

Preliminary Results

Jelf Group plc

("Jelf", the "Group" or the "Company")

Preliminary results for the year ended 30th September 2009

Jelf Group plc, an independent full service brokerage that supports businesses and individuals, announces its results.

Financial highlights

- Revenue has increased 11% to £70.3m (2008: £63.1m) largely driven by previous year strategic acquisitions.
- EBITDA (before exceptional costs) was £8.1m (2008: £10.1m) and margins were 11% (2008:16%). This reflects the difficult economic conditions experienced by our clients
- A significant proportion of the £4.8m (2008: £0.7m) of rationalisation costs have been incurred through the Group's drive for cost efficiency. These measures will yield positive financial benefits during 2010.
- Cash generated from operations continues to be strong at £8.7m (2008: £10.5m) enabling the Group to meet its deferred consideration payments from operating cash. Deferred consideration payments will be substantially complete by 30th September 2010.
- Gearing has substantially reduced with net debt declining £15.2m to £30.7m at 30th September 2009 and is continuing to reduce.
- Company in advanced discussions regarding fundraising to reduce net debt

Operating highlights

- Continued focus on operational efficiencies to simplify the business whilst building organic sales.
- Integration of major acquisitions is going to plan.
- £2.8m of annualised cost efficiencies achieved.
- Wealth Management business now operating under a single regulated entity and management team and successfully executing its platform strategy.
- Employee Benefits business, now integrated into one business.
- Maintained focus on client, awarded 2* (Outstanding) Investors in Customers (IIC).
- Investment in people and systems continues

Alex Alway, Group Chief Executive, commented:

"We look forward to the current year with the confidence instilled by an improved financial strength and a streamlined business, but we are cautious that this improvement remains fragile. The Group has removed a significant amount of cost through streamlining operations. The trading for the first quarter is slightly ahead of expectations, although whilst encouraged by this, we remain cautious for the current year.

Enquiries

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Further information is available on Jelf at the Group's website:

www.Jelfgroup.com

Chairman's statement

The last year or so has been characterised by extraordinarily difficult economic and financial market conditions. In September 2008, just before the start of our financial year, Lehman filed under Chapter 11, Merrill Lynch was rescued by Bank of America and AIG was bailed out by the US Government. During our first quarter, Royal Bank of Scotland and Lloyds Bank were rescued by the UK Government, following the earlier nationalisation of Northern Rock. Financial markets suffered a crisis of confidence, and credit became very scarce. The ensuing recession and markets' decline in the UK has affected many of our clients, across all our businesses.

The Outlook

The recession in the UK has now probably ended, confidence has stabilised and markets have rebounded, but the outlook remains fragile. The UK Government must deal with a huge Budget deficit, which will ultimately require substantial reductions in public sector spending and increases in taxation. Interest rates are expected to remain low in the near term, but will gradually increase as the economy recovers. Unemployment will probably stay above long term trend levels for years to come.

The Jelf Group

In these very challenging conditions, Jelf generated revenues of £70.3m (2008: £63.1m). On a like-for-like basis, ignoring the annualised effect of acquisitions made during 2008, this represents 95% of the previous year's turnover, which given the prevailing conditions was a creditable result. Earnings before interest, taxation, depreciation, amortisation and exceptional costs (EBITDAE) was £8.1m (2008: £10.1m) and our EBITDAE margin was 11% (2008: 16%). The operating loss was £9.7m (2008: profit of £5.1m) after deduction of £4.8m reorganisation and rationalisation costs and £7.5m goodwill impairment (2008: £0.7m reorganisation and rationalisation costs and £nil impairment). The year-on-year EBITDAE reduction reflects the difficult trading conditions, and the fact that the pressures on turnover outstripped the speed at which costs were reduced. Substantial efforts were made during the year to improve operating efficiency and reduce our cost base, resulting in significant exceptional costs associated with restructuring charges and the clearance of old legacy system balances. The benefits of these efforts will be fully reflected in 2010 and beyond.

Gearing

Our gearing was substantially reduced during the year, with net debt (bank debt plus deferred consideration less office cash) declining by £15.2m, to £30.7m at 30 September 2009. We have subsequently extended the maturity of our remaining debt, by replacing the bank facility with a five-year term loan the covenants underlying this new loan provide considerable headroom. We will continue to strengthen our capital structure, and the deferred consideration liabilities arising from our past acquisitions (£8.6m as at 30 September 2009) should be substantially reduced by the end of 2010.

Our Strategy

Our strategy remains unchanged: to build a leading intermediary business, focused on our three core businesses of insurance, employee benefits and wealth management, which enables us to offer a broad range of services to our corporate, SME and related private clients. In previous years we have built these businesses through a combination of organic growth and acquisitions. Given the uncertain economic environment, in 2009 we focused on building and improving our existing businesses, using our positive operating cash flow to reduce debt. As the economy and our capital structure improves, and as acquisition prices return to more realistic levels, we will again pursue acquisition opportunities which we believe will create shareholder value. Until then, we will continue to use our cash flow to reduce debt and, at some point, to commence paying dividends.

Despite the challenges and uncertainties in the UK economy and the financial markets, Jelf remains a strong and resilient business. We are confident that we have some of the best people in the industry, at all levels of our organisation, and that we will emerge from this recession in a strong position to take advantage of the economic recovery as it unfolds. We are cautiously optimistic about 2010, and very optimistic about the long term future of the Group.

I would like to record our thanks to Bruce Carnegie-Brown, who stepped down as Non-Executive Director of the Board in April 2009 following his resignation from 3i.

Finally, on behalf of the Board I would also like to thank our employees for their excellent efforts, and our shareholders, provider partners and most importantly our clients for their continued support.

David Walker
Chairman

Consolidated balance sheet As at 30 September 2009

Operating and financial review

The economic climate that has prevailed throughout the year has had a considerable impact on the Group's corporate and personal clients. The Group remains very closely aligned to the economic health of our clients and as such this has resulted in a tough trading environment. During this period, the Group has made considerable strides towards realigning its operational capabilities whilst reducing its cost base where needed.

The year to 30 September 2009 was one in which we embraced considerable change, enjoyed growth in some areas and made difficult choices in others. The results for the year show increases in revenue but reductions in earnings before interest, tax, depreciation, amortisation and exceptional costs (EBITDAE).

Financial results

In the year ended 30 September 2009 the Group increased its revenue by 11% to £70.3m (2008: £63.1m); EBITDAE decreased by 20% to £8.1m (2008: £10.1m). The EBITDAE margin was 11% (2008: 16%). The operating loss was £9.7m (2008: £5.1m profit), primarily as a result of amortisation of intangibles relating to acquisitions of £4.7m (2008: £3.6m), reorganisation and rationalisation costs of £4.8m (2008: £0.7m), impairments in respect of the goodwill within the wealth management business of £7.3m (2008: £nil) and £0.2m (2008: £nil) on the commercial finance business, which is included in the insurance segment.

The Group generated cash from operations of £8.7m (2008: £10.5m). Positive operating cash flow has continued to enable the Group to meet its deferred acquisition liabilities during the year; the deferred consideration payments arising from past acquisitions should be substantially reduced by the end of 2010. The Group has recently concluded negotiations to put in place a new five year debt facility. This replaces the existing bank loan and will provide the business with a strong foundation to meet its obligations as they fall due and for future growth. The new five year facility is governed by a set of three covenants, all of which have significant headroom, based on the Group's current projections.

Margins have continued to come under pressure due to the difficult trading conditions. As part of the Group's drive for cost efficiency, and to help lessen the impact of the market downturn, management have enacted a number of measures, which have resulted in some employees leaving and in the streamlining of our office network. The costs in respect of these changes contributed to the exceptional reorganisation and rationalisation charge of £4.8m.

Consolidated shareholders' funds as at 30 September 2009 amounted to £66.0m (2008: £75.4m). Basic underlying earnings per share is 7.0p (2008: 13.9p) and basic loss per share amounted to 20.0p (2008: earnings per share of 6.1p).

Current Trading and Prospects

On 12 February, the Group was pleased to announce that it had signed new senior debt facilities of £24 million with a five year term. The margin on the facility will be six per cent above 12month LIBOR once the debt has been reduced by £8.0m. If no reduction is made then the margin will be eight per cent above 12month LIBOR but the company has agreed to make every effort to effect such a reduction by 31st March 2010. Deferred consideration liabilities, stood at £8.6 million at 30 September 2009 and it is expected that this will have been paid down to below £1 million by the end of this year. Some £2.9 million of the reduction in the current year is expected to be effected by a swap into equity with the remainder paid in cash.

