assets			
Property and office equipment	14	1,304	1,161
Intangible assets	15	21,444	22,125
Financial assets	16	1,839	1,762
Deferred tax asset	13	39	58
Total non-current assets		24,626	25,106
Current assets			
Accrued income		3,078	860
Trade and other receivables	18	7,349	8,461
Receivables due from insurers	28	27,441	488
Cash and cash equivalents	19	18,365	19,234
Total current assets		56,233	29,043
Total assets		80,859	54,149
EQUITY			
Called up share capital	20	59	59
Share premium account	20	22,372	22,372
Retained earnings		14,443	14,382
Other reserves	20	(2,279)	(1,843)
Equity attributable to owners of the Company		34,595	34,970
Non-controlling interests		-	(68)
Total equity		34,595	34,902
LIABILITIES			
Current liabilities			
Liabilities for current tax		425	788
Trade and other payables	23	13,271	12,517
Provisions	28	27,441	488
Total current liabilities		41,137	13,793
Non-current liabilities			
Other payables	24	4,808	5,050
Deferred tax liabilities	13	319	404
Total non-current liabilities		5,127	5,454
Total liabilities and equity		80,859	54,149

The notes on page 34 to 69 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26th June 2024 and were signed on its behalf by:



AR Kentish
Chief Executive Officer
26 June 2024



Peter Smith
Non-Executive Director

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Notes	31 December 2023 £000	31 December 2022 £000
ASSETS			
Non-current assets			
Property and office equipment	14	196	214
Intangible assets	15	2,581	2,586
Investments	17	17,413	17,013
Total non-current assets		20,190	19,813
Current assets			
Trade and other receivables	18	15,295	15,923
Cash and cash equivalents	19	2,324	2,425
Total current assets		17,619	18,348
Total assets		37,809	38,161
EQUITY			
Called up share capital	20	59	59
Share premium account	20	22,372	22,372
Retained earnings		(1,490)	(1,754)
Other reserves	21	162	162
Total equity attributable to equity shareholders		21,103	20,839
LIABILITIES			
Current liabilities			
Trade and other payables	23	12,444	12,511
Total current liabilities		12,444	12,511
Non-current liabilities			
Other payables	24	4,262	4,811
Total non-current liabilities		4,262	4,811
Total liabilities and equity		37,809	38,161

The notes on pages 34 to 69 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26th June 2024 and were signed on its behalf by:



AR Kentish
Chief Executive Officer



Peter Smith
Non-Executive Director

26 June 2024

**STATEMENT OF CONSOLIDATED CASH FLOW
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023**

	Notes	Year ended 31 December 2023 £000	Year ended 31 December 2022 (restated) £000
OPERATING ACTIVITIES			
Profit for the year before tax		442	1,578
ADJUSTMENTS FOR:			
Depreciation of property and office equipment	14	620	673
Amortisation of intangible assets	15	1,353	924
Loss on disposal of property and office equipment		96	4
Unrealised gains on financial instruments		(77)	(11)
Bargain purchase gain	5	-	(327)
Taxation paid		(454)	(619)
(Increase)/decrease in trade and other receivables including insurers		(25,841)	22,246
(Increase)/decrease in accrued income		(2,218)	558
Increase in trade and other payables including insurers		28,541	(19,737)
Net cash generated from operating activities		2,462	5,289
INVESTING ACTIVITIES			
Purchase of property and office equipment	14	(170)	(165)
Increase in intangible assets	15	(672)	(937)
Purchase of financial instruments		-	(1,734)
Acquisition of non-controlling interests	6	(400)	(120)
Additional consideration paid on prior acquisitions		(228)	-
Consideration paid on acquisition of portfolio	5	-	(3,454)
Net cash absorbed by from investing activities		(1,470)	(6,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loan	23,24	-	4,463
Repayments of bank loan	23,24	(551)	(550)
Interest paid on bank loan		(405)	(162)
Lease liabilities paid		(581)	(724)
Dividends paid	20	(356)	(891)
Net cash (absorbed by)/generated from financing activities		(1,893)	2,136
(Decrease)/increase in cash and cash equivalents		(901)	1,015
Effect of movements in exchange rates on cash and cash equivalents		32	12
Cash and cash equivalents at the beginning of the year		19,234	18,207
Cash and cash equivalents at the end of the year	19	18,365	19,234

