

B. P. M A R S H & P A R T N E R S P L C  
2 0 0 8 A N N U A L R E P O R T

# COMPANY INFORMATION



## DIRECTORS

Brian Marsh OBE (*Chairman*)  
Jonathan Newman (*Group Director of Finance*)  
Francis de Zulueta (*Development Director*)  
Robert King (*Director*)  
Natasha Dunbar (*Non-executive*)  
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, 8<sup>th</sup> Floor  
6 New Street Square, London, EC4A 3AQ

## SOLICITORS

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

## NOMINATED ADVISER

Nabarro Wells & Co. Limited  
Old Change House, 128 Queen Victoria Street  
London, EC4V 4BJ

## BROKER

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

## REGISTRAR

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

## PUBLIC RELATIONS

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



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## G R O U P P R O F I L E



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.

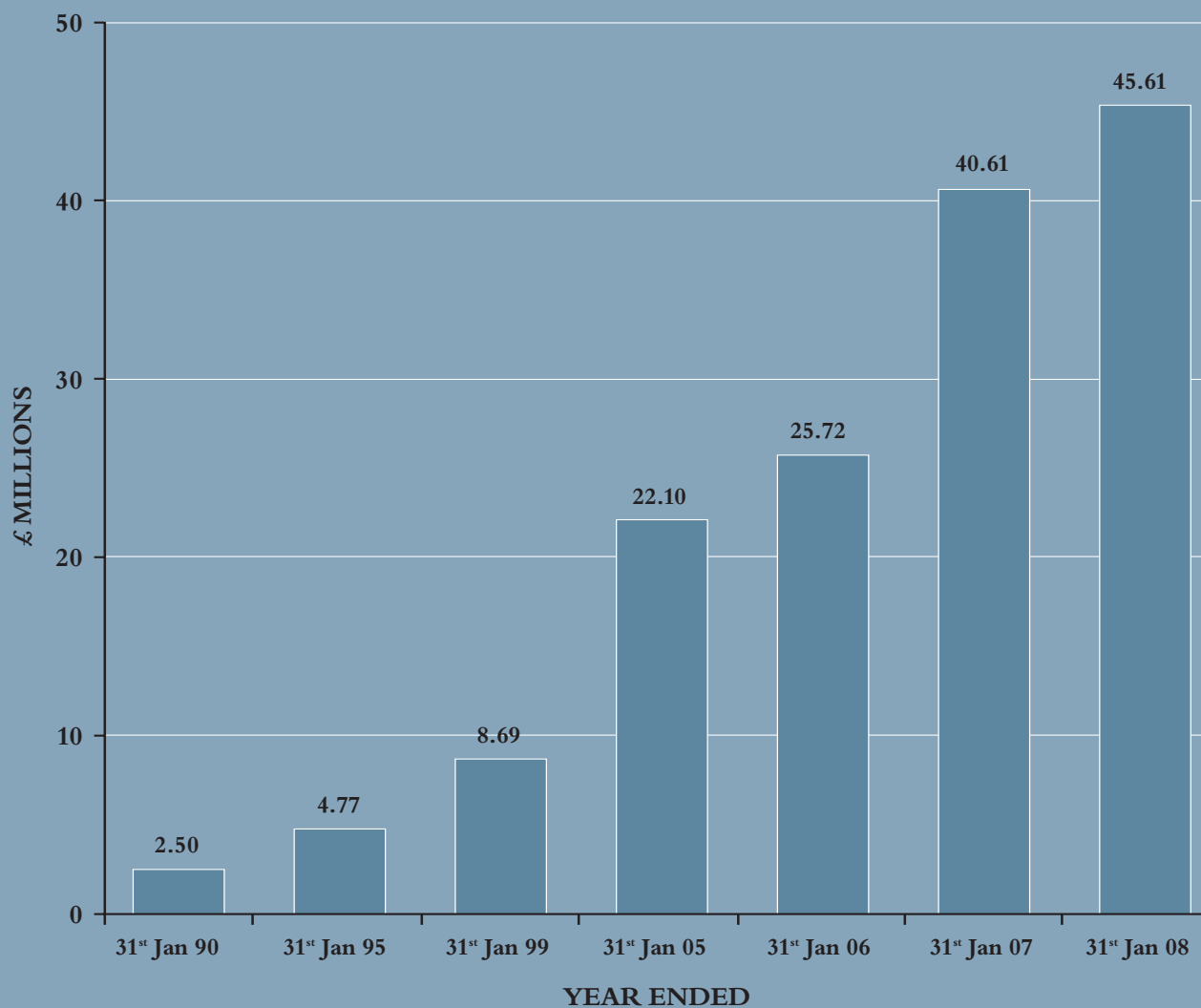
The Group has a considerable bank of experience in the financial services sector and seeks to use this experience to add value to its investments. It is also able to provide consultancy and administrative services to its portfolio of investments when required.

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

## GROUP VALUATIONS



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



*NB: The valuations to 31<sup>st</sup> January 2007 were originally prepared under UK GAAP and were reflective of the Net Asset position at the Balance Sheet date excluding any deferred tax provision. From 31<sup>st</sup> January 2008 the provision is now included within the Balance Sheet and therefore, for comparative purposes, all prior valuations are now shown net of deferred tax.*



# CHAIRMAN'S STATEMENT



I am pleased to present the final audited results for B. P. Marsh & Partners Plc (the "Group" or B. P. Marsh) and its consolidated statements for the year ended 31<sup>st</sup> January 2008.

## OVERVIEW

During the financial year ended 31<sup>st</sup> January 2008, the Group made the following investments:

- The Group acquired a 25% shareholding in JMD Specialist Insurance Services Group Limited ("JMD") for £0.6m and agreed to provide a further £0.25m in loans to develop the business further. 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 effective balance sheet management;
- The Group acquired a 22.5% shareholding in LEBC Holdings Limited ("LEBC") for a consideration of £2.07m. LEBC is an Independent Financial Advisor established in 2000 with 11 branches around the UK and 56 advisors which provides services to individuals, corporates and partnerships, principally in employee benefits, investment and life product areas;
- The Group participated in an additional £5.5m rights issue for Hyperion Insurance Group Limited to further develop the business, contributing its pro-rata share at £1.55m;
- The Group lent Summa Insurance Brokerage S.L. ("Summa"), a Madrid based consolidator of regional brokerages in Spain, a further €1.6m, part of an agreed €2m loan facility, to fund acquisitions of regional brokers. In addition, the Group agreed to invest a further €4m alongside €4m from a well respected private Spanish investor to facilitate the next stage of Summa's expansion. The Group's €4m of equity is expected to be invested in three tranches, with the first tranche invested just before the year end. B. P. Marsh also converted €1m of loans currently outstanding. As a result of this new investment, B. P. Marsh has increased its stake from 35% to 48.625%.

Overall, the investments within the Group's portfolio made steady progress during the year and performed in line with market expectations. Hyperion Insurance was listed as the 90<sup>th</sup> in the Sunday Times Deloitte Buyout Track 100 league table and secured a major inward investment after the year-end, underpinning our investment valuation in that company.

During the year we actively reviewed a number of prospective new investments. Three potential investments were brought to an advanced stage of negotiation and two of these, Amberglobe Limited and Trillium Partners Limited were completed after the year-end.

The Group also received the final \$0.9m of funds withheld in escrow from the sale of Carpenter Moore Insurance Services, Inc as expected.

## FINANCIAL PERFORMANCE

At 31<sup>st</sup> January 2008, the net asset value of the Group was £45.6m (2007 : £40.6m) including a provision for deferred tax. This equates to an increase in net asset value of 12.3% (2007 : 13.2%).

The Directors are satisfied that the Group delivered an annual compound growth rate of 15.2% in Group net asset value after running costs, realisations, losses, distributions and deferred tax since 1990.

Based upon the above figures, the Group's net asset value per share as at 31<sup>st</sup> January 2008 was 156p (2007 : 139p).

The consolidated profit on ordinary activities after tax for the year was £4.8m (2007 : £4.5m).

## POST YEAR-END INVESTMENTS

The Group has made two investments post the year-end as follows:

- The Group acquired a 35% shareholding in Amberglobe Limited ("Amberglobe") for £0.07m and has agreed to provide a further £0.25m in loans to further develop the business. Amberglobe is a business that acts as an agent for the sellers of SME businesses in the sub £3m price bracket, such as childcare centres, care homes, corner shops, restaurants, pubs and post offices;

# CHAIRMAN'S STATEMENT



- The Group acquired a 25% shareholding in Trillium Partners Limited (“Trillium”) for an initial consideration of £0.5m and has agreed to provide a further £0.75m in loans to further develop the business. Trillium is an independent financial advisory firm serving the European Media and Information sector. Founded in 2004, Trillium has advised corporations, private equity firms and high net worth individuals in relation to a broad range of assignments including acquisitions, disposals, mergers and fund raisings.

## POST YEAR-END REALISATIONS

The Group exited its investment in Principal Investment Holdings following its acquisition by the Sanlam Group for £7.25m and also received a preferred dividend entitlement of £0.17m. The consideration for the Group’s investment consisted of an immediate cash payment on completion in March 2008 of £5.8m, representing 80% of the total anticipated capital consideration. The remainder (£1.45m) will be paid on the second anniversary of the sale subject to the performance of the FTSE 100. This was the Group’s first disposal since its flotation on AIM and I believe the price offers an excellent return for our investors, especially considering the recent turbulence in the financial markets. The valuation as at 31<sup>st</sup> January 2008 reflects the market position at that time, although over the course of the two year performance period we have no reason to suspect that the full £7.25m will not be attained, subject of course to the performance of the FTSE index.

## POST YEAR-END EVENTS

In March 2008, the Group welcomed 3i as an investment partner in Hyperion Insurance Group. 3i has made a £50m commitment to Hyperion which we welcome as a major step forward in Hyperion’s continued growth and development. As a result of this transaction, the Group’s shareholding decreased from 27.89% to approximately 20% and Hyperion repaid the £2.35m loan outstanding to the Group in full.

