

Investing for the future

B. P. MARSH & PARTNERS PLC

FOCUS: REINSURANCE

Industry Loss Warranties... the new buzz in the reinsurance world

Hurricane Katrina caused the largest ever single claim event in the history of the insurance industry. One year on its effects are still being felt.

LIKE MANY INDUSTRIES, there comes a new buzz-word or acronym with changing markets. Although they have been around for some time, an Industry Loss Warranty (ILW) is yet another 'new' product which the reinsurance industry uses as a means of transferring wholesale risk to the capital markets.

Over the past 12 months over \$70bn of hurricane losses have been absorbed by the insurance and reinsurance markets – placing considerable strain on the estimated \$400bn of capital employed within the reinsurance industry which specializes in spreading the risks of the primary insurers.

Meanwhile, the huge growth in hedge funds as a means of managing the world investment funds has enabled nimble management teams to take a flexible approach in investment risk – and an appetite to seek non-correlated risk to mainstream investment strategies.

So the shortage of high risk capital within the reinsurance of reinsurance business – known as retrocessional capacity – coupled with excess capital within the investment community seeking non-correlated investment market exposure – brings together an interesting supply and demand scenario.

It is estimated that approximately \$20bn of new capital was injected in 2005 – much of it from hedge funds – to reinsurance companies in Bermuda where they fell into three basic categories – firstly, the existing companies seeking to replenish their capital, secondly, a new generation of reinsurance companies formed to take advantage of the exceptional market conditions – and, lastly, the latest fashionable creation, the 'side-car' vehicle, which is established

to assume the higher risk exposures of a specific reinsurance group.

The side-cars were formed because the reinsurance vehicles have come under pressure not to retain disproportionate risk relative to their capital from their shareholders, regulators and rating agencies. Hedge funds have been invited to invest in the side-car as

a temporary high risk partner – usually for about three years – whilst the originator rebuilds a stronger capital base.

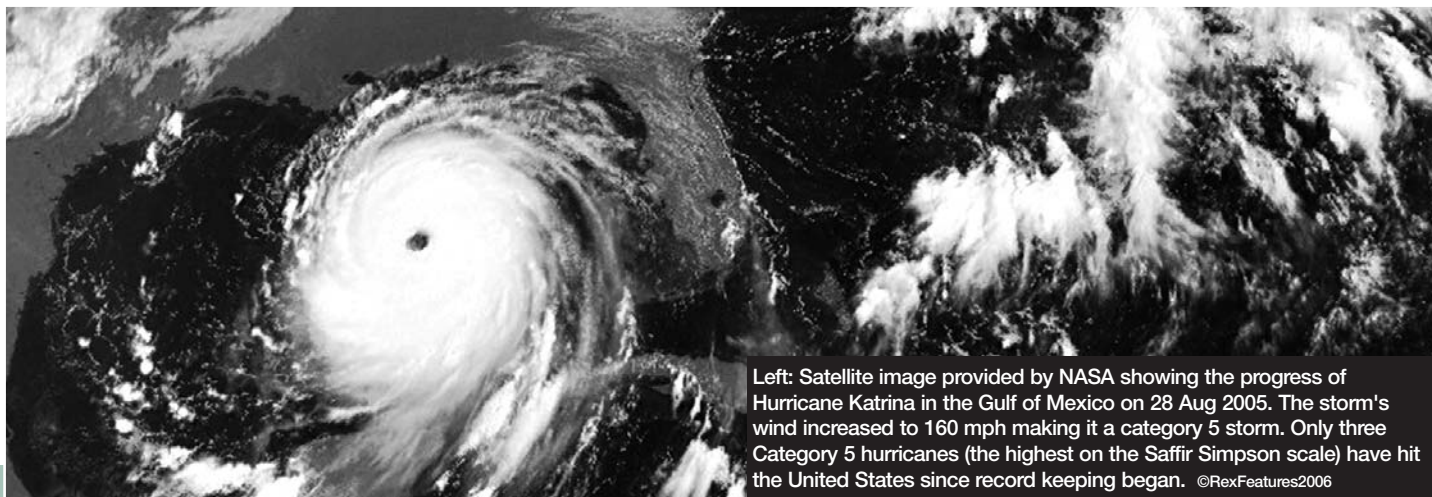
So there is a reinsurance market 'tapestry' at the top end of the risk mountain and it has found a new way of transferring risks efficiently – all of these vehicles are employing ILWs to assume and offset major risks in an effort to spread the effect of a major catastrophe.

