

## **Final Results**

Year to 31 January 2013

**Brian Marsh OBE, Chairman**

**Jonathan Newman, Group Finance Director**

**Dan Topping, Investment Director**

**June 2013**

# Overview

- Niche Venture Capital provider focused on minority investments in financial services businesses, typically taking an equity stake of between 15% and 45%
- Geographic focus on UK, but also considers opportunities in EU and North America
- Established in 1990 with funding of £2.5m – 31 investments made to date; initially invests up to £2.5m and provides follow-on funding to enhance growth; few competing sources of capital available at this level of investment (so called 'Equity Gap')
- £10.1m raised on flotation in February 2006
- As at 31 January 2013 – 9 investments in portfolio with an equity valuation of £52.7m, with an average holding period of 9 years
- Net Asset Value increase of 10.6% since 31 January 2012 and 6.6% since 31 July 2012

# Financial Highlights – Year Ended 31 January 2013

- NAV of £55.5m  
(31 July 2012: £52.0m, 31 January 2012: £50.1m)
- NAV per share of 190p  
(31 July 2012: 178p, 31 January 2012: 171p)\*
- Currently trading at a 32.1% discount to NAV (at 3rd June 2013)
- Consolidated profit after tax £5.7m  
(31 July 2012: £2.2m, 31 January 2012: £3.6m)
- Average compound NAV growth of 11.9% p.a. since 1990 (excl. £10.1m raised on flotation)\*\*
- £3.7m of gains realised on sale of investments, transferred into retained earnings
- Agreed to sell 80% of shareholding in Hyperion for £29.2m, subject to regulatory consent

\*This excludes any value for the Group itself

\*\*Net of provision for deferred tax

# Other Key Developments – Cash Position

- Cash at 31 January 2013 £1.8m (31 January 2012: £0.7m)

Key movements:

## Acquisitions

- £0.8m acquisition of Besso shares from Michael Wade Nov 2012

## Net Loans granted

- £1.3m net lent to investee companies (incl. £0.6m Broucour, £0.3m Summa, £0.2m Besso)

## Disposals

- £4.5m sale of Hyperion shares May 2012
- £0.3m sale of Besso shares (option triggered by Besso's management)

