Annual Report 2017

B.P. MARSH
& PARTNERS PLC

B.P. Marsh & Partners PLC (the "Group", the "Company" and "B.P. Marsh") is a specialist venture capital/private equity investor in early stage financial services intermediary businesses, including insurance intermediaries, financial advisors, wealth and fund managers and specialist advisory and consultancy firms. It considers investment opportunities based in the United Kingdom, Europe, North America and Internationally.

The Group invests amounts of up to £5m in the first round. Investment structure is flexible and investment stage ranges from start up to more developed. The Group only takes minority equity positions and does not seek to impose exit pressures, preferring to be able to take a long-term view where required and work alongside management to a mutually beneficial exit route that maximises value.

B.P. Marsh has invested in 44 businesses since it was founded in 1990 and its management team has a wealth of experience and a well-developed network within the financial services sector.

The Group's aim is to be the capital provider of choice for the financial services intermediary sector and to deliver to its investors long-term capital growth alongside a sustainable distribution policy.

We are farmers, not hunters

Contents

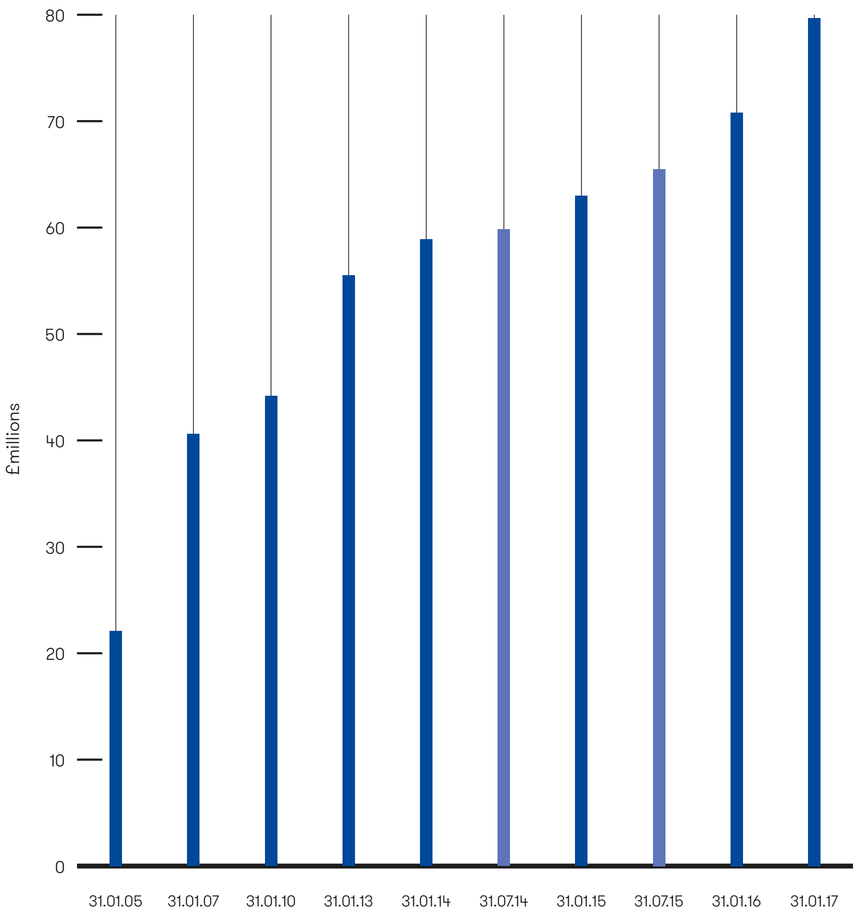
Operating and financial highlights

B.P. Marsh & Partners PLC, the niche venture capital provider to early stage Financial Services businesses, announces its audited Group final results for the year to 31 January 2017.

The highlights of the results are:

- Increase in the Equity Value of the Portfolio of 22.1% over the year
- Net Asset Value of £79.7m (31 January 2016: £70.8m), a 12.5% increase, net of Dividend
- Net Asset Value increase to 273p per share (31 January 2016: 243p)
- Total return to Shareholders in the year of 13.9% (2016: 13.7%)
- Consolidated profit after tax of £9.8m (31 January 2016: £8.7m)
- Average Net Asset Value annual compound growth rate of 11.4% since 1990
- Final Dividend of 3.76p per share declared (31 January 2016: 3.42p), a 9.9% increase
- Cash and treasury funds balance of £12.6m at year end
- Three new investments – ARB, Fiducia and SSRU
- Further investments in LEBC, Nexus and PLUM
- Three disposals – Hyperion, R&Q and Broucour
- Agreement reached on Besso and Trireme disposals (completion post Year End)
- Current uncommitted cash of £29.2m

Group valuations



Year ended

Six months ended

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

“We have concluded a further year in which our Company has built on its past achievements. The portfolio businesses continue to perform well as we support them in their development, we have interesting new investment opportunities to complete and a much increased supply of cash”

Brian Marsh OBE, Chairman

Chairman's statement

Brian Marsh OBE, Chairman

I am pleased to present the audited Consolidated Financial Statements of B.P. Marsh & Partners Plc for the year ended 31 January 2017.

The financial year proved to be one of the most productive of our 27 year history, with three new investments, three disposals, two further investments in the existing portfolio and agreement reached on the sale of our investment in Besso. The value of the investment portfolio increased by 22.1% in the year and our Net Asset Value by 12.5%, demonstrating the momentum we have been building in recent years.

The results show the Group to be in a strong position, with robust profitability, a healthy cash balance and an attractive portfolio of growth investments. This puts us in a good position to continue to develop and deliver attractive returns over the long-term for our investors, with a Total Shareholder Return in the year of 13.9% and an average NAV compound annual growth rate of 11.4% since 1990.

During the year we agreed the disposal of our investment in Besso, which brought to a close two decades of partnership. We also completed our exit from Hyperion. These investments typify our investment approach at B.P. Marsh; long-term, patient development of early stage businesses in partnership with ambitious management teams. We view all of our investments as a true partnership and we supported, counselled and encouraged Besso and Hyperion through relationships of over twenty years. Our internal rate of return (IRR) on Besso was 21.9% since 1995 and on Hyperion was 25.6% since 1994, proving the effectiveness of our investment model.

We made three new investments during the year. The first was in an established reinsurance broker based in Singapore, Asia Reinsurance Brokers PTE Ltd. We also launched two start-up Managing General Agency businesses: Fiducia in Leeds, UK and SSRU in Toronto, Canada. During the year we disposed of non-core holdings in Randall & Quilter and Broucour.

In addition, we made further investments in the existing portfolio, in Nexus, LEBC and PLUM. All of these businesses are making significant headway in their sectors and we believe have exciting futures.

Subsequent to the year-end we have made an investment in CBC, an established Lloyd's Broker, completed the disposal of Besso, and also disposed of our investment in Trireme by sale back to our Texas-based partners, US Risk Insurance Group Inc.

To reflect the growth in our business and to enable us effectively to exploit our pipeline opportunities the Board agreed in February 2017 that we would increase our initial investment limit from £3m to £5m. The Board will continue to strike a balance between rewarding shareholders by generating value through investing funds in opportunities that will deliver long-term capital growth and a sustainable ongoing dividend. The Final Dividend declared of 3.76p per share is an increase of 10% on the previous year and represents a yield of just under 2% (based on the Company's share price as at 5 June 2017). The Board is aiming at least to maintain this level in the coming two years.

Chairman's statement
continued

The Company's share price increased by 35% from 1 February 2016 to year end, and there has been a narrowing in the discount to NAV at which the Company's shares trade in the same period. We maintain our efforts to close this gap and will continue our policy to make low volume share buy backs when the NAV discount reaches 25% and when trading restrictions allow.

We have now been in business for 27 years and over the last five years in particular have built upon our reputation for being the leading investor in our corner of the market. Our team is fully focused on bringing in new investments, tending to the portfolio and developing our network, whilst ensuring our story is more widely known in the broader investment community. I believe that our momentum is building and that our management team is well equipped to continue to drive the business forward.

Brian Marsh OBE,
Chairman

Business update

Summary of Developments in the Portfolio

During the financial year ended 31 January 2017 and in the ensuing months to date, the following developments have taken place within the Group and its portfolio:-

New Investments

Asia Reinsurance Brokers PTE Ltd ("ARB")

The Group extended its geographic spread when it invested in ARB, the Singapore-based specialist reinsurance broker on 21 April 2016, acquiring a 20% shareholding for a total consideration of SGD $2.40m.

ARB was established in 2008, following a management buy-out of the business from AJ Gallagher, led by the CEO, Richard Austen. The business has offices in Singapore, Malaysia, the Philippines and Indonesia.

The Group considered this an exciting opportunity to invest in a well-established, profitable business with an experienced management team and strong growth potential.

The Fiducia MGA Company Ltd ("Fiducia")

On 23 November 2016 the Group subscribed for a 25% shareholding in Fiducia, for a consideration of £0.075m alongside a loan facility of £1.725m. Of this, £0.35m was drawn down on completion and the remainder is subject to Fiducia attaining agreed targets.

Fiducia is a start-up registered Lloyd's Coverholder specialising in Marine risks and based in Leeds, UK. The Founder and CEO, Gerry Sheehy, has over 30 years' insurance industry experience.

Stewart Specialty Risk Underwriting Ltd ("SSRU")

The Group completed its investment into SSRU on 30 January 2017, subscribing for a 30% shareholding.

The investment represents a further geographic growth step for the Group, with this business based in Toronto, Canada. SSRU is a start-up Managing General Agency and, like Fiducia, was thinly capitalised. In addition to the equity, a loan facility of CAD $0.85m has been provided, with drawdown being subject to SSRU meeting certain conditions.

SSRU provides specialist insurance products to clients in the construction, manufacturing, onshore Energy and Transportation sectors. Its Founder and CEO, Stephen Stewart, has over 25 years of industry experience.

Disposals

Hyperion Insurance Group Ltd ("Hyperion")

In July 2016 the Group realised its remaining 1.6% stake in Hyperion for £7.3m cash. As announced on 5 January 2017, Hyperion repaid, in full, its remaining £6.04m loan at the end of January 2017, allowing these funds to be reinvested to grow the ongoing equity portfolio.

R&Q and Broucour

The Group streamlined its portfolio by disposing of two non-core investments. On 22 April 2016, the Group sold its 49% stake in The Broucour Group Ltd ("Broucour") and on 4 May 2016, the Group sold its 1.32% stake in Randall & Quilter Investment Holdings Ltd ("R&Q").

Business update
continued

Portfolio Developments

United Kingdom

Nexus Underwriting Management Ltd ("Nexus")

The Group acquired an additional 6.87% in Nexus, the independent specialty Managing General Agency from two of the founding shareholders for a total consideration of £4m on 15 December 2016.

The Group made an initial investment in Nexus in August 2014, acquiring 5%, and since then has steadily built on this position with a number of follow-on investments. The Group's current shareholding in Nexus stands at 18.6%.

Since investment in August 2014, Nexus has seen premium income grow by 93%, from £56m to £108m in 2016. In the same period, commission income has increased 59%, from £12.3m to £19.6m with EBITDA increasing 92% from £2.6m to £5m.

In 2017 Nexus is forecasting Gross Written Premium Income of £120m and EBITDA of £7m, a 40% EBITDA increase over prior year, this growth will generated from organic growth from within the business, without any M&A activity.

LEBC Holdings Ltd ("LEBC")

LEBC, the national IFA and pension advisory business with 15 branches across the UK, continues to grow strongly, boosted by investment in technology to build a hybrid advice and technology model and success in targeting the 'at retirement' market.

The Group acquired an additional 8.02% in LEBC from legacy shareholders for £1.91m in June 2016 and then acquired a further 0.42% for £0.11m in November 2016 and the Group's holding now stands at 43.03%.

LEBC Group Ltd, LEBC's trading subsidiary, reported a turnover of £15.4m and a trading profit of £2.1m for the year to 30 September 2016, a 17% increase on trading profit in the prior year and despite the impact of the Sunset Clause banning legacy payments that came into effect on 6 April 2016 as part of the FCA's Retail Distribution Review (RDR).

LEBC is undertaking the process of direct regulation by the FCA and will accordingly leave the Tenet network once approval is obtained.

Walsingham Motor Insurance Ltd ("Walsingham")

Walsingham is a Managing General Agency providing fleet insurance cover for taxis, couriers, vans and general fleets with A- rated capacity from New India Assurance Co. Ltd. Walsingham has seen fleet Gross Written Premiums increase to £19.9m in the year to 31 March 2017, from £12.4m in the year to 31 March 2016, representing an overall increase of 60% inclusive of renewals.

Walsingham is making good progress in line with the Group's expectations and is on course to achieve its 2017 budget.

Europe

Summa Insurance Brokerage SL ("Summa")

For the year ended 31 December 2016 Summa performed in line with budget, reporting revenue of €6.1m and recurring EBITDA of €1.4m.

The Spanish economy's GDP grew by 3.2% in 2016, better than the expected 2.8%. This level of growth made Spain one of the fastest-growing countries in the Eurozone.

In regard to the Spanish Insurance sector, gross written premiums reached around €63.8bn in 2016, an increase of c. 12% over that of 2015. Despite some consolidation following the financial crisis, the Spanish insurance intermediary market remains fragmented, with a high number of small regional players. Summa is one of the largest consolidators of regional insurance brokers in Spain, with an extensive network of offices and agents throughout the country. As such, the Group believes that Summa is well positioned to take advantage of growth opportunities moving forward.

To this end, the Group has been instrumental in the appointment of Nicholas Walker to the Board of Summa as a Non-Executive Director. Nick Walker is a founding Partner of Socios Financieros, S.A., one of Spain's leading independent corporate finance firms, based in Madrid. He brings to the Board of Summa extensive local and international M&A and corporate finance experience and will assist Summa's Board in all areas of its work.

Australia

Sterling Insurance Holdings (PTY) Ltd ("Sterling")

MB Prestige Holdings (PTY) Ltd ("MB")

The Group's two investments in Australia, Sterling and MB, continue to perform in line with or above the Group's expectations at the current time.

South Africa

Bastion Reinsurance Brokerage (PTY) Ltd ("Bastion Re")

Bulwark Investment Holdings (PTY) Ltd ("Bulwark")

Property and Liability Underwriting Managers (PTY) Ltd ("PLUM")

The Group's South African investments, Bastion Re, PLUM, and Bulwark, continue to gain traction within their markets and are performing in line with the Group's expectations.

During the year PLUM met its EBITDA target, activating the deferred consideration provisions in the original investment documents. The Group paid an additional £300,000 as deferred consideration by October 2016. On 5 October 2016 the Group also acquired a further 22.5% for consideration of £613,400 taking the Group's holding in PLUM to 42.5%

Post Year End Investments

CBC (UK) Ltd ("CBC")

The Group announced on 17 February 2017 that it had acquired an effective 35% shareholding in CBC.

CBC is an established Lloyd's retail and wholesale broker, serving commercial and personal clients as well as providing broking solutions to intermediaries. For the year ending 31 December 2017, CBC has a forecast revenue of £5.54m and a forecast EBITDA of £0.644m.

The Group partnered with CBC's management team to buy out an existing shareholder, delivering a 50% shareholding to the CBC management team, a 15% shareholding to Andrew Wallas, the newly appointed Non-Executive Chairman and 35% to B.P. Marsh. The transaction was

Business update
continued

undertaken by the Group through a newly-established company, Paladin Newco Ltd, now called Paladin Holdings Ltd, ("Paladin"), to which the Group provided £4m of funding, with subscription for the 35% shareholding in Paladin of £3,500 and provision of a loan facility of £3.99m, which was fully drawn down on completion.

CBC's CEO, Rob Cottingham, has over 30 years' insurance sector experience and the new Chairman, Andrew Wallas, is well known to the Group from his 40 years in the industry, including at Glencairn Ltd and as Non-Executive Chairman of Martello Underwriting.

Post year end Disposals

Besso Insurance Group Ltd ("Besso")
The Group announced on 4 January 2017 that it had reached agreement to sell its entire 37.94% shareholding in Besso for cash, with completion subject to, *inter alia*, regulatory approval, to BGC Partners Inc ("BGC").

Completion was announced on 28 February 2017, with the Group receiving £21.6m in cash (net of transaction costs and pre-tax) following BGC's 100% acquisition of Besso for an enterprise valuation of approximately £70.5m. Various adjustments were then made by reference to completion accounts, resulting in a further £0.4m of pre-tax consideration proceeds (net of transaction costs and pre-tax) being payable to the Group.

The Group's final proceeds from this sale represents an increase of £0.7m on the valuation at 31 January 2017 and an IRR of 21.9% since 1995. It also represents an increase of 58% on its last published valuation of the same stake in Besso of £13.9m at 31 July 2015, being the last valuation prior to the commencement of the sale process.

Trireme Insurance Group Ltd ("Trireme")
On 3 April 2017 the Group announced the disposal of its 29.94% shareholding in Trireme for £2.96m cash, to its fellow shareholder US Risk Midco, LLC ("US Risk"). This was approved at a General Meeting of the Company's Members on 19 April 2017.

This disposal represents an uplift of 15% over the Group's valuation at 31 July 2016 and an IRR (including fees) of 15.6% since 2010, the date of investment.

As part of the disposal, Trireme repaid in full the outstanding £2.16m drawn down under its £2.42m loan facility with the Group, plus fees and any accrued interest. As such, the total pre-tax proceeds received by the Group amounted to £5.19m.

From 2010 to the year ended 31 December 2016, Trireme grew Revenue from £5.5m to £12.76m and EBITDA from £0.3m to £1.76m. During the period of investment the Group played a key role in the acquisition and integration of the broking and underwriting businesses James Hampden International Insurance Brokers Ltd and Abraxas Insurance AG into the Trireme group and oversaw the establishment of Antarah Underwriting Ltd, the Managing General Agent, in Dubai. The Group was also instrumental in assisting Trireme with its management incentive programme and has served as a resource for senior management throughout the seven years of partnership.

In July 2016 the private equity house Kohlberg & Company LLC made an investment in US Risk Insurance Group Inc which resulted in that business reassessing their strategy and looking to simplify their partnership arrangements with other investors. Agreement was therefore reached on the Group's disposal of its interest in Trireme.

Investment Strategy

Following the year end, the Board approved an increase in the Group's upper limit for new investments to £5m, previously limited to £3m.

The Board agreed to this change to the Company's investment criteria having considered the Company's cash resources following the receipt of funds from the disposals of Hyperion and Besso. The Board has agreed the Company should widen its investment criteria to consider investments up to £5m in the first round to enable the Company to consider a wider range of opportunities.

