

B.P. Marsh & Partners Plc

Interim Results

For the six months to 31 July 2013

Brian Marsh OBE, Chairman

Jonathan Newman, Group Finance Director

Dan Topping, Investment Director

Camilla Kenyon, Director & Head of Investor Relations

October 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, North America and Australasia
- Established in 1990 with funding of £2.5m – 32 investments made to date; initially invests up to £3m 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 2013 – ten investments in portfolio with an equity valuation of £27.3m, with an average holding period of nine years
- Net Asset Value increase of 9.3% since 31 July 2012
- Equity Portfolio increase of 5.3% since 31 January 2013, excluding the proceeds from the Hyperion transaction

Financial Highlights – Period Ended 31 July 2013

- NAV of £56.9m
(31 January 2013: £55.5m, 31 July 2012: £52.0m)
- NAV per share of 195p
(31 January 2013: 190p, 31 July 2012: 178p)*
- Currently trading at a 25% discount to NAV (at close of 21 October 2013)
- Consolidated profit after tax £1.4m
(31 January 2013: £5.7m, 31 July 2012: £2.2m)
- Average compound NAV growth of 11.7% p.a. since 1990 (excl. £10.1m raised on flotation)**
- £19.7m of gains realised on sale of investments, transferred into retained earnings, after provision for tax

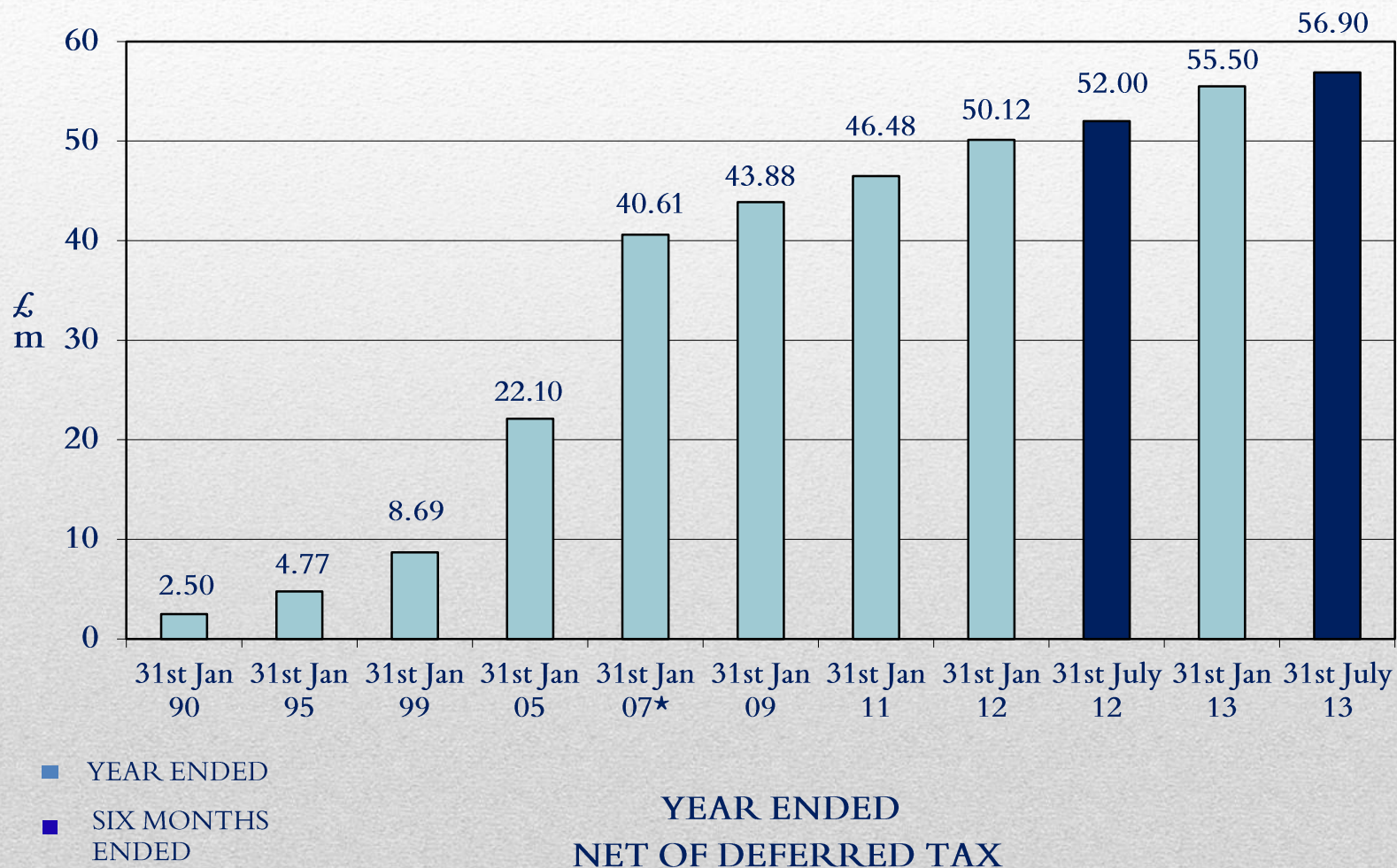
*This excludes any value for the Group itself

