

Trading Update

B.P. Marsh, the niche venture capital provider to early stage financial services businesses, is pleased to provide the market with an update on trading for the six month period to 31st July 2014.

Portfolio news

Besso Insurance Group Limited (“Besso”)

Besso continues to build on its ambition to grow globally and on 1st July 2014 received the appropriate licences to begin trading in its newly opened office in Rio de Janeiro, Brazil. Besso Brazil will provide a broad range of products including D&O, marine and specialist reinsurance products to its clients in Brazil, increasing the international reach that its clients benefit from.

This follows the Group’s recent expansion into both the Middle East (Turkey), and Australasia (Australia).

Colin Bird, Executive Chairman of Besso, stated that "Brazil is currently going through a period of immense growth and development, and at this exciting time a multitude of opportunities continue to surface. We felt this was the perfect time to capitalise on such opportunities, especially when having a local presence will ensure that we provide our clients in South America with a much better service. We consider Rio de Janeiro to be the hub of reinsurance activity in Brazil, and we are looking forward to being part of it."

LEBC Holdings Limited (“LEBC”)

LEBC continues to perform well and in May 2014 announced its 30th September 2013 year-end results, declaring a profit of £774k for the year, a 39% increase in profit over the year-ended 30th September 2012 (£556k).

The Edinburgh-headquartered firm, which has 14 branches throughout the UK, also reported an increase in turnover of 8%, from £10.4m (in the year ended 30th September 2012) to £11.3m (in the year ended 30th September 2013).

In February 2014 LEBC won Tenet’s prestigious ‘Large [IFA] Firm of the Year’ award, and in March 2014 won, for the second year running, Money Marketing’s ‘Best Retirement Advisor’ award.

CEO Jack McVitie has remarked:-

“Current year revenues at LEBC Group are significantly up on last year. With a strong finish in prospect, due in part to its growing relationships with major multi-nationals and FTSE100/250 clients, expectations for the full year are very positive.

Given LEBC’s burgeoning reputation with major employers, allied to the positive impact of Budget pension changes, LEBC looks to the future with confidence”

MB Prestige Holdings PTY Limited (“MB”)

MB had a successful 2013, reporting revenues of AUD 3.9m and a pre-tax profit of AUD 774k.

The Group can report that it received a dividend of AUD 154k, being its proportion of MB's declared dividend for the 2013 year, which the Group considers a pleasing initial return on investment.

The Group has focused on working with MB, alongside its London insurance broking investments, to develop its product offering in the high net worth arena in Australia.

Commenting on this work, Chairman, Bob Lee stated; "We see B.P. Marsh adding specific value on this aspect of MB's development alongside our growth aspirations for the future".

Trireme Insurance Group Limited ("Trireme")

On 18th August 2014 US Risk (UK) Limited changed its name to Trireme Insurance Group Limited ("Trireme"). The underlying businesses of Oxford Insurance Brokers Limited and James Hampden International Insurance Brokers Limited have retained their names. This re-branding coincided with Trireme moving into new offices at 6 Bevis Marks, enabling the Trireme businesses to operate from a single site.

On 29th May 2014, the Group subscribed to its pro-rata proportion of a £1.2m Rights Issue in US Risk. Total consideration paid amounted to £351k for newly issued B Ordinary Shares with the Group maintaining its 29.3% shareholding. The Rights Issue was undertaken to provide financial support for the on-going development of the business.

Disposal in the Period

The Group disposed of its respective stakes, to its fellow shareholders, in Portfolio Design Group International Limited, Morex Commercial Limited, Preferred Asset Management Limited and New Horizons Nominees Limited (together the "PDGI Businesses") on 1st May 2014 for a combined cash consideration of £1.25m.

The Group considered this to be an opportune moment to dispose of its interest and in keeping with the Group's strategy, delivered an internal rate of return of 24.5% per annum, including all income received.

This divestment delivered cash to the Group which has enabled it to pursue new opportunities. It has also allowed the PDGI Businesses to restructure their shareholder base accordingly and pursue new opportunities as they see fit.

The Group had originally invested in the PDGI Businesses in 1994 and had supported them through their diversification into Investment Management which commenced in 2002, and through a prolonged period of difficult trading since 2008.

Post Period Acquisition

On 14th August 2014 the Group announced that it had subscribed for a 5% Preferred Ordinary shareholding in Nexus Underwriting Management Limited ("Nexus"), an independent

specialty Managing General Agency (MGA), for a total consideration of £1.55m. The funds will be used to assist the company in its growth ambitions.

