

B.P. Marsh & Partners Plc

Final Results

For the year to 31 January 2011

Brian Marsh OBE, Chairman

Jonathan Newman, Group Finance Director

Camilla Kenyon, Investment Director

Daniel Topping, Investment Director

June 2011

Overview

- Niche Venture Capital provider
- Established in 1990 with funding of £2.5m – 31 investments made to date
- Focuses on minority investments in financial services businesses, typically taking an equity stake of between 15% and 45%
- Initially invests up to £2.5m with an average holding period of six years
- Continue to focus on investments in financial service businesses
- Geographic focus on UK, but also considers opportunities in EU and North America
- Few competing sources of capital available at this level of investment (so called 'Equity Gap')
- Provides follow-on funding to enhance growth
- As at 31 January 2011 – ten investments in portfolio with an equity valuation of £47.1m
- Net Asset Value increase of 5.2% since 31 January 2010 (5.9% excluding dividend)

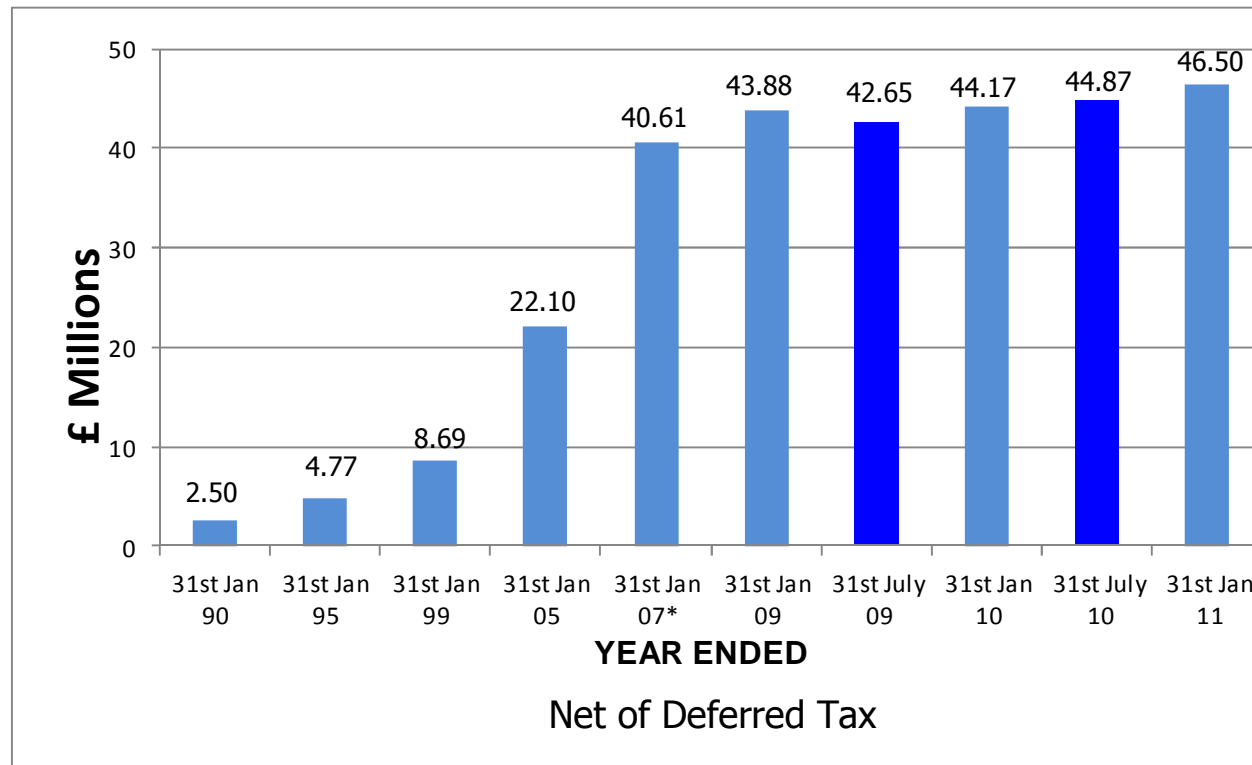
Financial Highlights – Year Ended 31 January 2011