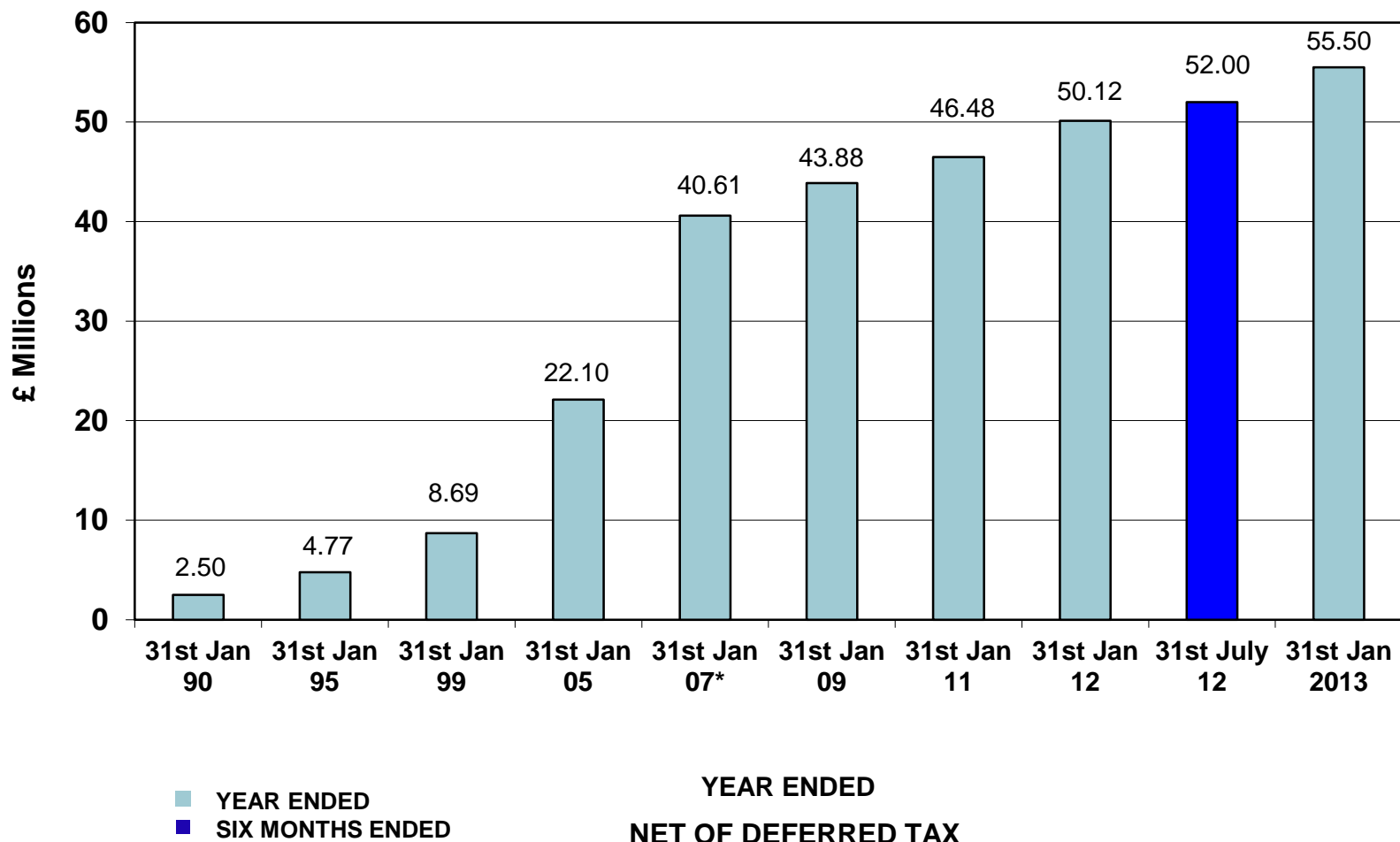
## Loan Repayment

- £1.3m repayment of Directors' Loan

## Dividend

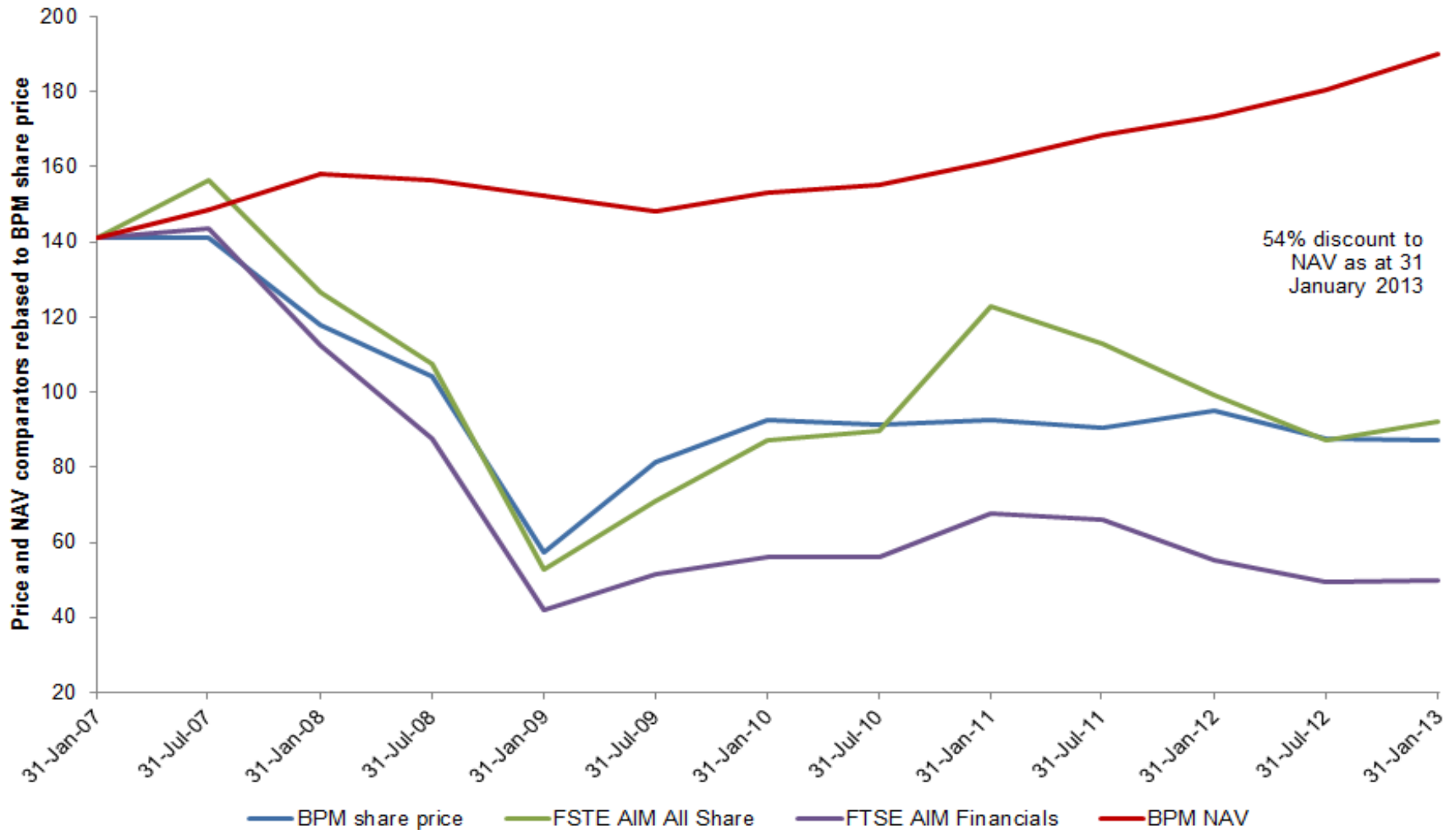
- £0.3m dividend paid (1p per share)
- £4.3m loan facility available at Jan 2013 – total £6.1m
- £2.1m committed to existing investments. £4.0m available for new investment

