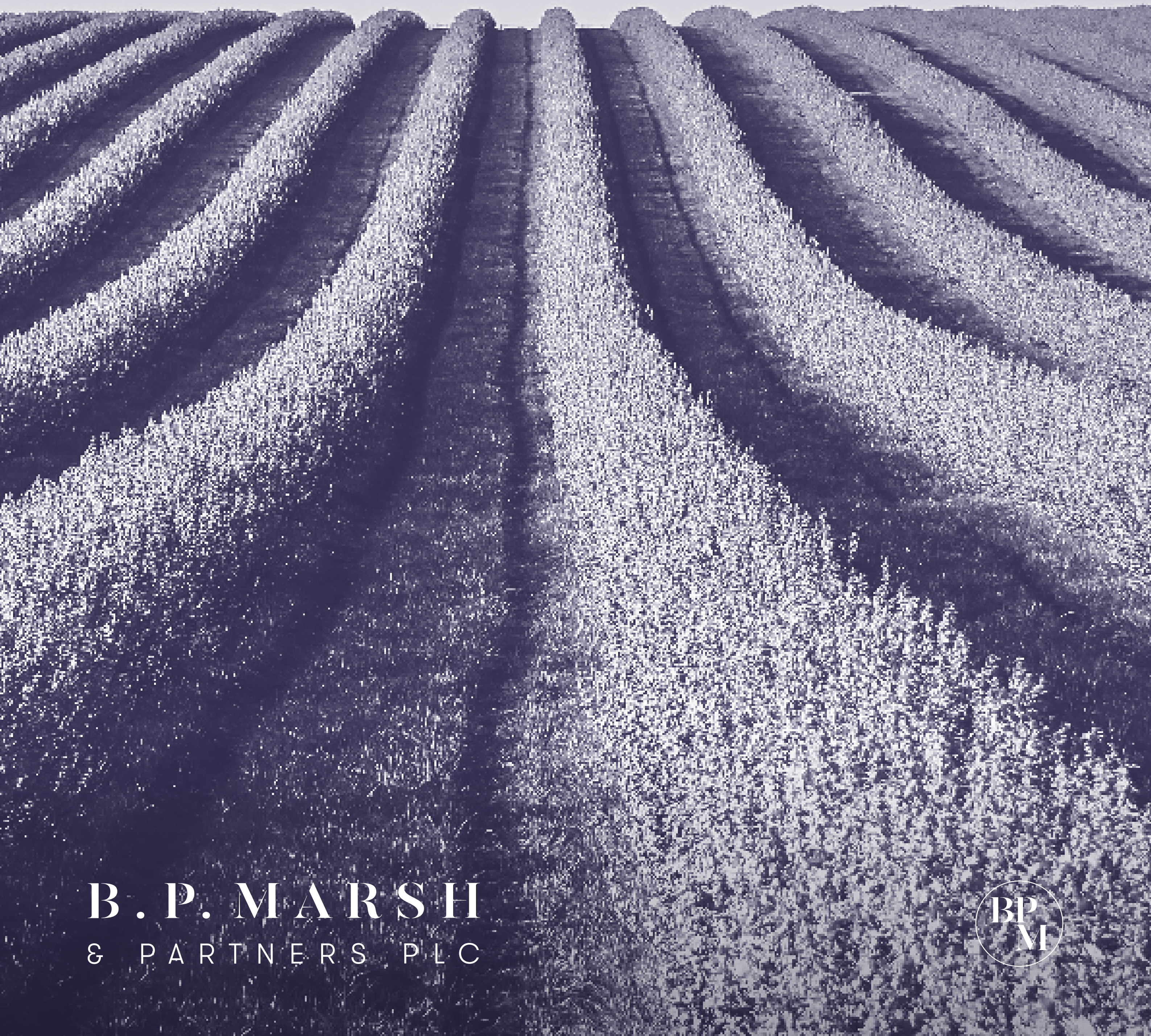
Annual Report 2019



B. P. MARSH
& PARTNERS PLC

B.P. Marsh & Partners Plc (the "Group", the "Company" and "B.P. Marsh") is a specialist investor in early stage financial services intermediary businesses, including insurance intermediaries, financial advisors, wealth and fund managers and specialist advisory and consultancy firms. It considers investment opportunities based in various parts of the world.

The Group's aim is to be the capital provider of choice for the financial services intermediary sector and to deliver to its investors long-term capital growth alongside a sustainable distribution policy.

The Group invests amounts of up to £5m in the first round. Investment structure is flexible and investment stage ranges from start up to more developed. The Group initially only takes minority equity positions and does not seek to impose exit pressures, preferring to be able to take a long-term view where required and work alongside management to a mutually beneficial exit route that maximises value.

B.P. Marsh has invested in 50 businesses since it was founded in 1990 and its management team has a wealth of experience and a well-developed network within the financial services sector.

We are farmers, not hunters

Contents

Operating and financial highlights

B.P. Marsh & Partners Plc (AIM: BPM), the specialist investor in early stage financial services businesses, announces its audited Group final results for the year to 31 January 2019.

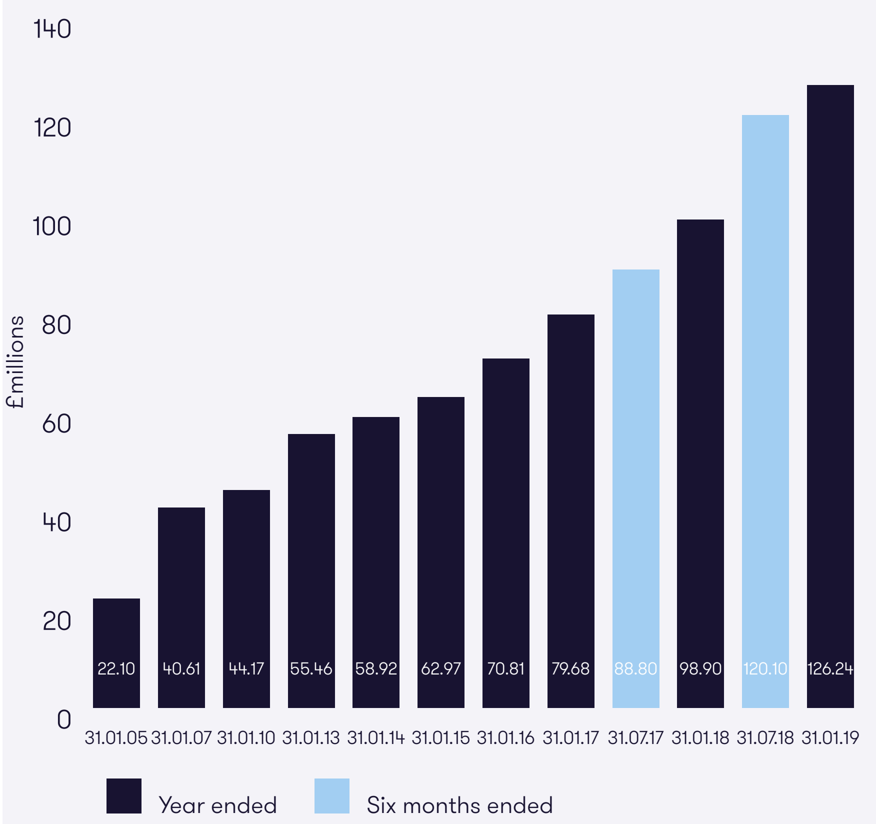
16.1%
Increase in equity value of the portfolio over the year

£126.2m
Net Asset Value, a 10.0% increase, net of Dividend

350p
Net Asset Value increase to 350p per share (31 January 2018: 339p)

11.7%
Total return to Shareholders in the year

Group valuations



NB: The valuation at 31 January 2007 includes £10.1m net proceeds raised on AIM. The valuations from and including 31 July 2018 include £16.6m net proceeds raised in the July 2018 Share Placing and Open Offer.

£7.9m

Cash and treasury funds balance at year end

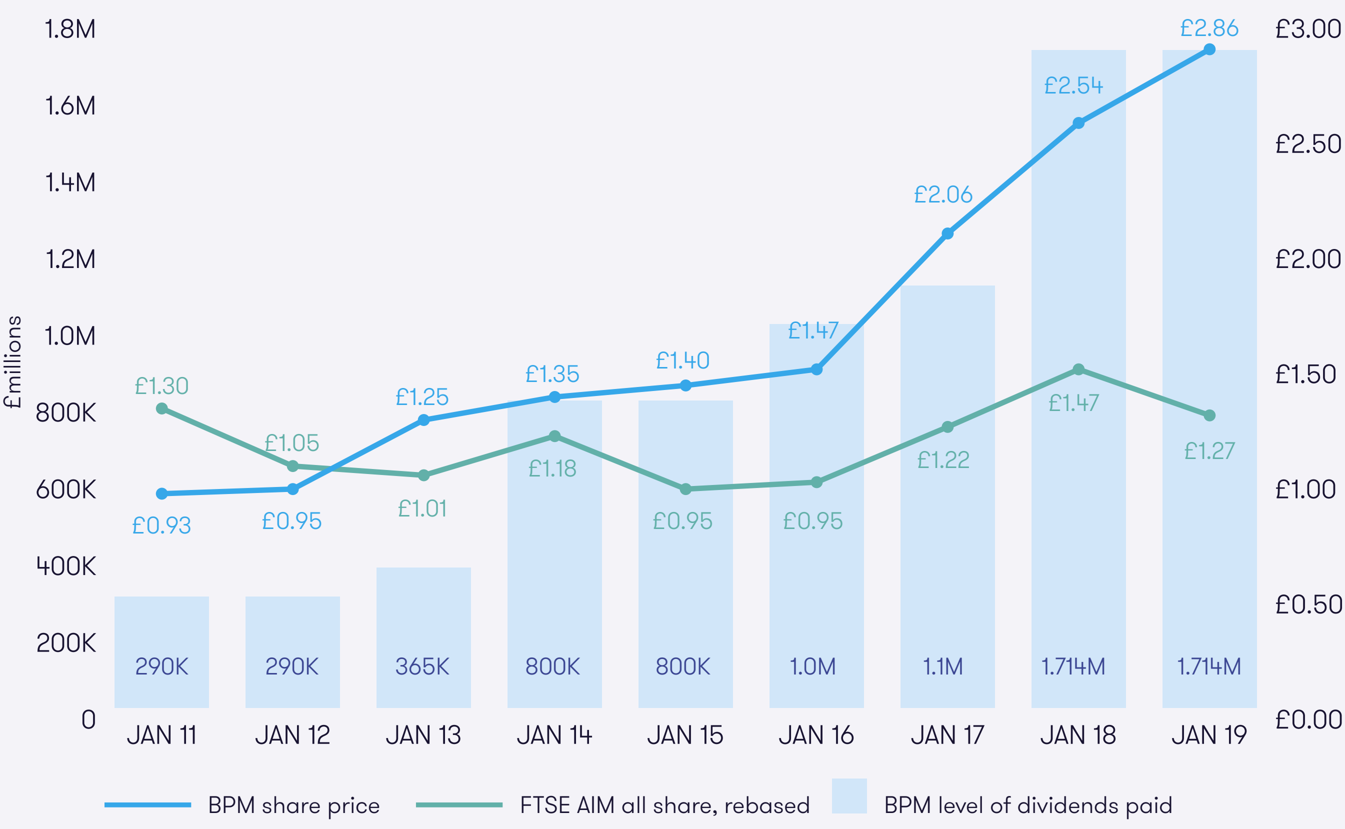
11.9%

Average Net Asset Value annual compound growth rate since 1990

4.76p

Final Dividend of 4.76p per share declared (31 January 2018: 4.76p)

Historic dividend and share price performance



Chairman's statement

Brian Marsh OBE, Chairman

"We are pleased to have produced a good overall performance in an uncertain macro environment, which is testament to our developing investment portfolio and the tenacity of our team."

£101.9m
The value of the investment portfolio

11.9%
Compound annual growth in Net Asset Value

11.7%
Total shareholder return for the year

I am pleased to present the audited Consolidated Financial Statements of B.P. Marsh & Partners Plc for the year ended 31 January 2019.

We have concluded the year with a 10.0% increase in NAV (net of dividend and £16.6m net cash raised through the Placing and Open Offer in July 2018) during that period and an increase in the equity value of the portfolio from £79.1m to £101.9m, or 16.1% adjusting for acquisitions. Our Net Asset Value now stands at £126.2m or 350p per share.

There have been some excellent investee company performances within the portfolio both in the UK and overseas and across broking and Managing General Agents.

Nexus continues to grow strongly, driven by its determined management team and its ambition to achieve the Company's strategy. Nexus has made several acquisitions during the year and we acquired a further interest in Nexus in October 2018, as well as providing them with loan funding in April 2019.

XPT meanwhile announced its latest acquisition in January 2019, alongside which we provided further funding of US $3.22m.

In the London insurance market both Walsingham and CBC are making good progress, whilst in Australia our most recent investment, ATC Insurance Solutions, has already proved itself to be a strong performer that we consider shows great promise.

As is customary in our business, there are always investee companies experiencing more difficult times in their territory or market. Our investee company in Singapore is accordingly undergoing some internal restructuring and one of our operations in the USA has not achieved its objectives.

In the UK, LEBC was affected by market turbulence from October onwards, driven by Brexit uncertainty. This has had a temporary impact, however our confidence in the business and its prospects remains unchanged.

During the year we completed a Placing that saw PSC Insurance Group, the Australian listed insurance intermediary investor, take a 19.8% shareholding in the Group. This relationship is progressing well and we view their investment as long-term and supportive. Meanwhile we continue to be interested in Australia as a territory for further potential investment.

The Placing and accompanying Open Offer raised £16.6m in cash for the Group and this is now nearly fully invested.

At the conclusion of the year, we have maintained our objective of consistent compound annual growth. This has been achieved despite the challenges provided by various political and market uncertainties and we are pleased in the period under review to have delivered a total shareholder return of 11.7%.

Brian Marsh, OBE
Chairman

Business update

Summary of Developments in the Portfolio

During and subsequent to the financial year ended 31 January 2019, the following developments have taken place:

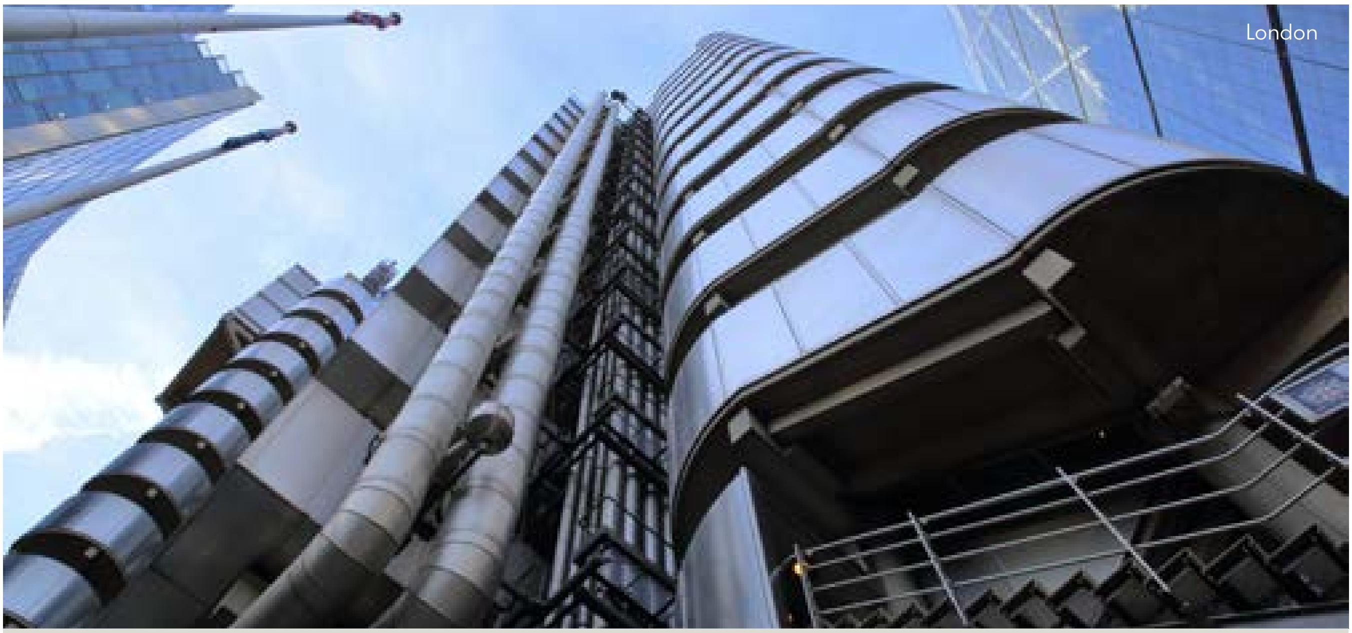

Melbourne

New Investments

ATC Insurance Solutions PTY Limited (“ATC”)
On 10 July 2018 the Group announced an investment into the Australian based company ATC, taking a 20% equity stake for a total cash consideration of AUD $5.1m (£2.9m).

ATC is a Managing General Agency (“MGA”) which provides insurance underwriting services to a wide array of clients across a number of sectors, including Accident & Health, Construction & Engineering, Plant & Equipment and Sports Liability.

Chief Executive Officer, Chris Anderson and Director, Shane Sheppard established ATC as a Lloyd’s Coverholder in 2009. ATC is headquartered in Melbourne, with offices in Sydney and Brisbane, employing approximately 30 people.



Follow-on Investments

XPT Group LLC ("XPT")
On 11 January 2019, the Group invested $3.22m into XPT by way of redeemable preference shares. XPT used these funds to acquire 100% of New York based MGA and Lloyd's Coverholder, SVA Underwriting Services Inc ("SVA").

SVA was founded in August 2013 by its President, Steven Vallejo. SVA specialises in Physical Damage and Cargo cover for the Trucking Insurance sector and will provide geographic expansion for XPT into the Northeast and Midwest.

Nexus Underwriting Management Ltd ("Nexus")
On 29 October 2018 the Company purchased a further 1.9% in Nexus for cash consideration of £2.6m, taking our shareholding to 18.5%.

Portfolio Update

UK

Nexus Underwriting Management Ltd
In April 2019 the Group provided Nexus with a £2m revolving credit facility, as part of Nexus' wider debt fundraising exercise in order to undertake M&A activity.

In addition to the facility from the Company, Nexus has secured an additional £14m loan facility from funds managed by HPS Investment Partners, LLC ("HPS"). HPS is a leading global investment firm.

The funding provided by both B.P. Marsh and HPS resulted in Nexus securing a total of £16m in additional loan facilities, alongside the £30m of funding secured from both B.P. Marsh and HPS in July 2017.

Business update
continued

In April of this year, Nexus utilised a proportion of these funds to acquire Credit & Business Finance Limited ("CBF"), a specialist trade credit broker, and Capital Risks MGA Limited, a Warranty and Indemnity MGA.

Following the acquisition of CBF, Nexus is now the leading independent UK trade credit broker, fulfilling one of its strategic goals and uniting the two biggest producers of 'new to market' business, and will hold a share in excess of 10% of the estimated £350m Gross Written Premium for the UK trade credit broking market.

LEBC Holdings Ltd ("LEBC")

LEBC was impacted by a combination of market volatility and Brexit uncertainty in Q4 2018 and announced in February 2019 that it would be postponing seeking a public listing due to market uncertainties.

Jack McVitie, the Chief Executive said: "We will secure a better result, should we continue to pursue an IPO, if we give the market time to normalise. LEBC has been built patiently through primarily organic growth over the last 19 years. In that time, we have seen many different market events and we know we will see many more in the future."

Notwithstanding the difficult trading conditions LEBC continues to make progress in its key areas, including developing its digital offering, Hummingbird.

CBC UK Ltd ("CBC")

On 2 July 2018 CBC completed its first acquisition since the Group invested in 2017. CBC acquired 100% of Jersey based general insurance broker PBS Insurance Limited. In doing so, PBS Managing Director Si Aziz joined Paladin Holdings Limited (CBC's parent company) as a shareholder.

CBC continues to demonstrate strong growth and for the year ended 31 December 2018 has reported draft audited revenue of £5.69m and Operating Profit of £0.95m. This is an increase of 5% in Revenue and 29% in Operating Profit over the prior year.

EC3 Brokers Limited ("EC3")

Since the Group's investment in December 2017, EC3 has continued to perform in line with expectations.

Walsingham Motor Insurance Ltd ("WMIL")

WMIL continued to deliver good progress in the year ended 30 September 2018, reporting draft audited Total Income of £2.51m and Profit before Tax of £0.52m, up 11.3% over the prior year.

This growth has continued in 2019, with the business trading significantly ahead of expectations at the current time.

Toronto

USA

XPT Group LLC

On 18 January 2019 the Group announced that XPT, in which the Group owns a 35% shareholding, has acquired 100% of a New York City based MGA and Lloyd's Coverholder, SVA Underwriting Services Inc ("SVA").

As part of the acquisition, the Company agreed to provide XPT with further funding of $3.22m (£2.54m) by way of newly issued redeemable preference shares.

XPT's acquisition of SVA is its third since it was established in June 2017, following Western Security Surplus Insurance Brokers, Inc. ("WSS") in November 2017 and trucking specialist WE Love & Associates, Inc in January 2018.

XPT's strategy is to develop a wholesale insurance broking and underwriting agency platform across the U.S. Specialty Insurance Sector. The acquisition of SVA continues to demonstrate that XPT can take advantage of the consolidation opportunities in the small-to-medium-sized wholesale space in the U.S. while adding operational expertise to organically grow the businesses at high rates.

Mark Edward Partners LLC ("MEP")

MEP has found it difficult to make headway in recent months. Some of its specialist insurance products have been impacted by political changes and revenues have suffered as a result. The Group has taken its customary prudent approach to valuation and notes that, whilst this is a disappointing outcome, the business is still in operation and Management are making every effort to stabilise current trading.

Canada

Stewart Specialty Risk Underwriting Ltd ("SSRU")

SSRU, the Toronto-based provider of specialty insurance products to a wide array of clients in the Construction, Manufacturing, Onshore Energy, Public Entity and Transportation sectors, commenced operations in February 2017.

For the year ended 31 December 2018 SSRU wrote Gross Written Premium of CAD$5.67m and is primed to enter its next stage of growth.

This growth will come via the continued organic development of its existing product offerings and expansion into new lines of business. Additionally, SSRU continues to explore M&A opportunities as they arise.

Australia

ATC Insurance Solutions PTY Limited

The Group's third and most recent venture in Australia, ATC, has performed well since B.P. Marsh's investment, in July 2018.

ATC continues to show strong growth, with gross written premium expected to grow by 25% year on year and underlying EBITDA expected to grow by 22% year on year.

Business update

continued

4.76p

Dividend of 4.76 pence per share for the financial year ending 31 January 2019

Dividend

The Board is pleased to declare a dividend of 4.76p per share, payable in July 2019, to be put to the Group's Shareholders at its Annual General Meeting.

The Board continues to strike a balance between investing cash into new opportunities for long-term capital growth and providing shareholders with a sustainable yield.

Share Buy-Backs

The Board has a stated policy, regularly reviewed, of undertaking low volume share buy-backs at times when the Group's Share Price represents a 15% or greater discount to Net Asset Value. The Board considers this is a useful stabilising mechanism during periods of market or share price volatility.