The comparative cash flow movements for the year ended 31st December 2022 have been restated to aggregate and reclassify certain flows in order to be consistent with the presentation adopted in the year ended 31st December 2023.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

	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 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 and 1 January 2023	59	22,372	14,382	(549)	(81)	162	(1,375)	34,970	(68)	34,902
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD										
Profit for the year	-	-	417	-	-	-	-	417	-	417
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	32	-	-	32	-	32
Transactions with owners, recorded directly in equity										
Acquisition of non-controlling interests	-	-	-	-	-	-	(468)	(468)	68	(400)
Dividends paid	-	-	(356)	-	-	-	-	(356)	-	(356)
At 31 December 2023	59	22,372	14,443	(549)	(49)	162	(1,843)	34,595	-	34,595

**STATEMENT OF COMPANY CHANGES IN EQUITY
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023**

	Share Capital £000	Share premium £000	Retained earnings £000	Share based payments reserve £000	Total £000
Balance at 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 and 1 January 2023	59	22,372	(1,754)	162	20,839
Profit for the year	-	-	620	-	620
Dividends paid	-	-	(356)	-	(356)
At 31 December 2023	59	22,372	(1,490)	162	21,103

STM GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

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, 31st December 2023 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 at least 12 months from the date of approval and signing of the financial statements. 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 (£), rounded to the nearest £’000, 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 judgments 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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

2. Basis of preparation (continued)

(d) Use of judgments and estimates (continued)

(ii) Assumptions and estimates

Assumptions and estimation uncertainties at 31st December 2023 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 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.

(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. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

In addition, the Group adopted Disclosure of Accounting Policies (*Amendments to IAS 1* and IFRS Practice Statement 2) from 1st January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed below.

(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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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 interests (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.

(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).

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

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 economic 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 economic 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 economic lives and residual values are reassessed at the reporting date.

STM GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material 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.

(i) 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.

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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

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.

(ii) 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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(g) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. 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.

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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(i) Leases (continued)

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.

(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 income statement 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 income statement using the effective interest method.

(l) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year using enacted tax rates, updated for previous period adjustments. 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.

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.

STM GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(l) Income tax expense (continued)

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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(n) Impairment (continued)

(i) Non derivative financial assets (continued)

Financial instruments and contract assets (continued)

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.

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 debtor's 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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(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 31st December 2023 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) Dividend

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.

(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 included in the Group's balance sheet 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.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

3. Material accounting policies (continued)

(v) New standards and interpretations

The Group has adopted Disclosure of Accounting Policies (*Amendments to IAS 1* and IFRS Practice Statement 2) for the first time for the financial year commencing 1 January 2023. 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 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
Amendments to IAS 1, Classification of Liabilities as Current or Non-Current	1 st January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	1 st January 2024
Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements	1 st January 2024
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	1 st January 2024
Amendments to IAS 21, Lack of Exchangeability	1 st January 2025

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 disposals of subsidiaries in the two years ended 31st December 2023 and 31st December 2022. The loss on disposal reported in 2022 comprised a reduction in the final consideration received in that year in respect of the disposal of the Group's Gibraltar company and trustee services ("CTS") and tax compliance business, STM Fidecs Management Limited, and the Jersey based CTS business, STM Fiduciaire Limited, in 2021. The reduction arose from audited revenues for those businesses being lower than originally estimated.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
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5. Acquisition of portfolios

There were no acquisitions in 2023.

On 31st 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 was complementary to the Group's existing product offerings in the UK SIPP and SSAS markets and provided a solid platform for scalability, particularly for the Group's SSAS operations, and efficiencies going forward. In addition, it provided the Group with access to an expanded network of intermediaries who 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 totalled £150,000 and were expensed within administrative expenses in the Consolidated Statement of Comprehensive Income for the year ended 31st 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	Fair value adjustments	Previous carrying value
	£'000	£'000	£'000
Client portfolios	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 debtors was 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 SSAS portfolio were recognised.