To give some idea of type and scale of the risks being transferred within the ILW market one must think in terms of market losses where they exceed billions of US Dollars. The usual categories include property, marine, aviation and satellite – with geographical regions as broad as USA East Coast, West Coast, Gulf and Mid-States, >

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B.P. MARSH & PARTNERS PLC
Specialists in providing private equity capital for SMEs in the financial services sector.



Left: Satellite image provided by NASA showing the progress of Hurricane Katrina in the Gulf of Mexico on 28 Aug 2005. The storm's wind increased to 160 mph making it a category 5 storm. Only three Category 5 hurricanes (the highest on the Saffir Simpson scale) have hit the United States since record keeping began. ©RexFeatures2006

➤ Northern Europe and Japan.

An ILW can be triggered by two basic occurrences; the buyer must demonstrate a loss and will be covered to a pre-determined indemnity – and secondly, the insured loss to the industry as a whole based upon an agreed index – such as Property Claims Services (PCS) – between the parties.

For example, a reinsurer might seek to protect themselves by purchasing an ILW for a specific area of exposure where they lack enough traditional reinsurance or where they have concerns about their regulator's or rating agency's attitude to their book of business. They might enter the market by seeking \$50m cover if the 'industry event' is deemed to exceed an insured loss of, say, \$30bn on Florida Windstorm – and, in the market today, that might require an up-front premium of \$20m (ie 40% Rate on Line/exposure) for 12 months.

In an industry plagued with complexity and dispute, the notion of being a capital provider to those offering ILWs to the reinsurers has attractions; the contracts require no underwriting information from the cedant – and the price is transparent, easy to underwrite and administrate. More importantly, there will be no unexpected surprises from small losses and little 'moral hazard' from the cedant either.

From an investor's point of view, a 'book' of business and risk level can be constructed to suit the risk appetite based upon geographical regions covered and the size of loss which would trigger a claim.

Of course, the same advantages apply to the cedant (or purchaser

“From an investor's point of view, a 'book' of business and risk level can be constructed to suit the risk appetite based upon geographical regions covered and the size of loss which would trigger a claim”

of the ILW); they can determine exactly where they seek cover, fill in reinsurance gaps in programmes and need not supply detailed underwriting information. Contracts are flexible and quick to arrange provided that capacity is available.

The security provided to the cedant is usually fully collateralized if not provided by a major reinsurer with a high rating from one of the recognized agencies. Therefore the seller of the ILW needs to convert the capital committed into a Trust account and generate a Letter of Credit to prove the Contract security – typically domiciled off-shore for maximum tax and regulatory efficiency.

Whilst the capital requirements are higher for the investors offering the collateralized ILW to those via reinsurance companies, the structure is low cost and the capital and profits can be released infinitely more quickly than investments made in reinsurance companies where the capital can be trapped by regulators due to their broader traditional reinsurance programmes.

The ILW market has grown significantly in just 12 months; of the estimated \$10bn retrocessional market some 60% of the risk transfer has been effected by means of ILWs – and it would seem likely that this form of protection is not only here to stay but will continue to develop and evolve as a mainstream method of risk transfer.

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Opportunities in Asia for insurance intermediaries

Things are changing in Asia, but some rules of business remain the same. Dr David Bland elaborates on the scene.

ASIA IS A HUGE continent, of great contrasts; but in every area there are emergent economic opportunities. The role of insurance and finance in unlocking these opportunities is immense, and will increase almost exponentially in the coming three decades. This growth may suffer periods of retardation due to turbulence in the global economy; but massive expansion is certain.

What are the ground rules for seizing these opportunities? How do they differ from the accepted business practices of Europe and America?

The answer is that where one is dealing with global corporates or intergovernmental agencies, one will face no significant difference from what happens in the Atlantic economies. But in dealing with the private sector, and with governmental agencies, there are very fundamental differences.