- NAV of £46.5m (2010: £ 44.2 m)
- NAV per share 159p (2010: 151p)*
- Currently trading at a 44.2% discount to NAV
- Consolidated profit after tax: £2.3m (2010: £0.3m).
- Underlying profit before tax (excluding portfolio movement) was £0.15m (2010: £0.18m).
- Average compound NAV growth of 10.3% p.a. since 1990 (excl £10.1m raised on flotation)**
- £0.5m cash at year-end plus a further £4.3m loan facility available. £2.4m committed to current investments together with £1.5m relating to Besso acquisition, £0.9m available

*This excludes any value for the Group itself

**Net of provision for deferred tax

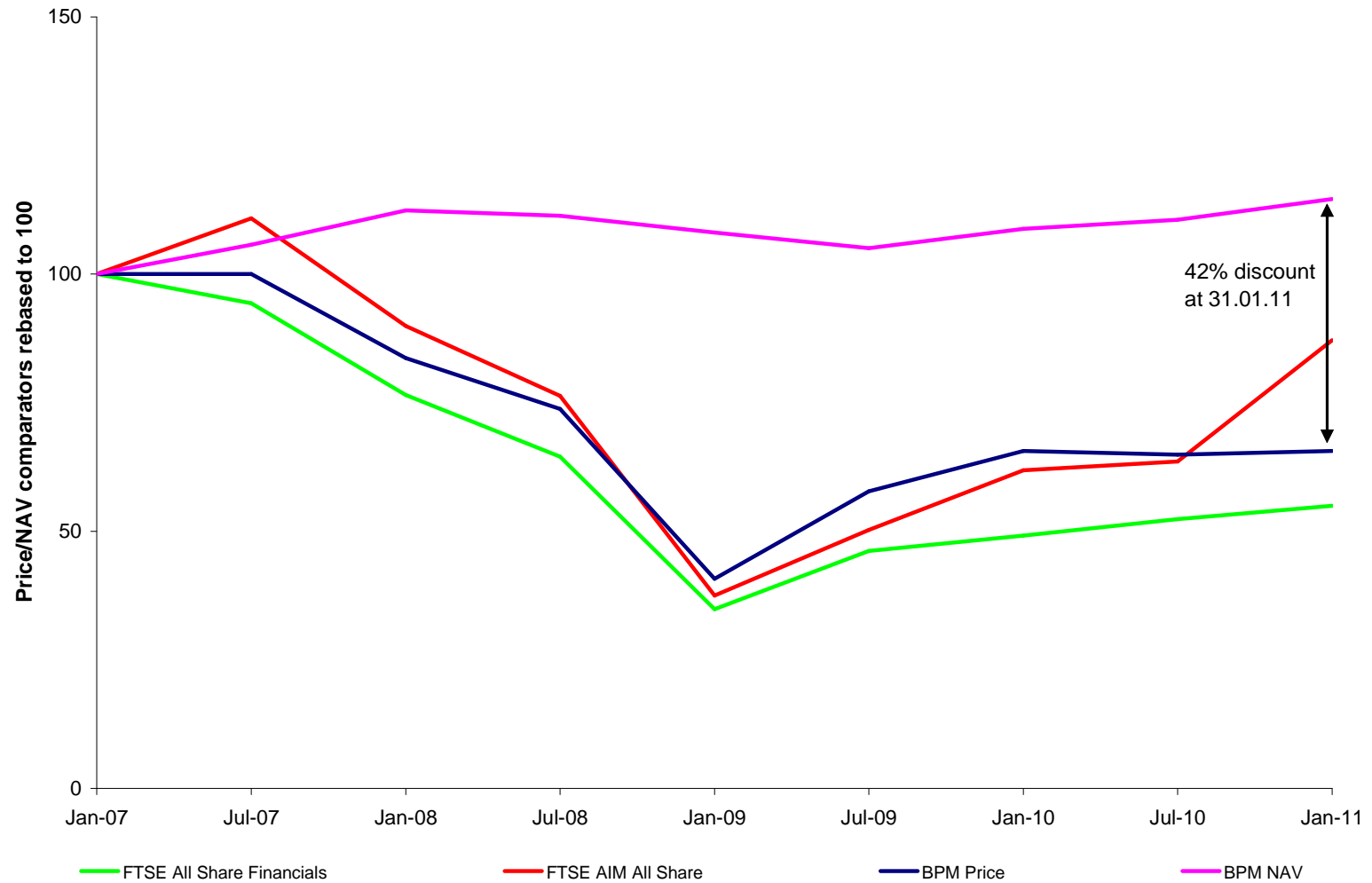
Performance: Net Asset Value (NAV)