A bargain purchase gain arose as a result of negotiations due to the previous revenue recognition policy being more aggressive than, and an adjustment being necessary to align that policy 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 was attributable to the Portfolio acquired and was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2022.

From the effective date of acquisition to 31st 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 1st January 2022, management estimates that the impact on the consolidated revenue and profit before tax for the year ended 31st December 2022 would have been £2,243,000 and a loss of £99,000 respectively.

In addition, the Group paid deferred cash consideration of £217,000 during the year (2022: £114,000) relating to the final payment for the acquisition of the Berkeley Burke companies completed in 2020. The consideration paid in 2023 was £161,000 higher than the amount provided as at 31st December 2022 due to the collection and onward remittance of trade receivables due to the seller under the relevant share purchase agreements but not previously provided.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

5. Acquisition of portfolios (continued)

The Group also paid additional net consideration in 2023 of £11,000 in respect of the companies and SIPP and SSAS portfolios acquired from Mercer Limited in 2022.

As these acquisitions were completed more than twelve months prior to the dates of payment in the current reporting period, the aggregate amount of £172,000, net of the amount provided at 31st December 2022, has been written off to administrative expenses in 2023.

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 31st December 2021.

On 9th 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 30th November 2022, the Group completed the transaction to acquire 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 statement 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 was recognised in the other reserve for the year ended 31st December 2022.

Options Pensions UK LLP

On 12th January 2023, the Group completed the transaction to acquire an additional 30% interest in OSUK, increasing its ownership from 70% to 100%. The carrying amount of OSUK’s net liabilities in the Group’s consolidated financial statement on the date of acquisition was £227,000.

	£’000
Carrying amount of NCIs acquired (£227,000 x 30%)	68
Exercise of OSUK’s call option	-
Cash consideration paid to NCIs	400
A decrease in equity attributable to owners of the Company	468

The decrease in equity attributable to owners of the Company has been recognised in the other reserve for the year ended 31st December 2023.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

7. Segmental Information

STM Group has three reportable segments: Pensions, Life Assurance 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").

The Board assesses the performance of the operating segments based on turnover generated. The performance of the operating segments is not measured using costs incurred as the costs of certain segments within the Group are predominantly centrally controlled and therefore the allocation of these is based on utilisation of 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 turnover information regarding the Group's operating segments:

Operating segment	Turnover	
	2023 £000	2022 £000
Pensions	23,474	18,421
Life Assurance	4,039	5,001
Other services	565	672
Total	28,078	24,094

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

Geographical segment	Turnover	
	2023 £000	2022 £000
Gibraltar	6,112	7,324
Malta	7,146	7,178
United Kingdom	14,358	9,110
Other	462	482
Total	28,078	24,094

8. Life Assurance Operating Segment

These consolidated financial statements include the results for STM Life Assurance PCC PLC and London & Colonial Assurance 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 emerges 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 £28,078,000 (2022: £24,094,000) included £4,039,000 (2022: £5,001,000) relating to revenues attributable to the life assurance businesses.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

9. Revenue

	31 December 2023	31 December 2022
	£000	£000
Revenue from provision of retirement and life assurance solutions and related administrative services	24,338	23,563
Interest and investment income	3,740	531
Total revenue	28,078	24,094

10. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2023	31 December 2022
	£000	£000
Wages and salaries	12,263	11,633
Social insurance costs	1,045	484
Pension contributions	398	104
Total personnel expenses	13,706	12,221

Average number of employees

Group	31 December 2023	31 December 2022
	Number	Number
Average number of people employed (including executive directors)	293	285

Company	31 December 2023	31 December 2022
	Number	Number
Average number of people employed (including executive directors)	33	32

11. Profit before other items

Profit before other items of £3,200,000 (2022: £3,321,000), was arrived at after charging the following to the income statement:

	31 December 2023	31 December 2022
	£000	£000
(Loss)/profit on disposal of property and office equipment	(96)	4
Directors' remuneration	588	663
Auditors' remuneration for audit services	450	472

The directors' remuneration report is included on page 20.

