

B.P. Marsh & Partners Plc

Final Results

Year to 31 January 2012

Brian Marsh OBE, Chairman

Jonathan Newman, Group Finance Director

Camilla Kenyon, Investment Director

Daniel Topping, Investment Director

May 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 January 2012 – nine investments in portfolio with an equity valuation of £50.1m, with an average holding period of nine years
- Net Asset Value increase of 7.8% since 31 January 2011

Financial Highlights – Year Ended 31 January 2012

- NAV of £50.1m
(31 July 2011: £48.5m, 31 January 2011: £46.5m)
- NAV per share 171p
(31 July 2011: 166p, 31 January 2011: 159p)*
- Currently trading at a 48.2% discount to NAV (at close 28 May 2012)
- Consolidated profit after tax £3.6m
(31 July 2011: £2.0m, 31 January 2011: £2.6m)
- Average compound NAV growth of 12% p.a. since 1990 (excl. £10.1m raised on flotation)**
- £0.7m cash at year-end plus a further £3.1m loan facility available. £2.3m committed to current investments, £1.5m available
- Proposed final Dividend of 1p per share (£0.3m) (2011: nil)

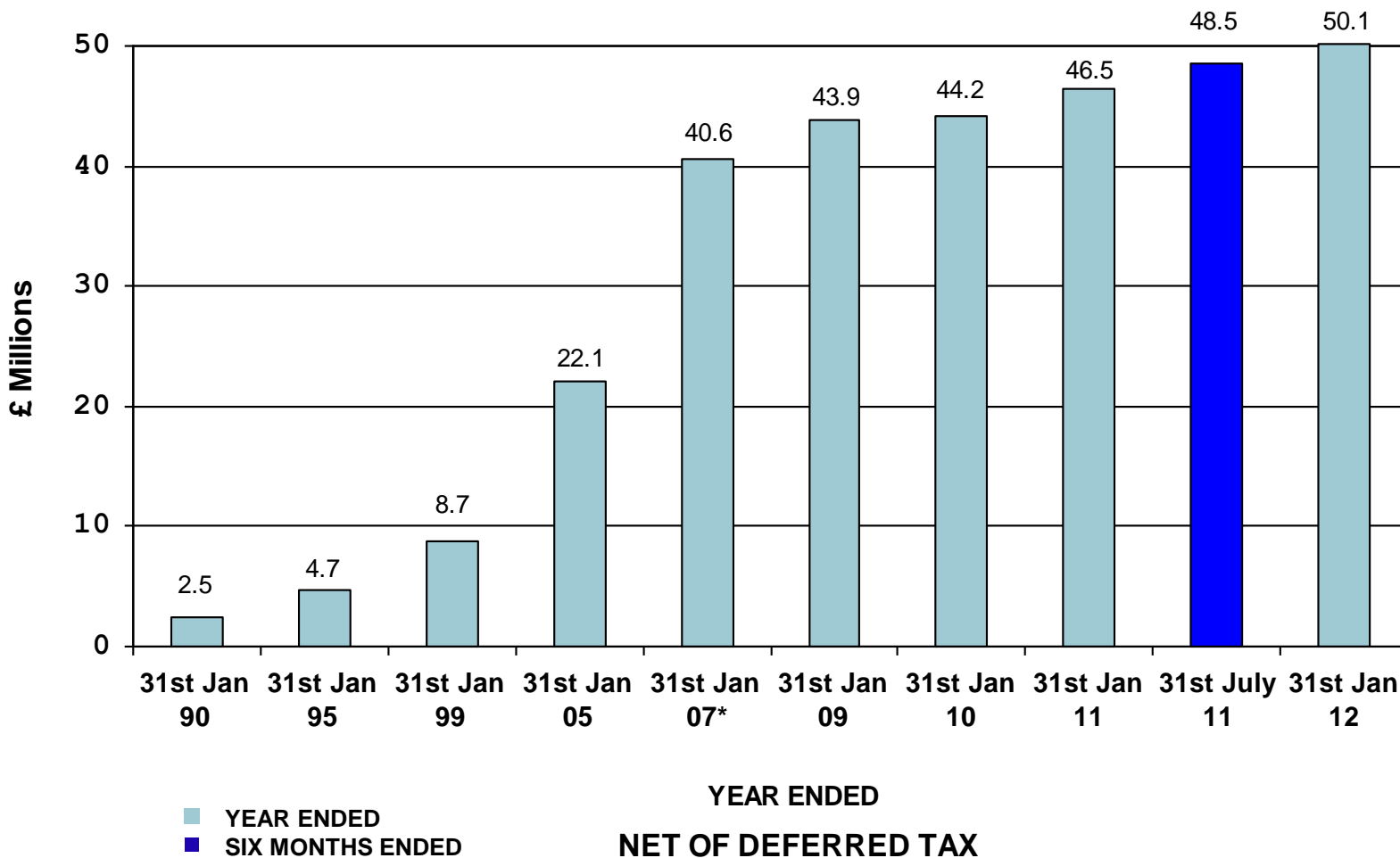
*This excludes any value for the Group itself