## BUSINESS STRATEGY

The Group typically invests amounts of up to £2.5m and only takes minority equity positions, normally acquiring between 15% and 40% of an investee company’s total equity. The Group requires its investee companies to adopt certain minority shareholder protections and appoints a Director 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.

The Group currently has committed to provide a further £3.7m of funding for its existing investments. After taking this into consideration, the Group currently has approximately £5.0m of cash available for further investments.

## PEOPLE

In November 2007, Robert King who as Group Company Secretary has overseen the development of the Group’s compliance and legal function following flotation, joined the Board as an Executive Director. We warmly welcomed him, and I thank all the Directors and staff for their unstinting contributions towards the progress of the Group. In March 2007 we said farewell to Stephen Crowther, who had served as a Director since 1998, and with whom we will, in his continuing capacity as a Director of one of our investee companies, no doubt maintain a mutually helpful relationship.

## OUTLOOK

These are difficult times for any company investing in financial services businesses. However, having reviewed our area of focus, we remain positive about the field in which we operate. As will be seen, our investment portfolio has so far managed to escape being adversely affected by the US sub-prime market, the credit crunch or the consequential downturn in the UK and US economies in particular.

The Directors consider that the Group remains unique in its investment sector and we continue to see a large number of investment opportunities with good management and business plans. The Board is confident about the future prospects for the Group.

**Brian Marsh OBE**  
4<sup>th</sup> June 2008

As at 31<sup>st</sup> January 2008 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> January 2008 valuation: £nil*

**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: 23.55%*

*31<sup>st</sup> January 2008 valuation: £8,236,000*

**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: 27.72%*

*31<sup>st</sup> January 2008 valuation: £189,000*

**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: 27.89%*

*31<sup>st</sup> January 2008 valuation: £20,447,000*

**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> January 2008 valuation: £650,000*

**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> January 2008 valuation: £2,266,000*

**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> January 2008 valuation: £113,000*

**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> January 2008 valuation: £8,050,000*



**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: 18.22%*

*31<sup>st</sup> January 2008 valuation: £6,711,000*

**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> January 2008 valuation: £nil*

**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: 48.63%*

*31<sup>st</sup> January 2008 valuation: £3,092,000*

These investments have been valued in accordance with the accounting policies on Investments set out in note 1 of the Consolidated Financial Statements.

The Group acquired equity interests in the following companies after 31<sup>st</sup> January 2008:

**Amberglobe Limited (trading as The Business Sales Centre)**

*(www.businesssalescentre.com)*

In March 2008 the Group assisted in establishing The Business Sales Centre, a business sales platform that provides valuation and negotiation services for the sale of SME businesses in the sub £3m sector.

*Date of investment: March 2008*

*Equity stake: 35.0%*

*31<sup>st</sup> January 2008 valuation: N/A*

**Trillium Partners Limited**

In March 2008 the Group invested in Trillium, an independent financial advisory firm serving the European Media and Information sector. Founded in 2004, Trillium has advised corporations, private equity firms and high net worth individuals in relation to a broad range of assignments including acquisitions, disposals, mergers and fund raisings.

*Date of investment: March 2008*

*Equity stake: 25.0%*

*31<sup>st</sup> January 2008 valuation: N/A*



**B. P. MARSH & PARTNERS PLC ANNUAL REPORT & ACCOUNTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008**

## DIRECTORS



References throughout the Consolidated Financial Statements to “the Company” refers to B. P. Marsh & Partners Plc, and references to “the Group” refers to the consolidated group, being the Company and its subsidiary undertakings.

### **Brian Marsh OBE**

(Chairman), aged 67 (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 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. He is the Group’s nominee director on the boards of several investee companies and is also a majority shareholder in B. P. Marsh owning 58.5% of the Company.

### **Francis de Zulueta FSI**

(Development Director), aged 49 (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. He is also the Group’s nominee director on the boards of several investee companies.

### **Jonathan Newman ACMA, MSI**

(Group Finance Director), aged 33 (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 in September 2001 and group finance director in December 2003. Jonathan is responsible for the Group’s finance function, evaluates new investment opportunities and is also the Group’s nominee director on the boards of several investee companies.

### **Robert King LLB, ACIS**

(Director), aged 29 (I)

Robert is an associate member of the Institute of Chartered Secretaries and Administrators and joined the Group in 2003 having started his career at PricewaterhouseCoopers. He was appointed a director of B. P. Marsh in November 2007 and continues to be responsible for the Group’s legal, compliance and secretarial functions. He is also the Group’s nominee director on the board of one of its investee companies.

### **Natasha Dunbar BBA**

(Non-executive), aged 38 (I)

Natasha has over 14 years’ experience in the financial services industry. Having joined the Company in 1994 she was made managing director in March 2002. In February 2008 Natasha stepped down as Managing Director and became a non-executive director on the board of B. P. Marsh. Natasha continues to act as the Group’s nominee director on the boards of several investee companies. Trustees on behalf of Natasha own 4.9% of the Company.

### **Stephen Clarke FCA**

(Non-executive), aged 70 (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 70 (R) (A) (V)

A chartered accountant with over 30 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 and is also the Group’s nominee director on the board of one of its investee companies.

### **Clare Ferguson**

(Non-executive), aged 58 (R)

Clare was appointed a non-executive director of B. P. Marsh in September 2006. As a Consultant in the Litigation and Dispute Resolution Department at international law firm Taylor Wessing, and a 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 the board of 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



The Board is responsible for the Group's corporate governance policy and recognises the importance of high standards of integrity, and consistently seeks to apply the principles set out in the Combined Code on Corporate Governance (the "Code") 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 Directors' Report. 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.

While there is no formal process, the performance and effectiveness of each director, including the non-executive directors, is assessed on an on-going basis by the other members of the Board.

## **BOARD MEETINGS**

The Board meets bi-monthly 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 four standing committees, the Audit Committee, the Remuneration Committee, the Investment Committee and the Valuation Committee. As the Board deals with all matters relating to recruitment and appointment, the Board has decided not to establish a Nominations Committee at the present time.

### **Audit Committee**

The Audit Committee is comprised of two of the non-executive directors of the Company and is chaired by Philip Mortlock. The external auditors, together with the Group Finance Director and other financial staff are invited to attend these meetings.

In accordance with its terms of reference the principal function of this committee is to determine the appropriateness of accounting policies to be used in the Group's annual accounts. 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**

The Remuneration Committee is comprised of three non-executive directors of the Company and Brian Marsh and is chaired by Philip Mortlock. 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 Board's report to the shareholders on how directors are remunerated, together with details of individual directors' remuneration packages, is to be found on pages 13 to 14.

### **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**

The Valuation Committee is comprised of Philip Mortlock, Brian Marsh and Jonathan Newman 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 in conjunction with the Company's auditors and nominated adviser.

### **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 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](http://www.bpmarsh.co.uk)).

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

### **INTERNAL CONTROL**

The Board recognises its responsibilities 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.

A statement of the directors' responsibilities in respect of the financial statements is set out on page 15.

**By order of the Board**  
**R. G. King**  
**Company Secretary**  
4<sup>th</sup> June 2008

# REMUNERATION REPORT



The Remuneration Committee of the Board (the “Committee”) is comprised of three non-executive directors of the Company, Philip Mortlock, Stephen Clarke and Clare Ferguson and the chairman, Brian Marsh. The Committee is responsible for setting the remuneration of the executive directors and other members of staff.

## 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.

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 <sup>th</sup> January 2006	Continuous	6 months
F. P. H. de Zulueta	30 <sup>th</sup> January 2006	Continuous	6 months
J. S. Newman	30 <sup>th</sup> January 2006	Continuous	6 months
R. G. King <sup>1</sup>	27 <sup>th</sup> November 2007	Continuous	6 months

<sup>1</sup> R. G. King was appointed an executive director of the Company on 27<sup>th</sup> November 2007.

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.

## AUDITED INFORMATION

### Stock Appreciation Rights Plan

On 16<sup>th</sup> January 2006 B. P. Marsh & Partners Plc adopted the principle terms of a Stock Appreciation Rights Plan (the “SARP”) subject to the successful admission of its shares to the Alternative Investment Market in February 2006. The SARP was established to provide a long term incentive to directors to participate in share price growth, thus aligning their interests with those of shareholders. Awards made under the SARP are at the discretion of the Remuneration Committee and the level of award is determined by reference to the individual’s responsibilities and performance and the need to incentivise and tie-in key executives.

The following awards of Share Units have been made under the SARP:

EXECUTIVE	INITIAL AWARD OF SHARE UNITS	% OF TOTAL SHARE UNITS
Francis de Zulueta	1,098,230	25%
Jonathan Newman	878,584	20%
Philip Mortlock	658,938	15%
<b>Total</b>	<b>2,635,752</b>	<b>60%</b>

1,757,169 Share Units representing 40% of the total Share Units that may be awarded under the SARP are presently unallocated.

The relevant Performance Period for the final vesting of Share Units commenced on 2<sup>nd</sup> February 2006 and will end ten dealing days after the announcement of the Company’s results for the financial year ending 31<sup>st</sup> January 2009.

## R E M U N E R A T I O N   R E P O R T



The actual number of Share Units that will vest at the end of the Performance Period will depend on a number of performance criteria. Whilst the maximum possible number of Share Units cannot exceed 15% of the Company's issued share capital from time to time, the actual number of ordinary shares to be issued on the basis of the Share Units vested cannot exceed 12.5% of the issued share capital at the end of the Performance Period, and will depend on the growth in the Company's share price. Further details are given in Note 22 to the accounts.