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
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12. Reconciliation of reported to adjusted measures

	Revenue		Profit before other items		Profit before tax	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Reported measure	28,078	24,094	3,200	3,321	442	1,578
Add: adjustment due to revenue recognition policy change on acquisition	-	505	-	505	-	505
Add: integration and acquisition cost	-	-	-	390	-	390
Add: Professional advisory costs incurred in relation to the proposed acquisition of the Company	-	-	1,202	-	1,202	-
Add: write-off of debtors related to prior year disposals	-	-	761	-	761	-
Less: bargain purchase gain on acquisition	-	-	-	-	-	(327)
Less: loss on disposal of companies and trust management	-	-	-	-	-	162
Add: costs of strategic reviews	-	-	135	-	135	-
Add: senior management exit costs, non-recurring professional costs and other non-recurring costs	-	-	526	470	526	470
Adjusted measure	28,078	24,599	5,824	4,686	3,066	2,778

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

13. Taxation

	31 December 2023 £000	31 December 2022 £000
Current tax expense	91	766
Deferred tax expenses/(income)		
Release of deferred tax assets on leases as per IFRS 16	19	18
Release of deferred tax liabilities on intangible assets	(85)	(60)
Total tax expense	25	724

STM GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
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13. Taxation (continued)

Reconciliation of existing tax rate	2023	31 December	2022	31 December
	%	2023 £000	%	2022 £000
Profit before tax for the year	-	442	-	1,578
Income tax using the Company's domestic rate	0.00%	-	0.00%	-
Effect of tax rates in other jurisdictions	20.59%	91	48.54%	766
Release of deferred tax assets on leases as per IFRS 16	4.30%	19	1.14%	18
Release of deferred tax liabilities on intangible assets	(19.23%)	(85)	(3.80%)	(60)
Total tax expense	-	25	-	724
Effective tax rate (%)	-	5.66%	-	45.88%

The effective tax rate for UK increased to 25% from 1 April 2023. The effective tax rates in Malta and Gibraltar are 5% and 12.5% respectively. The Group effective tax rate is lower in the year ended 31st December 2023 than the jurisdictional effective tax rate due to the writeback of tax over provided for in prior years. However, in the year ended 31st December 2022, the Group effective tax rate was higher than the jurisdictional effective tax rate because tax losses brought forward or incurred in that year in some jurisdictions could not be utilised by the profitable subsidiaries in other jurisdictions and dividends remitted to the holding company by overseas jurisdictions were higher than in the prior year thus resulting in a higher tax charge on these.

STM GROUP PLC
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14. Property and office equipment

Group	Note	Motor Vehicles £000	Office Equipment £000	Leasehold Improvements £000	Right-of-use Assets £000	Total £000
Costs						
At 1 st 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 st December 2022 and 1 st January 2023		15	2,083	492	5,585	8,175
Additions		-	170	-	689	859
Disposals		(15)	(1,189)	(15)	(4,705)	(5,924)
At 31st December 2023		-	1,064	477	1,569	3,110
Depreciation						
At 1 st January 2022		12	1,346	380	4,605	6,343
Charge for the year		1	165	20	487	673
Disposals		-	(2)	-	-	(2)
At 31 st December 2022 and 1 st January 2023		13	1,509	400	5,092	7,014
Charge for the year		2	143	20	455	620
Disposals		(15)	(1,104)	(4)	(4,705)	(5,828)
At 31st December 2023		-	548	416	842	1,806
Net Book Value						
At 31 st December 2022		2	574	92	493	1,161
At 31st December 2023		-	516	61	727	1,304

STM GROUP PLC
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14. Property and office equipment (continued)

Company	Office Equipment £000
Costs	
At 1 st January 2022	771
Additions	10
At 31 st December 2022 and 1 st January 2023	781
Additions	14
Disposal	-
At 31st December 2023	795
Depreciation	
At 1 st January 2022	532
Charge for the year	35
At 31 st December 2022 and 1 st January 2023	567
Charge for the year	32
At 31st December 2023	599
Net book value	
At 31 st December 2022	214
At 31st December 2023	196