All other investment criteria remain the same:
- To take minority positions in financial services intermediary businesses;
- Investments being relationship-driven and long-term; and
- No set exit on investment (average holding period is 5 years, however, the longest has been over 20 years).

Dividend

The Board has recommended a dividend of 3.76 pence per share (£1.1m) for the financial year ending 31 January 2017. The dividend will be paid on 28 July 2017 to all Shareholders on the Register as at 30 June 2017.

This represents an increase of 10% over the dividend of 3.42p per share (£1m) paid in respect of the prior year.

It is the Board's aspiration to maintain a dividend of at least 3.76p per share for the years ending 31 January 2018 and 31 January 2019, subject to ongoing review and approval by the Board and the Company's shareholders.

When considering payment of such a dividend, the Board will continue to strike a balance between rewarding shareholders by generating value through investing available funds in opportunities that will deliver long-term capital growth and providing a meaningful dividend.

Share Buy-Backs

The Board's published Share Buy-back Policy is to continue to pursue a strategy of undertaking low volume share buy-backs at times when the Group's Share Price represents a discount to Net Asset Value of 25% or more, with a maximum of £150,000 allocated by the Company to the Policy. The Board considers that this is a useful stabilising mechanism during periods of market volatility.

As such, following the EU Referendum decision, the Group undertook a buyback of 5,726 ordinary shares of 10 pence each in the Company ("Ordinary Shares") at a price of 153.78 pence per Ordinary Share, with shares being held in Treasury. Further buy-backs took place post-year end and a total of 34,372 shares are held in Treasury currently.

New Business Opportunities

The financial year closed with a total of 84 new opportunities having been presented to the Group during the year, in comparison with 71 in the previous year. The increased deal flow reflects increased M&A activity in the global insurance market in general and an increased level of activity by the management team in developing the Group's network that is the source of new opportunities. This has resulted in a strong pipeline for the Group to consider and it is confident that it is well placed to

Business update
continued

capitalise on this, applying the Company's usual rigour and disciplined approach to the investment process.

Having completed investment in two start-up Managing General Agencies, in Leeds and Toronto, Canada, and an established broker in Singapore during the year, the Group's attention is focused on investment in established businesses in the UK and continuing assessment of the opportunities presented in North America.

This focus was rewarded in February, with the announcement of the investment in the Lloyd's broking business CBC.

The investment in Canada, SSRU, represents the first step back into the North American continent, as part of the Group's policy of expanding into territories where there is good opportunity for growth in partnership with a London-based investor and a suitably developed regulatory and compliance environment. With this policy in mind, North America continues to represent a logical opportunity base.

Of the 84 proposals, 63% fell within the insurance sector, the area of the Group's specialism. The opportunities have ranged from start-ups to investments in established businesses. These have included brokers and MGAs, as well as other intermediary businesses such as claims administrators. The Group has also looked at IFA and advisory businesses, specialist consultancy firms, as well as marketplace lending platforms and Software-as-a-service enquiries.

At year end the Group had £12.6m in cash and treasury funds. Following the realisations of Besso and Trireme, the Group currently has £29.2m available for new investment opportunities after commitments.

Financial Performance

At 31 January 2017, the net asset value of the Group was £79.7m, or 273p per share (2016: £70.8m, or 243p per share) including a provision for deferred tax. This equates to an increase in net asset value of 12.5% (2016: 12.4%) for the year.

The Group increased its dividend payment to £1.0m (or 3.42p per share) during the year, as announced previously (2016: £0.8m or 2.75p per share). Total shareholder return for the year was therefore 13.9% (2016: 13.7%) including the dividend payment and the net asset value increase.

The Group's investment portfolio movement during the year was as follows:

31 January 2016 valuation £m	Acquisitions at cost £m	Disposal proceeds £m	Impairment provisions £m	Adjusted 31 January 2016 valuation £m	31 January 2017 valuation £m
54.1	8.3	(10.3)	–	52.1	63.6

This equates to an increase in the portfolio valuation of 22.1% (2016: 23.8%).

The net asset value of £79.7m at 31 January 2017 represented a total increase in net asset value of £67.1m since the Group was originally formed in 1990 having adjusted for the £10.1m net proceeds raised on AIM and the original capital investment of £2.5m. The directors note that the Group has delivered an annual compound growth rate of 11.4% in Group net asset value after running costs, realisations, losses, distributions and deferred tax since 1990.

The consolidated profit on ordinary activities after taxation increased by 12.6% to £9.8m (2016: profit of £8.7m). The consolidated profit on ordinary activities before taxation was £12.2m (2016: profit of £10.7m), of which £11.2m was derived from unrealised gains on revaluing the equity investment portfolio in line with current market conditions, an increase of 9.5% on the previous year (2016: net unrealised gains of £10.3m). The Group's strategy is to cover expenses from the portfolio yield. On an underlying basis, including treasury returns, but excluding unrealised equity and all underlying treasury portfolio movement, this was achieved with a pre-tax profit of £0.6m for the year (2016: £0.5m).

The Group invested £1.4m in new equity investments and £6.9m for follow-on equity financing to its existing portfolio during the year. In addition the Group provided new loans for working capital to the portfolio of £1.2m. Repayment of loans by the portfolio amounted to £7.3m in the year. Cash funds (including treasury funds) at 31 January 2017 were £12.6m.

Overall, income from investments increased by 5.5% to £3.0m (2016: £2.8m). Dividend income increased by 23.2% over the year due to the strengthening performance of the portfolio companies, whilst income from loans fell by 16.6%, which was largely the result of the portfolio repaying debt in accordance with agreed repayment schedules. Fees were 50.8% higher mainly due to a number of one-off fees received in 2017 as well as fees derived from new investments.

The Group continues to invest in new and existing opportunities. Operating expenses, including costs of making new investments, increased by 31.0% during the year to £3.1m (2016: £2.4m). Of this, £0.1m related to expenses directly incurred in making new investments which, under IFRS, need to be expensed. £0.2m related to a provision against doubtful debts, £0.1m related to the newly created SIP Trust and £0.05m for costs incurred in the office move. Excluding these atypical expenses, overall expenses rose by £0.25m (10.0%) in proportion with managing a growing portfolio.

Due to favourable market conditions, the Group's treasury funds increased by 8.6% over the year (net of fund management charges) (2016: 0.4%).

Outlook

There is no doubt that there are challenges ahead for the UK and its economy as it begins preparations to exit the European Union. We believe our business is equipped to meet these challenges and that our focus on the long-term will serve us well in the coming months and years ahead. Continued global insurance M&A activity presents opportunity for our portfolio and our pipeline, as individuals or teams of people seek to start new enterprises or join smaller businesses, allowing their creativity and entrepreneurial spirit to flourish. The portfolio businesses are showing solid growth and our management team is keen to continue to demonstrate their commitment to our business and to deliver to our shareholders.

Current investments

LEBC Holdings Limited
(www.lebc-group.com)
In April 2007 the Group invested in LEBC, an Independent Financial Advisory company providing services to individuals, corporates and partnerships, principally in employee benefits, investment and life product areas.

Date of investment:	April 2007
Equity stake:	43.03%
31 January 2017 valuation:	£13,058,000

Besso Insurance Group Limited
(www.besso.co.uk)
In February 1995 the Group assisted a specialist team departing from insurance broker Jardine Lloyd Thompson Group in establishing Besso Holdings Limited. The company specialises in insurance broking for the North American wholesale market and changed its name to Besso Insurance Group Limited ("Besso") in June 2011.

Date of investment:	February 1995
Equity stake:	37.94%
31 January 2017 valuation:	£21,309,000

CBC UK Limited
(www.cbcinsurance.co.uk)
Established in 1985, CBC is a Retail and Wholesale Lloyd's Insurance Broker, offering a wide range of services to commercial and personal clients as well as broking solutions to intermediaries. The Group assisted in an MBO of CBC allowing Management to buy out a major shareholder.

Date of investment:	February 2017
Equity stake:	35%
31 January 2017 valuation:	N/A

United Kingdom

The Fiducia MGA Company Limited
(www.fiduciamga.co.uk)
Fiducia is a recently established UK Marine Cargo Underwriting Agency, established by its CEO Gerry Sheehy. Fiducia is a Lloyd's Coverholder which specialises in the provision of insurance solutions across a number of Marine risks including, Cargo, Transit Liability, Engineering and Terrorism Insurance.

Date of investment:	November 2016
Equity stake:	25%
31 January 2017 valuation:	£75,000

Nexus Underwriting Management Limited
(www.nexusunderwriting.com)
In 2014 the Group invested in Nexus Underwriting Management Limited ("Nexus"), an independent specialty Managing General Agency, founded in 2008. Through its operating subsidiaries, Nexus specialises in the provision of Directors & Officers, Professional Indemnity, Financial Institutions, Accident & Health, Trade Credit, Political Risks Insurance, Surety, Bond and Latent Defect Insurance, both in the UK and globally.

Date of investment:	August 2014
Equity stake:	18.6%
31 January 2017 valuation:	£13,915,000

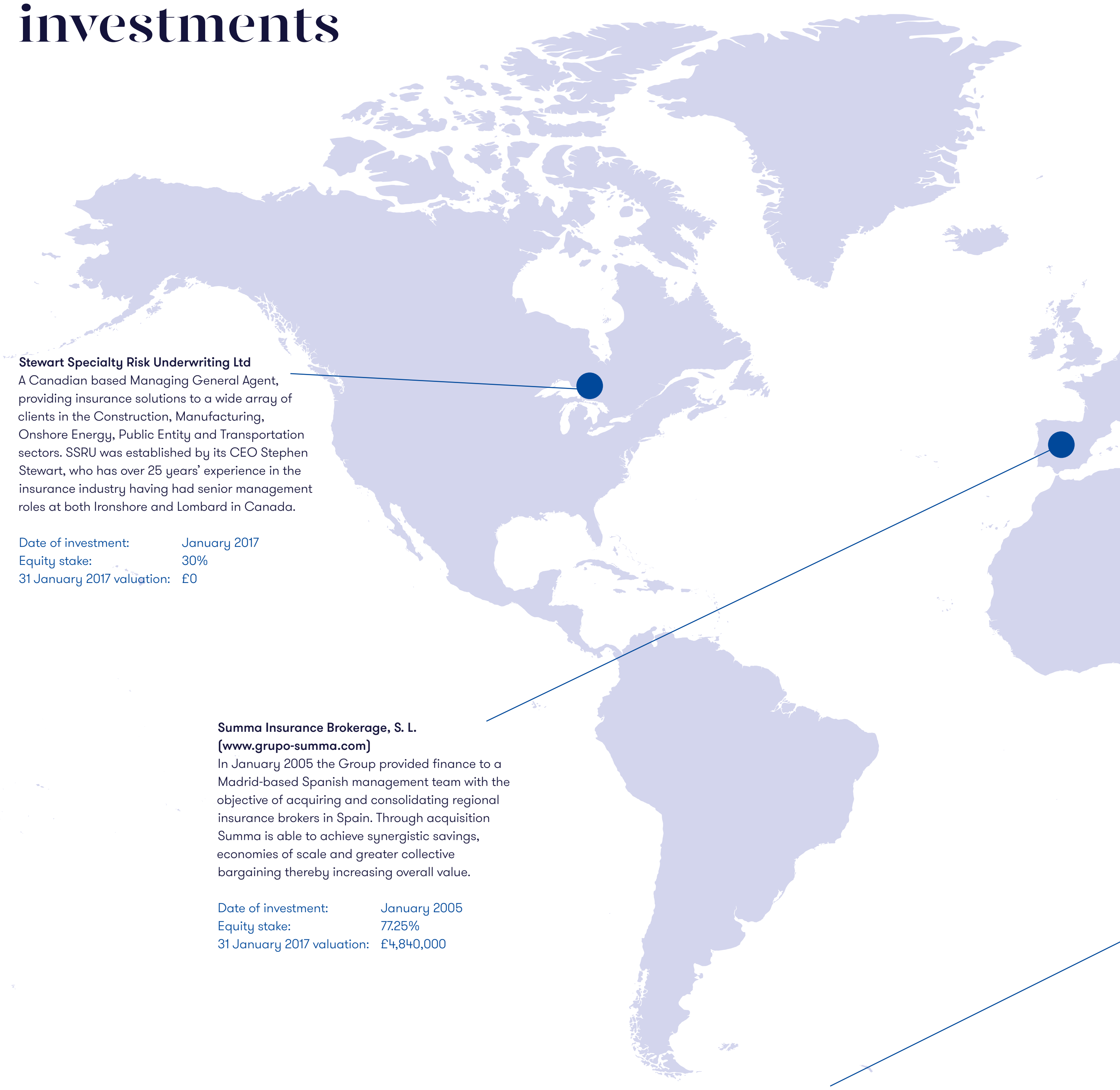
Trireme Insurance Group Limited
(www.oxfordinsurancebrokers.co.uk)
(www.jhinternational.co.uk)
In July 2010 the Group completed an investment in Trireme Insurance Group Limited (formerly known as US Risk (UK) Ltd), the parent company of Oxford Insurance Brokers Ltd and James Hampden International Insurance Brokers Ltd, London-based Lloyd's specialist international reinsurance and insurance intermediaries. Trireme Insurance Group Limited is also the parent company of Abraxas Insurance AG, a Swiss-based underwriting agency specialising in Directors & Officers Liability Insurance, Professional Liability Insurance, Insurance for Financial Institutions, Medical malpractice Insurance, Property Insurance and Event Insurance.

Date of investment:	July 2010
Equity stake:	29.94%
31 January 2017 valuation:	£2,908,000

Walsingham Motor Insurance Limited
(www.walsinghamunderwriting.com)
In December 2013 the Group invested in Walsingham Motor Insurance Limited ("WMIL"), a niche UK Motor Managing General Agency which commenced trading in July 2013. In 2015 the Group acquired a further 10.5% equity, taking the current shareholding to 40.5%.

Date of investment:	December 2013
Equity stake:	40.5%
31 January 2017 valuation:	£200,000

Current investments



Stewart Specialty Risk Underwriting Ltd

A Canadian based Managing General Agent, providing insurance solutions to a wide array of clients in the Construction, Manufacturing, Onshore Energy, Public Entity and Transportation sectors. SSRU was established by its CEO Stephen Stewart, who has over 25 years' experience in the insurance industry having had senior management roles at both Ironshore and Lombard in Canada.

Date of investment:	January 2017
Equity stake:	30%
31 January 2017 valuation:	£0

Summa Insurance Brokerage, S. L. (www.grupo-summa.com)

In January 2005 the Group provided finance to a Madrid-based Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain. Through acquisition Summa is able to achieve synergistic savings, economies of scale and greater collective bargaining thereby increasing overall value.

Date of investment:	January 2005
Equity stake:	77.25%
31 January 2017 valuation:	£4,840,000

Bulwark Investment Holdings (PTY) Limited

In April 2015 the Group, alongside its existing South African Partners, established a new venture, Bulwark Investment Holdings (PTY) Limited ("Bulwark"), a South African based holding company which establishes Managing General Agents in South Africa. To date Bulwark has established two new Managing General Agents: Preferred Liability Underwriting Managers (PTY) Limited and Mid-Market Risk Acceptances (PTY) Limited.

Date of investment:	April 2015
Equity stake:	35%
31 January 2017 valuation:	£0

Rest of the world

Asia Reinsurance Brokers PTE Limited (www.arbrokers.asia)

In April 2016 the Group invested in Asia Reinsurance Brokers Pte Limited ("ARB"), the Singapore headquartered independent specialist reinsurance and insurance risk solutions provider. ARB was established in 2008, following a management buy-out of the business from AJ Gallagher, led by the CEO, Richard Austen.

Date of investment:	April 2016
Equity stake:	20%
31 January 2017 valuation:	£1,353,000

Bastion Reinsurance Brokerage (PTY) Limited (www.bastionre.co.za)

In December 2014 the Group invested in Bastion Reinsurance Brokerage (PTY) Limited ("Bastion"), a start-up Reinsurance Broker based in South Africa. Established in May 2013 by its CEO and Chairman, Bastion specialises in the provision of reinsurance solutions over a number of complex issues, engaged by various insurance companies and managing general agents.

Date of investment:	December 2014
Equity stake:	35%
31 January 2017 valuation:	£100,000

Sterling Insurance PTY Limited (www.sterlinginsurance.com.au)

In June 2013, in a joint venture enterprise alongside Besso, (Neutral Bay Investments Limited) the Group invested in Sterling Insurance PTY Limited, an Australian specialist underwriting agency offering a range of insurance solutions within the Liability sector, specialising in niche markets including mining, construction and demolition.

Date of investment:	June 2013
Equity stake:	19.7%
31 January 2017 valuation:	£2,378,000

Property & Liability Underwriting Managers (PTY) Limited (www.plumsa.co.za)

In June 2015 the Group completed an investment in Property And Liability Underwriting Managers (PTY) Limited ("PLUM"), a Managing General Agent based in Johannesburg, South Africa. PLUM specialises in large corporate property insurance risks in South Africa and is supported by both domestic South African insurance capacity and A-rated international reinsurance capacity.

Date of investment:	June 2015
Equity stake:	42.5%
31 January 2017 valuation:	£1,846,000

MB Prestige Holdings PTY Limited (www.mbinsurance.com.au)

In December 2013 the Group invested in MB Prestige Holdings PTY Ltd ("MB Group"), the parent Company of MB Insurance Group PTY a Managing General Agent, headquartered in Sydney, Australia. MB Group is recognised as a market leader in respect of prestige motor vehicle insurance in all mainland states of Australia.

Date of investment:	December 2013
Equity stake:	40%
31 January 2017 valuation:	£1,585,000

Directors

Brian Marsh OBE
Executive Chairman

Alice Foulk BA (Hons)
Managing Director

Daniel Topping MCSI, ACIS
Chief Investment Officer

Jonathan Newman ACMA, CGMA, MCSI
Group Finance Director

Camilla Kenyon
Director

Stephen Clarke FCA
Non-executive

Campbell Scoones
Non-executive

Pankaj Lakhani FCCA
Non-executive

Directors' Report & Strategic Report & Consolidated Financial Statements

For the year ended 31 January 2017

References throughout the Reports and Consolidated Financial Statements to the "Company" or "B.P. Marsh" refer to the Parent Company, B.P. Marsh & Partners Plc, and references to the "Group" refer to the consolidated group, being the Parent Company and its subsidiary undertakings.

Directors biographies

Brian Marsh OBE, aged 76 (Executive Chairman) (R) (I) (V) (N) (D)
Brian started his career in insurance broking and underwriting in Lloyd's and the London and overseas market over 55 years ago and was, from 1979 to 1990, chairman of Nelson Hurst & Marsh (Holdings) Ltd, before founding the Group. Brian has over 30 years' experience in building, buying and selling financial services businesses particularly in the insurance sector. Brian is a majority shareholder in B.P. Marsh with a direct beneficial interest in 53.3% of the Company (in addition to 4.0% held by the Marsh Christian Trust, of which Brian is a trustee and Settlor) and a beneficial interest (as joint owner) in a further 4.9% of the Company through his 100% holding in B.P. Marsh Management Limited.