### Aggregate Directors' Remuneration

	2008 (£)	2007 (£)
Emoluments	820,345	868,818
Fees	65,300	36,400
Pension contributions	39,883	53,850

### Directors' Emoluments

	SALARIES AND FEES	BENEFITS	ANNUAL BONUSES	LONG TERM INCENTIVE PAYMENTS	2008 EMOLUMENTS EXCLUDING PENSION CONTRIBUTIONS (£)
	(£)	(£)	(£)	(£)	
B. P. Marsh	154,583	7,195	-	-	161,778
J. K. N. Dunbar <sup>1</sup>	114,667	5,301	70,000	-	189,968
S. J. Crowther <sup>2</sup>	26,334	1,749	-	-	28,083
F. P. H. de Zulueta	142,500	7,254	16,000	-	165,754
J. S. Newman	105,000	1,259	55,000	-	161,259
P. J. Mortlock	65,300	-	-	-	65,300
S. S. Clarke	22,050	-	5,000	-	27,050
C. M. Ferguson	21,000	-	5,000	-	26,000
R. G. King <sup>3</sup>	10,333	120	50,000	-	60,453

<sup>1</sup> J. K. N. Dunbar stepped down as Managing Director on 25<sup>th</sup> February 2008 and became a non-executive director of the Company on the same date.

<sup>2</sup> S. J. Crowther resigned as an executive director of the Company on 27<sup>th</sup> March 2007.

<sup>3</sup> R. G. King was appointed as an executive director of the Company on 27<sup>th</sup> November 2007. The amounts shown above are emoluments received since that date.

### Directors' Pensions

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

	2008 (£)
B. P. Marsh	-
J. K. N. Dunbar <sup>1</sup>	11,467
S. J. Crowther <sup>2</sup>	2,633
F. P. H. de Zulueta	14,250
J. S. Newman	10,500
R. G. King <sup>3</sup>	1,033

<sup>1</sup> J. K. N. Dunbar stepped down as Managing Director on 25<sup>th</sup> February 2008 and became a non-executive director of the Company on the same date.

<sup>2</sup> S. J. Crowther resigned as an executive director of the Company on 27<sup>th</sup> March 2007.

<sup>3</sup> R. G. King was appointed as an executive director of the Company on 27<sup>th</sup> November 2007.

This report has been approved by the Board and has been signed on their behalf by the Company Secretary, Robert King on 4<sup>th</sup> June 2008.

**By order of the Board**  
**R. G. King**  
**Company Secretary**



## DIRECTORS

B. P. Marsh OBE (Chairman)  
J. S. Newman BA, ACMA, MSI  
F. P. H. de Zulueta FSI  
R. G. King LLB, ACIS (appointed 27.11.07)  
J. K. N. Dunbar BBA (non-executive)  
S. S. Clarke FCA (non-executive)  
P. J. Mortlock MA, FCA (non-executive)  
C. M. Ferguson (non-executive)  
S. J. Crowther (resigned 27.03.07)

The directors submit their report and the audited financial statements of B. P. Marsh & Partners Plc (“the Company”) and its subsidiaries (“the Group”) for the year ended 31<sup>st</sup> January 2008.

## STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (“IASB”). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group as at the year end and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company’s auditors are unaware;
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information 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 s234za of the Companies Act 1985.

# GROUP REPORT OF THE DIRECTORS

## (CONTINUED)



### PRINCIPAL ACTIVITY

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

### COUNTRY OF INCORPORATION AND REGISTRATION

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

### BUSINESS REVIEW

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

- The Group invested £0.6m to acquire a 25% shareholding in JMD Specialist Insurance Services Group Limited, an accelerated insurance premium collection service based in the City of London, to develop the business further. It also agreed to provide a further £0.25m in loans which have yet to be drawn down.
- The Group acquired a 22.5% shareholding in LEBC Holdings Limited (“LEBC”) for consideration of £2.07m. LEBC is an Independent Financial Advisor established in 2000 with 11 branches around the UK and 56 advisors which provides services to individuals, corporates and partnerships, principally in employee benefits, investment and life product areas.
- The Group participated in an additional £5.5m rights issue for Hyperion Insurance Group Limited to further develop the business, contributing its pro-rata share at £1.55m.
- The Group lent Summa Insurance Brokerage S.L. (“Summa”), a consolidator of regional brokerages in Spain, a further €1.6m (£1.1m), part of an agreed €2m loan facility, to fund acquisitions of regional brokers. In addition, the Group agreed to invest a further €4m of equity alongside €4m from a well respected private Spanish investor in order to facilitate the next stage of Summa’s expansion. The €4m of new equity investment is expected to be made over a three year period in three tranches (with the first tranche paid on 30<sup>th</sup> January 2008). The Group also converted €1.1m (£0.8m) of loans outstanding into equity. This has increased the Group’s shareholding from 35% to 48.625%.
- The Group received \$0.9m (£0.5m) as part of the funds withheld in a warranties/indemnities escrow on the sale of Carpenter Moore Insurance Services, Inc. in October 2005. A provision of 15% (\$0.1m) on this amount was included in the year to 31<sup>st</sup> January 2006, leaving a net amount withheld in escrow of \$0.8m. No claims were made under the terms of the escrow and the full amount was received.

### Financial Performance

At 31<sup>st</sup> January 2008, the net asset value of the Group was £45.6m (2007 : £40.6m) including a provision for deferred tax. This equates to an increase in net asset value of 12.3% (2007 : 13.2%).

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

31 <sup>st</sup> JANUARY 2007 VALUATION	ACQUISITIONS AT COST	DISPOSALS AT COST	PROVISIONS AT COST	ADJUSTED 31 <sup>st</sup> JANUARY 2007 VALUATION	31 <sup>st</sup> JANUARY 2008 VALUATION
£38.8m	£6.0m	£(0.05)m	£(0.09)m	£44.7m	£49.8m

This equates to an uplift in the portfolio valuation of 11.3% (2007 : 19.3%). However, this assumes all acquisitions were made on the first day of the year and therefore the true rate of increase is greater.

The net asset value of £45.6m at 31<sup>st</sup> January 2008 represented a total increase in net asset value of £33.0m 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 are satisfied that the Group has during the year delivered an annual compound growth rate of 15.2% in Group net asset value after running costs, realisations, losses, distributions and deferred tax since 1990.

Based upon the above figures the Group’s net asset value per share as at 31<sup>st</sup> January 2008 was 156p (2007 : 139p).

# GROUP REPORT OF THE DIRECTORS

(CONTINUED)



## Financial Performance (continued)

The Consolidated profit on ordinary activities after taxation was £4.8m (2007 : £4.5m restated). The taxation charge was lower in 2008 reflecting the reduction in the rate of deferred taxation on the revaluation of investments from 30% in 2007 to 28%, and the write back of a tax provision of £0.3m created in prior years.

The Consolidated profit on ordinary activities before share based provision was £5.0m (2007 : £6.4m restated). This profit includes unrealised gains on investment revaluations, and therefore the reduction compared to 2007 is as a result of the investment portfolio rising by a lower percentage than in 2007 and reflects the recent turbulence in the financial markets. The underlying consolidated profit before share based provision (excluding unrealised gains and carried interest provisions on those gains) increased from £0.2m in 2007 to £0.5m. This was mainly as a result of the receipt of funds withheld on the sale of previous investments which were in excess of their 2007 carrying values.

## Future Prospects

During the year under review a number of prospective new investments were considered. Three potential investments were brought to an advanced stage of negotiation and two of these, Amberglobe Limited (trading as The Business Sales Centre) and Trillium Partners Limited, were completed after the year end. For further details please refer to the Post Balance Sheet Events section on pages 18 and 19 within this report.

## 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. The Group is currently 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

At the year end the Group had a loan facility that was designed to ensure that sufficient funds were available for continued operations if required. Since the Balance Sheet date the Group received cash on the sale of an investment and the repayment of a loan (see Post Balance Sheet Events section on pages 18 and 19). As a result of this the loan facility was cancelled on 30<sup>th</sup> April 2008.

### Interest rate cash flow risk

The Group has no interest bearing liabilities but does have 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 profit and loss account in accordance with the Group's accounting policy. The Board monitors the movements and manages the risk accordingly.

**GROUP REPORT OF THE DIRECTORS**  
(CONTINUED)



**RESULTS OF THE BUSINESS**

The results for the year are set out on page 22. The directors consider the current state of affairs of the Group to be satisfactory.

**DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the year ended 31<sup>st</sup> January 2008 (2007 : £Nil).

**SUBSTANTIAL INTERESTS**

As at 3<sup>rd</sup> June 2008 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:

BENEFICIAL OWNER	NO. OF ORDINARY SHARES OF 10P EACH HELD	% OF ISSUED SHARE CAPITAL
Mr B. P. Marsh	17,121,771	58.5%
Gartmore Investment Management Limited	2,021,137	6.9%
Horseman Capital Management Limited	1,450,000	5.0%
The Tasha Dunbar Trust	1,428,614	4.9%
The Stephen Crowther Trust	1,428,614	4.9%
Sanlam Asset Management Limited	1,200,000	4.1%

**DIRECTORS**

The names of the current directors are stated at the head of this report.

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

	31 <sup>st</sup> JANUARY 2008 ORDINARY SHARES OF 10P EACH	31 <sup>st</sup> JANUARY 2007 ORDINARY SHARES OF 10P EACH
Mr B. P. Marsh	17,121,771	17,121,771
The Tasha Dunbar Trust	1,428,614	1,428,614
The Stephen Crowther Trust	1,428,614	1,428,614

**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 20 (2007 : 23) during the year.

**CHARITABLE DONATIONS**

During the year the Group made charitable donations of £5,000 (2007 : £nil).

**POST BALANCE SHEET EVENTS**

On 10<sup>th</sup> March 2008 the Group acquired a 35% shareholding in Amberglobe Limited (trading as The Business Sales Centre) for £70,000. In addition, a £630,000 loan facility was provided, of which £250,000 has been drawn down to date.