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15. Intangible assets

Group	Note	Goodwill £000	Client Portfolio £000	Product Development £000	IT Development £000	Total £000
Costs						
At 1 st 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 st December 2022 and 1 st January 2023		14,109	8,499	731	3,149	26,488
Additions		-	-	-	672	672
At 31st December 2023		14,109	8,499	731	3,821	27,160
Amortisation and impairment						
At 1 st January 2022		824	1,717	445	453	3,439
Charge for the year		-	574	30	320	924
At 31 st December 2022 and 1 st January 2023		824	2,291	475	773	4,363
Charge for the year		-	850	57	446	1,353
At 31st December 2023		824	3,141	532	1,219	5,716
Carrying amounts						
At 31 st December 2022		13,285	6,208	256	2,376	22,125
At 31st December 2023		13,285	5,358	199	2,602	21,444

Impairment testing for cash-generating units containing goodwill

All goodwill relates to 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 four 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 management as a standalone business unit.

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15. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

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

	2023	2022
	£000	£000
STM Life	1,256	1,256
LCA	7,735	7,735
FLHP	3,698	3,698
Options - Berkeley Burke acquisition	596	596
Total	13,285	13,285

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.

The recoverable amount of each CGU or group of CGUs as at 31st December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets prepared for the subsequent three years and which have been approved by the Board. The subsequent two years' cashflows have been calculated based on the following assumptions thereby providing a five-year estimate of prospective net cashflows:

Percentage ranged from:	2023	2022
	%	%
Revenue growth rates and attrition	-1.5% - 2%	-1.5% - 4%
Expense increases and inflation rates	-2% - 3%	-3% - 4%

The range of revenue growth and attrition rates, and those for expense increases and inflation, has narrowed in comparison with 2022, to bring the assumptions for certain business units in line with those used elsewhere in the Group. 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 13.5% (2022: 14%) 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, no impairment charge has been recognised in either of the two years ended 31st December 2023 or 31st December 2022.

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 customer attrition rates
- Expense increases and inflation rates
- Discount rates

Revenue growth rates and attrition – a higher decline in revenue growth rates and/or an increase in attrition rates would result in a further impairment charge being required. A 1% reduction in both revenue growth and attrition rates would result in a potential impairment charge of approximately £199,000 (2022: £185,000).

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15. Intangible assets (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

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 being required of approximately £50,000 (2022: £nil).

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 is 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 £173,000 (2022: £229,000).

Management also considered the potential impact of a scenario that combines adverse changes in all three key metrics, namely where the revenue growth rate reduces by 1%, expenses increase by 1% and the WACC increases by 1%. This would result in a potential impairment charge of approximately £510,000 (2022: £1,194,000).

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 2023 £000	31 December 2022 £000
London & Colonial Services Ltd	October 2016	283	383
STM Nummos Life SL	January 2018	173	215
Harbour Pensions Ltd	February 2018	453	545
Options Corporate Pensions UK Limited	February 2019	359	429
Options UK Personal Pensions LLP	February 2019	615	735
Options SSAS Limited	August 2020	199	229
Options EBC Limited	August 2020	795	915
SIPP portfolio acquired from Mercer Ltd	August 2022	1,389	1,543
SSAS portfolio acquired from Mercer Ltd	August 2022	1,092	1,214
Total		5,358	6,208

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15. Intangible assets (continued)

Company	Product Development £000	IT Development £000	Total £000
Costs			
At 1 st January 2022	474	1,899	2,373
Additions	30	888	918
At 31 st December 2022 and 1 st January 2023	504	2,787	3,291
Additions	-	445	445
At 31st December 2023	504	3,232	3,736
Amortisation and impairment			
At 1 st January 2022	233	179	412
Charges for the year	30	263	293
At 31 st December 2022 and 1 st January 2023	263	442	705
Charges for the year	57	393	450
At 31st December 2023	320	835	1,155
Carrying amounts			
At 31 st December 2022	241	2,345	2,586
At 31st December 2023	184	2,397	2,581

16. Financial assets

Group	31 December 2023 £000	31 December 2022 £000
Financial instrument designated at FVTPL	1,839	1,762
Total	1,839	1,762