Annualised cost efficiencies of approximately £2.8 million have been achieved, of which approximately £1 million were reflected in the results for the year ending 30 September 2009. Whilst the majority of the associated exceptional costs of this streamlining fell into the year ended 30 September 2009, approximately £0.5 million of associated exceptional costs will fall in the current year. The benefits of

these efficiencies will continue to be felt and, although the current economic conditions mean that the Board remains cautious for the current year, the Board is encouraged that the year to date results are slightly ahead of management's expectations.

The Company is in advanced discussions regarding a possible placing of new ordinary shares to raise in the region of £17 million with institutional and other placees. It is expected that any placing would be conducted at or around the price of 36 pence per ordinary share and would be subject to shareholder approval at a General Meeting.

Dividend policy

The Directors do not recommend the payment of a dividend (2008: nil). The Directors intend to commence payment of dividends only when it becomes commercially prudent to do so. Consideration will be given to:

- The maximisation of shareholder value
- The availability of the Group's distributable profits and cash
- The level of retained funds, required to finance future growth
- Meeting regulatory capital adequacy requirements

Strategy

The Group aims to continue to build a leading independent corporate intermediary business providing a broad range of services to the SME and corporate business sectors and related private individual market.

The principles of the Group strategy are:-

- Maintenance of a strong client focus
- Strategic and trading relationships with our provider partners
- Prudent management of the Group's financial resources on behalf of our shareholders
- The development of our people to deliver high value service to our clients
- Embedding cross referral of clients within our culture
- Clear and consistent communication with all stakeholders

Throughout 2009, the Group has pursued a growth strategy focused on organic opportunities and cross selling. During this period the Board felt it was prudent not to pursue acquisitions due to inappropriate pricing of possible acquisition targets and the determination to preserve our financial resources.

Group management

We have continued regular reviews of our operating areas to identify and implement appropriate strategies and management structures that support and reflect the wider business environment and client needs.

The experience, breadth and continuity of the Group's management team puts us in a strong position to further increase revenue and enhance profitability over the coming 12 months and beyond.

Review of operations

During 2009 the business continued to be conducted through business segments, each reporting to Managing Directors who have responsibility for the profit and loss account and autonomy in the day-to-day running of their business. We have moved towards three core businesses: Insurance, employee benefits and wealth management.

Each of these business segments is monitored against key performance indicators (KPIs), which include revenue, EBITDAE and EBITDAE margin. In addition the Group monitors its earnings per share. The performance of each business segment is included within the following review:

Insurance

This business provides insurance broking services to corporate and personal clients. It offers independent advice on all aspects of general insurance, including risk assessments, designing insurance programmes, reviewing existing insurance arrangements and claims management.

The commercial finance operation is incorporated in the results of this segment due to its immateriality. It provides specialist advice on all aspects of commercial finance, including property, asset, vehicle and invoice finance. The goodwill in respect of this operation of £0.2m (2008: nil) was impaired in the year.

This year saw The Purple Partnership Limited, the Group's network for independent brokers, which is included within the insurance business segment, exceed its targets and continue to build its membership base. Revenue has increased by 78% to £0.3m in its second year of operation. Utilising the buying power of the Group, Purple's success has been based on working together with our insurer partners to develop bespoke products with enhanced terms for our members. Access to this broad range of products and services lends Purple's members an advantage in the competitive broker community, especially in the current trading climate.

Revenue for the Insurance segment as a whole has increased by 20% to £43.72m (2008: £36.48m), whilst EBITDAE has decreased by 16% to £5.17m (2008: £6.18m). EBITDAE margin is 12% (2008: 17%). Operating loss is £1.30m (2008: £2.68m profit).

The insurance business operates in 31 locations and represents 62% of the Group's revenue.

Employee benefits

The Employee benefits business comprises a range of services including group pensions, group risk and healthcare.

The non-healthcare part of the business provides a range of services and advice to large and small businesses in respect of benefit design (including risk and pension benefits), communication and implementation. This proposition has been further strengthened by the ongoing development of a market-leading online benefits management system for employers.

The healthcare business provides advice on health-related employee benefits such as private medical insurance. Core clients for this business are owner-managed enterprises based in England and Wales. The business also provides specialist fee-based advice to larger companies, encompassing wider healthcare related issues such as absence management and occupational health.

Revenue for Employee benefits has increased by 4% to £18.27m (2008: £17.64m), whilst EBITDAE has decreased to £3.08m (2008: £3.34m). EBITDAE margin is 17% (2008: 19%). Operating profit is £0.57m (2008: £2.48m).

The employee benefits business primarily operates in seven locations and represents 26% of the Group's revenue.

Wealth management

This business provides independent wealth management services, including investment planning, portfolio management and retirement planning advice to individuals, especially entrepreneurs. It remains the most challenged in the current investment climate, and we have taken steps to reduce costs in light of the market.

Revenue for Wealth management has decreased by 8% to £8.30m (2008: £9.03m); EBITDAE has decreased by 134% to negative £0.19m (2008: positive £0.55m). EBITDAE margin is negative 2% (2008: positive 6%). Operating loss is £8.98m (2008: profit of £0.08m) following impairment of acquisition goodwill of £7.26m. At the end of the trading year, the business has over £240m (2008: £200m) of client funds on third-party investment (wrap) platforms.

The wealth management business operates in 8 locations and represents 12% of the Group's revenue.

Chartered Status

During 2009 we retained the prestigious "Chartered Financial Planners" status for our Wealth Management business. This status is a mark of professionalism within this sector and we are looking to extend it to other parts of the Group.

Integration

At the end of this financial year we reduced the number of separate FSA regulated entities from thirteen in 2008 to eight. Rationalisation will continue during this financial year as we look to further the progress of integration of our acquired businesses.

The careful and measured integration of businesses coupled with matching people's career aspirations has meant that staff retention and morale remain strong, underpinning an emerging culture which is evident throughout the Group.

Jelf in the Community

Due to the efforts of staff members across the Group, in excess of £20,000 has been raised to support local charities in England and Wales. This is in addition to the £13,000 contributed by the Group.

Organisational development

The Group, as at 30 September 2009, operated out of 34 locations (2008: 37) and staff numbers at the end of the year have decreased by 5% to 1,087 (2008: 1,138). The Group has continued to invest in its infrastructure to ensure that we develop support for our primary asset; the people within the business, whilst also creating capacity for future growth.

Our property strategy is to use lease break clauses as an opportunity to reduce the rent roll and to co-locate teams to maximise the cross-referral potential. The recent investments in our Reading and Bath premises and the proposed move of our Manchester office are good examples.

Organic growth

On a like for like basis, the business retained 95% of its revenues from its non-acquisition business and this figure grows to 97% when excluding the Wealth Management business. These results represent good performance given the market context. The healthcare business within Employee Benefits bucked the general trend by achieving an organic growth rate of 11.3% (2008: 7.5%).

Awards

I am delighted to confirm that Jelf again has won recognition within the employee benefits sector by being awarded the following:-

- Health Insurance Magazine's Intermediary of the Year
- Best Training and Development Intermediary
- Best Intermediary SME Proposition

People

The Board continues to be inspired at the dedication and hard work shown by all the employees within the Group. During this financial year, the Group has had to face considerable change and a difficult business environment, and I am pleased to be in a position to be able to report that they have risen to the challenge.

The future

Jelf remains determined to be responsive to the needs of our clients and improve the underlying efficiency of our business. We will continue to develop products and services with our provider partners as required by clients.

We remain confident that, by meeting the needs of our clients, the Group will be in a position to prosper over the coming months and years.

Alex Alway

Group Chief Executive

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Consolidated Balance Sheet

As at 30 September 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Goodwill	6	57,088	73,972
Intangible assets	7	51,593	56,180
Property, plant and equipment	8	2,889	3,160
Available for sale investments	9	86	76
		111,656	133,388
Current assets			
Trade and other receivables	10	11,358	14,289
Cash and cash equivalents *	11	18,747	21,832
		30,105	36,121
Total assets		141,761	169,509
Current liabilities			
Trade and other payables	12	(26,238)	(26,101)
Deferred consideration		(5,931)	(13,578)
Bank loans	17	(498)	(498)
Income tax liabilities		(370)	(2,670)
Deferred income tax liabilities	16	(1,272)	(1,272)
Short-term provisions	15	(1,504)	-
		(35,813)	(44,119)
Net current liabilities		(5,708)	(7,998)
Non-current liabilities			
Trade and other payables	12	(6)	(46)
Deferred consideration		(2,712)	(12,513)
Bank loans	17	(23,151)	(22,663)
Deferred income tax liabilities	16	(12,890)	(13,686)
Long-term provisions	15	(107)	(1,029)
Derivative financial instruments	13	(1,036)	(14)
		(39,902)	(49,951)
Total liabilities		(75,715)	(94,070)
Net assets		66,046	75,439
Equity			
Share capital	19,20	498	498
Share premium	20	54,852	54,850
Merger reserve	20	10,742	10,742
Other reserves	20	1,844	712
Retained earnings	20	(1,890)	8,637
Total equity		66,046	75,439

* Included within cash and cash equivalents is fiduciary cash of £16,490,000 (30 September 2008: £18,161,000).