On 14<sup>th</sup> March 2008 the Group sold its 18.22% equity investment in Principal Investment Holdings Limited to Sanlam, a South African insurance and financial services group. The Group's consideration consisted of an initial capital payment of £5,797,225, representing 80% of the total anticipated capital consideration, with a further £1,449,307, representing 20%, being payable, subject to certain conditions relating to the performance of the FTSE 100 share index, in two years' time.

G R O U P   R E P O R T   O F   T H E   D I R E C T O R S  
( C O N T I N U E D )



**POST BALANCE SHEET EVENTS (CONTINUED)**

On 19<sup>th</sup> March 2008 the Group acquired a 25% shareholding in Trillium Partners Limited for £500,000. In addition, a £750,000 loan facility was provided, although this has not been drawn down to date.

On 2<sup>nd</sup> April 2008 Hyperion Insurance Group Limited repaid in full its £2,350,000 loan outstanding to the Group.

**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The company has purchased insurance cover to cover directors' and officers' liability, as permitted by section 310(3)(a) of the Companies Act 1985 (as amended).

**GOING CONCERN**

The directors continue to adopt the going concern basis in preparing the accounts. This is because the directors, after making enquiries and following a review of the Group's budget for 2009, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue its operation for the foreseeable future.

**AUDITORS**

The auditors, Rawlinson & Hunter, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

Registered Office:  
Granville House  
132 Sloane Street  
London  
SW1X 9AX

**By order of the Board**  
**R. G. King**  
**Company Secretary**  
**4<sup>th</sup> June 2008**

# I N D E P E N D E N T   A U D I T O R ' S   R E P O R T



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF B. P. MARSH & PARTNERS PLC**

We have audited the Group and Company financial statements ("the financial statements") of B. P. Marsh & Partners Plc for the year ended 31<sup>st</sup> January 2008 which comprise the consolidated income statement, consolidated Group and Company balance sheets, consolidated cash flow statement, consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the auditable part of the Directors' Remuneration Report.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the auditable part of the Directors' Remuneration Report is properly prepared in accordance with the applicable requirements in the United Kingdom, and whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the Company or Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the accounts. The other information comprises only the unaudited part of the Directors' Remuneration Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the directors' statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

## **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

I N D E P E N D E N T   A U D I T O R ' S   R E P O R T  
( C O N T I N U E D )



**BASIS OF AUDIT OPINION (CONTINUED)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Remuneration Report.

**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs of the Company and the Group as at 31<sup>st</sup> January 2008 and the profit of the Group for the year then ended;
- the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Group Directors' Report is consistent with the Financial Statements.

**Rawlinson & Hunter**  
**Registered Auditors and Chartered Accountants**  
**Eighth Floor**  
**6 New Street Square**  
**London**  
**EC4A 3AQ**

**4<sup>th</sup> June 2008**

**C O N S O L I D A T E D I N C O M E S T A T E M E N T**  
**F O R T H E Y E A R E N D E D 3 1<sup>ST</sup> J A N U A R Y 2 0 0 8**

	NOTES	2008 (£'000)	2007 RESTATED* (£'000)
<b>Gains on investments</b>	1		
Realised gains on disposal of investments	11	153	115
Impairment of investments and loans	11,13	(488)	-
Unrealised gains on investment revaluation	11	5,052	6,369
		4,717	6,484
<b>Income</b>			
Dividends	1	1,336	825
Income from loans and receivables	1	682	453
Fees receivable	1	715	749
		2,733	2,027
<b>Operating income</b>	2	<b>7,450</b>	<b>8,511</b>
Operating expenses		(2,249)	(2,260)
<b>Operating profit</b>		<b>5,201</b>	<b>6,251</b>
Financial income	4	183	347
Financial expenses	3	(30)	(33)
Carried interest provision	14	(508)	(253)
Exchange movements	7	180	45
		(175)	106
<b>Profit on ordinary activities before share based provision</b>		<b>5,026</b>	<b>6,357</b>
Share based provision	18,22	(175)	(222)
<b>Profit on ordinary activities before taxation</b>	7	<b>4,851</b>	<b>6,135</b>
Income tax	8	(21)	(1,619)
<b>Profit on ordinary activities after taxation attributable to equity holders</b>	18	<b>4,830</b>	<b>4,516</b>
Earnings per share – basic and diluted (pence)	9	0.16	0.15

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

\* Restated for International Financial Reporting Standards (see note 26).

The notes on pages 26 to 48 form part of these accounts.

**C O N S O L I D A T E D   &   C O M P A N Y**  
**B A L A N C E   S H E E T**

F O R   T H E   Y E A R   E N D E D   3 1<sup>ST</sup>   J A N U A R Y   2 0 0 8

		G R O U P		C O M P A N Y	
N O T E S	2008 (£'000)	2007 R E S T A T E D * (£'000)	2008 (£'000)	2007 R E S T A T E D * (£'000)	
<b>Assets</b>					
<b>Non-current assets</b>					
Office equipment, fixtures and fittings	10	3	5	-	-
Investments	11	49,754	38,834	35,852	30,724
Loans and receivables	12	771	3,091	10,155	10,155
		<b>50,528</b>	<b>41,930</b>	<b>46,007</b>	<b>40,879</b>
<b>Current assets</b>					
Trade and other receivables	13	3,135	1,056	-	-
Cash and cash equivalents		1,701	6,989	1	1
<b>Total current assets</b>		<b>4,836</b>	<b>8,045</b>	<b>1</b>	<b>1</b>
<b>Total assets</b>		<b>55,364</b>	<b>49,975</b>	<b>46,008</b>	<b>40,880</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Carried interest provision	14	(1,558)	(1,050)	-	-
Deferred tax liabilities	15	(7,476)	(7,110)	-	-
<b>Total non-current liabilities</b>		<b>(9,034)</b>	<b>(8,160)</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	16	(719)	(1,209)	-	-
<b>Total current liabilities</b>		<b>(719)</b>	<b>(1,209)</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>(9,753)</b>	<b>(9,369)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>45,611</b>	<b>40,606</b>	<b>46,008</b>	<b>40,880</b>
<b>Capital and reserves - equity</b>					
Called up share capital	17	2,929	2,929	2,929	2,929
Shares to be issued	18	397	222	397	222
Share premium account	18	9,370	9,370	9,370	9,370
Fair value reserve	18	22,392	18,214	33,311	28,358
Reverse acquisition reserve	18	393	393	-	-
Retained earnings	18	10,130	9,478	1	1
<b>Shareholders' funds - equity</b>		<b>45,611</b>	<b>40,606</b>	<b>46,008</b>	<b>40,880</b>

\* Restated for International Financial Reporting Standards (see note 26).

Approved and authorised for issue by the Board on 4<sup>th</sup> June 2008 and signed on its behalf by:

**B. P. Marsh & J. S. Newman**

The notes on pages 26 to 48 form part of these accounts.

**C O N S O L I D A T E D   C A S H   F L O W   S T A T E M E N T**  
**F O R   T H E   Y E A R   E N D E D   3 1<sup>ST</sup>   J A N U A R Y   2 0 0 8**

	NOTES	2008 (£'000)	2007 RESTATE <sup>d</sup> * (£'000)
<b>Cash from / (used by) operating activities</b>			
Interest received on loans to investees		682	453
Dividends received		1,336	825
Fees received from investment activity		715	749
Operating expenses		(2,249)	(2,260)
(Increase) / decrease in receivables		(166)	213
Increase / (decrease) in payables		(145)	(434)
Depreciation	10	2	4
<b>Net cash from / (used by) operating activities</b>		<b>175</b>	<b>(450)</b>
<b>Net cash from / (used by) investing activities</b>			
Purchase of property, plant and equipment		-	(1)
Purchase of investments	11	(6,011)	(3,969)
Proceeds from investments		524	387
<b>Net cash from / (used by) investing activities</b>		<b>(5,487)</b>	<b>(3,584)</b>
<b>Net cash from / (used by) financing activities</b>			
Repayment of long-term borrowings		-	(2,500)
Proceeds from issue of shares		-	11,000
Placement costs		-	(845)
(Payments) / repayments of loans to / (from) investee companies		(166)	1,974
Financial income	4	183	347
Financial expenses	3	(30)	(33)
<b>Net cash from / (used by) financing activities</b>		<b>(13)</b>	<b>9,943</b>
<b>Change in cash and cash equivalents</b>		<b>(5,325)</b>	<b>5,909</b>
Cash and cash equivalents at beginning of the period		6,989	1,084
Exchange gain / (loss)		37	(4)
<b>Cash and cash equivalents at end of period</b>		<b>1,701</b>	<b>6,989</b>

\* Restated for International Financial Reporting Standards (see note 26).

The notes on pages 26 to 48 form part of these accounts.

**S T A T E M E N T O F C H A N G E S I N E Q U I T Y**  
**F O R T H E Y E A R E N D E D 3 1<sup>ST</sup> J A N U A R Y 2 0 0 8**



FOR THE YEAR ENDED	GROUP		COMPANY	
	2008 (£'000)	2007 RESTATED* (£'000)	2008 (£'000)	2007 RESTATED* (£'000)
Opening total equity	40,606	25,712	40,880	-
Total recognised income and expense for period	4,830	4,516	4,953	28,359
Dividends	-	-	-	-
Issue of shares	-	13,143	-	13,143
Shares to be issued (share based payments)	175	222	175	222
Placement costs	-	(844)	-	(844)
Acquisition of subsidiary undertaking	-	(2,143)	-	-
<b>Total equity</b>	<b>45,611</b>	<b>40,606</b>	<b>46,008</b>	<b>40,880</b>

\* Restated for International Financial Reporting Standards (see note 26).

The notes on pages 26 to 48 form part of these accounts.