**Net of provision for deferred tax

Other Key Developments – Cash Position

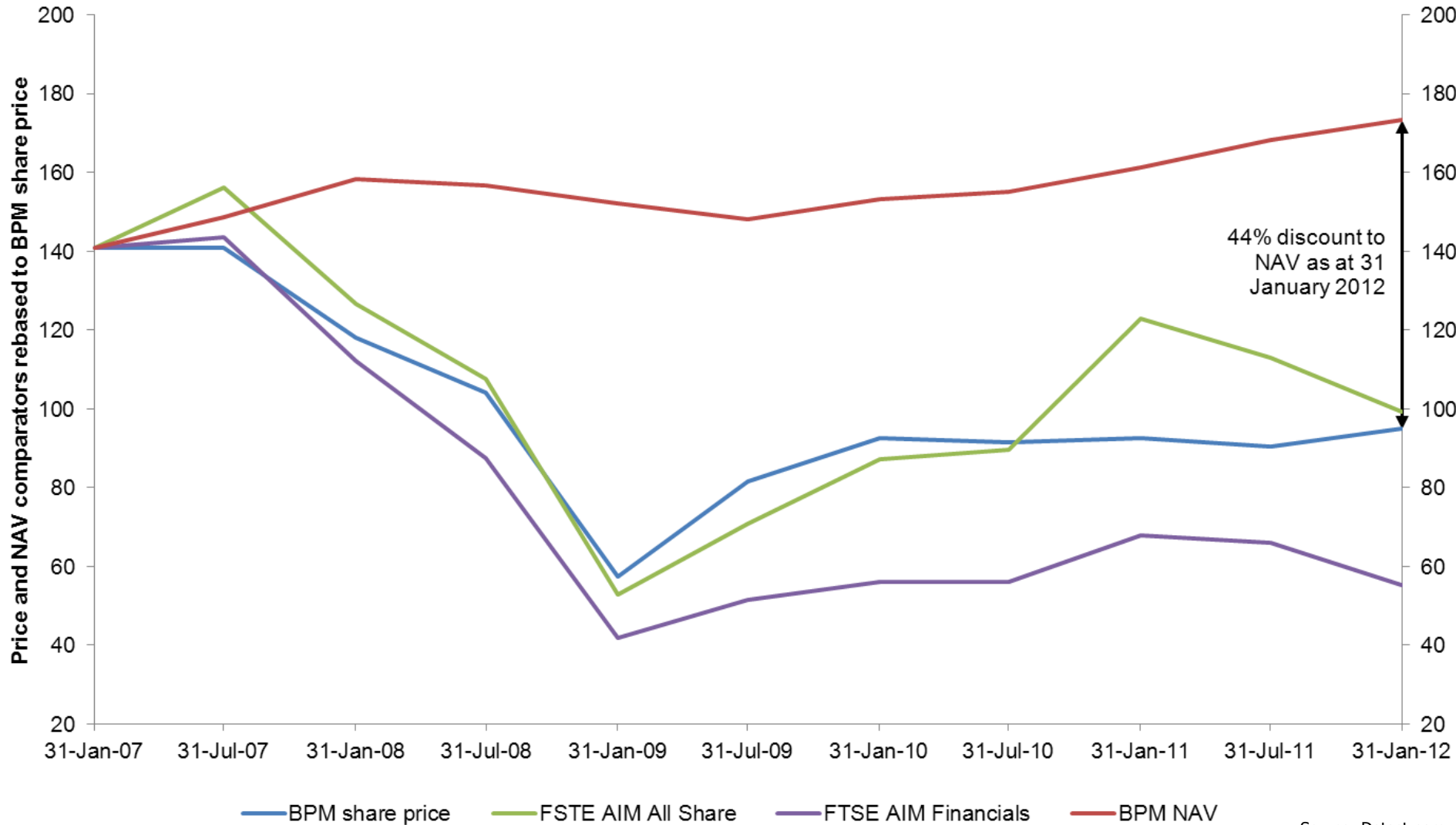
- Directors' Loan
 - £1.25m of loans were used to fund follow-on investment in Besso in March 2011
 - £0.25m was repaid in February 2012 from working capital, and the remainder will be repaid in full in June 2012 from the sale of shares in Hyperion
 - The £4.325m facility will remain available for drawdown for investment opportunities
- Cash Position
 - £4.5m cash from Hyperion Sale. Agreed to £1.0m repayment of the Directors' loan and £0.3m dividend, plus £2.3m committed to current investments, leaving £1.2m available cash
 - £4.325m loan facility remains available
 - In total £5.5m 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)