# Performance: Net Asset Value (NAV)



\* NB: The valuation at 31 January 2007 includes £10.1m net proceeds raised on AIM

# 2007-2013: Resilient Net Asset Value (NAV)



# Investments at 31 January 2013

Investment	Activity	Cost of equity investment (£'000)	Fair market value 31.01.13 (£'000)	Equity %	Year of initial investment	Movement in year to 31.01.13 (£'000)
Besso Insurance Group Limited	Insurance broker	2,618	5,223	36.5%	1995	538
The Broucour Group Limited	Business sales platform	98	173	49%	2008	75
Hyperion Insurance Group Limited	Insurance intermediary	3,715	35,456	13.8%	1994	6,103
LEBC Holdings Limited	IFA network	2,066	3,460	21.95%	2007	385
Paterson Squared LLC	Actuarial consultants	-	-	22.5%	2008	-
Portfolio Design Group International Limited	Asset management	253	1,721	20%	1994	(27)
Randall & Quilter Investment Holdings Plc	Insurance service provider to the non-life insurance market	618	785	1.35%	2010	178
Summa Insurance Brokerage, S.L.	Insurance intermediary	5,098	3,486	48.63%	2005	(1,421)
US Risk (UK) Limited	Insurance broker	1,435	2,407	29.3%	2010	299
<b>Total</b>		<b>15,901</b>	<b>52,711</b>			<b>6,130</b>

# Key Portfolio Valuation Movements in Year – Hyperion Insurance Group Ltd (“Hyperion”)

- Partial Disposal of Hyperion Investment
  - In March 2013 the Group agreed to sell 80% of its 13.8% holding in Hyperion to equity firm General Atlantic for cash consideration of £29.2m (£5.20/share), subject to regulatory consent (still outstanding)
  - July 2012 valuation of the Group’s 13.8% shareholding was £31.1m. Sale price agreed on 80% disposal represents an effective uplift of £4.3m over July valuation
  - On completion, the Group will retain a 2.76% stake in Hyperion subject to a Call Option arrangement, which will allow General Atlantic to purchase the Group's remaining stake at £5.20 per share – valuing remaining stake at up to £7.3m
  - The transaction valued Hyperion at an equity value of £250 million
  - FCA approval received, but still awaiting regulatory clearance in Texas and Singapore
  - As part of agreement, the Group has agreed to provide approx. £6.1m of loan funding to Hyperion, at Base + 5%, minimum 7.5%, for a minimum term of 12 months to refinance existing shareholder loans, including the £2.8m that the Group had provided to Hyperion
  - £20m forecast cash on completion post-loans and tax