- YEAR ENDED
- SIX MONTHS ENDED

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

2007-2011: Resilient Net Asset Value (NAV)



Investments During The Year

- **US Risk (UK) Limited**
 - 22 July 2010 the Group acquired a 30% stake in Lloyds broker US Risk for £1.4m. See Case Study 2 in the attached Appendix.
- **Hyperion Insurance Group Limited**
 - The Group provided a further €0.3m of an agreed €09m loan note facility to Hyperion Insurance Group Limited in order to finalise the acquisition of Hendricks & Co. Hyperion Insurance Group Limited (“Hyperion”), has itself made some strategic transactions in the past 12 months:

Davidoff

In March 2011 Howden Broking Group, Hyperion’s broking subsidiary, acquired the broking activity of Davidoff Insurance Brokers, one of the leading general insurance brokers in Israel. It is anticipated that this move will rank Howden as one of the top five non-life insurance brokers in the Israeli market.

Accette

Howden Broking Group also recently reached agreement to acquire Accette Insurance Group, Asia’s largest independent broker which has headquarters in Singapore and offices in South Korea, Taiwan and Hong Kong.

PYV

Howden Insurance Brokers has also acquired the core broking activity of PYV, an IFA professional indemnity insurance broker. As a result 24 PYV staff will transfer to Howden, along with a combined book of business with a total gross written premium of £50m.

Investments During The Year (cont.) / Post Balance Sheet Investments

Summa Insurance Brokerage, S. L.

- The Group provided a further €0.65m loan for general working capital requirements.

Post Balance Sheet Investment

- In March 2011 an additional 11% in Besso was acquired for £0.74m and the Group also subscribed for £0.77m of new loan stock. Further details are contained in Case Study 1.

Portfolio Valuation Movements In Year

January 2010 Valuation	Acquisitions at cost	Disposal proceeds	Impairment Provisions	Adjusted January 2010 Valuation	January 2011 Valuation
£42.8m	£1.4m	£nil	£nil	£44.2m	£47.1m 6.6% increase (2010: 0.7% increase)

Investments at 31 January 2011

Investment	Activity	Cost per accounts (£'000)	Fair market value 31.01.11 (£'000)	Equity %	Year of initial investment	Movement in year (£'000)
Amberglobe Limited	Business sales platform	98	98	49.00%	2008	-
Besso Holdings Limited	Insurance broker	3,700	5,005	22.73%	1995	(937)
HQB Partners Limited	Shareholder services	35	0	27.72%	2005	(27)
Hyperion Insurance Group Limited	Insurance intermediary	5,539	29,368	19.50%*	1994	4,092
LEBC Holdings Ltd	IFA network	2,066	3,277	21.95%	2007	718
Paterson Squared LLC	Actuarial consultants	-	-	22.50%	2008	(122)
Portfolio Design Group International Limited	Asset management	713	1,906	20.00%	1994	23
Randall & Quilter Investment Holdings Limited	Insurance service provider to the non-life insurance market	699	610	1.16%	2010	(89)
Summa Insurance Brokerage, S.L.	Insurance intermediary	5,098	5,098	48.63%	2005	(1,041)
US Risk (UK) Limited	Insurance broker	1,396	1,781	30%	2010	n/a
Total		17,948	47,143			2,617

* This includes a sweet equity provision. The Group is entitled to 21% for any value of Hyperion up to £102m.

Consolidated Statement of Financial Position (IFRS) at January 2011

	Audited Year to 31 Jan 2011 £'000	Audited Year to 31 Jan 2010 £'000
Tangible assets	33	49
Investments at fair value	47,143	42,745
Debtors / Loans receivable	6,075	5,698
Cash	515	2,972
Creditors < 1 year	(276)	(701)
Creditors > 1 year (Carried Interest provision)	(331)	(324)
Net Assets (excl. Deferred tax)	53,159	50,439
Deferred Taxation provision	(6,683)	(6,268)
NET ASSETS (5.2% increase over 2010)	46,476	44,171

Consolidated Statement of Comprehensive Income (IFRS) to 31 January 2011

	Audited Year to 31 January 2011 £'000	Audited Year to 31 January 2010 £'000
Gains on Investments (Realised and Unrealised)	3,321	122
Impairment of investments and loans	(446)	(652)
Operating Income	2,018	1,712
TOTAL INCOME	4,893	1,182
Operating Expenses and FX Movement	(1,847)	(1,562)
Net Interest Receivable / (Payable)	(26)	25
Carried Interest provision	(7)	412
PROFIT PRE TAX	3,013	57
Taxation	(415)	230
POST TAX PROFIT FOR PERIOD	2,598	287