Alice Foulk BA (Hons), aged 30 (Managing Director) (R) (I) (V) (N) (D)
Alice joined B.P. Marsh in September 2011 having started her career at a leading Life Assurance company. In 2014 she took over as Executive Assistant to the Chairman, running the Chairman's Office and established herself as a central part of the management team. In February 2015 Alice was appointed as a director of B.P. Marsh and in January 2016 was appointed Managing Director where she is responsible for the overall performance of the Company and monitoring the Company's overall progress towards achieving its objectives and goals, as set by the Board. Alice was appointed a member of the Valuation Committee in October 2016 and the Remuneration Committee in December 2016 and is also a member of the Investment, Nominations and Disclosure Committees. Alice has a beneficial interest (as joint owner) in 127,901 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan as well as a beneficial interest in 8,120 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Jonathan Newman ACMA, CGMA, MCSI, aged 42 (Group Finance Director) (I) (V)
Jonathan is a Chartered Management Accountant with over 20 years' experience in the financial services industry. He joined the Group in November 1999 and was appointed a director of B.P. Marsh in September 2001 and Group Finance Director in December 2003. Jonathan is responsible for the Group's finance function, provides senior financial advice to all companies within the Group's portfolio, evaluates new investment opportunities and is also the Group's nominee director on the board of one of its investee companies. Jonathan has a beneficial interest (as joint owner) in 355,283 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan as well as a beneficial interest in 8,120 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Daniel Topping MCSI, ACIS, aged 33 (Chief Investment Officer) (I) (V) (N)
Daniel is a Member of the Chartered Institute of Securities and Investment (MCSI) and an Associate Member of the Institute of Chartered Secretaries and Administrators (ACIS), having graduated from the University of Durham. He joined B.P. Marsh in February 2007 having started his career at WiltonGroup. In 2011, having spent a period of time as Investment Assistant to the Chairman he was appointed as a director of B.P. Marsh and in January 2016 was appointed as Chief Investment Officer. In his position as Chief Investment Officer Daniel has overall responsibility for the portfolio

and investment strategy for B.P. Marsh, working alongside the Board and the Investment Directors to structure, develop, support and monitor the portfolio. Daniel is a member of the Valuation, Investment and Nominations Committees, evaluates new investment opportunities and currently has multiple nominee appointments across nine investee companies. Daniel has a direct beneficial interest in 44,118 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 355,283 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 8,120 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Camilla Kenyon, aged 44 (Director) (I)

Camilla Kenyon was appointed to the main board in 2011, following her appointment as Head of Investor Relations in February 2009. She has dual responsibilities within the Group, running both Investor Relations and the New Business Department and is Chair of the New Business Committee evaluating new investment opportunities. She has two nominee directorships across one investee company and is a member of the Investment Committee. She has over 20 years' experience in the financial services industry, including numerous Board appointments. She is a Member of the Investor Relations Society. Camilla has a beneficial interest (as joint owner) in 241,592 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan as well as a beneficial interest in 8,120 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Campbell Scoones, aged 70 (Non-executive) (R)

Campbell joined B.P. Marsh in April 2013 and has over 45 years' experience in the Lloyds 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 Group, Admiral Underwriting, Marsh & McLennan Companies and Encon Underwriting. Campbell owns 46,000 ordinary shares in B.P. Marsh.

Stephen Clarke FCA, aged 79 (Non-executive) (R) (A)

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 B.P. Marsh on the structuring of entry and exit deals.

Pankaj Lakhani FCCA, aged 63 (Non-executive) (R) (A) (V) (N)

Pankaj joined B.P. Marsh in May 2015 and has over 30 years' experience within the global insurance sector, having worked at Marsh McLennan Group, Nelson Hurst & Marsh Group, Admiral Underwriting and Victor O. Schinnerer. Upon joining the Group Pankaj was appointed a member of the Remuneration Committee and the Valuation Committee. In May 2016 Pankaj was also appointed a member and Chairman of the Audit Committee and is also a member of the Nominations Committee. Pankaj owns 30,000 ordinary shares in B.P. Marsh.

Key

(R)	Member of the Remuneration Committee during the year
(A)	Member of the Audit Committee during the year
(I)	Member of the Investment Committee during the year
(V)	Member of the Valuation Committee during the year
(N)	Member of the Nominations Committee during the year
(D)	Member of the Disclosure Committee during the year

Corporate governance

The board of B.P. Marsh ("the Board") is responsible for the Group's corporate governance policies and recognises the importance of high standards of integrity, and consistently seeks to apply the principles set out in the revised UK Corporate Governance Code (the "Code") by the Financial Reporting Council to the extent that they are appropriate for, and applicable to, a company of B.P. Marsh's size quoted on the Alternative Investment Market ("AIM").

Directors

Details of the appointment and resignation dates of directors are shown in the Group Report of the Directors. All directors are subject to re-election within a three-year period.

All the directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. They also have access to the minutes of the Board, in which any concerns expressed by them regarding matters pertaining to the Group are recorded.

A formal review of the performance and effectiveness of each director, including the non-executive directors, and the Committees of the Board, takes place annually and is assessed on an on-going basis by the other members of the Board.

The Group recognises that its non-executive directors are not "independent", as recommended by the Code, however it feels that, given the size and nature of the Group, the benefit derived from the collective relevant experience of its non-executive directors justifies their position on the Board.

Board Meetings

The Board meets at least quarterly and at such other times as required, and receives regular reports on a wide range of key issues including investment performance, investment opportunities, disposals and corporate strategy. All major decisions affecting the Group are taken at Board level and all the directors are free to bring any matter to the attention of the Board at any time.

Committees of the Board

The Board has established six standing committees, the Audit Committee, the Remuneration Committee, the Investment Committee, the Valuation Committee, the Nominations Committee (established 21 July 2016) and the Disclosure Committee (established 6 October 2016).

Audit Committee

The Audit Committee is comprised of two of the non-executive directors of the Company and during the year was chaired by Pankaj Lakhani (following the resignation of the previous Chairman of the Committee, Philip Mortlock, on 7 April 2016). The external auditor, together with the Group Finance Director and other financial staff, are invited to attend these meetings.

In accordance with its terms of reference, one of the principal functions of this Committee is to determine the appropriateness of accounting policies to be used in the Group's annual financial statements. In addition the Committee is responsible for assessing the Group's audit arrangements and the Group's system of internal controls, and to review the half-yearly and annual results before publication.

Remuneration Committee

During the year the Remuneration Committee was comprised of the non-executive directors of the Company, together with Brian Marsh and Alice Foulk (appointed on 1 December 2016) and was chaired by Philip Mortlock. Following the resignation of Philip Mortlock on 7 April 2016, Pankaj Lakhani was appointed as Chairman of the Committee. In accordance with its terms of reference the Committee determines the level and make-up of remuneration (including bonuses and awards) of the executive directors and members of staff.

The Report of the Remuneration Committee to the shareholders on how directors are remunerated, together with details of individual directors' remuneration packages, is to be found on pages 27 to 30.

Investment Committee

The Investment Committee is comprised of all the executive directors of the Company and meets whenever significant investment matters arise which are not dealt with in the normal course of Board business.

Valuation Committee

During the year the Valuation Committee was comprised of Brian Marsh, Jonathan Newman, Daniel Topping, Pankaj Lakhani, Philip Mortlock (until his resignation on 7 April 2016) and Alice Foulk (appointed on 6 October 2016) and, in accordance with its terms of reference, is responsible for preparing investment valuations and reviewing the suitability of the Company's investee company valuation policy.

Nominations Committee

On 21 July 2016 the Nominations Committee was established and is comprised of at least three directors (including at least one member of the Committee being a non-executive director) and was comprised of Brian Marsh, Alice Foulk, Daniel Topping, Pankaj Lakhani and the Group's Company Secretary, Sinead O'Haire. In accordance with its terms of reference the Committee is responsible for reviewing the structure, size and composition of the Board and senior staff and for identifying and nominating for approval of the Board, candidates to fill Board and other senior staff vacancies as and when they arise. The Committee is also responsible for reviewing the leadership of the Group, including the consideration of succession planning with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

Disclosure Committee

On 6 October 2016 the Disclosure Committee was established regarding Market Abuse Regulation Disclosure and was comprised of Brian Marsh, Alice Foulk and the Group's Company Secretary, Sinead O'Haire. In accordance with its terms of reference the Committee is responsible for overseeing the Company's compliance with its obligations (as laid down by the AIM Rules, Disclosure and Transparency Rules and the Market Abuse Regulation) in respect of the disclosure and control of inside information directly concerning the Company.

Corporate governance
continued

Relations with Shareholders

The Board attaches great importance to maintaining good relationships with all of its shareholders. The executive directors meet with representatives of institutional investors, larger retail brokers and analysts to discuss their views and ensure that the corporate objectives and strategies of the Group are well understood. The Company reports formally to the shareholders twice a year, when its half-yearly and full-year results are announced, when reports are sent to shareholders and published on the Company's website (www.bpmarsh.co.uk). The Company also produces quarterly trading updates, in order to ensure a consistent flow of information throughout the year.

The Company will advise shareholders attending the Annual General Meeting ("AGM") of the number of proxy votes lodged for and against each resolution. Members of the Board will be in attendance at the AGM and will be available to meet shareholders informally after the meeting.

Internal Controls and Risk Management

The Board is responsible for ensuring the Group has effective internal controls in place throughout the year, as well as procedures necessary for reviewing the Group's system of internal controls and assessing the nature and extent of the risks facing the Group.

The Board believes that its Annual Report and these consolidated financial statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Chairman's Statement included within the Annual Report contains a detailed consideration of the Group's position and prospects.

A statement of the directors' responsibilities in respect of the consolidated financial statements is set out on pages 31 - 32.

By order of the Board

S.C. O'Haire
Company Secretary
5 June 2017

Report of the Remuneration Committee

The Remuneration Committee of the Board (the "Committee") during the year comprised of the non-executive directors of the Company, Philip Mortlock (resigned 7 April 2016), Stephen Clarke, Campbell Scoones (resigned from the Committee on 20 April 2017) and Pankaj Lakhani, as well as the Executive Chairman of the Group, Brian Marsh and Alice Foulk (appointed on 1 December 2016). The Committee is responsible for setting the remuneration of the executive directors and other members of staff, as detailed in the Remuneration policy below.

Remuneration Policy

The Committee reviews remuneration levels annually and seeks to ensure that they are set at a level which is in line with comparable companies in the industry, are capable of attracting, retaining and motivating directors of appropriate calibre, are consistent with the performance of the Company and at the same time are aligned with the best interests of the shareholders.

On 1 December 2016 the Company's Managing Director, Alice Foulk, was invited to join the Remuneration Committee in order to express her views on the performance of the Company and Remuneration levels.

The Committee's terms of reference provide that for as long as the Chairman and the Managing Director of the Company are executive, they should attend as members and be invited to express their views on remuneration levels, but should not be present when their own salaries are decided or when decisions are taken on performance targets for incentive arrangements in which they participate.

The Board has delegated the review and setting of non-executive director remuneration to a sub-committee of the Board consisting of Brian Marsh, Alice Foulk and Sinead O'Haire.

The Committee receives advice from external remuneration advisers where appropriate.

Directors' Service Agreements

The executive directors entered into service agreements with the Company on the following dates:

Director	Date of service agreement	Term	Notice period
B.P. Marsh	30 January 2006	Continuous	6 months
D.J. Topping	1 March 2011	Continuous	6 months
J.S. Newman	30 January 2006	Continuous	6 months
C.S. Kenyon	1 March 2011	Continuous	6 months
A.H.D. Foulk	16 February 2015	Continuous	6 months

Report of the Remuneration Committee
continued

The non-executive directors do not have service agreements, but their letters of appointment provide that their tenure of office is for an initial period of 12 months and shall continue until either terminated by the non-executive director or the Company, on giving to the other, 3 months prior written notice.

Director	Date of Office tenure	Initial period	Notice period
P.J. Mortlock[1]	30 January 2006	12 months	3 months
S.S. Clarke	30 January 2006	12 months	3 months
C.R. Scoones	19 April 2013	12 months	3 months
P.B. Lakhani	21 May 2015	12 months	3 months

1 P.J. Mortlock resigned as a non-executive director of the Company on 7 April 2016.

Joint Share Ownership Plan ("JSOP")

During the year to 31 January 2015, and following the resignation of J.K.N. Dunbar on 6 November 2014, B.P. Marsh Management Limited ("BPMM"), a company wholly owned by Mr B.P. Marsh, the Executive Chairman and majority shareholder of the Company, acquired 1,421,130 ordinary shares in the Company from the Tasha Dunbar Life Interest Trust (a trust set up on behalf of J.K.N. Dunbar) for 138 pence per share.

On the same date as the acquisition of these shares, in order to instigate a non-dilutive share incentive scheme, BPMM granted beneficial joint interests in 1,421,130 ordinary shares for no consideration to respective individual directors and senior employees of the Company to be held together with BPMM upon and subject to the terms of joint share ownership agreements ("JSOAs") respectively entered into between each employee, the Company and BPMM.

Of the 1,421,130 ordinary shares in respect of which joint interests were granted, the following directors of the Company each acquired, jointly with BPMM, and upon and subject to the terms of a JSOA, a beneficial interest (as joint owner) in the number of shares respectively shown opposite the name of each such director:

Director	Number of jointly-owned shares	% of total jointly-owned shares
J.S. Newman	355,283	25%
D.J. Topping	355,283	25%
C.S. Kenyon	241,592	17%
A.H.D. Foulk	127,901	9%
Total	**1,080,059**	**76%**

The form of JSOA used on this occasion was approved by the Remuneration Committee on 6 November 2014 and provides for the acquisition by the employee of a beneficial interest as joint owner (with BPMM) of ordinary shares in the Company. This acquisition provides, inter alia, that if jointly-owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that BPMM receives at least 140 pence per jointly-owned share ("IMV") plus an amount representing interest of 3.5% per cent per annum on the IMV and the employee is entitled to the balance (if any). Jointly-owned shares will normally vest if the employee remains employed with the B.P. Marsh group of companies for a minimum period of three years.

No jointly-owned shares were sold or forfeited during the year. The number of jointly-owned shares expected to vest has therefore not been adjusted. In accordance with IFRS 2 (Share-based Payment) the fair value of the expected cost of the award (measured at the date of grant) has been spread over the three year vesting period.

Further details are given in Note 24 to the financial statements.

Share Incentive Plan ("SIP")

On 29 March 2016 the Group established an HMRC sanctioned Share Incentive Plan ("SIP"). A total of 97,652 ordinary shares in the Company (which were held in Treasury as at 31 January 2016) were transferred to the B.P. Marsh SIP Trust. A total of 9 employees (including 4 executive directors of the Company) were eligible and applied for the 2015-16 SIP and were each granted 2,408 ordinary shares ("15-16 Free Shares"), representing £3,600 at the share price on the date of grant. The 15-16 Free Shares are subject to a 1 year forfeiture period.

On 27 June 2016, a total of 9 eligible employees (including 4 executive directors of the Company) applied for the 2016-17 SIP and were each granted 2,285 ordinary shares ("16-17 Free Shares"), representing £3,600 at the price of issue.

Additionally, on 27 June 2016, all eligible employees were also invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares"). For every Partnership Share that an employee acquires, the SIP Trust will offer two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. All 9 eligible employees (including 4 executive directors of the Company) took up the offer and acquired the full £1,800 worth of Partnership Shares (1,142 ordinary shares) and were therefore awarded 2,285 Matching Shares.

The 16-17 Free and Matching Shares are subject to a 1 year forfeiture period.

A total of 73,080 Free, Matching and Partnership Shares were granted to the 9 eligible employees during the year (including 32,480 granted to 4 executive directors of the Company).

Following the SIP awards made during the year to 31 January 2017, 4 executive directors have a beneficial interest in the ordinary shares of the Company (specifically held within its two independent share plans) as follows:

Director	Ordinary shares held under JSOP	Ordinary shares held under SIP
J.S. Newman	355,283	8,120
D.J. Topping	355,283	8,120
C.S. Kenyon	241,592	8,120
A.H.D. Foulk	127,901	8,120
Total	**1,080,059**	**32,480**

The directors' interests in other shares of the Company are detailed in the Group Report of the Directors.

Aggregate Directors' Remuneration

	2017 £	2016 £
Emoluments	1,027,726	846,542
Fees	21,000	37,750
Pension contributions	46,000	36,325

Report of the Remuneration Committee
continued

Aggregate Directors' Emoluments

	Salaries and fees £	Benefits £	Annual bonuses £	Termination payments £	2017 Emoluments excluding pension contributions £
B.P. Marsh	115,000	806	-	-	115,806
A.H.D. Foulk	80,000	2,768	60,000	-	142,768
J.S. Newman	165,000	5,057	50,000	-	220,057
D.J. Topping	165,000	8,335	68,000	-	241,335
C.S. Kenyon	90,000	5,079	33,000	-	128,079
S.S. Clarke	36,000	-	-	-	36,000
C.R. Scoones	77,000	96	-	-	77,096
P.B. Lakhani	45,000	85	-	-	45,085
P.J. Mortlock[1]	12,500	-	-	30,000	42,500

1 P.J. Mortlock resigned as a non-executive director of the Company on 7 April 2016.

Directors' Pensions

The executive directors received the following pension contributions during the year:

	2017 £
B.P. Marsh	–
A.H.D. Foulk	4,000
J.S. Newman	16,500
D.J. Topping	16,500
C.S. Kenyon	9,000

Audit

The tables in this report (including the Notes thereto) have been audited by Rawlinson & Hunter Audit LLP.

This report has been approved by the Remuneration Committee and the Board as a whole and has been signed on behalf of the Chairman of the Remuneration Committee, Pankaj Lakhani, on 5 June 2017.

By order of the Board
S.C. O'Haire
Company Secretary

Group Report of the Directors

Directors

B.P. Marsh OBE (Chairman)
A.H.D. Foulk BA (Hons)
J.S. Newman ACMA, CGMA, MCSI
D.J. Topping MCSI, ACIS
C.S. Kenyon
C.R. Scoones (non-executive)
S.S. Clarke FCA (non-executive)
P.B. Lakhani FCCA (non-executive)
P.J. Mortlock MA, FCA (non-executive)
(resigned 7 April 2016)

The directors submit their report and the audited financial statements of the Company and the Group (namely B.P. Marsh & Partners Plc, B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited, B.P. Marsh Asset Management Limited, B.P. Marsh & Co. Trustee Company Limited, Marsh Development Capital Limited, Bastion London Limited and the B.P. Marsh SIP Trust) for the year ended 31 January 2017.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report (including the Group Report of the Directors and the Group Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected under company law to prepare the Group and Company financial statements in accordance with IFRS as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and the Group's profit or loss for that period.