# Key Portfolio Valuation Movements in Year – Hyperion Insurance Group Ltd (“Hyperion”) (cont’d)

- As sale agreed in 2012, and substantial due diligence carried out before 31 Jan 2013, the valuation of Hyperion in accounts reflects the offer received
- Original investment Nov 1994 £0.025m + £0.5m loans
- Total Investment to date £4.35m Equity + £2.75m loans
- If deal completes, equity return would be:
  - £29.2m cash on completion
  - £4.5m sold previously
  - £7.3m potential value of 2.76% remaining equity at Option Price (£5.20/share)
  - Total £41.0m on £4.35m investment, 9.4x return pre-tax

# Key Portfolio Valuation Movements in the Year – LEBC Holdings Limited (“LEBC”)

- In April 2007 the Group invested in LEBC, an Independent Financial Advisory company with 11 branches around the UK
- LEBC secured a year-on-year turnaround in profit before tax of £1.12m (FY2012 profit of £0.54m versus FY2011 loss of £0.58m), on a turnover of £10.2m, for the year ended 30 September 2012
- LEBC won the award for Best Retirement Advisor at the Money Marketing Financial Services Awards 2013
- The Group can confirm that LEBC has completed the acquisition of Sesame Bankhall Group's remaining 10% stake in LEBC Group Limited, which Sesame has held since its initial investment in LEBC Group in 2000. LEBC Group is now a 100% subsidiary of LEBC

# Key Portfolio Valuation Movements in the Year – Besso Insurance Group Limited (“Besso”)

- The Group originally invested in Besso in 1995; since then Besso has grown to a company with turnover, for the year ended 31 December 2012, of £26m (from £24.2m in the year ended 31 December 2011, an increase of 7.4%)
- The Group’s valuation of Besso increased by over £0.5m to £5.2m in the Year
- In November 2012 the Group increased its shareholding by 6.71% for a cash consideration of £0.78m. The Group's equity interest in Besso increased from 30% to 36.71% as a result (with economic rights over 36.48%)
- This further investment was made alongside a consortium of American investors, who are well-known to Besso's business, who acquired 5.85% of Besso for a cash consideration of £0.7m
- Subsequent to the above, Besso had a positive 2012 financial year and is in the final stages of negotiations to complete several value accretive acquisitions
- The Group, having worked alongside Besso's Management team in reviewing these investments, is of the opinion that these would be positive additions to Besso

# Key Portfolio Valuation Movements in Year – Summa Insurance Brokerage, S. L. (“Summa”)

- In 2005 the Group invested in Summa, a Madrid based insurance intermediary consolidator, which has completed 19 acquisitions within the Spanish market since the Group’s initial investment
- Despite the economic environment in Spain, Summa grew revenue in 2012 and maintained a satisfactory profit margin, which is in stark comparison to many other insurance operations in the Spanish market
- The Group has been working alongside Summa's Management team to develop their interaction with the Lloyd's and London Market, and has made various introductions to augment Summa's service offering to their clients
- The Group has also assisted Summa in the sourcing and recruitment of a new Chief Financial Officer so as to further improve the infrastructure for growth within this investment
- Notwithstanding the above, 2013 likely to be challenging and the Group’s valuation of Summa reflects this

# Other Key Developments – Investment Opportunities

- 62 prospective new investments received in the year to 31 January 2013, compared to 83 in the Year to 31 January 2012
- Sourcing of new opportunities:
  - Long-term introducer relations
  - Active networking
  - BVCA membership
  - Referrals from accountancy firms, law firms etc
  - Recommendations from third parties and existing investments
  - Website
  - Our reputation, particularly in the Insurance sector which brings people to us
- Continuing with a more targeted approach to sourcing new investment enquiries

# Other Key Developments – Investment Opportunities Continued

- Some of the opportunities reviewed by the Group during the period:
  - US-Based specialty lines underwriter and wholesale broker
  - Early stage specialist MGA
  - Start up MGA, underwriting Marine insurance in Eastern Europe
  - International Insurance and Reinsurance Broker
  - Provider of pension products

# Minority Investor Protections

The Group's position is well protected and portfolio investments are actively monitored. The Group has the following investor safeguards in place:

- Board meetings are held frequently and at least every three months;
- Timely management accounts information is required; and
- The Groups' approval may be required for various actions including, inter alia, the following:
  - Alterations to share capital
  - Acquisitions
  - Capital expenditure or asset disposals of any nature outside pre-agreed limits
  - Appointments of directors and senior executives
  - Remuneration of directors and senior executives
  - Any material additional borrowing
  - Changes in the nature of the company's business
  - Application for a flotation
  - Dividend payments or other distributions including bonuses

