

B.P. Marsh & Partners Plc

Interim Results

For the six months to 31 July 2014

Brian Marsh OBE, Chairman

Jonathan Newman, Group Finance Director

Dan Topping, Investment Director

Camilla Kenyon, Director & Head of Investor Relations

October 2014

Overview

- Niche Venture Capital provider focused on minority investments in high growth financial services businesses, typically taking an equity stake of between 15% and 45%
- Considers investment opportunities based in the United Kingdom, Australia, Europe, North America and occasionally elsewhere
- Established in 1990 with funding of £2.5m – 38 investments made to date, (with 17 realisations made as at 31 July 2014)
- Average compound NAV growth of 11.3% p.a. since 1990 (excl. £10.1m raised on flotation)
- Initially invests up to £3m and provides follow-on funding to enhance growth
- Reputation within its sector for developing strong business partnerships with its investee companies and helping talented management teams to realise their ambitions

Financial Highlights

- Net Asset Value per share of 205p
- As at 31 July 2014 – ten investments in portfolio with a NAV of £59.8m, with an average holding period of eight years
- Equity Portfolio increase of 5% since 31 January 2014, excluding cash
- Equity Portfolio increase of 13.7% since 31 July 2013, excluding cash
- £12.4m cash and treasury funds at 31 July 2014, £9.5m available for new investments.
- Currently £7.9m available for new investments
- Dividend of 2.75p per share declared, for the year ended 31 January 2014, and paid on 25 July 2014
- The Board intends to maintain at least this level of dividend for the next two financial years

Investment	Sector	Cost of equity investment (£'000)	Fair market value 31.07.14 (£'000)	Equity	Year of initial investment	Movement in Period to 31.07.14 (£'000)	Movement in Period to 31.07.14
Besso Insurance Group Limited	Insurance Intermediary	2,828	8,388	37.9%	1995	1,198	16.7%
Hyperion Insurance Group Limited	Insurance Intermediary	743	7,310	2.5%	1994	-	-
LEBC Holdings Limited	Financial Adviser	3,066	6,229	34.9%	2007	547	9.6%
Summa Insurance Brokerage, S.L.	Insurance Intermediary	5,098	2,805	48.6%	2005	169	6.4%
Sterling Insurance PTY Limited	Insurance Intermediary	1,945	2,345	19.7%	2013	79	3.5%
Trireme Insurance Group Limited	Insurance Intermediary	1,786	1,994	29.3%	2010	(569)	(22.2)%
Randall & Quilter Investment Holdings Limited	Insurance Intermediary	955	1,490	1.3%	2010	(218)	(12.8)%
MB Prestige Holdings PTY Limited	Insurance Intermediary	480	1,196	40%	2013	377	46.0%
The Broucour Group Limited	Business Sales platform	98	294	49%	2008	(55)	(15.8)%
Walsingham Motor Insurance Limited	Insurance Intermediary	300	300	30%	2013	-	-
Total		17,299	32,351			1,528	

Specific Activity within the Portfolio During the Period (i)

Besso Insurance Group Limited (“Besso”)

2013 Financial Year Results

- Brokerage income has increased to £28.3m (2012: £24.0m), an uplift of over 17%, which is a solid achievement for Besso in what continues to be a challenging market. This increase was driven by all product lines
- Overall turnover has increased during the year to £29.1m (2012: £26.2m), an improvement of 11.1%
- EBITDA has increased by 10% to £3.0m during 2013

Besso Brazil

- On 1 July 2014 Besso received the appropriate licences to begin trading in its newly opened offices in Rio de Janeiro, Brazil
- Besso Brazil will provide a broad range of specialist reinsurance products to its clients in Brazil

Specific Activity within the Portfolio During the Period (ii)

MB Prestige Holdings PTY Limited (“MB”)

Successful end to the 2013 financial year

- MB Group achieved revenues of AUD 2.74m and Profit before Tax of AUD 0.78m
- The Group can report that it received a dividend of AUD 0.15m, being its proportion of MB’s declared dividend for the 2013 year, which the Group considers a pleasing initial return on investment

