

B. P. MARSH & PARTNERS PLC

EXTRACT FROM THE INTERIM  
RESULTS FOR THE PERIOD  
ENDED 31<sup>ST</sup> JULY 2007

# COMPANY INFORMATION



## DIRECTORS

Brian Marsh OBE (*Chairman*)  
Natasha Dunbar (*Managing Director*)  
Jonathan Newman (*Group Director of Finance*)  
Francis de Zulueta (*Development Director*)  
Stephen Clarke (*Non-executive*)  
Philip Mortlock (*Non-executive*)  
Clare Ferguson (*Non-executive*)

## COMPANY SECRETARY

Robert King

## COMPANY NUMBER

5674962

## REGISTERED OFFICE

Granville House, 5<sup>th</sup> Floor  
132 Sloane Street, London, SW1X 9AX

## AUDITORS

Rawlinson & Hunter  
Eagle House, 110 Jermyn Street  
London, SW1Y 6RH

## BROKER

Hichens, Harrison & Co. plc  
Bell Court House, 11 Blomfield Street  
London, EC2M 1LB

## SOLICITORS

Taylor Wessing, Carmelite  
50 Victoria Embankment  
Blackfriars, London, EC4Y 0DX

## REGISTRAR

Capita Registrars Ltd, Northern House  
Woodsome Park, Fenay Bridge  
Huddersfield, West Yorkshire, HD8 0LA

## NOMINATED ADVISER

Nabarro Wells & Co. Limited  
Saddlers House, Gutter Lane  
Cheapside, London, EC2V 6HS

## PUBLIC RELATIONS

Redleaf Communications Limited  
9-13 St Andrew Street,  
London, EC4A 3AF

# CONTENTS



This is an extract from B. P. Marsh & Partners Plc's Interim Results for the period ended 31<sup>st</sup> July 2007. Full copies of the Interim Results are available from the Investor Relations section of the company's website ([www.bpmarsh.co.uk](http://www.bpmarsh.co.uk)) or by writing to the company at its registered office address.

GROUP PROFILE	1
GROUP VALUATION	2
CHAIRMAN'S STATEMENT	3
DIRECTORS	6
INVESTMENTS	8
CONSOLIDATED INCOME STATEMENT	11
CONSOLIDATED BALANCE SHEET	12

## GROUP PROFILE



The B. P. Marsh Group (the "Group") is a niche venture capital provider to early stage financial services businesses. It will consider investing in start-ups, management buy-outs, management buy-ins, hive-offs and similar opportunities. It is also able to provide follow-on funding for successful companies in its portfolio when required for further growth.

The Group typically invests up to £2.5 million in financial service investment opportunities based in the United Kingdom, but will also consider opportunities in Europe, North America and occasionally elsewhere. It likes to invest in people businesses with good management.

The Group does not seek to impose exit pressures on its investee companies, but prefers to work with management to develop a mutually acceptable exit route.

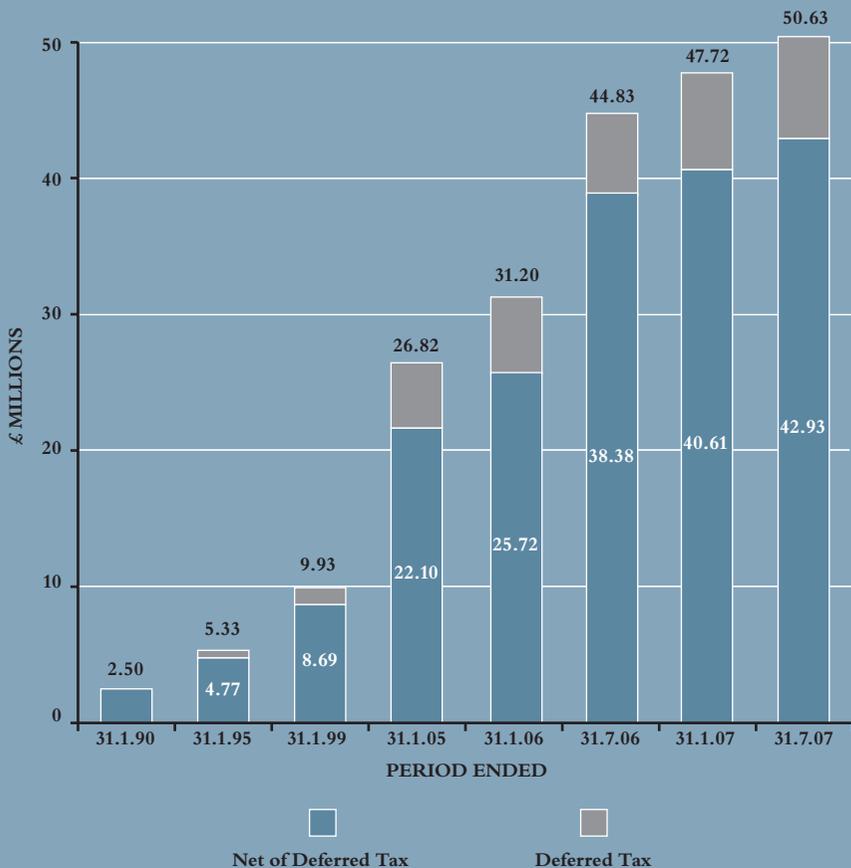
The Group has a considerable bank of experience in the financial services sector and seeks to use this experience to add value to its investments. It is also able to provide consultancy and administrative services to its portfolio of investments when required.