During the year to 31 January 2019, the Company undertook a number of buy-backs purchasing an aggregate of 28,573 shares at an average price of 278p per share.

New Business Opportunities and Outlook

The Group received 64 new opportunities during the financial year. Of the 64, the majority were in the insurance sector, with 37 insurance intermediary enquiries, or 58%.

To compare with previous years, the Group received 77 proposals in 2018, 84 in 2017 and 71 in 2016.

The Board is pleased to receive a continuing flow of new investment enquiries commensurate with prior years and discussions are ongoing with a number of these proposals.

Australia continues to be a territory of interest to the Group, with three current investments and a significant shareholder based there.

Cash Balance

At 31 January 2019 the cash balance was £7.9m, with current uncommitted cash of £1.5m net of the dividend payable in July 2019. The Board notes the current level of uncommitted cash and has several options available to it in this respect.

Financial Performance

At 31st January 2019, the net asset value of the Group was £126.2m, or 350p per share (2018: £98.9m, or 339p per share) including a provision for deferred tax where relevant. This equates to an increase in net asset value of 10.0% (2018: 24.1%) for the year.

The Group increased its dividend payment to £1.7m (or 4.76p per share) during the year, as announced previously (2018: £1.1m or 3.76p per share). Total shareholder return for the year was therefore 11.7% (2018: 25.5%) including the dividend payment and the Net Asset Value increase.

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

31st January 2018 valuation £m	Acquisitions at cost £m	Disposal proceeds £m	Adjusted 31st January 2018 valuation £m	31st January 2019 valuation £m
79.1	8.7	–	87.8	101.9

This equates to an increase in the portfolio valuation of 16.1% (2018: 31.3%).

The Net Asset Value of £126.2m at 31 January 2019 represented a total increase in Net Asset Value of £97.0m since the Group was originally formed in 1990 having adjusted for the £10.1m net proceeds raised on AIM in 2006, the original capital investment of £2.5m and the £16.6m of net proceeds raised through the Share Placing and Open Offer in July 2018. The directors note that the Group has delivered an annual compound growth rate of 11.9% in Group net asset value after running costs, realisations, losses, distributions and corporation tax since 1990.

The consolidated profit on ordinary activities after taxation decreased by 38% to £12.5m (2018: profit of £20.2m) however, the 2018 consolidated profit on ordinary activities included two significant one-off items. Firstly, an unrealised gain of £5.7m relating to the Group's investment in LEBC which arose on a change in valuation methodology. Secondly, a write-back of deferred tax resulting from the changes to the Substantial Shareholding Exemption rules in 2017, which resulted in a net tax credit to the Consolidated Statement of Comprehensive Income of £3.7m. Excluding these one-off items, the consolidated profit after taxation actually increased by £1.7m (16%) over 2018.

The consolidated profit on ordinary activities before taxation was £12.2m (2018: profit of £16.5m), of which £14.1m was derived from unrealised gains on revaluing the equity investment portfolio in line with current market conditions, a decrease of 22% on the previous year (2018: net unrealised gains of £18.1m). As noted above, the unrealised gains in 2018 included £5.7m specifically relating to a change in valuation methodology for LEBC and if this were excluded as a one-off item, the true increase in the equity portfolio from unrealised gains was 14% over the year.

The Group's strategy is to cover expenses from the portfolio yield. On an underlying basis, including treasury returns, but excluding investment activity (unrealised gains on equity, a provision against loans receivable from investee companies and all underlying treasury portfolio movement), this was achieved with a pre-tax profit of £0.7m for the year (2018: £0.7m).

The Group invested £8.7m during the year - £2.9m in new equity investments and £5.8m for follow-on equity financing to its existing portfolio. In addition, the Group provided new loans for working capital to the portfolio of £3.8m. Repayment of loans by the portfolio amounted to £1.8m in the year. Cash funds (including treasury funds) at 31 January 2019 were £7.9m.

Overall, income from investments increased by 19.9% to £4.6m (2018: £3.9m). Dividend income increased by 74.5% over the year due to the strengthening performance of the portfolio companies, whilst income from loans fell by 7.8%, which was largely the result of the portfolio repaying debt in accordance with agreed repayment schedules. Fees were 24.8% lower mainly due to a number of one-off transaction fees received in 2018.

Whilst the Group did not realise any of its investments during the year, it was successful in raising £16.6m of net proceeds from a Share Placing and Open Offer which took place in July 2018. The cash received from this fundraising enabled the Group to invest in a number of new and existing opportunities throughout the year.

Business update
continued

Sydney

Operating expenses, including costs of making new investments, decreased by 4.0% during the year to £4.0m (2018: £4.1m). This decrease was largely due to several atypical expenses which were included within the 2018 operating costs, including £0.3m of enhanced bonuses awarded to directors and staff which were linked to the successful realisation of investments in that year as well as £0.2m of costs incurred in making new investments which were expensed under IFRS and £0.1m of one-off costs incurred in the prior year office move. After excluding these atypical expenses, as well as an exceptional bad debt write-back of £0.1m from the 2018 operating costs, and after excluding £0.1m of atypical expenses incurred in 2019 relating to making new investments and the establishment of the Joint Share Ownership Plan, underlying operating expenses actually increased by £0.3m (7%) over 2018, in line with managing a growing portfolio.

Due to favourable market conditions, the Group's treasury funds increased by 5.6% over the year (net of fund management charges) (2018: 4.1%), however the Group sold down the majority of its remaining treasury portfolio during the year to fund further investments.

Net Asset Value per share

In 2018 the Group entered into joint share ownership arrangements with certain employees and directors and issued 1,461,302 shares (3.9% of the current total issued shares) which were transferred into an Employee Benefit Trust. The employees and directors will only receive the growth in value of the shares above the market price of 281 pence per share on the date of issue, plus a 3.75% per annum carrying value after three years from the date of issue.

Although these shares are potentially dilutive, if the performance criteria are met then the Group would then receive the economic right to the first 281 pence per share, or £4.1m. The net asset value per share of the Group currently excludes these 1,461,302 shares as these were non-dilutive in the year to 31 January 2019, are subject to performance criteria that have not yet been achieved and are held within an Employee Benefit Trust. The Group net asset value has therefore also excluded the economic right the Group has to £4.1m on vesting for the same reasons. On this basis the current net asset value per share is 350 pence for the Group. If the performance criteria for vesting is eventually met, the diluted net asset value per share based upon the current net asset value would be 348 pence.

Outlook

The Group has produced a good overall performance in the year. The Group's strategy is to generate long-term value and the Board is confident in the Group's ability to do so, notwithstanding short-term market uncertainties.

Current investments

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:	59.3%
31 January 2019 valuation:	£35,485,000

CBC UK Limited
(www.cbcinsurance.co.uk)
Established in 1985, CBC is a Retail and Wholesale Lloyd's Insurance Broker, offering a wide range of services to commercial and personal clients as well as broking solutions to intermediaries. The Group assisted in an MBO of CBC allowing Management to buy out a major shareholder via parent company Paladin Holdings Limited.

Date of investment:	February 2017
Equity stake:	44.3%
31 January 2019 valuation:	£4,907,000

EC3 Brokers Limited
(www.ec3brokers.com)
In December 2017, the Group invested in EC3 Brokers Limited, an independent specialist Lloyd's broker and reinsurance broker, via a newly established NewCo, EC3 Brokers Group Limited. Founded by its current Chief Executive Officer Danny Driscoll, who led a management buyout to acquire EC3's then book of business from AJ Gallagher in 2014, EC3 provides services to a wide array of clients across a number of sectors, including construction, casualty, entertainment and cyber & technology.

Date of investment:	December 2017
Equity Stake:	20%
31 January 2019 valuation:	£6,011,000

United Kingdom

The Fiducia MGA Company Limited
(www.fiduciamga.co.uk)
Fiducia is a recently established UK Marine Cargo Underwriting Agency, established by its CEO Gerry Sheehy. Fiducia is a Lloyd's Coverholder which specialises in the provision of insurance solutions across a number of Marine risks including, Cargo, Transit Liability, Engineering and Terrorism Insurance.

Date of investment:	November 2016
Equity stake:	35%
31 January 2019 valuation:	£390,000

Nexus Underwriting Management Limited
(www.nexusunderwriting.com)
In 2014 the Group invested in Nexus Underwriting Management Limited ("Nexus"), an independent specialty Managing General Agency, founded in 2008. Through its operating subsidiaries Nexus specialises in the provision of Directors & Officers, Professional Indemnity, Financial Institutions, Accident & Health, Trade Credit, Political Risks Insurance, Surety, Bond and Latent Defect Insurance, both in the UK and globally.

Date of investment:	August 2014
Equity stake:	18.14%
31 January 2019 valuation:	£30,125,000

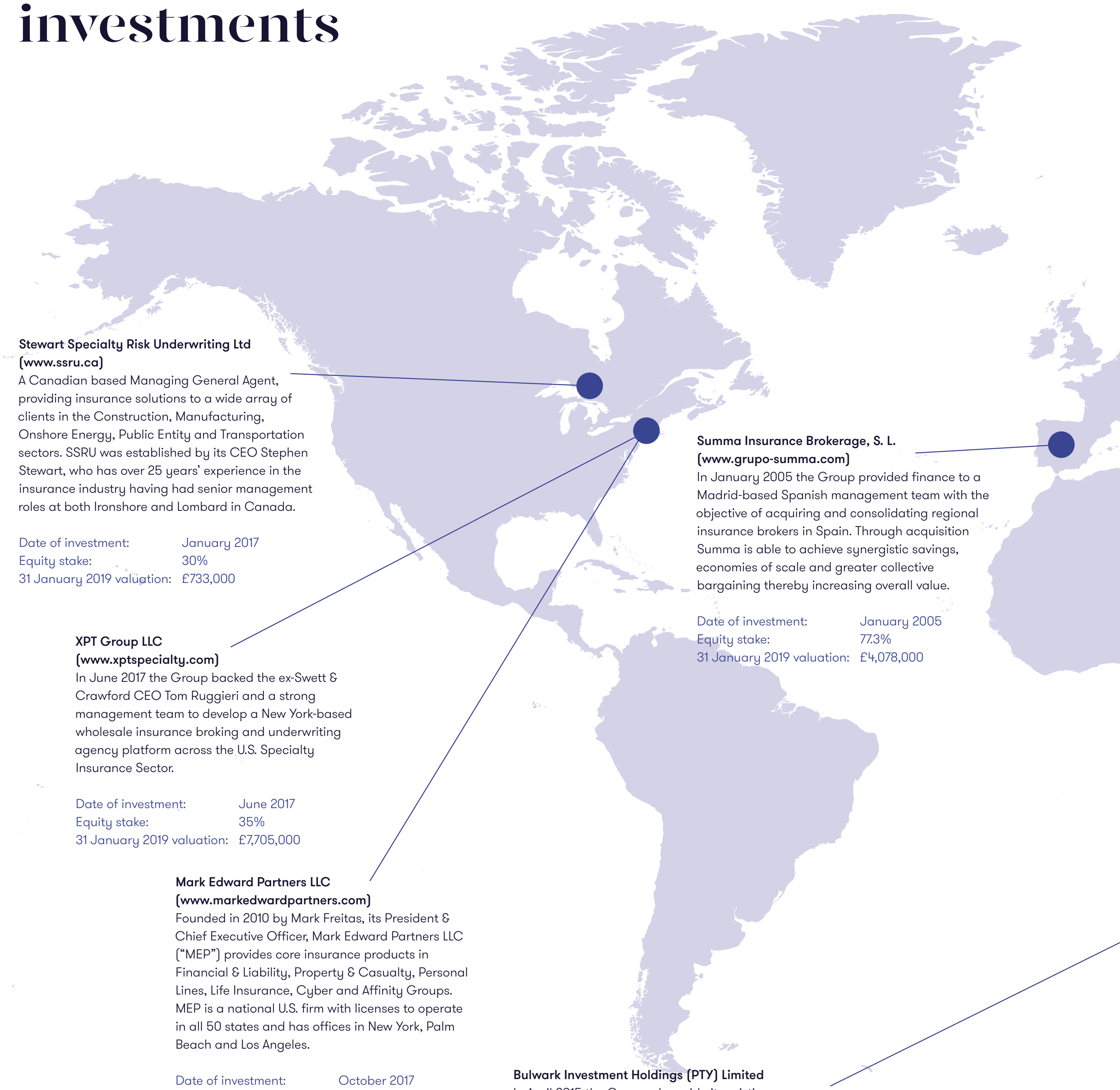
Walsingham Motor Insurance Limited
(www.walsinghamunderwriting.com)
In December 2013 the Group invested in Walsingham Motor Insurance Limited, a niche UK fleet motor Managing General Agency, which commenced trading in July 2013. In 2015 the Group acquired a further 10.5% equity, taking the current shareholding to 40.5%.

Date of investment: December 2013
Equity stake: 40.5%
31 January 2019 valuation: £1,372,000

Walsingham Holdings Limited
(www.walsinghamunderwriting.com)
In May 2018, the Group acquired a 20% shareholding in Walsingham Holdings Limited, a previously dormant company, which in turn purchased an 11.7% equity holding in Walsingham Motor Insurance Limited from an exiting shareholder.

Date of investment:	May 2018
Equity stake:	20%
31 January 2019 valuation:	£19,000

Current investments



Stewart Specialty Risk Underwriting Ltd
(www.ssru.ca)
A Canadian based Managing General Agent, providing insurance solutions to a wide array of clients in the Construction, Manufacturing, Onshore Energy, Public Entity and Transportation sectors. SSRU was established by its CEO Stephen Stewart, who has over 25 years' experience in the insurance industry having had senior management roles at both Ironshore and Lombard in Canada.

Date of investment:	January 2017
Equity stake:	30%
31 January 2019 valuation:	£733,000

XPT Group LLC
(www.xptspecialty.com)
In June 2017 the Group backed the ex-Swett & Crawford CEO Tom Ruggieri and a strong management team to develop a New York-based wholesale insurance broking and underwriting agency platform across the U.S. Specialty Insurance Sector.

Date of investment:	June 2017
Equity stake:	35%
31 January 2019 valuation:	£7,705,000

Mark Edward Partners LLC
(www.markedwardpartners.com)
Founded in 2010 by Mark Freitas, its President & Chief Executive Officer, Mark Edward Partners LLC ("MEP") provides core insurance products in Financial & Liability, Property & Casualty, Personal Lines, Life Insurance, Cyber and Affinity Groups. MEP is a national U.S. firm with licenses to operate in all 50 states and has offices in New York, Palm Beach and Los Angeles.

Date of investment:	October 2017
Equity stake:	30%
31 January 2019 valuation:	£0

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:	77.3%
31 January 2019 valuation:	£4,078,000

Bulwark Investment Holdings (PTY) Limited
In April 2015 the Group, alongside its existing South African Partners, established a new venture, Bulwark Investment Holdings (PTY) Limited ("Bulwark"), a South African based holding company which establishes Managing General Agents in South Africa. To date Bulwark has established two new Managing General Agents: Preferred Liability Underwriting Managers (PTY) Limited and Mid-Market Risk Acceptances (PTY) Limited.

Date of investment:	April 2015
Equity stake:	35%
31 January 2019 valuation:	£0

Rest of the world

Asia Reinsurance Brokers Pte Limited (www.arbrokers.asia)
In April 2016 the Group invested in Asia Reinsurance Brokers Pte Limited ("ARB"), the Singapore headquartered independent specialist reinsurance and insurance risk solutions provider. ARB was established in 2008, following a management buy-out of the business from AJ Gallagher, led by the CEO, Richard Austen.

Date of investment: April 2016
Equity stake: 25%
31 January 2019 valuation: £764,000

Bastion Reinsurance Brokerage (PTY) Limited (www.bastionre.co.za)
In December 2014 the Group invested in Bastion Reinsurance Brokerage (PTY) Limited ("Bastion"), a start-up Reinsurance Broker based in South Africa. Established in May 2013 by its CEO and Chairman, Bastion specialises in the provision of reinsurance solutions over a number of complex issues, engaged by various insurance companies and managing general agents.

Date of investment:	December 2014
Equity stake:	35%
31 January 2019 valuation:	£0

Sterling Insurance PTY Limited (www.sterlinginsurance.com.au)
In June 2013, in a joint venture enterprise alongside Besso, (Neutral Bay Investments Limited) 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:	19.7%
31 January 2019 valuation:	£2,414,000

Criterion Underwriting Pte Limited
Group helped establish Criterion alongside its Partners in Asiare Holdings Pte Limited and Asia Reinsurance Brokers Pte Limited in July 2018. Criterion is a start-up Singapore-based Managing General Agency providing specialist insurance products to a variety of clients in the Cyber, Financial Lines and Marine sectors in Far East Asia.

Date of investment:	July 2018
Equity stake:	29.4%
31 January 2019 valuation:	£50,000

Property & Liability Underwriting Managers (PTY) Limited (www.plumsa.co.za)
In June 2015 the Group completed an investment in Property And Liability Underwriting Managers (PTY) Limited ("PLUM"), a Managing General Agent based in Johannesburg, South Africa. PLUM specialises in large corporate property insurance risks in South Africa and is supported by both domestic South African insurance capacity and A-rated international reinsurance capacity.

Date of investment:	June 2015
Equity stake:	42.5%
31 January 2019 valuation:	£0

ATC Insurance Solutions PTY Limited (www.atcis.com.au)
Group invested in July 2018 in ATC, an Australian-based MGA and Lloyd's Coverholder, specialising in Accident & Health, Construction & Engineering, Trade Pack and Sports insurance.

Date of investment:	July 2018
Equity stake:	20%
31 January 2019 valuation:	£5,420,000

MB Prestige Holdings PTY Limited (www.mbinsurance.com.au)
In December 2013 the Group invested in MB Prestige Holdings PTY Ltd ("MB Group"), 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%
31 January 2019 valuation:	£2,474,000

Directors and Company Secretary

Brian Marsh OBE
Executive Chairman

Alice Foulk BA (Hons)
Managing Director

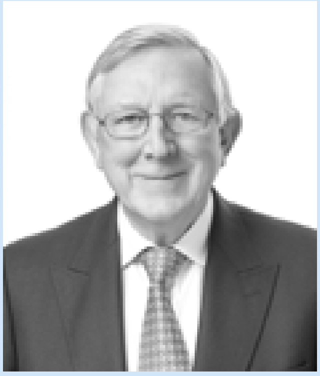
Daniel Topping MCSI, ACIS
Chief Investment Officer

Camilla Kenyon
Director

Jonathan Newman ACMA, CGMA, MCSI
Group Finance Director

Campbell Scoones
Non-executive

Pankaj Lakhani FCCA
Non-executive



Nicholas Carter
Non-executive

Sinead O'Haire LLB (Hons), FCIS
Chief Legal Officer & Group Company Secretary

Directors' Report & Strategic Report & Consolidated Financial Statements

For the year ended 31 January 2019

References throughout the Reports and Consolidated Financial Statements to the "Company" or "B.P. Marsh" refer to the Parent Company, B.P. Marsh & Partners Plc, and references to the "Group" refer to the consolidated group, being the Parent Company and its subsidiary undertakings.

Directors' and Group Company Secretary biographies

Brian Marsh OBE (Executive Chairman), aged 78 (I) (V) (N) (D)
Brian started his career in insurance broking and underwriting in Lloyd's and the London and overseas market over 55 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. Brian's considerable experience being Chairman of numerous companies in Financial Services means he is well suited as the Executive Chairman of B.P. Marsh. Brian is a member of the Investment, Valuation, and Nomination Committees, and resigned as a member of the Remuneration Committee with effect from 6 December 2018. Post year-end, Brian resigned as both Chair and a member of the Disclosure Committee with effect from 7 May 2019. Brian is a significant shareholder in B.P. Marsh with a direct beneficial interest in 40.1% of the Company (in addition to 1.7% held by the Marsh Christian Trust, of which Brian is a trustee and Settlor).

Alice Foulk BA (Hons) (Managing Director), aged 32 (R) (I) (V) (N) (D)
Alice joined B.P. Marsh in September 2011 having started her career at a leading Life Assurance company. In February 2015 Alice was appointed as a director of B.P. Marsh and in January 2016 was appointed Managing Director where she is responsible for the overall performance of the Company and monitoring the Company's overall progress towards achieving its objectives and goals, as set by the Board. Alice is a member of the Remuneration, Investment, Valuation, Nominations and Disclosure Committees. Alice has a direct beneficial interest in 15,166 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 167,465 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 15,866 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Jonathan Newman ACMA, CGMA, MCSI (Group Finance Director), aged 44 (I) (V)
Jonathan is a Chartered Management Accountant with over 20 years' experience in the financial services industry. He joined the Group in November 1999, having started his career at Euler Trade Indemnity, 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, provides strategic financial advice to all companies within the Group's portfolio, evaluates new investment opportunities and is a member of the Investment and Valuation Committees. Jonathan has two nominee directorships in two investee companies. Jonathan has a direct beneficial interest in 10,927 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 167,465 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 16,124 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Daniel Topping MCSI, ACIS (Chief Investment Officer), aged 35 (I) (V) (N)
Daniel was appointed as a director of B.P. Marsh in March 2011 having joined the Group in February 2007, following two years at an independent London accountancy practice. Daniel graduated from the University of Durham in 2005 and is a member of the Securities and Investment Institute and the Institute of Chartered Secretaries and Administrators. In January 2016 Daniel was appointed as Chief Investment Officer of the Group and is a member of the Investment, Valuation and Nominations Committees. Daniel is the Senior Executive with overall responsibility for the portfolio and investment strategy for the Group, working alongside the Board and Investment Directors to find, structure, develop, support and monitor the portfolio. Daniel currently has multiple nominee appointments across the investment portfolio. Daniel has a direct beneficial interest in 86,936 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 167,465 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 16,124 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust. Daniel has an indirect beneficial interest in 11,434 ordinary shares held by his wife, Claire Topping.

Camilla Kenyon (Director), aged 46 (I)
Camilla Kenyon was appointed to the main board in 2011, following her appointment as Head of Investor Relations in February 2009. She has dual responsibilities within the Group, running both Investor Relations and the New Business Department and is Chair of the New Business Committee evaluating new investment opportunities. She has four nominee directorships across two investee companies and is a member of the Investment Committee. Camilla was appointed as a member of the Disclosure Committee with effect from 13 May 2019. She has over 20 years'

experience in the financial services industry, including numerous Board appointments and is a Member of the Investor Relations Society. Camilla has a direct beneficial interest in 6,743 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 167,465 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 16,124 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

Campbell Scoones (Non-executive), aged 72 (R)

Campbell joined B.P. Marsh in April 2013 and has over 45 years' experience in the Lloyds and overseas insurance broking and underwriting markets. Having started his career in 1966, Campbell has worked for a number of Lloyd's insurance broking and underwriting firms during this time, including, inter alia, Nelson Hurst & Marsh Group, Admiral Underwriting, Marsh & McLennan Companies and Encon Underwriting. Campbell was appointed to the Remuneration Committee in December 2018. Campbell owns 43,798 ordinary shares in B.P. Marsh.

Pankaj Lakhani FCCA (Non-executive), aged 65 (R) (A) (V) (N)

Pankaj joined B.P. Marsh in May 2015 and has over 30 years' experience within the global insurance sector, having worked at Marsh McLennan Group, Nelson Hurst & Marsh Group, Admiral Underwriting and Victor O. Schinnerer. Pankaj is Chairman of both the Remuneration and Audit Committees and is also a member of the Valuation and Nominations Committees. Pankaj owns 36,912 ordinary shares in B.P. Marsh.