The notes on pages 44 to 71 form an integral part of the consolidated financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 24/02/2010. They were signed on its behalf by:

Alex Alway
Group Chief Executive

John Harding
Group Finance and Operations Director

Consolidated income statement
For the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Revenue	5	70,287	63,147
Cost of Sales		(4,839)	(4,758)
Gross Profit		65,448	58,389
Administrative expenses		(75,151)	(53,308)
Operating (loss) / profit		(9,703)	5,081
Operating (loss) / profit consists of:			
Earnings before interest, taxation, depreciation, amortisation and exceptional costs (EBITDAE)	5	8,065	10,066
Depreciation of property, plant and equipment	8	(865)	(738)
Amortisation of intangible fixed assets	7	(4,698)	(3,581)
Group reorganisation and rationalisation costs	22	(4,753)	(666)
Impairment charges	6	(7,452)	-
Investment revenues	23	80	308
Finance costs	24	(1,704)	(1,875)
(Loss) / profit before income tax		(11,327)	3,514
Income tax credit /(expense)	25	1,479	(1,081)
(Loss) / profit for the year	26	(9,848)	2,433
(Loss) / earnings per share attributable to equity holders of the Company			
Basic (pence)	27	(20.0)	6.1
Diluted (pence)	27	(20.0)	6.0

All results are derived from continuing operations

Consolidated statement of recognised income and expense
For the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Vesting of Employee Benefits Trust shares	20	(679)	-
Loss on cash flow hedges (net of tax)	20	(732)	(14)
Net expense recognised directly in equity		(1,411)	(14)
(Loss) / profit for the year	20	(9,848)	2,433
Total recognised income and expense for the year		(11,259)	2,419

Consolidated cash flow statement
For the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from operations	28	8,683	10,538
Interest paid		(1,710)	(1,642)
Taxation paid		(1,892)	(2,817)
Net cash flow from operating activities		5,081	6,079
Cash flows from investing activities			
Interest received		80	276
Proceeds on disposal of property, plant and equipment		32	-
Purchase of property, plant and equipment		(650)	(892)
Purchase of intangible assets		(109)	(279)
Purchase of own shares		(167)	(725)
Acquisition of subsidiaries and businesses ¹		25	(35,354)
Deferred consideration paid		(7,899)	(4,724)
Net cash flow used in investing activities		(8,688)	(41,698)
Cash flows from financing activities			
Repayments of bank loans		-	(23,870)
Repayments of obligations under finance leases		(51)	(43)
Proceeds on issue of shares (net of expenses)		-	44,994
New bank loans raised (net of expenses)		573	27,100
Net cash flow from financing activities		522	48,181
Net (decrease) / increase in cash and cash equivalents		(3,085)	12,562
Cash and cash equivalents at beginning of year		21,832	9,270
Cash and cash equivalents at end of year ²	11	18,747	21,832

¹ Cash inflow from the acquisition of subsidiaries and businesses for 2009 has been shown net of a £63,000 receipt relating to a net asset settlement on a previous acquisition.

² Included within cash and cash equivalents is fiduciary cash of £16,490,000 (30 September 2008: £18,161,000).

Notes to the consolidated financial statements

1. General information

Jelf Group plc is an AIM listed company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given in note 32. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement, the Operating and Financial Review and the Directors' Report.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 24 February 2010.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Basis of preparation

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and the AIM rules.

These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

3. Accounting policies

Standards and Interpretations effective in 2009

- IFRS 8 Operating segments replaces IAS 14 Segment Reporting. The new standard requires a management approach, under which segment information is

presented on the same basis as that used for internal reporting purposes.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 October 2009 or later periods, but the Group has not early adopted them:

- IFRS 7 'Financial instruments – Disclosures' (amendment), effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
 - IAS 1 (revised). 'Presentation of financial statements', effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group will present in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity will be presented in the consolidated statement of comprehensive income.
- Comparative information will be re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company will adopt IFRS 2 (amendment) from 1 October 2009. The amendment will not have a material impact on the Group or Company's financial statements.
 - IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution

Notes to the consolidated financial statements

- in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 October 2009. It is not expected to have a material impact on the Group or Company's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 October 2009.
 - IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 October 2010.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.
 - IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 October 2009. It is not expected to have a material impact on the Group or Company's financial statements.
 - IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS 1 (amendment) from 1 October 2009. It is not expected to have a material impact on the Group or Company's financial statements.
- IAS39 (amendment) Financial instruments: recognition and measurement. The amendment to the standard is still subject to endorsement by the EU. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit and loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash-flow or net investment hedge. The Group will apply the IAS 39 amendment from 1 October 2009, but it is not expected to have a material impact on the Group income statement.
- Basis of consolidation**
The consolidated financial statements incorporate the financial statements of the

Notes to the consolidated financial statements

Company and all Group undertakings.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The results of subsidiary undertakings acquired or disposed of are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement as negative goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also

eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition

Broking Income

Income is recognised on a receivable basis. Revenue represents commissions and fees due with reference to the commencement date of the insurance policy or other product taken out by clients.

Where there is an expectation of future servicing requirements an element of income relating to the policy is deferred to cover the associated contractual obligation.

Investment returns

Investment returns on fiduciary cash balances held are credited to revenue on an accruals basis, subject to the terms of business agreed with the client.

Other services

Fees and other income receivable, including profit share and commission overrides, are recognised in the period to which they relate and when they can be measured with reasonable certainty, and all servicing obligations have been met.

Operating profit

Operating profit is stated before investment revenues and finance costs.

Exceptional costs

Exceptional costs are those items which are separately disclosed by virtue of their size or nature to enable a better understanding of the Group's financial performance.

Transactions which may give rise to exceptional costs principally relate to Group reorganisation and integration costs including rationalisation of premises and IT systems as well as redundancy costs and impairment (see below).

Segmental reporting

The Directors have identified three business sectors: insurance, employee benefits and wealth management. Business segment data includes an allocation of corporate costs to the segment. There are no sales between business segments.

Goodwill

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, is recognised as an asset. Goodwill is reviewed for impairment at least annually and any impairment will be recognised in the income statement and may not be subsequently reversed. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to reported operating segment.

Intangible Assets

Notes to the consolidated financial statements

Client Books of Business

Acquired businesses are reviewed to identify assets that meet the definition of an intangible asset per IAS 38 'Intangible Assets'. Examples of such assets include customer relationships and expectations of business renewal. These assets are valued on the basis of the present value of future cash flows and are amortised to the income statement on a straight-line basis over the life of the contract or their estimated economic life. The current maximum estimated economic life of these assets is 13 years.

Computer Software

Computer software, which is not an integral part of the related hardware, is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over their useful economic life. The current maximum estimated economic life of these assets is five years.

Property, plant and equipment

Assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of assets, less their estimated residual value, over their expected useful lives on the following basis:

Land and buildings <i>Straight line</i>	2%
Motor vehicles <i>Reducing balance</i>	25%
Fixtures and fittings <i>Reducing balance</i>	15%
Computer equipment <i>Straight line</i>	20%

Impairment of goodwill, property, plant and equipment, intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its plant, property

and equipment and intangible assets (including goodwill) to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment is recognised as an expense immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset

(cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Investments are stated at cost less any impairment.

Leasing and finance leasing

Assets held under leasing agreements, which transfer substantially all the risks and rewards of ownership to the Group are included in property, plant and equipment. The capital elements of the related lease obligations are included in liabilities. The interest elements of the lease obligations are charged to the income statement over the period of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Current and deferred income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is

Notes to the consolidated financial statements

calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is charged or credited to equity in respect of any items, which is itself either charged or credited directly to equity. Any subsequent recognition of the deferred gain or loss in the consolidated income statement is accompanied by the corresponding deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Derivative financial instruments and hedging activities

Financial instruments are defined as: "Any contract which gives rise to a financial asset of one entity and a financial liability of another".