The Group's aim is to be the capital provider of choice to the financial services intermediary sector.

## GROUP VALUATION



The Group made total distributions of £4,432,000 between 2002 and 2006 and therefore the valuations below are net of these distributions. The valuations from 31<sup>st</sup> January 2007 include £10.1 million net proceeds raised on AIM.



*Deferred Tax £ Millions*

0      0.56      1.24      4.72      5.48      6.45      7.11      7.70

NB: The valuations from 31<sup>st</sup> January 2003 onwards have been reviewed by the Group's auditors and have previously been disclosed in the Company's Admission Document dated 2<sup>nd</sup> February 2006 or in subsequent announcements. Although the valuations prior to this date were prepared on a consistent basis they have not been the subject of review and are provided for comparative purposes.

# CHAIRMAN'S STATEMENT



I am pleased to present the unaudited interim results for B. P. Marsh & Partners Plc (the "Group") and its consolidated statements for the six months ended 31<sup>st</sup> July 2007. This is the first occasion that the results have been presented in accordance with International Financial Reporting Standards and the comparative data for the six months to 31<sup>st</sup> July 2006 and the year to 31<sup>st</sup> January 2007 have been restated. A reconciliation of the Balance Sheet and Income Statement has been included in the notes to the accounts.

## INVESTMENTS

In the six months to 31<sup>st</sup> July 2007 the Group made the following investments:

- The Group acquired a 25% shareholding in JMD Specialist Insurance Services Group Limited ("JMD") for £0.6 million and has agreed to provide a further £0.25 million in loans to further develop the business. JMD is an accelerated premium collection service based in the City of London and provides a unique approach to the acceleration of insurance cash flow as well as attractive balance sheet management;
- The Group acquired a 22.5% shareholding in LEBC Holdings Limited ("LEBC") for an initial consideration of £1.8 million and a further payment of £0.2 million based on its subsidiary company's audited results to 31<sup>st</sup> May 2007. LEBC is an Independent Financial Adviser established in 2000 with 11 branches and 56 advisers around the UK and which provides services to individuals, corporates and partnerships, principally in employee benefits, investment and life product areas;
- The Group participated in a further rights issue for Hyperion Insurance Group Limited to further develop the business, taking up its pro-rata share at £1.5 million and thereby retaining its 27.9% shareholding;
- The Group lent Summa Insurance Brokerage S. L. an additional €1.6 million, part of an agreed €2 million loan facility, to fund further acquisitions of regional brokers in Spain.

In addition, the Group has currently committed to provide a further £0.6 million of funding either through debt or deferred equity for its existing investments. After taking this into consideration, the Group currently has circa £1.2 million of cash available for further investments together with a £3 million loan facility.

## BUSINESS STRATEGY

The Group typically invests amounts of up to £2.5 million and only takes minority equity positions, normally acquiring between 15% and 45% of a target company's total equity. The Group insists on its investee companies adopting certain minority shareholder protections and appointing one of its directors to the relevant board. The Group's successful track record is based upon a number of factors that include, amongst other things, a robust investment process, the management's considerable experience of the financial services sector, and a flexible approach towards exit-strategies.

# CHAIRMAN'S STATEMENT

(CONTINUED)

## FINANCIAL PERFORMANCE

At 31<sup>st</sup> July 2007, the net asset value of the Group excluding deferred tax was up 12.8% to £50.6 million, compared with £44.9 million at 31<sup>st</sup> July 2006. Including deferred tax this was up 11.7% to £42.9 million (2006: £38.4 million). Compared to 31<sup>st</sup> January 2007, the net asset value of the Group rose by 6.1% excluding deferred tax and 5.7% including deferred tax. The Directors are pleased with this result considering the recent market turmoil.