Nicholas Carter (Non-executive), aged 76

Nicholas was appointed to the Board of B.P. Marsh on 1 May 2019 and has over 50 years' experience in the Lloyd's Insurance Market, having held a variety of positions within Nelson Hurst & Marsh Limited, Citicorp Insurance Brokers and Nelson Hurst Plc. Upon joining the Group Nicholas was appointed a member of the Remuneration Committee and the Audit Committee.

Sinead O'Haire, LLB (Hons), FCIS (Chief Legal Officer & Group Company Secretary) (N) (D)

Sinead joined B.P. Marsh in 2009 and was appointed Group Company Secretary in June 2011. Sinead attends all Board and Committee meetings and works closely with the Chairman's Office and Board in all matters of governance and to oversee the effective functioning and leadership of the Company, as well as ensuring compliance with the stock market regulations. Sinead is also a member of the New Business Committee and is responsible for negotiating and finalising the legal aspects of new investments, any follow-on funding and eventually the exit process. Sinead has a direct beneficial interest in 20,789 ordinary shares in B.P. Marsh, together with a beneficial interest (as joint owner) in 167,465 ordinary shares in B.P. Marsh held as part of the Company's Joint Share Ownership Plan and 16,124 ordinary shares in B.P. Marsh which are held in the Company's SIP Trust.

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
(N)	Member of the Nominations Committee during the year
(D)	Member of the Disclosure Committee during the year

Corporate Governance

The board of B.P. Marsh ("the Board") is responsible for the Group's corporate governance policies and recognises the importance of high standards of integrity, and consistently seeks to apply the principles set out in the 'Corporate Governance Code' published by the Quoted Company Alliance 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"). The Company has identified three core stakeholders within its business model; its Shareholders, Investee Companies and Employees.

Strategy & Business Model

Since its inception in 1990, the Company has focused on acquiring minority stakes in Financial Service Intermediary Businesses anywhere in the world, assisting where possible its Investee Companies and selling that stake on, in partnership with management, to the benefit of the Shareholders.

As time has gone by, whilst this model has remained unchanged, the size of the potential initial investment has risen to up to £5m as the Company's assets have grown and its business has become better known. In addition, the Company can provide follow-on funding to further enhance growth.

We are debt free and have been able to maintain a compound annual increase in the Net Asset Value of 10% or more, including our latest year, which is reflected in the dividend pay-out to shareholders.

We have every reason to believe that the Company's business will continue to grow in size, particularly as a result of the ability to make larger initial investments into larger businesses.

The B.P. Marsh & Partners Plc Board consists of five executive and three non-executive directors and has ultimate oversight over the business of B.P. Marsh & Partners Plc. The Board is responsible for the making and eventual disposal of investments and the continued monitoring of their performance.

Corporate Structure

The Company operates via five main departments reporting to the Board of B.P. Marsh & Partners Plc.

Chairman's Office:
Comprised of the Executive Chairman and Managing Director, the Chairman's Office has oversight of the day to day management of the Company's business.

Investment Department:
Headed up by the Chief Investment Officer, the Investment Department is responsible for overseeing the Company's Investment Portfolio. With appointments made to each of the Investee Companies' Boards, the Investment Department monitors the performance of the Investee Companies and reports to the Chairman's Office and ultimately the Board.

Finance Department:
Led by the Group Finance Director, the Finance Department is responsible for the internal finance function of the Company, monitoring the financial performance of the Investee Companies and providing strategic financial support and advice.

Investor Relations Department:
Led by the Head of Investor Relations, the Investor Relations Department is responsible for communication between the Company and the financial markets. This communication enables the investment community to make an informed judgement about the fair value of the Company's shares and provides the Company with essential feedback from investors and the market on company performance and strategy.

Company Secretarial Department:
Led by the Chief Legal Officer & Group Company Secretary, the Company Secretarial Department ensures that the Group remains compliant with its legal and regulatory obligations. It also acts as the point of contact for the legal departments of the Investee Companies where assistance is required.

Directors

Details of the appointment and resignation dates of directors are shown in the Group Report of the Directors. All directors are subject to re-election within a three-year period.

It is expected that all directors dedicate as much time as is required during the year to successfully discharge their duties. The Group requires each director to prepare adequately for the four scheduled Board Meetings held each year as well as any time required to provide informed approval for any other matters that arise between Board Meetings.

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.

A formal review of the performance and effectiveness of each director, including the non-executive directors, and the Committees of the Board, takes place annually and is assessed on an on-going basis by the other members of the Board.

To date, the Group has taken a prudent approach and refrained from declaring its non-executive directors as being independent, due to various factors being in existence that might question their independence. The Company has identified the following factors that could give rise to an argument against the classification as independent, namely that Campbell Scoones and Pankaj Lakhani are shareholders in the Company and that Campbell Scoones, Pankaj Lakhani and Nicholas Carter have a previous employment history with Executive Chairman Brian Marsh. However, the Group notes that a decision as to the independence of its non-executive directors rests with the Board itself, and upon further review it asserts that all of its non-executive directors are independent as they consistently provide independent input and none of the aforementioned factors compromise their independence in practice.

Board Meetings

The Board meets at least quarterly 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.

Corporate Governance
continued

Committees of the Board

The Board has established six standing committees – the Remuneration Committee, the Audit Committee, the Investment Committee, the Valuation Committee, the Nominations Committee and the Disclosure Committee.

Remuneration Committee

The Remuneration Committee is comprised of its Chair, Pankaj Lakhani, and members Campbell Scoones, Nicholas Carter and Alice Foulk. Brian Marsh resigned as a member of the Remuneration Committee with effect from 6 December 2018. 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 Report of the Remuneration Committee to the shareholders on how directors are remunerated, together with details of individual directors' remuneration packages, is to be found on pages 28 to 31.

Audit Committee

The Audit Committee is comprised of two of the non-executive directors of the Company and during the year was chaired by Pankaj Lakhani. The external auditor, together with the Group Finance Director and other financial staff, are invited to attend these meetings.

The Report of the Audit Committee, found on pages 32 to 33, details the role of the Committee and the work carried out by the Committee throughout the year.

Investment Committee

The Investment Committee is comprised of all the executive directors of the Company and the directors of the Company's operating subsidiary, B.P. Marsh & Company Limited, and meets whenever significant investment matters arise which are not dealt with in the normal course of Board business.

Valuation Committee

During the year the Valuation Committee was composed of Brian Marsh, Alice Foulk, Jonathan Newman, Daniel Topping and Pankaj Lakhani 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.

Nominations Committee

The Nominations Committee is composed of at least three directors (including at least one non-executive director) and during the year was composed of Brian Marsh, Alice Foulk, Daniel Topping, Pankaj Lakhani and the Group's Company Secretary, Sinead O'Haire. In accordance with its terms of reference the Committee is responsible for reviewing the structure, size and composition of the Board and senior staff and for identifying and nominating for approval of the Board, candidates for Board positions and other senior staff vacancies as and when they arise. The Committee is also responsible for reviewing the leadership of the Group, including the consideration of succession planning with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

Disclosure Committee

The Disclosure Committee (regarding Market Abuse Regulation Disclosure) is composed of Alice Foulk, Camilla Kenyon, the Group's Company Secretary, Sinead O'Haire and the Group's Assistant Company Secretary, James Smillie. In accordance with its terms of reference the Committee is responsible for overseeing the Company's compliance with its obligations (as laid down by the AIM Rules, Disclosure and Transparency Rules and the Market Abuse Regulation) in respect of the disclosure and control of inside information directly concerning the Company. Brian Marsh resigned as Chairman and a member of the Disclosure Committee, effective as at 7 May 2019.

Directors' Attendance Record

	B.P. Marsh & Partners Plc Board Meeting	Audit Committee	Remuneration Committee	Valuation Committee
Brian Marsh[1]	8/8	–	3/3	2/2
Alice Foulk	8/8	–	3/3	2/2
Daniel Topping	8/8	–	–	2/2
Camilla Kenyon	8/8	–	–	–
Jonathan Newman	8/8	–	–	2/2
Campbell Scoones	8/8	–	–	–
Pankaj Lakhani	8/8	1/1	3/3	2/2
Nicholas Walker[2]	8/8	1/1	3/3	–

[1] Brian Marsh resigned from the Remuneration Committee on 6 December 2018.
[2] Nicholas Walker resigned from the Board on 19 December 2018 and with that his Committee appointments were terminated.

Engagement of External Advisers

The Company engages external advisers as and when it feels it necessary for example when there is a skills gap internally, or it is agreed that the matter is important enough that the prudent approach is to ensure that professional advisers have opined on the matter.

Legal and financial advice is sought from selected lawyers and accountants as and when required, including on acquisition and disposal, and is limited to the particular matter which they have been engaged to advise on.

By way of example, throughout the year, the Company has engaged external legal advice to assist with the successful Placing & Open Offer with PSC Insurance Group Limited, to assist with the investments completed and the implementation of the Company's Joint Share Ownership Plan.

Furthermore, the Company has sought ongoing financial and tax advice during the year from Frank Hirth Plc relating to its recent investments into the United States.

Each Committee of the Board has, contained within its Terms of Reference, the ability to seek external third-party advice on any issue contained within their remit at the expense of the Company.

Each director is able to engage external advisers at the expense of the Company in order to discharge their duties, however this had not been used during the year.

Corporate Governance
continued

Board Evaluation

An annual evaluation is conducted to review the performance and effectiveness of the Board. This evaluation is conducted through a questionnaire which is identical for both executive and non-executive directors requiring a score out of 5 for different areas of the Board's function.

The results are analysed and communicated through a written report compiled by the Company Secretarial Department.

Corporate Culture

Ever since the Company was founded, and hence its name, the Group has advocated and emphasised that it makes its decisions based on the nature, needs and aspirations of the people it employs, or those with whom it goes into Partnership; sinking or swimming together, alongside one another.

As a consequence of the above, the Company pays careful attention to the 'people dimension' whether it is at a four man Underwriting Agency based in Toronto, Canada or the Management at LEBC, with 16 regional offices and staff of over 200.

In addition, and one of the main differentials between the Company and its peers, is the fact that it often offers flexibility to its Partners where necessary to allow them to develop at their own pace, for example, not requiring personal guarantees to accompany loans, and subordinating its loans behind bank debt.

Likewise, this progressive approach is also demonstrated internally, whereby the executive team is continuingly challenged to develop its skills and responsibilities within the Company, resulting in a motivated management team committed to developing a principled yet sustainable entity, that achieves the best results for all its stakeholders.

Relations with Shareholders

As a company listed on the Alternative Investment Market, B.P. Marsh is responsible for ensuring that it is aware of shareholder needs and expectations. B.P. Marsh attaches great importance to maintaining good relationships with all of its shareholders and interested parties and seeks to ensure that they have access to correct and adequate information at all times.

The Company is aware that as stakeholders, its shareholders play a vital role in the fabric of the Company and therefore regularly engages in dialogue with its shareholders and offers meetings with institutional and major shareholders following the release of B.P. Marsh's Annual and Interim Results.

Much of the Company's shareholder base is comprised of small retail shareholders holding shares through nominee accounts and therefore the identities of the underlying shareholders is not available to B.P. Marsh. The Company welcomes these, and all, shareholders to make contact with the Company and provide any feedback or comments that they may have.

The Company's Annual General Meeting is also open to retail investors who hold their shares in nominee accounts.

Internal Controls and Risk Management

The Board is responsible 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.

The task of reporting on the internal controls and risk management has been delegated to the Audit Committee, the report of which can be read on pages 32 to 33.

The Board believes that its Annual Report and these consolidated financial statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Chairman's Statement included within the Annual Report contains a detailed consideration of the Group's current position and outlook.

A statement of the directors' responsibilities in respect of the consolidated financial statements is set out on pages 34 and 35.

By order of the Board.

B.P. Marsh
Chairman of the Board
10 June 2019

Report of the Remuneration Committee

The Remuneration Committee of the Board (the "Committee") during the year was composed of the non-executive directors of the Company, Pankaj Lakhani, Campbell Scoones and Nicholas Walker, as well as the Executive Chairman of the Group, Brian Marsh, and Alice Foulk.

Brian Marsh resigned from the Committee on 6 December 2018. Nicholas Walker resigned from the Board as a non-executive director, and consequently the Committee, on 19 December 2018 and was replaced by Nicholas Carter who was appointed as a non-executive director to the Board and the Committee on 1 May 2019.

The Committee is responsible for setting the remuneration of the executive directors and other members of staff, as detailed in the Remuneration policy below.

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's terms of reference provide that for as long as the Chairman and the Managing Director of the Company are executive, they should attend as members and be invited to express their views on remuneration levels, but should not be present when their own salaries are decided or when decisions are taken on performance targets for incentive arrangements in which they participate.

The Board has delegated the review and setting of non-executive director remuneration to a sub-committee of the Board consisting of Brian Marsh, Alice Foulk and Sinead O'Haire.

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 January 2006	Continuous	6 months
J.S. Newman	30 January 2006	Continuous	6 months
D.J. Topping	1 March 2011	Continuous	6 months
C.S. Kenyon	1 March 2011	Continuous	6 months
A.H.D. Foulk	16 February 2015	Continuous	6 months

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, three months prior written notice.

Director	Date of Office tenure	Initial period	Notice period
C.R. Scoones	19 April 2013	12 months	3 months
P.B. Lakhani	21 May 2015	12 months	3 months
N.G. Walker[1]	6 September 2017	12 months	3 months
N.H. Carter[2]	1 May 2019	12 months	3 months

[1] N.G. Walker resigned as a non-executive director of the Company on 19 December 2018.
[2] N.H. Carter was appointed as a non-executive director of the Company on 1 May 2019.

Joint Share Ownership Plan ("JSOP")
During the year, B.P. Marsh & Partners Plc entered into joint share ownership agreements ("JSOAs") with certain employees and directors.

On 12 June 2018 1,461,302 new 10p Ordinary shares in the Company were issued and transferred into joint beneficial ownership for 12 employees (four of whom are directors) under the terms of JSOAs. No consideration was paid by the employees for their interests in the jointly-owned shares.

The new Ordinary shares have been issued into the name of RBC cees Trustee Limited ("the Trustee") as trustee of the B.P. Marsh Employees' Share Trust ("the Share Trust") at a subscription price of £2.81, being the mid-market closing price on 12 June 2018.

The jointly-owned shares are beneficially owned by (i) each of the 12 participating employees and (ii) the trustee of the Share Trust upon and subject to the terms of the JSOAs entered into between the participating employee, the Company and the Trustee.

Of the 1,461,302 ordinary shares in respect of which joint interests were granted, the following directors of the Company each acquired, jointly with the Share Trust, and upon and subject to the terms of a JSOA, a beneficial interest (as joint owner) in the number of shares respectively shown opposite the name of each such director:

Director	Number of jointly-owned shares	% of total jointly-owned shares
A.H.D. Foulk	167,465	11.5%
J.S. Newman	167,465	11.5%
D.J. Topping	167,465	11.5%
C.S. Kenyon	167,465	11.5%
Total	**669,860**	**46.0%**

Under the terms of the JSOAs, the employees and directors will receive on vesting the growth in value of the shares above a threshold price of £2.81 per share (market value at the date of grant) plus an annual carrying charge of 3.75% per annum (simple interest) to the market value at the date of grant. The Share Trust retains the initial market value of the jointly-owned shares plus the carrying cost.

Alternatively, on vesting, the participant and the Trustee may exchange their respective interests in the jointly-owned shares such that each becomes the sole owner of a number of Ordinary shares of equal value to their joint interests.

Participants will therefore receive value from the jointly-owned shares only if and to the extent that the share value grows above the initial market value plus the carrying cost.

Report of the Remuneration Committee
continued

No jointly-owned shares were sold or forfeited during the year. The number of jointly-owned shares expected to vest has therefore not been adjusted. In accordance with IFRS 2: Share-based Payment, the fair value of the expected cost of the award (measured at the date of grant) has been spread over the three-year vesting period.

There has been no movement during the year in terms of the numbers of shares to be exercised.

Further details are given in Note 24 to the financial statements.

Share Incentive Plan ("SIP")
During the year to 31 January 2017 the Group established an HMRC approved Share Incentive Plan ("SIP").

During the year a total of 21,009 ordinary shares in the Company, which were held in Treasury as at 31 January 2018 (2018: 13,363 ordinary shares in the Company, which were either repurchased during that year or held in Treasury as at 31 January 2017) were transferred to the B.P. Marsh SIP Trust ("SIP Trust"). In addition, 26,303 new ordinary shares were issued and allotted to the SIP Trust during the year (Note 10). As a result, 47,312 ordinary shares in the Company were available for allocation to the participants of the SIP.

On 13 June 2018, a total of eleven eligible employees (including four executive directors of the Company) applied for the 2018-19 SIP and were each granted 1,281 ordinary shares ("18-19 Free Shares"), representing approximately £3,600 at the price of issue.

Additionally, on 13 June 2018, all eligible employees were also invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares"). For every Partnership Share that an employee acquired, the SIP Trust offered two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. All eleven eligible employees (including four executive directors of the Company) took up the offer and acquired the full £1,800 worth of Partnership Shares (640 ordinary shares) and were therefore awarded 1,281 Matching Shares.

The 18-19 Free and Matching Shares are subject to a one year forfeiture period.

A total of 35,222 (2018: 37,935) Free, Matching and Partnership Shares were granted to the eleven (2018: nine) eligible employees during the year, including 12,808 (2018: 16,860) granted to four executive directors of the Company.

As at 31 January 2019 a total of 146,237 Free, Matching and Partnership Shares had been granted to eleven eligible employees under the SIP, including 62,148 granted to four executive directors of the Company.

£76,470 of the IFRS 2 charges (2018: £69,315) associated with the award of the SIP shares to eleven (2018: nine) eligible directors and employees of the Company has been recognised in the Statement of Comprehensive Income as employment expenses.

The results of the SIP Trust have been fully consolidated within these financial statements on the basis that the SIP Trust is effectively controlled by the Company.

Following the SIP and JSOP awards made during the year to 31 January 2019, four executive directors have a beneficial interest in the ordinary shares of the Company (specifically held within its share plans) as follows:

Director	Ordinary shares held under JSOP	Ordinary shares held under SIP
A.H.D. Foulk	167,465	15,866
J.S. Newman	167,465	16,124
D.J. Topping	167,465	16,124
C.S. Kenyon	167,465	16,124
Total	**669,860**	**64,238**

The directors' interests in other shares of the Company are detailed in the Group Report of the Directors.

Aggregate Directors' Remuneration

	2019 £	2018 £
Emoluments	1,256,836	1,264,226
Fees	72,058	74,872
Pension contributions	60,937	55,700

Aggregate Directors' Emoluments

	Salaries and fees £	Benefits £	Annual bonuses £	2019 Emoluments excluding pension contributions £
B.P. Marsh	159,000	861	–	159,861
A.H.D. Foulk	130,000	3,191	95,975	229,166
J.S. Newman	195,000	6,579	74,985	276,564
D.J. Topping	205,000	3,233	95,984	304,217
C.S. Kenyon	105,000	5,980	63,985	174,965
C.R. Scoones	43,000	–	–	43,000
P.B. Lakhani	52,000	–	–	52,000
N.G. Walker[1]	89,121	–	–	89,121
N.H. Carter[2]	–	–	–	–

[1] N.G. Walker resigned as a non-executive director of the Company on 19 December 2018.
[2] N.H. Carter was appointed as a non-executive director of the Company on 1 May 2019.

Directors' Pensions

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

	2019 £
B.P. Marsh	–
A.H.D. Foulk	13,000
J.S. Newman	19,500
D.J. Topping	17,937
C.S. Kenyon	10,500

[1] N.G. Walker resigned as a non-executive director of the Company on 19 December 2018.
[2] N.H. Carter was appointed as a non-executive director of the Company on 1 May 2019.

Audit

The tables in this report (including the Notes thereto) have been audited by Rawlinson & Hunter Audit LLP.

This report has been approved by the Remuneration Committee and the Board as a whole and has been signed on behalf of the Chairman of the Remuneration Committee, Pankaj Lakhani, on 10 June 2019.

By order of the Board

B.P. Marsh
Chairman of the Board

Report of the Audit Committee

The Audit Committee's role is to provide effective governance over the Group's financial reporting, including the disclosures made in the financial statements, the performance of the external auditors and oversight of the Group's internal financial control. The Company's external auditors are Rawlinson & Hunter Audit LLP ("Rawlinson & Hunter"). The Audit Committee report to the Board on these matters.

The Audit Committee members during the year were Pankaj Lakhani (Chairman) and Nicholas Walker (resigned as of 19 December 2018). Subsequently, following his appointment on 1 May 2019, Nicholas Carter was appointed to the Audit Committee. The Audit Committee formally met once in the financial year to 31 January 2019, however remained in frequent contact throughout the period. The external auditors are invited to each meeting, together with the relevant members of the Finance Department as appropriate.

The full responsibilities of the Audit Committee are set out in its Terms of Reference, which have been reviewed during the year.

The Audit Committee has reviewed, with both management and the external auditors, the interim and final financial statements, focusing on:

- Changes in accounting policies and practices
- Major judgemental areas
- Significant adjustments resulting from the audit
- The going concern assumption
- Compliance with Accounting Standards
- Compliance with applicable regulatory and legal requirements
- Compliance with best practice in the area of Corporate Governance
- Financial risk management
- Internal controls

The Company adopted the QCA Governance Code (the "QCA Code") issued by the Quoted Companies Alliance in September 2018. The QCA Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK.

The Audit Committee has agreed that the selection of appropriate accounting policies and practices has not materially changed since the previous year.

The Audit Committee did not believe there to be any other material risks or exposures, other than those contained in the financial statements, which included price, credit, liquidity, interest rate, currency, concentration, political and new investment risks. It was also agreed that there were no material uncertainties related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.

As Chairman of the Audit Committee, I am pleased to report that we work and communicate well with Rawlinson & Hunter throughout the year and most importantly during the Group's external audit process, which runs smoothly and effectively.

During the year, fees of £16,417 (2018: £39,409) were paid to the external auditors for non-audit work, including tax compliance.

Non-audit work was undertaken by independent teams.

Rawlinson & Hunter was reappointed as B.P. Marsh's external auditor for the year ended 31 January 2019. There are currently no plans to retender. The Rawlinson & Hunter partner responsible for the B.P. Marsh audit, Christopher Bliss, was rotated off the audit having served for five years, and was replaced by Kulwarn Nagra. Craig Davies was also replaced by Alex Temlett as the Engagement Quality Control Reviewer after having served for seven years.

For the upcoming AGM (17 July 2019), the Committee has recommended to the Board that Rawlinson & Hunter be reappointed, and the Board has proposed their reappointment.

The Committee will continue to keep its activities under review to ensure that it complies with any changes in the regulatory environment.