New Insurance Products

- The Group has focused on working with MB, alongside its London insurance broking investments, to develop its product offering in the high net worth arena in Australia. We continue to pursue this situation and anticipate a positive outcome taken into the 2015 financial year

Acquisition and Disposal

Nexus Underwriting Management Limited (“Nexus”) – Post balance sheet event

- On 14 August the Group subscribed for a 5% Preferred Ordinary shareholding in Nexus, an independent specialty Managing General Agency, for a total consideration of £1.55m. The funds will be used to assist Nexus in its growth ambitions
- Nexus has forecasted Premium income in excess of £60m in 2014 (£55m in 2013). Commission income has risen from £0.9k in 2008 to a forecast of £13m in 2014, operating profit rising from £0.6m to a forecast of circa £3m over the same period
- B.P. Marsh considered that the opportunity to invest in a well-established and fast-growing business, with on-going development potential and an experienced and ambitious management team, justified a smaller minority stake (at 5%) than is typical

Portfolio Design Group International Limited

- In May 2014 the Group announced the disposal, to its fellow shareholders, of its respective stakes in the PDGI Businesses for a combined total of £1.25m in cash
- The Group saw this opportunity to dispose of these long-term investments as well-timed and in keeping with the Company’s strategy, delivering an internal rate of return of 24.5% per annum, including all income received

M&A in the Insurance Intermediary Sector

The Insurance M&A market in a recovering global economy

- Returning positive sentiment within the Market as evidenced from increasing quantum of M&A activity
- 2014/15 is shaping up to set records in M&A in the Insurance Sector
- Randall Goss, Chairman of US Risk Insurance Group Inc. has commented “Within the Insurance sector North America will continue to be the biggest driver and area of M&A activity, however many companies continue to look to emerging markets in Asia and Latin America to bolster growth”
- As regards B.P. Marsh’s area of interest within the insurance intermediary sector (brokers and underwriting agencies) this trend continues
- Deal flow continues to be healthy and growing
- Whilst sentiment plays a part further tangible factors are also at work, in terms of improved availability of liquidity, more positive reaction to regulatory oversight and the impact of major transactions cascading downwards driving entrepreneurial spirit within the sector

M&A in the Insurance Intermediary Sector

Lloyd's & London Market

- M&A activity continues to be driven by a current over-supply of investment capital which is seeking to improve upon historically low returns
- The Independent mid-market segment (SME) will be a focus of many companies who find organic growth more difficult in the current insurance rate environment
- The hard / soft market cycle seems to have gone forever and we now look to be heading for a sustained period of overcapitalisation and therefore declining rates. As a consequence, M&A activity in the industry will only increase, leading to rationalisation and a further flight to quality
- In the view of Colin Thompson, CEO of Nexus Underwriting, “In the intermediary space, for a variety of reasons, MGA's continue to occupy a unique space in that they tend to attract viewer suitors with the result being very attractive opportunities”

Australian Market position

- Turning to B.P. Marsh's Australian investments the major driver seems to be demographic changes forcing, as Bob Lee Chairman of MB Insurance Group PTY Ltd puts it “business owners approaching retirement to continue to explore exit options to larger suitors”
- This is further driven by the expansive broker consolidators (Steadfast Group and Austbrokers) who continue to follow an acquisition trail (Steadfast being a co-investor in Sterling Insurance)

Financial Highlights – Period Ended 31 July 2014

- Equity Portfolio increase of 5.0% for the six month period to 31 July 2014, Equity Portfolio increase of 13.7% for the twelve month period from 31 July 2013, 18.5% excl. Hyperion
- NAV of £59.8m
(31 July 2013: £56.9m, 31 January 2014: £58.9m) *
- NAV per share of 205p
(31 July 2013: 195p, 31 January 2014: 202p)*
- Consolidated profit after tax £1.7m
(31 July 2013: £1.4m, 31 January 2014: £3.8m)
- Underlying profit of £0.6m in the six month period (2013: £0.2m)