# Adding Value

- We believe in building strong relationships with the businesses we partner and using our expertise and experience in assisting them to achieve their growth targets and maximise shareholder value. We do so as follows:
  - Representation at Board level
  - Provision of follow-on funding
  - Guidance on strategy and development
  - Support management, without getting involved in the day-to-day running of their business – the “eyes on, hands off” approach
  - Market intelligence and contacts to develop customer base / strategic alliances
  - Referral of potential acquisition opportunities
  - Identification of exit path and potential acquirers



# Exit Strategy

- Exit considered on entry
- Patient development to achieve full earning potential
- Recognise and act on opportunistic situations
- Deal size favours acquisition by large financial services firms

# Other Key Developments – Outlook

- Continue to seek investment opportunities in high growth businesses
- Continue to seek attractive realisation opportunities for our current portfolio
- Climate of continuing economic uncertainty necessitates a prudent approach
- Focus on maximising value in existing portfolio
- The Group is able to provide specialist assistance and expertise to portfolio, specifically re: acquisitions
- The Group is uniquely placed to take advantage of the 'Equity Gap'

# Summary

- NAV proving to be resilient even in uncertain economic conditions
- 90% of portfolio by value in insurance broking or related activities
- BP Marsh is not subject to the limitations of a closed fund, such as asset redemption pressures
- £1.8m cash at 31 January 2013
- £4.3m loan facility - £6.1m in total. Net cash after commitments of £4.0m for new investment opportunities
- Share price trading at a discount of 32.1% to NAV as at close on 3rd June 2013
- The Board is confident about the future prospects and resilience of the Group's current portfolio
- Agreement has been reached to sell 80% of holding in Hyperion, subject to regulatory approval. We are not in the habit of setting out plans until we know with a degree of certainty what will prevail

# Appendices

- Management Team
- Board Members
- Current Portfolio
- Financials
- Major Shareholders
- Contacts

# Management Team

## **Executive Chairman**

**Brian Marsh OBE**

50 years' experience in insurance broking and underwriting. 1979-1990 was chairman of the Nelson Hurst & Marsh Group. More than 30 years' experience building, buying and selling financial services businesses particularly in the insurance sector

## **Group Finance Director**

**Jonathan Newman ACMA  
CGMA MCSI**

Chartered Management Accountant with over 15 years' experience in the financial services industry. Joined the Company in Nov 1999 and became FD in Dec 2003. Jonathan advises several investee companies through three non-executive board appointments and evaluates new investment opportunities

## **Investment Director**

**Dan Topping ACIS MCSI**

Dan Topping is a Member of the Chartered Institute of Securities and Investment (MCSI) and an Associate of the Institute of Chartered Secretaries and Administrators (ACIS), graduate from Durham University in 2005. Dan joined B.P. Marsh in February 2007 and in 2011 he was appointed as a director and currently has a number of non-executive appointments over four investee companies and evaluates new investment opportunities

# Management Team

**Investment Director**

**Camilla Kenyon**

Camilla Kenyon was appointed as Head of Investor Relations at BP Marsh in February 2009, having four years' prior experience with the Company. Camilla holds two non-executive appointments, is Chair of the New Business Committee and is a Member of the Investor Relations Society

**Investment Director**

**Natasha Dunbar BBA**

Natasha has over 18 years' experience in the financial services industry. Having joined the Company in 1994 she was made managing director in March 2002, subsequently becoming a non-executive director of the Company in 2008, a position she held for five years. Natasha was reappointed as an executive director in February 2013 and holds non-executive appointments at three of the Group's investee companies

# Board Members

## Non-Executive Director

**Stephen Clarke**

A Chartered Accountant, Stephen gained many years' experience with Charterhouse Development Capital in the structuring of venture capital projects in all fields including financial services, and in guiding and monitoring their progress. He joined the Group in 1993 and has over 40 years' experience of the financial services sector. Stephen continues to give specialist advice to BP Marsh on the structuring of entry and exit deals