Consolidated Statement of Cash Flows (IFRS) at 31 January 2011

	Audited Year to 31 Jan 2011 £'000	Audited Year to 31 Jan 2010 £'000
Net cash (used by) / from operating activities	114	213
Taxation	-	-
Purchase of Property, plant and equipment	6	-
Investments made	(1,437)	(2,005)
Proceeds on sale of investments	18	703
Net Loans (granted) / repaid	(839)	(3,325)
Net Interest Received / (Paid)	(26)	25
Dividends	(293)	-
(DECREASE) / INCREASE IN CASH IN THE YEAR	(2,457)	(4,389)
FX Movement	-	20
Cash at beginning of period	2,972	7,341
CASH AND CASH EQUIVALENTS AT YEAR END	515	2,972

Case Study 1 – Besso Holdings Ltd (“Besso”)

- The Group originally invested in Besso in 1995; since then Besso has grown from a company that produced revenues of £2.2m (31 December 1995) to £26.8m (31 December 2009).
- Wells Fargo (through Union Hamilton Reinsurance) previously held a shareholding of 37.3% in Besso, as a result of their acquisition of Wachovia during the global financial crisis of 2008/2009.
- Following this acquisition the Group worked with Besso Management and Wells Fargo to construct a buy-out of Wells Fargo’s shareholding in Besso. As part of this process the Group identified and worked with Michael Wade (now Chairman of Besso) to produce agreeable transaction terms.
- On 31 March 2011 the Group acquired an additional 11% equity stake in Besso from Union Hamilton Reinsurance for a cash consideration of £0.74m. Further consideration of up to £0.3m may be payable by the Group if Besso is acquired within 18 months, at a higher price per share. This investment was made alongside two other parties, Brian Marsh Enterprises Ltd and Mr Michael Wade, who acquired the remaining 26.3% stake from Union Hamilton for an aggregate consideration of £1.72m.
- As a result of this transaction, the Group’s equity interest in Besso has increased from 22.7% to 34%.
- In addition, the Group subscribed for £0.77m of loan stock, part of a refinancing of Union Hamilton’s preference shareholding of £2.55m.

Investment Opportunities

- 90 prospective new investments received in the year to 31 January 2011
- Realignment of investment strategy resulted in increase of relevant enquiries applicable to our investment strategy of 25%
- Sourcing of new opportunities:
 - Long-term introducer relations
 - Active networking
 - Referrals from accountancy firms, law firms etc
 - Recommendations from third parties and existing investments
 - Via internet (BPM&PPlc website / BVCA website, search engines etc)

Investment Opportunities cont.

- Focus on management and track record
- Assessment of earnings and growth potential
- Consideration of likely exit routes
- Due diligence on company and management
- Minority shareholder protections

Market Comment

Insurance Sector

- Recent worldwide catastrophes (Japan, Australia, New Zealand, USA) increasingly effecting how insurers are pricing their premium rates. In the context of a multi-year soft market, these events are already having an upward impact on certain premium rates.
- Also the on-going regulatory requirements under Solvency II continue to impact upon insurance companies, the full effect of this is yet to be felt by insurers which may further impact their capital allocation.
- Increase in M&A activity in the Lloyd's underwriting sector, noticeably Brit Insurance's acquisition by Apollo/CVC; Ryan Specialty Group's acquisition of the Jubilee Underwriting Agency; and the on-going discussions regarding OMEGA and Sagicor at Lloyd's.
- Continued consolidation in the "big three" insurance brokers (AON, Willis and Marsh) leading to opportunities for new investment and for existing portfolio companies.