Source: Datastream

Investments at 31 January 2012

Investment	Activity	Cost of investment (£'000)	Fair market value 31.01.12 (£'000)	Equity %	Year initially invested	Movement in year to 31.01.12 (£'000)
Amberglobe Limited	Business sales platform	98	98	49%	2008	-
Besso Insurance Group Limited	Insurance broker	2,097	4,181	34%*	1995	216
HQB Partners Limited	Shareholder services	35	-	27.7%	2005	-
Hyperion Insurance Group Limited	Insurance intermediary	4,345	33,888	19.4%**	1994	4,520
LEBC Holdings Limited	IFA network	2,066	3,075	21.9%	2007	(202)
Paterson Squared LLC	Actuarial consultants	-	-	22.5%	2008	-
Portfolio Design Group International Limited	Asset management	253	1,748	20%	1994	(158)
Randall & Quilter Investment Holdings Limited	Insurance service provider to the non-life insurance market	669	658	1.35%	2010	119
Summa Insurance Brokerage, S.L.	Insurance intermediary	5,098	4,907	48.6%	2005	(191)
US Risk (UK) Limited	Insurance broker	1,397	2,069	30%	2010	288
Total		16,058	50,624			4,592

* At 31 January 2012 (30% at 30 May 2012)

** This is the position at 31st January 2012 pre-dilution (down to 18.3%). As the sweet equity has a floor value below which it does not share, the effective economic rights at 31st January 2012 were approx. 19.2% including the potential dilution. Following the Group partial disposal of Hyperion Shares, the Group shareholding stands at 16.19%, which could dilute down to 15.63%, although it would retain a fully-diluted economic right to approx. 16.4%.