Financial assets and liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivatives

The Group only enters into derivative financial instruments in order to hedge underlying commercial exposures.

Hedge Accounting

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Insurance broking debtors and creditors

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of

this relationship, debtors from insurance broking transactions are not included as an asset of the Group.

Other than the receivable amount for fees and commissions earned on a transaction, which is included within trade receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated balance sheet as part of trade receivables.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other

Notes to the consolidated financial statements

short-term highly liquid investments with original maturities of three months or less. Included within cash and cash equivalents is fiduciary cash held on behalf of clients or insurers.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

Deferred and contingent consideration

Deferred and contingent consideration is included at the Directors' best estimate of the amounts which will be payable. This amount is reviewed on an annual basis.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Employee benefits

Share based payment

Shares awarded through the Jelf Group plc Employee Benefit Trust ('EBT') are accounted for in accordance with IFRS 2 'Share-

based payment'. A period of continued employment is required before the relevant employees become unconditionally entitled to the shares awarded. The cost of the awards is spread over this period. The amount recognised is based on the fair value of shares at the date the award is made.

Own shares held by the EBT are accounted for in accordance with IFRS 2 Share-based payment:

- Until such time as the Company's own shares held by the EBT vest unconditionally to employees, the consideration paid for the shares is deducted from the Group and Company profit and loss account in arriving at shareholders' funds.
- Consideration paid or received for the purchase or sale of the Company's own shares are shown as separate amounts in the reconciliations of movements in shareholders' funds.
- Any dividend income arising on own shares is excluded in arriving at profit before tax and deducted from dividends paid and proposed.
- Other assets and liabilities of the EBT are recognised as the assets and liabilities of the Group and Company.

Finance costs and any administration expenses of the EBT are charged as they accrue.

In accordance with the transitional provisions, IFRS 2 has been applied to all the grants of equity instruments after 7 November 2002, that were unvested at 1 January 2006. The fair value of share options is recognised as an expense on a straight line basis over the vesting period. Where

the options are granted as part of the consideration for an acquisition, the fair value is capitalised. For share option agreements where the number of options is dependent on performance, an estimate is made of the number of options that will be granted at the end of the performance period. This estimate is reviewed each accounting period. The fair value of share options granted by the Company is usually measured using the Black-Scholes model. For certain options with market conditions, Monte Carlo simulations are performed to measure fair value. The expected life in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

Pensions

The Group operates a number of defined contribution pension schemes for employees and certain of its Directors and the pension charge represents the amounts payable by the Group to the fund in respect of the period. The Group also makes contributions to the personal pension plans of Directors and certain employees. These are charged to the income statement as they arise.

4. Critical accounting estimates and judgements

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historic experience and other factors that are considered to be relevant and are reviewed on an

Notes to the consolidated financial statements

ongoing basis. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The Directors have considered the key assumptions used to estimate the Group's assets and liabilities as at the balance sheet date, and believe these assumptions to be entirely appropriate. The estimates and judgements most likely to have a significant effect are in the following areas:

Goodwill and impairment

The Group performs annual impairment tests, to verify whether goodwill and other assets that have indefinite useful lives have suffered any impairment, and all other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the asset exceeds its recoverable amount. Impairment testing requires a number of assumptions to be made about future cash-flows, including estimating a post-tax discount rate.

There is an impairment charge for the year of £7,452,000. The post-tax discount rate applied to the cash flows would have to be 1% higher than the Directors' estimations to give rise to any further impairment. More information on the impairment testing performed is shown in Note 6.

Intangible assets

When new entities are acquired by the Group, the client books of those acquisitions are valued using a discounted cash-flow methodology. There are significant judgements involved in estimating the assumptions underlying these calculations: most notably the size and timing of the relevant cash-flows and the applicable discount rate. These assets are capitalised and then amortised over the expected useful economic life of the book; the life of these assets is based on the expected retention rate of the clients.

Share-based payments

Various assumptions are required in order to calculate the charge for the year; for option based awards, these assumptions are then applied to

option pricing models. The key assumptions relate to the future performance of the Group, the number of employees likely to remain employed for the duration of the scheme and the volatility of the Group's share price. These assumptions are shown in Note 18.

Deferred consideration

When new entities are acquired by the Group, it is common for part of the purchase consideration to be deferred and contingent on future events. Estimates are required in respect of the amount of deferred contingent consideration, which is determined according to formulae agreed at the time of the business combination, and normally related to the projected future revenues of the acquired business. The Directors review these estimates at each balance Sheet date. At 30 September 2009 the Group has outstanding deferred consideration payable amounting to £8,643,000 (2008: £26,091,000) of which £2,808,000 (2008: £5,156,000) was contingent on the results of the acquired business.

Notes to the consolidated financial statements

5. Segmental Reporting

The Directors have determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

All revenue arose within the United Kingdom. No secondary segment information is therefore given. Segment information about these businesses is presented below.

Year-ended 30 September 2009	Insurance £'000	Employee benefits £'000	Wealth management £'000	Total £'000
Revenue	43,722	18,266	8,299	70,287
Operating (loss) / profit	(1,299)	573	(8,977)	(9,703)
<i>Operating (loss) / profit consists of:</i>				
EBITDAE	5,173	3,077	(185)	8,065
Group reorganisation and rationalisation costs	(1,729)	(1,618)	(1,406)	(4,753)
Depreciation of property, plant and equipment	(538)	(221)	(106)	(865)
Amortisation of intangible fixed assets	(4,011)	(665)	(22)	(4,698)
Impairment charges	(194)	-	(7,258)	(7,452)
Investment revenues				80
Finance costs				(1,704)
Loss before income tax				(11,327)
Income tax credit				1,479
Loss for the year				(9,848)

Year-ended 30 September 2008	Insurance £'000	Employee benefits £'000	Wealth management £'000	Total £'000
Revenue	36,479	17,638	9,030	63,147
Operating profit / (loss)	2,680	2,476	(75)	5,081
<i>Operating profit / (loss) consists of:</i>				
EBITDAE	6,175	3,343	548	10,066
Group reorganisation and rationalisation costs	(433)	(99)	(134)	(666)
Depreciation of property, plant and equipment	(384)	(176)	(178)	(738)
Amortisation of intangible fixed assets	(2,678)	(592)	(311)	(3,581)
Impairment charges	-	-	-	-
Investment revenues				308
Finance costs				(1,875)
Profit before income tax				3,514
Income tax expense				(1,081)
Profit for the year				2,433

It is not practicable to separately identify the investment revenues, finance costs and income tax credit or expense for each of the segments. Accordingly, consolidated figures have been presented.

Notes to the consolidated financial statements

<i>Balance sheet</i>	2009	2008
	£'000	£'000
Segment assets		
Insurance	108,509	119,567
Employee benefits	25,684	32,376
Wealth management	6,543	15,843
Unallocated	1,025	1,723
	141,761	169,509
Segment liabilities		
Insurance	(60,218)	(61,123)
Employee benefits	(12,286)	(25,657)
Wealth management	(3,211)	(7,290)
	(75,715)	(94,070)
Other information		
Capital additions		
Insurance	414	531
Employee benefits	167	240
Wealth management	78	132
	659	903

6. Goodwill

	2009	2008
	£'000	£'000
Cost and net book value		
At 1 October	73,972	33,246
Acquisitions	-	40,726
Adjustments	(9,432)	-
Impairment	(7,452)	-
At 30 September	57,088	73,972

Adjustments relate to the revaluation of the Group's estimate of contingent consideration due on acquired businesses.

Notes to the consolidated financial statements

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the business segment. Impairments arose on goodwill in our wealth management segment and on the commercial finance business disclosed within the insurance segment. A summary of the goodwill allocated and impairment is presented below.

	2008	Adjustments	Impairment	2009
	£'000	£'000	£'000	£'000
Insurance	55,176	(8,695)	(194)	46,287
Employee Benefits	11,774	(1,207)	-	10,567
Wealth Management	7,022	470	(7,258)	234
	73,972	(9,432)	(7,452)	57,088

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the following estimated rates.

	2009	2008
Growth rate ¹	2.25%	2.25%
Discount rate ²	12.5%	12.4%

¹ Average growth rate used to extrapolate cash flows beyond five years (2008: two years)

² Post-tax discount rate applied to the cash flow projections

Key assumptions used in value in use calculations

The budgeted growth in trading profits is determined by management based on past experience and its expectation for the market development. The discount rates used are post-tax and reflect specific risks relevant to the group.