Firstly, in much of eastern Asia one is made aware of the vital importance of 'face': causing someone embarrassment of any kind – but especially publicly exposing ignorance or error by the counter-party – is a fatal error. It is essential to present information that your client or agent cannot possibly be expected to know, in words that imply you believe they know [and fully understand] what you are telling them, but you just want to be sure on grounds of language and contract certainty that they and you are in agreement on the details. This enables them to give you their attention without seeming dim, and they can even ask questions as being part of the 'clarification' without the inquiries being seen as a display of ignorance. The same technique is advisably used in any initial discussion with a potential customer or partner whose background and experience are unlikely to have covered the sophisticated concepts and products that are being presented.

A second factor that applies throughout the continent, is that everybody has contacts and circles in which they operate: so whether they are public sector employees, corporate staff, or members of family businesses [which can be huge] the individuals who you meet will have contacts whom they will want to draw into business. Sometimes the principal will only meet a new contact when he [or, much more rarely, she] is introduced by a trusted member of their circle, who effectively vouches for you on your initial introduction. Thus in opening up business exploration in any new Asian territory, you need to ascertain who are the real quality 'fixers' and 'introducers' in respect of the sort of business that you are promoting; who can really put you in touch with the right customers and potential agents. There are plenty of spurious such people, who are looking for the western mug's cash: so it is essential to assess properly the credentials and credibility of introducers before you risk the embarrassment of having picked wrongly.

It should be noted that a far greater proportion of the economy



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is in the state sector in China, India and other major Asian economies – and in many of the smaller sovereign states – than in the west. And much of the rest of the economy is located in family owned businesses and in autocratic business empires where one individual holds sway. These can grow to become very large businesses without changing their ownership or their basic corporate structure. Many of the largest businesses have long ago overcome the inefficiencies and capital limitations of their compatriot banks and insurance providers by setting up their own financial services wings, which trade directly or through agents in London, Paris or another western financial capital. This means also that many of the private sector banks and insurance providers are parts of larger conglomerates, and are privately or oligarchically owned. Thus it is vital to know who owns what: whether a transport or media or industrial company has a financial services subsidiary to which your propositions will be referred, and with which you may be competing. Equally likely, if your business offer is taken up this will be to provide an object lesson for their in-house or allied financial product provider to use in developing their own business.

It used to be believed that if a scion of an insurance company owning family went to the European school run by a broker or a reinsurance company for a period of months, to learn the basics of the business and have a good time, that would create a loyal lifetime third-world customer for the first-world business that paid for the training. It sometimes worked out that way; but as the world shrinks with the improvement of communications, under an overload of data, so the people who run financial businesses

throughout Asia make good use of their access to all the options that internet trading and worldly wisdom give them. They compare offers from ‘old friends’ and new contacts with whatever else the global market is offering. Any assumption that the people at the hard end of any Asian business are a ‘soft touch’ is likely to be proven wrong: very expensively.

The opportunities for financial services traders with high intellect, good products and massive backing capital are huge. Virtually every segment of the financial services market has shown growth and emancipation. Asia needs capital, expertise, bespoke products and good innovative financial thinking: that can attract business almost limitlessly to the western firms that have backup legal, financial, facilitating and accounting services that the less developed countries in the region have not yet grown for themselves. The greatest growth opportunities, therefore, lie in trading sectors where the institutional and professional backup systems do not exist [or are insufficiently developed] to meet complex and large scale situations.

As with the financial services intermediary who operates in Croydon or Clichy – or Chicago – the same truths apply throughout Asia: that the skill of individuals, the capital strength of companies and the availability of infrastructure professions will enable opportunities to be recognised, developed and translated into mutually beneficial business events.

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How is the Duke doing?

A history lesson for the City? Cees Schraauwers takes us on a trip to Italy and back.