Financial Services Sector

- Bank debt – banks reluctant to lend and little inclination for start-ups
- Changes in regulatory requirements
- Retail Distribution Review (RDR) – FSA directive due to come into force in 2012, affecting IFAs, stockbrokers and investment managers. Changes to fee structures and capitalisation requirements impacting on strategy and driving change within the market

Outlook

- Continue to seek investment opportunities in high growth businesses within niche sectors
- New opportunities driven by:
 - Changes in tax regime and regulation
 - Increase in M&A activity potentially resulting in fall out / potential opportunities for team lifts and start up enterprises
 - Lack of credit availability
 - Business structure/liquidity issues
- Continue to seek attractive realisation opportunities for current portfolio
- The Board is confident about future prospects for the Group

Summary

- NAV proving to be resilient even in uncertain economic conditions
- 89% of portfolio by value in insurance broking or related activities
- BP Marsh is not subject to the limitations of a closed fund, such as asset redemption pressures
- The Board is confident about the future prospects and resilience of the Group's current portfolio
- Cash position at 31 January 2011 of £0.5m
- The Company has secured a loan facility of £4.325m from its Directors, on favourable terms. The line of credit is intended to enable the Company to take advantage of further investment opportunities
- Share price trading at a discount of 44.2% to NAV as at close 31 May 2011

Appendices

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- Board Members
- Minority Investor Protections
- Adding Value
- Exit Strategy
- Case Study 2 – US Risk (UK) Ltd
- Current Portfolio
- Major Shareholders
- Contacts

Management Team

Executive Chairman

Brian Marsh OBE

50 years' experience in insurance broking and underwriting. 1979-1990 was chairman of the Nelson Hurst & Marsh Group. More than 30 years' experience building, buying and selling financial services businesses particularly in the insurance sector.

Group Finance Director

Jonathan Newman ACMA MCSI

Chartered Management Accountant with over 14 years' experience in the financial services industry. Joined the Company in Nov 1999 and became FD in Dec 2003. Jonathan advises several investee companies through non-executive board appointments and evaluates new investment opportunities.

Director & Company Secretary

Robert King LLB ACIS

Joined in May 2003 having started his career at Pricewaterhouse Coopers where he provided company secretarial support to a portfolio of companies. At B.P Marsh he is responsible for the Company's legal, compliance and secretarial functions and played a key role in the flotation process. He is a non-executive director of two of our investee companies, and plays an active part in the investment process.

Management Team

Investment Director

Daniel Topping ACIS MCSI

Daniel Topping is a Member of the Chartered Institute of Securities and Investment and a Member of the Institute of Chartered Secretaries and Administrators. Daniel joined the Company in February 2007 and currently holds four non-executive board appointments and evaluates new investment opportunities.

Investment Director

Camilla Kenyon

Camilla Kenyon was appointed as Head of Investor Relations at B. P. Marsh in February 2009, having four years of prior experience with the Company. Since then she has also been appointed as Head of the New Business Department, with responsibility for coordinating new investment opportunities and chairing the New Business Committee.

Board Members

Non-Executive Director

Natasha Dunbar

Over 15 years' experience in the financial services industry. Having joined the Company in 1994 she was made Managing Director in March 2002. Natasha is still involved in aspects of the operational side of the business and works closely with Brian Marsh in defining the strategic development of the Company.

Non-Executive Director

Stephen Clarke

A Chartered Accountant, Stephen gained many years' experience with Charterhouse Development Capital in the structuring of venture capital projects in all fields including financial services, and in guiding and monitoring their progress. He joined the Group in 1993 and has over 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.

Non-Executive Director

Philip Mortlock

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

Minority Investor Protections

- BP Marsh's position is well protected and portfolio investments are actively monitored. It has the following investor safeguards in place:
- Board meetings are held frequently and at least every three months;
- Timely management accounts information is required; and
- B.P. Marsh's approval may be required for various actions including, inter alia, the following:
 - Alterations to share capital
 - Acquisitions
 - Capital expenditure or asset disposals of any nature outside pre-agreed limits
 - Appointments of directors and senior executives
 - Remuneration of directors and senior executives
 - Any material additional borrowing
 - Changes in the nature of of the company's business
 - Application for a flotation
 - Dividend payments or other distributions including bonuses.

Adding Value

- Representation at Board level
- Guidance on strategy and development
- Market intelligence and contacts to develop customer base / strategic alliances
- Provision of follow-on funding
- Identify exit path and potential acquirers

Exit Strategy

- Exit considered on entry
- Patient development to achieve full earning potential
- Recognise and act on opportunistic situations
- Deal size favours acquisition by large financial services firms

Case Study 2 – US Risk (UK) Ltd

- US Risk (UK) Limited is the parent company of Oxford Insurance Brokers Ltd
- Investment of £1.4m for a 30% equity stake via rights issue plus up to £1.95m additional loan funding
- In 2009 the company achieved Turnover of £5.6m and PAT £0.6m
- Majority shareholder is US Risk Insurance Group Inc (“US Risk Inc”), a specialty lines underwriting manager and wholesale broker headquartered in Dallas, with offices throughout the United States. US Risk Inc was the fifth largest privately owned MGA in the United States by premium volume in the most recent survey
- Investment drivers:
 - track record of growing profitability
 - compelling business plan
 - investment partnership with US Risk Insurance Group Inc

Case Study 2 – US Risk (UK) Ltd (cont.)