Notes to the consolidated financial statements

7. Intangible assets

	Computer software £'000	Client books of business £'000	Total £'000
Cost			
At 1 October 2008	769	60,565	61,334
Additions	111	-	111
Disposals	(1)	-	(1)
At 30 September 2009	879	60,565	61,444
Accumulated amortisation			
At 1 October 2008	229	4,925	5,154
Amortisation charge	155	4,543	4,698
Disposals	(1)	-	(1)
At 30 September 2009	383	9,468	9,851
Net book value			
At 30 September 2009	496	51,097	51,593
At 30 September 2008	540	55,640	56,180

Impairment tests for intangible assets

Intangible assets are allocated to the Group's cash generating units (CGUs) identified according to the business segment. A summary of the allocations is presented below.

	2009 £'000	2008 £'000
Insurance	38,609	42,422
Employee Benefits	8,162	9,159
Wealth Management	4,822	4,599
	51,593	56,180

Disclosures regarding the assumption used in the impairment test are presented in note 6.

Notes to the consolidated financial statements

8. Property, plant and equipment

	Land and Buildings £'000	Motor Vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 October 2008	88	171	5,489	5,748
Additions	16	-	643	659
Disposals		(84)	(840)	(924)
At 30 September 2009	104	87	5,292	5,483
Accumulated Depreciation				
At 1 October 2008	6	35	2,547	2,588
Charge for the year	20	25	820	865
Disposals	-	(19)	(840)	(859)
At 30 September 2009	26	41	2,527	2,594
Net book value				
At 30 September 2009	78	46	2,765	2,889
At 30 September 2008	82	136	2,942	3,160

The group leases various motor vehicles, fixtures, fittings and equipment under non-cancellable finance lease agreements. The net book value of property, plant and equipment held under finance leases is as follows:

	2009 £'000	2008 £'000
Motor vehicles, fixtures, fittings and equipment	-	32

9. Available for sale investments

	2009 £'000	2008 £'000
Cost and net book value		
At 1 October	76	131
Acquisitions	-	9
Fair value adjustment	-	(70)
Additions	10	12
Disposals	-	(6)
At 30 September	86	76

The fair value adjustment in the prior year relates to a minority interest held by the Lampier Group.

Notes to the consolidated financial statements

10. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	9,103	11,975
Less: Provision for bad and doubtful debt	(834)	(300)
Trade receivables – net	8,269	11,675
Deferred tax asset (note 16)	431	-
Other debtors	166	555
Prepayments and accrued income	2,492	2,059
	11,358	14,289

All trade and other receivables are current.

Movements on the Group's provision for bad and doubtful debts are as follows:

	2009 £'000	2008 £'000
At 1 October	300	115
Acquisitions	-	35
Increase in provision	534	150
At 30 September	834	300

The following table sets out the age of trade receivables. The Group does not hold any collateral over these balances.

	Trade receivables £'000	Provision for bad and doubtful debt £'000	Trade receivables - net £'000
30 September 2009			
Not overdue	3,794	(31)	3,763
Past due but not more than three months	2,334	(101)	2,233
Past due more than three months and not due more than six months	1,383	(169)	1,214
Past due more than six months and not due more than one year	1,496	(477)	1,019
Past due more than one year	96	(56)	40
	9,103	(834)	8,269
	Trade receivables £'000	Provision for bad and doubtful debt £'000	Trade receivables - net £'000
30 September 2008			
Not overdue	7,220	-	7,220
Past due but not more than three months	2,016	-	2,016
Past due more than three months and not due more than six months	1,709	-	1,709
Past due more than six months and not due more than one year	762	(54)	708
Past due more than one year	268	(246)	22
	11,975	(300)	11,675

Notes to the consolidated financial statements

11. Cash and cash equivalents

	2009	2008
	£'000	£'000
Cash at bank and on hand		
Fiduciary	16,490	18,161
Own funds	2,257	3,671
	18,747	21,832

Fiduciary cash comprises client money held in statutory or non-statutory trust accounts.

The credit quality of cash at bank can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

	2009	2008
	£'000	£'000
AA ¹	-	17,951
A ²	18,747	3,881
	18,747	21,832

¹ 2008: Royal Bank of Scotland plc, Barclays Bank plc and Lloyds Banking Group plc

² Royal Bank of Scotland plc, Barclays Bank plc and Lloyds Banking Group plc (2008: HBOS plc)

12. Trade and other payables

	2009	2008
	£'000	£'000
Current		
Trade creditors	1,584	1,591
Insurance broking creditors	11,791	16,037
Other tax and social security	1,008	1,027
Obligations under finance leases	16	78
Other creditors	735	837
Accruals and deferred income	11,104	6,531
	26,238	26,101
Non-current		
Obligations under finance leases	-	15
Other creditors	6	31
	6	46

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lesser in the event of default.

Notes to the consolidated financial statements

	2009 £'000	2008 £'000
Gross finance lease liabilities – minimum lease payments		
Within one year	18	64
In the second to fifth year inclusive	-	15
	18	79
Less: future finance charges	(2)	(11)
Present value of finance lease liabilities	16	68
Present value of minimum lease payments		
Within one year	16	56
In the second to fifth year inclusive	-	12
Present value of finance lease liabilities	16	68

13. Derivative financial instruments

	2009		2008	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate swaps – cash flow hedges	-	(1,036)	-	(14)

The credit quality of derivative financial assets can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates:

	2009		2008	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
AA	-	-	-	(14)
A	-	(1,036)	-	-
Total	-	(1,036)	-	(14)

The Group uses interest rate swaps to manage the market risk arising from holding floating rate bank loans. The notional principal amount of the outstanding interest rate swap contract at 30 September 2009 was £10m (30 September 2008: £10m). The fixed interest rate implicit in the contract is 4.99% and the bank loan carries a floating rate linked to LIBOR. These interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been recognised in equity.

Trading derivatives are classified as a current asset or liability where they mature within 12 months. Trading derivatives maturing after a period in excess of 12 months are classified as non-current.

The interest rate swap is non-current. In February 2010 the interest rate swap was settled. Further details are disclosed in note 33.

Notes to the consolidated financial statements

14. Financial instruments

	Loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
30 September 2009	£'000	£'000	£'000	£'000	£'000
Assets per balance sheet					
Available for sale investments	-	-	86	-	86
Trade and other receivables	11,358	-	-	-	11,358
Cash and cash equivalents	18,747	-	-	-	18,747
	30,105	-	86	-	30,191
Liabilities per balance sheet					
Bank loans	-	-	-	(23,649)	(23,649)
Deferred consideration	-	-	-	(8,643)	(8,643)
Trade and other payables	-	-	-	(26,244)	(26,244)
Income tax liabilities	-	-	-	(370)	(370)
Derivative financial instruments	-	(1,036)	-	-	(1,036)
	-	(1,036)	-	(58,906)	(59,942)

	Loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
30 September 2008	£'000	£'000	£'000	£'000	£'000
Assets per balance sheet					
Available for sale investments	-	-	76	-	76
Trade and other receivables	14,289	-	-	-	14,289
Cash and cash equivalents	21,832	-	-	-	21,832
	36,121	-	76	-	36,197
Liabilities per balance sheet					
Bank loans	-	-	-	(23,161)	(23,161)
Deferred consideration	-	-	-	(26,091)	(26,091)
Trade and other payables	-	-	-	(26,147)	(26,147)
Income tax liabilities	-	-	-	(2,670)	(2,670)
Derivative financial instruments	-	(14)	-	-	(14)
	-	(14)	-	(78,069)	(78,083)

The Directors consider that the carrying value of financial instruments approximate fair value.

The tables below set out the contractual cash flows attaching to the Group's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group can be required to pay.

The trade and other receivables are due from a number of sources and therefore the exposure to any one single party is considered low.

Notes to the consolidated financial statements

	1 - 6 months	6 months to 1 year	1 - 5 years	5+ years	Total
30 September 2009	£'000	£'000	£'000	£'000	£'000
Bank loans	498	-	23,800	-	24,298
Deferred consideration	3,603	2,328	2,712	-	8,643
Trade and other payables	26,238	-	6	-	26,244
Income tax liabilities	370	-	-	-	370
	30,709	2,328	26,518	-	59,555

	1 - 6 months	6 months to 1 year	1 - 5 years	5+ years	Total
30 September 2008	£'000	£'000	£'000	£'000	£'000
Bank loans	498	-	23,000	-	23,498
Deferred consideration	6,269	7,309	12,513	-	26,091
Trade and other payables	26,079	22	46	-	26,147
Income tax liabilities	2,670	-	-	-	2,670
	35,516	7,331	35,559	-	78,406

15. Provisions

	Short-term employee benefits provision £'000	Clawback provision £'000	Group reorganisation and rationalisation provision £'000	Other provisions £'000	Total £'000
At 1 October 2008	203	215	463	148	1,029
Charged in the income statement	251	229	830	186	1,496
Utilised in the year	(203)	(215)	(463)	(33)	(914)
At 30 September 2009	251	229	830	301	1,611
At 1 October 2007	37	130	-	-	167
Acquisitions	69	93	-	71	233
Charged to income statement	97	4	463	170	734
Utilised in this year	-	(12)	-	(93)	(105)
At 30 September 2008	203	215	463	148	1,029

These can be analysed as follows:

	2009 £'000	2008 £'000
Current	1,504	-
Non-current	107	1,029
	1,611	1,029

Non-current provisions relate to certain clawback and other provisions.