ABOUT A MONTH AGO I found myself in Florence (Firenze), visiting on the request of my wife, the sites and the museums, but not all of them. You cannot help, but to be overwhelmed by the wealth of the art collections and the diversity of the works created some 4 to 5 centuries ago. When faced with so much beauty, I become very quickly blasé and begin to take the all-round quality for granted and my mind begins to wander. Having trained as an economist, I wondered what physical and economic circumstances caused/allowed this to happen,

this explosion of creativity, skill and rapid technical progress (perspective and the use of colour)? First of all, a leadership (the Duke) that was prepared to take risk and had the wealth to allow the artists to work full time. Also, there existed an obvious competition between the painters, cartographers and sculptors. All resulting in the creation of art and science not seen before or probably since.

Maybe sadly, my thoughts turned to the world we live in and the similarities between the Florence of the 15th and 16th century and the London of today

and the Insurance market in particular. The City is the UK's equivalent of the Silicon Valley, working very much along the same principles of education, challenge and competition. The London market of today has all the parallels, in my observation, with Florence. The congregation of talent attracted by the rewards and the desire to compete.

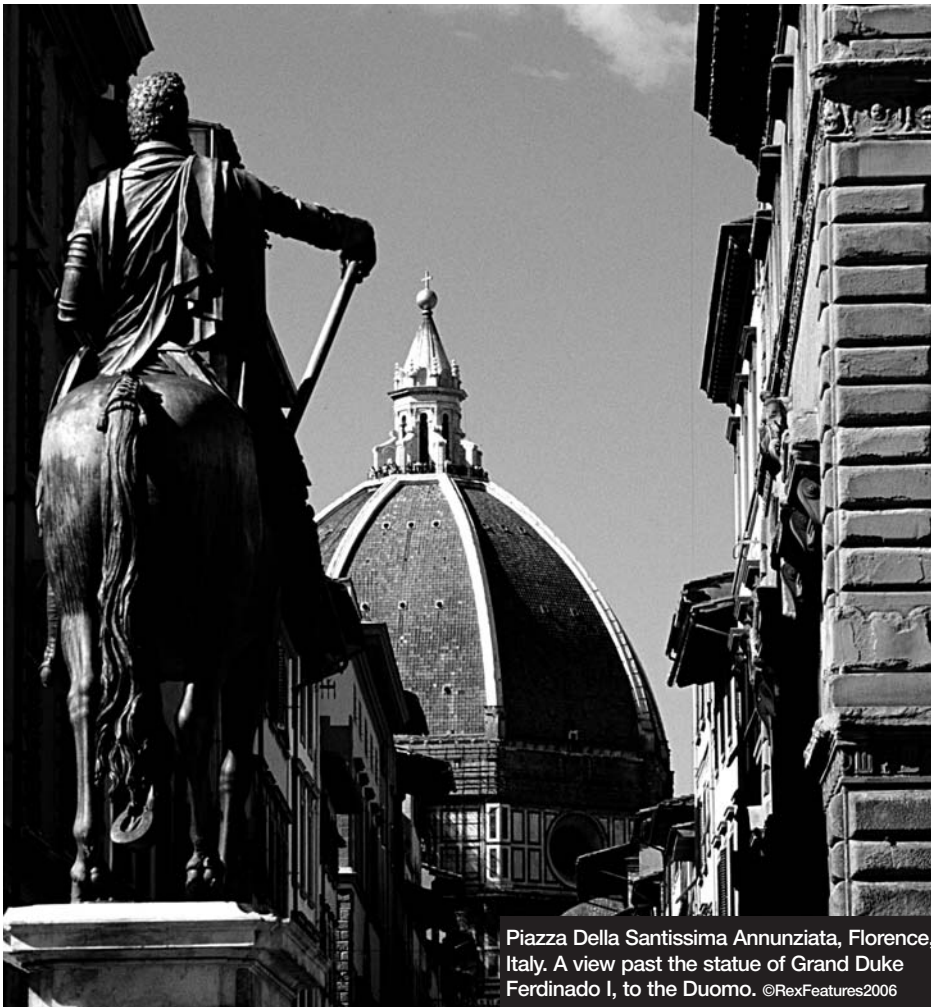
Continuing the parallel, can we see the same in the Insurance market today? How is the Duke (the FSA) doing in encouraging and enabling the environment needed to flourish? He is certainly a tough Duke having introduced a tough regime, but has this been at the cost of the business development? As happened in Florence, when the painters went to Rome for better rewards, we are seeing our own flight to Rome with the new business development taking place in Bermuda. And the painters never came back!