Pankaj Lakhani
Audit Committee Chairman
10 June 2019

Group Report of the Directors

Directors

B.P. Marsh OBE (Chairman)
A.H.D. Foulk BA (Hons)
J.S. Newman ACMA, CGMA, MCSI
D.J. Topping MCSI, ACIS
C.S. Kenyon
C.R. Scoones (non-executive)
P.B. Lakhani FCCA (non-executive)
N.G. Walker MSc, BA (Comb Hons) (non-executive) (resigned 19 December 2018)
N.H. Carter (non-executive) (appointed 1 May 2019)

The directors submit their report and the audited financial statements of the Company and the Group (namely B.P. Marsh & Partners Plc, B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited, B.P. Marsh Asset Management Limited, B.P. Marsh (North America) Limited, RHS Midco I LLC, B.P. Marsh US LLC, B.P. Marsh & Co. Trustee Company Limited, Marsh Development Capital Limited, Bastion London Limited, the B.P. Marsh SIP Trust and the B.P. Marsh Employees' Share Trust) for the year ended 31 January 2019.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report (including the Group Report of the Directors and the Group Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements on the same basis. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and the Group's profit or loss for that year.

In preparing financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Disclosure of Information to the Auditors

Each of the persons who are directors at the time when the Group Report of the Directors is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all steps that ought to have been taken as a director in order to be aware of any information needed by the Company and Group's auditors in connection with preparing their report 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 Section 418 of the Companies Act 2006.

Principal Activity

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

Country of Incorporation and Registration

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

Results of the Business

The results for the year are set out on page 56. The directors consider the current state of affairs of the Group to be satisfactory.

Dividends

A dividend of 4.76p per share (£1,714,418) was paid on 31 July 2018 (28 July 2017: £1,098,109 or 3.76p per share). The directors have recommended a final dividend of 4.76p per share which will be paid, subject to Shareholder approval, on 26 July 2019 to Shareholders registered at the close of business on 28 June 2019. Based upon the current number of shares in issue, and excluding the shares held within the Joint Share Ownership Plan, this would total £1,714,418.

Group Report of the Directors
continued

Significant Interests

As at 28 May 2019 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:

	No. of Ordinary shares of 10p each held	% of issued Share capital
Mr B.P. Marsh[1]	15,002,679	40.1%
PSC UK Pty Limited	7,335,504	19.6%
Hargreaves Lansdown Asset Management	1,714,314	4.6%
RBC Wealth Management	1,461,302	3.9%
Mr Martin Macleish	1,175,685	3.1%
James Sharp & Co	1,153,545	3.1%

[1] In addition, the Marsh Christian Trust, of which Mr B.P. Marsh is a trustee and Settlor, held 632,000 ordinary shares (1.7% of the issued share capital) in the Company.

Directors

The names of the directors who served at any time during the year are stated at the head of this report.

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

	31 January 2019 Ordinary shares of 10p each	31 January 2018 Ordinary shares of 10p each
Mr B.P. Marsh[1]	16,565,071	17,984,401
Mr D.J. Topping[2]	259,019	65,442
Mr J.S. Newman[3]	192,734	12,335
Ms C.S. Kenyon[4]	190,332	14,122
Ms A.H.D. Foulk[5]	196,747	12,335
Mr C.R. Scoones	53,798	46,000
Mr P.B. Lakhani	36,912	30,000

[1] Total interest includes 1,582,000 ordinary shares held by the Marsh Christian Trust of which Mr B.P. Marsh is Trustee and Settlor.

[2] Total interest includes 16,124 ordinary shares held within the Company's SIP Trust, 167,465 ordinary shares co-owned with RBC cees Trustee Limited ("RBC") under a Joint Share Ownership Agreement between Mr D.J. Topping, RBC and the Company and 75,430 ordinary shares directly owned by Mr D.J. Topping.

[3] Total interest includes 16,124 ordinary shares held within the Company's SIP Trust, 167,465 ordinary shares co-owned with RBC under a Joint Share Ownership Agreement between Mr J.S. Newman, RBC and the Company and 9,145 ordinary shares directly owned by Mr J.S. Newman.

[4] Total interest includes 16,124 ordinary shares held within the Company's SIP Trust, 167,465 ordinary shares co-owned with RBC under a Joint Share Ownership Agreement between Ms C.S. Kenyon, RBC and the Company and 6,743 ordinary shares directly owned by Ms C.S. Kenyon.

[5] Total interest includes 15,866 ordinary shares held within the Company's SIP Trust, 167,465 ordinary shares co-owned with RBC under a Joint Share Ownership Agreement between Ms A.H.D. Foulk, RBC and the Company and 13,416 ordinary shares directly owned by Ms A.H.D. Foulk.

Share Capital

Information relating to the Company's ordinary share capital (including share repurchases and cancellation) is shown in Note 19 to the financial statements.

Events after the Reporting Date

On 1 February 2019 the Group provided LEBC Holdings Limited ("LEBC") with a loan facility of £1,000,000 which was drawn down immediately. The loan was provided to assist with LEBC's general working capital requirements. As at 31 January 2019 no loans were outstanding and following the aforementioned drawdown total loans stand at £1,000,000 at the date of this report.

On 27 February 2019 the Group was notified that 950,000 ordinary shares in the Company were sold at a price of 280 pence per share by the Marsh Christian Trust, a grant making charitable trust of which Mr B.P. Marsh, the Executive Chairman and a significant shareholder of the Company, is also the Trustee and Settlor.

On 1 April 2019 the Group provided XPT Group LLC ("XPT") with a loan facility of $2,000,000 (£1,542,534) which was drawn down immediately. The loan was provided to assist XPT with the contractually owed earn out payment due to a former owner in respect of one of its acquisitions, W.E. Love & Associates Inc. As at 31 January 2019 no loans were outstanding and following the aforementioned drawdown total loans stand at $2,000,000 at the date of this report.

On 1 April 2019 the Group provided Nexus Underwriting Management Limited ("Nexus") with a £2,000,000 revolving credit facility, as part of Nexus' wider debt fundraising exercise in order to undertake further M&A activity. £1,000,000 was drawn down immediately and a further £500,000 was drawn down on 10 May 2019. As at 31 January 2019 the total loan outstanding from Nexus, relating to an existing facility provided by the Group during the year to 31 January 2018, was £4,000,000 and following the aforementioned drawdowns increased to £5,500,000, with a remaining undrawn facility of £500,000 at the date of this report.

On 26 April 2019 the Group agreed, as part of a rights issue in conjunction with its fellow shareholder Gerry Sheehy, to provide further funding of £122,909 to The Fiducia MGA Company Limited ("Fiducia") as part of a total fundraising of £350,802. The Group subscribed for a further 48 A ordinary shares in Fiducia which represented its proportional pre-emption rights. As at 31 January 2019 the Group's holding in Fiducia was 35% and following the rights issue this increased to 35.18%.

Directors' and Officers' Liability Insurance

The Company has purchased insurance cover to cover directors' and officers' liability, as permitted by Section 233 of the Companies Act 2006. This insurance was in force throughout the year ended 31 January 2019 and remains in force at the date of this report.

Group Report of the Directors
continued

Financial Risk Management

The directors' assessment of the principal risks and uncertainties is set out in the Group Strategic Report.

Appointment of Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Rawlinson & Hunter Audit LLP as the Group's Auditor will be put to members at the forthcoming AGM.

Registered Office:
5th Floor
4 Matthew Parker Street
London
SW1H 9NP

By order of the Board

B.P. Marsh
Chairman of the Board
10 June 2019

Group Strategic Report

Business Review

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

On 21 February 2018 the Group agreed to extend its loan facility to Property and Liability Underwriting Managers (PTY) Limited ("PLUM") by £36,000 from £1,116,617 as at 31 January 2018 to £1,152,617, with the increased facility drawn down immediately. On 22 March 2018 the Group then agreed to extend the facility by a further £300,000 to £1,452,617. £140,000 was drawn down immediately and further drawdowns of £70,000 were made on 23 April 2018 and 24 May 2018 respectively and £20,000 on 20 June 2018. As at 31 January 2019 the total loan outstanding was £1,450,778.

On 28 February 2018 The Fiducia MGA Company Limited ("Fiducia") drew down the remaining £105,600 of its agreed total loan facility of £1,725,000. In addition, on 9 April 2018 the Group agreed to provide further loan funding of £470,000 to Fiducia, taking the total amended loan facility to £2,195,000. On 16 April 2018 and 12 July 2018 Fiducia drew down £220,000 and £250,000 respectively from this extended facility increasing the total loan outstanding to £2,195,000 at that time. On 11 October 2018 the Group increased the loan facility to Fiducia by a further £275,000, which was drawn down on 15 October 2018. As at 31 January 2019 the total loan outstanding was £2,470,000. Additionally, on 16 April 2018 the Group subscribed for a further 10% equity in Fiducia for consideration of £30,000, increasing the Group's holding from 25% as at 31 January 2018 to 35% as at 31 January 2019.

On 19 March 2018 LEBC Holdings Limited ("LEBC") repaid £600,000 of its loan and on 20 June 2018 it repaid the remaining £900,000. Following these repayments, and as at 31 January 2019, LEBC had no loans outstanding to the Group.

On 18 April 2018 the Group provided a further loan facility of £100,000 to Paladin Holdings Limited ("Paladin") which was drawn down immediately and increased both the total facility and total amount drawn down from £3,996,500 as at 31 January 2018 to £4,096,500 as at 31 January 2019.

On 18 April 2018 the Group also acquired 100,000 ordinary shares (10% equity stake) in Paladin from a minority shareholder and director for consideration of £400,000. These shares are being held by the Group under a call option arrangement which Paladin can call at any time during the next three years and buy-back from the Group at a fixed price of £4.02 per share (£402,000). This acquisition increased the Group's equity holding in Paladin from 35% as at 31 January 2018 to 45% at the time of investment. Pursuant to Paladin issuing new shares to its management in the period following this investment, the Group's equity investment in Paladin as at 31 January 2019 stood at 44.3%.

On 26 April 2018 Stewart Specialty Risk Underwriting Limited ("SSRU") drew down a further CAD 100,000 (£56,812) from its total agreed loan facility of CAD 850,000. As at 31 January 2019 the total loan outstanding was CAD 450,000, leaving a remaining undrawn facility of CAD 400,000 (Note 22).

Group Strategic Report
continued

On 14 May 2018 the Group provided a £300,000 loan facility to Walsingham Holdings Limited ("Walsingham Holdings") which was drawn down immediately. This loan funding was provided to allow Walsingham Holdings, a previously dormant company, to acquire an 11.7% equity holding in Walsingham Motor Insurance Limited ("Walsingham") from an exiting shareholder. The loan from the Group is secured on the acquired Walsingham shares via a debenture containing a cross guarantee with Walsingham. On the same date the Group also subscribed, alongside other Walsingham shareholders, for 299 (of a total 1,498) new ordinary shares in Walsingham Holdings for consideration of £300. Following this share reorganisation, the Group's equity holding in Walsingham Holdings reduced from 50% as at 31 January 2018 to 20% at the time of investment, however the Group retained its 40.5% holding in Walsingham. As at 31 January 2019 the Group's equity holdings in both Walsingham Holdings and Walsingham remained unchanged.

On 3 July 2018 the Group subscribed for a further 5% equity stake in Asia Reinsurance Brokers Pte Limited ("ARB") for consideration of SGD 500,000 (£282,747), increasing the Group's equity holding from 20% as at 31 January 2018 to 25% as at 31 January 2019.

On 9th July 2018 the Company completed a share placing (the "Placing") and open offer (the "Open Offer") which resulted in 6,169,194 new ordinary shares being issued to a new investor, an entity within the PSC Insurance Group, through the Placing, and 595,238 new ordinary shares being issued to qualifying shareholders through the Open Offer (on the basis of 1 open offer share for every 21 existing ordinary shares held). The new ordinary shares were issued at a price of 252 pence per share and resulted in the Company successfully raising gross proceeds of £17,046,369 (net proceeds of £16,580,674 after costs). Refer to Note 10 for further information.

On 10 July 2018 the Group acquired a 20% equity stake in ATC Insurance Solutions PTY Limited ("ATC"), for total cash consideration of AUD 5,080,000 (£2,865,523). ATC, headquartered in Melbourne, Australia, is a Managing General Agency which provides insurance services to a wide array of clients across a number of sectors, including Accident & Health, Construction & Engineering, Plant & Equipment and Sports Liability.

On 11 July 2018 the Group acquired a 29.4% equity stake in Criterion Underwriting Pte Limited ("Criterion"), a start-up Singapore-based Financial Lines, Cyber and Marine Managing General Agency, for total consideration of SGD 88,200 (£49,935).

On 24 July 2018 the Group provided a further loan facility of £90,000 to Bastion Reinsurance Brokerage (PTY) Limited ("Bastion"), increasing the total loan facility from £341,831 as at 31 January 2018 to £431,831. £61,000 was drawn down immediately with a further £23,000 drawn down on 24 August 2018, increasing the total loan drawn down to £425,831.

On 24 August 2018 (and as varied on 5 October 2018 and 15 November 2018) the Group agreed to provide, through its wholly-owned subsidiary company B.P. Marsh (North America) Limited, an aggregate loan facility of $2,600,000 to Mark Edward Partners LLC ("MEP"). $500,000 (£395,883) was drawn down immediately, followed by subsequent drawdowns of $500,000 (£389,408), $500,000 (£385,803), $600,000 (£476,039) and $500,000 (£397,899) on 10 September

2018, 10 October 2018, 15 November 2018 and 28 December 2018 respectively. As at 31 January 2019 the total loan outstanding was $2,600,000 (£2,045,032).

On 29 October 2018 the Group acquired a further 1.9% equity stake in Nexus Underwriting Management Limited ("Nexus") for consideration of £2,551,082, increasing the Group's equity holding to 18.5% at that time. As at 31 January 2019 the Group's fully diluted equity stake in Nexus stood at 18.14%.

On 11 January 2019 the Group subscribed, through its wholly-owned subsidiary company B.P. Marsh (North America) Limited, for $3,220,000 (£2,539,632) of redeemable preference shares in XPT Group LLC ("XPT"). The funding provided by the Group was to allow XPT to acquire SVA Underwriting Services Inc, a New York based Managing General Agency and Lloyd's coverholder. Following this investment, and as at 31 January 2019, the Group's investment remained at 35%.

Financial Performance

At 31 January 2019, the net asset value of the Group was £126.2m, or 350p per share (2018: £98.9m, or 339p per share) including a provision for deferred tax where relevant. This equates to an increase in net asset value of 10.0% (2018: 24.1%) for the year.

The Group increased its dividend payment to £1.7m (or 4.76p per share) during the year, as announced previously (2018: £1.1m or 3.76p per share). Total shareholder return for the year was therefore 11.7% (2018: 25.5%) including the dividend payment and the net asset value increase.

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

31st January 2018 valuation	Acquisitions at cost	Disposal proceeds	Adjusted 31 January 2018 valuation	31 January 2019 valuation
£79.1m	£8.7m	–	£87.8m	£101.9m

This equates to an increase in the portfolio valuation of 16.1% (2018: 31.3%).

The net asset value of £126.2m at 31 January 2019 represented a total increase in net asset value of £97.0m since the Group was originally formed in 1990 having adjusted for the £10.1m net proceeds raised on AIM in 2006, the original capital investment of £2.5m and the £16.6m of net proceeds raised through the Share Placing and Open Offer in July 2018. The directors note that the Group has delivered an annual compound growth rate of 11.9% in Group net asset value after running costs, realisations, losses, distributions and corporation tax since 1990.

The consolidated profit on ordinary activities after taxation decreased by 38% to £12.5m (2018: profit of £20.2m) however, the 2018 consolidated profit on ordinary activities included two significant one-off items. Firstly, an unrealised gain of £5.7m relating to the Group's investment in LEBC Holdings Limited ("LEBC") which arose on a change in valuation methodology. Secondly, a write-back of deferred tax resulting from the changes to the Substantial Shareholding Exemption rules in 2017, which resulted in a net tax credit to the Consolidated Statement of Comprehensive Income of £3.7m. Excluding these one-off items, the consolidated profit after taxation actually increased by £1.7m (16%) over 2018.

Group Strategic Report
continued

The consolidated profit on ordinary activities before taxation was £12.2m (2018: profit of £16.5m), of which £14.1m was derived from unrealised gains on revaluing the equity investment portfolio in line with current market conditions, a decrease of 22% on the previous year (2018: net unrealised gains of £18.1m). As noted above, the unrealised gains in 2018 included £5.7m specifically relating to a change in valuation methodology for LEBC and if this were excluded as a one-off item, the true increase in the equity portfolio from unrealised gains was 14% over the year.

The Group's strategy is to cover expenses from the portfolio yield. On an underlying basis, including treasury returns, but excluding investment activity (unrealised gains on equity, a provision against loans receivable from investee companies and all underlying treasury portfolio movement), this was achieved with a pre-tax profit of £0.7m for the year (2018: £0.7m).

The Group invested £8.7m during the year – £2.9m in new equity investments and £5.8m for follow-on equity financing to its existing portfolio. In addition, the Group provided new loans for working capital to the portfolio of £3.8m. Repayment of loans by the portfolio amounted to £1.8m in the year. Cash funds (including treasury funds) at 31 January 2019 were £7.9m.

Overall, income from investments increased by 19.9% to £4.6m (2018: £3.9m). Dividend income increased by 74.5% over the year due to the strengthening performance of the portfolio companies, whilst income from loans fell by 7.8%, which was largely the result of the portfolio repaying debt in accordance with agreed repayment schedules. Fees were 24.8% lower mainly due to a number of one-off transaction fees received in 2018.

Whilst the Group did not realise any of its investments during the year, it was successful in raising £16.6m of net proceeds from a Share Placing and Open Offer which took place in July 2018. The cash received from this fundraising enabled the Group to invest in a number of new and existing opportunities throughout the year.

Operating expenses, including costs of making new investments, decreased by 4.0% during the year to £4.0m (2018: £4.1m). This decrease was largely due to several atypical expenses which were included within the 2018 operating costs, including £0.3m of enhanced bonuses awarded to directors and staff which were linked to the successful realisation of investments in that year as well as £0.2m of costs incurred in making new investments which were expensed under IFRS and £0.1m of one-off costs incurred in the prior year office move. After excluding these atypical expenses, as well as an exceptional bad debt write-back of £0.1m from the 2018 operating costs, and after excluding £0.1m of atypical expenses incurred in 2019 relating to making new investments and the establishment of the Joint Share Ownership Plan, underlying operating expenses actually increased by £0.3m (7%) over 2018, in line with managing a growing portfolio.

Due to favourable market conditions, the Group's treasury funds increased by 5.6% over the year (net of fund management charges) (2018: 4.1%), however the Group sold down the majority of its remaining treasury portfolio during the year to fund further investments.

Future Prospects

During the year under review, several new investments were made and the Group continued to assist and support its existing investments through follow-on funding to enable continued growth. A number of prospective investments were considered and the Group continues to receive a strong pipeline of opportunities and continues to evaluate them for investment potential.

Financial Data and Key Performance Indicators

The table below summarises the Group's financial results and key performance indicators.

	Year to/as at 31 January 2019	Year to/as at 31 January 2018
Net asset value	£126.2m	£98.9m
Net asset value per share	350p	339p
Equity portfolio increase	16.1%	31.3%
Dividend per share	4.76p	3.76p
Total shareholder return (including dividends)	£12.5m	£20.3m
Total shareholder return on opening shareholders' funds	11.7%	25.5%
Annual operating cash deficit	£(12.4)m	£(6.3)m
Cash investment for the year – Equity	£8.7m	£21.7m
Cash investment for the year – Loans	£3.8m	£15.6m
Cash funds (including Treasury) at end of year	£7.9m	£5.4m
Realisations (net of disposal costs)	£Nil	£25.0m
Gross profit on realisations	N/a	£19.7m
Loans repaid by investee companies in the year	£1.8m	£8.9m

Financial Risk Management

Effective risk management is integral to the Group's ability to deliver its strategy of achieving returns for its shareholders.

As an investor, the Group is in the business of taking risk and its operations therefore expose the Group to a variety of financial risks. The Group's risk management framework is essential in ensuring that it monitors, manages and mitigates those risks, and acts accordingly, to limit the adverse effects on the financial performance of the Group.

As at 31 January 2019 the Group was debt free (31 January 2018: debt free).

Group Strategic Report
continued

Approach to risk governance

The Board is responsible for risk assessment, the risk management process and for the protection of the Group's reputation and integrity and all employees are expected to meet the Group's high standard of conduct and support effective risk management through a strong control culture.

Risk governance structure

Board

The Board governs and approves the Group's risk appetite and strategy and is responsible for ensuring an effective risk management and oversight process. It is assisted by six standing committees of the Board (outlined on pages 24 to 25 and discussed further below), each with specific responsibility for key risk management areas, ensuring that standards of integrity, financial performance, risk management and internal control are upheld.

Audit Committee

The primary responsibility of this committee is for managing financial reporting risk and internal control, as well as the relationship with the external auditor.

Valuation Committee

The primary responsibility of the Valuation Committee is for determining the valuation of the Group's unquoted equity investment portfolio, comprising 81% of net assets at 31 January 2019 (2018: 80%). The Valuation Committee also provides oversight and challenge of the underlying assumptions and valuation policy which formulate the valuations and directly engages with the Group's external auditor at each reporting period to confirm that the basis of its valuations is reasonable and appropriate based upon the information available to the Group at that time.

Investment Committee

The Investment Committee is the principal committee for managing the Group's investment portfolio and is primarily responsible for considering and approving all significant investment and divestment decisions.

Nominations Committee

The Nominations Committee is responsible for ensuring that the Board has the necessary skills, experience and knowledge to deliver its strategic objectives.

Disclosure Committee

The Disclosure Committee is responsible for overseeing the Group's compliance with its obligations (as laid down by the AIM Rules, Disclosure and Transparency Rules and the Market Abuse Regulation) in respect of the disclosure and control of inside information directly concerning the Group.

Remuneration Committee

The Remuneration Committee determines the level and make-up of remuneration (including bonuses and awards) of the executive directors and members of staff.

The activities of the Remuneration Committee and Audit Committee are discussed further in the Report of the Remuneration Committee on pages 28 to 31 and Report of the Audit Committee on pages 32 to 33.

In addition to the standing committees of the Board, regular meetings between the Chairman's Office and the various internal departments of the Company, including the Investment, Finance, Company Secretarial and Investor Relations departments are held to ensure effective communication and transparency of information throughout the Group.

Regular portfolio monitoring is an integral element of the meetings held between the Investment Department and the Chairman's Office to continually manage risks associated with the portfolio.

The specific risks to which the Group is exposed are outlined as follows:

Price risk

The Group is exposed to private equity securities price risk as it invests in unquoted companies. The Group manages the risk by ensuring that a director of the Group 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. Monthly management reports are required to be prepared by investee companies for the review of the appointed director and for reporting to the Group Board.

Credit risk

The Group is subject to credit risk on its unquoted investments, cash and deposits. The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements.

The Group is exposed to the risk of default on the loans it has made available to investee companies. The loans rank in preference to the equity shareholding and the majority are secured by a charge over the assets of the investment. The Group manages the risk by ensuring that there is a director of the Group appointed to the board of each of its investee companies. In this capacity, the appointed director can advise the Group's board of investee companies' activities and prompt action can be taken to protect the value of the loan, such that the directors believe the credit risk to the Group is adequately managed. When a loan is assessed to be likely to be in default then the Group will review the probability of recoverability, and if necessary, make a provision for any amount considered irrecoverable.

