Jelf in a word

Interim Report and Accounts for the six months ended 31 March 2007

impressed growing care
positive responsive practical
client focused
high standard
invaluable care looked after
helpful knowledge professional
effective friendly looked after
dedicated
impressed quality constructive
confident supportive care
efficient proactive
great benefit courteous
informative responsive
high standard

Jelf Group plc

What we've achieved

Jelf Group plc, a corporate intermediary focused on delivering advice on insurance, healthcare, employee benefits, commercial finance and wealth management, announces its interim results for the six months ended 31 March 2007. The highlights are:

Turnover	**+128% to £17.1m** (2006: £7.5m)
EBITDA	**+119% to £1.8m** (2006: £0.8m)
Underlying organic turnover growth	**24%**
Net operating cash inflow	**£2.4m**
Growth programme continues	**six acquisitions** (made in six months)
Earnings Per Share (normalised diluted)	**3.9p** (2006: 3.8p)

Group Chief Executive, Alex Alway

Our strategy of expanding the business, through both the acquisition of well run brokerages and by offering a wider range of services to drive organic growth, continues to deliver value and the trading outlook for the Group remains favourable for the rest of 2007.

The full year will include the beneficial effects of recent acquisitions; we have successfully integrated the Goss team into the Group and have also acquired SPS Wellbeing to enhance our healthcare and employee benefits teams. The integration of this recent acquisition is going well and we have been pleased with its performance over the key month of April.

The results of the Group are always biased to the key months of the third quarter due to the start of the tax year in April and the significant amount of business conducted in this period. The interim results reflect this bias. I am pleased to be in a position to report strong trading in April across the Group.

The trends in consolidation have increased over the last six months. The consolidation of small brokerages allows the Group to take advantage of economies of scale and cross-selling opportunities. The Jelf Group's ability to run an advice-based, multi-channel distribution business will enable it to extract greater value than others.

We would like to put on record our thanks to all our staff for their dedication and professionalism. They continue to face considerable change within the business and have constantly risen to the challenge.

The results for the first half of the Group's financial year give us confidence that 2007 is going to be another year of real progress.

Alex Alway, Group Chief Executive

Jelf facts

Jelf Group was founded by Chris Jelf in 1989. Today, the Jelf Group operates from a number of premises in the South of England and Wales and offers an extensive range of corporate services.

17,500
corporate clients
15,000
individual clients

The Group advises over 17,500 corporate clients across a range of disciplines. These clients cover the spectrum from significant public companies to small owner-managed businesses. Core Jelf clients are medium-sized owner-managed businesses, typically employing up to 250 staff.

Acquisitions

The Group has developed a corporate support infrastructure that has enabled it to make a number of acquisitions over the last few years. These acquisitions span all core areas of the Group's business and have been made to either supplement existing operations or to acquire a corporate client base that can be utilised by the enlarged Group. The acquisitions made since the start of this period are as follows:

- October 2006: Hern Waters & Co. – Acquisition of a Herefordshire based commercial insurance intermediary
- October 2006: North Cotswold Insurance Services – Acquisition of a book of commercial business from an Oxfordshire based commercial insurance intermediary
- November 2006: Haines Wallace (Insurance Brokers) Ltd – Acquisition of a Plymouth based commercial insurance intermediary
- December 2006: John Wason (Insurance Brokers) – Acquisition of a book of commercial business from a Reading based commercial insurance intermediary
- January 2007: SPS Wellbeing Ltd – Acquisition of a major corporate healthcare intermediary based in Ringwood
- February 2007: Lloyd & Whyte (South West) – Acquisition of a book of commercial insurance business from a Somerset based intermediary
- April 2007: Sunninghill Insurance Brokers Ltd – Acquisition of an Aldershot based insurance intermediary

Further information is available on Jelf Group at the Group's website: www.jelfgroup.com

Chairman's statement, Chris Jelf

I am delighted to report another set of strong results for the Group. Our organic turnover growth continues to outperform the market with areas such as employee benefits producing notable success.