Founded in 2008 by Colin Thompson, its CEO and Ian Whistondale, its Chairman, Nexus has grown rapidly in the six years since inception; from a standing start it has cumulatively underwritten in excess of US\$350m GWP.

Nexus has two operating subsidiaries, Nexus Underwriting Limited, which underwrites Speciality Insurance Products (Directors & Officers, Professional Indemnity, Financial Institutions and Accident & Health), and Nexus CIFS Limited, which specifically covers Trade Credit Insurance.

Nexus is one of the largest independent specialty MGAs in the London Market with a forecast Premium income in excess of £60m in 2014 (£55m in 2013). Commission income has risen from £873k in 2008 to a forecast of £13m in 2014, operating profit rising from £560k to a forecast of circa £3m over the same period.

B.P. Marsh considered that the opportunity to invest in a well-established and fast-growing business, with on-going development potential and an experienced and ambitious management team, justified a smaller minority stake (at 5%) than is typical for the Group.

Dividend

The Group declared a final dividend of 2.75p per share on 24th March 2014, which received shareholder approval at the Group's Annual General Meeting held on 23rd July 2014. The dividend was paid on 25th July 2014 to Shareholders registered at the close of business on 27th June 2014.

It remains the Board's intention to maintain at least this level of dividend for the years ending 31st January 2015 and 31st January 2016, subject to ongoing review and approval by the Board and the Shareholders.

The shift towards a regular dividend stream is in recognition of the steady growth and the consolidation of the Group's investment portfolio, whilst also demonstrating that the Group is an attractive capital and income investment.

The Management team remains positive about the Group's ability to generate long term returns from the existing investment portfolio, alongside an interesting pipeline of new investment opportunities.

Outlook and New Business Opportunities

The economic recovery continues in the UK, creating a fertile environment for entrepreneurs and ambitious management teams, demonstrated by the considerable number of interesting and relevant proposals reviewed by the Group.

It is expected that the inflow of opportunities will remain robust as economic conditions continue to demonstrate improvement.

As reported by Grant Thornton, 2014 was the year when interest would be renewed in M&A activity within the global insurance markets. This is not just because of the broader economic recovery, but also due to the result of improvements in the cash reserves held by larger insurers, along with divestment of non-core insurance-related assets by more generalist financial institutions. The increase in this kind of activity always provides opportunities for the Group, with teams and individuals looking for an exit as a result of M&A activity and seeking funding from a niche venture capital provider, such as the Group, to go it alone.

Notwithstanding the above, and the satisfactory performance of the Group's portfolio companies, the Group remains cognisant that in the global insurance sector itself, rates are softening due to an excess of capacity and the resulting competition, with the Marsh Global Insurance Market Quarterly Briefing reporting on 29th July 2014 that overall pricing in global insurance markets declined in Q2 2014 for the fifth consecutive quarter, with global property insurance rates amongst the hardest hit.

Strategy

As part of the Group's on-going efforts to reduce the discount to Net Asset Value, which the current Share Price represents, during August 2014 the Group undertook a number of low volume daily share buybacks, taking advantage of the window of opportunity when the Group's Share Price represented a significant discount to Net Asset Value.

Cash balance

The net cash available for investment after provision for tax and commitments currently stands at £7.4m.

Interim Results

The Group will announce its interim results on Tuesday 21st October 2014.

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

Date of investment: February 1995

Equity stake: 37.94%

31st January 2014 valuation: £7,190,000

The Broucour Group Limited

(www.amberglobe.co.uk)

(www.turnerbutler.co.uk)

In March 2008 the Group assisted in establishing Amberglobe, a business sales platform that provides valuation and negotiation services for the sale of SME businesses in the sub £3m sector. In July 2012 Broucour was formed as a new holding company for Amberglobe, and the Group financed the acquisition of Turner Butler.

Date of investment: March 2008

Equity stake: 49.0%

31st January 2014 valuation: £349,000

Hyperion Insurance Group Limited

(www.hyperiongrp.com)

The Group first invested in Hyperion in 1994. Hyperion owns, amongst other things, an insurance broker specialising in directors' and officers' ("D&O") and professional indemnity ("PI") insurance. In 1998 Hyperion set up an insurance managing general agency specialising in developing D&O and PI business in Europe. The Group sold 80% of its holding to General Atlantic in July 2013, with the remaining holding being valued at the agreed option price.