## 1. ACCOUNTING POLICIES

### **Basis of preparation of financial statements**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union (“IFRS”), International Financial Reporting Committee (“IFRC”) interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS. These are the first financial statements prepared under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluations of financial assets and financial liabilities through the profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates particularly in relation to investment valuation. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### **IFRS Transition**

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The annual report has been prepared on the basis of the following exemptions:

- IFRS 2 ‘Share based payment’ has been adopted from the transition date and is only applied to relevant equity instruments granted after 7<sup>th</sup> November 2002 which had not vested as at 1<sup>st</sup> January 2006;
- Under IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”), all equity instruments have been designated at the date of transition to be assets at fair value through profit or loss; and
- A reconciliation of profit and total equity under UK GAAP and IFRS required by IFRS 1 and notes of the principal adjustments under IFRS are shown in note 26.

### **Basis of consolidation**

The Group financial statements consolidate the results and net assets of the Company and all of its subsidiary undertakings.

### **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 except as noted in the “reverse acquisition accounting” noted below. 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.

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 balance sheet 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, with changes in fair value recognised in profit or loss in the period of the change. The Group has no interests in associates through which it carries on its business.

No income statement is prepared for the Company, as permitted by Section 230 of the Companies Act 1985. The Company made a profit for the year of £4,953,000 (2007 restated : £5,013,000).

## 1. ACCOUNTING POLICIES (CONTINUED)

### **Reverse acquisition accounting**

On 1<sup>st</sup> February 2006 B. P. Marsh & Partners Plc became the legal parent company of B. P. Marsh & Company Limited in a share-for-share exchange transaction. The former B. P. Marsh & Company Limited shareholders became the majority holders of the share capital of the enlarged group. Furthermore, the Company's continuing operations and executive management were those of B. P. Marsh & Company Limited. Therefore the substance of the combination was that B. P. Marsh & Company Limited acquired B. P. Marsh & Partners Plc in a reverse acquisition.

Under the requirements of the Companies Act 1985, it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. This would mean that the difference between the book value of the shares issued by B. P. Marsh & Partners Plc as consideration for the acquisition of B. P. Marsh & Company Limited and the share capital in B. P. Marsh & Company Limited be accounted for as goodwill. The directors have considered the substance of this transaction and conclude reverse acquisition accounting should be adopted as outlined in IFRS3 as the basis of consolidation in order to give a true and fair view. This compliance with IFRS requires departure from the Companies Act 1985 to follow legal form of the business combination.

There are a number of effects on the consolidated financial statements of adopting reverse acquisition accounting. The principal effect of consolidating using reverse acquisition accounting is that no goodwill arose on consolidation. A merger reserve is created which reflects the difference between the book value of the shares issued by B. P. Marsh & Partners Plc as consideration for the acquisition of B. P. Marsh & Company Limited and the share capital in B. P. Marsh & Company Limited. Under normal acquisition accounting the goodwill arising on the investment by B. P. Marsh & Partners Plc in B. P. Marsh & Company Limited would be shown on the consolidated balance sheet and tested annually for impairment in accordance with IAS 38. The directors believe that by adopting reverse acquisition accounting the consolidated income statement more fairly reflects the actual trading results of the Group.

### **Employee services settled in equity instruments**

The Group issued equity settled share-based awards to certain employees and advisors. A fair value for the equity settled share awards is measured at the date of grant. The Group measured the fair value using the valuation technique most appropriate to value each class of award, either the Black-Scholes or a Trinomial valuation method.

The fair value of each 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 equity.

### **Investments**

All 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 investments. In valuing investments the Board applies guidelines issued by the British Venture Capital Association (BVCA). The following valuation methodologies have been used in reaching fair value of 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 of the investee company; or
- d) by reference to expected future cashflow from the investment where a realisation or flotation is imminent.



## 1. ACCOUNTING POLICIES (CONTINUED)

### **Investments (continued)**

Both realised and unrealised gains and losses arising from changes in fair value are taken to the income statement for the year. In the balance sheet 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 investments are expensed in the income statement.

### **Income from investments**

Income from investments comprises:

- a) gross interest from loans, which is taken to the income on an accruals basis;
- b) dividends from equity investments are recognised in the income statement 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.

### **Carried Interest Provision**

This represents the amount payable to an executive in the event of a particular investment being sold and is calculated on the fair value of that investment at the balance sheet date.

### **Depreciation**

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

Furniture & equipment - 5 years

### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the balance sheet date.

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

Exchange gains and losses are recognised in the income statement.

### **Taxation**

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 income statement 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 substantially enacted by the balance sheet date.

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 balance sheet 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.

## 1. ACCOUNTING POLICIES (CONTINUED)

### **Taxation (continued)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 income statement, 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 Company operates a defined contribution scheme for some of its employees. The contributions payable to the scheme during the period are charged to the income statement.

### **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 until the date the rent is expected to be adjusted to the prevailing market rate.

### **Financial assets and liabilities**

Financial instruments are recognised in the balance sheet 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 balance sheet date. These are classified as non-current assets.

### **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 balance sheet 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 balance sheet 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 cash flow statement, 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 balance sheet date.



## 1. ACCOUNTING POLICIES (CONTINUED)

### **International Financial Reporting Standards in issue but not yet effective**

At the date of authorisation of these consolidated financial statements, the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these consolidated financial statements:

- IFRS 8: Operating Segments (effective as of 1<sup>st</sup> January 2009)
- IAS 1: Presentation of Financial Statements (revised) (effective as of 1<sup>st</sup> January 2009)
- IFRS 3: Business Combinations (revised) (effective as of 1<sup>st</sup> July 2009)
- IAS 27: Consolidated and Separate Financial Statements (amended) (effective as of 1<sup>st</sup> July 2009)
- IAS 23: Borrowing Costs (amended) (effective as of 1<sup>st</sup> January 2009)
- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1<sup>st</sup> January 2008)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1<sup>st</sup> July 2008)
- IFRIC Interpretation 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1<sup>st</sup> January 2008)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group’s financial statements in the period of initial adoption. However, the directors are aware that the application of IFRS 8 may significantly alter the amount and complexity of disclosure contained in the Group’s financial statements.

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## 2. SEGMENTAL REPORTING

### Primary reporting segment – geographic segments

For management purposes, the Group is organised and reports its performance by two geographic segments: UK and Channel Islands and non-UK and Channel Islands.

	GEOGRAPHIC SEGMENT 1: UK & CHANNEL ISLANDS		GEOGRAPHIC SEGMENT 2: NON-UK & CHANNEL ISLANDS		GROUP	
	2008 (£'000)	2007 (£'000)	2008 (£'000)	2007 (£'000)	2008 (£'000)	2007 (£'000)
<b>Operating income</b>	6,906	8,435	544	76	7,450	8,511
Operating expenses	(2,085)	(2,240)	(164)	(20)	(2,249)	(2,260)
<b>Segment operating profit</b>	<b>4,821</b>	<b>6,195</b>	<b>380</b>	<b>56</b>	<b>5,201</b>	<b>6,251</b>
Financial income	170	344	13	3	183	347
Financial expenses	(28)	(33)	(2)	-	(30)	(33)
Carried interest provision	(508)	(253)	-	-	(508)	(253)
Exchange movements	16	47	164	(2)	180	45
Share based provisions	(162)	(220)	(13)	(2)	(175)	(222)
<b>Profit before tax</b>	<b>4,309</b>	<b>6,080</b>	<b>542</b>	<b>55</b>	<b>4,851</b>	<b>6,135</b>
Income tax	142	(1,602)	(163)	(17)	(21)	(1,619)
<b>Profit for the year</b>	<b>4,451</b>	<b>4,478</b>	<b>379</b>	<b>38</b>	<b>4,830</b>	<b>4,516</b>
<b>Non-current assets</b>						
Office equipment, fixtures and fittings	3	5	-	-	3	5
Investments	46,662	37,784	3,092	1,050	49,754	38,834
Loans and receivables	80	2,825	691	266	771	3,091
	<b>46,745</b>	<b>40,614</b>	<b>3,783</b>	<b>1,316</b>	<b>50,528</b>	<b>41,930</b>
<b>Current assets</b>						
Trade and other receivables	3,127	1,042	8	14	3,135	1,056
Cash and cash equivalents	1,701	6,989	-	-	1,701	6,989
	<b>4,828</b>	<b>8,031</b>	<b>8</b>	<b>14</b>	<b>4,836</b>	<b>8,045</b>
<b>Total assets</b>	<b>51,573</b>	<b>48,645</b>	<b>3,791</b>	<b>1,330</b>	<b>55,364</b>	<b>49,975</b>
<b>Non-current liabilities</b>						
Carried interest provision	(1,558)	(1,050)	-	-	(1,558)	(1,050)
Deferred tax liabilities	(7,405)	(7,110)	(71)	-	(7,476)	(7,110)
	<b>(8,963)</b>	<b>(8,160)</b>	<b>(71)</b>	<b>-</b>	<b>(9,034)</b>	<b>(8,160)</b>
<b>Current liabilities</b>						
Trade and other payables	(719)	(1,209)	-	-	(719)	(1,209)
<b>Total liabilities</b>	<b>(9,682)</b>	<b>(9,369)</b>	<b>(71)</b>	<b>-</b>	<b>(9,753)</b>	<b>(9,369)</b>
<b>Net assets</b>	<b>41,891</b>	<b>39,276</b>	<b>3,720</b>	<b>1,330</b>	<b>45,611</b>	<b>40,606</b>

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

NOTES TO THE ACCOUNTS  
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**3. FINANCIAL EXPENSES**

	2008 (£'000)	2007 (£'000)
Other interest	30	33

**4. FINANCIAL INCOME**

	2008 (£'000)	2007 (£'000)
Bank interest	138	341
Other interest	45	6
	<b>183</b>	<b>347</b>

**5. STAFF COSTS**

The average number of employees, including directors, employed by the Group during the period was 17 (2007 : 19). All remuneration was paid by B. P. Marsh & Company Limited.

