

Interim Results

For the six months to 31 July 2012

Brian Marsh OBE, Chairman

Jonathan Newman, Group Finance Director

Camilla Kenyon, Investment Director

Dan Topping, Investment Director

October 2012

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 July 2012 – nine investments in portfolio with an equity valuation of £48.0m, with an average holding period of nine years
- Net Asset Value increase of 7.3% since 31 July 2011 and 3.8% since 31 January 2012

Financial Highlights – Period Ended 31 July 2012

- NAV of £52.0m
(31 January 2012: £50.1m, 31 July 2011: £48.5m)
- NAV per share of 178p
(31 January 2012: 171p, 31 July 2011: 166p)*
- Currently trading at a 51% discount to NAV (at close of 22 October 2012)
- Consolidated profit after tax £2.2m
(31 January 2012: £3.6m, 31 July 2011: £2.0m)
- Average compound NAV growth of 11.8% p.a. since 1990 (excl. £10.1m raised on flotation)**

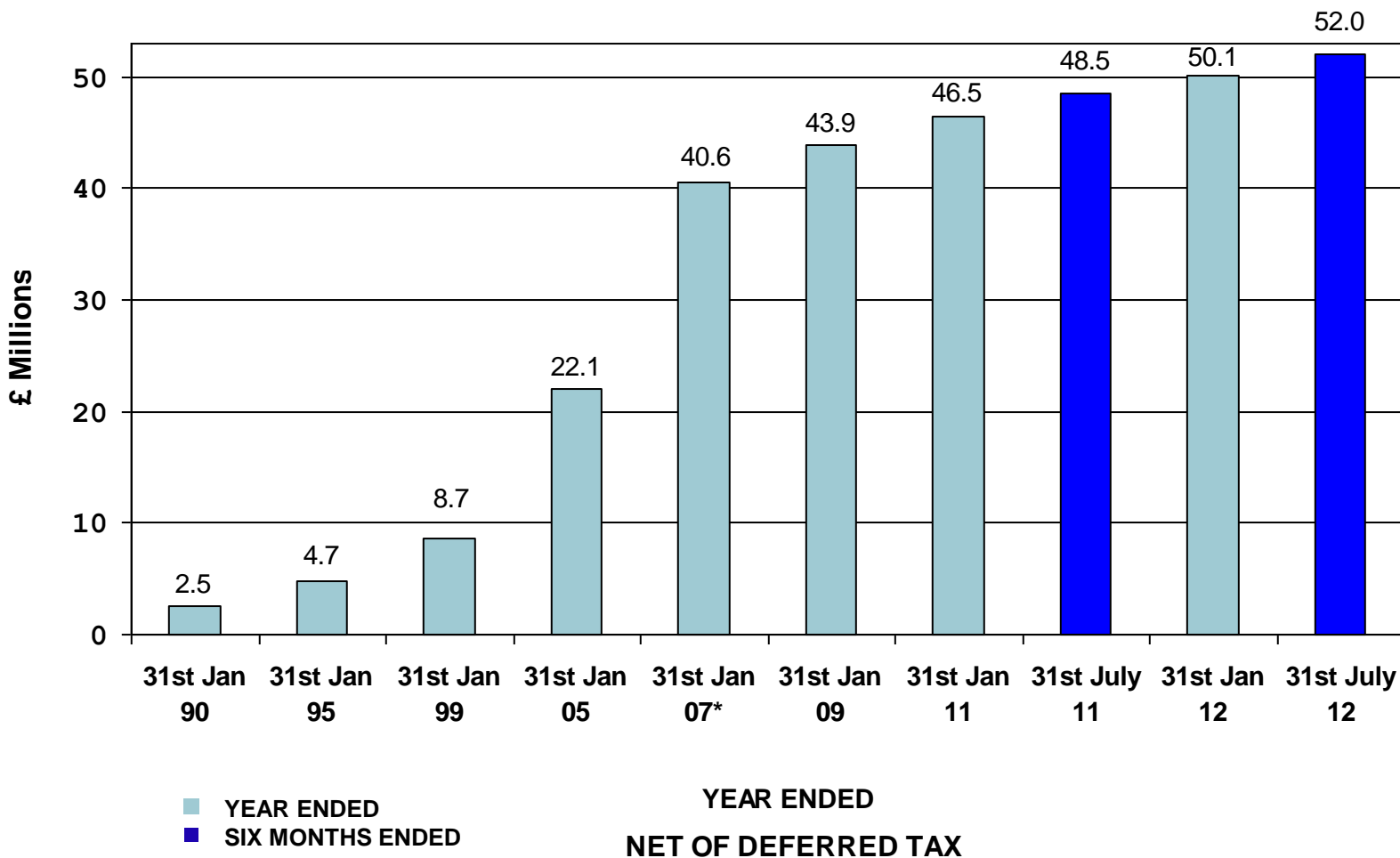
*This excludes any value for the Group itself