Date of investment: November 1994

Equity: 2.79%

31st January 2014 valuation: £7,310,000

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: 34.91%

31st January 2014 valuation: £5,682,000

MB Prestige Holdings PTY Limited

(www.mbinsurance.com.au)

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

Date of investment: December 2013

Equity stake: 40.0%

31st January 2014 valuation: £819,000

Nexus Underwriting Management Limited

(www.nexusunderwriting.com)

In August 2014 the Group invested in Nexus Underwriting Management Limited (“Nexus”), the independent specialty Managing General Agency, founded in 2008. Through its two operating subsidiaries, Nexus Underwriting Limited and Nexus CIFS Limited, Nexus specialises in Directors & Officers, Professional Indemnity, Financial Institutions, Accident & Health and Trade Credit Insurance.

Date of investment: August 2014

Equity stake: 5.0%

31st January 2014 valuation: N/A

Randall & Quilter Investment Holdings plc

(www.rqih.com)

Randall & Quilter Investment Holdings is an AIM listed run-off management service provider and acquirer of solvent insurance companies in run-off. 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 wholly acquired.

Date of investment: January 2010

Equity stake: 1.33%

31st January 2014 valuation: £1,708,000

Sterling Insurance PTY Limited

(www.sterlinginsurance.com.au)

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

Date of investment: June 2013

Equity stake: 19.70%

31st January 2014 valuation: £2,266,000

Summa Insurance Brokerage, S. L.

(www.grupo-summa.com)

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

Date of investment: January 2005

Equity stake: 48.63%

31st January 2014 valuation: £2,636,000

Trireme Insurance Group Limited

(www.triremeinsurance.co.uk)

(www.oxfordinsurancebrokers.co.uk)

(jhinternational.co.uk)

In July 2010 the Group completed its investment in US Risk (UK), the parent company of Oxford Insurance Brokers Limited, a London-based Lloyd's insurance and reinsurance broker and James Hampden International Brokers Ltd, a specialist international reinsurance and insurance broking company.

Date of investment: July 2010

Equity stake: 29.3%

31st January 2014 valuation: £2,212,000

Walsingham Motor Insurance Limited

(www.walsinghamunderwriting.com)

In December 2013 the Group invested in Walsingham Motor Insurance Limited, a new niche UK Motor Managing General Agency. Walsingham was established in August 2012 and commenced trading in July 2013 having secured primary capacity from Calpe.

Date of investment: December 2013

Equity stake: 30.0%

31st January 2014 valuation: £300,000

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Notes to Editors:

About B.P. Marsh & Partners Plc

B.P. Marsh's current portfolio contains eleven companies. More detailed descriptions of the portfolio can be found at www.bpmarsh.co.uk.

Since formation over 20 years ago, the Company has assembled a management team with considerable experience both in the financial services sector and in managing private equity investments. Many of the directors have worked with each other in previous roles, and all have worked with each other for at least five years.

Prior to Brian Marsh's involvement in the Company, he spent many years in insurance broking and underwriting in Lloyd's as well as the London and overseas market. He has over 30 years' experience in building, buying and selling financial services businesses, particularly in the insurance sector.

Jonathan Newman is a Chartered Management Accountant and is the Group Director of Finance and has over 17 years' experience in the financial services industry. Jonathan advises investee companies and has a number of non-executive appointments over three investee companies and evaluates new investment opportunities.

Daniel Topping is a Member of the Chartered Institute of Securities and Investment (MCSI) and an Associate of the Institute of Chartered Secretaries and Administrators (ACIS), having graduated from the University of Durham in 2005. Dan joined B.P. Marsh in February 2007 having started his career at an accountancy firm. In 2011 he was appointed as a director of B.P. Marsh and currently has a number of non-executive appointments over six investee companies and evaluates new investment opportunities.

Camilla Kenyon was appointed as Head of Investor Relations at B.P. Marsh in February 2009, having four years' prior experience with the Company. Camilla has a number of non-executive appointments over two investee companies, is Chair of the New Business Committee and is a Member of the Investor Relations Society.

Natasha Dunbar has over 18 years' experience in the financial services industry. Having joined the Company in 1994 she was made managing director in March 2002, subsequently becoming a non-executive director of the Company in 2008, a position she held for five years. Natasha was reappointed as a Director in February 2013 and holds a non-executive appointment at one of our investee companies.

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