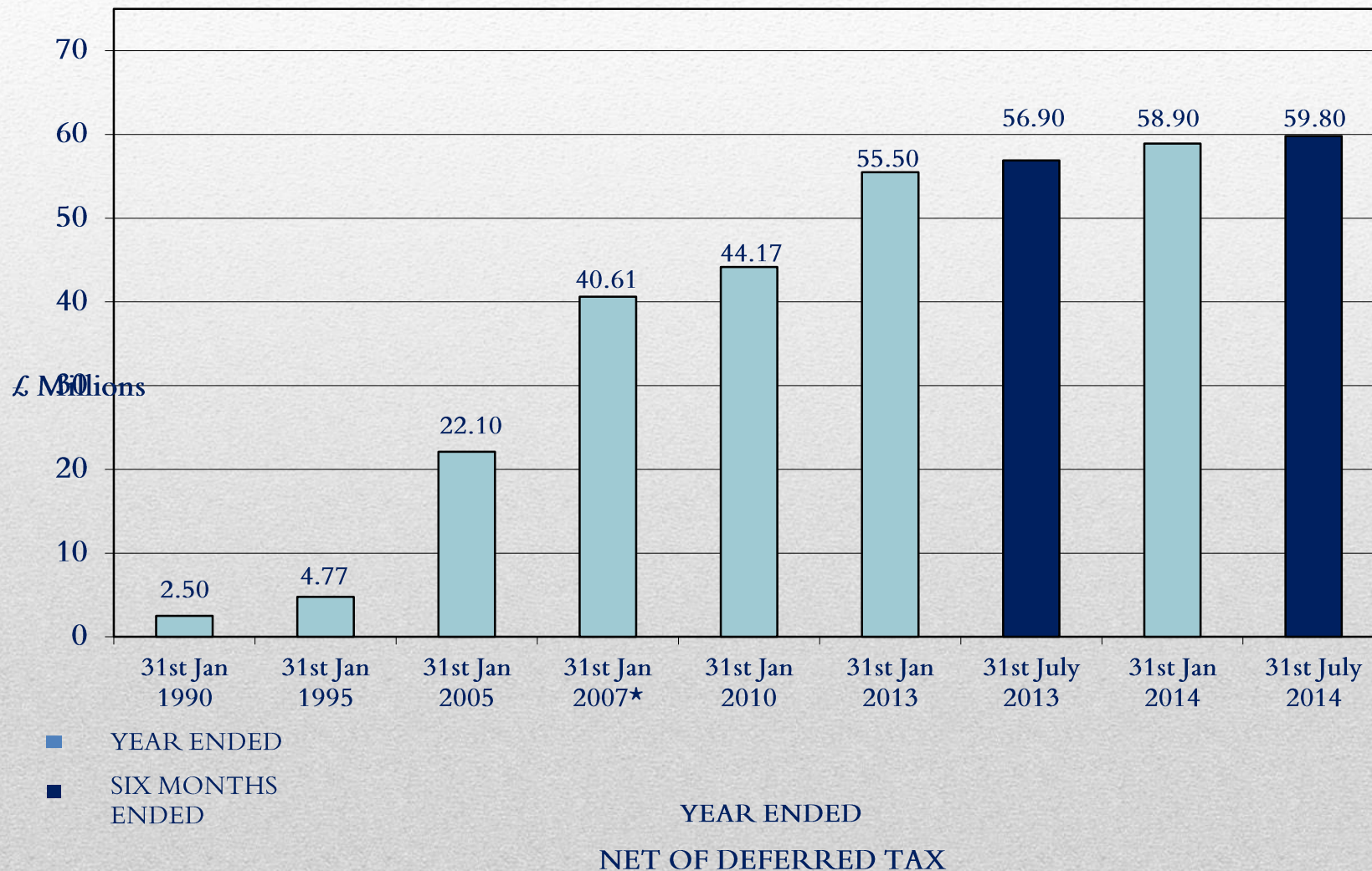
*Net of provision for deferred tax

Financial Highlights – Period Ended 31 July 2014

- Average compound NAV growth of 11.3% p.a. since 1990 (excl. £10.1m raised on flotation)*
- Final Dividend of 2.75p per share declared (£0.8m) and paid on 25 July 2014 to Shareholders registered at the close of business on 27 June 2014.
- Share price of 126.5p, trading at a 38.3% discount to NAV (at close 17 October 2014)
- £12.4m cash and treasury funds at 31 July 2014, £9.5m available for new investments