**Net of provision for deferred tax

Other Key Developments – Cash Position

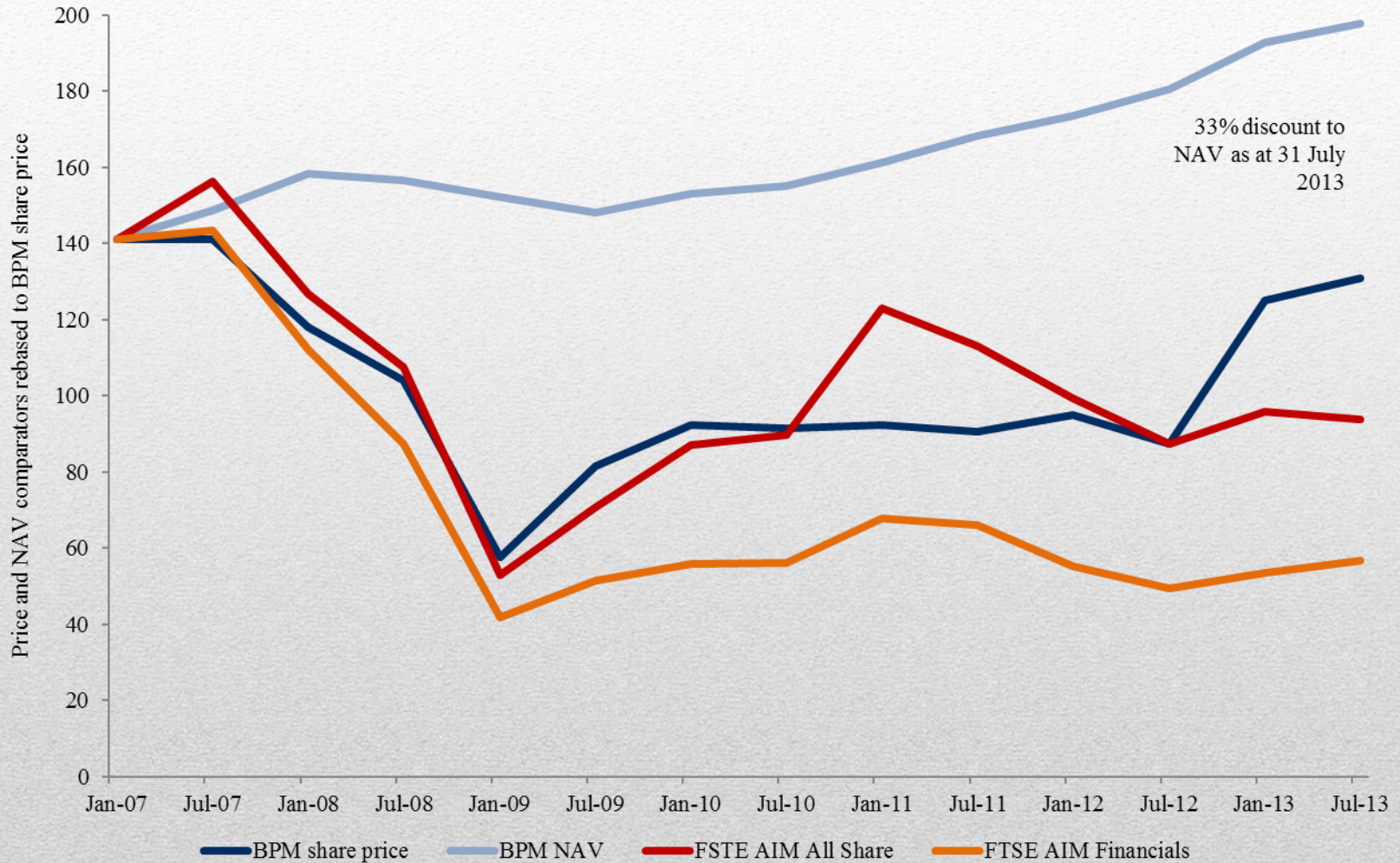
- Cash Position
 - Cash at 1 Feb 2013 £1.8m
 - + £4.3m Directors Loan Draw Down
 - £(2.3)m Acquisition – Sterling / R&Q
 - £(3.4)m Loans granted – Besso / US Risk
 - + £29.2m proceeds on Hyperion sale
 - £(3.3)m loans granted – Hyperion
 - £(4.3)m Directors loan repaid
 - + £0.4m Working capital
 - £22.4m cash at 31 July 2013
 - Current commitments of £1.2m to investments, £5.5m tax on Hyperion Sale Proceeds and £0.4m dividend paid in August 2013, leaving £15.3m available for investments