The related staff costs were:

	2008 (£'000)	2007 (£'000)
Wages and salaries	1,098	1,251
Social security costs	131	150
Pension costs	61	94
	<b>1,290</b>	<b>1,495</b>

In addition staff were paid £nil (2007 : £615,000) out of the B. P. Marsh Employee Benefit Trust in the year. This cost was not reflected in the income statement in 2007 as it was funded through prior year contributions.

**6. DIRECTORS' EMOLUMENTS**

The aggregate emoluments of the directors were:

	2008 (£'000)	2007 (£'000)
Management services	820	869
Fees	65	36
Pension contributions	40	54
	<b>925</b>	<b>959</b>
<b>Highest paid director</b>		
Emoluments	190	121
Long term incentive payment	-	250
Pension contribution	11	9
	<b>201</b>	<b>380</b>

The Company contributes into personal pension plans on behalf of certain employees and directors. Contributions payable are charged to the income statement in the period to which they relate.

During the period, 5 directors (2007 : 4) accrued benefits under money purchase pension schemes.

NOTES TO THE ACCOUNTS  
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## 7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit for the period is arrived at after charging / crediting:

	2008 (£'000)	2007 (£'000)
Depreciation of owned tangible fixed assets:	2	4
Auditors remuneration:		
Audit fees for the Company	19	16
Other services:		
- Audit of subsidiaries' accounts	10	20
- Taxation	9	14
- Corporate finance transactions	10	-
- Other advisory	19	24
Exchange gain	(180)	(45)
Operating lease rentals of land and buildings	118	118

In addition the auditors were also paid £nil during the year (2007 : £85,000) with regard to services provided in placing the shares of the Company to the Alternative Investment Market. This cost was capitalised against the share premium account for the new shares issued.

## 8. TAXATION

The charge for tax comprises:

	2008 (£'000)	2007 RESTATE <sup>d</sup> * (£'000)
UK corporation tax for the year	(345)	-
Deferred tax charge for the year (see note 15)	366	1,619
	<b>21</b>	<b>1,619</b>
<b>Factors affecting the charge for the year</b>		
Profit on ordinary activities before tax	<b>4,851</b>	<b>6,135</b>
Tax at 30% on profit on ordinary activities	1,455	1,840
<b>Effects of:</b>		
Expenses not deductible for tax purposes	262	67
Non taxable income	(1,542)	(2,002)
<b>Other effects:</b>		
Unutilised tax losses carried forward	198	95
Provisions against investments not allowable for tax	28	-
Non-taxable income (dividends received)	(401)	-
Over provision from prior years	(345)	-
Corporate tax charge / (credit) for the year	<b>(345)</b>	<b>-</b>

\* Restated for International Financial Reporting Standards (see note 26).

NOTES TO THE ACCOUNTS  
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**9. EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS**

	2008 (£'000)	2007 RESTATED* (£'000)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity shareholders	4,830	4,516
Earnings per share – basic and diluted	16p	15p
<b>Number of shares</b>	NUMBER	NUMBER
Weighted average number of ordinary shares for the purposes of basic earnings per share	29,286,143	29,286,143
Number of dilutive shares under option	Nil	Nil
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<b>29,286,143</b>	<b>29,286,143</b>

\* Restated for International Financial Reporting Standards (see note 26).

**10. OFFICE EQUIPMENT, FIXTURES AND FITTINGS**

Group	FURNITURE & EQUIPMENT (£'000)
<b>Cost</b>	
At 1 <sup>st</sup> February 2007	99
Additions	-
At 31 <sup>st</sup> January 2008	<b>99</b>
<b>Depreciation</b>	
At 1 <sup>st</sup> February 2007	94
Charge for the year	2
At 31 <sup>st</sup> January 2008	<b>96</b>
<b>Net book value</b>	
At 31 <sup>st</sup> January 2008	<b>3</b>
At 31 <sup>st</sup> January 2007	<b>5</b>

NOTES TO THE ACCOUNTS  
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## 11. NON-CURRENT INVESTMENTS

### Group

	SHARES IN INVESTEE COMPANIES TOTAL (£'000)
<b>At valuation</b>	
At 1 <sup>st</sup> February 2007 previously reported under UK GAAP	37,784
IFRS adjustment (see note 26)	1,050
At 1 <sup>st</sup> February 2007 restated under IFRS	<b>38,834</b>
Additions	6,011
Disposals	(50)
Provisions	(93)
Unrealised gains in this period	5,052
At 31 <sup>st</sup> January 2008	<b>49,754</b>
<b>At cost</b>	
At 1 <sup>st</sup> February 2007	12,460
Additions	6,011
Disposals	(50)
Provisions	(93)
At 31 <sup>st</sup> January 2008	<b>18,328</b>

The Group received \$0.9m (£0.5m) as part of the funds withheld in a warranties/indemnities escrow on the sale of Carpenter Moore Insurance Services Inc (“CMIS”) in October 2005. A provision of 15% (\$0.1m) on this amount was included in the year to 31<sup>st</sup> January 2006, leaving a net amount withheld in escrow of \$0.8m. However no claims were made under the terms of the escrow and the full amount was received, resulting in a profit on disposal of fixed assets for the Group of £0.05m.

The Group also received \$0.2m (£0.1m) as part of the funds withheld in escrow on the sale of E-Risk Services LLC in October 2002. Full provision had been made in the accounts for the year to 31<sup>st</sup> January 2003 and therefore on receipt this resulted in a profit on disposal of fixed assets for the Group.

£93,238 (2007 : £nil) of equity investments have been provided against where the directors consider that there may be a permanent diminution in value.

NOTES TO THE ACCOUNTS  
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**11. NON-CURRENT INVESTMENTS (CONTINUED)**

**Group (continued)**

The investee companies, which are registered in England except Summa Insurance Brokerage S.L. (Spain), Preferred Asset Management Ltd (Jersey) and New Horizons Ltd (Isle of Man), 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
Berkeley Insurance (Holdings) Limited	19.90	31.10.06	80,000	34,000	Insurance holding company
Besso Holdings Limited	23.55	31.12.07	8,977,109	130,998	Investment holding company
HQB Partners Limited	28.00	31.12.07	260,431	(11,303)	Investor relations consultants
Hyperion Insurance Group Limited	27.89	30.09.07	17,272,000	2,371,000	Insurance holding company
JMD Specialist Insurance Services Group Limited	25.00	31.10.07	479,426	72,049	Insurance collection services company
LEBC Holdings Limited	22.50	31.05.07	1,012,450	500,364	Independent financial advisor company
Paterson Martin Limited	22.50	31.12.06	504,113	110,016	Actuarial insurance/reinsurance consultants
Portfolio Design Group International Limited	20.00	31.12.07	7,136,710	4,351,673	Fund managers of traded endowment policies
Morex Commercial Ltd	20.00	31.07.07	120,600	614,463	Trading in secondary life policies
Preferred Asset Management Ltd	20.00	30.09.07	161,396	(84,340)	Fund management company
New Horizons Ltd (formerly Surrenda-Link Nominees Ltd)	20.00	31.12.04	654	Nil	Investment holding company
Principal Investment Holdings Limited	18.22	31.12.07	5,726,000	1,590,000	Fund management company
Public Risk Management Limited	44.00	31.12.06	(277,057)	3,943	Public sector risk management consultants
Summa Insurance Brokerage, S.L.	48.62	31.12.06	1,070,657	(91,157)	Consolidator of regional insurance brokers

NOTES TO THE ACCOUNTS  
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## 11. NON-CURRENT INVESTMENTS (CONTINUED)

### Group (continued)

The aggregate capital and reserves and profit for the year shown above is extracted from the relevant GAAP accounts of the investee companies.

Under FRS 25 the Paterson Martin Limited accounts have included the company's 22.5% interest as a long-term creditor. As this is in reality an equity investment the aggregate capital and reserves shown have therefore been adjusted to include this as equity and therefore part of the total shareholders' funds.

Under FRS 25 the HQB Consulting Limited accounts have included the company's 28% interest as a long-term creditor. As this is in reality an equity investment the aggregate capital and reserves shown have therefore been adjusted to include this as equity and the profit has been adjusted by the dividend paid out.

Under FRS 25 the Hyperion Insurance Group Limited accounts have included their Preferred Ordinary Shares as a long-term creditor. As this is in reality equity the aggregate capital and reserves shown have therefore been increased by £4,125,000 to include this as equity and the profit has been increased by £246,000 which relates to the dividend paid out.

LEBC Holdings Limited do not prepare consolidated accounts. The figures shown include the aggregate capital and reserves of that company (£106,005) and 90% of its subsidiary company's (LEBC Group Limited) aggregate capital and reserves (£1,007,161) and profit for the year (£555,960) as an estimate of the consolidated position.

In November 2007 the Group acquired a 20% equity holding in London Endowments Limited. No statutory financial information is available at this time.