**Net of provision for deferred tax

Other Key Developments – Cash Position

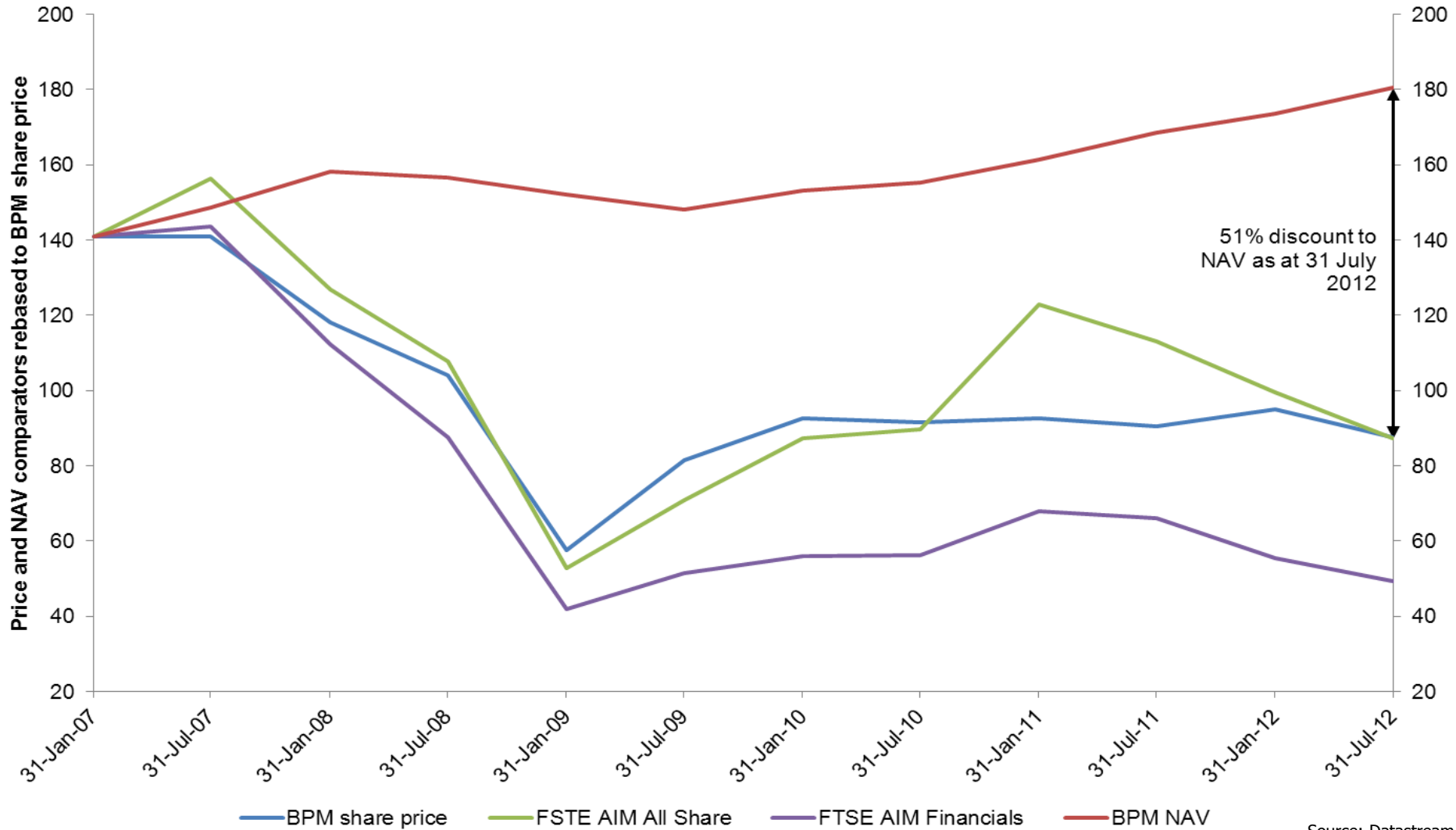
- Cash Position
 - Cash at 1 Feb 2012 £0.7m
 - + £4.5m sale of Hyperion shares
 - + £0.3m sale of Besso shares (option triggered by Besso's management)
 - - £1.3m repayment of Directors' Loan
 - - £0.8m loans granted to investee companies for acquisitions
 - - £0.3m dividend paid (1p per share)
 - + £0.2m working capital increase
 - £3.3m cash at 31 July 2012
 - Current commitments of £2.9m to investments, leaving £0.4m available cash
 - £4.3m loan facility remains available
 - In total £4.7m available for new opportunities