The short-term employee benefits provision relates to the cost of holidays due to staff but not taken. Clawback provisions are in respect of potential repayment of commission received on indemnity terms.

Notes to the consolidated financial statements

The Group reorganisation provision relates to reorganisation and rationalisation costs expected to be incurred as a result of combining and restructuring operations. These costs are not associated with the ongoing activities of the Group.

Other provisions relate to potential client redress and dilapidations on various leased properties.

16. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The offset amounts are as follows:

	2009 £'000	2008 £'000
<i>Deferred tax assets:</i>		
Deferred tax asset to be recovered after more than 12 months	431	587
Deferred tax asset to be recovered within 12 months	-	-
	431	587
Offset against liabilities	-	(587)
Deferred tax assets (note 10)	431	-
<i>Deferred tax liabilities:</i>		
Deferred tax liability to be recovered after more than 12 months	(12,890)	(14,273)
Offset against liabilities	-	587
	(12,890)	(13,686)
Deferred tax liability to be recovered within 12 months	(1,272)	(1,272)
	(14,162)	(14,958)
Net tax liabilities	(13,731)	(14,958)

The movement in the net deferred income tax assets and liabilities during the year is as follows:

	At 1 Oct 2008 £'000	(Credit) / (charge) to income £'000	Charge to equity £'000	Reclass in respect of prior years £'000	At 30 Sept 2009 £'000
Accelerated capital allowances	235	(272)	-	(26)	(63)
Intangibles	(15,545)	1,446	-	-	(14,099)
Other	352	(211)	290	-	431
Net tax liabilities	(14,958)	963	290	(26)	(13,731)

Notes to the consolidated financial statements

17. Bank loans

	2009	2008
	£'000	£'000
Bank loans		
Current	498	498
Non-current	23,151	22,663
	23,649	23,161

The Group has undrawn committed borrowing facilities at 30 September 2009 of £11,200,000 (2008: £17,000,000).

The bank loan facility floats at a rate of between 1.75% and 3% above LIBOR. The current portion of the bank debt is repayable in March 2010 and the non-current debt is repayable between 2011 and 2013. The loan is secured by an unlimited inter-company composite guarantee over the trading companies within the Group. The facility terms and conditions include common debt and interest cover covenants.

In February 2010 the Group repaid the bank loans and entered into a £24m commercial loan arrangement over 5 years. As at 24 February 2010 the non-current debt drawn down under this facility was £24m. See note 33 for further details.

The exposure of the bank loans of the Group to interest rate changes and the periods in which the borrowings re-price are as follows. The element which re-prices after 5 years relates to the £10,000,000 interest rate swap disclosed in note 13:

	6 months or less £'000	6 – 12 months £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
At 30 September 2009	13,649	-	-	10,000	23,649
At 30 September 2008	13,161	-	-	10,000	23,161

The effective interest rate at the balance sheet date, before any hedging adjustments, was as follows:

	30 Sept 2009	30 Sept 2008
Bank loans	3.44%	7.64%

The Directors consider that the carrying amount of bank overdraft and loans approximate to their fair value.

18. Share based Payment

Equity-settled share option schemes

The Group has a number of share option plans that are available to Board members and employees as described in the Remuneration Report on pages 33 to 35.

Options are settled by the issue of ordinary shares of 1p each upon receipt of the relevant exercise funds from the option holder. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the consolidated financial statements

The Company also has a share option plan to recognise the performance of a number of self-employed advisors.

Details of the movements in share options and warrants during the year are as follows:

	2009		2008	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	1,766,068	216.9	1,185,891	189.8
Granted during the year	-	-	1,514,692	243.7
Forfeited during the year	(319,317)	222.0	(919,734)	228.1
Exercised during the year	(12,631)	11.9	(14,781)	96.0
Outstanding at the end of the year	1,434,120	217.7	1,766,068	216.9
Exercisable at the end of the year	231,620	97.9	201,063	96.0

The weighted average remaining contractual life of the options outstanding at 30 September 2009 was 2.4 years (2008: 2.4 years). The exercise prices for the options range from 12p to 265p (2008: 96p to 265p).

Valuation

Key assumptions used in the valuation of share options using the Black Scholes model are determined as follows:

Share price	Market value at the award date
Exercise price	As stated in the option agreement. There are no options with a variable exercise price
Expected volatility	Based on the historical volatility of the Company's share price, which the Directors believe is the most objective basis for estimating future volatility
Expected option life	Assuming a holder exercises their option half-way through the exercise period
Expected dividends	Nil
Lapse probability	Based on annualised historic lapses
Performance criteria	No options have performance criteria
Risk-free interest rate	Based on UK Gilts with similar issue dates and terms as the option

Grant date	Exercisable	Aggregate fair value at issuance £
6 Nov 2007	06 Nov 2010 to 05 Nov 2011	207,342
29 Jan 2008	30 Jan 2010 to 29 Jan 2018	22,692
29 Jan 2008	30 Jan 2011 to 29 Jan 2012	32,223
16 Apr 2008	01 Jun 2011	227,993

Equity settled Share Appreciation Rights

The Jelf Group plc 2008 Long Term Incentive Plan was adopted on 3 April 2008 and provides for awards of equity settled Share Appreciation Rights (SARs) to certain Directors and key employees. This SARs award was conditional on the recipients surrendering their options held under the Jelf Group plc Long Term Incentive Plan (Old LTIP). The SARs awards deliver to recipients a net gain equal to the increase in share price between the base price 212.5p and the price prevailing at the end of three years. This net gain is delivered in shares, with reference to the share price prevailing at the end of three years. The number of shares issued following exercise will be less than the number of SARs issued.

Notes to the consolidated financial statements

Exercise of the SARs is subject to the achievement of specified performance conditions over a three year period. If these conditions are met the SARs vest and are exercisable at the end of years 3 (50%), 4 (25%) and 5 (25%).

Details of the SARs issued during the year are as follows:

	2009		2008	
	Number of SARs	Weighted average exercise price (pence)	Number of SARs	Weighted average exercise price (pence)
Outstanding at beginning of year *	4,405,000	214.0	-	-
Granted during the year *	-	-	4,405,000	214.0
Forfeited during the year	(280,000)	218.2	-	-
Outstanding at the end of the year	4,125,000	213.7	4,405,000	214.0

* Included in this number are 139,260 awards made under CSOP scheme at a price of 258.5p.

The weighted average remaining contractual life of the options outstanding at 30 September 2009 was 2.25 (2008: 3.25 years). The exercise price for these options range from 212.5p to 258.5p (2008: 212.5p to 258.5p).

The key assumptions used in the valuation of the SARs, using a Monte Carlo modelling technique to calculate a range of probable outcomes, were as follows:

Share price	Market value at the award date
Exercise price	As stated in the option agreement.
Expected volatility	Based on the historical volatility of the Company's share price, which the Directors believe is the most objective basis for estimating future volatility
Expected option life	The SAR is exercisable only on vesting
Expected dividends	Nil
Lapse probability	Based on annualised historic lapses for senior management
Performance criteria	The SARs have market performance criteria based on the company's share price
Risk-free interest rate	Based on UK Gilts with similar issue dates and terms as the option

The SARs were granted on 3 April 2008 and the fair value of the award was £3,020,354.

Conditional Share Award

On 3 April 2008 a conditional share award of 220,000 shares was made to David Walker (Non-Executive Chairman). These shares will vest after 3 years, dependent on the same market performance criteria as for the SARs being met. This award was valued using the same assumptions used for the SARs valuation and a Monte Carlo modelling methodology to calculate a range of probable outcomes. The fair value of this award has been calculated as £312,498.

Employee Benefit Trust

The Company and Group results include those of the Jelf Group plc Employee Benefit Trust ('EBT'), details of which are shown in the Remuneration Report. The share purchases are funded by means of a third party bank loan to the EBT, for which the Company acts as guarantor. This loan amounted to £498,000 and is shown in Note 17.