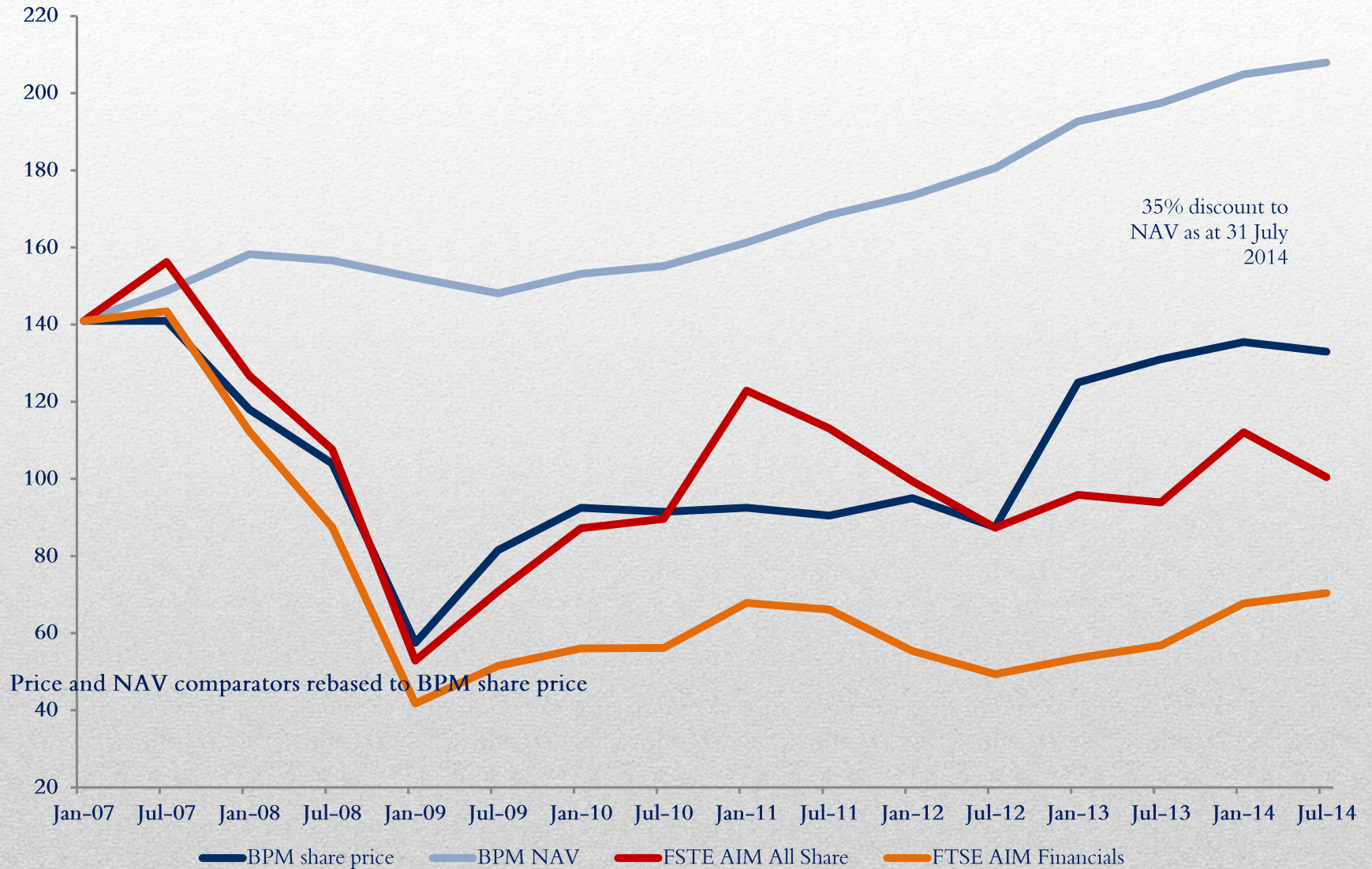
*This excludes any value for the Group itself