### Company:

	SHARES IN GROUP UNDERTAKINGS (£'000)
<b>At valuation</b>	
At 1 <sup>st</sup> February 2007 previously reported under UK GAAP	37,834
IFRS adjustment (see note 26)	(7,110)
At 1 <sup>st</sup> February 2007 restated under IFRS	<b>30,724</b>
Additions	175
Unrealised gains in this period	4,953
At 31 <sup>st</sup> January 2008	<b>35,852</b>
<b>At cost</b>	
At 1 <sup>st</sup> February 2007	2,365
Additions	175
At 31 <sup>st</sup> January 2008	<b>2,540</b>

NOTES TO THE ACCOUNTS  
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**11. NON-CURRENT INVESTMENTS (CONTINUED)**

**Company (continued):**

**Shares in group undertakings**

The details and results of group undertakings, which are registered in England are as follows:

NAME OF COMPANY	% HOLDING OF SHARE CAPITAL	AGGREGATE CAPITAL AND RESERVES AT 31 <sup>ST</sup> JANUARY 2008 (£)	PROFIT/(LOSS) FOR THE YEAR TO 31 <sup>ST</sup> JANUARY 2008 (£)	PRINCIPAL ACTIVITY
B. P. Marsh & Company Limited	100	42,931,375	169,618	Consulting services and investment holding company
Marsh Insurance Holdings Limited	100	19,212,569	482,617	Investment holding company
B. P. Marsh & Co. Trustee Company Limited	100	1,000	-	Dormant
Marsh Development Capital Limited	100	1	-	Dormant

**12. LOANS AND RECEIVABLES – NON-CURRENT**

	GROUP		COMPANY	
	2008 (£'000)	2007 (£'000)	2008 (£'000)	2007 (£'000)
Loans to investee companies	771	3,091	-	-
Amounts due from subsidiary undertakings	-	-	10,155	10,155
	<b>771</b>	<b>3,091</b>	<b>10,155</b>	<b>10,155</b>

*See note 24 for terms of the loans.*

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



**13. TRADE AND OTHER RECEIVABLES - CURRENT**

	GROUP		COMPANY	
	2008 (£'000)	2007 (£'000)	2008 (£'000)	2007 (£'000)
Trade receivables	129	189	-	-
Loans to investee companies	2,550	250	-	-
Other receivables	11	410	-	-
Prepayments and accrued income	445	207	-	-
	<b>3,135</b>	<b>1,056</b>	<b>-</b>	<b>-</b>

Included within net trade receivables, £110,420 (2007 : £129,351) is owed by the Group's participating interests. Of this total £nil (2007 : £nil) is owed by the Company's participating interests.

£394,875 (2007 : £nil) of loans to investee companies have been provided against. These are amounts due to the Group under loan arrangements where the directors consider that there may be a permanent diminution in value.

*See note 24 for terms of the loans.*

**14. CARRIED INTEREST PROVISION**

	GROUP		COMPANY	
	2008 (£'000)	2007 RESTATED* (£'000)	2008 (£'000)	2007 (£'000)
Carried interest provision	1,558	1,050	-	-
	<b>1,558</b>	<b>1,050</b>	<b>-</b>	<b>-</b>

S. S. Clarke is entitled to a maximum of 20% of any gain, after deducting expenses and following the repayment of all loans, redemption of all preference shares, loan stock and equivalent finance provided by the Company, on the sale of certain agreed investments of the Company and its subsidiaries.

No amounts were paid under this contract during the year (2007 : £nil).

In the accounts to 31<sup>st</sup> January 2007 the valuations of these certain agreed investments of the Company and its subsidiaries were reduced by the respective entitlements to S. S. Clarke. However, under IFRS a provision has now been included within the balance sheet with any period movements expensed through the income statement and thus the investments are now shown gross.

\* Restated for International Financial Reporting Standards (see note 26).

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



**15. DEFERRED TAX LIABILITIES – NON-CURRENT**

	GROUP (£'000)	COMPANY (£'000)
At 1 <sup>st</sup> February 2007 ( <i>restated – see note 26</i> )	7,110	-
Charged to income statement	366	-
At 31 <sup>st</sup> January 2008	<b>7,476</b>	-

The directors estimate that, if the Group were to dispose of all its investments at the amount stated in the Balance Sheet, £7,476,000 (2007 : £7,110,000) of tax on capital gains would become payable by the Group at a corporation tax rate of 28%.

**16. TRADE AND OTHER PAYABLES – CURRENT**

	GROUP		COMPANY	
	2008 (£'000)	2007 (£'000)	2008 (£'000)	2007 (£'000)
Trade payables	56	68	-	-
Corporation tax	-	345	-	-
Other taxation & social security costs	30	63	-	-
Other loans	332	332	-	-
Accruals and deferred income	301	401	-	-
	<b>719</b>	<b>1,209</b>	-	-

The other loan due within one year is an amount which is unsecured, interest free and repayable on the finalisation of the liquidation of Whitmor Holdings Limited (formerly Glenvaal Dewar Rand Limited).

**17. CALLED UP SHARE CAPITAL**

	2008 (£ '000)	2007 (£ '000)
<b>Authorised</b>		
50,000,000 Ordinary shares of 10p each (2007 : 50,000,000)	5,000	5,000
	<b>5,000</b>	<b>5,000</b>
<b>Allotted, called up and fully paid</b>		
29,286,143 Ordinary shares of 10p each (2007 : 29,286,143)	2,929	2,929
	<b>2,929</b>	<b>2,929</b>

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**Group**

	SHARE CAPITAL (£'000)	SHARES TO BE ISSUED (£'000)	SHARE PREMIUM ACCOUNT (£'000)	FAIR VALUE RESERVE (£'000)	REVERSE ACQUISITION RESERVE (£'000)	RETAINED EARNINGS (£'000)	TOTAL (£'000)
At 1 <sup>st</sup> February 2007 (note 26)	2,929	222	9,370	18,214	393	9,478	40,606
Profit for the year	-	-	-	4,178	-	652	4,830
Share based payments (note 22)	-	175	-	-	-	-	175
At 31 <sup>st</sup> January 2008	<b>2,929</b>	<b>397</b>	<b>9,370</b>	<b>22,392</b>	<b>393</b>	<b>10,130</b>	<b>45,611</b>

**Company**

	SHARE CAPITAL (£'000)	SHARES TO BE ISSUED (£'000)	SHARE PREMIUM ACCOUNT (£'000)	FAIR VALUE RESERVE (£'000)	RETAINED EARNINGS (£'000)	TOTAL (£'000)
At 1 <sup>st</sup> February 2007	2,929	222	9,370	28,358	1	40,880
Profit for the year	-	-	-	4,953	-	4,953
Share based payments (note 22)	-	175	-	-	-	175
At 31 <sup>st</sup> January 2008	<b>2,929</b>	<b>397</b>	<b>9,370</b>	<b>33,311</b>	<b>1</b>	<b>46,008</b>

**19. OPERATING LEASE COMMITMENT**

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

	2008 LAND AND BUILDINGS (£'000)	2007 LAND AND BUILDINGS (£'000)
Earlier than one year	108	-
Later than one year	-	226

**20. LOAN COMMITMENTS**

On 7<sup>th</sup> February 2005 the Group entered into an agreement to provide a loan facility of £140,000 to HQB Partners Limited, an associated company. As at 31<sup>st</sup> January 2008 £80,000 of this facility had been drawn down.

On 21<sup>st</sup> March 2007 the Group entered into an agreement to provide a loan facility of £250,000 to JMD Specialist Insurance Services Group Limited. As at 31<sup>st</sup> January 2008 none of this facility had been drawn down.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



## 21. CONTINGENT LIABILITIES

The Group has entered into long-term incentive arrangements with certain employees. Provided the employees remain in employment with the Group as at 1<sup>st</sup> November 2010 the Group has agreed to pay bonuses totaling £250,000 together with the Employers' National Insurance due thereon. £50,000 of this is currently funded through an Employee Benefit Trust.

## 22. SHARE BASED PAYMENT ARRANGEMENTS

During the year ended 31<sup>st</sup> January 2007, B. P. Marsh & Partners Plc entered into a share-based payment arrangement with certain employees and advisors. The details of the arrangements are described in the following table:

NATURE OF THE ARRANGEMENT	SHARE OPTIONS GRANTED TO ADVISORS	SHARE OPTIONS GRANTED TO ADVISORS	SHARE APPRECIATION RIGHTS
Date of grant	2 <sup>nd</sup> February 2006	9 <sup>th</sup> February 2006	19 <sup>th</sup> April 2006
Number of instruments granted	17,857	17,857	4,392,921
Exercise price (pence)	140.00	140.00	140.00
Share price at grant (pence)	150.50	150.50	150.50
Vesting period (years)	5	5	Units vest 10 days after results to 31/01/09 reported, i.e. approx 3 years
Vesting conditions	None	None	50% vest if IRR over exercise price exceeds 5% and 100% vest if IRR exceeds 8% after 3 years. Between 5% and 8% it is pro-rata.
Option Life (years)	5	5	3.34
Expected volatility	15%	15%	15%
Risk free rate	4.2%	4.15%	4.52%
Expected dividends expressed as a dividend yield	0%	0%	0%
Settlement	Shares	Shares	Shares
% expected to vest (based upon leavers)	100%	100%	60%
Number expected to vest	17,857	17,857	2,635,752
Fair value per granted instrument (pence)	41.90	41.20	23.50
Charge for year ending 31 <sup>st</sup> January 2008 (£)	nil	nil	175,563
Valuation model	Black-Scholes	Black-Scholes	Trinomial

The Company admitted its shares for trading on AIM on 2<sup>nd</sup> February 2006 and consequently, at the date of valuation of the options, little historical price data existed. As a consequence the volatilities of quoted companies that the directors considered to be the most comparable to the Group were used to determine the Group's expected volatility over the life of the options.



## 22. SHARE BASED PAYMENT ARRANGEMENTS (CONTINUED)

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

No options were exercised during the year. 878,584 share appreciation rights representing 20% of the available units granted during the year to 31<sup>st</sup> January 2007 were forfeited before 31<sup>st</sup> January 2008. The expected number of units to vest has therefore been adjusted accordingly with no further expectation of forfeiture over the remaining life of the option.

## 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 and other debtors and creditors. 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.

The main risks arising from the Group's financial instruments are price risk, credit risk, liquidity risk, interest rate cash flow risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised in the director's report under "Financial Risk Management".

### **Interest Rate Profile**

The Group has cash balances of £1,701,000 (2007 : £6,989,000), which are part of the financing arrangements of the Company. The cash balances comprise bank current accounts and deposits placed at investment rates of interest, which ranged between 4.5% p.a. and between 5.3% p.a. in the period (2007 : ranged between 3.7 % p.a. and 5.1% p.a.). Maturity periods ranged between immediate access and 7 days (both years).