We continue to invest in people and systems to enable the business to develop our declared growth strategy.

Financial performance

In the six-month period ending 31 March 2007, the Group increased its turnover by 128% to £17.1m (2006: £7.5m), EBITDA was increased by 119% to £1.8m (2006: £0.8m).

Operating margins prior to charging goodwill were 8.7% (2006: 9.6%) due to investment in organisational development.

Net cash inflow from operating activities was £2.4m. The consideration payments for acquisitions made in the last six months amounted to £8.2m. Performance-based deferred consideration payments on previous acquisitions amounted to £0.7m for the period.

Total loan debt as at the 31 March 2007 amounted to £9.95m, £9.45m of which is repayable by January 2012. This increased from £6.75 million since 30 September 2006 to fund acquisitions made in the current financial year.

Organisational development

Investment in infrastructure has continued with substantial investment in IT and core areas such as human resources, finance, compliance and marketing. This infrastructure investment in technology and front-line support will always be a priority as the Group has a declared strategy of ensuring that expansion takes place in a controlled environment.

The roll out of the Acturis IT system across all our insurance areas commenced in late 2006 and will continue throughout the current year.

The Group's intranet has now been expanded to nearly all our locations and forms an integral part of our programme of responses to FSA initiatives such as Treating Customers Fairly ('TCF').

Business development

Employee benefits

The market for advice on employee benefits and healthcare is particularly buoyant and the Group continues to enjoy strong organic sales growth in these areas.

Wealth management

The market for independent advice on wealth management remains strong after the recent changes in pension legislation, particularly in areas such as Self Invested Pension Plans ('SIPPs'). This is expected to continue throughout 2007.

Insurance

The soft insurance market continues to provide a competitive environment. Our client-focused approach has enabled us to meet retention targets and to add value for all our partners. We are forecasting the extension of the soft market into 2008.

SPS Wellbeing Ltd ('SPS')

The completion of the acquisition of SPS in January 2007 has provided the Group with a substantial presence in the corporate healthcare insurance market, placing over £125m of premiums on behalf of its clients. Provision of the full range of Group services to the clients of SPS is underway and early indications are very encouraging.

Healthcare

The private medical insurance market continues to enjoy a hard market due to inflationary pressures driven by the cost of resources and higher claims costs as a result of advances in medical technology and the introduction of new, expensive drugs.

The establishment of a new team in our Reading office is producing good early results by cross-selling into the Goss client bank.

Acquisitions

The active programme of acquisitions has continued through this half-year with six being completed prior to the half-year and another two prior to this announcement.

The Group has a healthy pipeline of planned acquisitions and recruitment that are only completed if they offer Jelf Group enhanced shareholder value. The Group's strategy of multi-channel distribution, with a geographical focus on southern England, has enabled it to avoid overpaying when acquiring due to the sizeable number of targets available and our strong local infrastructure. It has, on a number of occasions, not continued preliminary discussions if the price being asked is deemed excessive.

People

During the course of the last six months we have made a number of acquisitions and I would like to extend a warm welcome to the management and employees of these businesses.

We have continued to recruit and motivate key employees by utilising the Employee Benefit Trust and share option awards, whilst strengthening the senior management team with appointments and promotions. We have designed and are in the process of implementing a bespoke training programme for staff and management.

The employees and management continue to deliver value to our clients, shareholders and our strategic partners in the market. They have delivered a substantial uplift in the value of the Group and I would like to again take this opportunity to thank them for their dedication and support. They remain our key asset.

Future

The Group will continue with its strategy of strengthening its position within its chosen sectors and providing a wider range of enhanced services to its clients.

I am genuinely excited by the opportunities available within the market and believe the Jelf Group is in a great position as the market moves towards greater emphasis on customer service and client focus.