The financial instrument designated at FVTPL represents 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 2023 £000	31 December 2022 £000
Shares in group undertakings		
Balance at start of year	17,013	16,013
Acquisition of non-controlling interests (Note 6)	400	1,001
Dormant entities closure	-	(1)
Balance at end of year	17,413	17,013

STM GROUP PLC
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18. Trade and other receivables

	31 December	31 December
	2023	2022
Group	£000	£000
Trade receivables	3,915	4,266
Prepayments	1,691	999
Other receivables	1,743	3,196
Total	7,349	8,461

	31 December	31 December
	2023	2022
Company	£000	£000
Receivables due from related parties	13,930	13,708
Other receivables	1,365	2,215
Total	15,295	15,923

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

	31 December	31 December
	2023	2022
Group	£000	£000
Bank balances	18,365	19,234

	31 December	31 December
	2023	2022
Company	£000	£000
Bank balances	2,324	2,425

The Group has a secured bank loan liability of £4,813,000 (2022: £5,363,000) which is included within Trade and Other Payables in Notes 23 and 24. Details of the security held is set out in Note 23.

Within cash and cash equivalents held by the Group there is a balance of £4,209,000 (2022: £2,903,000) which is not available for use by the Group. This mainly represented the blocked accounts that form part of Options Corporate and Options SIPP regulatory requirements 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

	31 December	31 December
	2023	2022
Authorised, called up, issued and fully paid	£000	£000
59,408,088 ordinary shares of £0.001 each (2022: 59,408,088 ordinary shares of £0.001 each)	59	59

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20. Capital and reserves (continued)

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.

Share premium

There were no new shares issued during either of the two years ended 31st December 2023 and 31st December 2022. The balance of the share premium account as at 31st December 2023 amounted to £22,372,000 (2022: £22,372,000).

Other reserves

Other reserves are made up of:

	Note	31 December 2023 £000	31 December 2022 £000
Treasury reserves		549	549
Foreign Currency translation reserve		49	81
Share based payments reserve	21	(162)	(162)
Other reserve	6	1,843	1,375
Total other reserves		2,279	1,843

Treasury shares

The treasury shares relate to those shares purchased by the STM Group Employee Benefit Trust (EBT) for allocation to executives. The trustees of the Employee Benefit Trust held 1,089,780 ordinary shares of £0.001 each in the Company at 31st December 2023 and at 31st December 2022. 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. The balance held on the treasury shares account as at 31st December 2023 amounted to £549,000 (2022: £549,000).

Translation reserve

The translation reserve comprises all cumulative foreign currency differences arising from the translation of the financial statements of foreign operations. The balance at 31st December 2023 amounted to a negative £49,000 (2022: negative £81,000), with the movement of £32,000 in 2023 (2022: £12,000) representing the foreign currency differences arising from the translation of the financial statements of foreign operations during the year.

Dividends

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

	31 December 2023 £000	31 December 2022 £000
Nil pence per qualifying ordinary share (2022: 1.50 pence per qualifying ordinary share)	-	891

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 2023 £000	31 December 2022 £000
Nil pence per qualifying ordinary share (2022: 0.60 pence per qualifying ordinary share)	-	356

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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 (2022: £Nil). The share-based payments reserve at 31st December 2023 amounted to £162,000 (2022: £162,000).

22. Earnings per share

Earnings per share for the year from 1st January 2023 to 31st December 2023 is based on the profit attributable to owners of £417,000 (2022: £844,000) divided by the weighted average number of £0.001 ordinary shares outstanding during the year of 59,408,088 basic (2022: 59,408,088) and £59,408,088 dilutive (2022: 59,408,088) in issue.

23. Trade and other payables

	31 December	31 December
	2023	2022
Group	£000	£000
Deferred income	3,664	3,842
Trade payables	1,970	882
Bank loan (secured)	550	552
Deferred consideration	-	56
Lease liabilities	304	570
Other creditors and accruals	6,783	6,615
Total	13,271	12,517

	31 December	31 December
	2023	2022
Company	£000	£000
Owed to related parties	8,980	10,131
Bank loan (secured)	550	552
Accruals	302	731
Other creditors	2,612	1,097
Total	12,444	12,511

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, with drawn down being completed in September in 2022 to fund the acquisition of the Mercer portfolios (Note 5). The facility has a 5-year term from November 2020, 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. The balance outstanding on this facility as at 31st December 2023 was £4.8 million (2022: £5.4 million). Interest on the loan is charged at 3.5% per annum over the Sterling Relevant Reference Rate on the outstanding balance. 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.