Liquidity risk

The Group invests in unquoted early stage companies. The timing of the realisation of these investments can be difficult to estimate. The directors assess and review the Group's liquidity position and funding requirements on a regular basis and this is an agenda item for its Board meetings. A key objective is to ensure that the income from the portfolio covers operating expenses such that funds available for investment are not used for working capital. The Group regularly reviews the cash flow forecast to ensure that it has the ability to meet commitments as they fall due and to manage its working capital. The Board considers that the Group has sufficient liquidity to manage current commitments.

Group Strategic Report
continued

Interest rate risk

Interest rate risk arises from changes in the interest receivable on cash and deposits, on loans issued to investment companies and on certain preferred dividend mechanisms linked to an interest rate. In addition, the risk arises on any borrowings with a variable interest rate. At 31st January 2019, the Group had no interest bearing liabilities but had interest bearing assets. The majority of loans provided by the Group are subject to a minimum interest rate to protect the Group from a period of low interest rates, and also a hurdle rate linked to the UK Base Rate or LIBOR.

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 Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy. The Board monitors the movements and manages the risk accordingly (see Note 27).

New investment risk

An inherent risk of realising an investment is the loss of a performing asset and a potential lack of suitable new investments to replace the lost income and capital growth. Prior to reinvestment, returns on cash can be significantly lower, which may reduce underlying profitability on a short-term basis until funds are reinvested. The Group has an active New Business department which continues to receive a strong pipeline of new investment opportunities. In addition, there is often potential for further investment within the Group's existing portfolio.

Concentration risk

Although the Group only invests in financial service businesses, and specifically insurance intermediaries, the Group has a wealth of experience in this specific sector. It seeks to manage concentration risk by making investments across a variety of geographic areas, development stages of business and classes of product.

Political risk

As a UK domiciled business, the Group is exposed to the risks associated with the UK's decision to leave the European Union ("Brexit"). The Board is continually assessing the potential impact of Brexit on the Group and its underlying investments, however the direct impact on the Group's investment portfolio is not expected to be material.
It remains the Group's intention to continue to invest into the international financial services market. As outlined under 'Currency risk' above, the Group continues to monitor the movements in its foreign currency denominated income and assets and manages this risk accordingly.

Further analysis of the Group's sensitivity to certain risks outlined above is set out in Note 27 'Financial Risk Management'.

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 19 (2018: 21) during the year.

Going Concern

The directors continue to adopt the going concern basis in preparing the financial statements. This is because the directors, after making enquiries and following a review of the Group's budget for 2020 and 2021, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue its operation for the foreseeable future.

By order of the Board

B.P. Marsh
Chairman of the Board
10 June 2019

Independent Auditor's Report

to the Members of B.P. Marsh & Partners Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the Group financial statements of B.P. Marsh & Partners Plc ("the Parent Company" or "the Company") and its subsidiaries ("the Group") for the year ended 31 January 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk 1: Valuation of unquoted equity investments

Refer to the significant accounting policies (page 64); and Notes 1 and 12 of the financial statements.

The equity investment portfolio comprises Level 3 instruments in unquoted legal entities. In both the Group and the Parent Company's Statements of Financial Position these are shown under Non-Current Assets.

The Group adopts various valuation methodologies based on the International Private Equity and Venture Capital Valuation Guidelines ('IPEVCV Guidelines') – December 2018, in conformity with IFRS 13 – Fair Value Measurement. Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by the Valuation Committee. The exit value will be determined by the market at the time of realisation and therefore despite the valuation policy adopted and judgments made by the Valuation Committee, the final sales value on realisation may differ materially from the valuation at the year end date.

There is the risk that inaccurate judgments made in the assessment of fair value, particularly in respect of earnings multiples, the application of liquidity discounts, calculation of discount rates and the estimation of future maintainable earnings, could lead to the incorrect valuation of the unquoted equity investment portfolio. In turn, this could materially misstate the value of the investment portfolio in the Statement of Financial Position, the gross investment return and total return in the Consolidated Statement of Comprehensive Income and the net asset value per share.

There is also the risk that management and the Valuation Committee may influence the significant judgments and estimations in respect of unquoted equity investment valuations in order to meet market expectations of the overall net asset value of the Group.

How we address the Key Audit Matters

We performed the following procedures:

We obtained an understanding of the Valuation Committee's processes and controls for determining the fair valuation of unquoted equity investments by performing walkthrough procedures. This included discussing with management and the Valuation Committee the valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by obtaining the detailed minutes for the Valuation Committee meetings. We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of those controls.

Independent Auditor's Report
continued

We compared the Valuation Committee's valuation methodology to IFRS and the IPEVCV Guidelines. We sought explanations from management and the Valuation Committee where there were judgments applied in their application of the guidelines and assessed their appropriateness.

Using our knowledge of private company valuation methodologies, historical valuations and specific research guidance from brokers where available, we formed an independent range for the key assumptions used in the valuation of a sample of unquoted investments. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges to management's fair values and discussed our results with the Valuation Committee.

With respect to unquoted investments, on a sample basis, we corroborated key inputs in the valuation models, such as earnings and net debt to source data. We also performed the following procedures on key judgments made by the Valuation Committee in the calculation of fair value:

- assessed the suitability of the comparable companies used in the calculation of the earnings multiples;
- challenged management on the applicability of adjustments made to earnings multiples and obtained rationale and supporting evidence for adjustments made;
- performed corroborative calculations to assess the appropriateness of discount rates; and
- discussed the adjustments made to calculate future maintainable earnings and corroborated this to supporting documentation.

On a sample basis, we verified the valuation of unquoted investments using market data on acquisition multiples and other data from third party pricing sources used by the Valuation Committee in the calculation of fair value.

We checked the mathematical accuracy of the valuation models on a sample basis. We reperformed the calculation of the unrealised profits on the revaluation of investments impacting the Consolidated Statement of Comprehensive Income.

We discussed with the Valuation Committee the rationale for any differences between the exit prices of investments realised during the year and the prior year fair value, to further assess the reasonableness of the current year valuation assumptions and methodology adopted by the Valuation Committee.

Key observations communicated to the Audit Committee:

The valuation of the unquoted equity investment portfolio was determined to be within a reasonable range of fair values. All valuations tested have been recognised in accordance with IFRS and the IPEVCV Guidelines. Appropriate inputs to the valuations were used and the valuations calculated by the Valuation Committee are within a reasonable range. Based on our procedures and discussion of certain matters with the Audit Committee, there were no material outstanding matters.

Risk 2: Recognition of portfolio income and of realised profits on disposal of investments
Refer to the significant accounting policies (pages 64 to 65); and Notes 1, 12 and 14 of the financial statements

Portfolio income is directly attributable to the return from investments. This includes: dividends from investee companies which are recognised when the Group's rights to receive payments have been established, gross interest income from loans which is recognised on an accruals basis and 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.

Realised profits originate from disposals of investments. Realised profits are calculated as the difference between the net proceeds and the investment's fair value at the beginning of the year.

Market expectations and revenue-based targets may place pressure on management to influence the recognition of portfolio income or realised gains. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

How we address the Key Audit Matters

We performed the following procedures:

We obtained an understanding of management's processes and controls around accounting for portfolio income and realised gains by discussing with the management team and observations during the audit fieldwork to substantiate the processes and controls.

We performed detailed testing on a sample of transactions to confirm whether they had been appropriately recorded in the Consolidated Statement of Comprehensive Income.

For portfolio income, on a sample basis, we:

- agreed dividends from the underlying investment agreements and the dividend notices where available;
- reperformed the calculation of interest income based on the terms of the underlying agreements;
- agreed advisory fees to the relevant investment advisory agreements; and
- agreed the receipts of the income to the bank statements, or, if not yet received at the year end, agreed to the debtors or accrued income and assessed the recoverability of these debtors or accrued income.

For realised gains, on a sample basis, we:

- analysed the contract and terms of the sale to determine whether the Group had met the stipulated requirements, confirming that the net proceeds and therefore the realised profit over opening value could be reliably measured;
- reperformed management's calculations to determine mathematical accuracy and confirmed the collection of the net proceeds by agreeing the cash receipt to bank statements; and
- assessed the recoverability if the related income had not been received by the due date.

For all samples selected for testing we verified that revenue is recognised when the significant risks and rewards of ownership have been transferred.

Independent Auditor's Report
continued

We performed enquiries of management and read minutes of meetings throughout the year and subsequent to the year end in order to address the risk of management override of controls to defer revenue recognition or over accrue revenue.

Key observations communicated to the Audit Committee

Our audit procedures did not identify any material matters regarding the recognition of portfolio income and of realised profits on disposal of investments. All transactions tested had been recognised in accordance with contractual terms and IFRS. Based on our procedures and discussion of certain matters with the Audit Committee, there were no material outstanding matters.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is defined as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1,260,000 (2018: £980,000) which is 1% of net assets. We believe that net assets provide us with a consistent year on year basis for determining materiality and is the most relevant measure to the stakeholders of the Group.

We determined materiality for the Parent Company also to be £1,260,000 (2018: £980,000) which is 1% of net assets.

We believe that net assets provide us with a consistent year on year basis for determining materiality and is the most relevant measure to the stakeholders of the Parent Company.

We calculated materiality during the planning stage of the audit based on the management accounts provided to us which exclude the investment valuation at the year end, and then reassessed it based on the 31 January 2019 revised management accounts updated with the investment valuation at the year end on the basis set out above and adjusted our audit procedures accordingly.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £945,000 (2018: £735,000). This is at the top end of the range of 50% and 75%. In arriving at the top range of 75%, we considered the judgmental nature of the valuations in the Consolidated Statement of Financial Position and the relative value of transactions recorded in the other primary statements, to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality of £1,260,000.

Reporting threshold
Our reporting threshold is defined as an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £63,000 (2018: £49,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our Audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We performed an audit of the complete financial information of 4 (2018: 4) full scope components.

The Group comprises three consolidated subsidiaries and two investment entity subsidiaries. Monitoring and control over the operations of these subsidiaries, including those located overseas, is centralised in London.

The full scope components accounted for 100% of the investment portfolio and 100% of each of profit before tax, external revenue and of total assets (all measures used to calculate materiality).

Whilst materiality for the Group financial statements as a whole was set out as detailed in this report, each component of the Group was audited to a lower level of materiality.

Audits of the components were performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report
continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Group Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Group Strategic Report and the Group Report of the Directors have been prepared in accordance with applicable legal requirements; and
- the part of the Report of the Remuneration Committee required to be audited by us has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Group Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Kulwarn Nagra
Senior Statutory Auditor

For and on behalf of
Rawlinson & Hunter Audit LLP
Statutory Auditor
Chartered Accountants
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

10 June 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Gains on investments	1				
Realised gains on disposal of equity investments (net of costs)	12,14	–		718	
Provision against equity investments and loans	15	(2,595)		(2,122)	
Unrealised gains on equity investment revaluation	12	14,106		18,119	
			11,511		16,715
Income					
Dividends	1,25	2,684		1,538	
Income from loans and receivables	1,25	1,079		1,170	
Fees receivable	1,25	868		1,154	
			4,631		3,862
Operating income	2		16,142		20,577
Operating expenses		(3,982)		(4,147)	
Provision against deferred consideration		–		(341)	
	2		(3,982)		(4,488)
Operating profit			12,160		16,089
Financial income	2,4	108		582	
Financial expenses	2,3	(4)		(111)	
Exchange movements	2,8	(25)		(42)	
			79		429
Profit on ordinary activities before taxation	8		12,239		16,518
Income taxes	9		232		3,731
Profit on ordinary activities after taxation attributable to equity holders	20		£12,471		£20,249
Total comprehensive income for the year	20		£12,471		£20,249
Earnings per share – basic and diluted (pence)	10		37.7p		69.3p

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

The notes on pages 60 to 98 form part of these financial statements.

Consolidated and Parent Company Statements of Financial Position

31 January 2019

		Group		Company	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	158	167	–	–
Investments – equity portfolio	12	101,947	79,122	99,278	88,540
Investments – subsidiaries	12	–	–	27,328	10,320
Investments – treasury portfolio	13	14	2,756	–	–
Loans and receivables	15	14,509	14,421	3,860	–
Deferred tax assets	17	–	32	–	–
		116,628	**96,498**	**130,466**	**98,860**
Current assets					
Trade and other receivables	16	2,867	2,393	–	–
Cash and cash equivalents		7,855	2,648	8	8
Total current assets		**10,722**	**5,041**	**8**	**8**
Total assets		**127,350**	**101,539**	**130,474**	**98,868**
Liabilities					
Current liabilities					
Trade and other payables	18	(1,064)	(1,472)	(3)	(1)
Corporation tax provision	18	(48)	(1,200)	(48)	–
Total current liabilities	18	**(1,112)**	**(2,672)**	**(51)**	**(1)**
Total liabilities		**(1,112)**	**(2,672)**	**(51)**	**(1)**
Net assets		**126,238**	**98,867**	**130,423**	**98,867**
Capital and reserves – equity					
Called up share capital	19	3,748	2,923	3,748	2,923
Share premium account	20	29,358	9,398	29,358	9,398
Fair value reserve	20	46,128	32,022	97,135	86,397
Reverse acquisition reserve	20	393	393	–	–
Capital redemption reserve	20	6	6	6	6
Capital contribution reserve	20	21	7	–	–
Retained earnings	20	46,584	54,118	176	143
Shareholders' funds – equity	20	**126,238**	**98,867**	**130,423**	**98,867**
Net asset value per share (pence)	10	**350p**	**339p**	**348p**	**339p**

The Financial Statements were approved by the Board of Directors and authorised for issue on 10 June 2019 and signed on its behalf by:

B.P. Marsh & J.S. Newman

The notes on pages 60 to 98 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 January 2019

	Notes	2019 £'000	2018 £'000
Cash used by operating activities			
Income from loans to investees		1,079	1,170
Dividends		2,684	1,538
Fees received		868	1,154
Operating expenses		(3,982)	(4,488)
Net corporation tax paid		(1,170)	(3,076)
Purchase of equity investments	12	(8,719)	(21,653)
Net proceeds from sale of equity investments	12,14	–	24,935
Net payment of loans to investee companies		(1,953)	(6,695)
Adjustment for non-cash share incentive plan		104	88
Increase in receivables		(954)	(7)
(Decrease)/increase in payables		(406)	752
Depreciation and amortisation	11	29	27
Net cash used by operating activities		**(12,420)**	**(6,255)**
Net cash from investing activities			
Purchase of property, plant and equipment	11	(20)	(179)
Purchase of treasury investments	13	(27)	(35,858)
Net proceeds from sale of treasury investments	13	2,828	38,784
Net cash from investing activities		**2,781**	**2,747**
Net cash from/(used by) financing activities			
Financial income	4	45	19
Dividends paid	7	(1,714)	(1,098)
Net proceeds on issue of company shares	10,19	16,589	–
Payments made to repurchase company shares	19,20	(79)	(54)
Net cash from/(used by) financing activities		**14,841**	**(1,133)**
Change in cash and cash equivalents		5,202	(4,641)
Cash and cash equivalents at beginning of the year		2,648	7,327
Exchange movement		5	(38)
Cash and cash equivalents at end of year[1]		**£7,855**	**£2,648**

[1] The above cash and cash equivalents balance excludes treasury portfolio funds which are referred to in Note 13. Including treasury portfolio balances of £14k, total available cash and treasury portfolio funds as at 31st January 2019 was £7,869k (as at 31st January 2018: £5,404k, including £2,756k of treasury portfolio funds).

All differences between the amounts stated in the Consolidated Statement of Cash Flows and the Consolidated Statement of Comprehensive Income are attributed to non-cash movements.

The notes on pages 60 to 98 form part of these financial statements.

Parent Company Statement of Cash Flows

for the year ended 31 January 2019

	Notes	2019 £'000	2018 £'000
Cash from operating activities			
Dividends received from subsidiary undertakings		1,794	1,154
Increase in payables		3	–
Net cash from operating activities		**1,797**	**1,154**
Net cash used by financing activities			
(Increase)/decrease in amounts owed by group undertakings		(17,008)	5
Adjustment relating to non-cash items		415	–
Dividends paid	*7*	(1,714)	(1,098)
Payments made to repurchase company shares	*19,20*	(79)	(54)
Net proceeds on issue of company shares	*10,19*	16,589	–
Net cash used by financing activities		**(1,797)**	**(1,147)**
Change in cash and cash equivalents		–	7
Cash and cash equivalents at beginning of the year		8	1
Cash and cash equivalents at end of year		**8**	**8**

Consolidated and Parent Company Statements of Changes in Equity

for the year ended 31 January 2019

		Group		Company
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening total equity	98,867	79,682	98,867	79,682
Comprehensive income for the year	12,471	20,249	12,485	20,252
Dividends paid	(1,714)	(1,098)	(1,714)	(1,098)
Repurchase of company shares	(79)	(54)	(79)	(54)
Share incentive plan	104	88	95	85
New shares issued (net funds raised)	16,589	–	16,589	–
New shares issued to SIP and JSOP	–	–	4,180	–
Total equity	**126,238**	**98,867**	**130,423**	**98,867**

Refer to Note 20 for detailed analysis of the changes in the components of equity.

The notes on pages 60 to 98 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 January 2019

1. Accounting Policies

B.P. Marsh & Partners Plc is a public limited company incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. The address of the Company's registered office is 5th Floor, 4 Matthew Parker Street, London SW1H 9NP. The consolidated financial statements for the year ended 31 January 2019 comprise the financial statements of the Parent Company and its consolidated subsidiaries (collectively "the Group").

Basis of preparation of financial statements
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union ("IFRS"), and in accordance with the Companies Act 2006.

The consolidated financial statements are presented in sterling, the functional currency of the Group, rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities. Actual results may differ from those amounts.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Assessment as an investment entity
Entities that meet the definition of an investment entity within IFRS 10: Consolidated Financial Statements ("IFRS 10") are required to account for their investments in controlled entities, as well as investments in associates at fair value through profit or loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees that relate to the parent investment entity's investment activities continue to be consolidated in the Group results. The criteria which define an investment entity are currently as follows:

a) an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
b) an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
c) an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's annual and interim consolidated financial statements clearly state its objective of investing directly into portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation. The Group has always reported its investment in portfolio investments at fair value. It also produces reports for investors of the funds it manages and its internal management report on a fair value basis. The exit strategy for all investments held by the Group is assessed, initially, at the time of the first investment and this is documented in the investment paper submitted to the Board for approval.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has concluded that B.P. Marsh & Partners Plc and its three trading subsidiaries, B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited and B.P. Marsh (North America) Limited, which provide investment related services on behalf of B.P. Marsh & Partners Plc, all meet the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes to any of these criteria or characteristics.

Application and significant judgments

When it is established that a parent company is an investment entity, its subsidiaries are measured at fair value through profit or loss. However, if an investment entity has subsidiaries that provide services that relate to the investment entity's investment activities, the exception to the Amendment of IFRS 10 is not applicable as in this case, the parent investment entity still consolidates the results of its subsidiaries. Therefore, the results of B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited and B.P. Marsh (North America) Limited continue to be consolidated into its Group financial statements for the year.

The most significant estimates relate to the fair valuation of the equity investment portfolio as detailed in Note 12 to the Financial Statements. The valuation methodology for the investment portfolio is detailed below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

New Accounting Standards

None of the new standards, interpretations or amendments, which are effective for the first time in these consolidated financial statements, has had a material impact on these consolidated financial statements.

Standards that have been issued, but are not yet effective for the year ended 31 January 2019 include:

IFRS 16: Leases – effective 1 January 2019

IFRS 16 was issued on 13 January 2016 and replaces IAS 17: Leases. The standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted.

IFRS 16 requires all operating leases in excess of one year, where the Group is the lessee, to be included in the Group's Statement of Financial Position and recognised as a right-to-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset will be amortised on a straight-line basis with the lease liability being amortised using the effective interest method.

On adoption of IFRS 16 at 1 February 2019 the Group will recognise an additional £1,468,202 right-of-use asset and a £1,538,710 lease liability, and as such it is not anticipated to have a material impact on net assets or total return.

Notes to the consolidated financial statements
continued

1. Accounting Policies continued

Basis of consolidation
(i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control, as defined by IFRS 10, is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) rights arising from other contractual arrangements; and
b) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

B.P. Marsh & Partners Plc ("the Company"), an investment entity, has three subsidiary investment entities, B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited and B.P. Marsh (North America) Limited, that provide services that relate to the Company's investment activities. The results of these three subsidiaries, together with other subsidiaries (except for Summa Insurance Brokerage, S.L. ("Summa") and LEBC Holdings Limited ("LEBC")), are consolidated into the Group consolidated financial statements. The Group has taken advantage of the Amendment to IFRS 10 not to consolidate the results of Summa and LEBC. Instead the investments in Summa and LEBC are valued at fair value through profit or loss.

(ii) Associates
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 statement of financial position at fair value even though the Group may have significant influence over those companies.

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. 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. The one exception to the use of the acquisition accounting method was in 2006 when B.P. Marsh & Partners Plc became the legal parent company of B.P. Marsh & Company Limited in a share for share exchange transaction. This was accounted for as a reverse acquisition, such that no goodwill arose, and a merger reserve was created reflecting the difference between the book value of the shares issued by B.P. Marsh & Partners Plc as consideration for the acquisition of the share capital of B.P. Marsh & Company Limited. This compliance with IFRS 3: Business Combinations ("IFRS 3") also represented a departure from the Companies Act.

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 Consolidated Statement of Financial Position 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: Financial Instruments ("IAS 39"), with changes in fair value recognised in the profit or loss in the period of the change. The Group has no interests in associates through which it carries on its business.

No Statement of Comprehensive Income is prepared for the Company, as permitted by Section 408 of the Companies Act 2006. The Company made a profit for the year of £12,484,488, prior to a dividend distribution of £1,714,418 (2018: profit of £20,251,651 prior to a dividend distribution of £1,098,109).

Employee services settled in equity instruments
The Group has entered into a joint share ownership plan ("JSOP") with certain employees and directors. A fair value for the cash settled share awards is measured at the date of grant. The Group measured the fair value using the Expected Return Methodology which was considered to be the most appropriate valuation technique to value the awards.

The fair value of the award is recognised as an expense over the vesting period on a straight-line basis. The level of vesting is assumed to be 100% and will be reviewed annually and the charge is adjusted to reflect actual or estimated levels of vesting with the corresponding entry to capital contribution.

The Group has established an HMRC approved Share Incentive Plan ("SIP"). Ordinary shares in the Company, previously repurchased and held in Treasury by the Company, have been transferred to The B.P. Marsh SIP Trust ("the SIP Trust"), an employee share trust, in order to be issued to eligible employees. In addition, new shares were issued and allocated to the SIP Trust during the year.

Under the rules of the SIP, eligible employees can each be granted up to £3,600 worth of ordinary shares ("Free Shares") by the SIP Trust in each tax year. The number of shares granted is dependent on the share price at the date of grant. In addition, all eligible employees have been invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares") in each tax year and for every Partnership Share that an employee acquires, the SIP Trust will offer two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. The Free and Matching Shares are subject to a one year forfeiture period, however the awards are not subject to any vesting conditions, hence the related expenses are recognised when the awards are made and are apportioned over the forfeiture period.

The fair value of the services received is measured by reference to the listed share price of the parent company's shares listed on the AIM on the date of award of the free and matching shares to the employee.