Finance and administrative costs are borne by the EBT. All costs are accounted for as they accrue. At 30 September 2009, the EBT held 726,903 (2008: 785,609) 1p ordinary shares. At that date, shares allocated to individuals through the EBT amounted to 626,389 (2008: 602,475). During the year a total of 295,330 shares vested with individuals (2008: 68,369).

Notes to the consolidated financial statements

The EBT was granted an option by Michael King to buy 500,000 ordinary shares of 1p at 183p per share. This option was exercisable by the EBT between 22 March 2008 and 21 March 2009. On 9 August 2007, 100,000 of these options were exercised by the EBT by mutual agreement between the EBT and Michael King. On 2 April 2008 the remaining 400,000 shares under this option were purchased by the EBT.

The nominal value of own shares held by the Group and Company at 30 September 2009 was £7,365 (2008: £7,856). Own shares are held in the EBT and are listed investments. Their market value at 30 September 2009 was £454,314 (2008: £1,265,000).

Details of the share awards made by the EBT are as follows:

	2009		2008	
	Number of share awards	Weighted average exercise price (pence)	Number of share awards	Weighted average exercise price (pence)
Outstanding at beginning of year	602,475	-	430,666	-
Granted during the year	383,897	-	269,935	-
Forfeited during the year	(64,653)	-	(29,757)	-
Exercised during the year	(295,330)	-	(68,369)	-
Outstanding at the end of the year	626,389	-	602,475	-
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of the options outstanding at 30 September 2009 was 385 days (2008: 223 days).

Valuation

Key assumptions used in the valuation of share awards using the Black Scholes model are determined as follows:

Share price	Market value at the award date
Exercise price	For awards made by the EBT, there is no exercise price.
Expected volatility	Based on the historical volatility of the Company's share price, which the Directors believe is the most objective basis for estimating future volatility
Expected option life	The shares vest with the employee at the end of the vesting period. This is usually two years.
Expected dividends	Nil
Lapse probability	Based on annualised historic lapses
Performance criteria	No options have performance criteria
Risk-free interest rate	Based on UK Gilts with similar issue dates and terms as the award

Notes to the consolidated financial statements

Grant date	Exercisable	Aggregate fair value at issuance £
28 January 2008	27 January 2010	359,785
26 February 2008	25 February 2010	79,373
01 April 2008	31 March 2010	74,372
02 April 2008	01 April 2010	32,538
15 April 2008	14 April 2010	13,944
03 May 2008	02 May 2010	4,649
01 June 2008	31 May 2010	21,671
02 July 2008	01 July 2010	9,296
01 November 2008	31 October 2010	4,595
06 November 2008	05 November 2010	18,478
04 December 2008	03 December 2010	109,533
09 December 2008	08 December 2010	4,642
19 December 2008	18 December 2010	6,966
30 December 2008	29 December 2010	2,322
01 March 2009	28 February 2011	18,566
09 June 2009	08 June 2011	4,644
19 June 2009	18 June 2011	60,595
10 August 2009	09 February 2012	21,542

19. Called up share capital

Group and Company	2009 £'000	2008 £'000
Authorised		
100,000,000 Ordinary shares of 1p each	1,000	<i>1,000</i>
	No. of shares	£'000
Allotted, called up and fully paid		
At 1 October 2008	49,802,687	498
Share issue	12,631	-
At 30 September 2009	49,815,318	498

On 29 September 2009, 12,631 shares were issued for a price of 11.9p per share.

Notes to the consolidated financial statements

20. Reconciliation of movement in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve ^{1,2} £'000	Share based payment reserve ¹ £'000	Own shares held ¹ £'000	Other reserves ¹ £'000	Profit and loss account £'000	Total £'000
At 1 October 2007	257	10,103	6,144	-	757	(851)	14	6,204	22,628
Share based payments	-	-	-	-	1,531	-	-	-	1,531
Share issue (net of issue costs)	241	44,747	4,598	-	-	-	-	-	49,586
Purchase of own shares by EBT	-	-	-	-	-	(725)	-	-	(725)
Loss on cash flow hedges	-	-	-	(14)	-	-	-	-	(14)
Retained profit for the year	-	-	-	-	-	-	-	2,433	2,433
At 30 September 2008	498	54,850	10,742	(14)	2,288	(1,576)	14	8,637	75,439
Share based payments	-	-	-	-	1,362	-	-	-	1,362
Share issue (net of issue costs)	-	2	-	-	-	-	-	-	2
Purchase of own shares by EBT	-	-	-	-	-	(167)	-	-	(167)
Loss on cash flow hedges (net of tax)	-	-	-	(732)	-	-	-	-	(732)
Vesting of Employee Benefits Trust shares	-	-	-	-	-	669	-	(679)	(10)
Retained loss for the year	-	-	-	-	-	-	-	(9,848)	(9,848)
At 30 September 2009	498	54,852	10,742	(746)	3,650	(1,074)	14	(1,890)	66,046

¹ Shown within other reserves on the balance sheet

² Shown net of tax

The Group has applied s611 of the Companies Act 2006 in respect of Merger Relief.

21. Employee benefit expense

Staff costs, including Directors' remuneration, were as follows:

	2009 £'000	2008 £'000
Wages and salaries	36,651	29,970
Social security costs	3,905	3,511
Pension costs	1,864	1,218
Share based payments	1,362	1,069
Termination payments	1,874	391
	45,656	36,159

Notes to the consolidated financial statements

Key management compensation was as follows:

	2009	2008
	£'000	£'000
Wages and salaries	1,956	1,477
Pension costs	116	108
Share based payments	911	504
Termination payments	130	-
	3,113	2,089

The average monthly number of employees, including Directors, during the year was as follows:

	No.	No.
Sales	623	333
Administration	365	484
Group	135	129
	1,123	946

This analysis reflects the inclusion of the businesses acquired in 2008 for a full year.

Details of the Directors' emoluments, share and share option awards and pension entitlements are given in the Remuneration Report on pages 33 to 35.

22. Exceptional costs

Exceptional costs are those items the Group considers to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. These costs are not associated with the ongoing activities of the Group. Exceptional costs are as follows.

	2009	2008
	£'000	£'000
Reorganisation and rationalisation costs		
Staff related costs	1,874	529
Property, systems integration and related costs	2,879	137
	4,753	666
Impairment charges		
Goodwill impairment	7,452	-
	12,205	666

23. Investment revenues

	2009	2008
	£'000	£'000
Bank interest	78	308
Dividends from available for sale investments	2	-
	80	308

Notes to the consolidated financial statements

24. Finance costs

	2009	2008
	£'000	£'000
Interest expense		
Bank borrowings	1,450	1,610
Finance lease liabilities	10	12
Other	103	153
Other		
Amortisation of loan facility costs	141	100
	1,704	1,875

25. Income tax (credit) / expense

	2009	2008
	£'000	£'000
Current tax (credit) / expense		
Current tax on profits for the year	443	2,472
Adjustment in respect of prior years	(959)	(62)
Total current tax	(516)	2,410
Deferred tax (credit) / expense		
Origination and reversal of temporary differences	(963)	(1,329)
Total income tax (credit) / expense	(1,479)	1,081

The tax on the Group's profit before tax differs from the standard rate of Corporation Tax in the UK of 28% (2008: 28%) for the reasons identified below.