Performance: Net Asset Value (NAV)



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

2007-2012: Resilient Net Asset Value (NAV)



Investments at 31 July 2012

Investment	Activity	Cost of equity investment (£'000)	Fair market value 31.07.12 (£'000)	Equity %	Year initially invested	Movement in period to 31.07.12 (£'000)
Besso Insurance Group Limited	Insurance broker	1,838	4,292	30%	1995	387
The Broucour Group Limited	Business sales platform	98	98	49%	2008	-
Hyperion Insurance Group Limited	Insurance intermediary	3,715	31,132	13.8%*	1994	1,779
LEBC Holdings Limited	IFA network	2,066	3,213	21.9%	2007	138
Paterson Squared LLC	Actuarial consultants	-	-	22.5%	2008	-
Portfolio Design Group International Limited	Asset management	253	1,718	20%	1994	(30)
Randall & Quilter Investment Holdings Plc	Insurance service provider to the non-life insurance market	637	691	1.35%	2010	65
Summa Insurance Brokerage, S.L.	Insurance intermediary	5,098	4,180	48.6%	2005	(727)
US Risk (UK) Limited	Insurance broker	1,397	2,674	28.4%	2010	605
Total		15,102	47,998			2,217

* This is the position at 31st July 2012. As the sweet equity has a floor value below which it does not share, the effective economic rights at 31st July 2012 were approx. 14.6%.

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

- Acquisition of Windsor Partners Limited (“Windsor”)
 - On 3 July 2012 Hyperion completed the acquisition of Windsor, the international Lloyd's broking group which provides insurance and reinsurance broking services to businesses and private individuals
 - For the year ended December 2011 Windsor reported total income of £37.5m and EBITDA of £12m
 - The acquisition was financed through a combination of Hyperion's own cash and debt financing and the issue of new ordinary Hyperion shares to certain management shareholders of Windsor
 - The issue of additional ordinary shares in Hyperion has resulted in the Group's shareholding being diluted to 13.84%, from 16.19%
 - The Group's rights and protections as a Major Shareholder were not affected by the transaction
 - As part of the financing arrangements, the current £2.75m loans made by the Group to Hyperion, due for repayment by June 2014, were extended for repayment by September 2017

Key Portfolio Valuation Movements in Period – Hyperion Insurance Group Ltd Continued

- Sale of CFC
 - In June 2012 Hyperion sold its majority holding in CFC Underwriting Group Ltd, the specialist IT-focused D&O and PI underwriting agency for SMEs, to a team of investors
 - The proceeds from the sale were used to reduce the amount of funds required to acquire Windsor
- Majority Acquisition of Conset Seguros
 - In October 2012 Hyperion entered the Brazilian market by acquiring a 51% stake in Conset Seguros, a specialist broker in the construction industry
 - This acquisition provides Hyperion with a great opportunity to enter the Brazilian market, one of the world's fastest growing economies
 - Conset Seguros's experience shall also be of benefit to Hyperion's existing clients both in Latin America and Spain
- Hyperion continues strong growth in 2012 – Group's valuation increases by £1.8m in Period to £31.1m

Key Portfolio Valuation Movements in Period – Besso Insurance Group Limited (“Besso”)

- The Group originally invested in Besso in 1995; since then Besso has grown from a company that produced revenues of £2.2m (31 December 1995) to £25m (31 December 2011)
- Group’s valuation increased by £0.4m to £4.3m in Period
- Besso is now ready to enter its next phase of development, having made significant progress in reducing outstanding debt and with the second tier of Management locked into the business by means of an equity stake
- Our focus is on assisting this growth towards an exit mutually agreeable with Management