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)



Cash Position

- Cash at 1 February 2014 £14.8m (inc. treasury funds)
 - + £1.0m net proceeds received from sale of the PDGI businesses
 - - £0.7m invested in existing portfolio:
 - £0.2m loans to Walsingham
 - £0.1m net loans to Besso
 - £0.4m Trireme Rights Issue
 - - £1.9m Tax Paid
 - - £0.8m Dividend Paid
- £12.4m cash and treasury funds at 31 July 2014, £9.5m available for new investments - after providing £0.5m further financial commitments to the portfolio and £2.4m tax on Hyperion sale
- £7.9m available for new investments as at today's date – after £1.6m investment in Nexus
- £7.3m further cash due from sale of remaining 2.79% of Hyperion by July 2016, and £6.0m on repayment of loans by October 2017 (total £13.3m)

Investment Opportunities

- 27 new investment enquiries received in the period to 31 July 2014
- 26% of the 27 investments continued to detailed investigations
- Strong current pipeline, including opportunities in the insurance intermediary space and general financial services
- Out of 27 new enquiries received:
 - 63% insurance sector (of which 41% Underwriting Agencies, 29% Brokers, 30% other insurance-related)
 - 8% IFAs
 - 22% other financial services
 - 7% Non financial services (non-eligible)

Summary

- Equity Portfolio increase of 13.7% since 31 July 2013, 18.5% excl. Hyperion
- Final Dividend of 2.75p per share declared and paid
- £7.9m of cash and treasury funds currently available for investment post Nexus
- Share price discount to Net Asset Value of 38.3% (at close 17 October 2014)
- Continue to seek new investment opportunities in high growth businesses, whilst focusing on maximisation of value in the existing portfolio
- Group looks forward to year ahead with confidence – reflected in aspiration to pay a dividend of at least 2.75p/share in the current and next financial years

Appendices

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Management Team

Executive Chairman

Brian Marsh OBE

55 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 17 years' experience in the financial services industry. Joined the Company in Nov 1999 and became FD in Dec 2003. Jonathan advises investee companies and has a number of non-executive appointments over three investee companies 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) and graduated 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 six 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 has a number of non-executive appointments over two investee companies, is Chair of the New Business Committee and is a Member of the Investor Relations Society

Investment Director

Natasha Dunbar

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 a non-executive appointment 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 50 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 50 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 – 37.9%	<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 £29.1m in the year ended 31 December 2013 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 – 2.5%	<ul style="list-style-type: none"> First invested in Hyperion Insurance Group in 1994 Hyperion owns, amongst other things, Howden Insurance Brokers Limited, 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 Hyperion acquired Windsor Sold 80% of its holding in July 2013 to General Atlantic, the remaining being subject to an option agreement
LEBC Holdings Limited – 34.9%	<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 14 offices throughout the UK
MB Prestige Holdings Limited – 40%	<ul style="list-style-type: none"> December 2013 invested in MB MB is a MGA, headquartered in Sydney, Australia, recognised as a market leader in respect of prestige motor vehicle insurance in all mainland states of Australia

Current Portfolio Continued

Randall & Quilter Investment Holdings Limited – 1.3%	<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
Nexus Underwriting Management Limited – 5%	<ul style="list-style-type: none"> • Invested in August 2014 • Nexus is an independent specialty Managing General Agency, founded in 2008. Through its two operating subsidiaries, Nexus Underwriting Limited and Nexus CIFS Limited, Nexus specialises in Directors & Officers, Professional Indemnity, Financial Institutions, Accident & Health and Trade Credit Insurance.
Sterling Insurance PTY Limited – 19.7%	<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
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 • Summa has acquired brokers all over Spain, now has over 20 offices and continues to seek out new opportunities for expansion • Through acquisition Summa is able to achieve synergistic savings, economies of scale and greater collective bargaining thereby increasing overall value. Summa continues to seek new opportunities in Spain
Trireme Insurance Group Limited – 29.3%	<ul style="list-style-type: none"> • Invested in July 2010, formally called US Risk (UK) • Trireme is 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
Walsingham Motor Insurance Limited – 30%	<ul style="list-style-type: none"> • Invested in December 2013 • Walsingham is a niche UK Motor MGA, established in August 2012 and commenced trading in July 2013, having secured primary capacity from Calpe