### **Currency hedging**

During the period, the Group did not engage in any form of currency hedging transaction (2007 : none).

### **Financial liabilities**

The Company had no borrowings during the period (2007 : none).

### **Fair values**

All the financial assets and liabilities at 31<sup>st</sup> January 2008 were revalued where the directors consider they are materially different from their book values.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



## 24. RELATED PARTY DISCLOSURES

The following loans owed by the associated companies of the Company and its subsidiaries were outstanding at the year end:

	2008 (£)	2007 (£)
HQB Partners Ltd	80,000	80,000
Hyperion Insurance Group Ltd	2,350,000	2,350,000
Paterson Martin Ltd	200,000	200,000
Public Risk Management Ltd	-	445,500
Summa Insurance Brokerage S.L	691,137	265,534

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.

Income receivable, consisting of consultancy fees and interest on loans credited to the income statement in respect of the associated companies of the Company and its subsidiaries for the year were as follows:

	2008 (£)	2007 (£)
Berkeley (Insurance) Holdings Ltd	13,809	13,311
Besso Holdings Ltd	158,594	367,441
HQB Partners Ltd	28,744	27,144
Hyperion Insurance Group Ltd	629,249	457,787
JMD Specialist Insurance Services Group Ltd	15,499	-
Jump Group Ltd	-	3,603
LEBC Group Ltd	15,743	-
Oakbridge Insurance Services LLC	40,669	41,735
Paterson Martin Limited	35,210	42,254
Portfolio Design Group International Ltd	36,917	25,000
Principal Investment Holdings Ltd	54,531	52,296
Public Risk Management Ltd	47,892	57,493
Summa Insurance Brokerage S.L	290,346	76,069

In addition the Group made management charges of £30,000 (2007 : £36,000) and charitable donations of £5,000 (2007 : £nil) to Marsh Christian Trust. Mr B. P. Marsh, the Chairman and majority shareholder of the Company, is also the Trustee and Settlor of Marsh Christian Trust.

Mr B. P. Marsh, who is the Chairman and majority shareholder of the Company, provided a £3,000,000 loan facility to the Company, secured on its assets. Any undrawn amount incurred a charge of 1%.

As at 31<sup>st</sup> January 2008 the Group owed £nil (2007 : £nil) to Mr B. P. Marsh under this arrangement. Interest (including any undrawn rate) paid to him during the period amounted to £30,000 (2007 : £32,541). On 30<sup>th</sup> April 2008 this loan facility was cancelled in full.

S. S. Clarke is entitled to a maximum of 20% of any gain, after deducting expenses and following the repayment of all loans, redemption of all preference shares, loan stock and equivalent finance provided by the Company, on the sale of certain agreed investments of the Company and its subsidiaries. The carried interest provided for at the year end was £1,558,000 (2007 restated : £1,050,000).

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

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



**25. POST BALANCE SHEET EVENTS**

On 10<sup>th</sup> March 2008 the Group acquired a 35% shareholding in Amberglobe Limited (trading as The Business Sales Centre) for £70,000. In addition, a £630,000 loan facility was provided, of which £250,000 has been drawn down to date.

On 14<sup>th</sup> March 2008 the Group sold its 18.22% equity investment in Principal Investment Holdings Limited to Sanlam, a South African insurance and financial services group. The Group's consideration consisted of an initial capital payment of £5,797,225, representing 80% of the total anticipated capital consideration, with a further £1,449,307, representing 20%, being payable, subject to certain conditions relating to the performance of the FTSE 100 share index, in two years' time.

On 19<sup>th</sup> March 2008 the Group acquired a 25% shareholding in Trillium Partners Limited for £500,000. In addition, a £750,000 loan facility was provided, although this has not been drawn down to date.

On 2<sup>nd</sup> April 2008 Hyperion Insurance Group Limited repaid in full its £2,350,000 loan outstanding to the Group.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



## 26. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

B. P. Marsh and Partners Plc reported under UK GAAP in its previously published financial statements for the year ended 31<sup>st</sup> January 2007. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31<sup>st</sup> January 2007 to the revised net assets and profits under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, being 1<sup>st</sup> February 2006. These reconciliations have been provided for both the Group and the Company, although a reconciliation of equity for the Company at 31<sup>st</sup> January 2006 has been excluded as reporting under IFRS did not impact the figures at that date.

### Group

	PREVIOUS GAAP (£'000)	EFFECT OF TRANSITION TO IFRS (£'000)	IFRS (£'000)
<b>Reconciliation of equity at 31<sup>st</sup> January 2006</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Office equipment, fixtures and fittings	8	-	8
Investments	27,700	797 <sup>1</sup>	28,497
Loans and receivables	3,231	-	3,231
	<b>30,939</b>	<b>797</b>	<b>31,736</b>
<b>Current assets</b>			
Trade and other receivables	3,413	-	3,413
Cash and cash equivalents	1,084	-	1,084
	<b>4,497</b>	<b>-</b>	<b>4,497</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and other payables	(2,500)	-	(2,500)
Carried interest provision	-	(797) <sup>1</sup>	(797)
Deferred tax liabilities	-	(5,491) <sup>2</sup>	(5,491)
	<b>(2,500)</b>	<b>(6,288)</b>	<b>(8,788)</b>
<b>Current liabilities</b>			
Trade and other payables	(1,733)	-	(1,733)
<b>Net assets</b>	<b>31,203</b>	<b>(5,491)</b>	<b>25,712</b>
<b>Capital and reserves - equity</b>			
Called up share capital	2,520	-	2,520
Share premium	17	-	17
Shares to be issued	-	-	-
Fair value reserve	19,209	(5,491) <sup>2</sup>	13,718
Reverse acquisition reserve	-	-	-
Retained earnings	9,457	-	9,457
<b>Shareholders' funds - equity</b>	<b>31,203</b>	<b>(5,491)</b>	<b>25,712</b>

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



26. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

**Group (continued)**

	PREVIOUS GAAP (£'000)	EFFECT OF TRANSITION TO IFRS (£'000)	IFRS (£'000)
<b>Reconciliation of equity at 31<sup>st</sup> January 2007</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Office equipment, fixtures and fittings	5	-	5
Investments	37,784	1,050 <sup>1</sup>	38,834
Loans and receivables	3,091	-	3,091
	<b>40,880</b>	<b>1,050</b>	<b>41,930</b>
<b>Current assets</b>			
Trade and other receivables	1,056	-	1,056
Cash and cash equivalents	6,989	-	6,989
	<b>8,045</b>	<b>-</b>	<b>8,045</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and other payables	-	-	-
Carried interest provision	-	(1,050) <sup>1</sup>	(1,050)
Deferred tax liabilities	-	(7,110) <sup>2</sup>	(7,110)
	<b>-</b>	<b>(8,160)</b>	<b>(8,160)</b>
<b>Current liabilities</b>			
Trade and other payables	(1,209)	-	(1,209)
<b>Net assets</b>	<b>47,716</b>	<b>(7,110)</b>	<b>40,606</b>
<b>Capital and reserves - equity</b>			
Called up share capital	2,929	-	2,929
Share premium	9,370	-	9,370
Shares to be issued	222	-	222
Fair value reserve	25,324	(7,110) <sup>2</sup>	18,214
Reverse acquisition reserve	393	-	393
Retained earnings	9,478	-	9,478
<b>Shareholders' funds - equity</b>	<b>47,716</b>	<b>(7,110)</b>	<b>40,606</b>

(£'000)

**Reconciliation of consolidated net profits  
for the year ended 31<sup>st</sup> January 2007**

<b>Profit under UK GAAP</b>	<b>20</b>
Unrealised gains on investments	6,369
Stamp duty expenses	(1)
Carried interest provision	(253)
Deferred taxation	(1,619)
<b>Profit under IFRS</b>	<b>4,516</b>

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>ST</sup> JANUARY 2008



26. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

Company	PREVIOUS GAAP (£'000)	EFFECT OF TRANSITION TO IFRS (£'000)	IFRS (£'000)
<b>Reconciliation of equity at 31<sup>st</sup> January 2007</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	37,834	(7,110) <sup>2</sup>	30,724
Loans and receivables	10,155	-	10,155
	<b>47,989</b>	<b>(7,110)</b>	<b>40,879</b>
<b>Current assets</b>			
Trade and other receivables			
Cash and cash equivalents	1	-	1
	<b>1</b>	<b>-</b>	<b>1</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	-	-	-
<b>Net assets</b>	<b>47,990</b>	<b>(7,110)</b>	<b>40,880</b>
<b>Capital and reserves - equity</b>			
Called up share capital	2,929	-	2,929
Share premium	9,370	-	9,370
Shares to be issued	222	-	222
Fair value reserve	35,468	(7,110) <sup>2</sup>	28,358
Retained earnings	1	-	1
<b>Shareholders' funds - equity</b>	<b>47,990</b>	<b>(7,110)</b>	<b>40,880</b>

(£'000)

**Reconciliation of net profits  
for the year ended 31<sup>st</sup> January 2007**

<b>Profit under UK GAAP</b>	<b>1</b>
Unrealised gains on investments	5,012
<b>Profit under IFRS</b>	<b>5,013</b>

Notes:

(<sup>1</sup>) Under IFRS a provision needs to be made for carried interest. Under UK GAAP this amount was offset against investments.

(<sup>2</sup>) Under IFRS a deferred tax liability is recorded in respect of assets held at fair value to reflect the tax realisable upon the eventual disposal of the asset, whereas under UK GAAP the potential tax payable is not recognised in the financial statements.

27. ULTIMATE CONTROLLING PARTY

The directors consider Brian Marsh to be the ultimate controlling party.



MAKING INVESTMENTS IS NOT LIKE SAVING AND NOT  
LIKE SPENDING EITHER. IT IS LIKE CHOOSING A CANVAS OR  
A THEME: WHERE TO TRY TO BE CREATIVE NEXT.



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

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