The local Barons (the UK Insurers) never much liked the risks associated with the London Market and have surrendered the market to local artisans and foreign artists. Without the generation of new capital and new products the market will slowly be starved of the elements it needs most and London's share of the world insurance premium will continue to decline. Of course we do need to look at costs and in particular the cutting out of the many 'hand offs' in the market's processes. These things are given and need to be pursued with vigour. We have an enviable infrastructure, with lawyers, accountants and banks, together with a legal system that allows all of this to function.

But the centre of it all is Risk and how you control it. No Risk, no return. We need our own Renaissance and the Duke has a vital role to play.

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“How is the Duke (the FSA) doing in encouraging and enabling the environment needed to flourish?”



Piazza Della Santissima Annunziata, Florence, Italy. A view past the statue of Grand Duke Ferdinando I, to the Duomo. ©RexFeatures2006

‘People business issues’

Specialist headhunter Tim Dumenil shares with us his philosophy and experience behind headhunting in the London insurance intermediary market.

A SPECIALIST CITY HEADHUNTER'S VIEW

Headhunters should first be part of the business planning initiative. They should work in conjunction with their employer, the Customer, in order to find the best candidate to fill the role. They have to understand the position that needs to be filled, the culture of the company, its identity, full philosophy, and confidentially any financial requirements it has. To find the right person is a skilful operation and takes time. It is more cost effective to have someone professional who knows their market sector to find that person, or team, than embark on that in house.

THE CURRENT BROKER MARKET

The current London Insurance broker market is growing again both in numbers of units and through acquisition in size. It is true that the Mega brokers are still dominant by size, but there is a growing awareness of the importance of service, and that personal approach which is better given in the small to medium sized brokers with dedicated professionals to help their clients on an ‘on demand’ basis. The smaller brokers tend to have dedicated teams for certain classes of business, and on this basis they can be seen to offer a rounded approach to their direct clients. Recently there has been a move for more business through the internet, but for the majority of commercial placements, the existence of trusted professional owner advisors will always be imperative.

AN OUTSIDER'S VIEW OF CURRENT INTERMEDIARY MANAGEMENT

• **Senior Management:**

All too often it can be shown that the broking fraternity spend no part of their budget or time on management and Strategic planning for the future. This failing creates the panic buying or selling of staff. Some companies do not look at the skill sets that their competition already has in place, or the methodology or reasons they are involved in any new initiative. This tends to lead to management of competitors trying to maximise their own returns by offering the same new products without consideration of the service ramifications if they get it wrong.

• **Compliance and Human Resources:**

This is an area that the Intermediary Market still has to pay serious attention to these days. It is not just a matter of the FSA and their directives, but new practices are very important in the future success of any company: Change Management, Intellectual Property Rights, Diversity, Age & Sexual Discrimination, Ethics and managing their reputational risk. These create positions that are important and professional executive search companies need to spend more time understanding the culture of their clients and the associated business ethics. Few headhunters are equipped to handle or indeed understand these issues.

ETERNAL ISSUES

• **Leadership:**

Growing leadership from within senior management can be pressurised. It can be both demanding of skills to develop and deliver bottom-line value to your organisation and the critical role needed in creating and communicating strategy. Senior Management has to drive transformation, to build sustainable competitive advantage and achieve results. The quality of staff to achieve this is lacking at senior level, particularly in small to medium sized brokers.

• **Talent Management:**

Provide expertise to attract and select talent, develop careers, and manage performance and succession, for people who will join, contribute, stay and achieve full potential.

• **Change Management:**

Organisations need to optimise their performance & results, and senior leaders need to constantly position their organisations for strategic success. Ensuring people are committed to positioning a company where it needs to be, can be challenging and difficult. It is important to manage this change whilst turning strategy into results.

• **Transition Solutions:**

The modern Business World demands pace and flexible employees. The diversity of career choice has never been greater and employers need to attract candidates considering their career transition as the turning point in their work lives. Government statistics tell us that the average person will now have seven career path changes. Our job is to help find not just any job, but a position of entrepreneurial value, in which both sides will be fulfilled and successful.