	2009	2008
	£'000	£'000
(Loss) / profit before income tax	(11,327)	3,514
Tax calculated at UK Corporation Tax rate of 28% (2008: 28%)	(3,172)	984
Expenses not deductible for tax purposes	2,479	88
Effect of reduction in UK tax rate	-	71
Adjustments to tax charge in respect of prior periods	(786)	(62)
Total income tax (credit) / expense	(1,479)	1,081

Notes to the consolidated financial statements

26. Retained (loss) / profit for the year

(Loss) / profit for the year has been arrived at after charging the following items:

		2009	2008
		£'000	£'000
Amortisation of intangible assets	- software costs	155	112
	- other intangible assets	4,543	3,469
Impairment charges		7,452	-
Depreciation of property, plant and equipment	- Owned assets	860	722
	- Assets held under finance lease	5	16
Loss on disposal of property, plant and equipment		33	-
Loss on disposal of available for sale investments		4	-
Minimum lease payments under operating leases	- vehicles and equipment	491	427
	- office space	1,942	1,600
Auditors remuneration			
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements		34	29
Fees payable to the Company's auditor for other services			
- The audit of the Company's subsidiaries pursuant to legislation		114	145
- Other services pursuant to legislation		40	139
- Tax services		21	36

27. (Loss) / earnings per share

		2009	2008
Retained (loss) / profit for the year (£'000)		(9,848)	2,433
Amortisation and exceptionals (net of tax) (£'000)		13,283	3,088
Underlying profit for the year (£'000) ¹		3,435	5,521
Weighted average shares in issue (number)	Basic	49,171,789	39,608,301
	Diluted	49,436,018	40,385,502
(Loss) / earnings per share (pence)	Basic	(20.0)	6.1
	Diluted ²	(20.0)	6.0
Amortisation and exceptional (net of tax) per share (pence)	Basic	27.0	7.8
	Diluted	26.9	7.6
Underlying earnings per share ¹ (pence)	Basic	7.0	13.9
	Diluted	6.9	13.7

¹ Before deduction of amortisation of intangible fixed assets and exceptional items

² In accordance with IAS33 Earnings per Share, the weighted average shares in issue has been used to calculate the 2009 loss per share due to the antidilutive nature of losses

28. Cash generated from operations

Notes to the consolidated financial statements

	2009	2008
	£'000	£'000
(Loss) / profit for the year	(9,848)	2,433
<i>Adjustments for:</i>		
Investment revenues	(80)	(308)
Finance costs	1,704	1,875
Income tax	(1,479)	1,081
Depreciation of property, plant and equipment	865	738
Amortisation of intangible assets	4,698	3,581
Impairment charges	7,452	-
Share-based payment expense	1,362	1,069
Capitalised share-based payments	-	461
Increase in provisions	582	862
Operating cash flows before movement in working capital	5,256	11,792
Decrease / (increase) in receivables	3,295	(172)
Increase / (decrease) in payables	132	(1,082)
Cash generated from operations	8,683	10,538

29. Commitments

Capital commitments

There were no capital commitments at the balance sheet date.

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
	£'000	£'000
Within one year	2,146	2,199
In the second to fifth years inclusive	3,993	4,731
After five years	848	979
	6,987	7,909

Contingent liabilities

There are no contingent liabilities at the balance sheet date. Details of contingent consideration payable are presented in note 4.

Notes to the consolidated financial statements

30. Subsidiary and associated companies

The following is a list of all the Group subsidiary and associate companies at 30 September 2009. Unless otherwise shown, the capital of each company is wholly owned, is in ordinary shares and is registered and operates in England and Wales.

Name of company	Note	Nature of business
Subsidiary undertakings		
Jelf Insurance Brokers Limited (formerly Goss & Co (Insurance Brokers) Limited)	1,2	Insurance Brokers
Jelf Professions Limited		Insurance Brokers
John Lampier & Son Limited	1,2	Insurance Brokers
Jelf Wellbeing Limited (formerly SPS Wellbeing Limited)	1,2	Healthcare
Jelf Financial Planning Limited	1,2	Employee Benefits and Wealth Management
Jelf Commercial Finance Limited	2	Commercial Finance
Goss Risk Management Limited	1	Insurance Brokers
Manson Insurance Group Limited (formerly JL Manson Insurance Group Limited)	2	Holding company
Manson Insurance Brokers Limited (formerly JL Manson & Partners Limited)	1	Insurance Brokers
Manson Warner Healthcare Limited	1	Healthcare
Manson Financial Services Limited	1	Wealth Management
Argyll Insurance (Holdings) Limited	2	Holding company
Argyll Insurance Services Limited	1	Insurance Brokers
Argyll Financial Services Limited	1	Wealth Management
Kelquota Limited	2	Holding Company
Clarke Roxburgh Financial Planning Limited	1	Wealth Management
Clarke Roxburgh Insurance Brokers Limited	1	Insurance Brokers
Clarke Roxburgh Mortgages Limited	1	Mortgage Brokers
Goss Group Limited	2,3	Holding company
Peaceproud Limited		Holding company
Martin & Galpin (Insurance Services) Limited		Insurance Brokers
Martin & Galpin (Holdings) Limited		Non trading holding company
Argyll Insurance Brokers Limited		Non trading
Cheltenham Insurance Brokers Limited	2	Non trading
Cheltenham Insurance Brokers Life & Pensions Limited	2	Non trading
Haines Wallace Insurance Brokers Limited	2	Non trading
Sunninghill Insurance Brokers Limited	2	Non trading
Wellbeing Healthcare Limited	2	Non trading
Access Underwriting Agencies Limited	2	Non trading
Goss & Co (Insurance Brokers) Limited (formerly Jelf Insurance Brokers Limited)	2	Non trading
Goss & Co (Financial Services) Limited	2	Non trading
Auto Business Solutions Limited	2	Non trading
Jelf Corporate Healthcare Limited	2	Non trading
Bartlett Davies Bicks Limited	2	Non trading
Carter & Co Risk Management Limited	2	Non trading
Bob Gee & Co Limited	2	Non trading
A Wills & Co Limited	2	Dormant
Bath Financial Planning Limited	2	Dormant
Crowther Beard Financial Planning Limited	2	Dormant
Farndale Hammond (Healthwise) Limited		Dormant
Jelf Corporate Consultancy Limited	2	Dormant
Jelf Insurance Brokers (Wessex) Limited	2	Dormant
Jelf Mortgage Solutions Limited	2	Dormant

Notes to the consolidated financial statements

Name of company	Note	Nature of business
Jelf Private Clients Limited	2	Dormant
Kallender Walwyn Limited	2	Dormant
Managed Healthcare Limited		Dormant
Brian D Thomas Insurance Services Limited	2	Dormant
C&I Insurance Services Limited	2	Dormant
Pendleton May Financial Services Limited	2	Dormant
Pendleton May Insurance Brokers Limited	2	Dormant
The Purple Partnership Limited	2,4	Insurance broker network
Associate undertakings		
Stem Financial Planning Limited	5	Wealth Management
St Giles Financial Solutions Limited	5	Wealth Management

1 Regulated by the Financial Services Authority

2 Subsidiary of Jelf Group plc

3 At the year end, Michael King held all the £1 'B' Ordinary shares of Goss Group Limited. These shares carry no voting rights and are in the process of being transferred to the Company

4 The Group owns 75% of the ordinary share capital of the company

5 The Group owns 50% of the ordinary share capital of the company

31. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, the Group paid a total of £149,000 (2008: £129,000) for premises at Yate. These buildings are owned by Fromeforde Partners LLP, the partners of which are Directors of Group companies.

During the year, the Group paid a total of £22,000 (2008: £20,000) rent in respect of premises at Newton Abbott. These buildings are owned by Fromeforde Partners LLP.

At the year end, an amount of £nil (2008: £nil) was owed to Fromeforde Partners LLP and £nil (2008: £nil) was owed to Jelf Insurance Group Directors' Retirement and Death Benefit Scheme.

During the year the Group made payments of £88,000 (2008: £1,250,000) to the vendors of Goss Group Limited, in respect of deferred consideration relating to that company's acquisition in March 2006. Certain of the vendors are directors of subsidiary companies.

During the year the Group made payments of £618,214 (2008: £nil) to the vendors of Manson Insurance Group Limited, in respect of deferred consideration relating to that company's acquisition in January 2008. Certain of the vendors are directors of subsidiary companies.

In December 2008, the Group made a payment of £2,459,436 (2008: £nil) to the vendors of John Lampier & Son Ltd, in respect of deferred consideration relating to that company's acquisition in July 2007. Certain of the vendors are directors of subsidiary companies.

In July 2008, a payment of £750,000 (2008: £nil) was made to the vendors of Argyll Insurance (Holdings) Limited as deferred consideration in respect of the acquisition of that company. Certain of the vendors are directors of subsidiary companies.

During the year the Group made payments totalling £1,808,009 (2008: nil) to the vendors of Kelquota (Clarke Roxburgh), as deferred consideration in respect of the acquisition of that company. Certain of the vendors are directors of subsidiary companies.

32. Copies of the Financial Statements

Notes to the consolidated financial statements

Copies of this consolidated Group Annual Report and Accounts are available on the Group's website (www.jelfgroup.com) or from the Company Secretary at the Company's registered office: Fromeforde House, Church Road, Yate, Bristol, BS37 5JB.

33. Post balance sheet events

In February 2010, having completed a review of its borrowing facilities, the Group entered into a £24m five year commercial loan arrangement with a small group of lenders. This facility will enable the Group to meet its operational cash requirements and better position it for future growth. The borrowings under the Royal Bank of Scotland facility referred to in note 17 and the interest rate swap referred to in note 13 were fully repaid.