Performance: Net Asset Value (NAV)



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

Performance: Net Asset Value (NAV)



Disposal in Period – Hyperion Insurance Group Limited

- Partial Disposal of Hyperion Investment
 - The sale of 80% of the Group's holding in Hyperion to General Atlantic completed in July 2013 for £29.2m in cash.
 - The Group retains a 2.81% stake subject to a Call Option arrangement at £5.20 per share (£7.31m in cash if exercised)
 - £6.0m in loans granted to repay shareholder debt, repayable between July 2014 and October 2017
 - B.P. Marsh co-founded Hyperion in 1994, with initial equity investment of £25,000 and further equity investment of £4.3m over the subsequent 18 years. The Group received £29.2m in July 2013, £4.5m in May 2012 and retains a 2.81% stake, valued at £7.3m. This equates to £41m on a £4.35m investment, a 9.4x return pre-tax
 - The transaction demonstrated B.P. Marsh's successful strategy and business model

Acquisition in Period– Sterling Insurance Holdings PTY Limited

- Sterling is the Group's most recent investment, undertaken through the investment vehicle Neutral Bay Investments Limited, which completed on 5 June 2013
 - Sterling, is a specialist underwriting agency and Lloyd's of London Coverholder offering a range of insurance solutions in niche markets including mining, construction and demolition
 - The Company has had a relationship with Sterling's management team for a number of years and was a finance provider (through Besso) to their 2008 MBO from IUA Insurance PTY Ltd
 - Since 2008, Sterling has grown:
 - Revenues from AU\$2.7m to AU\$5.8m
 - Operating profit of AU\$0.5 to a post-tax profit of AU\$1.2
 - As at its year-end position at 31st December 2012
 - On 8 August 2013 Steadfast Group Limited, following a successful flotation on the Australian Stock Market, acquired a 39.5% shareholding in Sterling. Steadfast is Australia's largest network of insurance brokers, with more than 430 offices across Australia and New Zealand, and annually generates around AU\$4.1 billion in insurance sales
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Case Study– Besso Insurance Group Limited

- The Group has continually supported Besso with the provision of follow on funding, in its recent acquisitions
 - **Turkey** - In May 2013 Besso bought the Turkish based reinsurance intermediary, specialising in aviation, HSB Sigorta ve Reasurans Brokerligi (“HSB”), which became Besso Turkey. HSB was established in 2007 and is already assisting Besso in developing its participation in the fast growing Turkish insurance market
 - **Australia** - In June 2013, Besso, alongside the Group, invested in Neutral Bay Investments Limited, an investment vehicle established to acquire a 39.5% shareholding in Sterling. For a number of years Besso has been the London Market broker for this operation and has helped in its development since Sterling’s management buy-out, which was conducted in 2008
 - The Group is pleased to see Besso’s improving profitability for the 2012 financial year; reporting an operating profit of £1.1m (2011 operating loss of £1.1m) with turnover for the year increasing by 8.3% to £26.2m from £24.2m in 2011. On the back of this improved performance Besso is continuing to expand into the international insurance and reinsurance market, targeting areas of significant growth, such as Brazil
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Summary of the Portfolio