• **Work Life Balance:**

Flexible working time will improve one's profile and reputation as well as retention rates, employee loyalty, increase productivity and creativity. Create a workplace with an emphasis on innovation whilst balancing personal responsibilities with responsibilities at work.

CONCLUSION

Careful planning for the future takes time; it is not just a matter of what you think you know. It is more a matter of relying on those professionals whose job it is to have the time and expertise to know more than you do on this.

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Is this the end of preference shares?

The Impact of FRS 25 on Financial Instruments.

UNTIL RECENTLY, PREFERENCE shares and other similar capital instruments have offered an effective way of bridging the gap between pure equity and debt both for companies seeking finance and for those investing in them. For the investee company, preference shares have traditionally been treated as equity on the balance sheet, thereby improving the capitalisation of the company along with net profit since the returns payable on such instruments were not deducted before arriving at the result for the year. For investors, preference shares have offered fixed returns and/or the ability to redeem the original investment, benefits more usually associated with debt.

The advent of FRS 25 “Financial Instruments: Disclosure and Presentation” looks to remove the disclosure advantages historically afforded to investee companies as it requires, in many cases, preference shares, and other similar financial instruments, to be accounted for as debt rather than equity.

This may have significant effects on key performance indicators of these entities such as interest cover and gearing. Furthermore, where the returns or options available to investors are dependent on items such as net assets or profits, investors will need to review the definitions of these items to assess the effect of FRS 25 on the

“When entities are raising finance, they will need to carefully consider the impact of FRS 25 on the treatment of the vehicle used for investment”

potential risks and rewards of the investment.

As a result of the above, entities will need to review all items included in shareholders funds to determine whether they should be reclassified as liabilities and the associated dividends, etc. reclassified as expenses in the profit and loss account. Furthermore, when entities are raising finance, they will need to carefully consider the impact of FRS 25 on the treatment of the vehicle used for investment.

The presentation requirements of FRS 25 take a “substance over form” approach to the classification of financial instruments (examples include preference shares, debentures, swaps, etc.) between liabilities and equity. In essence, the issuer of a financial instrument should classify it as a liability in its balance sheet if there is a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the entity.

Dividends, interest or any other gains/losses on financial liabilities should be recognised as expenses in the profit and loss account in the same way as interest on a bond.

Compound financial instruments should be separated into their component parts and each component classified as a financial liability or equity instrument. There is no change in the total fair value of the financial instrument as the value of the equity component is calculated as the residual amount after deducting the fair value of the liability component, valued by reference to a similar liability

that does not have an associated equity component, from the initial carrying value.

In addition, FRS 25 requires financial assets and liabilities to be presented on a net basis (i.e. offset) when, and only when, an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

The above right of offset, combined with the definitions of financial assets and liabilities provided in FRS 25, may lead to a financial service intermediary either disclosing the net position or not disclosing at all assets and liabilities relating to its services as agent. For example, an insurance intermediary holds significant insurance debtors and creditors representing premiums receivable from policy holders, claims receivable from insurers and premiums payable to insurers, claims payable to policy holders. These amounts will largely net off subject to any commission due to the intermediary for acting as agent. Furthermore, the intermediary does not have any liability for the related creditor balances where a debtor defaults payment. Therefore, under FRS 25, it appears that these debtors and creditors may be offset and possibly should not be recognised at all as they do not represent assets or liabilities of the intermediary.

The disclosure requirements of FRS 25 supersede those required by FRS 13 with some additional information to be disclosed. The principal areas covered are risk management policies and hedging activities; terms, conditions and accounting policies; interest rate and credit risk; and fair value disclosures.

FRS 25 does not prescribe the format or location of disclosures, giving companies flexibility as to the form their disclosures will take. However, companies will need to review whether further work may be required in order to gather the required information.

The presentation requirements of FRS 25 are effective for all companies for accounting periods beginning on or after 1 January 2005. The disclosure requirements of FRS 25 are effective for listed companies (in practice, these companies will have adopted IAS/IRFS and will need to comply with IAS 32, which has broadly the same requirements) for accounting periods starting on or after 1 January 2005 and for all other companies for accounting periods starting on or after 1 January 2006. There are exemptions for wholly owned subsidiaries and parent companies producing single entity financial statements.