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24. Other payables – amounts falling due in more than one year

	31 December	31 December
	2023	2022
Group	£000	£000
Lease liabilities	546	143
Bank loan (secured)	4,262	4,811
Other payables	-	96
Total	4,808	5,050

	31 December	31 December
	2023	2022
Company	£000	£000
Bank loan (secured)	4,262	4,811

25. Financial risk management

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

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

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.

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25. Financial risk management (continued)

(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, as detailed in Note 23. A change of 100 basis points in the relevant underlying interest rate would have increased or decreased equity and profit or loss by £51,000 before tax (2022: £34,000).

(e) Currency risk

The Group has a small exposure to currency risk in relation to its 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 would have increased or decreased equity and profit or loss by £27,000 after tax (2022: £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.

(g) Capital management

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

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 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.

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25. Financial risk management (continued)

(g) Capital management (continued)

The Group's adjusted net debt to equity ratio at 31st December 2023 suggests that the Group has sufficient liquidity to meet its obligations as they fall due. Net debt compared to equity at 31st December 2022 was as follows:

	31st December 2023 £000	31st December 2022 (restated) £000
Total liabilities	18,823	18,759
Less: net cash and cash equivalents available	(14,156)	(16,331)
Adjusted net debt	4,667	2,428
Total equity attributable to owners of the Company	34,595	34,970
Adjusted net debt to equity ratio	13%	7%

Total liabilities above are stated after excluding provisions for customer redress of £27,441,000 (2022: £488,000) as these are exactly matched buy amounts recoverable from the Group's insurers. The comparative for total liabilities has been adjusted accordingly as such provisions were not excluded in the financial statements of the Group for the year ended 31st December 2022, as the amount involved was not material.

The net cash and cash equivalents available excludes the balances not available for use by the Group of £4,209,000 (2022: £2,903,000) as more fully explained in Note 19.

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:

	Carrying amount	
	31st December 2023 £000	31st December 2022 £000
Financial instrument designated as FVTPL	1,839	1,762
Trade and other receivables	7,349	8,461
Cash and cash equivalents	18,365	19,234
Total	27,553	29,457

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 receivables amount as at 31st December 2023 and 31st December 2022. 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).

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26. Financial Instruments (continued)

Credit risk (continued)

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

	Gross receivables 31st December 2023 £000	Individual Impairment 31st December 2023 £000	Total £000	Gross receivables 31st December 2022 £000	Individual Impairment 31st December 2022 £000	Total £000
Not past due	1,398	-	1,398	933	-	933
Past due 0–30 days	350	-	350	464	-	464
Past due 31–120 days	198	-	198	333	-	333
More than 120 days past due	2,570	(601)	1,969	3,060	(524)	2,536
Total	4,516	(601)	3,915	4,790	(524)	4,266

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:

	31st December 2023 £000	31st December 2022 £000
Balance at start of year	524	174
Movement in expected credit loss allowance	77	350
Balance at end of year	601	524

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.

31st December 2023	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	1,970	1,970	1,970	-	-
Bank loan (secured)	4,812	5,013	330	327	4,356
Lease liabilities	850	844	194	110	540
Other creditors and accruals	6,783	6,783	6,783	-	-
Total	14,415	14,610	9,277	437	4,896

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26. Financial Instruments (continued)

Liquidity Risk (continued)

31st 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

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.

	31st December 2023 £000	31st December 2022 £000
Financial assets - call options		
Balance at 1st January	-	881
Settlement (Note 6)	-	(881)
Balance at 31st December	-	-

27. Leases

In relation to leases under IFRS 16, the Group has charged depreciation and interest expenses. The Group recognised £455,000 (2022: £487,000) of depreciation charges and £41,000 (2021: £53,000) of interest expenses from these leases during the year ended 31st December 2023. The Group recognised £72,000 (2022: £61,000) of expenses relating to short-term leases or leases that can be cancelled with no penalties and £6,000 (2022: £6,000) of expenses for leases of low-value assets, excluding short-term leases, for the year ended 31st December 2023.