In preparing financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Group Report of the Directors
continued

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Disclosure of Information to the Auditors

Each of the persons who are directors at the time when the Group Report of the Directors is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all steps that ought to have been taken as a director in order to be aware of any information needed by the Company and Group's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Principal Activity

The principal activity of the Group during the year was the provision of consultancy services to, as well as making and trading investments in, financial services businesses.

Country of Incorporation and Registration

B.P. Marsh & Partners Plc was incorporated and is registered in England and Wales.

Results of the Business

The results for the year are set out on page 44. The directors consider the current state of affairs of the Group to be satisfactory.

Dividends

A dividend of £999,335 (3.42p per share) was paid on 29 July 2016 (24 July 2015: £802,093 or 2.75p per share). The directors have recommended a final dividend of 3.76p per share (£1,096,955) which will be paid, subject to Shareholder approval, on 28 July 2017 to Shareholders registered at the close of business on 30 June 2017.

Significant Interests

As at 19 May 2017 the directors have been made aware that the following shareholders held disclosable interests of 3% or more of the issued share capital of the Company:

	No. of Ordinary shares of 10p each held	% of issued Share capitall
Mr B.P. Marsh[1]	15,565,271	53.3%
IS Partners Investment Solutions	1,823,100	6.3%
B.P. Marsh Management Limited[2]	1,421,130	4.9%
James Sharp & Co	1,256,265	4.3%
Hargreaves Lansdown Asset Management	1,015,108	3.5%

1 In addition, the Marsh Christian Trust, of which Mr B.P. Marsh is a trustee and Settlor, held 1,154,000 ordinary shares (4.0% of the issued share capital) in the Company.
2 Jointly-owned beneficial interest with six employees of the Company, of whom four are directors.

Directors

The names of the directors who served at any time during the year are stated at the head of this report.

The directors' interests in the shares of the Company were:

	31 January 2017 Ordinary shares of 10p each	31 January 2016 Ordinary shares of 10p each
Mr B.P. Marsh[1]	18,184,401	18,184,401
Mr D.J. Topping[2]	405,374	385,219
Mr J.S. Newman[3]	363,403	355,283
Ms C.S. Kenyon[4]	249,712	241,592
Ms A.H.D. Foulk[5]	136,021	127,901
Mr C.R. Scoones	46,000	46,000
Mr P.B. Lakhani	18,800	18,800

1 Total interest includes 1,421,130 ordinary shares held (under joint ownership with six employees of the Company, of whom four are directors) by B.P. Marsh Management Limited ("BPMM"), a company wholly owned by Mr B.P. Marsh, and 614,000 ordinary shares held by the Marsh Christian Trust of which Mr B.P. Marsh is Trustee and Settlor.
2 Total interest includes 355,283 ordinary shares co-owned with BPMM under a Joint Share Ownership Agreement between Mr D.J. Topping, BPMM and the Company dated 6 November 2014, 8,120 ordinary shares held within the Company's SIP Trust and 41,971 ordinary shares directly owned by Mr D.J. Topping.
3 Total interest includes 355,283 ordinary shares co-owned with BPMM under a Joint Share Ownership Agreement between Mr J.S. Newman, BPMM and the Company dated 6 November 2014 and 8,120 ordinary shares held within the Company's SIP Trust.
4 Total interest includes 241,592 ordinary shares co-owned with BPMM under a Joint Share Ownership Agreement between Ms C.S. Kenyon, BPMM and the Company dated 6 November 2014 and 8,120 ordinary shares held within the Company's SIP Trust.
5 Total interest includes 127,901 ordinary shares co-owned with BPMM under a Joint Share Ownership Agreement between Ms A.H.D. Foulk, BPMM and the Company dated 6 November 2014 and 8,120 ordinary shares held within the Company's SIP Trust.

Group Report of the Directors
continued

Share Capital

Information relating to the Company's ordinary share capital (including share repurchases and cancellation) is shown in Note 19 to the financial statements.

Events after the Reporting Date

On 1 February 2017 the Group provided £3,600,000 of further loan funding to Besso Insurance Group Limited ("Besso") to enable it to fund an overseas acquisition. This additional loan facility increased Besso's outstanding loan balance to £4,907,500 (£1,307,500 as at 31 January 2017).

On 17 February 2017 the Group acquired, through a newly established company Paladin NewCo Limited ("Paladin"), an effective 35% shareholding in CBC UK Limited ("CBC"), a Retail and Wholesale Lloyd's insurance broker. The Group partnered with CBC's management team to buy out an existing shareholder and the acquisition of CBC was made through Paladin, to which the Group provided £4,000,000 of funding (comprising cash consideration of £3,500 for the 35% equity and a loan facility of £3,996,500 which was fully drawn down on completion).

On 17 February 2017 The Fiducia MGA Company Limited ("Fiducia") drew down £194,400 of its agreed loan facility and on 8 May 2017 drew down a further £275,000. As at 31 January 2017 the total loan outstanding was £350,000 and following the aforementioned drawdowns stands at £819,400, leaving a remaining undrawn facility of £905,600 at the date of this report (Note 22).

On 28 February 2017 the Group sold its entire 37.94% stake in Besso to an affiliate of BGC Partners, Inc ("BGC"), for an initial consideration of £21,566,157 (net of transaction costs). On 12 April 2017 the Group received further cash consideration of £441,638 pursuant to an adjustment based upon Besso's 28 February 2017 final completion accounts, bringing the total consideration received by the Group to £22,007,795. The total consideration received represents a realised gain of £698,795 when compared to the carrying value of the Group's investment in Besso of £21,309,000 as at 31 January 2017. Outstanding loans of £4,907,500 were also repaid in full on completion.

On 28 February 2017 the Group entered into an operating lease agreement relating to its new office premises at 5th Floor, 4 Matthew Parker Street, London, SW1H 9NP. The operating lease is for a period of 10 years with a 5 year break clause in February 2022.

On 9 March 2017 Bulwark Investment Holdings (PTY) Limited ("Bulwark") drew down £20,000 of its remaining total loan facility of £665,000. As at 31 January 2017 the total loan outstanding was £615,000 and following the aforementioned drawdown stands at £635,000 at the date of this report. Pursuant to the Group providing loan funding to a related investee company, Property and Liability Underwriting Managers (PTY) Limited ("PLUM"), on 19 April 2017 (as noted below), the remaining £30,000 of the original £665,000 facility made available to Bulwark was cancelled.

On 6 April 2017 Mr B.P. Marsh, the Chairman and majority shareholder of the Company, transferred 584,000 ordinary shares in the Company to the Marsh Christian Trust ("the Trust"), a grant-making charitable trust of which Mr B.P. Marsh is also Trustee and Settlor, for nil consideration, taking the total number of shares held by the Trust in the Company to 1,198,000 at that time. Pursuant to a Share Sale Plan announced by the Group on 5 April 2017 (which provides for the sale of up to 200,000 shares between 5 April 2017 and 14 September 2018), on 24 April 2017 the Trust sold 44,000 of these shares at a price of 201p per share. This sale reduced the Trust's holding down to 1,154,000 ordinary shares (4.0% of the Company) at the date of this report.

On 19 April 2017 the Group provided £400,000 of loan funding to Property and Liability Underwriting Managers (PTY) Limited ("PLUM") for working capital purposes. £129,000 was drawn down immediately and a further £125,000 was drawn down on 18 May 2017, resulting in a total amount drawn down of £254,000 and a remaining £146,000 undrawn facility at the date of this report.

On 21 April 2017 the Group sold its entire 29.94% stake (351,000 B ordinary shares, 3,400 preferred shares and 292 ordinary shares) in Trireme Insurance Group Limited ("Trireme") to its fellow shareholder, US Risk Midco, LLC, for cash consideration of £2,908,350 as well as an additional payment of £51,345 in lieu of a preferred dividend. The consideration of £2,908,350 equates to the Group's 31 January 2017 valuation of its investment in Trireme. The outstanding loan of £2,155,113 as at 31 January 2017 was also repaid on completion.

Directors' and Officers' Liability Insurance

The Company has purchased insurance cover to cover directors' and officers' liability, as permitted by Section 233 of the Companies Act 2006. This insurance was in force throughout the year ended 31 January 2017 and remains in force at the date of this report.

Financial Risk Management

The directors' assessment of the principal risks and uncertainties is set out in the Group Strategic Report.

Appointment of Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Rawlinson & Hunter Audit LLP as the Group's Auditor will be put to members at the forthcoming AGM.

Registered Office:
5th Floor
4 Matthew Parker Street
London
SW1H 9NP

By order of the Board
S.C. O'Haire
Company Secretary
5 June 2017

Group Strategic Report

Business Review

During the year the major activities of the Group were as follows:

In February and March 2016 the Group provided the remaining £101,376 of an agreed £500,000 loan facility (£398,624 drawn down as at 31 January 2016) to Bulwark Investment Holdings (PTY) Limited ("Bulwark"); £73,073 provided on 15 February 2016 and £28,303 on 17 March 2016. On 13 April 2016 the loan facility to Bulwark was increased by a further £100,000 to £600,000, with £50,000 of this facility drawn down immediately and a further amount of £35,000 drawn down in May 2016. On 27 September 2016 the facility was further increased by an additional £65,000 to £665,000, with £30,000 drawn down immediately. As at 31 January 2017 the total loans drawn down by Bulwark amounted to £615,000, leaving a remaining undrawn facility of £50,000 (Note 22).

On 29 March 2016 the Group established an HMRC sanctioned Share Incentive Plan ("SIP"). A total of 97,652 ordinary shares in the Company (which were held in Treasury as at 31 January 2016) were transferred to the B.P. Marsh SIP Trust. A total of 9 employees (including 4 executive directors of the Company) were eligible and applied for the 2015-16 SIP and were each granted 2,408 ordinary shares ("15-16 Free Shares"), representing £3,600 at the share price on the date of grant. The 15-16 Free Shares are subject to a 1 year forfeiture period. Additionally, on 27 June 2016, a total of 9 eligible employees (including 4 executive directors of the Company) applied for the 2016-17 SIP and were each granted 2,285 ordinary shares ("16-17 Free Shares"), representing £3,600 at the price of issue.

All eligible employees were also invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares") whereby for each Partnership Share acquired by the employee, the SIP Trust offered two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. All 9 eligible employees (including 4 executive directors of the Company) took up the offer and acquired the full £1,800 worth of Partnership Shares (1,142 ordinary shares) and were therefore awarded 2,285 Matching Shares. The 16-17 Free and Matching Shares are subject to a 1 year forfeiture period. A total of 73,080 Free, Matching and Partnership Shares were granted to the 9 eligible employees during the year (including 32,480 granted to 4 executive directors of the Company). Refer to the Report of the Remuneration Committee and Note 24 for further details.

On 6 April 2016 Mr B.P. Marsh, the Chairman and majority shareholder of the Company, transferred 584,000 ordinary shares in the Company to the Marsh Christian Trust, a grant-making charitable trust of which Mr B.P. Marsh is also Trustee and Settlor, for nil consideration. As at 31 January 2017 the total number of shares held by the Marsh Christian Trust in the Company was 614,000.

On 15 April 2016 the Group sold its entire 49% stake in The Broucour Group Limited ("Broucour") to the founder and managing director, Mr Rupert Cattell, for consideration of up to £341,000, which equated to the Group's 31 January 2016 valuation of its investment in Broucour (Note 14). The outstanding loan (£329,834 at the date of sale and £254,837 as at 31 January 2017), together with the cash due from the sale, will be repaid in full in instalments.

On 20 April 2016 the Group acquired a 20% shareholding in Asia Reinsurance Brokers Pte Limited ("ARB"), a Singapore headquartered independent specialist reinsurance and insurance risk solutions provider, for a total consideration of SGD 2,398,424 (£1,268,336). The Group may increase its shareholding in ARB to 25% for an additional cash consideration of SGD 500,000 dependent on the performance of ARB in its financial year ending 31 December 2017.

On 4 May 2016 the Group sold its entire 1.32% stake (948,830 ordinary shares) in Randall & Quilter Investment Holdings Limited ("R&Q") to Brian Marsh Enterprises Limited, a company owned by Mr B.P. Marsh, the Chairman and majority shareholder of the Company. The total consideration of £1,019,992 represented a realised gain of £246,992 on the investment when compared to the carrying value of £773,000 as at 31 January 2016 (Note 14).

During the year, Property and Liability Underwriting Managers (PTY) Limited ("PLUM") achieved its target earnings before interest, tax, depreciation and amortisation ("EBITDA") of ZAR 8,299,927 over the first year of the Group's investment. This EBITDA target had been agreed upon at initial investment in June 2015 and provided for further consideration of £300,000 to become payable in order to maintain the Group's equity stake in PLUM at 20%. On 9 June 2016 the Group paid £150,000 of this consideration and on 5 October 2016 the Group paid the remaining £150,000, bringing the total consideration payable for the 20% to £606,463. In addition, on 5 October 2016, the Group acquired a further 22.5% preferred equity stake in PLUM for consideration of £613,400. Following this additional investment, the Group's equity stake in PLUM stood at 42.5% as at 31 January 2017.

On 14 June 2016 the Group acquired a further 8.02% preferred equity stake in LEBC Holdings Limited ("LEBC") for aggregate consideration of £1,911,120. These shares were acquired from a number of legacy shareholders, predominantly retired ex-employees of LEBC. On 16 November 2016 the Group acquired an additional 0.4% preferred equity stake in LEBC from another legacy shareholder for consideration of £110,514. Following these purchases, and as at 31 January 2017, the Group had an aggregate shareholding in LEBC of 43.03%.

On 30 June 2016 the Group sold its remaining 1.6% equity stake (1,405,880 ordinary shares) in Hyperion Insurance Group Limited ("Hyperion") for consideration of £7,310,576. This consideration represents a realised gain of £576 when compared to the carrying value of £7,310,000 as at 31 January 2016 (Note 14). In addition, on 31 January 2017 the Group received full repayment of its £6,037,361 outstanding loan originally made to Hyperion in May 2013.

On 9 September 2016 the Group entered into a share buy-back agreement with Besso Insurance Group Limited ("Besso") for Besso to re-purchase 437,769 A Ordinary shares being held by the Group. This equity was originally acquired by the Group in September 2015 (at the time of acquisition equating to 7.03% of Besso) and was a capped participation which was stated within the Group's valuation of Besso at cost (£1,581,147) alongside its main economic participation of 37.94% (total 44.97%) as at 31 January 2016. Following

Group Strategic Report
continued

Besso's buy-back of the shares at cost, the Group's holding returned to 37.94% and remained as such at 31 January 2017. As the shares were acquired by Besso at their 31 January 2016 carrying value, no gain or loss resulted on disposal.

On 22 November 2016 the Group acquired a 25% cumulative preferred ordinary shareholding in The Fiducia MGA Company Limited ("Fiducia"), a newly established UK Marine Cargo Underwriting Agency, for total consideration of £75,000. In addition to the equity investment, the Group provided Fiducia with a loan facility of up to £1,725,000. £350,000 of this facility was drawn down on completion and was outstanding as at 31 January 2017, leaving a remaining undrawn facility of £1,375,000 (Note 22). The further provision of funds will be subject to Fiducia meeting certain conditions, as outlined in the agreed business plan.

On 15 December 2016 the Group acquired a further 6.87% equity stake in Nexus Underwriting Management Limited ("Nexus") for a total consideration of £4,000,000. The Group acquired this additional equity from two of Nexus' founding shareholders. Following this additional investment, the Group's equity stake in Nexus stood at 18.6% as at 31 January 2017.

On 27 January 2017 the Group acquired a 30% cumulative preferred ordinary shareholding in Stewart Specialty Risk Underwriting Limited ("SSRU"), a start-up Specialty Casualty Underwriting Agency based in Toronto, Canada for consideration of CAD 30 (£19). In addition to the equity, a six year loan facility of CAD 850,000 has been provided, subject to SSRU meeting certain conditions. CAD 250,000 (£152,420) was drawn down immediately on completion and was outstanding as at 31 January 2017, with a remaining undrawn facility of CAD 600,000 (Note 22).

Financial Performance

At 31 January 2017, the net asset value of the Group was £79.7m, or 273p per share (2016: £70.8m, or 243p per share) including a provision for deferred tax. This equates to an increase in net asset value of 12.5% (2016: 12.4%) for the year.

The Group increased its dividend payment to £1.0m (or 3.42p per share) during the year, as announced previously (2016: £0.8m or 2.75p per share). Total shareholder return for the year was therefore 13.9% (2016: 13.7%) including the dividend payment and the net asset value increase.

The Group's investment portfolio movement during the year was as follows:

31 January 2016 valuation £m	Acquisitions at cost £m	Disposal proceeds £m	Impairment provisions £m	Adjusted 31 January 2016 valuation £m	31 January 2017 valuation £m
54.1	8.3	(10.3)	–	52.1	63.6

This equates to an increase in the portfolio valuation of 22.1% (2016: 23.8%).

The net asset value of £79.7m at 31 January 2017 represented a total increase in net asset value of £67.1m since the Group was originally formed in 1990 having adjusted for the £10.1m net proceeds raised on AIM and the original capital investment of £2.5m. The directors note that the Group has delivered an annual compound growth rate of 11.4% in Group net asset value after running costs, realisations, losses, distributions and deferred tax since 1990.

The consolidated profit on ordinary activities after taxation increased by 12.6% to £9.8m (2016: profit of £8.7m). The consolidated profit on ordinary activities before taxation was £12.2m (2016: profit of £10.7m), of which £11.2m was derived from unrealised gains on revaluing the equity investment portfolio in line with current market conditions, an increase of 9.5% on the previous year (2016: net unrealised gains of £10.3m). The Group's strategy is to cover expenses from the portfolio yield. On an underlying basis including treasury returns, but excluding unrealised equity and all underlying treasury portfolio movement, this was achieved with a pre-tax profit of £0.6m for the year (2016: £0.5m).

The Group invested £1.4m in new equity investments and £6.9m for follow-on equity financing to its existing portfolio during the year. In addition the Group provided new loans for working capital to the portfolio of £1.2m. Repayment of loans by the portfolio amounted to £7.3m in the year. Cash funds (including treasury funds) at 31 January 2017 were £12.6m.