Whilst it is too early to conclude on the overall effect that FRS 25 will have on the future capital structures of companies seeking finance, it is fair to say that many of the benefits of preference shares have now been diluted and therefore preference shares may become increasingly rare as an investment tool.

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Mind the gap

Mike Southon and Chris West give a few tips about sourcing investors below £2m.

THE FUNDING GAP APPEARS to be as wide as ever, despite government attempts to fill it. VCs, by and large, won't look at companies wanting less than £2 million. Most angels want to invest around £50,000. What on earth do you do if you need a sum somewhere in the middle?

One answer is doing more research. Talk to people. There are sources of appropriate-size finance out there. In certain parts of the country there are 'soft VCs', set up to alleviate economic problems, who don't sniff at six-figure deals. Venture Capital Trusts are supposed to lend amounts of the size you need. Angel networks can put together deals – or may come up with 'archangels' prepared to lend more.

Responsibility for the gap is often passed back to potential borrowers. 'Investment Readiness' is the catch-phrase: lenders say that many of the people approaching them don't have it. Lenders' complaints about entrepreneurs tend to centre on two topics.

Firstly, lack of understanding of available finance options. If there were an easy set of answers we'd produce them, but every region has different lenders with different rules and requirements, so it's down to networking. Somewhere out there is a 'maven', an expert on local lenders who is itching to tell you all about them. Find this person.

Allied to the above is a failure to understand what investors want. Again, there's no simple answer. Anyone taking equity expects a serious plan with an exit in mind and in the next few years. Angels often want fun, too: not just a 'punt', but the chance to get involved in a lively, exciting business like yours. Soft VCs will want to see social benefit such as jobs and contracts given to local suppliers. Ordinary VCs want growth, growth, growth.

The second aspect of lenders' complaints is about the companies themselves. The business plans aren't up to scratch, or are presented in such a lacklustre way that investors are put off.

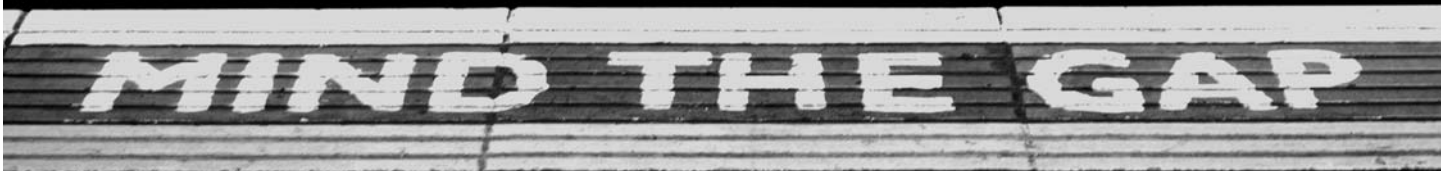
Lenders have been unhappy about this for years: earlier in the decade two professors, one from the excellent Hunter Institute in Glasgow, did some research and came up with a solution, 'investment readiness' programmes for businesses. These programmes involved a certain amount of drum-beating to raise awareness of the issue, a selection process to see who would most benefit, then training and mentoring. Investors would also be involved, to ensure the programmes created a real bridge rather than just a dolling up of one side of the equation. Six trials were run between 2002 and 2004, and they appear to have worked. The programmes should be rolled out around the country soon – keep an eye open for them, as they could help you cross the funding gap.

In the meantime, the best single thing a small business can do to make itself 'investment ready' is to have a finance cornerstone. Too many SMEs use the old formula of a bookkeeper plus an annual visit to the accountants, and this really is not good enough if the business has any desire to grow – or to attract serious finance. There must be financial expertise at the heart of the business, participating in the formation of strategy and in the making of key decisions. A finance cornerstone will understand the sort of finance needed and the best way to source it. He or she is also by far the best person to orchestrate the pursuit of that finance, to put together a business plan that really wows investors and to present it effectively. And the best person to negotiate the deal and to monitor the relationship with the investor once the deal is done.