Chris Jelf

Christopher Jelf, Group Chairman
30 May 2007

Consolidated profit and loss account

For the six months ended 31 March 2007

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) RESTATED[1] £'000	Year ended 30 Sep 2006 (Audited) RESTATED[1] £'000
Turnover	**17,064**	7,487	25,095
– Continuing	**16,117**	6,934	15,995
– Acquired	**947**	553	9,100
Cost of sales	**(1,920)**	(330)	(3,167)
Gross profit	**15,144**	7,157	21,928
– Continuing	**14,197**	6,604	14,041
– Acquired	**947**	553	7,887
Administrative expenses	**(13,382)**	(6,353)	(18,407)
Depreciation of tangible fixed assets	**(283)**	(87)	(275)
Amortisation of intangible fixed assets	**(1,288)**	(252)	(1,194)
Operating profit	**191**	465	2,052
Interest receivable	**55**	6	123
Interest payable	**(240)**	–	(102)
Profit on ordinary activities before taxation	**6**	471	2,073
Taxation on profit on ordinary activities	**(312)**	(157)	(921)
(Loss) / profit on ordinary activities after taxation	**(306)**	314	1,152

EBITDA	**1,762**	804	3,521

1. As restated – note 3

Consolidated balance sheet

As at 31 March 2007

	31 Mar 2007 (Unaudited) £'000	30 Mar 2006 (Unaudited) £'000	30 Sep 2006 (Audited) £'000
Fixed assets			
Intangible fixed assets	**28,686**	17,012	19,204
Tangible fixed assets	**2,291**	1,820	2,201
Investments	**45**	41	43
	31,022	18,873	21,448
Current assets			
Debtors	**17,220**	12,590	12,839
Cash at bank and in hand	**7,369**	4,322	5,226
	24,589	16,912	18,065
Creditors: amounts falling due within one year	**(25,775)**	(17,649)	(17,697)
Net current (liabilities) / assets	**(1,186)**	(737)	368
Total assets less current liabilities	**29,836**	18,136	21,816
Creditors: amounts falling due after more than one year	**(13,172)**	(2,144)	(5,377)
Provisions for liabilities	**(108)**	(141)	(112)
Net assets	**16,556**	15,851	16,327
Capital and reserves			
Called up share capital	**246**	244	244
Share premium account	**14,105**	13,855	13,807
Capital reserve	**13**	13	13
Capital redemption reserve	**1**	1	1
Share based payment reserve	**562**	60	106
Own shares held	**(581)**	(30)	(360)
Profit and loss account	**2,210**	1,708	2,516
Shareholders' funds – all equity	**16,556**	15,851	16,327

Consolidated cash flow statement

For the six months ended 31 March 2007

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) RESTATED[1] £'000	Year ended 30 Sep 2006 (Audited) RESTATED[1] £'000
Net cash inflow from operating activities	**2,426**	496	2,535
Returns on investments and servicing of finance			
Interest received	**55**	6	123
Interest paid	**(240)**	-	(102)
Net cash inflow from returns on investment and servicing of finance	**(185)**	6	21
Taxation	**(100)**	-	(921)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(640)**	(178)	(889)
Purchase of own shares	**(222)**	(30)	(360)
Purchase of investments	**(5)**	-	(9)
Sale of investments	**3**	-	-
Sale of tangible fixed assets	**525**	-	150
Net cash outflow for capital expenditure	**(339)**	(208)	(1,108)
Acquisitions and disposals			
Purchase of undertakings (incl. costs)	**(8,164)**	(7,244)	(9,687)
Net cash / (debt) acquired	**2,168**	(1,777)	(1,131)
Net cash outflow from acquisitions and disposals	**(5,996)**	(9,021)	(10,818)
Cash outflow before use of liquid resources and financing	**(4,194)**	(8,727)	(10,291)
Financing			
Issue of ordinary shares (net of expenses)	**300**	11,038	11,038
Capital element of finance lease rental payments	**(7)**	-	(10)
Draw down loan funding	**9,050**	500	3,200
Draw down finance lease funding	**-**	-	49
Repayment of loans and deferred consideration	**(3,006)**	(435)	(706)
Net cash inflow from financing	**6,337**	11,103	13,571
Increase in cash in the period	**2,143**	2,376	3,280