Key Portfolio Valuation Movements in Year – Hyperion Insurance Group Ltd

- Valuation increase of £4,520,000 due to:
 - Revenue increased by 21% to £87.3m in 2011
 - EBITDA £18m, up 45% on 2010
 - Margin increased from 17% to 21%
 - Continued strong growth forecast for 2012 as new acquisitions and teams acquired in 2011 deliver revenue and profits

- 2011 Financial performance in more detail (compared to 2010):
 - Broking Revenues £48.0m (up 15%), EBITDA £8.4m* (up 31%)
 - Underwriting Revenues £39.3m (up 29%), EBITDA £11.5m* (up 59%)
 - Net Cash Flow from operating activities £13.4m (up 36%)

- During 2011 Hyperion made a number of new acquisitions and teams including:
 - Acquired the IFA, mortgage and solicitors broking arm of PYV Ltd
 - Acquired 75% of Accette – largest independent insurance broker in Asia
 - Hired new Energy broking team
 - Acquired retail broking activity of Davidoff in Israel
 - Several start-up operations, including a London-based Marine/Energy reinsurance wholesale MGA, and a professional lines MGA in New Zealand

*NB: Excludes Head Office and consolidation adjustments, and non-recurring items

Post Balance Sheet Events

- Hyperion Insurance Group Ltd

- Disposal of stake in CFC Underwriting Limited (“CFC”)
 - In April 2012 Hyperion reached agreement to sell its majority stake in CFC to a consortium of private investors and the management team, subject to FSA approval
- Partial disposal of shares
 - In May 2012, the Group sold 1,193,500 shares in Hyperion for a cash consideration of £4.54m to Murofo Investments S.L. (an existing Hyperion shareholder), representing an IRR of 40.4% on these shares since they were acquired in November 1994
 - BP Marsh will retain a 16.19% shareholding in Hyperion, having reduced its 18.94% stake by 2.75%. The transaction was pro-rata ex-dividend
 - £4.35m invested in equity in HIG to date, excl. loans to HIG of £2.85m at year-end (2011: £3.28m). Partial disposal of £4.54m covers equity investment
- Continue to seek new opportunities to expand development, especially to strengthen UK broking presence, as well as seeking established broking operations in emerging markets, and continue geographic expansion of underwriting operations

Key Portfolio Valuation Movements in Year – Besso Insurance Group Ltd

- Valuation increase of £216,000 due to:
 - Major restructuring in 2011, post the Wells Fargo exit
 - Delivered on-going revenues of £24.4m and EBITDA of £1.1m
 - Whilst rates continue to stay soft in US wholesale, through restructuring 2012 is expected to produce a stronger profit margin and enhanced EBITDA, whilst Besso starts to attract new business opportunities post-Wells Fargo.
 - A modest value increase reflects growing profitability

- Further Investment:
 - In April 2011 a consortium including Michael Wade and the Group agreed to acquire Wells Fargo's 38% shareholding in Besso
 - Michael Wade was appointed Chairman and acquired 15% of the equity
 - The Group acquired a further 11% for £0.7m, increasing its shareholding from 22.7% to 34%
 - The Group acquired an additional £0.8m of 14% loan stock from Wells Fargo
 - This further investment was funded from existing cash resources and by utilising £1.25m of the £4.325m Directors' loan that was put in place in June 2010
 - The deal was conditional on a two year call option agreement being entered into for 4%

Post Balance Sheet Events– Besso Insurance Group Ltd

- Exercise of Call Option
 - In March 2012 Besso exercised the Call Option agreement entered into with the Group in April 2011 for 4% of Besso Stock
 - Following this the acquired shares were cancelled and new shares of an equivalent number were issued to members of senior management as part of an agreed incentive scheme

Case Study – US Risk (UK) Limited

- In June 2010 BP Marsh acquired a 30% stake in the parent company of Oxford Insurance Brokers Ltd for £1.4m
- Following our investment the Company has supported management in their growth aspirations to:
 - Strengthen core areas of focus (North America and worldwide speciality (Re)insurance)
 - Expand existing offerings through the development of new service platforms
 - Reach out to further European and international markets through product development and M&A transactions
- The most recent activity was
 - 100% acquisition of the specialist international reinsurance and insurance broking company James Hampden International Insurance Brokers Ltd, headquartered in London
 - 75% acquisition of the specialist Swiss Underwriting Agency, Abraxas, headquartered in Zurich
- At investment:
 - Circa £5.6m of revenues were achieved, presently approaching £10m
 - Headcount of c. 50, compared to c. 75 on 31st April 2012
- Avowed goal is to double the size of the business over a five year period, a goal which US Risk (UK) is well placed to achieve within this time frame. Growth rate expected to continue with the Group's support; £1.95m loan facility available from the Group