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Article courtesy of "Director" – The IOD Magazine – www.iod.com
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“Responsibility for the gap is often passed back to potential borrowers. ‘Investment Readiness’ is the catch-phrase: lenders say that many of the people approaching them don't have it”



Our new business origination and process

WE HAVE SEEN A steady increase in enquiries since our February 2006 floatation on AIM which raised a net £10m of new money.

Business comes to us from many sources, including our network of quality contacts and introducers and a mix of activity that generates awareness of our name and sector focus outwards and we welcome new additions to this group. Recent initiatives have generated new contacts from Chile to Hungary and Asia to New Zealand. Clearly what we do is genuinely addressing human aspirations and thus is truly of global interest.

We encourage intermediaries to discuss opportunities with us. Sometimes, indeed often, people come to us thinking they want one thing but realising that there are several ways of 'skinning a cat'.

We do pay introducer fees, even for one phone call that leads to an investment. So, if it seems too small for you as an intermediary, it may still be worth getting in touch. After all, 'from small acorns...'

Initial enquiries are quickly processed here and a response will be transmitted indicating whether we are interested in receiving more data or not and if a meeting is desired. We send out electronically a standard agenda form prior to our initial client meetings but our process and terms are flexible and our approach is designed to be helpful and 'user friendly'. Of course, not everybody gets the response they want but even if it is a 'no' we will always try to be helpful where we can (and the FSA rules allow).

We are now seeing close to a run rate of 450+ opportunities p.a. and can certainly deal with the volume so do give us a go if you have any financial intermediary or professional intermediary businesses looking for up to £2.5m from a minority investor in the sector.

With over 200 years of combined experience in this area we can certainly take a view.

B. P. MARSH & PARTNERS PLC - OUR PHILOSOPHY

AREAS OF FOCUS

- Financial service sector intermediaries, insurance intermediaries in particular
- Asset Managers
- Independent Financial Advisers
- Other financial service advisers / consultants

OUR INVESTMENT PHILOSOPHY

- We focus on the financial services sector
- We invest in people businesses with good management
- We do not look for a quick exit
- We initially invest up to a maximum of £2.5 million in minority equity stakes
- We are able to provide follow-on capital
- We will invest outside the UK
- We are able to offer flexible investment structures
- We have an exceptional bank of experience of investing in financial intermediary businesses
- It is our speciality to assist groups of experts in their field, with viable niche businesses
- We seek to add value to our investee companies by placing a Non Executive Director on the board
- We will help core management teams to refine and focus their idea

TELL ME MORE

If you are seeking private equity capital to finance a financial services start up or expansion, contact:

Francis de Zulueta

B. P. Marsh & Partners PLC

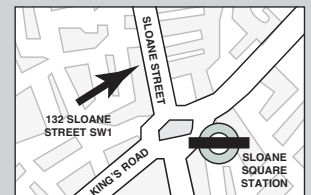
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Time, space and business

VATICAN PLANETOLOGISTS tell us that we are, in cosmological terms, in 'early Summer'. This is taken to mean that the universe as we perceive it, has a mere 4.5 billion years to go before the lights go out and the stars fade away. Most things, in that context, seem rather pointless.

However, you could equally say that we have 4.5 billion years to master time and space travel. This seems a reasonable amount of time to allow us to try and move beyond the universe we can guess at to far distant galaxies and constellations.

Human endeavour is therefore not entirely pointless, if we can make it in time,

and I think that the Power of Compounding must apply equally to human knowledge.

It is certainly true today that it takes a great deal less time and effort to travel to Australia than even 25 years ago and this is of course equally true of the resources needed to make an impact in business.

With small resources but working on the 'shoulders of giants' we can now start and accelerate our small endeavours to an almost unimaginable degree compared to our ancestors.

Fortunes are made with comparatively great speed – look at Google or Microsoft – and started with very modest initial resources.

Naturally, the greatest successes – if they ever make it – are those where there is one great new idea.

Of course, timing is very important in most things and certainly both money and time are crucial in business. They say that time is money but it is also true that in small enterprises, money is time. If you run out of the former you will have none of the latter.

We provide a cradle in the hope that the velocity of success will propel ventures to another universe.

Francis de Zulueta

Director, Head of Business Development.