The total cash outflow for leases for the year ended 31st December 2023 was £660,000, including short-term lease cash outflows of £78,000 (2022: £791,000, including short-term lease cash outflows of £67,000).

Lease liabilities

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

	31st December 2023 £000	31st December 2022 £000
Less than one year	304	589
Between one year and five years	540	147
More than five years	-	-
Total	844	736

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, Cardiff and Milton Keynes with the leases terminating in 2028, 2025 and 2024 respectively.

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28. Provisions, 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.

	31st December 2023 £000	31st December 2022 £000
Provisions and receivables due from insurers		
Customer redress in relation to UK SIPP claims	27,441	-
Other claims	-	488
Total	27,441	488

Customer redress in relation to UK SIPP claims

During the year ended 31st December 2023, numerous claims from clients arising across various policy years and investments were settled and the cost covered in full by the professional indemnity insurance in place for the relevant policy years based on the relevant reserving held. In addition, a Judicial Review heard on 16 and 17 April 2024 that affected a further cohort of cases rejected the Group's appeal against the previous determination by the Financial Ombudsman Service and upheld the original ruling. These events have enabled a reasonably materially accurate assessment to be done of the potential liability relating to the remaining open cases and legal claims in similar circumstances. In accordance with IAS 37, a provision of £27,441,000 (2022: £nil) has been made in the financial statements for the year ended 31st December 2023 with a corresponding receivable from insurers as these are fully covered by professional indemnity insurance.

With reference to the prejudicial exemption allowed under IAS 37, the Group 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.

Other claims

As at 31st December 2022 there were potential claims in respect of the historic trading of 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 relevant insurance case excesses and thus was also reflected as a receivable due from insurers. Following progress made on these claims during the year ended 31st December 2023, the provision (and corresponding receivable from insurers) has reduced to £Nil (2022: £488,000).

General

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

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29. Related Parties

Transactions with Key Management Personnel and Directors' compensation

There were no Key Management Personnel other than the Board of the Company. Key Management Personnel and Directors' compensation comprised:

	31st December	31st December
	2023	2022
	£000	£000
Directors' remuneration	588	663
Share-based payments	-	-
Total	588	663

Key Management Personnel and Director transactions

Trusts and related parties connected to Key Management Personnel and the Directors held 12% of the voting shares of the Company as at 31st December 2023 (2022: 12%).

The Company received dividends of £4,093,236 (2022: £4,716,863) from STM Malta Limited, £836,847 (2022: £100,000) from STM Fidecs Limited and £1,894,302 from London & Colonial Holdings Limited (2022: £Nil).

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30. Group Entities

Principal subsidiaries

At 31st December 2023 the Company owned the following subsidiaries which are regarded as the principal trading operations of the Group.

	Country of incorporation	Ownership interest		Activity
		31st December 2023	31st December 2022	
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 client assets
STM Malta Pension Services Limited	Malta	100% indirectly	100% indirectly	Administration of client 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	100% indirectly	Administration of clients' assets
Options UK Personal Pensions LLP	England	100% 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 events

On 14th June 2024, the Company announced that the Group had signed a commercial agreement with Smart Pension Limited ("Smart") under which members transferring from of the Group's Options Workplace Master Trust would, subject to approval by the Trustees and the Pensions Regulator, transfer to Smart's Master Trust with Smart paying a consideration for such transfers to the Group. It is anticipated that, over a two-year period, this consideration is likely to amount to circa £4.7million. In addition, the Group also entered into an introducer's agreement with Smart at the same time, whereby any new members introduced to Smart by the Group's existing or new intermediary contacts would lead to introductory commission income for the Group. The agreement is in place for a maximum period of three years, and management estimates that the quantum of such additional introductory commission could lie in the range of £1.0 million to £5.0 million over the three-year period.

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31. Non-adjusting subsequent events (continued)

On 12th 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.