Overall, income from investments increased by 5.5% to £3.0m (2016: £2.8m). Dividend income increased by 23.2% over the year due to the strengthening performance of the portfolio companies, whilst income from loans fell by 16.6%, which was largely the result of the portfolio repaying debt in accordance with agreed repayment schedules. Fees were 50.8% higher mainly due to a number of one-off fees received in 2017 as well as fees derived from new investments.

The Group continues to invest in new and existing opportunities. Operating expenses, including costs of making new investments, increased by 31.0% during the year to £3.1m (2016: £2.4m). Of this, £0.1m related to expenses directly incurred in making new investments which, under IFRS, need to be expensed. £0.2m related to a provision against doubtful debts, £0.1m related to the newly created SIP Trust and £0.05m for costs incurred in the office move. Excluding these atypical expenses, overall expenses rose by £0.25m (10.0%) in proportion with managing a growing portfolio.

Due to favourable market conditions, the Group's treasury funds increased by 8.6% over the year (net of fund management charges) (2016: 0.4%).

Future Prospects

During the year under review, several new investments were made and the Group continued to assist and support its existing investments through follow-on funding to enable continued growth. A number of prospective investments were considered and the Group continues to receive a strong pipeline of opportunities and continues to evaluate them for investment potential.

Group Strategic Report
continued

Financial Data and Key Performance Indicators

The table below summarises the Group's financial results and key performance indicators.

	Year to/as at 31 January 2017	Year to/as at 31 January 2016
Net asset value	£79.7m	£70.8m
Net asset value per share	273p	243p
Equity portfolio increase	22.1%	23.8%
Dividend per share	3.42p	2.75p
Total shareholder return (including dividends)	£9.9m	£8.6m
Total shareholder return on opening shareholders' funds	13.9%	13.7%
Annual operating cash surplus / (deficit)	£7.9m	(£1.7m)
Cash investment for the year – Equity	£8.3m	£5.2m
Cash investment for the year – Loans	£1.2m	£1.7m
Cash funds (including Treasury) at end of year	£12.6m	£5.3m
Realisations (net of disposal costs)	£10.3m	£0.1m
Gross profit on realisations	£6.7m	–
Loans repaid by investee companies in the year	£7.3m	£4.6m

Financial Risk Management

The Group's operations expose it to a variety of financial risks. The Group manages the risk to limit the adverse effects on the financial performance of the Group by monitoring those risks and acting accordingly. As at 31 January 2017 the Group was debt free (31 January 2016: debt free).

The monitoring of the financial risk management is the responsibility of the Board. The policies of the Board of directors are implemented by the Group's finance department under specific guidelines.

Price risk

The Group is exposed to private equity securities price risk. The Group manages the risk by ensuring that a director is appointed to the board of each investee company. In this capacity, the appointed director can advise the Group's Board of the investee companies' activities and prompt action can be taken to protect the value of the investment. Management reports are required to be prepared by investee companies for the review of the appointed director and by the Group Board.

Credit risk

The Group provides consulting services to its investee companies which are investigated before an investment is made and are continually monitored. As such the directors believe that the credit risk is adequately managed.

Liquidity risk

The directors assess and review the Group's liquidity position and funding requirements on a regular basis and this is an agenda item for its Board meetings. They consider that the Group has sufficient liquidity to manage current commitments.

Interest rate risk

At 31 January 2017, the Group had no interest bearing liabilities but had interest bearing assets. Interest bearing assets are loans made available to investee companies to aid their expansion, and are normally subject to a minimum interest rate to protect the Group from a period of low interest rates.

Currency risk

Although the Group's investments are predominantly within the UK it also makes investments and derives income outside the UK. As such some of the Group's income and assets are subject to movement in foreign currencies which will affect the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy. The Board monitors the movements and manages the risk accordingly (see Note 23).

New investment risk

An inherent risk of realising an investment is the loss of a performing asset and a potential lack of suitable new investments to replace the lost income and capital growth. Prior to reinvestment, returns on cash can be significantly lower, which may reduce underlying profitability on a short-term basis until funds are reinvested. The Group has an active New Business department which continues to receive a strong pipeline of new investment opportunities. In addition, there is often potential for further investment within the Group's existing portfolio.

Concentration risk

Although the Group only invests in financial service businesses, and specifically insurance intermediaries, the Group has a wealth of experience in this specific sector. It seeks to manage concentration risk by making investments across a variety of geographic areas, development stages of business and classes of product.

Political risk

As a UK domiciled business, the Group is exposed to the risks associated with the UK's decision to leave the European Union ("Brexit"). The Board is continually assessing the potential impact of Brexit on the Group and its underlying investments, however it is the Group's intention to continue to invest into the international financial services market, a policy which has historically had little or no direct impact from the UK's membership of the European Union. As outlined under 'Currency risk' above, the Group continues to monitor the movements in its foreign currency denominated income and assets and manages this risk accordingly.

Policy on Payment of Suppliers

The Group's policy on the payment of suppliers is to settle transactions based upon the supplier's agreed terms of trade. Average supplier days were 42 (2016: 37) during the year.

Going Concern

The directors continue to adopt the going concern basis in preparing the financial statements. This is because the directors, after making enquiries and following a review of the Group's budget for 2018 and 2019, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue its operation for the foreseeable future.

By order of the Board
S.C. O'Haire
Company Secretary
5 June 2017

Independent Auditor's Report

to the Members of B.P. Marsh & Partners PLC

We have audited the Group and Parent Company financial statements of B.P. Marsh & Partners Plc for the year ended 31 January 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out in the Group Report of the Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report, Strategic Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing that audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2017 and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Group Report of the Directors and the Group Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and, based on the work undertaken in the course of our audit, the Strategic Report and the Group Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatement in the Strategic Report or the Group Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Bliss
Senior Statutory Auditor

For and on behalf of
Rawlinson & Hunter Audit LLP
Statutory Auditor
Chartered Accountants
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

5 June 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2017

	Notes	£'000	2017 £'000	£'000	2016 £'000
Gains on investments	1				
Realised gains on disposal of equity investments (net of costs)	12, 14	248		6	
Unrealised gains on equity investment revaluation	12	11,243		10,269	
			11,491		10,275
Income					
Dividends	1, 25	787		639	
Income from loans and receivables	1, 25	1,351		1,619	
Fees receivable	1, 25	816		541	
			2,954		2,799
Operating income	2		**14,445**		**13,074**
Operating expenses	2		(3,086)		(2,356)
Operating profit			**11,359**		**10,718**
Financial income	2, 4	467		18	
Financial expenses	2, 3	(36)		(31)	
Exchange movements	2, 8	402		(12)	
			833		(25)
Profit on ordinary activities before taxation	8		**12,192**		**10,693**
Income taxes	9		(2,398)		(1,993)
Profit on ordinary activities after taxation attributable to equity holders	20		**9,794**		**8,700**
Total comprehensive income for the year	20		**9,794**		**8,700**
Earnings per share – basic and diluted (pence)	10		**33.5p**		**29.8p**

The result for the year is wholly attributable to continuing activities.

The notes on pages 48 to 80 form part of these financial statements.

Consolidated and Parent Company Statements of Financial Position

31 January 2017

		Group		Company	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	15	15	–	–
Investments – equity portfolio	12	39,350	54,051	69,442	60,656
Investments – subsidiaries	12	–	–	10,239	10,170
Investments – treasury portfolio	13	5,230	3,482	–	–
Loans and receivables	15	7,157	14,660	–	–
		51,752	**72,208**	**79,681**	**70,826**
Current assets					
Non-current assets as held for sale	12	24,217	–	–	–
Trade and other receivables	16	5,062	3,054	–	–
Cash and cash equivalents		7,327	1,814	1	1
Total current assets		**36,606**	**4,868**	**1**	**1**
Total assets		**88,358**	**77,076**	**79,682**	**70,827**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	17	(6,728)	(5,625)	–	–
Total non-current liabilities		**(6,728)**	**(5,625)**	**–**	**–**
Current liabilities					
Trade and other payables	18	(718)	(588)	–	(15)
Corporation tax provision	18	(1,230)	(51)	–	–
Total current liabilities	18	**(1,948)**	**(639)**	**–**	**(15)**
Total liabilities		**(8,676)**	**(6,264)**	**–**	**(15)**
Net assets		**79,682**	**70,812**	**79,682**	**70,812**
Capital and reserves – equity					
Called up share capital	19	2,923	2,923	2,923	2,923
Share premium account	20	9,381	9,370	9,381	9,370
Fair value reserve	20	26,191	22,524	67,299	58,512
Reverse acquisition reserve	20	393	393	–	–
Capital redemption reserve	20	6	6	6	6
Capital contribution reserve	20	5	3	–	–
Retained earnings	20	40,783	35,593	73	1
Shareholders' funds – equity	20	**79,682**	**70,812**	**79,682**	**70,812**
Net asset value per share (pence)	10	**273p**	**243p**	**273p**	**243p**

The Financial Statements were approved by the Board of Directors and authorised for issue on 5 June 2017 and signed on its behalf by:

B.P. Marsh & J.S. Newman

The notes on pages 48 to 80 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 January 2017

	Notes	2017 £'000	2016 £'000
Cash from/(used by) operating activities			
Income from loans to investees		1,351	1,619
Dividends		787	639
Fees received		816	541
Operating expenses		(3,086)	(2,356)
Net corporation tax (paid)/repaid		(102)	145
Purchase of equity investments[1]	12	(8,278)	(5,209)
Net proceeds from sale of equity investments[1]	12, 14	10,253	80
Net repayments of loans from investee companies[1]		6,046	2,905
Adjustment for non-cash share incentive plan		86	2
Increase in receivables		(160)	(189)
Increase in payables		129	142
Depreciation	11	8	7
Net cash from / (used by) operating activities		**7,850**	**(1,674)**
Net cash (used by) / from investing activities			
Purchase of property, plant and equipment	11	(8)	(4)
Purchase of treasury investments	13	(11,976)	(3,084)
Net proceeds from sale of treasury investments	13	10,652	5,902
Net cash (used by) / from investing activities		**(1,332)**	**2,814**
Net cash used by financing activities			
Financial income	4	7	6
Financial expenses	3	-	-
Dividends paid	7	(999)	(802)
Payments made to repurchase company shares	19, 20	(9)	(57)
Net cash used by financing activities		**(1,001)**	**(853)**
Change in cash and cash equivalents		5,517	287
Cash and cash equivalents at beginning of the year		1,814	1,531
Exchange movement		(4)	(4)
Cash and cash equivalents at end of year[2]		**7,327**	**1,814**

1 These items are now correctly included under operating activities.
2 The above cash and cash equivalents balance excludes treasury portfolio funds which are referred to in Note 13. Including treasury portfolio balances of £5,230k, total available cash and treasury portfolio funds as at 31 January 2017 was £12,557k (as at 31 January 2016: £5,296k, including £3,482k of treasury portfolio funds).

All differences between the amounts stated in the Consolidated Statement of Cash Flows and the Consolidated Statement of Comprehensive Income are attributed to non-cash movements.

The notes on pages 48 to 80 form part of these financial statements.

Parent Company Statement of Cash Flows

for the year ended 31 January 2017

No Company Statement of Cash Flows has been prepared as there has been no cash flow movement in the Company during the current and previous period, other than dividends received from B.P. Marsh & Company Limited ("BPMCL"), a subsidiary company, which were settled via an intercompany adjustment. The ordinary dividend payment to the Company's members during the year was paid directly by BPMCL and reflected in the Company through an intercompany adjustment. Accordingly the Company's "cash and cash equivalents" balance as at 31 January 2017 remains at £1k (2016: £1k).

Consolidated and Parent Company Statements of Changes in Equity

for the year ended 31 January 2017

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Opening total equity	70,812	62,971	70,812	62,971
Comprehensive income for the year	9,794	8,700	9,794	8,700
Dividends paid	(999)	(802)	(999)	(802)
Repurchase of company shares	(9)	(57)	(9)	(57)
Share incentive plan	84	-	84	-
Total equity	**79,682**	**70,812**	**79,682**	**70,812**

Refer to Note 20 for detailed analysis of the changes in the components of equity

Notes to the consolidated financial statements

for the year ended 31 January 2017

1. Accounting Policies

B.P. Marsh & Partners Plc is a public limited company incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. The address of the Company's registered office is 5th Floor, 4 Matthew Parker Street, London SW1H 9NP. The consolidated financial statements for the year ended 31 January 2017 comprise the financial statements of the Parent Company and its consolidated subsidiaries (collectively "the Group").

Basis of preparation of financial statements
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union ("IFRS"), and in accordance with the Companies Act 2006.

The consolidated financial statements are presented in sterling, the functional currency of the Group, rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities. Actual results may differ from those amounts.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Assessment as an investment entity
Entities that meet the definition of an investment entity within IFRS 10: Consolidated Financial Statements ("IFRS 10") are required to account for their investments in controlled entities, as well as investments in associates at fair value through profit or loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees that relate to the parent investment entity's investment activities continue to be consolidated in the Group results. The criteria which define an investment entity are currently as follows:
a) an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
b) an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
c) an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's annual and interim consolidated financial statements clearly state its objective of investing directly into portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation. The Group has always reported its investment in portfolio investments at fair value. It also produces reports for investors of the funds it manages and its internal management report on a fair value basis. The exit strategy for all investments held by the Group is assessed, initially, at the time of the first investment and this is documented in the investment paper submitted to the Board for approval.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has concluded that B.P. Marsh & Partners Plc and its two trading subsidiaries, B.P. Marsh & Company Limited and Marsh Insurance Holdings Limited, which provide investment related services on behalf of B.P. Marsh & Partners Plc, all meet the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes to any of these criteria or characteristics.

Application and significant judgments

When it is established that a parent company is an investment entity, its subsidiaries are measured at fair value through profit or loss. However if an investment entity has subsidiaries that provide services that relate to the investment entity's investment activities, exception to the Amendment of IFRS 10 is not applicable as in this case, the parent investment entity still consolidates the results of its subsidiaries. Therefore the results of B.P. Marsh & Company Limited and Marsh Insurance Holdings Limited continued to be consolidated into its Group financial statements for the year.

The most significant estimates relate to the fair valuation of the equity investment portfolio as detailed in Note 12 to the Financial Statements. The valuation methodology for the investment portfolio is detailed below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Adopted IFRS not yet applied

None of the new standards, interpretations or amendments, which are effective for the first time in these consolidated financial statements, has had a material impact on these consolidated financial statements.

Standards that have been issued, but are not yet effective for the year ended 31 January 2017 include:
- Disclosure Initiative (Amendments to IAS 7) – effective 1 January 2017
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) – effective 1 January 2017
- IFRS 15: Revenue from Contracts with Customers – effective 1 January 2018
- IFRS 9: Financial Instruments – effective 1 January 2018
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) – effective 1 January 2018
- IFRS 16: Leases – effective 1 January 2019

The Board is currently assessing the impact of IFRS 9. All other standards and interpretations are not expected to have a material impact on the financial statements.

Notes to the consolidated financial statements
continued

1. Accounting Policies continued

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
a) rights arising from other contractual arrangements; and
b) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

B.P. Marsh & Partners Plc ("the Company"), an investment entity, has two subsidiary investment entities, B.P. Marsh & Company Limited and Marsh Insurance Holdings Limited, that provide services that relate to the Company's investment activities. The results of these two subsidiaries, together with other subsidiaries (except for Summa Insurance Brokerage, S.L. ("Summa")), are consolidated into the Group consolidated financial statements. The Group has taken advantage of the Amendment to IFRS 10 not to consolidate the results of Summa. Instead the investments in Summa are valued at fair value through profit or loss.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the statement of financial position at fair value even though the Group may have significant influence over those companies.

Business combinations

The results of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All business combinations are accounted for by using the acquisition accounting method. This involves recognising identifiable assets and liabilities of the acquired business at fair value. Goodwill represents the excess of the fair value of the purchase consideration for the interests in subsidiary undertakings over the fair value to the Group of the net assets and any contingent liabilities acquired. The one exception to the use of the acquisition accounting method was in 2006 when B.P. Marsh & Partners Plc became the legal parent company of B.P. Marsh & Company Limited in a share for share exchange transaction. This was accounted for as a reverse acquisition, such that no goodwill arose, and a merger reserve was created reflecting the difference between the book value of the shares issued by B.P. Marsh & Partners Plc as consideration for the acquisition of the share capital of B.P. Marsh & Company Limited. This compliance with IFRS 3: Business Combinations ("IFRS 3") also represented a departure from the Companies Act.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the Consolidated Statement of Financial Position at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28: Investment in Associates ("IAS 28"), which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39: Financial Instruments ("IAS 39"), with changes in fair value recognised in the profit or loss in the period of the change. The Group has no interests in associates through which it carries on its business.

No Statement of Comprehensive Income is prepared for the Company, as permitted by Section 408 of the Companies Act 2006. The Company made a profit for the year of £9,794,327, prior to a dividend distribution of £999,335 (2016: profit of £8,700,450 prior to a dividend distribution of £802,093).

Employee services settled in equity instruments

The Group has issued cash settled share-based awards to certain employees. A fair value for the cash settled share awards is measured at the date of grant. The Group measured the fair value using the Black-Scholes method which was considered to be the most appropriate valuation technique to value the awards.

The fair value of the award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed annually and the charge is adjusted to reflect actual or estimated levels of vesting with the corresponding entry to capital contribution.

During the period the Group also established an HMRC sanctioned Share Incentive Plan ("SIP"). Ordinary shares in the Company (previously repurchased and held in Treasury by the Company) have been transferred to The B.P. Marsh SIP Trust ("the SIP Trust"), an employee share trust, in order to be issued to eligible employees.

Under the rules of the SIP, eligible employees can each be granted up to £3,600 worth of ordinary shares ("Free Shares") by the SIP Trust in each tax year. The number of shares granted is dependent on the share price at the date of grant. In addition, all eligible employees have been invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares") in each tax year and for every Partnership Share that an employee acquires, the SIP Trust will offer two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. The Free and Matching Shares are subject to a one year forfeiture period, however the awards are not subject to any vesting conditions, hence the related expenses are recognised when the awards are made and are apportioned over the forfeiture period.

The fair value of the services received is measured by reference to the listed share price of the parent company's shares listed on the AIM on the date of award of the free and matching shares to the employee.

Notes to the consolidated financial statements
continued

1. Accounting Policies continued

Investments – equity portfolio
All equity portfolio investments are designated as "fair value through profit or loss" assets and are initially recognised at the fair value of the consideration. They are measured at subsequent reporting dates at fair value.