Notes to the consolidated financial statements
continued

1. Accounting Policies continued

Investments – equity portfolio
All equity portfolio 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 equity portfolio investments. In valuing equity portfolio investments, the Board applies guidelines issued by the International Private Equity and Venture Capital Valuation Committee ("IPEVCV Guidelines"). The following valuation methodologies have been used in reaching the fair value of equity portfolio 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 and/or premiums of the investee company; or
d) by reference to expected future cash flow from the investment where a realisation or flotation is imminent.

Both realised and unrealised gains and losses arising from changes in fair value are taken to the Consolidated Statement of Comprehensive Income for the year. In the Consolidated Statement of Financial Position 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 equity portfolio investments are expensed in the Consolidated Statement of Comprehensive Income.

Equity portfolio investments are treated as 'Non-current Assets' within the Consolidated Statement of Financial Position unless the directors have committed to a plan to sell the investment and an active programme to locate a buyer and complete the plan has been initiated. Where such a commitment exists, and if the carrying amount of the equity portfolio investment will be recovered principally through a sale transaction rather than through continuing use, the investment is classified as a 'Non-current asset as held for sale' under 'Current Assets' within the Consolidated Statement of Financial Position.

Income from equity portfolio investments
Income from equity portfolio investments comprises:

a) gross interest from loans, which is taken to the Consolidated Statement of Comprehensive Income on an accruals basis;
b) dividends from equity investments are recognised in the Consolidated Statement of Comprehensive Income 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.

Investments – treasury portfolio
All treasury portfolio 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 market value as determined from the valuation reports provided by the fund investment manager.

Both realised and unrealised gains and losses arising from changes in fair market value are taken to the Consolidated Statement of Comprehensive Income for the year. In the Consolidated Statement of Financial Position the unrealised gains and losses arising from changes in fair value are shown within the retained earnings reserve as these investments are deemed as being easily convertible into cash. Costs associated with the management of these investments are expensed in the Consolidated Statement of Comprehensive Income.

Income from treasury portfolio investments

Income from treasury portfolio investments comprises of dividends receivable which are either directly reinvested into the funds or received as cash.

Property, plant and equipment

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

- Furniture & equipment - 5 years
- Leasehold fixtures and fittings and other costs – over the life of the lease

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting period are translated at the exchange rate ruling at the reporting period.

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

Exchange gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

Income taxes

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 Consolidated Statement of Comprehensive Income 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 substantively enacted by the date of the Consolidated Statement of Financial Position.

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 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.

Notes to the consolidated financial statements
continued

1. Accounting Policies continued

Income taxes continued
The carrying amount of deferred tax assets is reviewed at each date of the Consolidated Statement of Financial Position 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 Consolidated Statement of Comprehensive Income, 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 Group operates a defined contribution scheme for some of its employees. The contributions payable to the scheme during the period are charged to the Consolidated Statement of Comprehensive Income.

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 of the lease.

Financial assets and liabilities
Financial instruments are recognised in the Consolidated Statement of Financial Position 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 reporting period which are classified as non-current assets. They are stated at their cost less impairment losses.

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 Consolidated Statement of Financial Position 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 Consolidated Statement of Financial Position 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 Consolidated Statement of Cash Flows, 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 date of the Consolidated Statement of Financial Position.

2. Segmental Reporting

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

Under IFRS 8: Operating Segments ("IFRS 8") the Group identifies its reportable operating segments based on the geographical location in which each of its investments is incorporated and primarily operates. For management purposes, the Group is organised and reports its performance by two geographic segments: UK and Non-UK.

If material to the Group overall (where the segment revenues, reported profit or loss or combined assets exceed the quantitative thresholds prescribed by IFRS 8), the segment information is reported separately.

The Group allocates revenues, expenses, assets and liabilities to the operating segment where directly attributable to that segment. All indirect items are apportioned based on the percentage proportion of revenue that the operating segment contributes to the total Group revenue (excluding any realised and unrealised gains and losses on the Group's current and non-current investments).

Each reportable segment derives its revenues from three main sources from equity portfolio investments as described in further detail in Note 1 under 'Income from equity portfolio investments' and also from treasury portfolio investments as described in Note 1 under 'Income from treasury portfolio investments'.

All reportable segments derive their revenues entirely from external clients and there are no inter-segment sales.

Notes to the consolidated financial statements
continued

2. Segmental Reporting continued

	Geographic segment 1: UK		Geographic segment 2: Non-UK		Group	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Operating income	**16,882**	**25,650**	**(740)**	**(5,073)**	**16,142**	**20,577**
Operating expenses	(2,926)	(3,046)	(1,056)	(1,442)	(3,982)	(4,488)
Segment operating profit / (loss)	**13,956**	**22,604**	**(1,796)**	**(6,515)**	**12,160**	**16,089**
Financial income	79	395	29	187	108	582
Financial expenses	(3)	(75)	(1)	(36)	(4)	(111)
Exchange movements	8	(4)	(33)	(38)	(25)	(42)
Profit / (loss) before tax	**14,040**	**22,920**	**(1,801)**	**(6,402)**	**12,239**	**16,518**
Income taxes	232	2,515	–	1,216	232	3,731
Profit / (loss) for the year	**14,272**	**25,435**	**(1,801)**	**(5,186)**	**12,471**	**20,249**

Included within the operating income reported above are the following amounts requiring separate disclosure owing to the fact that they are derived from a single investee company and the total revenues attributable to that investee company are 10% or more of the total realised income generated by the Group during the period:

Investee Company	Total income attributable to the investee company £'000		% of total realised operating income		Reportable geographic segment	
	2019	2018	2019	2018	2019	2018
LEBC Holdings Limited	1,464	836	32	22	1	1
Nexus Underwriting Management Limited	788	749	17	19	1	1
Paladin Holdings Limited[1]	449	–	10	–	1	–

[1] There are no disclosures shown for Paladin Holdings Limited in the prior year as the income derived from this investee company did not exceed the 10% threshold prescribed by IFRS 8 in that year.

	Geographic segment 1: UK		Geographic segment 2: Non-UK		Group	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Non-current assets						
Property, plant and equipment	121	131	37	36	158	167
Investments – equity portfolio	78,309	61,849	23,638	17,273	101,947	79,122
Investments – treasury portfolio	14	2,756	–	–	14	2,756
Loans and receivables	11,856	11,770	2,653	2,651	14,509	14,421
Deferred tax assets	–	32	–	–	–	32
	90,300	**76,538**	**26,328**	**19,960**	**116,628**	**96,498**
Current assets						
Trade and other receivables	1,575	1,441	1,292	952	2,867	2,393
Cash and cash equivalents	7,855	2,648	–	–	7,855	2,648
	9,430	**4,089**	**1,292**	**952**	**10,722**	**5,041**
Total assets	**99,730**	**80,627**	**27,620**	**20,912**	**127,350**	**101,539**
Current liabilities						
Trade and other payables	(1,061)	(1,472)	(3)	–	(1,064)	(1,472)
Corporation tax provision	(48)	(1,200)	–	–	(48)	(1,200)
Total liabilities	**(1,109)**	**(2,672)**	**(3)**	**–**	**(1,112)**	**(2,672)**
Net assets	**98,621**	**77,955**	**27,617**	**20,912**	**126,238**	**98,867**
Additions to property, plant and equipment	15	140	5	39	20	179
Depreciation and amortisation of property, plant and equipment	(22)	(21)	(7)	(6)	(29)	(27)
Impairment of investments and loans	–	–	(2,595)	(2,122)	(2,595)	(2,122)
Cash flow arising from:						
Operating activities	(4,024)	4,383	(8,396)	(10,638)	(12,420)	(6,255)
Investing activities	2,781	2,747	–	–	2,781	2,747
Financing activities	14,841	(1,133)	–	–	14,841	(1,133)
Change in cash and cash equivalents	**13,598**	**5,997**	**(8,396)**	**(10,638)**	**5,202**	**(4,641)**

As outlined previously, under IFRS 8 the Group reports its operating segments (UK and Non-UK) and associated income, expenses, assets and liabilities based upon the country of domicile of each of its investee companies.

In addition to the segmental analysis disclosure reported above, the Group has undertaken a further assessment of each of its investee companies' underlying revenues, specifically focusing on the geographical origin of this revenue. Geographical analysis of each investee company's 2019 and 2018 revenue budgets was carried out and, based upon this analysis, the directors have determined that on a look-through basis, the Group's portfolio of investee companies can also be analysed as follows:

	2019 %	**2018 %**
UK	51	49
Non-UK	49	51
Total	100	100

Notes to the consolidated financial statements
continued

3. Financial Expenses

	2019 £'000	2018 £'000
Investment management costs (Note 13)	4	111
	4	**111**

4. Financial Income

	2019 £'000	2018 £'000
Bank and similar interest	45	19
Income from treasury portfolio investments – dividend and similar income (Note 13)	63	844
Income from treasury portfolio investments – net unrealised gains / (losses) on revaluation (Note 13)	–	(281)
	108	**582**

5. Staff Costs

The average number of employees, including all directors (executive and non-executive), employed by the Group during the year was 19 (2018: 19); 6 of those are in a management role (2018: 6) and 13 of those are in a support role (2018: 13). All remuneration was paid by B.P. Marsh & Company Limited.

The related staff costs were:

	2019 £'000	2018 £'000
Wages and salaries	2,222	2,308
Social security costs	297	298
Pension costs	118	105
Other employment costs (Note 24)	90	72
	2,727	**2,783**

During the year to 31 January 2017 the Group also established a Share Incentive Plan ("SIP") under which certain eligible directors and employees were granted Ordinary shares in the Company. These shares are being held on behalf of these directors and employees within the B.P. Marsh SIP Trust. Refer to the Report of the Remuneration Committee on page 30 and Note 24 for further details.

During the year, Joint Share Ownership Agreements were also entered into between certain directors and employees and the Company. Refer to the Report of the Remuneration Committee on page 29 and Note 24 for further details.

Charges of £76,470 (2018: £69,315) relating to the SIP and £13,728 (2018: £2,576) relating to the Joint Share Ownership Agreements are included within 'Other employment costs' above.

6. Directors' Emoluments

The aggregate emoluments of the directors were:

	2019 £'000	2018 £'000
Management services – remuneration	1,257	1,264
Fees	72	75
Pension contributions – remuneration	61	56
	1,390	**1,395**

669,860 of the 1,461,302 shares, in respect of which joint interests were granted during the year, were issued to directors. Refer to the Report of the Remuneration Committee on page 29 and Note 24 for further details.

Of the total 35,222 (2018: 37,935) Free, Matching and Partnership Shares granted under the SIP during the year, 12,808 (2018: 16,860) were granted to directors of the Company.

Of the £13,728 (2018: £2,576) charge relating to the Joint Share Ownership Plan and the £76,470 (2018: £69,315) charge relating to the SIP, £6,293 (2018: £1,958) and £27,807 (2018: £30,807) related to the directors respectively.

Refer to the Report of the Remuneration Committee on pages 29 and 30 and Note 24 for further details.

	2019 £'000	2018 £'000
Highest paid director		
Emoluments	304	318
Pension contribution	18	18
	322	**336**

The highest paid director also has a beneficial interest in 16,124 shares held within the Company's SIP and 167,465 shares held within the Joint Share Ownership Plan. Refer to the Report of the Remuneration Committee on page 29 and 30 and Note 24 for further details.

The Company contributes into defined contribution pension schemes on behalf of certain employees and directors. Contributions payable are charged to the Consolidated Statement of Comprehensive Income in the period to which they relate.

During the year, 4 directors (2018: 4) accrued benefits under these defined contribution pension schemes.

The key management personnel comprise of the directors.

Notes to the consolidated financial statements
continued

7. Dividends

	2019 £'000	2018 £'000
Ordinary dividends		
Dividend paid:		
4.76 pence each on 36,016,775 Ordinary shares (2018: 3.76 pence each on 29,226,040 Ordinary shares)	1,714	1,098
	1,714	**1,098**

In the current year a total dividend of £6,961 (2018: £4,174) was payable on the 146,237 (2018: 111,015) ordinary shares held by the B.P. Marsh SIP Trust ("SIP Trust").

No dividend was payable on the 1,461,302 ordinary shares held by the B.P. Marsh Employees' Share Trust ("Share Trust") under the Joint Share Ownership Plan.

8. Profit on Ordinary Activities before Taxation

	2019 £'000	2018 £'000
The profit for the year is arrived at after charging:		
Depreciation and amortisation of owned tangible and intangible fixed assets	29	27
Auditor's remuneration:		
Audit fees for the Company	29	28
Other services:		
Audit of subsidiaries' accounts	17	13
Taxation	14	9
Other advisory[1]	2	30
Exchange loss	25	42
Operating lease rentals of land and buildings	236	256

[1] Charges relating to the prior year included additional review work relating to the change in the Substantial Shareholding Exemption regulations and the impact on the Group's deferred tax position (Note 17).

9. Income Tax Expense

	2019 £'000	2018 £'000
Current tax:		
Current tax on profits for the year	48	3,047
Adjustments in respect of prior years	(312)	(18)
Total current tax	**(264)**	**3,029**
Deferred tax (Note 17):		
Origination and reversal of temporary differences	32	(6,758)
Re-measurement upon change in tax rate	–	(2)
Total deferred tax	**32**	**(6,760)**
Total income taxes credited in the Consolidated Statement of Comprehensive Income	**(232)**	**(3,731)**

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	**12,239**	**16,518**
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2018: 19.17%)	2,325	3,166
Tax effects of:		
Expenses not deductible for tax purposes	56	145
Prior year current tax overprovision	(312)	(18)
Re-measurement of deferred tax upon change in tax rate	–	(2)
Capital gains on disposal of investments	–	3,449
Release of deferred tax provision on investment disposals and current equity investment valuation (Note 17)	–	(6,758)
Other adjustments	48	–
Other effects:		
Deferred tax movement on unrealised loss on treasury portfolio	32	(40)
Non-taxable income (dividends received)	(510)	(295)
Non-taxable income (unrealised gains on equity portfolio revaluation)	(2,680)	(3,378)
Management expenses unutilised	809	–
Total income taxes credited in the Consolidated Statement of Comprehensive Income	**(232)**	**(3,731)**

There are no factors which may affect future tax charges.

10. Earnings Per Share from continuing operations attributable to the equity shareholders and Net Asset Value per Share

	2019 £'000	2018 £'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share being total comprehensive income attributable to equity shareholders	12,471	20,249
Earnings per share – basic and diluted	37.7p	69.3p

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	33,065,228	29,202,716
Number of dilutive shares under option	Nil	Nil
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	33,065,228	29,202,716

During the year the Company issued a total of 8,252,037 new ordinary shares.

On 12 June 2018 the Company made a Placing Announcement to the market outlining details of a proposed placing of 6,169,194 new ordinary shares (the "Placing") to a new investor, an entity within the PSC Insurance Group ("PSC Group"), at a price of 252 pence per share ("Issue Price"). In addition, in order to provide existing shareholders with an opportunity to participate in the issue of new ordinary shares, the Company launched an open offer (the "Open Offer") to all qualifying shareholders to subscribe for an aggregate of up to 595,238 new ordinary shares at the Issue Price (on the basis of 1 open offer share for every 21 existing ordinary shares held). All new open offer shares were fully subscribed for.

Notes to the consolidated financial statements
continued

10. Earnings Per Share from continuing operations attributable to the equity shareholders and Net Asset Value per Share continued

In addition,1,461,302 new ordinary shares of 10 pence each were issued and allotted as part of a new joint share ownership plan ("2018 JSOP"), representing 5.00% of the existing issued share capital at the time the awards were made. This was to provide eligible employees of the Group with a joint beneficial ownership in and opportunity to benefit from any possible appreciation in the value of ordinary shares in the Company subject to a hurdle rate. The new ordinary shares have been issued in the name of RBC cees Trustee Limited ("RBC") as trustee of the B.P. Marsh Employees' Share Trust ("Share Trust") at a subscription price of 281 pence, being the mid-market closing price on 12 June 2018. The ordinary shares issued to the Share Trust were partly paid for via a loan from the Company to RBC to cover the subscription cost of the aggregate nominal value of the shares, amounting to £146,130. Refer to Note 24 for further details of the joint share ownership plan.

26,303 new ordinary shares, representing 0.09% of the existing issued share capital, were also issued and allotted to the participants of the Company's Share Incentive Plan ("SIP"). Refer to Note 24 for further details.

Both the 1,461,302 and the 26,303 new ordinary shares issued respectively for the purposes of the 2018 JSOP and the SIP were admitted to trading on AIM on 19 June 2018.

On 5 July 2018, at a General Meeting of the Company, all resolutions set out in a Circular dated 13 June 2018 outlining the conditions of the Placing and Open Offer were duly passed.

Both the Placing and the Open Offer raised total gross proceeds of £17,046,369 (net proceeds of £16,580,674 after costs) and 6,764,432 new ordinary shares were admitted to trading on AIM on 9 July 2018.

Following admission of the aforementioned new ordinary shares, the Company's issued share capital increased from 29,226,040 as at 31 January 2018 to 37,478,077 as at 31 January 2019.

The weighted average number of ordinary shares at 31 January 2019 has been calculated by proportioning the Placing and Open Offer shares over the period.

During the year the Company paid £79,310 (2018: £53,967) in order to repurchase 28,573 (2018: 28,646) ordinary shares at an average price of 278 pence per share (2018: 188 pence per share). Distributable reserves were reduced by £79,310 (2018: £53,967) as a result during the year.

Ordinary shares held by the Company in Treasury

Movement of ordinary shares held in Treasury:

	2019 Number	2018 Number
Opening total ordinary shares held in Treasury at 1 February	21,009	5,726
Ordinary shares repurchased into Treasury during the year	28,573	28,646
Ordinary shares transferred to the B.P. Marsh SIP Trust during the year	(21,009)	(13,363)
Total ordinary shares held in Treasury at 31 January	**28,573**	**21,009**

The Treasury shares do not have voting or dividend rights and have therefore been excluded for the purposes of calculating earnings per share.

The repurchase of the ordinary shares is borne from the Group's commitment to reduce share price discount to net asset value. Its policy has been throughout the year (and previously) to be able to buy small parcels of shares when the share price is below a fixed percentage of its published Net Asset Value (or adjusted Net Asset Value following the Placing and Open Offer referred to above) and place them into Treasury. From 1 February 2018 (and throughout the previous financial year) this threshold was 20%. On 11 October 2018 the Group announced an updated Share Buy-Back Policy confirming that the threshold had been reduced from 20% to 15%.

The weighted average number of shares used for the purposes of calculating the earnings per share, net asset value and net asset value per share of the Group excludes the 1,461,302 shares held under joint share ownership arrangements (Note 24) as these were non-dilutive in the year to 31st January 2019, are subject to performance criteria that have not yet been achieved and are held within an Employee Benefit Trust. The Group net asset value has therefore also excluded the economic right the Group has to the first 281 pence per share (£4,106,259) on vesting for the same reasons. On this basis the current net asset value per share is 350 pence for the Group.

However, as these shares have been issued, the Company accounts for these shares and has therefore included the 1,461,302 shares and the economic right the Company has of £4,106,259 within the net asset value per share calculation. On this basis the net asset value per share is 348 pence for the Company.

The 21,009 ordinary shares transferred from Treasury to the SIP Trust in June 2018 have been treated as re-issued for the purposes of calculating earnings per share and have therefore also contributed to the increase to the weighted average number of shares in the current year.

35,222 ordinary shares (comprising the 21,009 ordinary shares transferred from Treasury to the SIP Trust during the period together with 14,213 of the 26,303 unallocated ordinary shares acquired by the SIP Trust as part of the new issue of shares by the Company during the year) were allocated to the participating employees as Free, Matching and Partnership shares under the share incentive plan arrangement in June 2018 (Note 24).

The decrease to the weighted average number of shares in the year to 31 January 2018 was attributable to the buy-back of 28,646 ordinary shares in the Company during that year. 13,363 ordinary shares were also transferred from Treasury to the SIP Trust during that year and these shares were therefore treated as re-issued for the purposes of earnings per share. 37,935 ordinary shares (comprising the 13,363 ordinary shares transferred from Treasury to the SIP Trust during that year together with 24,572 unallocated ordinary shares already held by the SIP Trust at the start of that year) were subsequently allocated to the participating employees as Free, Matching and Partnership shares under the share incentive plan arrangement in that year.

Notes to the consolidated financial statements
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11. Property, Plant and Equipment

Group

	Furniture & Equipment £'000	Leasehold Fixtures & Fittings & Others £'000	Total £'000
Cost			
At 1 February 2017	72	51	123
Additions	32	147	179
Disposals	–	(46)	(46)
At 31 January 2018	**104**	**152**	**256**
At 1 February 2018	104	152	256
Additions	20	–	20
Disposals	(5)	–	(5)
At 31 January 2019	**119**	**152**	**271**
Depreciation			
At 1 February 2017	57	51	108
Eliminated on disposal	–	(46)	(46)
Charge for the year	13	14	27
At 31 January 2018	**70**	**19**	**89**
At 1 February 2018	70	19	89
Eliminated on disposal	(5)	–	(5)
Charge for the year	14	15	29
At 31 January 2019	**79**	**34**	**113**
Net book value			
At 31 January 2019	**40**	**118**	**158**
At 31 January 2018	**34**	**133**	**167**
At 31 January 2017	**15**	**–**	**15**

12. Investments – Equity Portfolio

Group

	Shares in investee companies		
	Continuing investments £'000	Non-current investments as held for sale £'000	Total £'000
At valuation			
At 1 February 2017	39,350	24,217	63,567
Additions	21,653	–	21,653
Disposals	–	(24,217)	(24,217)
Provisions	–	–	–
Unrealised gains in this period	18,119	–	18,119
At 31 January 2018	**79,122**	**–**	**79,122**
At 1 February 2018	79,122	–	79,122
Additions	8,719	–	8,719
Disposals	–	–	–
Provisions	–	–	–
Unrealised gains in this period	14,106	–	14,106
At 31 January 2019	**101,947**	**–**	**101,947**
At cost			
At 1 February 2017	25,447	5,240	30,687
Additions	21,653	–	21,653
Disposals	–	(5,240)	(5,240)
Provisions	–	–	–
At 31 January 2018	**47,100**	**–**	**47,100**
At 1 February 2018	47,100	–	47,100
Additions	8,719	–	8,719
Disposals	–	–	–
Provisions	–	–	–
At 31 January 2019	**55,819**	**–**	**55,819**

The additions relate to the following transactions in the year:

On 9 April 2018 the Group subscribed for a further 10% equity in The Fiducia MGA Company Limited for consideration of £30,000, increasing the Group's holding from 25% as at 31 January 2018 to 35% as at 31 January 2019.

On 18 April 2018 the Group acquired 100,000 ordinary shares (10% equity stake) in Paladin Holdings Limited ("Paladin") from a minority shareholder and director for consideration of £400,000. These shares are being held by the Group under a call option arrangement which Paladin can call at any time during the next three years and buy-back from the Group at a fixed price of £4.02 per share (£402,000). This acquisition increased the Group's equity holding in Paladin from 35% as at 31 January 2018 to 45% at the time of investment. Following a small amount of dilution (resulting from the issue of new shares following an acquisition made by Paladin) the Group's holding stood at 44.3% as at 31 January 2019.