This represented a total increase in net asset value before deferred tax of £38 million (£30.3 million after deferred tax) since the Group was originally formed in 1990, having adjusted for the £10.1 million net proceeds raised on AIM and the original capital investment of £2.5 million. The Directors are pleased that, since 1990, the Group has over 17.5 years achieved an annual compound growth rate of 16.8% after running costs, realisations, losses and distributions but excluding deferred tax (15.3% including deferred tax).

Based upon the above figures the Group's undiluted net asset value per share as at 31<sup>st</sup> July 2007 was 172.9 pence excluding deferred tax (146.6 pence including deferred tax). The Group's investment portfolio movement during the year was as below:

<b>July 2006 valuation</b>	<b>Acquisitions at cost</b>	<b>Disposals at cost</b>	<b>Valuations released to P&amp;L at cost</b>	<b>Adjusted July 2006 valuation</b>	<b>July 2007 valuation</b>
£35.8 m	£4.0 m	£nil	£nil	£39.8 m	£45.3 m

This equates to an uplift of 13.8% before deferred tax. However, this assumes all acquisitions were made on the first day of the year and therefore the actual rate of increase is greater.

The consolidated profit on ordinary activities before share based provisions for the six months to 31<sup>st</sup> July 2007 was £2.9 million (2006: £3.5 million). Adjusting for unrealised gains on investment revaluations and carried interest provisions the consolidated profit on ordinary activities before share based provisions for the six months to 31<sup>st</sup> July 2007 was £268,000 (2006: £187,000).

The Directors note that at the current corporation tax rate of 30% the estimate of deferred tax is £7.7 million. However, under government proposals to reduce the corporation tax rate to 28% from April 2008 this would, based upon figures to 31<sup>st</sup> July 2007, reduce this contingent liability to £7.2 million.

# CHAIRMAN'S STATEMENT

(CONTINUED)



## PEOPLE

In March 2007 we said farewell to Stephen Crowther, who had served as a Director since 1998 and with whom we maintain a mutually helpful relationship in his subsequent capacity as a Director of one of our main investee companies.

I thank the Directors and staff for their unstinting contributions to the progress of the Group.

## OUTLOOK

The Group remains unique in its investment sector and we continue to see a large number of relatively small enterprises with excellent management and spirited business plans. These represent a challenge, which the B. P. Marsh team relishes.

**Brian Marsh OBE**  
**Chairman**

## DIRECTORS



### **Brian Marsh OBE**

(Chairman, aged 66) (R) (I) (V)

Brian started his career in insurance broking and underwriting in Lloyd's and the London and overseas market over 40 years ago and was, from 1979 to 1990 chairman, of the Nelson Hurst & Marsh group, before founding the Group. He has over 30 years experience in building, buying and selling financial services businesses particularly in the insurance sector.

### **Natasha Dunbar BBA**

(Managing Director, aged 37) (I)

Natasha has over 10 years' experience in the financial services industry. Having joined the Company in 1994 she was made managing director in March 2002. Natasha is responsible for the day to day running of all operational aspects of the business and works closely with Brian Marsh in defining the strategic development of the Company.

### **Francis de Zulueta ASI**

(Development Director, aged 48) (I)

Francis joined the Group in February 2002. After a 23-year broking career with Nelson Hurst & Marsh, Willis Faber, Special Risk Services, Aon and Minet he was active in the mergers, acquisitions and venture capital business of Marsh McLennan. With a wide-ranging knowledge of the financial services market, he seeks out, researches and evaluates potential new investments for B. P. Marsh.

### **Jonathan Newman ACMA, MSI, BA (Hons.)**

(Group Director of Finance, aged 32) (I) (V)

Jonathan is a chartered management accountant with 10 years' experience in the financial services industry. He joined the Group in November 1999 and was appointed a director of B. P. Marsh & Company Limited in September 2001 and group finance director in December 2003. Jonathan also advises investee companies through several non-executive board appointments and evaluates new investment opportunities.

## DIRECTORS



### **Stephen Clarke FCA**

(Non-executive, aged 69) (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 25 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.