The Board conducts the valuations of equity portfolio investments. In valuing equity portfolio investments, the Board applies guidelines issued by the International Private Equity and Venture Capital Valuation ("IPEVCV") Committee. The following valuation methodologies have been used in reaching the fair value of equity portfolio investments, some of which are in early stage companies:

a) at cost, unless there has been a significant round of new equity finance in which case the investment is valued at the price paid by an independent third party. Where subsequent events or changes to circumstances indicate that an impairment may have occurred, the carrying value is reduced to reflect the estimated extent of impairment;
b) by reference to underlying funds under management;
c) by applying appropriate multiples to the earnings and revenues and/or premiums of the investee company; or
d) by reference to expected future cash flow from the investment where a realisation or flotation is imminent.

Both realised and unrealised gains and losses arising from changes in fair value are taken to the Consolidated Statement of Comprehensive Income for the year. In the Consolidated Statement of Financial Position the unrealised gains and losses arising from changes in fair value are shown within a "fair value reserve" separate from retained earnings. Transaction costs on acquisition or disposal of equity portfolio investments are expensed in the Consolidated Statement of Comprehensive Income.

Equity portfolio investments are treated as 'Non-current Assets' within the Consolidated Statement of Financial Position unless the directors have committed to a plan to sell the investment and an active programme to locate a buyer and complete the plan has been initiated. Where such a commitment exists, and if the carrying amount of the equity portfolio investment will be recovered principally through a sale transaction rather than through continuing use, the investment is classified as a 'Non-current asset as held for sale' under 'Current Assets' within the Consolidated Statement of Financial Position.

Income from equity portfolio investments
Income from equity portfolio investments comprises:

a) gross interest from loans, which is taken to the Consolidated Statement of Comprehensive Income on an accruals basis;
b) dividends from equity investments are recognised in the Consolidated Statement of Comprehensive Income when the shareholders rights to receive payment have been established; and
c) advisory fees from management services provided to investee companies, which are recognised on an accruals basis in accordance with the substance of the relevant investment advisory agreement.

Investments – treasury portfolio
All treasury portfolio investments are designated as "fair value through profit or loss" assets and are initially recognised at the fair value of the consideration. They are measured at subsequent reporting dates at fair market value as determined from the valuation reports provided by the fund investment manager.

Both realised and unrealised gains and losses arising from changes in fair market value are taken to the Consolidated Statement of Comprehensive Income for the year. In the Consolidated Statement of Financial Position the unrealised gains and losses arising from changes in fair value are shown within the retained earnings reserve as these investments are deemed as being easily convertible into cash. Costs associated with the management of these investments are expensed in the Consolidated Statement of Comprehensive Income.

Income from treasury portfolio investments

Income from treasury portfolio investments comprises of dividends receivable which are either directly reinvested into the funds or received as cash.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the property, plant and equipment cost less their estimated residual value, over their expected useful lives on the following bases:

Furniture & equipment - 5 years

Leasehold fixtures and fittings – over the life of the lease

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated at the exchange rate ruling at the reporting period.

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction.

Exchange gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

Income taxes

The tax expense represents the sum of the tax currently payable and any deferred tax. The tax currently payable is based on the estimated taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the Consolidated Statement of Financial Position.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and of liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and it is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements

continued

1. Accounting Policies continued

Income taxes continued

The carrying amount of deferred tax assets is reviewed at each date of the Consolidated Statement of Financial Position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Pension costs

The Group operates a defined contribution scheme for some of its employees. The contributions payable to the scheme during the period are charged to the Consolidated Statement of Comprehensive Income.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight- line basis over the period of the lease.

Financial assets and liabilities

Financial instruments are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. De-recognition occurs when rights to cash flows from a financial asset expire, or when a liability is extinguished.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets. They are stated at their cost less impairment losses.

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Trade and other receivables

Trade and other receivables in the Consolidated Statement of Financial Position are initially measured at original invoice amount and subsequently measured after deducting any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash and short-term deposits as defined above and other short-term highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value, net of bank overdrafts.

Trade and other payables

Trade and other payables are stated based on the amounts which are considered to be payable in respect of goods or services received up to the date of the Consolidated Statement of Financial Position.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements there are no IFRS or International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations or amendments issued but not yet effective that would be expected to have a material impact on the Group.

2. Segmental Reporting

The Group operates in one business segment, provision of consultancy services to, as well as making and trading investments in, financial services businesses.

The Group identifies its reportable operating segments based on the geographical location in which each of its investments is incorporated and primarily operates. For management purposes, the Group is organised and reports its performance by two geographic segments: UK & Channel Islands and Non UK & Channel Islands.

If material to the Group overall (where the segment revenues, reported profit or loss or combined assets exceed the quantitative thresholds prescribed by IFRS 8: Operating Segments ("IFRS 8")), the segment information is reported separately.

The Group allocates revenues, expenses, assets and liabilities to the operating segment where directly attributable to that segment. All indirect items are apportioned based on the percentage proportion of revenue that the operating segment contributes to the total Group revenue (excluding any realised and unrealised gains and losses on the Group's current and non-current investments).

Each reportable segment derives its revenues from three main sources from equity portfolio investments as described in further detail in Note 1 under 'Income from equity portfolio investments' and also from treasury portfolio investments as described in Note 1 under 'Income from treasury portfolio investments'.

All reportable segments derive their revenues entirely from external clients and there are no inter-segment sales.

Notes to the consolidated financial statements

continued

2. Segmental Reporting continued

	Geographic segment 1: UK & Channel Islands		Geographic segment 2: Non UK & Channel Islands		Group	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Operating income	**11,770**	**12,588**	**2,675**	**486**	**14,445**	**13,074**
Operating expenses	(2,198)	(1,742)	(888)	(614)	(3,086)	(2,356)
Segment operating profit/(loss)	**9,572**	**10,846**	**1,787**	**(128)**	**11,359**	**10,718**
Financial income	333	13	134	5	467	18
Financial expenses	(26)	(23)	(10)	(8)	(36)	(31)
Exchange movements	(1)	(6)	403	(6)	402	(12)
Profit/(loss) before tax	**9,878**	**10,830**	**2,314**	**(137)**	**12,192**	**10,693**
Income tax (expense)/credit	(1,935)	(2,020)	(463)	27	(2,398)	(1,993)
Profit/(loss) for the year	**7,943**	**8,810**	**1,851**	**(110)**	**9,794**	**8,700**

Included within the operating income reported above are the following amounts requiring separate disclosure owing to the fact that they are derived from a single investee company and the total revenues attributable to that investee company are 10% or more of the total realised income generated by the Group during the period:

Investee Company	Total income attributable to the investee company £'000		% of total realised operating income (excluding gains on investments)		Reportable geographic segment	
	2017	2016	2017	2016	2017	2016
Hyperion Insurance Group Limited	453	453	15	16	1	1
Besso Insurance Group Limited	450	609	15	22	1	1
LEBC Holdings Limited	432	351	15	13	1	1
Trireme Insurance Group Limited	377	407	13	15	1&2	1&2
Nexus Underwriting Management Limited[1]	353	–	12	–	1	–

1 There are no disclosures shown for Nexus Underwriting Management Limited in the prior year as the total realised income derived from this investee company did not exceed the 10% threshold prescribed by IFRS 8 Operating Segments.

	Geographic segment 1: UK & Channel Islands		Geographic segment 2: Non UK & Channel Islands		Group	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets						
Property, plant and equipment	12	13	3	2	15	15
Investments – equity portfolio	27,248	45,956	12,102	8,095	39,350	54,051
Investments – treasury portfolio	5,230	3,482	–	–	5,230	3,482
Loans and receivables	3,050	11,129	4,107	3,531	7,157	14,660
	35,540	**60,580**	**16,212**	**11,628**	**51,752**	**72,208**
Current assets						
Non-current assets as held for sale	24,217	–	–	–	24,217	–
Trade and other receivables	4,522	2,705	540	349	5,062	3,054
Cash and cash equivalents	7,327	1,814	–	–	7,327	1,814
Deferred tax assets	–	–	–	49	–	49
	36,066	**4,519**	**540**	**398**	**36,606**	**4,917**
Total assets	**71,606**	**65,099**	**16,752**	**12,026**	**88,358**	**77,125**
Non-current liabilities						
Deferred tax liabilities	(6,363)	(5,674)	(365)	–	(6,728)	(5,674)
	(6,363)	**(5,674)**	**(365)**	**–**	**(6,728)**	**(5,674)**
Current liabilities						
Trade and other payables	(718)	(588)	–	–	(718)	(588)
Corporation tax provision	(1,230)	(51)	–	–	(1,230)	(51)
Total liabilities	**(1,948)**	**(6,313)**	**–**	**–**	**(1,948)**	**(6,313)**
Net assets	**63,295**	**58,786**	**16,387**	**12,026**	**79,682**	**70,812**
Additions to property, plant and equipment	6	3	2	1	8	4
Depreciation of property, plant and equipment	6	6	2	1	8	7
Cash flow arising from:						
Operating activities	10,428	(1,165)	(2,578)	(509)	7,850	(1,674)
Investing activities	(1,332)	2,814	–	–	(1,332)	2,814
Financing activities	(1,001)	(853)	–	–	(1,001)	(853)
Change in cash and cash equivalents	**8,095**	**796**	**(2,578)**	**(509)**	**5,517**	**287**

3. Financial Expenses

	2017 £'000	2016 £'000
Investment management costs (Note 13)	36	31
	36	**31**

4. Financial Income

	2017 £'000	2016 £'000
Bank and similar interest	7	6
Income from treasury portfolio investments – dividend and similar income (Note 13)	78	389
Income from treasury portfolio investments – net unrealised gains/(losses) on revaluation (Note 13)	382	(377)
	467	**18**

Notes to the consolidated financial statements
continued

5. Staff Costs

The average number of employees, including all directors (executive and non-executive), employed by the Group during the year was 17 (2016: 17); 6 of those are in a management role (2016: 6) and 11 of those are in a support role (2016: 11). All remuneration was paid by B.P. Marsh & Company Limited.

The related staff costs were:

	2017 £'000	2016 £'000
Wages and salaries	1,605	1,368
Social security costs	210	174
Pension costs	77	61
Other employment costs (Note 24)	69	2
	1,961	**1,605**

During the year to 31 January 2015, Joint Share Ownership Agreements were entered into between certain directors and employees, the Company and B.P. Marsh Management Limited, a company wholly owned by the Executive Chairman and majority shareholder, Mr B.P. Marsh. Refer to the Report of the Remuneration Committee on page 27 and Note 24 for further details.

During the year the Group also established a Share Incentive Plan ("SIP") under which certain eligible directors and employees were granted Ordinary shares in the Company. These shares are being held on behalf of these directors and employees within the B.P. Marsh SIP Trust. Refer to the Report of the Remuneration Committee on page 27 and Note 24 for further details.

Charges of £66,740 (2016: £Nil) relating to the SIP and £2,013 (2016: £2,013) relating to the Joint Share Ownership Agreements are included within 'Other employment costs' above.

6. Directors' Emoluments

The aggregate emoluments of the directors were:

	2017 £'000	2016 £'000
Management services – remuneration	1,028	847
Fees	21	38
Pension contributions – remuneration	46	36
	1,095	**921**

1,080,059 of the 1,421,130 shares, in respect of which joint interests were granted during the year ended 31 January 2015, were issued to directors.

Of the total 73,080 Free, Matching and Partnership Shares granted under the SIP during the year, 32,480 were granted to directors of the Company.

Of the £2,013 (2016: £2,013) charge relating to the Joint Share Ownership Plan and the £66,740 (2016: £Nil) charge relating to the SIP, £1,529 (2016: £1,529) and £29,664 (2016: £Nil) related to the directors respectively.

Refer to the Report of the Remuneration Committee on page 27 and Note 24 for further details.

	2017 £'000	2016 £'000
Highest paid director		
Emoluments	241	199
Pension contribution	17	10
	258	**209**

The highest paid director also has a joint interest in 355,283 shares pursuant to a Joint Share Ownership Agreement entered into during the year ended 31 January 2015 as well as 8,120 shares held within the Company's SIP. Refer to the Report of the Remuneration Committee on page 27 and Note 24 for further details.

The Company contributes into defined contribution pension schemes on behalf of certain employees and directors. Contributions payable are charged to the Consolidated Statement of Comprehensive Income in the period to which they relate.

During the year, 4 directors (2016: 4) accrued benefits under these defined contribution pension schemes.

The key management personnel comprises of the directors.

7. Dividends

	2017 £'000	2016 £'000
Ordinary dividends		
Dividend paid:		
3.42 pence each on 29,226,040 Ordinary shares (2016: 2.75 pence each on 29,167,000 Ordinary shares)	999	802
	999	**802**

In the current year a total dividend of £3,340 was payable on the 97,652 ordinary shares held by the B.P. Marsh SIP Trust ("SIP Trust"); these shares having been held in Treasury at the start of the year and subsequently transferred to the SIP Trust in March 2016. No dividend was payable on the 59,040 ordinary shares held by the Company in Treasury in the prior year.

Notes to the consolidated financial statements
continued

8. Profit on Ordinary Activities Before Taxation

The profit for the year is arrived at after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation of owned tangible fixed assets	8	7
Auditor's remuneration :-		
Audit fees for the Company	27	26
Other services:		
Audit of subsidiaries' accounts	13	12
Taxation	10	10
Other advisory	18	60
Exchange (gain)/loss	(402)	12
Operating lease rentals of land and buildings	91	84

9. Income Tax Expense

	2017 £'000	2016 £'000
Current tax:		
Current tax on profits for the year	1,326	51
Adjustments in respect of prior years	(31)	(22)
Total current tax	**1,295**	**29**
Deferred tax (Note 17):		
Origination and reversal of temporary differences	1,103	1,964
Re-measurement upon change in tax rate	–	–
Adjustment in respect of previous periods	–	–
Total deferred tax	1,103	1,964
Total income taxes charged in the Consolidated Statement of Comprehensive Income	**2,398**	**1,993**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	**12,192**	**10,693**
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2016: 20.17%)	2,438	2,157
Tax effects of:		
Expenses not deductible for tax purposes	52	20
Prior year current tax overprovision	(31)	(22)
Re-measurement of deferred tax upon change in tax rate	–	–
Tax payable on realised gains on disposal of investments	(1,326)	–
Capital gains on disposal of investments	1,318	(1)
Other adjustments	104	(33)
Other effects:		
Management expenses utilised	–	–
Non-taxable income (dividends received)	(157)	(128)
Total income taxes charged in the Consolidated Statement of Comprehensive Income	**2,398**	**1,993**

There are no factors which may affect future tax charges except as set out in Note 17.

10. Earnings per Share from Continuing Operations Attributable to the Equity Shareholders

	2017 £'000	2016 £'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share being total comprehensive income attributable to equity shareholders	9,794	8,700
Earnings per share – basic and diluted	**33.5p**	**29.8p**

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	29,207,421	29,165,774
Number of dilutive shares under option	Nil	Nil
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	**29,207,421**	**29,165,774**

During the year the Company paid a total of £8,805 (2016: £56,414) in order to repurchase 5,726 (2016: 38,612) ordinary shares at an average price of 154 pence per share (2016: 146 pence per share). All 5,726 ordinary shares are being held by the Company in Treasury (2016: all 38,612 ordinary shares were held by the Company in Treasury).

Distributable reserves have been reduced by £8,805 as a result (2016: reduction of £56,414).

The Treasury shares do not have voting or dividend rights and have therefore been excluded for the purposes of calculating earnings per share.

As at 31 January 2017 a total of 5,726 ordinary shares were held by the Company in Treasury (31 January 2016: 97,652 ordinary shares were held by the Company in Treasury, prior to being transferred to the B.P. Marsh SIP Trust ("SIP Trust") in the current year).

The repurchase of the ordinary shares is borne from the Group's commitment to reduce share price discount to net asset value. Its policy has been throughout the year (and previously) to buy small parcels of shares when the share price drops to more than 25% below its published Net Asset Value and place them into Treasury. Following the year end, on 3 March 2017 the Group announced a Share Buy-Back Policy outlining this commitment.

The increase to the weighted average number of ordinary shares between 2016 and 2017 is attributable to the transfer of the 97,652 ordinary shares held by the Company in Treasury as at 31 January 2016 to the SIP Trust during the year. These shares have therefore been treated as re-issued for the purposes of calculating earnings per share. 73,080 of the 97,652 ordinary shares transferred to the SIP Trust were subsequently allocated to the participating employees as Free, Matching and Partnership shares under the share incentive plan arrangement (Note 24).

Notes to the consolidated financial statements
continued

11. Property, Plant and Equipment

Group

	Furniture & Equipment £'000	Leasehold Fixtures & Fittings £'000	Total £'000
Cost			
At 1 February 2015	65	51	116
Additions	4	–	4
Disposals	–	–	–
At 31 January 2016	**69**	**51**	**120**
At 1 February 2016	69	51	120
Additions	8	–	8
Disposals	(5)	–	(5)
At 31 January 2017	**72**	**51**	**123**
Depreciation			
At 1 February 2015	47	51	98
Eliminated on disposal	–	–	–
Charge for the year	7	–	7
At 31 January 2016	**54**	**51**	**105**
At 1 February 2016	54	51	105
Eliminated on disposal	(5)	–	(5)
Charge for the year	8	–	8
At 31 January 2017	**57**	**51**	**108**
Net book value			
At 31 January 2017	**15**	**-**	**15**
At 31 January 2016	**15**	**-**	**15**
At 31 January 2015	**18**	**-**	**18**

12. Investments – Equity Portfolio

Group

	Shares in investee companies		
	Continuing investments £'000	Non-current investments as held for sale[1] £'000	Total £'000
At valuation			
At 1 February 2015	38,647	–	38,647
Additions	5,209	–	5,209
Disposals	(74)	–	(74)
Provisions	–	–	–
Unrealised gains in this period	10,269	–	10,269
At 31 January 2016	**54,051**	**–**	**54,051**
At 1 February 2016	54,051	–	54,051
Transfers between categories	(21,836)	21,836	–
Additions	8,278	–	8,278
Disposals	(8,424)	(1,581)	(10,005)
Provisions	–	–	–
Unrealised gains in this period	7,281	3,962	11,243
At 31 January 2017	**39,350**	**24,217**	**63,567**
At cost			
At 1 February 2015	20,816	–	20,816
Additions	5,209	–	5,209
Disposals	(74)	–	(74)
Provisions	–	–	–
At 31 January 2016	**25,951**	**–**	**25,951**
At 1 February 2016	25,951	–	25,951
Transfers between categories	(6,821)	6,821	–
Additions	8,278	–	8,278
Disposals	(1,961)	(1,581)	(3,542)
Provisions	–	–	–
At 31 January 2017	**25,447**	**5,240**	**30,687**

1 Since 31 January 2017 the Group has disposed of its investments in both Besso Insurance Group Limited ("Besso") and Trireme Insurance Group Limited ("Trireme") (Note 26). Although the completion of these disposals took place after the year end, the intention to dispose of each investment was entered into prior to 31 January 2017. In the case of Besso, the Group's intention to dispose of its investment was also publicly announced prior to the year end. In accordance with the provisions of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") these investments have been moved from Non-current Assets to Current Assets and as at 31 January 2017 are shown within the Statement of Financial Position as "Non-current assets as held for sale". In addition, the movements in valuation and cost attributable to these specific investee companies have been categorised separately within the Group's investment movement table above. For the income generated from these two investments refer to Note 2.