## Non-Executive Director

**Philip Mortlock**

A Chartered Accountant with over 40 years' insurance experience, Philip entered the Lloyd's insurance world in 1965 and, after some years with Fenchurch Group, joined Nelson Hurst & Marsh group as finance director and company secretary until 1990. He joined the Group in 1990 and has a great deal of experience of the special nature of broking and underwriting finances. Philip continues to give a broad range of advice to BP Marsh

## Non-Executive Director

**Campbell Scoones**

Campbell Scoones has over 45 years' experience in the Lloyd's and overseas insurance broking and underwriting markets. Having started his career in 1966 Campbell has worked for a number of Lloyd's insurance broking and underwriting firms during this time, including, inter alia, Nelson Hurst & Marsh, Citicorp Investment Limited, Marsh & McLennan Companies and Admiral/Encon Underwriting

# Current Portfolio

<b>Besso Insurance Group Limited- 36.5%</b>	<ul style="list-style-type: none"> <li>▪ February 1995 the Group assisted a specialist team departing from Jardine Lloyd Thompson Group in establishing Besso Holdings Limited, which specialises in insurance broking for the North American wholesale market</li> <li>▪ Besso Holdings Limited changed its name to Besso Insurance Group Limited in June 2011</li> <li>▪ The Group increased its shareholding from 22.7% to 34% in April 2011, however following Besso exercising the Call Option Agreement in March 2012, the Group reduced its shareholding to 30%</li> <li>▪ The Group increased its shareholding by 6.71% for a cash consideration of £0.78m, resulting in the Group's equity interest in Besso increased from 30% to 36.71% as a result (with economic rights over 36.48%). This further investment was made alongside a consortium of American investors, who are well-known to Besso's business, who acquired 5.85% of Besso for a cash consideration of £0.70m</li> </ul>
<b>The Broucour Group Limited – 49%</b>	<ul style="list-style-type: none"> <li>▪ March 2008 invested in Amberglobe Ltd a start-up, financing ex-managing director of Dipford plc</li> <li>▪ In July 2012 Amberglobe acquired the assets of Turner &amp; Co (GB) Limited and Turner Butler Limited and the Groups' holding has been hived up into a new holding company, The Broucour Group Limited</li> <li>▪ Company is a business sales platform, providing valuation and negotiation services for the sale of SME businesses in the sub £3m sector</li> </ul>
<b>Hyperion Insurance Group Limited – 13.84%</b>	<ul style="list-style-type: none"> <li>▪ First invested in Hyperion Insurance Group in 1994</li> <li>▪ Company owns, amongst other things; Howdens, an insurance broker specialising in directors' and officers' and professional indemnity insurance, and DUAL International, a specialist underwriting group with a specific mandate for Mid-Market business. In July 2012 the Group acquired Windsor</li> </ul>
<b>LEBC Holdings Limited- 21.9%</b>	<ul style="list-style-type: none"> <li>▪ April 2007 invested in LEBC</li> <li>▪ LEBC is a national Independent Financial Advisory company providing services to individuals, corporates and partnerships principally in employee benefits, investment and life product areas and has 11 offices throughout the UK</li> </ul>



# Current Portfolio cont.

<b>Paterson Squared LLC</b> <b>- 22.5%</b>	<ul style="list-style-type: none"> <li>▪ Founded in September 2008 after its separation from Paterson Martin Limited</li> <li>▪ The team use sophisticated modelling techniques to assess risk, with a view to providing counter-party risk and transaction advice</li> </ul>
<b>Portfolio Design Group International Limited - 20%</b>	<ul style="list-style-type: none"> <li>▪ The Group invested in March 1994</li> <li>▪ Company sells with-profits life endowment policies to large financial institutions and in 2002 the company diversified into investment management</li> </ul>
<b>Randall &amp; Quilter Investment Holdings Plc - 1.35%</b>	<ul style="list-style-type: none"> <li>▪ The Group invested in Randall &amp; Quilter in January 2010, the result of a share exchange with the Group's shareholding in JMD Specialist Insurance Services Group Limited, which Randall &amp; Quilter wholly acquired</li> <li>▪ Randall &amp; Quilter Investment Holdings plc is an AIM listed run-off management service provider and acquirer of solvent insurance companies in run-off</li> </ul>
<b>Summa Insurance Brokerage, S.L. - 48.6%</b>	<ul style="list-style-type: none"> <li>▪ January 2005 the Group provided finance to a Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain</li> </ul>
<b>US Risk (UK) Limited – 29.3%</b>	<ul style="list-style-type: none"> <li>▪ Invested in July 2010</li> <li>▪ US Risk (UK), the parent company of Oxford Insurance Brokers Ltd, a London-based Lloyd's insurance and reinsurance broker and James Hampden International Insurance Brokers Ltd, a specialist international reinsurance and insurance broking company.</li> </ul>