1. As restated – note 3

Consolidated statement of total recognised gains and losses

For the six months ended 31 March 2007

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) RESTATED[1] £'000	Year ended 30 Sep 2006 (Audited) RESTATED[1] £'000
(Loss) / profit for the financial period	**(306)**	314	1,152
Share based payment charges	**32**	19	38
Cost of shares awarded to staff	**62**	–	27
Total recognised gains and losses	**(212)**	333	1,217

1. As restated – note 3

Reconciliations of movements in shareholders' funds

For the six months ended 31 March 2007

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) £'000	Year ended 30 Sep 2006 (Audited) £'000
Total recognised gains and losses	**(212)**	333	1,217
Issue of new shares	**2**	110	110
Premium on issue of new shares	**298**	11,430	11,430
Costs of share issue	**-**	(426)	(502)
Cost of share options granted on acquisitions	**233**	-	-
Cost of shares awarded on acquisitions	**129**	-	-
Net movement of shares in EBT	**(221)**	(28)	(360)
Net addition to shareholders' funds	**229**	**11,419**	**11,895**
Opening shareholders' funds	**16,327**	**4,432**	**4,432**
Closing shareholders' funds	**16,556**	**15,851**	**16,327**

Notes to the financial statements

For the six months ended 31 March 2007

1. Accounting policies

1.1 Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 September 2006, except as noted below. The Group's Annual Report and Accounts for the year ended 30 September 2006 has been filed with the Registrar of Companies and received an unqualified audit opinion. The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and has not been audited.

1.2 Share based payments

Where share options are granted and are conditional upon completion of a number of years service, the fair value of those options is recognised as an expense on a straight-line basis over that period of service. 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 measured using the Black-Scholes model.

2. Segmental analysis

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) £'000	Year ended 30 Sep 2006 (Audited) £'000
Turnover by business sector			
Insurance	**7,232**	2,368	10,509
Healthcare	**1,714**	1,203	2,925
Employee benefits	**3,315**	1,639	3,675
Commercial finance	**180**	28	109
Wealth management	**4,623**	2,249	7,877
	17,064	7,487	25,095

3. Prior year adjustment

The Company has adopted Financial Reporting Standard 20 "Share Based Payments" ('FRS20') for the six months ended 31 March 2007. Comparative figures for the six months ended 31 March 2006 and for the year ended 30 September 2006 have been restated following the application of FRS20.

	Six months ended 31 Mar 2006 (Unaudited) £'000	Year ended 30 Sep 2006 (Unaudited) £'000
Operating profit as previously stated	484	2,090
Share based payment charges	(19)	(38)
Operating profit as restated	465	2,052

The corresponding adjustment to reserves at 1 October 2005 created an opening entry in the Share Based Payment Reserve of £41,000, with an equal reduction in the Profit and Loss Account reserve to £1,364,000.

The Group has also restated the Consolidated Cash Flow Statement for the six months ended 31 March 2006 following the discovery of a misstatement in the operational cash flow impact of the Goss acquisition.

4. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) RESTATED[1] £'000	Year ended 30 Sep 2006 (Audited) RESTATED[1] £'000
Operating profit	**191**	465	2,052
Amortisation of intangible fixed assets	**1,288**	252	1,194
Depreciation of tangible fixed assets	**283**	87	275
(Profit) on disposal of tangible fixed assets	**(31)**	-	(148)
Share based payment charges	**32**	19	38
Cost of shares awarded to staff	**62**	-	27
Decrease / (Increase) in debtors	**(3,009)**	(25)	246
(Decrease) / Increase in creditors	**3,613**	(297)	(1,084)
(Decrease) / Increase in provisions	**(3)**	(5)	(65)
Net cash inflow from operating activities	**2,426**	496	2,535