The additions relate to the following transactions in the year:

On 20 April 2016 the Group acquired a 20% shareholding in Asia Reinsurance Brokers Pte Limited ("ARB"), a Singapore headquartered independent specialist reinsurance and insurance risk solutions provider, for a total consideration of SGD 2,398,424 (£1,268,336). The Group may increase its shareholding in ARB to 25% for an additional cash consideration of SGD 500,000 dependent on the performance of ARB in its financial year ending 31 December 2017.

Notes to the consolidated financial statements
continued

12. Investments – Equity Portfolio continued

On 14 June 2016 the Group acquired a further 8.02% preferred equity stake in LEBC Holdings Limited ("LEBC") for aggregate consideration of £1,911,120. These shares were acquired from a number of legacy shareholders, predominantly retired ex-employees of LEBC. On 16 November 2016 the Group acquired an additional 0.4% preferred equity stake in LEBC from another legacy shareholder for consideration of £110,514. Following these purchases, and as at 31 January 2017, the Group had an aggregate shareholding in LEBC of 43.03%.

During the year, Property and Liability Underwriting Managers (PTY) Limited ("PLUM") achieved its target earnings before interest, tax, depreciation and amortisation ("EBITDA") of ZAR 8,299,927 over the first year of the Group's investment. This EBITDA target had been agreed upon at initial investment in June 2015 and provided for further consideration of £300,000 to become payable in order to maintain the Group's equity stake in PLUM at 20%. On 9 June 2016 the Group paid £150,000 of this consideration and on 5 October 2016 the Group paid the remaining £150,000, bringing the total consideration payable for the 20% to £606,463. In addition, on 5 October 2016, the Group acquired a further 22.5% preferred equity stake in PLUM for consideration of £613,400. Following this additional investment, the Group's equity stake in PLUM stood at 42.5% as at 31 January 2017.

On 22 November 2016 the Group acquired a 25% cumulative preferred ordinary shareholding in The Fiducia MGA Company Limited ("Fiducia"), a newly established UK Marine Cargo Underwriting Agency, for total consideration of £75,000.

On 15 December 2016 the Group acquired a further 6.87% equity stake in Nexus Underwriting Management Limited ("Nexus") for a total consideration of £4,000,000. The Group acquired this additional equity from two of Nexus' founding shareholders. Following this additional investment, the Group's equity stake in Nexus stood at 18.6% as at 31 January 2017.

On 27 January 2017 the Group acquired a 30% cumulative preferred ordinary shareholding in Stewart Specialty Risk Underwriting Limited ("SSRU"), a start-up Specialty Casualty Underwriting Agency based in Toronto, Canada for consideration of CAD 30 (£19).

The disposals relate to the following transactions in the year:

On 15 April 2016 the Group sold its entire 49% stake in The Broucour Group Limited ("Broucour") to the founder and managing director, Mr Rupert Cattell, for consideration of up to £341,000, which equated to the Group's 31 January 2016 valuation of its investment in Broucour. The outstanding loan (£329,834 at the date of sale and £254,837 as at 31 January 2017) will be repaid in full in instalments.

On 4 May 2016 the Group sold its entire 1.32% stake (948,830 ordinary shares) in Randall & Quilter Investment Holdings Limited ("R&Q") to Brian Marsh Enterprises Limited, a company owned by Mr B.P. Marsh, the Chairman and majority shareholder of the Company. The total consideration of £1,019,992 represented a realised gain of £246,992 on the investment when compared to the carrying value of £773,000 as at 31 January 2016 (Note 14).

On 30 June 2016 the Group sold its remaining 1.6% equity stake (1,405,880 ordinary shares) in Hyperion Insurance Group Limited ("Hyperion") for consideration of £7,310,576. This consideration represents a realised gain of £576 when compared to the carrying value of £7,310,000 as at 31 January 2016 (Note 14). On 31 January 2017 the Group received full repayment of its £6,037,361 outstanding loan originally made to Hyperion in May 2013.

On 9 September 2016 the Group entered into a share buy-back agreement with Besso Insurance Group Limited ("Besso") for Besso to re-purchase 437,769 A Ordinary shares being held by the Group. This equity was originally acquired by the Group in September 2015 (at the time of acquisition equating to 7.03% of Besso) and was a capped participation which was stated within the Group's valuation of Besso at cost (£1,581,147) alongside its main economic participation of 37.94% (total 44.97%) as at 31 January 2016. Following Besso's buy-back of the shares at cost, the Group's holding returned to 37.94% and remained as such at 31 January 2017. As the shares were acquired by Besso at their 31 January 2016 carrying value, no gain or loss resulted on disposal.

The unquoted investee companies, which are registered in England except Summa Insurance Brokerage S.L. (Spain), MB Prestige Holdings PTY Limited (Australia), Bastion Reinsurance Brokerage (PTY) Limited (South Africa), Bulwark Investment Holdings (PTY) Limited (South Africa), Property and Liability Underwriting Managers (PTY) Limited (South Africa), Asia Reinsurance Brokers Pte Limited (Singapore) and Stewart Specialty Risk Underwriting Limited (Canada) are as follows:

Name of company	% holding of share capital	Date information available to	Aggregate capital and reserves £	Post tax profit/(loss) for the year £	Principal activity
Asia Reinsurance Brokers Pte Limited	20.00	31.12.15	1,772,106	220,331	Specialist reinsurance broker
Bastion Reinsurance Brokerage (PTY) Limited	35.00	31.12.15	(263,528)	(289,315)	Reinsurance broker
Besso Insurance Group Limited	37.94	31.12.15	4,737,544	265,114	Insurance intermediary
Bulwark Investment Holdings (PTY) Limited	35.00	31.12.15	(82,040)	(82,084)	Holding company for South African Managing General Agents
LEBC Holdings Limited	43.03	30.09.16	1,911,727	1,627,160	Independent financial advisor company
MB Prestige Holdings PTY Limited	40.00	31.12.16	1,473,790	464,298	Specialist Australian Motor Managing General Agency
Neutral Bay Investments Limited	49.90	31.03.16	4,039,192	229,779	Investment holding company
Nexus Underwriting Management Limited	18.60	31.12.15	7,975,270	1,687,050	Specialist Managing General Agency
Property and Liability Underwriting Managers (PTY) Limited	42.50	31.12.15	(181,225)	(152,042)	Specialist South African Property Managing General Agency
Stewart Specialty Risk Underwriting Limited	30.00	–	–	–	Specialist Canadian Casualty Underwriting Agency
Summa Insurance Brokerage, S.L.	77.25	31.12.15	7,686,491	56,158	Consolidator of regional insurance brokers
The Fiducia MGA Company Limited	25.00	–	–	–	Specialist UK Marine Cargo Underwriting Agency
Trireme Insurance Group Limited	30.86	31.12.15	(22,105)	(566,961)	Holding company for insurance intermediaries
Walsingham Motor Insurance Limited[1]	40.50	30.09.15	(1,470,124)	(586,214)	Specialist UK Motor Managing General Agency

1 By virtue of its interest in Walsingham Motor Insurance Limited, the Group also has a 50% equity holding in Walsingham Holdings Limited, a company incorporated in the year to 31 January 2016, and which remains dormant at the year end.

Financial data for The Fiducia MGA Company Limited and Stewart Specialty Risk Underwriting Limited is not yet available as these companies were incorporated and commenced trading in 2016.

The aggregate capital and reserves and profit/(loss) for the year shown above are extracted from the relevant local GAAP accounts of the investee companies.

Notes to the consolidated financial statements
continued

12. Investments – Equity Portfolio continued

Company

	Shares in group undertakings £'000
At valuation	
At 1 February 2015	52,815
Additions	–
Unrealised gains in this period	7,841
At 31 January 2016	**60,656**
At 1 February 2016	60,656
Additions	–
Unrealised gains in this period	8,786
At 31 January 2017	**69,442**
At cost	
At 1 February 2015	2,143
Additions	–
At 31 January 2016	**2,143**
At 1 February 2016	2,143
Additions	–
At 31 January 2017	**2,143**

Shares in group undertakings

All group undertakings are registered in England and Wales. The details and results of group undertakings held throughout the year, which are extracted from the IFRS accounts of B.P. Marsh & Company Limited and Marsh Insurance Holdings Limited and the UK GAAP accounts for the other companies, are as follows:

Name of company	% Holding of Share Capital	Aggregate capital and reserves at 31 January 2017 £	Profit/(loss) for the year to 31 January 2017 £	Principal Activity
B.P. Marsh & Company Limited	100	79,680,380	9,792,314	Consulting services and investment holding company
Marsh Insurance Holdings Limited	100	15,118,409	1,073,547	Investment holding company
B.P. Marsh Asset Management Limited	100	23,485	–	Consulting services
B.P. Marsh & Co. Trustee Company Limited	100	1,000	–	Dormant
Marsh Development Capital Limited	100	1	–	Dormant
Bastion London Limited	100	1	–	Dormant

Loans to the subsidiaries of £10.239 million (2016: £10.170 million) are now treated as capital contributions.

13. Non-Current Investments – Treasury Portfolio

Group

	2017 £'000	2016 £'000
At valuation		
Market value at 1 February	3,482	6,319
Additions at cost	11,976	3,084
Disposals	(10,652)	(5,902)
Change in value in the year (Note 3 & Note 4)	424	(19)
Market value at 31 January	**5,230**	**3,482**
Investment fund split:		
GAM London Limited	3,581	3,377
Banque Heritage SA	–	105
Rathbone Investment Management Limited	1,649	–
Total	**5,230**	**3,482**

The treasury portfolio comprises of investment funds managed and valued by the Group's investment managers, GAM London Limited and Rathbone Investment Management Limited (and also previously Banque Heritage SA until July 2016). All investments in securities are included at year end market value.

The initial investment into the funds was made following the partial realisation of the Group's investment in Hyperion Insurance Group Limited in the year to 31 January 2014.

The purpose of the funds is to hold (and grow) the Group's surplus cash until such time that suitable investment opportunities arise.

The funds are risk bearing and therefore their value not only can increase, but also has the potential to fall below the amount initially invested by the Group. However, the performance of each fund is monitored on a regular basis and the appropriate action is taken if there is a prolonged period of poor performance.

Investment management costs of £35,832 (2016: £31,257) were charged to the Consolidated Statement of Comprehensive Income for the current year (Note 3).

Notes to the consolidated financial statements
continued

14. Realised Gains on Disposal of Equity Investments

The realised gains on disposal of investments comprises of a net gain of £247,568. £246,992 of this net gain is in respect of the Group's disposal of its entire 1.32% investment in Randall & Quilter Investment Holdings Limited ("R&Q") at its carrying value of £773,000 for a consideration of £1,019,992. The remaining net gain of £576 is in respect of the Group's disposal of its remaining 1.6% investment in Hyperion Insurance Group Limited ("Hyperion") at its carrying value of £7,310,000 for a consideration of £7,310,576 (see Note 12 for further details of these disposals).

Additionally, during the year the Group disposed of its investment in The Broucour Group Limited ("Broucour") at its carrying value of £341,000 and made a partial disposal of its investment (7.03% capped participation) in Besso Insurance Group Limited at its carrying value of £1,581,147 (Note 12). As a result of these disposals being made at carrying value, no gain or loss was included in the Consolidated Statement of Comprehensive Income for the year.

In aggregate, the above disposals resulted in a net release to Retained Earnings from the Fair Value Reserve of £5,238,270, comprising of a £6,605,942 release of fair value which has been reduced by tax payable on disposal (gross of management expenses available for tax relief) of £1,367,672 (see Note 20).

The realised gains on disposal of investments of £6,141 for the year to 31 January 2016 were in respect of capital distributions made by R&Q.

15. Loans and Receivables – Non-Current

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans to investee companies (Note 25)	6,816	14,660	–	–
Other receivables (Note 25)	341	–	–	–
	7,157	**14,660**	**–**	**–**

See Note 25 for terms of the loans.

16. Trade and Other Receivables – Current

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	451	592	–	–
Less provision for impairment of receivables	(178)	–	–	–
	273	**592**	**–**	**–**
Loans to investee companies (Note 25)	4,170	1,965	–	–
Corporation tax repayable	–	15	–	–
Other receivables	16	21	–	–
Prepayments and accrued income	603	461	–	–
	5,062	**3,054**	**–**	**–**

Included within net trade receivables is a gross amount of £436,526 (2016: £535,560) owed by the Group's participating interests, against which a provision for bad debts of £178,018 has been provided for (2016: £Nil).

Trade receivables are provided for based on estimated irrecoverable amounts from the fees and interest charged to investee companies, determined by the Group's management based on prior experience and their assessment of the current economic environment. There were no such provisions in the previous year.

Movement in the allowance for doubtful debts:

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Balance at 1 February	–	–	–	–
Increase in allowance recognised in the Statement of Comprehensive Income	178	–	–	–
Balance at 31 January	**178**	**–**	**–**	**–**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Group's net trade receivable balance includes debtors with a carrying amount of £272,753 (2016: £591,532), of which £188,841 (2016: £514,865) of debtors are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances other than over £73,308 (2016: £259,824) included within the net trade receivables balance relating to loan interest due from investee companies which is secured on the assets of the investee company.

Ageing of past due but not impaired:

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not past due	84	77	–	–
Past due: 0 – 30 days	45	215	–	–
Past due: 31 – 60 days	7	55	–	–
Past due: more than 60 days	137	245	–	–
	273	**592**	**–**	**–**

There were no provisions made against loans to investee companies in both the current or prior year.

See Note 25 for terms of the loans and Note 23 for further credit risk information.

Notes to the consolidated financial statements

continued

17. Deferred Tax Liabilities – Non-Current

	Group £'000	Company £'000
At 1 February 2015	3,661	–
Tax movement relating to investment revaluation and disposal of revalued investments for the year (Note 9)	1,964	–
At 31 January 2016	**5,625**	**–**
At 1 February 2016	5,625	–
Tax movement relating to investment revaluation and disposal of revalued investments for the year (Note 9)	1,103	–
At 31 January 2017	**6,728**	**–**

The directors estimate that, if the Group were to dispose of all its investments at the amount stated in the Consolidated Statement of Financial Position, £6,728,000 (2016: £5,625,000) of tax on capital gains would become payable by the Group at a corporation tax rate of 20% (2016: 20%).

As at 31 January 2017 the enacted tax rate was 19% from April 2017 and 17% from April 2020. The Group is unable to determine when exactly such timing on the deferred tax might take place, however if the appropriate rates are used based on the estimated timings when the deferred tax liability is expected to crystallise, then the deferred tax liability would potentially be reduced by some £157,000.

18. Current Liabilities

		Group		Company
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other payables				
Trade payables	105	127	–	–
Other taxation & social security costs	46	52	–	–
Accruals and deferred income	567	409	–	15
	718	**588**	**–**	**15**
Corporation tax (Note 9)	1,230	51	–	–
	1,948	**639**	**–**	**15**

The corporation tax as at 31 January 2017 relates to the estimated tax payable on the disposal of the Group's investments in Broucour, R&Q and Hyperion during the year (Note 12) of £1,367,672, less £90,000 of quarterly instalment payments on account already made during the year, £6,098 of foreign withholding tax deducted at source and £41,423 of estimated tax credit from excess management expenses arising on the on the Group's underlying profit for the year.

The corporation tax as at 31 January 2016 of £51,227 related to the estimated tax payable on the Group's underlying profit for that year of £51,101 and £126 of tax payable in respect of the year ended 31 January 2015.

All of the above liabilities are measured at amortised cost.

19. Called Up Share Capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
29,226,040 Ordinary shares of 10p each (2016: 29,226,040)	2,923	2,923
	2,923	**2,923**

During the year the Company paid a total of £8,805 (2016: £56,414) in order to repurchase 5,726 (2016: 38,612) ordinary shares at an average price of 154 pence per share (2016: 146 pence per share). All 5,726 ordinary shares are being held by the Company in Treasury (2016: all 38,612 ordinary shares were held by the Company in Treasury).

Distributable reserves have been reduced by £8,805 as a result (2016: reduction of £56,414).

The Treasury shares do not have voting or dividend rights and have therefore been excluded for the purposes of calculating earnings per share.

As at 31 January 2017 a total of 5,726 ordinary shares were held by the Company in Treasury (31 January 2016: 97,652 ordinary shares were held by the Company in Treasury, prior to being transferred to the B.P. Marsh SIP Trust in the current year).

The repurchase of the ordinary shares is borne from the Group's commitment to reduce share price discount to net asset value. Its policy has been throughout the year (and previously) to buy small parcels of shares when the share price drops to more than 25% below its published Net Asset Value and place them into Treasury. Following the year end, on 3 March 2017 the Group announced a Share Buy-Back Policy outlining this commitment.