Key Portfolio Valuation Movements in Year & Post Balance Sheet Events – US Risk (UK) Ltd

- Valuation increase of £288,000 due to:
 - Revenue grew 8% to £6.1m in 2011
 - Revenue forecast to grow > 15% in 2012
 - Increased revenue expectations due to new producers hired in 2011
 - Modest valuation increase to reflect normalised position, but excludes enhanced value expected from acquisition of James Hampden International in Spring 2012

- Acquisition of James Hampden International Insurance Brokers Limited
 - US Risk (UK), in which the Group invested in June 2010, acquired the specialist international reinsurance and insurance broking company James Hampden International Insurance Brokers Ltd, which is headquartered in the City of London and operates in the Lloyd's and international insurance markets
 - The acquisition, funded by the BP Marsh 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

Key Portfolio Valuation Movements in Year – LEBC Holdings Ltd and Summa Insurance Brokerage SL

LEBC Holdings Limited (“LEBC”)

- Valuation decrease of £202,000 due to:
 - Revenue grew by 7.5% in 2011 to £10.2m, of which 40% was recurring
 - Small operating profit due to restructuring of business
 - Small downward value adjustment to reflect this, whilst noting that 2012 is currently performing to budget which should deliver a much stronger profit performance

Summa Insurance Brokerage S.L. (“Summa”)

- Valuation decrease of £191,000 due to:
 - 2011 net commissions €7.4m, EBITDA €2.0m, roughly on budget.
 - 2012 budgeting small revenue and EBITDA increase of <5% over 2011
 - Given the extremely difficult Spanish economy 2011 was an excellent performance and 2012 should hold value
 - Overall decrease in value due to foreign exchange movement since 2011
 - Summa has now completed 21 deals in 17 provinces, with over €60m of GWP managed

Other Key Developments

– Investment Opportunities

- 83 prospective new investments received in the year to 31 January 2012, this was compared to 90 in the year to 31 January 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
 - Internet
- Continuing with more targeted approach to sourcing new investment enquiries

Minority Investor Protections

BP Marsh's position is well protected and portfolio investments are actively monitored. It 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
- BP Marsh's 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

- Representation at Board level
- Guidance on strategy and development
- Market intelligence and contacts to develop customer base / strategic alliances
- Provision of follow-on funding
- Identify 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:
 - Besso – Following the exit of Wells Fargo, Besso have renewed appetite for growth through acquisitions
 - Summa – Outlook in Spain and Europe remain a concern, but conversely present opportunities for Summa
 - Hyperion – Continue to grow organically and through acquisitions
- BP Marsh is able to provide specialist assistance and expertise to portfolio, specifically re: acquisitions

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
- Current cash position of £4.8m
- Net cash after commitments of £5.5m (including loan facility of £4.325m)
- Share price trading at a discount of 48.2% to NAV as at close 28 May 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

Daniel Topping ACIS MCSI

Daniel Topping is a Member of the Chartered Institute of Securities and Investment and a Member of the Institute of Chartered Secretaries and Administrators. Daniel 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 three 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

Amberglobe Limited - 49%	<ul style="list-style-type: none"> ▪ March 2008 invested in Amberglobe Ltd ▪ Start-up, financing ex-managing director of Dipford plc ▪ Company is a business sales platform, providing valuation and negotiation services for the sale of SME businesses in the sub £3m sector
Besso Insurance Group Limited- 34%*	<ul style="list-style-type: none"> ▪ February 1995 the Group assisted a specialist team departing from Jardine Lloyd Thompson Group in establishing Besso Holdings ▪ Company specialises in insurance broking for the North American wholesale market ▪ The Group increased its shareholding from 22.7 % to 34% in April 2011 ▪ Besso Holdings Limited changed its name to Besso Insurance Group Limited in June 2011
HQB Partners Limited - 27.7%	<ul style="list-style-type: none"> ▪ January 2005 investment made in HQB Partners ▪ Company provides strategic transaction advice, proxy solicitation services, voting analysis and investor relations services ▪ HQB entered into administration on 13 January 2012
Hyperion Insurance Group Limited - 19.4% current – to reduce to 18.3% through sweet equity**	<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
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