Company	Activity in Period
The Broucour Group Limited	Revenues of £1.1m achieved to April 2013, up from £0.3m in 2012 after the successful acquisition of Turner Butler in July 2012
LEBC Holdings Limited	£1.1m turn-around in profitability over the 2012 financial year, producing a stable operating platform for the future post-RDR environment
Randall & Quilter Investment Holdings Limited	<p>Strong share price performance in the period and year, an increase of 12% from 31 January 2013 and 24% from 31 July 2012</p> <p>The Group acquired 280,852 additional shares in R&Q for of £337,000 in a rights issue</p>
Summa Insurance Brokerage, S.L.	Summa continues to perform in line with expectations, revenues have now stabilised despite the continuing financial difficulties experienced by the Spanish economy
US Risk (UK) Limited	<p>US Risk has appointed Mike Lobb as Managing Director, formally a member of Hyperion's management team, to further strengthen US Risk's core management function</p> <p>Revenues to 31st December 2013 approaching £10m, a significant increase from £5.5m at the time of our investment in June 2010</p>

Investments at 31 July 2013

Investment	Activity	Cost of equity investment (£'000)	Fair market value 31.07.13 (£'000)	Equity %	Year of initial investment	Movement in period to 31.07.13 (£'000)
Besso Insurance Group Limited	Insurance intermediary	2,618	5,898	36.7%	1995	675
The Broucour Group Limited	Business sales platform	98	335	49%	2008	162
Hyperion Insurance Group Limited	Insurance intermediary	743	7,310	2.81%	1994	871
LEBC Holdings Limited	IFA network	2,066	3,492	22.89%	2007	32
Paterson Squared LLC	Actuarial consultants	-	-	22.5%	2008	-
Portfolio Design Group International Limited	Asset management	253	1,674	20%	1994	(47)
Randall & Quilter Investment Holdings Limited	Specialist non-life insurance investor	955	1,210	1.35%	2010	88
Sterling Insurance PTY Limited*	Specialist Underwriting Agency	1,945	2,148	19.7%	2013	203
Summa Insurance Brokerage, S.L.	Insurance intermediary	5,098	2,832	48.63%	2005	(654)
US Risk (UK) Limited	Insurance intermediary	1,435	2,445	29.3%	2010	38
Total		15,211	27,344			1,368

* Investment undertaken through the investment vehicle Neutral Bay Investments Limited, of which the Group owns 49.9%

Other Key Developments – Investment Opportunities

- 32 prospective new investments received in the period to 31 July 2013, this was compared to 38 in the period 31 January 2012 to 31 July 2012
- The Group are currently in discussion with a number of companies in regard to possible investments, including
 - Start up managing general agent based in the UK
 - Well established managing general agent based overseas
- Improving economic conditions resulting in an increase of compelling investment opportunities

Minority Investor Protections

- The Group believes that day-to-day operational control of the business is the domain of the executive management team. However, the Group's position is well protected and portfolio investments are actively monitored.
 - The Group outlines from investment the number of matters which would require consent from the Group, above certain agreed thresholds, before an investee company may proceed, these include:
 - 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
 - The Group has an extensive track record of working within companies as partners and places significant emphasis around investing time up-front in building relationships
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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
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Exit Strategy

- Exit considered on entry
- Patient development to achieve full earning potential
- Recognise and act on opportunistic situations

Summary

- £22.4m cash at 31 July 2013
- Net cash after commitments of £15.3m
- Share price performed well in the Period
- The share price discount to NAV has narrowed, with the share price trading at a discount of 25% to NAV as at close on 21 October 2013

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 and major shareholder of the Nelson Hurst & Marsh Group, the international insurance intermediary. 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 16 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