- Oxford Insurance Brokers has six trading divisions:
 - UK & Ireland (Professional Indemnity and Commercial Combined MGA)
 - North American Specialty Lines
 - Global Special Risks
 - International
 - North American Property
 - Reinsurance

- Strategic Plan:
 - Organic growth
 - Growth via acquisition of key market individuals
 - Acquisition of teams/books of business
 - Rebranding and marketing
 - Development of MGA operations
 - Development of existing lines
 - Development of reinsurance capability

Current Portfolio

Amberglobe Limited - 49%	<ul style="list-style-type: none"> ▪ March 2008 invested in Amberglobe Ltd ▪ Start-up, financing ex-managing director of Dipford plc ▪ Company is a business sales platform, providing valuation and negotiation services for the sale of SME businesses in the sub £3m sector
Besso Holdings Limited - 22.7%*	<ul style="list-style-type: none"> ▪ February 1995 the Group assisted a specialist team departing from Jardine Lloyd Thompson Group in establishing Besso Holdings ▪ Company specialises in insurance broking for the North American wholesale market
HQB Partners Limited - 27.7%	<ul style="list-style-type: none"> ▪ January 2005 investment made in HQB Partners ▪ Company provides strategic transaction advice, proxy solicitation services, voting analysis and investor relations services
Hyperion Insurance Group Limited - 19.5%**	<ul style="list-style-type: none"> ▪ First invested in Hyperion Insurance Group in 1994 ▪ Company owns, amongst other things; Howdens, an insurance broker specialising in directors' and officers' and professional indemnity insurance, and DUAL International, a specialist underwriting group with a specific mandate for Mid-Market business
LEBC Holdings Limited ('LEBC') - 21.9%	<ul style="list-style-type: none"> ▪ April 2007 invested in LEBC ▪ LEBC is a national Independent Financial Advisory company providing services to individuals, corporates and partnerships principally in employee benefits, investment and life product areas and has 11 offices throughout the UK

* At 31 January 2011 (33.8% at 1 June 2011)

** This includes a sweet equity provision. The Group is entitled to 21% for any value of Hyperion up to £102m.

Current Portfolio cont.

Paterson Squared LLC - 22.5%	<ul style="list-style-type: none"> ▪ Founded in September 2008 after its separation from Paterson Martin Limited ▪ The team use sophisticated modelling techniques to assess risk, with a view to providing counter-party risk and transaction advice
Portfolio Design Group International Limited - 20%	<ul style="list-style-type: none"> ▪ The Group invested in March 1994 ▪ Company sells with-profits life endowment policies to large financial institutions and in 2002 the company diversified into investment management
Randall & Quilter Investment Holdings Plc - 1.2%	<ul style="list-style-type: none"> ▪ The Group invested in Randall & Quilter in January 2010, the result of a share exchange with the Group's shareholding in JMD Specialist Insurance Services Group Limited, which Randall & Quilter have now wholly acquired ▪ Randall & Quilter Investment Holdings plc is an AIM listed run-off management service provider and acquirer of solvent insurance companies in run-off.
Summa Insurance Brokerage, S.L. - 48.6%	<ul style="list-style-type: none"> ▪ January 2005 the Group provided finance to a Spanish management team with the objective of acquiring and consolidating regional insurance brokers in Spain
US Risk (UK) Limited - 30%	<ul style="list-style-type: none"> ▪ Invested in July 2010 ▪ US Risk (UK), the parent company of Oxford Insurance Brokers Ltd, a London-based Lloyd's insurance and reinsurance broker.

Key Shareholders

- Directors
 - Brian Marsh OBE - 59.1%
 - Natasha Dunbar - 4.9%

- Major Shareholders (>3%)
 - SVM Asset Management Limited
 - Gartmore Investment Management
 - AXA Framlington
 - The Stephen Crowther Trust
 - Sanlam Asset Management (Ireland)

Contacts

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