# Consolidated Statement of Financial Position (IFRS) at 31 January 2013

	Audited Year to 31 Jan 2013 £'000	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 Jan 2012 £'000
<b>Tangible assets</b>	7	10	14
<b>Investments at fair value</b>	52,711	47,998	50,624
<b>Debtors / Loans receivable</b>	9,761	8,946	8,076
<b>Cash</b>	1,787	3,256	666
<b>Creditors &lt; 1 year</b>	(484)	(421)	(295)
<b>Creditors &gt; 1 year (Carried Interest provision)</b>	(294)	(293)	(299)
<b>Creditors &gt; 1 year (Loans and other payables)</b>	(100)	(100)	(1,250)
<b>Net Assets (excl. Deferred tax)</b>	<b>63,388</b>	<b>59,396</b>	<b>57,536</b>
<b>Deferred Taxation provision</b>	(7,933)	(7,361)	(7,415)
<b>NET ASSETS (10.6% increase in the year to 31 January 2013)</b>	<b>55,455</b>	<b>52,035</b>	<b>50,121</b>

# Consolidated Statement of Comprehensive Income (IFRS) at 31 January 2013

	Audited Year to 31 January 2013 £'000	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 January 2012 £'000
<b>Gains on Investments (Realised and Unrealised)</b>	6,140	2,224	4,604
<b>Impairment of investments and loans</b>	-	-	(339)
<b>Operating Income</b>	2,085	779	2,114
<b>TOTAL INCOME</b>	<b>8,225</b>	<b>3,003</b>	<b>6,379</b>
<b>Operating Expenses and FX Movement</b>	(1970)	(809)	(1,868)
<b>Net Interest Receivable / (Payable)</b>	(60)	(41)	(104)
<b>Exceptional Items</b>	-	-	(30)
<b>PROFIT BEFORE TAX</b>	<b>6,195</b>	<b>2,153</b>	<b>4,377</b>
<b>Taxation</b>	(518)	54	(732)
<b>POST TAX PROFIT FOR PERIOD</b>	<b>5,677</b>	<b>2,207</b>	<b>3,645</b>
<b>Earnings Per Share</b>	<b>19.4p</b>	<b>7.5p</b>	<b>12.4p</b>

# Consolidated Statement of Cash Flows (IFRS) at 31 January 2013

	Audited Year to 31 Jan 2013 £'000	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 Jan 2012 £'000
Net cash from / (used by) operating activities	12	146	215
Taxation	-	-	-
Purchase of Property, plant and equipment	(1)	-	(4)
Investments made	(822)	(3)	(735)
Proceeds on sale of investments	4,870	4,847	51
Net Loans (granted) / repaid to Investee Companies	(1,276)	(808)	(515)
Advances / (repayment) of borrowing	(1,250)	(1,250)	1,250
Net Interest Received / (Paid)	(60)	(41)	(104)
Dividends Paid	(293)	(293)	-
Payment made to repurchase Company shares	(50)	-	-
<b>INCREASE / (DECREASE) IN CASH IN THE PERIOD</b>	<b>1,130</b>	<b>2,598</b>	<b>158</b>
FX Movement	(9)	(8)	(7)
Cash at beginning of period	666	666	515
<b>CASH AND CASH EQUIVALENTS AT PERIOD END</b>	<b>1,787</b>	<b>3,256</b>	<b>666</b>

# Key Shareholders

- Directors
  - Brian Marsh OBE - 59.2%
  - Natasha Dunbar - 4.9%
- Major Shareholders (>3%)
  - The Stephen Crowther Trust
  - Henderson Global Investors
  - IS Partners AG
  - AXA Framlington
  - James Sharp & Co

# Contacts

## **B. P. Marsh & Partners Plc**

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Website: [www.bpmarsh.co.uk](http://www.bpmarsh.co.uk)

## **Nominated Adviser & Broker**

Panmure Gordon & Co

Telephone: 020 7886 2500

## **Financial PR**

Redleaf Polhill

Telephone: 020 7382 4747