Director, Head of IR

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 one 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

Besso Insurance Group Limited – 36.5%	<ul style="list-style-type: none"> ▪ February 1995 the Group assisted a specialist team departing from Jardine Lloyd Thompson Group in establishing Besso, which specialises in insurance broking for the North American wholesale market ▪ Growth from revenue of £2.2m in 1995 to £26m in the year ended 31 December 2012 ▪ Besso has developed into an international insurance and reinsurance broker, with over 200 employees
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 ▪ In 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 – 2.81%	<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 ▪ Sold 80% of its holding in July 2013 to General Atlantic, leaving 2.81% subject to an option agreement
LEBC Holdings Limited – 22.89%	<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

Current Portfolio Continued

<p>Paterson Squared LLC – 22.5%</p>	<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
<p>Portfolio Design Group International Limited – 20%</p>	<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
<p>Randall & Quilter Investment Holdings Limited – 1.35%</p>	<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
<p>Sterling Insurance PTY Limited – 19.7%</p>	<ul style="list-style-type: none"> ▪ Invested in June 2013, through the investment vehicle Neutral Bay Investments Limited ▪ Sterling is a Sydney-based specialist underwriting agency offering a range of insurance solutions within the Liability sector specialising in niche markets including hard-to-place and complex risks.
<p>Summa Insurance Brokerage, S.L. – 48.6%</p>	<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
<p>US Risk (UK) Limited – 29.3%</p>	<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 2013

	Unaudited 6 months to 31 July 2013 £'000	Audited Year to 31 Jan 2013 £'000	Unaudited 6 months to 31 July 2012 £'000
Tangible assets	13	7	10
Investments at fair value	27,344	52,711	47,998
Debtors / Loans receivable	16,187	9,761	8,946
Cash	22,403	1,787	3,256
Creditors < 1 year	(3,869)	(484)	(421)
Creditors > 1 year (Carried Interest provision)	(284)	(294)	(293)
Creditors > 1 year (Loans and, tax & other payables)	(2,317)	(100)	(100)
Net Assets (excl. Deferred tax)	59,477	63,388	59,396
Deferred Taxation provision	(2,590)	(7,933)	(7,361)
NET ASSETS (9.3% increase in the year to 31 July 2013)	56,887	55,455	52,035

Consolidated Statement of Comprehensive Income (IFRS) at 31 July 2013

	Unaudited 6 months to 31 July 2013 £'000	Audited Year to 31 Jan 2013 £'000	Unaudited 6 months to 31 July 2012 £'000
Gains on Investments (Realised and Unrealised)	1,389	6,140	2,224
Impairment of investments and loans	-	-	-
Operating Income	1,079	2,085	779
TOTAL INCOME	2,468	8,225	3,003
Operating Expenses and FX Movement	(789)	(1970)	(809)
Net Interest Receivable / (Payable)	(61)	(60)	(41)
PROFIT BEFORE TAX	1,618	6,195	2,153
Taxation	(186)	(518)	54
POST TAX PROFIT FOR PERIOD	1,432	5,677	2,207
Earnings Per Share	4.9p	19.4p	7.5p

Consolidated Statement of Cash Flows (IFRS)

at 31 July 2013

	Unaudited 6 months to 31 July 2013 £'000	Audited Year to 31 Jan 2013 £'000	Unaudited 6 months to 31 July 2012 £'000
Net cash from operating activities	655	12	146
Taxation	-	-	-
Purchase of Property, plant and equipment	(8)	(1)	-
Investments made	(2,282)	(822)	(3)
Proceeds on sale of investments	29,028	4,870	4,847
Net Loans granted to Investee Companies	(6,716)	(1,276)	(808)
Repayment of borrowing	-	(1,250)	(1,250)
Net Interest Paid	(61)	(60)	(41)
Dividends Paid	-	(293)	(293)
Payment made to repurchase Company shares	-	(50)	-
INCREASE IN CASH IN THE PERIOD	20,616	1,130	2,598
FX Movement	-	(9)	(8)
Cash at beginning of period	1,787	666	666
CASH AND CASH EQUIVALENTS AT PERIOD END	22,403	1,787	3,256

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

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