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 may include:
 - Alterations to share capital
 - Acquisitions
 - Capital expenditure or asset disposals of any nature outside pre-agreed limits
 - Capital protection
 - 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

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
 - 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

Consolidated Statement of Financial Position (IFRS) at 31 July 2014

	Unaudited 6 months to 31 July 2014 £'000	Audited Year to 31 Jan 2014 £'000	Unaudited 6 months to 31 July 2013 £'000
Tangible assets	21	18	13
Investments at fair value – Equity Portfolio	32,351	31,710	27,344
Treasury Funds	8,558	9,289	-
Debtors / Loans receivable	20,637	19,933	16,187
Cash	3,835	5,502	22,403
Creditors < 1 year	(2,415)	(4,596)	(3,869)
Creditors > 1 year (Carried Interest provision)	-	(197)	(284)
Creditors > 1 year (Loans and, tax & other payables)	(6)	-	(2,317)
Net Assets (excl. Deferred tax)	62,981	61,659	59,477
Deferred Taxation provision	(3,140)	(2,736)	(2,590)
NET ASSETS	59,841	58,923	56,887
2.9% increase in 6 month period to 31 July 2014 excluding dividends (1.6% including dividends)			

Consolidated Statement of Comprehensive Income (IFRS) at 31 July 2014

	Unaudited 6 months to 31 July 2014 £'000	Audited Year to 31 Jan 2014 £'000	Unaudited 6 months to 31 July 2013 £'000
Gains on Investments (Realised and Unrealised)	1,528	3,853	1,389
Impairment of investments and loans	-	-	-
Operating Income	1,364	2,256	1,079
TOTAL INCOME	2,892	6,109	2,468
Operating Expenses and FX Movement	(988)	(2,095)	(789)
Net Financial Income / (expenses)	206	60	(61)
PROFIT BEFORE TAX	2,110	4,074	1,618
Taxation	(389)	(241)	(186)
POST TAX PROFIT FOR PERIOD	1,721	3,833	1,432
Earnings Per Share	5.9p	13.1p	4.9p

Consolidated Statement of Cash Flows (IFRS)

at 31 July 2014

	Unaudited 6 months to 31 July 2014 £'000	Audited Year to 31 Jan 2014 £'000	Unaudited 6 months to 31 July 2013 £'000
Net cash from operating activities	(46)	705	655
Taxation	(1900)	(1,400)	-
Purchase of Property, plant and equipment	(6)	(17)	(8)
Equity investments made	(351)	(4,272)	(2,282)
Net Proceeds on sale of equity investments	1,041	29,029	29,028
Net sale / (purchase) of treasury investment	903	(9,223)	-
Net Loans granted to Investee Companies	(534)	(10,736)	(6,716)
Net financial income / (expenses)	33	(6)	(61)
Dividends Paid	(803)	(365)	-
INCREASE IN CASH IN THE PERIOD	(1,663)	3,715	20,616
FX Movement	(4)	-	-
Cash at beginning of period	5,502	1,787	1,787
CASH AND CASH EQUIVALENTS AT PERIOD END	3,835	5,502	22,403

Key Shareholders

- Directors
 - Brian Marsh OBE - 57.9%
 - Natasha Dunbar - 4.9%

- Major Shareholders (>3%)
 - James Sharp & Co
 - Henderson Global Investors
 - IS Partners AG
 - The Stephen Crowther Trust

Contacts

B.P. Marsh & Partners Plc

2nd Floor

36 Broadway

London SW1H 0BH

Telephone: 020 7233 3112

Website: www.bpmarsh.co.uk

Nominated Adviser & Broker

Panmure Gordon & Co

Telephone: 020 7886 2500

Financial PR

Redleaf Polhill

Telephone: 020 7382 4730