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

- In 2005 the Group invested in Summa, a Madrid based insurance intermediary
- The outlook in Spain remains a concern, however the Group remains confident in Summa’s prospects through this period of economic unrest in Spain
- Notwithstanding the difficulties in Europe, Summa has continued to seek out new opportunities for expansion to achieve the Group’s and Management’s aim for increased synergetic savings and economies of scale
- During the period the Group’s valuation of Summa has decreased by £0.73m, mainly due to lower than budgeted performance figures for 2012, which was directly impacted by the adverse economic conditions in Spain
- The Group continues to provide its support and assistance to Summa throughout this difficult time for the Spanish economy and view the performance of Summa so far in 2012 as satisfactory, with Summa on track to meet a forecasted EBITDA of €1.4m for 2012

Key Portfolio Valuation Movements in Period – US Risk (UK) Limited (“US Risk (UK)”)

- Acquisition of James Hampden International Insurance Brokers Limited (“JHI”) and Abraxas Insurance AG (“Abraxas”)
 - On 5 March 2012, US Risk (UK), in which the Group invested in June 2010, acquired the specialist international reinsurance and insurance broking company JHI. Headquartered in London it operates in the Lloyd’s and international insurance markets. As part of this acquisition US Risk (UK) additionally acquired JHI’s 75% shareholding in Abraxas, an MGA based in Zürich, Switzerland
 - The acquisition, part funded by the Group’s equity investment in 2010, is in line with US Risk (UK)’s strategy for growth and development, and further adds to its capabilities as a specialist insurance intermediary in the Lloyd’s and London Market. As a result of the acquisition the Group’s holding in US Risk (UK) reduced from 30% to 28.4%
- Loan Facility Extension
 - On investment in US Risk (UK) in June 2010 the Group provided a £1.95m loan facility for a two year term. The loan was not drawn down and on expiry, the Group agreed to provide a new two year facility to July 2014. The loan is intended to enable the company to build on the successful acquisition of JHI and Abraxas in 2012 with further acquisitions and team lifts
- The Group’s valuation increased by £0.6m to £2.7m in the Period

Other Key Developments – Investment Opportunities

- 39 prospective new investments received in the period to 31 July 2012, this was compared to 50 in the period 31 January 2011 to 31 July 2011
- 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 Company during the period:
 - US-Based specialty lines insurance broker and underwriter management company
 - Specialist research & M&A boutique
 - Specialist MGA, seeking new backer
 - Provider of pension products
 - Early stage specialist MGA

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
- 89.5% 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
- £3.3m cash at 31 July 2012
- Net cash after commitments of £0.4m. £4.7m available for new opportunities (including loan facility of £4.325m)
- Share price trading at a discount of 51% to NAV as at close on 22 October 2012
- The Board is confident about the future prospects and resilience of the Group's current portfolio

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 and a Member of the Institute of Chartered Secretaries and Administrators. Dan joined the Company in February 2007 and currently holds four non-executive board appointments and evaluates new investment opportunities.

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.

Board Members

Non-Executive Director

Natasha Dunbar

Over 17 years' experience in the financial services industry. Having joined the Company in 1994 she was made Managing Director in March 2002 before becoming a Non- Executive Director in 2008. Natasha is still involved in aspects of the operational side of the business and works closely with Brian Marsh in defining the strategic development of the Company.

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 25 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 25 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.

Current Portfolio

Besso Insurance Group Limited- 30%	<ul style="list-style-type: none"> ▪ 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 ▪ Besso Holdings Limited changed its name to Besso Insurance Group Limited in June 2011 ▪ 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%
The Broucour Group Limited – 49%	<ul style="list-style-type: none"> ▪ March 2008 invested in Amberglobe Ltd a start-up, financing ex-managing director of Dipford plc ▪ On July 2012 Amberglobe acquired the assets of Turner & Co (GB) Limited and Turner Butler Limited and the Groups' holding has been hived up into a new holding company, The Broucour Group Limited. ▪ Company is a business sales platform, providing valuation and negotiation services for the sale of SME businesses in the sub £3m sector
Hyperion Insurance Group Limited – 13.84% **	<ul style="list-style-type: none"> ▪ First invested in Hyperion Insurance Group in 1994 ▪ 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
LEBC Holdings Limited- 21.9%	<ul style="list-style-type: none"> ▪ April 2007 invested in LEBC ▪ 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

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Current Portfolio cont.