* At 31 January 2012 (30% at 30 May 2012)

** This is the position at 31st January 2012. As the sweet equity has a floor value below which it does not share, the effective economic rights at 31st January 2012 were approx. 19.2% including the potential dilution. Following the Group partial disposal of Hyperion Shares, the Group shareholding stands at 16.19%, which could dilute down to 15.63%, although it would retain a fully-diluted economic right to approx. 16.4%.

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 have now 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 - 30%	<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 January 2012

	Audited Year to 31 Jan 2012 £'000	Unaudited 6 months to 31 July 2011 £'000	Audited Year to 31 Jan 2011 £'000
Tangible assets	14	24	33
Investments at fair value	50,624	48,692	47,143
Debtors / Loans receivable	8,076	8,086	6,075
Cash	666	448	515
Creditors < 1 year	(295)	(174)	(276)
Creditors > 1 year (Carried Interest provision)	(299)	(328)	(331)
Creditors > 1 year (Directors Loan)	(1,250)	(1,250)	-
Net Assets (excl. Deferred tax)	57,536	55,498	53,159
Deferred Taxation provision	(7,415)	(7,014)	(6,683)
NET ASSETS (7.8% increase in the year to 31 January 2012)	50,121	48,484	46,476

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

	Audited Year to 31 January 2012 £'000	Unaudited 6 months to 31 July 2011 £'000	Audited Year to 31 January 2011 £'000
Gains on Investments (Realised and Unrealised)	4,572	2,619	3,321
Impairment of investments and loans	(339)	(239)	(446)
Operating Income	2,114	764	2,018
TOTAL INCOME	6,347	3,144	4,893
Operating Expenses and FX Movement	(1,868)	(731)	(1,847)
Net Interest Receivable / (Payable)	(104)	(47)	(26)
Carried Interest provision	32	3	(7)
Exceptional Items	(30)	(30)	-
PROFIT BEFORE TAX	4,377	2,339	3,013
Taxation	(732)	(331)	(415)
POST TAX PROFIT FOR PERIOD	3,645	2,008	2,598
Earnings Per Share	12.4p	6.9p	8.9p

Consolidated Statement of Cash Flows (IFRS)

at 31 January 2012

	Audited Year to 31 Jan 2012 £'000	Unaudited 6 months to 31 July 2011 £'000	Audited Year to 31 Jan 2011 £'000
Net cash from / (used by) operating activities	215	(51)	114
Taxation	-	-	-
Purchase of Property, plant and equipment	(4)	(3)	(6)
Investments made	(735)	(735)	(1,437)
Proceeds on sale of investments	51	30	18
Net Loans (granted) / repaid	(515)	(510)	(827)
Advances / (repayment) of borrowing	1,250	1,250	-
Net Interest Received / (Paid)	(104)	(47)	(26)
Dividends Paid	-	-	(293)
INCREASE / (DECREASE) IN CASH IN THE PERIOD	158	(66)	(2,457)
FX Movement	(7)	(1)	-
Cash at beginning of period	515	515	2,972
CASH AND CASH EQUIVALENTS AT PERIOD END	666	448	515

Key Shareholders

- Directors
 - Brian Marsh OBE - 59.1%
 - Natasha Dunbar - 4.9%
- Major Shareholders (>3%)
 - SVM Asset Management Limited
 - Henderson Global Investors
 - AXA Framlington
 - The Stephen Crowther Trust
 - Sanlam Asset Management (Ireland)

Contacts

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