Notes to the consolidated financial statements
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12. Investments – Equity Portfolio continued

On 14 May 2018 the Group subscribed, alongside other Walsingham Motor Insurance Limited ("Walsingham") shareholders, for 299 (of a total 1,498) new ordinary shares in Walsingham Holdings Limited ("Walsingham Holdings") for consideration of £300. Following this share reorganisation, the Group's equity holding in Walsingham Holdings reduced from 50% as at 31 January 2018 to 20% at 31 January 2019, however the Group retained its 40.5% holding in Walsingham. On the same date the Group also provided a £300,000 loan facility to Walsingham Holdings which was provided to allow Walsingham Holdings, a previously dormant company, to acquire an 11.7% equity holding in Walsingham from an exiting shareholder. The loan from the Group is secured on the acquired Walsingham shares via a debenture containing a cross guarantee with Walsingham.

On 3 July 2018 the Group subscribed for a further 5% equity stake in Asia Reinsurance Brokers Pte Limited ("ARB") for consideration of SGD 500,000 (£282,747), increasing the Group's equity holding from 20% as at 31 January 2018 to 25% as at 31 January 2019.

On 10 July 2018 the Group acquired a 20% equity stake in ATC Insurance Solutions PTY Limited ("ATC"), for total cash consideration of AUD 5,080,000 (£2,865,523). ATC, headquartered in Melbourne, Australia, is a Managing General Agency which provides insurance services to a wide array of clients across a number of sectors, including Accident & Health, Construction & Engineering, Plant & Equipment and Sports Liability.

On 11 July 2018 the Group acquired a 29.4% equity stake in Criterion Underwriting Pte Limited ("Criterion"), a start-up Singapore-based Financial Lines, Cyber and Marine Managing General Agency, for total consideration of SGD 88,200 (£49,935).

On 29 October 2018 the Group acquired a further 1.9% equity stake in Nexus Underwriting Management Limited ("Nexus") for consideration of £2,551,082, increasing the Group's equity holding to 18.5% at that time. As at 31 January 2019 the Group's fully diluted equity stake in Nexus stood at 18.14%.

On 11 January 2019 the Group subscribed, through its wholly-owned subsidiary company B.P. Marsh (North America) Limited, for $3,220,000 (£2,539,632) of redeemable preference shares in XPT Group LLC ("XPT"). The funding provided by the Group was to allow XPT to acquire SVA Underwriting Services Inc, a New York based Managing General Agency and Lloyd's coverholder. Following this investment, and as at 31 January 2019, the Group's investment remained at 35%.

The unquoted investee companies, which are registered in England except Summa Insurance Brokerage S.L. (Spain), MB Prestige Holdings PTY Limited (Australia), Bastion Reinsurance Brokerage (PTY) Limited (South Africa), Bulwark Investment Holdings (PTY) Limited (South Africa), Property and Liability Underwriting Managers (PTY) Limited (South Africa), Asia Reinsurance Brokers Pte Limited (Singapore), Stewart Specialty Risk Underwriting Limited (Canada), XPT Group LLC (USA), Mark Edward Partners LLC (USA), ATC Insurance Solutions PTY Limited (Australia) and Criterion Underwriting Pte Limited (Singapore) 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
Asia Reinsurance Brokers Pte Limited	25.00	31.12.17	2,377,299	(227,666)	Specialist reinsurance broker
ATC Insurance Solutions PTY Limited	20.00	30.06.18	1,690,468	1,065,772	Specialist Australian Managing General Agency
Bastion Reinsurance Brokerage (PTY) Limited	35.00	31.12.17	(618,839)	(292,069)	Reinsurance broker
Bulwark Investment Holdings (PTY) Limited	35.00	31.12.16	(466,434)	(354,827)	Holding company for South African Managing General Agents
Criterion Underwriting Pte Limited[1]	29.40	–	–	–	Specialist Singaporean Managing General Agency
EC3 Brokers Group Limited	20.00	31.12.17	893,851	(7,695)	Investment holding company
LEBC Holdings Limited	59.34	30.09.18	7,423,355	3,560,187	Independent financial advisor company
MB Prestige Holdings PTY Limited	40.00	31.12.18	1,884,343	630,641	Specialist Australian Motor Managing General Agency
Mark Edward Partners LLC	30.00	31.12.17	5,046,643	3,470,754	Specialty insurance broker
Neutral Bay Investments Limited	49.90	31.03.18	4,014,882	86,330	Investment holding company
Nexus Underwriting Management Limited	18.14	31.12.17	20,664,585	3,715,665	Specialist Managing General Agency
Paladin Holdings Limited	44.33	31.12.17	68,396	140,334	Investment holding company
Property and Liability Underwriting Managers (PTY) Limited	42.50	31.12.17	(306,965)	(255,986)	Specialist South African Property Managing General Agency
Stewart Specialty Risk Underwriting Limited	30.00	31.12.18	(58,072)	35,352	Specialist Canadian Casualty Underwriting Agency
Summa Insurance Brokerage, S.L.	77.25	31.12.17	8,718,704	(445,306)	Consolidator of regional insurance brokers
The Fiducia MGA Company Limited	35.00	31.12.17	(1,196,046)	(1,098,549)	Specialist UK Marine Cargo Underwriting Agency
Walsingham Holdings Limited[1]	20.00	–	–	–	Investment holding company
Walsingham Motor Insurance Limited	40.50	30.09.17	(1,328,977)	375,268	Specialist UK Motor Managing General Agency
XPT Group LLC	35.00	31.12.17	4,538,143	(1,495,402)	USA Specialty lines insurance distribution company

[1] Criterion Underwriting Pte Limited and Walsingham Holdings Limited are both newly incorporated companies. Statutory accounts are not available as these are not yet due.

The aggregate capital and reserves and profit/(loss) for the year shown above are extracted from the relevant local GAAP accounts of the investee companies.

Notes to the consolidated financial statements
continued

12. Investments – Equity Portfolio continued

Company

	Shares in group undertakings £'000
At valuation	
At 1 February 2017	69,442
Additions	–
Unrealised gains in this period	19,098
At 31 January 2018	**88,540**
At 1 February 2018	88,540
Additions	–
Unrealised gains in this period	10,738
At 31 January 2019	**99,278**
At cost	
At 1 February 2017	2,143
Additions	–
At 31 January 2018	**2,143**
At 1 February 2018	2,143
Additions	–
At 31 January 2019	**2,143**

Shares in group undertakings

All group undertakings are registered in England and Wales. The details and results of group undertakings held throughout the year, which are extracted from the IFRS accounts of B.P. Marsh & Company Limited, Marsh Insurance Holdings Limited, B.P. Marsh Asset Management Limited, B.P. Marsh (North America) Limited and the UK GAAP accounts for the other companies, are as follows:

Name of company	% Holding of Share Capital	Aggregate capital and reserves at 31 January 2019 £	Profit/(loss) for the year to 31 January 2019 £	Principal activity
B.P. Marsh & Company Limited	100	126,285,560	12,518,260	Consulting services and investment holding company
Marsh Insurance Holdings Limited	100	6,099,974	(421,900)	Investment holding company
B.P. Marsh Asset Management Limited	100	23,485	–	Consulting services
B.P. Marsh (North America) Limited[1]	100	(5,850,793)	(4,960,935)	Investment holding company
B.P. Marsh & Co. Trustee Company Limited	100	1,000	–	Dormant
Marsh Development Capital Limited	100	1	–	Dormant
Bastion London Limited	100	1	–	Dormant

[1] At the year end B.P. Marsh (North America) Limited held a 100% economic interest in RHS Midco I LLC, a US registered entity incorporated during the year to 31 January 2018 for the purpose of holding the Group's equity investment in XPT Group LLC. In addition, at the year end, B.P. Marsh (North America) Limited also held a 100% economic interest in B.P. Marsh US LLC, a US registered entity, which was incorporated during the year to 31 January 2018 for the purpose of holding the Group's equity investment in Mark Edward Partners LLC. There were no profit or loss transactions in either of these two US registered entities during the current or prior year.

In addition, the Group also controls the B.P. Marsh SIP Trust and the B.P. Marsh Employees' Share Trust (Note 24).

Loans to the subsidiaries of £27,327,910 (2018: £10,319,626) are treated as capital contributions.

13. Non-Current Investments – Treasury Portfolio

Group

	2019 £'000	2018 £'000
At valuation		
Market value at 1 February	2,756	5,230
Additions at cost	27	35,858
Disposals	(2,828)	(38,784)
Change in value in the year (Note 3 & Note 4)	59	452
Market value at 31 January	**14**	**2,756**
Investment fund split:		
GAM London Limited	2	1,517
Rathbone Investment Management Limited	12	1,239
Total	**14**	**2,756**

The treasury portfolio comprises of investment funds managed and valued by the Group's investment managers, GAM London Limited and Rathbone Investment Management Limited. All investments in securities are included at year end market value.

The purpose of the funds is to hold (and grow) a proportion of the Group's surplus cash until such time that suitable investment opportunities arise.

The funds are risk bearing and therefore their value not only can increase, but also has the potential to fall below the amount initially invested by the Group. However, the performance of each fund is monitored on a regular basis and appropriate action is taken if there is a prolonged period of poor performance.

Investment management costs of £4,125 (2018: £110,811) were charged to the Consolidated Statement of Comprehensive Income for the current year (Note 3).

14. Realised Gains on Disposal of Equity Investments

During the year there were no realised gains on disposal of investments.

The amount included in realised gains on disposal of investments for the prior year ended 31 January 2018 comprised of a net gain of £718,070. £698,796 of this net gain was in respect of the Group's disposal of its entire 37.94% investment in Besso Insurance Group Limited ("Besso") at its carrying value of £21,309,000 for a consideration of £22,007,796. The remaining net gain of £19,274 was in respect of the Group's disposal of its entire 29.94% investment in Trireme Insurance Group Limited ("Trireme") at its carrying value of £2,908,000 for a consideration of £2,908,350 as well as an additional net payment of £18,924.

In aggregate, during the year to 31 January 2018, the above disposals resulted in a net release to Retained Earnings from the Fair Value Reserve of £15,390,983, comprising of a £18,977,245 release of fair value which was reduced by estimated tax payable on disposal (gross of management expenses available for tax relief) of £3,586,262 (Refer to Note 20).

Notes to the consolidated financial statements
continued

15. Loans and Receivables – Non-Current

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans to investee companies (Note 25)	14,509	14,421	–	–
Other receivables (Note 25)	–	341	–	–
Less provision for impairment of other receivables	–	(341)	–	–
	–	–	–	–
Amounts owed by group undertakings	–	–	3,860	–
	14,509	**14,421**	**3,860**	**–**

Included within net other receivables for the Group in the prior year is a gross amount of £341,000 relating to deferred consideration owed to the Group by a former investee company, against which a provision of £341,000 was made during the year to 31 January 2018.

A provision of £2,594,874 (2018: £2,121,609) was made against loans to investee companies in the current year and therefore the total provision as at 31 January 2019 was £4,716,483 (2018: £2,121,609).

The amounts owed to the Company by group undertakings are interest free and repayable on demand.

See Note 25 for terms of the loans.

16. Trade and Other Receivables – Current

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	631	359	–	–
Less provision for impairment of receivables	(13)	(58)	–	–
	618	**301**	**–**	**–**
Loans to investee companies (Note 25)	376	1,136	–	–
Corporation tax repayable	299	18	–	–
Other receivables	38	17	–	–
Prepayments and accrued income	1,536	921	–	–
	2,867	**2,393**	**–**	**–**

Included within net trade receivables is a gross amount of £457,618 (2018: £353,071) owed by the Group's participating interests, against which a provision for bad debts of £13,254 has been made (2018: £57,655).

Trade receivables are provided for based on estimated irrecoverable amounts from the fees and interest charged to investee companies, determined by the Group's management based on prior experience and their assessment of the current economic environment.

Movement in the allowance for doubtful debts:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance at 1 February	58	178	–	–
Decrease in allowance recognised in the Statement of Comprehensive Income	(45)	(120)	–	–
Balance at 31 January	**13**	**58**	**–**	**–**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The Group's net trade receivable balance includes debtors with a carrying amount of £618,217 (2018: £300,931), of which £112,058 (2018: £185,671) of debtors are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances other than over £85,979 (2018: £117,549) included within the net trade receivables balance relating to loan interest due from investee companies which is secured on the assets of the investee company.

Ageing of past due but not impaired:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Not past due	506	115	–	–
Past due: 0 – 30 days	44	34	–	–
Past due: 31 – 60 days	1	–	–	–
Past due: more than 60 days	67	152	–	–
	618	**301**	**–**	**–**

See Note 25 for terms of the loans and Note 23 for further credit risk information.

17. Deferred Tax (Assets) / Liabilities – Non-Current

	Group £'000	Company £'000
At 1 February 2017	6,728	–
Tax movement relating to investment revaluation and disposal of revalued investments for the year (Note 9)	(6,758)	–
Re-measurement upon change in tax rate	(2)	–
At 31 January 2018	**(32)**	**–**
At 1 February 2018	(32)	–
Tax movement relating to investment revaluation and disposal of revalued investments for the year (Note 9)	32	–
Re-measurement upon change in tax rate	–	–
At 31 January 2019	**–**	**–**

The directors estimate that, under the current taxation rules and the current investment profile, if the Group were to dispose of all its investments at the amount stated in the Consolidated Statement of Financial Position, no tax on capital gains (2018: £Nil) would become payable by the Group.

The deferred tax asset of £32,000 included within the Statement of Financial Position as at 31 January 2018 related to the estimated tax credit arising on the accumulated net unrealised losses within the Group's Treasury Portfolio (Note 4).

Notes to the consolidated financial statements
continued

17. Deferred Tax (Assets) / Liabilities – Non-Current continued

Finance (No.2) Act 2017 introduced significant changes to the Substantial Shareholding Exemption ("SSE") rules in Taxation of Chargeable Gains Act 1992 Sch. 7AC which applied to share disposals on or after 1 April 2017. In general terms, the rule changes relax the conditions for the Group to qualify for SSE on a share disposal.

Having reviewed the Group's current investment portfolio, the directors consider that the Group should benefit from this reform to the SSE rules on all non-US investments and, as a result, the directors would anticipate that on a disposal of shares in the Group's current non-US investments, so long as the shares have been held for 12 months, they should qualify for SSE and no corporation tax charge should arise on their disposal.

New tax legislation was introduced in the US in 2018 which taxes at source gains on disposal of any foreign partnership interests in US LLCs. As such, deferred tax will need to be assessed on any potential net gains from the Group's investment interests in the US.

Having assessed the current portfolio, the directors anticipate that there should currently be no requirement to provide for deferred tax in respect of unrealised gains on investments under the current requirements of the IFRS as the US investments do not currently show a net gain, and the non-US investments are expected to benefit from the SSE rules. As such no deferred tax provision has been made as at 31 January 2019. The requirement for a deferred tax provision is subject to continual assessment of each investment to test whether the SSE conditions continue to be met based upon information that is available to the Group and that there is no change to the accounting treatment in this regard under IFRS. It should also be noted that, until the date of the actual disposal, it will not be possible to ascertain if all the SSE conditions are likely to have been met and, moreover, obtaining agreement of the tax position with HM Revenue & Customs may possibly not be forthcoming until several years after the end of a period of accounts.

18. Current Liabilities

		Group		Company
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables				
Trade payables	73	83	–	–
Other taxation & social security costs	68	52	–	–
Accruals and deferred income	923	1,337	3	–
Amounts due to subsidiary undertakings	–	–	–	1
	1,064	**1,472**	**3**	**1**
Corporation tax (Note 9)	48	1,200	48	–
	1,112	**2,672**	**51**	**1**

The corporation tax as at 31 January 2019 of £47,500 relates to the estimated tax charge arising on a participator loan of £146,130 made by the Company to the B.P. Marsh Employees' Share Trust ("Share Trust") in order to facilitate the Share Trust's subscription to the 1,461,302 new shares issued by the Company which are being held under the Joint Share Ownership Plan (Note 19 and Note 24).

The corporation tax as at 31 January 2018 of £1,200,482 related to the estimated tax payable on the disposal of the Group's investment in Besso Insurance Group Limited during that year of £3,586,262, less £1,840,094 of quarterly instalment payments on account already made, £5,814 of foreign withholding tax deducted at source and £539,872 of estimated tax credit arising from surplus management expenses which exceeded the Group's underlying taxable income for that year.

All of the above liabilities are measured at amortised cost.

19. Called Up Share Capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
37,478,077 Ordinary shares of 10p each (2018: 29,226,040)	3,748	2,923
	3,748	**2,923**

During the year the Company issued a total of 8,252,037 new ordinary shares.

On 12 June 2018 the Company made a Placing Announcement to the market outlining details of a proposed placing of 6,169,194 new ordinary shares (the "Placing") to a new investor, an entity within the PSC Insurance Group ("PSC Group"), at a price of 252 pence per share ("Issue Price"). In addition, in order to provide existing shareholders with an opportunity to participate in the issue of new ordinary shares, the Company launched an open offer (the "Open Offer") to all qualifying shareholders to subscribe for an aggregate of up to 595,238 new ordinary shares at the Issue Price (on the basis of 1 open offer share for every 21 existing ordinary shares held). All new open offer shares were fully subscribed for.

In addition, 1,461,302 new ordinary shares of 10 pence each were issued and allotted as part of a new joint share ownership plan ("2018 JSOP"), representing 5.00% of the existing issued share capital at the time the awards were made. This was to provide eligible employees of the Group with a joint beneficial ownership in and opportunity to benefit from any possible appreciation in the value of ordinary shares in the Company subject to a hurdle rate. The new ordinary shares have been issued in the name of RBC cees Trustee Limited ("RBC") as trustee of the B.P. Marsh Employees' Share Trust ("Share Trust") at a subscription price of 281 pence, being the mid-market closing price on 12 June 2018. The ordinary shares issued to the Share Trust were partly paid for via a loan from the Company to RBC to cover the subscription cost of the aggregate nominal value of the shares, amounting to £146,130. Refer to Note 24 for further details of the joint share ownership plan.

26,303 new ordinary shares, representing 0.09% of the existing issued share capital, were also issued and allotted to the participants of the Company's Share Incentive Plan ("SIP"). Refer to Note 24 for further details.

Both the 1,461,302 and the 26,303 new ordinary shares issued respectively for the purposes of the 2018 JSOP and the SIP were admitted to trading on AIM on 19 June 2018.

On 5 July 2018, at a General Meeting of the Company, all resolutions set out in a Circular dated 13 June 2018 outlining the conditions of the Placing and Open Offer were duly passed.

Notes to the consolidated financial statements
continued

19. Called Up Share Capital continued

Both the Placing and the Open Offer raised total gross proceeds of £17,046,369 (net proceeds of £16,580,674 after costs) and 6,764,432 new ordinary shares were admitted to trading on AIM on 9 July 2018.

Following admission of the aforementioned new ordinary shares, the Company's issued share capital increased from 29,226,040 as at 31 January 2018 to 37,478,077 as at 31 January 2019.

During the year the Company paid a total of £79,310 (2018: £53,967) in order to repurchase 28,573 (2018: 28,646) ordinary shares at an average price of 278 pence per share (2018: 188 pence per share).

Distributable reserves have been reduced by £79,310 as a result (2018: reduction of £53,967).

As at 31 January 2019 a total of 28,573 ordinary shares were held by the Company in Treasury (31 January 2018: 21,009 ordinary shares were held by the Company in Treasury).

The Treasury shares do not have voting or dividend rights and have therefore been excluded for the purposes of calculating earnings per share.

The repurchase of the ordinary shares is borne from the Group's commitment to reduce share price discount to net asset value. Its policy has been throughout the year (and previously) to be able to buy small parcels of shares when the share price is below a fixed percentage of its published Net Asset Value (or adjusted Net Asset Value following the Placing and Open Offer referred to above) and place them into Treasury. From 1 February 2018 (and throughout the previous financial year) this threshold was 20%. On 11 October 2018 the Group announced an updated Share Buy-Back Policy confirming that the threshold had been reduced from 20% to 15%.

20. Reconciliation of Movements in Shareholders' Funds

Group

	Share capital £'000	Share premium account £'000	Fair value reserve £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2017	2,923	9,381	26,191	393	6	5	40,783	79,682
Comprehensive income for the year	–	–	21,222	–	–	–	(973)	20,249
Transfers on sale of investments (Note 14)	–	–	(15,391)	–	–	–	15,391	–
Dividends paid (Note 7)	–	–	–	–	–	–	(1,098)	(1,098)
Repurchase of Company shares (Note 19)	–	–	–	–	–	–	(54)	(54)
Share based payments (Note 24)	–	–	–	–	–	2	(2)	–
Share Incentive Plan	–	17	–	–	–	–	71	88
At 31 January 2018	**2,923**	**9,398**	**32,022**	**393**	**6**	**7**	**54,118**	**98,867**
At 1 February 2018	2,923	9,398	32,022	393	6	7	54,118	98,867
Comprehensive income for the year	–	–	14,106	–	–	14	(1,649)	12,471
Dividends paid (Note 7)	–	–	–	–	–	–	(1,714)	(1,714)
Issue of new shares (Note 10)	825	19,944	–	–	–	–	(74)	20,695
Repurchase of Company shares(Note 19)	–	–	–	–	–	–	(79)	(79)
Share Incentive Plan	–	16	–	–	–	–	88	104
Shares issued to JSOP Trust treated as Treasury shares (Note 10)	–	–	–	–	–	–	(4,106)	(4,106)
At 31 January 2019	**3,748**	**29,358**	**46,128**	**393**	**6**	**21**	**46,584**	**126,238**

Company

	Share capital £'000	Share premium account £'000	Fair value reserve £'000	Capital redemption reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
At 1 February 2017	2,923	9,381	67,299	6	–	73	79,682
Comprehensive income for the year	–	–	19,098	–	–	1,154	20,252
Dividends paid (Note 7)	–	–	–	–	–	(1,098)	(1,098)
Repurchase of Company shares (Note 19)	–	–	–	–	–	(54)	(54)
Share Incentive Plan	–	17	–	–	–	68	85
At 31 January 2018	**2,923**	**9,398**	**86,397**	**6**	**-**	**143**	**98,867**
At 1 February 2018	2,923	9,398	86,397	6	–	143	98,867
Comprehensive income for the year	–	–	10,738	–	–	1,747	12,485
Dividends paid (Note 7)	–	–	–	–	–	(1,714)	(1,714)
Issue of new shares (Note 10)	825	19,944				–	20,769
Repurchase of Company shares (Note 19)	–	–	–	–	–	(79)	(79)
Share Incentive Plan	–	16	–	–	–	79	95
At 31 January 2019	**3,748**	**29,358**	**97,135**	**6**	**-**	**176**	**130,423**

Notes to the consolidated financial statements

continued

21. Operating Lease Commitments

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

	2019 Land and buildings £'000	2018 Land and Buildings £'000
Earlier than one year	236	236
Between two and five years	945	945
More than five years	726	963

22. Loan and Equity Commitments

On 27 January 2017 the Group entered into an agreement to provide a loan facility of CAD 850,000 (subject to certain conditions) to Stewart Specialty Risk Underwriting Limited ("SSRU"), an investee company. As at 31 January 2019 CAD 450,000 (£260,477) of this facility had been drawn down, leaving a remaining undrawn facility of CAD 400,000.

Please refer to Note 26 for details of loan facilities offered and amounts drawn down after the year end.

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, other debtors and creditors and loans. 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 unless there are economic reasons for doing so, as determined by the directors.