### **Philip Mortlock MA, FCA**

(Non-executive, aged 69) (R) (A) (V)

A chartered accountant with over 25 years insurance experience, Philip entered the Lloyd's insurance world in 1965 and, after some years with Fenchurch Group, joined Nelson Hurst & Marsh group as finance director and company secretary until 1990. He joined the Group in 1990 and has a great deal of experience of the special nature of broking and underwriting finances. Philip continues to give a broad range of advice to B. P. Marsh.

### **Clare Ferguson**

(Non-executive, aged 57) (R)

A Consultant in the Litigation and Dispute Resolution Department at law firm Taylor Wessing. Partner for 24 years, she has latterly focused on Risk Management. With her broad and deep knowledge in the field she adds legal expertise to our team.

### **COMMITTEE KEY**

- (R) Member of the Remuneration Committee during the year
- (I) Member of the Investment Committee during the year
- (A) Member of the Audit Committee during the year
- (V) Member of the Valuation Committee during the year

## INVESTMENTS



As at 31<sup>st</sup> July 2007 the Group's equity interests were as follows:

### **Berkeley (Insurance) Holdings Limited**

*(www.berkeleyinsurance.com)*

In July 2002 the Group invested in Berkeley (Insurance) Holdings, a company that provides its clients with independent advice on the most suitable choice of insurance broker in specialist as well as mainstream insurance areas.

*Date of investment: July 2002*

*Equity stake: 19.9%*

*31<sup>st</sup> July 2007 valuation: £40,000*

### **Besso Holdings 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. The company specialises in insurance broking for the North American wholesale market.

*Date of investment: February 1995*

*Equity stake: 23.6%*

*31<sup>st</sup> July 2007 valuation: £10,174,000*

### **HQB Partners Limited**

*(www.hqbpartners.com)*

In January 2005 the Group made an investment in HQB Partners, a company which provides strategic transaction advice, proxy solicitation services, voting analysis and investor relations services.

*Date of investment: January 2005*

*Equity stake: 27.7%*

*31<sup>st</sup> July 2007 valuation: £350,000*

### **Hyperion Insurance Group Limited**

*(www.hyperiongrp.com)*

The Group first invested in Hyperion Insurance Group in 1994. The Hyperion Insurance Group owns, amongst other things, an insurance broker specialising in directors' and officers' ("D&O") and professional indemnity ("PI") insurance. A subsidiary of Hyperion became a registered Lloyd's insurance broker. In 1998 Hyperion set up an insurance managing general agency specialising in developing D&O and PI business in Europe.

*Date of investment: November 1994*

*Equity: 27.9%*

*31<sup>st</sup> July 2007 valuation: £16,549,000*

## INVESTMENTS



### **JMD Specialist Insurance Services Group Limited**

*(www.jmd-sis.com)*

In March 2007 the Group invested in JMD, a provider of leading-edge services to the insurance industry. Their unique approach to measurable cash flow and profit enhancements adds value to Lloyd's syndicates, UK and international insurers and re-insurers.

*Date of investment: March 2007*

*Equity stake: 25.0%*

*31<sup>st</sup> July 2007 valuation: £600,000*

### **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: 22.5%*

*31<sup>st</sup> July 2007 valuation: £2,140,000*

### **Paterson Martin Limited**

*(www.patersonmartin.com)*

Paterson Martin was founded by a group of professionals from the actuarial, capital markets and reinsurance advisory sectors in conjunction with the Group. The company uses sophisticated modeling techniques to assess risk, with a view to providing counter-party risk transaction advice.

*Date of investment: April 2004*

*Equity stake: 22.5%*

*31<sup>st</sup> July 2007 valuation: £427,000*

### **Portfolio Design Group International Limited**

*(www.surrendalink.co.uk)*

In March 1994 the Group invested in the Portfolio Design Group, a company which sells with-profits life endowment policies to large financial institutions. In 2002 the company diversified into investment management.

*Date of investment: March 1994*

*Equity stake: 20.0%*

*31<sup>st</sup> July 2007 valuation: £6,306,000*

# INVESTMENTS

(CONTINUED)



## **Principal Investment Holdings Limited**

*(www.principalinvestment.co.uk)*

In December 1999 the Group invested in Principal, a predominantly discretionary fund manager with both retail and institutional clients.

*Date of investment: December 1999*

*Equity stake: 18.6%*

*31<sup>st</sup> July 2007 valuation: £7,371,000*

## **Public Risk Management Limited**

*(www.publicriskmanagement.co.uk)*

In September 2003 the Group assisted in establishing Public Risk Management, a company which specialises in the development and provision of risk management services, including processes and procedures, to the public sector.