1. As restated – note 3

5. Reconciliation of net cash flow to movement in net (debt) / funds

	Six months ended 31 Mar 2007 (Unaudited) £'000	Six months ended 31 Mar 2006 (Unaudited) £'000	Year ended 30 Sep 2006 (Audited) £'000
Increase in cash in the period	**2,143**	2,376	3,280
Cash inflow from increase in debt and lease financing	**(6,037)**	(40)	(2,533)
New deferred consideration	**(3,636)**	(3,321)	(4,346)
Revision of deferred consideration	**(6)**	-	91
Change in net debt resulting from cash flows	**(9,679)**	(3,361)	(6,788)
Movement in net debt in the period	**(7,536)**	(985)	(3,508)
Net funds / (debt) at start of the period	**(2,935)**	573	573
Net debt at end of the period	**(10,471)**	(412)	(2,935)

6. Analysis of net debt

	At 1 Oct 2006 (Audited) £'000	**Cash Flow (Unaudited) £'000**	**Other changes (Unaudited) £'000**	**At 31 Mar 2007 (Unaudited) £'000**
Net cash:				
Cash at bank and in hand	**5,226**	2,143	–	**7,369**
Debt:				
Deferred consideration	**(4,922)**	706	(3,642)	**(7,858)**
Obligations under finance lease	**(39)**	7	–	**(32)**
Bank loans	**(3,200)**	(6,750)	–	**(9,950)**
	(8,161)	(6,037)	(3,642)	**(17,840)**
Net debt	**(2,935)**	(3,894)	(3,642)	**(10,471)**

7. Acquisitions

During the period, the Group has made the following acquisitions:

Book of business from Hern Waters & Co	2 October 2006	Insurance Brokers
Book of business from North Cotswold Insurance	31 October 2006	Insurance Brokers
Haines Wallace (Insurance Brokers) Ltd	30 November 2006	Insurance Brokers
Book of business from John Wason (Insurance Brokers) Ltd	29 December 2006	Insurance Brokers
SPS Wellbeing Ltd	24 January 2007	Healthcare
Book of business from Lloyd & Whyte (South West) Ltd	28 February 2007	Insurance Brokers

The net assets acquired, fair value adjustments, consideration and goodwill for these acquisitions are summarised below:

	Book value acquired (Unaudited) £'000	Fair value adjustments (Unaudited) £'000	Fair value acquired (Unaudited) £'000
Fixed assets	230	(3)	227
Debtors	1,373	-	1,373
Bank / other loans	1,037	-	1,037
Designated insurance broking account	1,131	-	1,131
Creditors	(3,193)	823	(2,370)
Net assets acquired	**578**	**820**	**1,398**
Consideration (cash)			7,514
Consideration (shares, share options and share awards)			566
Consideration (deferred)			3,636
Costs			464
Goodwill			**10,782**

Included in the preceding summary is the acquisition of SPS Wellbeing Limited which is summarised below:

	Book value acquired (Unaudited) £'000	Fair value adjustments (Unaudited) £'000	Fair value acquired (Unaudited) £'000
Fixed assets	210	(3)	207
Debtors	1,227	-	1,227
Bank / other loans	796	-	796
Designated insurance broking account	1,131	-	1,131
Creditors	(2,459)	823	(1,636)
Net assets acquired	**905**	**820**	**1,725**
Consideration (cash)			6,248
Consideration (shares, share options and share awards)			516
Consideration (deferred)			2,694
Costs			368
Goodwill			**8,101**

8. Acquisition post period end

Subsequent to the period end, the Group has made the following acquisition:

Sunninghill Insurance Brokers Ltd	30 April 2007	Insurance Brokers

Insurance – Healthcare – Employee benefits – Commercial finance – Wealth management

"An integrated approach to manage all our benefits under one roof, has reduced costs still further"

Bex Sinclair, Human Resources, Battens Solicitors

"I am continually impressed by the standards maintained, and the quality of advice provided"

John Cooper, C H Cooper & Son

Company information

Registered company name	Jelf Group plc
Directors	Chris Jelf (Group Chairman) Alex Alway (Group Chief Executive) Michael King (Deputy Chairman) John Harding (Group Finance and Operations Director) Phil Barton (Group Commercial Director) David Walker (Senior Non-Executive) Alex Rowe (Non-Executive)
Secretary	John Harding
Company number	2975376
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Jelf Group plc