The main risks arising from the Group's financial instruments are price risk, credit risk, liquidity risk, interest rate risk, currency risk, new investment risk, concentration risk and political risk. The Board reviews and agrees policies for managing each of these risks and they are summarised in the Group Strategic Report under "Financial Risk Management".

Interest rate profile

The Group has cash balances of £7,855,000 (2018: £2,648,000), which are part of the financing arrangements of the Group. The cash balances comprise bank current accounts and deposits placed at investment rates of interest, which ranged up to 0.8% p.a. in the period (2018: deposit rates of interest ranged up to 1.0% p.a.). During the period maturity periods ranged between immediate access and 32 days (2018: maturity periods ranged between immediate access and 9 months).

Currency hedging

During the year the Group engaged in one currency hedging transaction amounting to €1,350,000 (2018: one currency hedging transaction amounting to €1,350,000) to mitigate the exchange rate risk for certain foreign currency receivables. This was settled before the year end. A net gain of £10,519 (2018: net loss of £30,369) relating to this hedging transaction was recognised under Exchange Movements within the Consolidated Statement of Comprehensive Income when the transaction was settled. As at the year end the Group had one currency hedging transaction amounting to €1,350,000 which was entered into on 30 January 2019. The fair value of this hedge is not materially different to the transaction cost.

Financial liabilities

The Company had no borrowings as at 31 January 2019 (2018: £Nil).

Fair values

The Group has adopted the amendment to IFRS 7 for financial instruments which are measured at fair value at the reporting date. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, observed either directly as prices or indirectly from prices; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Unquoted equity instruments are measured in accordance with the IPEVCV Guidelines with reference to the most appropriate information available at the time of measurement. Further information regarding the valuation of unquoted equity instruments can be found in the section 'Investments – equity portfolio' under the Accounting Policies (Note 1).

The following presents the classification of the financial instruments at fair value into the valuation hierarchy at 31 January 2019:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Equity portfolio investments designated as "fair value through profit or loss" assets	–	–	101,947	101,947
Treasury portfolio investments	14	–	–	14
	14	**–**	**101,947**	**101,961**

The Group's classification of the financial instruments at fair value into the valuation hierarchy at 31 January 2018 are presented as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Equity portfolio investments designated as "fair value through profit or loss" assets	–	–	79,122	79,122
Treasury portfolio investments	2,756	–	–	2,756
	2,756	**–**	**79,122**	**81,878**

Notes to the consolidated financial statements
continued

23. Financial Instruments continued

Fair values continued
Level 3 inputs are sensitive to assumptions made when ascertaining fair value. Setting the valuation policy is the responsibility of the Valuations Committee, which is then reviewed by the Board. The policy is to value investments within the portfolio at fair value by applying a consistent approach and ensuring that the valuation methodology is compliant with the IPEVCV Guidelines. Valuations of the investment portfolio of the Group are performed twice a year, and the half-year valuations are subjected to the same level of scrutiny and approach as the audited final year accounts by the Valuations Committee.

Of assets held at 31 January 2019 classified as Level 3, 87% by value (2018: 76%) were valued using a multiple of earnings and 13% (2018: 24%) were valued using alternative valuation methodologies.

Valuation multiple – the valuation multiple is the main assumption applied to a multiple of earnings based valuation. The multiple is derived from comparable listed companies or relevant market transaction multiples. Companies in the same industry and geography and, where possible, with a similar business model and profile are selected and then adjusted for factors including size, growth potential and relative performance. A discount is applied or a reduced multiple used to reflect that the investment being valued is unquoted. The multiple is then applied to the earnings, which may be adjusted to eliminate one-off revenues or costs to better reflect the ongoing position, or to adjust for any minority interests. The resulting value is the enterprise value of the investment, after which certain adjustments are made to calculate the equity value. These adjustments may include debt, working capital requirements, regulatory capital requirements, deferred consideration payable, or anything that could be dilutive which is quantifiable. The Group's investment valuation is then derived from this based upon its shareholding.

The weighted average post discount EBITDA earnings multiple used (based on the valuations derived) when valuing the portfolio at 31 January 2019 was 11.9x (2018: 11.4x). The weighted average post discount Price/Earnings multiple used (based on the valuations derived) when valuing the portfolio at 31 January 2019 was 13.3x (2018: 15.5x).

If the multiple used to value each unquoted investment valued on an earnings basis as at 31 January 2019 moved by 10%, this would have an impact on the investment portfolio of £10.4m (2018: £7.1m) or 9% (2018: 8%).

Alternative valuation methodologies – there are a number of alternative investment valuation methodologies used by the Group, for reasons for specific types of investment. These may include valuing on the basis of an imminent sale where a price has been agreed but the transaction has not yet completed, using a discounted cash flow model, at cost, using specific industry metrics which are common to that industry and comparable market transactions have occurred, and a multiple of revenues where the investments are not yet profitable.

At 31 January 2019 the proportion of the investment portfolio that was valued using these techniques were: 13% using industry metric (2018: 6%), 1% using revenues (2018: 1%), and 0% at cost (2018: 17%).

If the value of all the investments valued under alternative methodologies moved by 10%, this would have an impact on the investment portfolio of £1.4m (2018: £0.6m) or 1% (2018: 1%).

24. Share Based Payment Arrangements

Joint Share Ownership Plan

During the year, B.P. Marsh & Partners Plc entered into joint share ownership agreements ("JSOAs") with certain employees and directors. The details of the arrangements are described in the following table:

Nature of the arrangement	Share appreciation rights (joint beneficial ownership)
Date of grant	12 June 2018
Number of instruments granted	1,461,302
Exercise price (pence)	N/A
Share price (market value) at grant (pence)	281.00
Hurdle rate	3.75% p.a. (simple)
Vesting period (years)	3 years
Vesting conditions	a) There are no performance conditions other than the recipient remaining an employee throughout the vesting period. The awards vest after 3 years or earlier resulting from either: a change of control resulting from a person, other than a member of the Company, obtaining control of the Company either (i) as a result of a making a Takeover Offer; (ii) pursuant to a court sanctioned Scheme of Arrangement; or (iii) in consequence of a Compulsory Acquisition); or b) a person becoming bound or entitled to acquire shares in the Company pursuant to sections 974 to 991 of the Companies Act 2006; or c) a winding up. If the employee is a bad leaver the co -owner of the jointly -owned share can buy out the employee's interest for 0.01p
Expected volatility	N/A
Risk free rate	1%
Expected dividends expressed as a dividend yield	1.9%
Settlement	Cash settled on sale of shares
% expected to vest (based upon leavers)	100%
Number expected to vest	1,461,302
Valuation model	Expected Return Methodology (ERM)
ERM value (pence)	36.00
Deduction for carry charge (pence)	31.60
Fair value per granted instrument (pence)	4.40
Charge for year ended 31 January 2019	£13,728

On 12 June 2018 1,461,302 new 10p Ordinary shares in the Company were issued and transferred into joint beneficial ownership for 12 employees (four of whom are directors) under the terms of joint share ownership agreements. No consideration was paid by the employees for their interests in the jointly-owned shares.

The new Ordinary shares have been issued into the name of RBC cees Trustee Limited ("the Trustee") as trustee of the B.P. Marsh Employees' Share Trust ("the Share Trust") at a subscription price of £2.81, being the mid-market closing price on 12 June 2018.

The jointly-owned shares are beneficially owned by (i) each of the 12 participating employees and (ii) the trustee of the Share Trust upon and subject to the terms of the JSOAs entered into between the participating employee, the Company and the Trustee.

Notes to the consolidated financial statements
continued

24. Share Based Payment Arrangements continued

Joint Share Ownership Plan continued
Under the terms of the JSOAs, the employees and directors will receive on vesting the growth in value of the shares above a threshold price of £2.81 per share (market value at the date of grant) plus an annual carrying charge of 3.75% per annum (simple interest) to the market value at the date of grant. The Share Trust retains the initial market value of the jointly-owned shares plus the carrying cost.

Alternatively, on vesting, the participant and the Trustee may exchange their respective interests in the jointly-owned shares such that each becomes the sole owner of a number of Ordinary shares of equal value to their joint interests.

Participants will therefore receive value from the jointly-owned shares only if and to the extent that the share value grows above the initial market value plus the carrying cost.

The employees and directors received an interest in jointly owned shares and a Joint Share Ownership Plan ("JSOP") is not an option, however the convention for JSOPs is to treat them as if they were options. The value of the employee's interest for accounting purposes is calculated using the Expected Return Methodology.

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

No jointly-owned shares were sold or forfeited during the year. The number of jointly-owned shares expected to vest has therefore not been adjusted. In accordance with IFRS 2: Share-based Payment, the fair value of the expected cost of the award (measured at the date of grant) has been spread over the three-year vesting period.

There has been no movement during the year in terms of the numbers of shares to be exercised.

Share Incentive Plan
During the year to 31 January 2017 the Group established an HMRC approved Share Incentive Plan ("SIP").

During the year a total of 21,009 ordinary shares in the Company, which were held in Treasury as at 31 January 2018 (2018: 13,363 ordinary shares in the Company, which were either repurchased during that year or held in Treasury as at 31 January 2017) were transferred to the B.P. Marsh SIP Trust ("SIP Trust"). In addition, 26,303 new ordinary shares were issued and allotted to the SIP Trust during the year (Note 10). As a result, 47,312 ordinary shares in the Company were available for allocation to the participants of the SIP.

On 13 June 2018, a total of 11 eligible employees (including four executive directors of the Company) applied for the 2018-19 SIP and were each granted 1,281 ordinary shares ("18-19 Free Shares"), representing approximately £3,600 at the price of issue.

Additionally, on 13 June 2018, all eligible employees were also invited to take up the opportunity to acquire up to £1,800 worth of ordinary shares ("Partnership Shares"). For every Partnership Share that an employee acquired, the SIP Trust offered two ordinary shares in the Company ("Matching Shares") up to a total of £3,600 worth of shares. All 11 eligible employees (including four executive directors of the Company) took up the offer and acquired the full £1,800 worth of Partnership Shares (640 ordinary shares) and were therefore awarded 1,281 Matching Shares.

The 18-19 Free and Matching Shares are subject to a one year forfeiture period.

A total of 35,222 (2018: 37,935) Free, Matching and Partnership Shares were granted to 11 (2018: 9) eligible employees during the year, including 12,808 (2018: 16,860) granted to 4 executive directors of the Company.

As at 31 January 2019 a total of 146,237 Free, Matching and Partnership Shares had been granted to 11 eligible employees under the SIP, including 62,148 granted to 4 executive directors of the Company.

£76,470 of the IFRS 2 charges (2018: £69,315) associated with the award of the SIP shares to 11 (2018: 9) eligible directors and employees of the Company has been recognised in the Statement of Comprehensive Income as employment expenses (Note 5).

The results of the SIP Trust have been fully consolidated within these financial statements on the basis that the SIP Trust is effectively controlled by the Company.

25. Related Party Disclosures

The following loans owed by the investee companies (including their subsidiaries and other related entities) of the Company and its subsidiaries were outstanding at the year end:

	2019 £	2018 £
Bastion Reinsurance Brokerage (PTY) Limited	425,831	341,831
Bulwark Investment Holdings (PTY) Limited	665,000	665,000
The Fiducia MGA Company Limited	2,470,000	1,619,400
LEBC Holdings Limited	–	1,500,000
Nexus Underwriting Management Limited	4,000,000	4,000,000
Paladin Holdings Limited	4,096,500	3,996,500
Property and Liability Underwriting Managers (PTY) Limited	1,450,778	1,114,778
Walsingham Holdings Limited	300,000	–
Walsingham Motor Insurance Limited	1,170,000	1,200,000
	€	€
Summa Insurance Brokerage, S.l.	2,440,761	2,606,133
	AUD	AUD
MB Prestige Holdings PTY Limited	838,959	1,058,649
	CAD	CAD
Stewart Specialty Risk Underwriting Limited	450,000	350,000
	USD	USD
Mark Edward Partners LLC	2,600,000	–

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.

Notes to the consolidated financial statements
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25. Related Party Disclosures continued

Income receivable, consisting of consultancy fees, interest on loans and dividends recognised in the Consolidated Statement of Comprehensive Income in respect of the investee companies (including their subsidiaries and other related entities) of the Company and its subsidiaries for the year were as follows:

	2019 £	2018 £
Asia Reinsurance Brokers Pte Limited	129,321	39,504
ATC Insurance Solutions PTY Limited	184,386	–
Bastion Reinsurance Brokerage (PTY) Limited	–	56,448
Besso Insurance Group Limited	–	76,350
The Broucour Group Limited	5,373	8,078
Bulwark Investment Holdings (PTY) Limited	–	83,359
Criterion Underwriting Pte Limited	7,899	–
EC3 Brokers Group Limited	343,325	43,134
The Fiducia MGA Company Limited	163,075	141,200
Hyperion Insurance Group Limited	–	74,433
LEBC Holdings Limited	1,463,787	835,693
Mark Edward Partners LLC	–	192,156
MB Prestige Holdings PTY Limited	178,010	176,991
Neutral Bay Investments Limited	124,302	124,987
Nexus Underwriting Management Limited	788,265	749,021
Paladin Holdings Limited	449,207	342,164
Property & Liability Underwriting Managers (PTY) Limited	–	36,509
Stewart Specialty Risk Underwriting Limited	35,642	52,220
Summa Insurance Brokerage, S.L.	196,450	211,892
Trireme Insurance Group Limited	–	41,122
Walsingham Holdings Limited	17,293	–
Walsingham Motor Insurance Limited	137,727	213,283
XPT Group LLC	372,280	309,100

In addition, the Group made management charges of £33,600 (2018: £34,000) to the Marsh Christian Trust ("the Trust"), a grant making charitable Trust of which Mr B.P. Marsh, the Executive Chairman and majority shareholder of the Company, is also the Trustee and Settlor.

The Group also made management charges of £1,300 (2018: £20,300) to Brian Marsh Enterprises Limited. Mr B.P. Marsh, the Chairman and majority shareholder of the Company is also the Chairman and majority shareholder of Brian Marsh Enterprises Limited.

On 25 June 2018 Mr B.P. Marsh gifted 584,000 ordinary shares in the Company to the Marsh Christian Trust for £Nil consideration, taking the total number of shares held by the Trust in the Company to 1,582,000 at that time. Since 31 January 2019 the Trust has sold 950,000 of its ordinary shares in the Company at a price of 280 pence per share, reducing its holding down to 632,000 ordinary shares (1.7% of the Company) at the date of this report (Note 26).

As part of the share placing completed on 9 July 2018 (Note 10), 1,166,310 existing ordinary shares in the Company were transferred by B.P. Marsh Management Limited (a company wholly owned by Mr. B.P. Marsh, the Executive Chairman of the Group) to the new investor, an entity within PSC Insurance Group, at the issue price of 252 pence per share.

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

Of the total dividend payments made during the year of £1,714,418, £828,318 was paid to the directors or parties related to them (2018: total dividend payments of £1,098,109, of which £682,667 was paid to the directors or parties related to them).

26. Events After The Reporting Date

On 1 February 2019 the Group provided LEBC Holdings Limited ("LEBC") with a loan facility of £1,000,000 which was drawn down immediately. The loan was provided to assist with LEBC's general working capital requirements. As at 31 January 2019 no loans were outstanding and following the aforementioned drawdown total loans stand at £1,000,000 at the date of this report.

On 27 February 2019 the Group was notified that 950,000 ordinary shares in the Company were sold at a price of 280 pence per share by the Marsh Christian Trust, a grant making charitable trust of which Mr B.P. Marsh, the Executive Chairman and a significant shareholder of the Company, is also the Trustee and Settlor.

On 1 April 2019 the Group provided XPT Group LLC ("XPT") with a loan facility of $2,000,000 (£1,542,534) which was drawn down immediately. The loan was provided to assist XPT with the contractually owed earn out payment due to a former owner in respect of one of its acquisitions, W.E. Love & Associates Inc. As at 31 January 2019 no loans were outstanding and following the aforementioned drawdown total loans stand at $2,000,000 at the date of this report.

On 1 April 2019 the Group provided Nexus Underwriting Management Limited ("Nexus") with a £2,000,000 revolving credit facility, as part of Nexus' wider debt fundraising exercise in order to undertake further M&A activity. £1,000,000 was drawn down immediately and a further £500,000 was drawn down on 10 May 2019. As at 31 January 2019 the total loan outstanding from Nexus, relating to an existing facility provided by the Group during the year to 31 January 2018, was £4,000,000 and following the aforementioned drawdowns increased to £5,500,000, with a remaining undrawn facility of £500,000 at the date of this report.

On 26 April 2019 the Group agreed, as part of a rights issue in conjunction with its fellow shareholder Gerry Sheehy, to provide further funding of £122,909 to The Fiducia MGA Company Limited ("Fiducia") as part of a total fundraising of £350,802. The Group subscribed for a further 48 A ordinary shares in Fiducia which represented its proportional pre-emption rights. As at 31 January 2019 the Group's holding in Fiducia was 35% and following the rights issue this increased to 35.18%.

27. Financial Risk Management

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in the Financial Risk Management section of the Group Strategic Report on pages 43 to 46.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

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 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 various internal departments under specific guidelines.

Notes to the consolidated financial statements
continued

27. Financial Risk Management continued

The Group is a selective investor and each investment is subject to an individual risk assessment through an investment approval process. The Group's Investment Committee is part of the overall risk management framework. The risk management processes of the Company are aligned with those of the Group and both the Group and the Company share the same financial risks.

Price risk

The Group is exposed to private equity securities price risk as it invests in unquoted companies. The Group manages the risk by ensuring that a director of the Group 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. Monthly management reports are required to be prepared by investee companies for the review of the appointed director and for reporting to the Group Board.

A 10% change in the fair value of those investments would have the following direct impact on the Consolidated Statement of Comprehensive Income:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fair value of investments – equity portfolio	101,947	79,122	99,278	88,540
Impact of a 10% change in fair value on Consolidated Statement of Comprehensive Income	10,195	7,912	9,928	8,854

Credit risk

The Group is subject to credit risk on its unquoted investments, cash and deposits. The maximum exposure is the amount stated in the Consolidated Statement of Financial Position.

The credit quality of unquoted investments, which are held at fair value and include debt and equity elements, is based on the financial performance of the individual portfolio companies. The credit risk relating to these assets is based on their enterprise value and is reflected through fair value movements.

The Group is exposed to the risk of default on the loans it has made available to investee companies. The loans rank in preference to the equity shareholding and the majority are secured by a charge over the assets of the investment. The Group manages the risk by ensuring that there is a director of the Group appointed to the board of each of its investee companies. In this capacity, the appointed director can advise the Group's board of investee companies' activities and prompt action can be taken to protect the value of the loan, such that the directors believe the credit risk to the Group is adequately managed. When a loan is assessed to be likely to be in default then the Group will review the probability of recoverability, and if necessary, make a provision for any amount considered irrecoverable.

The Group's cash is held with a variety of different counterparties with 100% (2018: 100%) held on demand with A rated institutions.

Liquidity risk

The Group invests in unquoted early stage companies. The timing of the realisation of these investments can be difficult to estimate. The directors assess and review the Group's liquidity position and funding requirements on a regular basis and this is an agenda item for its Board meetings. A key objective is to ensure that the income from the portfolio covers operating expenses such that funds available for investment are not used for working capital. The Group regularly reviews the cash flow forecast to ensure that it has the ability to meet commitments as they fall due and to manage its working capital. The Board considers that the Group has sufficient liquidity to manage current commitments.

As at 31 January 2019 the Group was debt free (31 January 2018: debt free).

Interest rate risk

Interest rate risk arises from changes in the interest receivable on cash and deposits, on loans issued to investment companies and on certain preferred dividend mechanisms linked to an interest rate. In addition, the risk arises on any borrowings with a variable interest rate. At 31 January 2019, the Group had no interest bearing liabilities but had interest bearing assets. The majority of loans provided by the Group are subject to a minimum interest rate to protect the Group from a period of low interest rates, and also a hurdle rate linked to the UK Base Rate or LIBOR.

An increase of 100 basis points, based upon the Group's closing balance sheet position of its interest bearing assets, excluding any future contractual loan repayments and loan balances provided against at the year end, over a 12-month period, would lead to an approximate increase in total comprehensive income of £139,000 for the Group (2018: £57,000 increase).

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 Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy. The Board monitors the movements and manages the risk accordingly.

At 31 January 2019, 79% of the Group's net assets were sterling denominated (2018: 79%). The Group's general policy remains not to hedge its foreign currency denominated investment portfolio.

The Group's net assets in Euro, US Dollar, Australian Dollar and all other currencies combined are shown in the table below. The sensitivity analysis has been undertaken based upon the sensitivity of the Group's net assets to movements in foreign currency exchange rates, assuming a 10% movement in exchange rates against sterling. The sensitivity of the Company to foreign exchange risk is not materially different from the Group.

As at 31 January 2019	Sterling £'000	Euro £'000	Australian Dollar £'000	US Dollar £'000	Other £'000	Total £'000
Net Assets	99,752	6,201	10,773	7,705	1,807	126,238
Sensitivity Analysis						
Assuming a 10% movement of exchange rates against Sterling						
Impact on Net Assets	N/A	(457)	(979)	(701)	(164)	(2,301)

As at 31 January 2018	Sterling £'000	Euro £'000	Australian Dollar £'000	US Dollar £'000	Other £'000	Total £'000
Net Assets	78,508	6,301	4,641	8,438	979	98,867
Sensitivity Analysis						
Assuming a 10% movement of exchange rates against Sterling						
Impact on Net Assets	N/A	(465)	(422)	(767)	(89)	(1,743)

Notes to the consolidated financial statements
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27. Financial Risk Management continued

New investment risk
An inherent risk of realising an investment is the loss of a performing asset and a potential lack of suitable new investments to replace the lost income and capital growth. Prior to reinvestment, returns on cash can be significantly lower, which may reduce underlying profitability on a short-term basis until funds are reinvested. The Group has an active New Business department which continues to receive a strong pipeline of new investment opportunities. In addition, there is often potential for further investment within the Group's existing portfolio.

Concentration risk
Although the Group only invests in financial service businesses, and specifically insurance intermediaries, the Group has a wealth of experience in this specific sector. It seeks to manage concentration risk by making investments across a variety of geographic areas, development stages of business and classes of product. Quantitative data regarding the concentration risk of the portfolio across geographies can be found in the Segmental Reporting analysis in Note 2.

Political risk
As a UK domiciled business, the Group is exposed to the risks associated with the UK's decision to leave the European Union ("Brexit"). The Board is continually assessing the potential impact of Brexit on the Group and its underlying investments, however the direct impact on the Group's investment portfolio is not expected to be material. It remains the Group's intention to continue to invest into the international financial services market. As outlined under 'Currency risk' above, the Group continues to monitor the movements in its foreign currency denominated income and assets and manages this risk accordingly.

28. Ultimate Controlling Party

The directors consider there to be no ultimate controlling party.

Notes

Notes

Company Information

DIRECTORS
Brian Marsh OBE (Chairman)
Alice Foulk (Managing Director)
Daniel Topping (Chief Investment Officer)
Camilla Kenyon (Director)
Jonathan Newman (Group Director of Finance)
Campbell Scoones (Non-executive)
Pankaj Lakhani (Non-executive)
Nicholas Carter (Non-executive)

COMPANY SECRETARY
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