*Date of investment: September 2003*

*Equity stake: 44.0%*

*31<sup>st</sup> July 2007 valuation: £110,000*

## **Summa Insurance Brokerage, S. L.**

*(www.grupo-summa.com)*

In January 2005 the Group provided finance to a Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain.

*Date of investment: January 2005*

*Equity stake: 35.0%*

*31<sup>st</sup> July 2007 valuation: £1,238,000*

# CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 31ST JULY 2007



	UNAUDITED 6 MONTHS TO 31 <sup>ST</sup> JULY 2007 £'000	UNAUDITED* 6 MONTHS TO 31 <sup>ST</sup> JULY 2006 £'000	AUDITED* YEAR TO 31 <sup>ST</sup> JAN 2007 £'000
<b>Gains on Investments</b>			
Realised Gains on disposal of Investments	91	115	115
Unrealised Gains on investment revaluation	2,591	3,451	6,369
	<b>2,682</b>	<b>3,566</b>	<b>6,484</b>
<b>Income</b>			
Dividends	491	419	825
Income from Loans and receivables	355	215	453
Fees receivable	406	374	749
<b>Operating income</b>	<b>1,252</b>	<b>1,008</b>	<b>2,027</b>
Operating expenses	(1,139)	(1,106)	(2,260)
<b>Operating profit</b>	<b>2,795</b>	<b>3,468</b>	<b>6,251</b>
Bank Interest receivable and similar income	91	167	347
Interest payable and similar charges	(15)	(17)	(33)
Carried Interest Provision	50	(120)	(253)
Exchange Movements	(11)	20	45
	<b>115</b>	<b>50</b>	<b>106</b>
<b>Profit on ordinary activities before share based provisions</b>	<b>2,910</b>	<b>3,518</b>	<b>6,357</b>
Share Based Provisions	(131)	(94)	(222)
<b>Profit on ordinary activities before tax</b>	<b>2,779</b>	<b>3,424</b>	<b>6,135</b>
Income Tax	(588)	(957)	(1,619)
<b>Profit on ordinary activities for the period</b>	<b>2,191</b>	<b>2,467</b>	<b>4,516</b>
Earnings Per Share			
Basic (pence)	0.07	0.08	0.15
Diluted (pence)	0.07	0.07	0.13

\* Restated for International Financial Reporting Standards

# CONSOLIDATED BALANCE SHEET

AS AT 31ST JULY 2007



	UNAUDITED AS AT 31 <sup>ST</sup> JULY 2007 £000	UNAUDITED* AS AT 31 <sup>ST</sup> JULY 2006 £000	AUDITED* AS AT 31 <sup>ST</sup> JAN 2007 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Office equipment, fixtures and fittings	4	6	5
Investments	45,305	35,764	38,834
Loans and Receivables	4,134	-	3,091
	<b>49,443</b>	<b>35,770</b>	<b>41,930</b>
<b>Current assets</b>			
Trade and Other receivables	1,271	3,692	1,056
Cash and Cash equivalents	1,880	7,424	6,989
	<b>3,151</b>	<b>11,116</b>	<b>8,045</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and Other payables	-	-	-
Carried Interest Provision	(1,000)	(917)	(1,050)
Deferred Tax Liabilities	(7,698)	(6,448)	(7,110)
	<b>(8,698)</b>	<b>(7,365)</b>	<b>(8,160)</b>
<b>Current liabilities</b>			
Trade and Other payables	<b>(969)</b>	<b>(1,102)</b>	<b>(1,209)</b>
<b>Net assets</b>	<b>42,927</b>	<b>38,419</b>	<b>40,606</b>
<b>Equity</b>			
Called up share capital	2,929	2,928	2,929
Share premium	9,370	9,361	9,370
Shares to be issued	353	94	222
Fair Value Reserve	20,216	16,093	18,215
Reverse acquisition reserve	393	393	393
Distributable Reserve	9,666	9,550	9,477
<b>Total equity</b>	<b>42,927</b>	<b>38,419</b>	<b>40,606</b>

\*Restated for International Financial Reporting Standards

**GROWTH, MATURITY  
AND A VISION FOR SUCCESS.**

**B. P. MARSH & PARTNERS PLC**

Granville House  
132 Sloane Street  
London SW1X 9AX  
Tel: +44 (0)20 7730 2626  
Fax: +44 (0)20 7823 5225  
[www.bpmarsh.co.uk](http://www.bpmarsh.co.uk)