20. Reconciliation of Movements in Shareholders' Funds

Group

	Share capital £'000	Share premium account £'000	Fair value reserve £'000	Reverse acquisitio reserve £'000	Captial redemption reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2015	2,923	9,370	13,992	393	6	1	36,286	62,971
Comprehensive income for the year	–	–	8,532	–	–	–	168	8,700
Dividends paid (Note 7)	–	–	–	–	–	–	(802)	(802)
Repurchase of Company shares (Note 19)	–	–	–	–	–	–	(57)	(57)
Share based payments (Note 24)	–	–	–	–	–	2	(2)	–
At 31 January 2016	**2,923**	**9,370**	**22,524**	**393**	**6**	**3**	**35,593**	**70,812**
At 1 February 2016	2,923	9,370	22,524	393	6	3	35,593	70,812
Comprehensive income for the year	–	–	8,870	–	–	–	924	9,794
Transfers on sale of investments (Note 14)	–	–	(5,238)	–	–	–	5,238	–
Other transfers	–	–	35	–	–	–	(35)	–
Dividends paid (Note 7)	–	–	–	–	–	–	(999)	(999)
Repurchase of Company shares (Note 19)	–	–	–	–	–	–	(9)	(9)
Share based payments (Note 24)	–	–	–	–	–	2	(2)	–
Share Incentive Plan	–	11	–	–	–	–	73	84
At 31 January 2017	**2,923**	**9,381**	**26,191**	**393**	**6**	**5**	**40,783**	**79,682**

Notes to the consolidated financial statements
continued

20. Reconciliation of Movements in Shareholders' Funds continued

Company

	Share capital £'000	Share premium account £'000	Fair value reserve £'000	Captial redemption reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2015	2,923	9,370	50,671	6	1	–	62,971
Comprehensive income for the year	–	–	7,841	–	–	859	8,700
Dividends paid (Note 7)	–	–	–	–	–	(802)	(802)
Share repurchase (Note 19)	–	–	–	–	–	(57)	(57)
Share based payments (Note 24)	–	–	–	–	(1)	1	–
At 31 January 2016	**2,923**	**9,370**	**58,512**	**6**	**-**	**1**	**70,812**
At 1 February 2016	2,923	9,370	58,512	6	–	1	70,812
Comprehensive income for the year	–	–	8,787	–	–	1,007	9,794
Dividends paid (Note 7)	–	–	–	–	–	(999)	(999)
Share repurchase (Note 19)	–	–	–	–	–	(9)	(9)
Share Incentive Plan	–	11	–	–	–	73	84
At 31 January 2017	**2,923**	**9,381**	**67,299**	**6**	**-**	**73**	**79,682**

21. Operating Lease Commitments

The Group and Company was committed to making the following future aggregate minimum lease payments under non-cancellable operating leases:

	2017 Land and buildings £'000	2016 Land and buildings £'000
Earlier than one year	19	76
Between two and five years	–	–

The "earlier than one year" operating lease commitment that existed as at 31 January 2017 related to the temporary extension of the lease on the Group's office premises at 2nd Floor, 36 Broadway, London, SW1H 0BH until 9 May 2017. The original five year lease expired on 26 December 2016.

Following the year end, on 28 February 2017 the Group entered into a new operating lease agreement relating to its new office premises at 5th Floor, 4 Matthew Parker Street, London, SW1H 9NP. Refer to Note 26 for further details.

22. Loan and Equity Commitments

On 22nd July 2010 (as varied on 8 August 2012, 29 May 2014 and 23 September 2014) the Group entered into an agreement to provide a loan facility of £2,419,515 to Trireme Insurance Group Limited, an investee company. Following a repayment of £240,000 made in the prior year, as at 31 January 2017 the total loan drawn down amounted to £2,155,113, leaving a remaining undrawn facility of £24,402.

On 15 April 2015 (as varied on 13 April 2016 and 27 September 2016) the Group entered into an agreement to provide a loan facility of £665,000 to Bulwark Investment Holdings (PTY) Limited, an investee company. As at 31 January 2017 £615,000 of this facility had been drawn down, leaving a remaining undrawn facility of £50,000.

On 22 November 2016 the Group entered into an agreement to provide a loan facility of up to £1,725,000 (subject to meeting certain conditions) to The Fiducia MGA Company Limited ("Fiducia"), an investee company. As at 31 January 2017 £350,000 of this facility had been drawn down, leaving a remaining undrawn facility of £1,375,000.

On 27 January 2017 the Group entered into an agreement to provide a loan facility of CAD 850,000 (subject to certain conditions) to Stewart Specialty Risk Underwriting Limited ("SSRU"), an investee company. As at 31 January 2017 CAD 250,000 (£152,420) of this facility had been drawn down, leaving a remaining undrawn facility of CAD 600,000.

Please refer to Note 26 for details of loan amounts drawn down after the year end.

23. Financial Instruments

The Group's financial instruments comprise loans to participating interests, cash and liquid resources and various other items, such as trade debtors, trade creditors, other debtors and creditors and loans. These arise directly from the Group's operations.

The Group has not entered into any derivatives transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken unless there are economic reasons for doing so, as determined by the directors.

The main risks arising from the Group's financial instruments are price risk, credit risk, liquidity risk, interest rate risk, currency risk, new investment risk, concentration risk and political risk. The Board reviews and agrees policies for managing each of these risks and they are summarised in the Group Report of the Directors under "Financial Risk Management".

Interest rate profile

The Group has cash balances of £7,327,000 (2016: £1,814,000), which are part of the financing arrangements of the Group. The cash balances comprise bank current accounts and deposits placed at investment rates of interest, which ranged up to 1.0% p.a. in the period (2016: deposit rates of interest ranged up to 0.85% p.a.). During the period maturity periods ranged between immediate access and 9 months (2016: maturity periods ranged between immediate access and 32 days).

Currency hedging

During the year the Group engaged in one currency hedging transaction amounting to €1,000,000 (2016: None) to mitigate the exchange rate risk for certain foreign currency receivables. This was settled before the year end. A net gain of £94,788 (2016: £Nil) relating to this hedging transaction was recognised under Exchange Movements within the Consolidated Statement of Comprehensive Income when the transaction was settled before the year end.

Financial liabilities

The Company had no borrowings as at 31 January 2017 (2016: £Nil).

Notes to the consolidated financial statements
continued

23. Financial Instruments continued

Fair values

The Group has adopted the amendment to IFRS 7 for financial instruments which are measured at fair value at the reporting date. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, observed either directly as prices or indirectly from prices; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The following presents the Group's assets and liabilities that are measured at fair value at 31 January 2017:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Equity portfolio investments designated as "fair value through profit or loss" assets	–	–	63,567	63,567
Treasury portfolio investments	5,230	–	–	5,230
	5,230	–	**63,567**	**68,797**

The Group's assets and liabilities that are measured at fair value at 31 January 2016 are presented as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Equity portfolio investments designated as "fair value through profit or loss" assets	773	–	53,278	54,051
Treasury portfolio investments	3,482	–	–	3,482
	4,255	–	**53,278**	**57,533**

24. Share Based Payment Arrangements

Joint Share Ownership Plan

During the year to 31 January 2015, B.P. Marsh & Partners Plc entered into joint share ownership agreements ("the Agreements") with certain employees and directors. The details of the arrangements are described in the following table:

Nature of the arrangement	Share appreciation rights (joint beneficial ownership)
Date of grant	6 November 2014
Number of instruments granted	1,421,130
Exercise price (pence)	140.00
Share price (market value) at grant (pence)	138.00
Hurdle rate	3.5% p.a. (simple)
Vesting period (years)	3 years
Vesting conditions	There are no performance conditions other than the recipient remaining an employee throughout the vesting period. The awards vest after 3 years or earlier resulting from either: a) a change of control resulting from a person, other than a member of the Company, obtaining control of the Company either (i) as a result of a making a Takeover Offer; (ii) pursuant to a Scheme of Arrangement; or (iii) in consequence of a Compulsory Acquisition); or b) a person becoming bound or entitled to acquire shares in the Company pursuant to sections 974 to 991 of the Companies Act 2006; or c) a winding up. If the employee is a bad leaver the co-owner of the jointly-owned share can buy out the employee's interest for 1p
Expected volatility	20%
Risk free rate	1%
Expected dividends expressed as a dividend yield	2%
Settlement	Cash settled on sale of shares
% expected to vest (based upon leavers)	85%
Number expected to vest	1,207,960
Valuation model	Black –Scholes
Black-Scholes value (pence)	15.00
Deduction for carry charge (pence)	14.50
Fair value per granted instrument (pence)	0.50
Charge for year ended 31 January 2017	£2,013

On 6 November 2014 1,421,130 10p Ordinary shares in the Company were transferred into joint beneficial ownership for 6 employees (4 of whom are directors) under the terms of joint share ownership agreements. No consideration was paid by the employees for their interests in the jointly-owned shares.

Under the terms of the Agreements, the employees and directors enjoy the growth in value of the shares above a threshold price of £1.40 per share plus an annual carrying charge of 3.5% per annum (simple interest) to the market value at the date of grant (£1.38 per share).

The employees and directors received an interest in jointly-owned shares and a Joint Share Ownership Plan ("JSOP") is not an option, however the convention for JSOPs is to treat them as if they were options. The value of the employee's interest for accounting purposes is calculated using option pricing theory (Black-Scholes Mathematics).

The risk free rates are based on the yield on UK Government Gilts of a term consistent with the assumed option life.

Notes to the consolidated financial statements
continued

24. Share Based Payment Arrangements continued

No jointly-owned shares were sold or forfeited during the year. The number of jointly-owned shares expected to vest has therefore not been adjusted. In accordance with IFRS 2: Share-based Payment, the fair value of the expected cost of the award (measured at the date of grant) has been spread over the three year vesting period.

There has been no movement during the year in terms of the numbers of shares to be exercised (2016: no movement).

Share Incentive Plan

On 29 March 2016 the Group established an HMRC sanctioned Share Incentive Plan ("SIP"). A total of 97,652 ordinary shares in the Company (which were held in Treasury as at 31 January 2016) were transferred to the B.P. Marsh SIP Trust ("SIP Trust"). A total of 9 employees (including 4 executive directors of the Company) were eligible and applied for the 2015-16 SIP and were each granted 2,408 ordinary shares ("15-16 Free Shares"), representing £3,600 at the share price on the date of grant. The 15-16 Free Shares are subject to a 1 year forfeiture period.

On 27 June 2016, a total of 9 eligible employees (including 4 executive directors of the Company) applied for the 2016-17 SIP and were each granted 2,285 ordinary shares ("16-17 Free Shares"), representing £3,600 at the price of issue.

Additionally, on 27 June 2016, all eligible employees were also invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares"). For every Partnership Share that an employee acquires, the SIP Trust will offer two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. All 9 eligible employees (including 4 executive directors of the Company) took up the offer and acquired the full £1,800 worth of Partnership Shares (1,142 ordinary shares) and were therefore awarded 2,285 Matching Shares.

The 16-17 Free and Matching Shares are subject to a 1 year forfeiture period.

A total of 73,080 Free, Matching and Partnership Shares were granted to the 9 eligible employees during the year, including 32,480 granted to 4 executive directors of the Company (Note 6).

£66,740 of the IFRS 2 charges (2016: £Nil) associated with the award of the SIP shares to the 9 eligible directors and employees of the Company have been recognised in the Statement of Comprehensive Income as employment expenses (Note 5).

The results of the SIP Trust have been fully consolidated within these financial statements on the basis that the SIP Trust is controlled by the Company.

25. Related Party Disclosures

The following loans owed by the associated companies (including their subsidiaries and other related entities) of the Company and its subsidiaries were outstanding at the year end:

	2017	2016
	£	£
The Broucour Group Limited	254,837	1,041,500
Bastion Reinsurance Brokerage (PTY) Limited	341,831	341,831
Besso Insurance Group Limited	1,807,500	2,341,540
Bulwark Investment Holdings (PTY) Limited	615,000	398,624
The Fiducia MGA Company Limited	350,000	–
Hyperion Insurance Group Limited	–	6,037,361
LEBC Holdings Limited	1,005,000	1,005,000
Trireme Insurance Group Limited	2,155,113	2,155,113
Walsingham Motor Insurance Limited	1,200,000	1,200,000
	€	€
Summa Insurance Brokerage, S.L.	2,731,434	2,731,434
	AUD	AUD
MB Prestige Holdings PTY Limited	1,257,740	1,417,334
	CAD	CAD
Stewart Specialty Risk Underwriting Limited	250,000	–

The loans are typically secured on the assets of the investee companies and an appropriate interest rate is charged based upon the risk profile of that company.

In addition, the sole shareholder of The Broucour Group Limited ("Broucour") owed the Group £341,000 at the year end, being cash receivable from the sale of the equity holding in Broucour by the Group. This will be receivable after more than one year as shown in Note 15. The directors consider that the present value of the amount is not materially different from the amount stated.

Notes to the consolidated financial statements
continued

25. Related Party Disclosures continued

Income receivable, consisting of consultancy fees, interest on loans and dividends recognised in the Consolidated Statement of Comprehensive Income in respect of the investee companies (including their subsidiaries and other related entities) of the Company and its subsidiaries for the year were as follows:

	2017 £	2016 £
Asia Reinsurance Brokers Pte Limited	42,316	–
The Broucour Group Limited	16,930	43,458
Bastion Reinsurance Brokerage (PTY) Limited	56,448	64,989
Besso Insurance Group Limited	449,960	608,906
Bulwark Investment Holdings (PTY) Limited	77,959	39,961
Hyperion Insurance Group Limited	452,802	452,802
The Fiducia MGA Company Limited	11,963	–
LEBC Holdings Limited	431,891	350,876
MB Prestige Holdings PTY Limited	138,882	129,232
Neutral Bay Investments Limited	112,542	106,505
Nexus Underwriting Management Limited	353,202	194,889
Property & Liability Underwriting Managers (PTY) Limited	60,053	31,971
Stewart Specialty Risk Underwriting Limited	436	–
Summa Insurance Brokerage, S.L.	208,077	204,605
Trireme Insurance Group Limited	377,124	407,150
Walsingham Motor Insurance Limited	121,000	121,000

In addition, the Group made management charges of £34,000 (2016: £34,000) to the Marsh Christian Trust, a grant making charitable Trust of which Mr B.P. Marsh, the Executive Chairman and majority shareholder of the Company, is also the Trustee and Settlor.

The Group also made management charges of £8,900 (2016: £8,900) to Brian Marsh Enterprises Limited.

On 4 May 2016 the Group also sold its entire 1.32% stake (948,830 ordinary shares) in Randall & Quilter Investment Holdings Limited ("R&Q") to Brian Marsh Enterprises Limited. The total consideration of £1,019,992 represents a realised gain of £246,992 on the investment when compared to the carrying value of £773,000 as at 31 January 2016 (Notes 12 & 14).

Mr B.P. Marsh, the Chairman and majority shareholder of the Company is also the Chairman and majority shareholder of Brian Marsh Enterprises Limited.

On 6 April 2016 Mr B.P. Marsh gifted 584,000 ordinary shares in the Company to the Marsh Christian Trust for nil consideration. Following the transfer, and as at 31 January 2017, the Marsh Christian Trust held 614,000 shares in the Company.

All the above transactions were conducted on an arms length basis.

Of the total dividend payments made during the year of £999,335, £625,301 was paid to the directors or parties related to them (2016: total dividend payments of £802,093, of which £510,703 was paid to the directors or parties related to them).

26. Events after the Reporting Date

On 1 February 2017 the Group provided £3,600,000 of further loan funding to Besso Insurance Group Limited ("Besso") to enable it to fund an overseas acquisition. This additional loan facility increased Besso's outstanding loan balance to £4,907,500 (£1,307,500 as at 31 January 2017).

On 17 February 2017 the Group acquired, through a newly established company Paladin NewCo Limited ("Paladin"), an effective 35% shareholding in CBC UK Limited ("CBC"), a Retail and Wholesale Lloyd's insurance broker. The Group partnered with CBC's management team to buy out an existing shareholder and the acquisition of CBC was made through Paladin, to which the Group provided £4,000,000 of funding (comprising cash consideration of £3,500 for the 35% equity and a loan facility of £3,996,500 which was fully drawn down on completion).

On 17 February 2017 The Fiducia MGA Company Limited ("Fiducia") drew down £194,400 of its agreed loan facility and on 8 May 2017 drew down a further £275,000. As at 31 January 2017 the total loan outstanding was £350,000 and following the aforementioned drawdowns stands at £819,400, leaving a remaining undrawn facility of £905,600 at the date of this report (Note 22).

On 28 February 2017 the Group sold its entire 37.94% stake in Besso to an affiliate of BGC Partners, Inc ("BGC"), for an initial consideration of £21,566,157 (net of transaction costs). On 12 April 2017 the Group received further cash consideration of £441,638 pursuant to an adjustment based upon Besso's 28 February 2017 final completion accounts, bringing the total consideration received by the Group to £22,007,795. The total consideration received represents a realised gain of £698,795 when compared to the carrying value of the Group's investment in Besso of £21,309,000 as at 31 January 2017. Outstanding loans of £4,907,500 were also repaid in full on completion.

On 28 February 2017 the Group entered into an operating lease agreement relating to its new office premises at 5th Floor, 4 Matthew Parker Street, London, SW1H 9NP. The operating lease is for a period of 10 years with a 5 year break clause in February 2022.

On 9 March 2017 Bulwark Investment Holdings (PTY) Limited ("Bulwark") drew down £20,000 of its remaining total loan facility of £665,000. As at 31 January 2017 the total loan outstanding was £615,000 and following the aforementioned drawdown stands at £635,000 at the date of this report. Pursuant to the Group providing loan funding to a related investee company, Property and Liability Underwriting Managers (PTY) Limited ("PLUM"), on 19 April 2017 (as noted below), the remaining £30,000 of the original £665,000 facility made available to Bulwark was cancelled.

On 6 April 2017 Mr B.P. Marsh, the Chairman and majority shareholder of the Company, transferred 584,000 ordinary shares in the Company to the Marsh Christian Trust ("the Trust"), a grant-making charitable trust of which Mr B.P. Marsh is also Trustee and Settlor, for nil consideration, taking the total number of shares held by the Trust in the Company to 1,198,000 at that time. Pursuant to a Share Sale Plan announced by the Group on 5 April 2017 (which provides for the sale of up to 200,000 shares between 5 April 2017 and 14 September 2018), on 24 April 2017 the Trust sold 44,000 of these shares at a price of 201p per share. This sale reduced the Trust's holding down to 1,154,000 ordinary shares (4.0% of the Company) at the date of this report.

Notes to the consolidated financial statements
continued

26. Events after the Reporting Date continued

On 19 April 2017 the Group provided £400,000 of loan funding to Property and Liability Underwriting Managers (PTY) Limited ("PLUM") for working capital purposes. £129,000 was drawn down immediately and a further £125,000 was drawn down on 18 May 2017, resulting in a total amount drawn down of £254,000 and a remaining £146,000 undrawn facility at the date of this report.

On 21 April 2017 the Group sold its entire 29.94% stake (351,000 B ordinary shares, 3,400 preferred shares and 292 ordinary shares) in Trireme Insurance Group Limited ("Trireme") to its fellow shareholder, US Risk Midco, LLC, for cash consideration of £2,908,350 as well as an additional payment of £51,345 in lieu of a preferred dividend. The consideration of £2,908,350 equates to the Group's 31 January 2017 valuation of its investment in Trireme. The outstanding loan of £2,155,113 as at 31 January 2017 was also repaid on completion.

27. Ultimate Controlling Party

The directors consider Mr B.P. Marsh to be the ultimate controlling party.

Company Information

DIRECTORS
Brian Marsh OBE (Chairman)
Alice Foulk (Managing Director)
Jonathan Newman (Group Director of Finance)
Daniel Topping (Chief Investment Officer)
Camilla Kenyon (Director)
Stephen Clarke (Non-executive)
Campbell Scoones (Non-executive)
Pankaj Lakhani (Non-executive)

COMPANY SECRETARY
Sinead O'Haire

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