Paterson Squared LLC - 22.5%	<ul style="list-style-type: none"> ▪ Founded in September 2008 after its separation from Paterson Martin Limited ▪ The team use sophisticated modelling techniques to assess risk, with a view to providing counter-party risk and transaction advice
Portfolio Design Group International Limited - 20%	<ul style="list-style-type: none"> ▪ The Group invested in March 1994 ▪ Company sells with-profits life endowment policies to large financial institutions and in 2002 the company diversified into investment management
Randall & Quilter Investment Holdings Plc - 1.35%	<ul style="list-style-type: none"> ▪ The Group invested in Randall & Quilter in January 2010, the result of a share exchange with the Group's shareholding in JMD Specialist Insurance Services Group Limited, which Randall & Quilter wholly acquired ▪ Randall & Quilter Investment Holdings plc is an AIM listed run-off management service provider and acquirer of solvent insurance companies in run-off.
Summa Insurance Brokerage, S.L. - 48.6%	<ul style="list-style-type: none"> ▪ January 2005 the Group provided finance to a Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain
US Risk (UK) Limited – 28.4%	<ul style="list-style-type: none"> ▪ Invested in July 2010 ▪ 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.

Consolidated Statement of Financial Position (IFRS) at 31 July 2012

	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 Jan 2012 £'000	Unaudited 6 months to 31 July 2011 £'000
Tangible assets	10	14	24
Investments at fair value	47,998	50,624	48,692
Debtors / Loans receivable	8,946	8,076	8,086
Cash	3,256	666	448
Creditors < 1 year	(421)	(295)	(174)
Creditors > 1 year (Carried Interest provision)	(293)	(299)	(328)
Creditors > 1 year (Loans and other payables)	(100)	(1,250)	(1,250)
Net Assets (excl. Deferred tax)	59,396	57,536	55,498
Deferred Taxation provision	(7,361)	(7,415)	(7,014)
NET ASSETS (7.3% increase in the year to 31 July 2012) (3.8% increase in the period to 31 July 2012)	52,035	50,121	48,484

Consolidated Statement of Comprehensive Income (IFRS) at 31 July 2012

	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 January 2012 £'000	Unaudited 6 months to 31 July 2011 £'000
Gains on Investments (Realised and Unrealised)	2,218	4,572	2,619
Impairment of investments and loans	-	(339)	(239)
Operating Income	779	2,114	764
TOTAL INCOME	2,997	6,347	3,144
Operating Expenses and FX Movement	(809)	(1,868)	(731)
Net Interest Receivable / (Payable)	(41)	(104)	(47)
Carried Interest provision	6	32	3
Exceptional Items	-	(30)	(30)
PROFIT BEFORE TAX	2,153	4,377	2,339
Taxation	54	(732)	(331)
POST TAX PROFIT FOR PERIOD	2,207	3,645	2,008
Earnings Per Share	7.5p	12.4p	6.9p

Consolidated Statement of Cash Flows (IFRS) at 31 July 2012

	Unaudited 6 months to 31 July 2012 £'000	Audited Year to 31 Jan 2012 £'000	Unaudited 6 months to 31 July 2011 £'000
Net cash from / (used by) operating activities	146	215	(51)
Taxation	-	-	-
Purchase of Property, plant and equipment	-	(4)	(3)
Investments made	(3)	(735)	(735)
Proceeds on sale of investments	4,847	51	30
Net Loans (granted) / repaid to Investee Companies	(808)	(515)	(510)
Advances / (repayment) of borrowing	(1,250)	1,250	1,250
Net Interest Received / (Paid)	(41)	(104)	(47)
Dividends Paid	(293)	-	-
INCREASE / (DECREASE) IN CASH IN THE PERIOD	2,598	158	(66)
FX Movement	(8)	(7)	(1)
Cash at beginning of period	666	515	515
CASH AND CASH EQUIVALENTS AT PERIOD END	3,256	666	448

Key Shareholders

- Directors
 - Brian Marsh OBE - 59.2%
 - Natasha Dunbar - 4.9%
- Major Shareholders (>3%)
 - SVM Asset Management Limited
 - Henderson Global Investors
 - AXA Framlington
 - Helium Special Situations Fund
 - The Stephen Crowther Trust

Contacts

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