

21 February 2006

JELF GROUP plc

Acquisition and Share Placing

ACQUISITION OF GOSS GROUP LIMITED

PROPOSED PLACING OF 6.9m NEW ORDINARY SHARES AT 106p per share RAISING £7.3m

Jelf Group plc (“the Company”) is delighted to announce the acquisition (“the Acquisition”) of Goss Group Ltd (“Goss”) for an initial consideration of £6.254 million. Goss was established in 1921 in Reading and over the years has developed a significant insurance brokerage business and has added a financial services division to complement this business.

It employs around 170 staff in five locations. The majority of staff are located in Reading and Guildford with smaller offices existing in Cheltenham, Newton Abbot and Taunton. Premium income has steadily increased to circa £46.2m in 2005 which has been achieved in part by four acquisitions in the past six years.

In addition the Company announces it is simultaneously raising £7,319,287 from institutional and other investors via a placing of 6,904,988 New Ordinary Shares at 106p per share (“The Placing Price”). The Company has also placed 467,000 Existing Ordinary Shares with institutional and other investors at The Placing Price.

A shareholders’ circular will be posted today and includes a Notice of an Annual General Meeting (“AGM”) of the Company which is to be held on 21 March 2006.

Highlights

- The combination of Goss and Jelf Group (“the Enlarged Group”) will make the Enlarged Group a leading force in the commercial insurance, corporate healthcare and employee benefits markets in the south of England and Wales
- The combined corporate healthcare premiums will increase to £50m consolidating its position in the top 5 in this sector (based on volumes of business on risk with BUPA, excluding Nationals)
- The combined commercial insurance book of business will now generate over £75m in annual premiums which would have placed the Enlarged Group in the top 10 of Insurance Age’s ‘Top 100 Independent Broker Survey 2005’
- The combined financial services operation will now have annual turnover in excess of £10m establishing the Enlarged Group in the top 40 in this sector (Source: Based on published results in the Financial Adviser Regional Adviser Survey, Nov 2005)
- The proposed Placing of New Ordinary Shares will assist in the financing of the Acquisition, the repayment of Goss’s current indebtedness and provide working capital for the Enlarged Group

Alex Alway, Group Chief Executive, Jelf Group plc, said

“The strategic rationale for this consolidating acquisition is compelling. This acquisition not only enjoys an excellent strategic fit in respect of both geography and people, but also offers opportunities for enhanced margins as a direct result of the Enlarged Group’s increased buying power, identified cost savings and multiple cross-selling opportunities”.

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Background to the Company

The Company is an established corporate intermediary based in the West Country and Wales offering a range of corporate services principally in the areas of commercial insurance, healthcare and financial services. Since incorporation, the Company has expanded the business both organically and through targeted acquisitions.

Since the Company's flotation on AIM in October 2004, it has actively pursued an acquisition strategy, focusing on the West Country and Wales. As a result of a number of strategic appointments and acquisitions utilising existing cash flows and funds raised at the time of flotation, this strategy is delivering both organic and acquired growth.

Today the Group operates from 10 offices, advising over 6,500 corporate clients.

Information on Goss

Goss was established in 1921 in Reading and over the years has developed a significant insurance brokerage business and has added a financial services division to complement this business. It employs around 170 staff in five locations. The majority of staff are located in Reading and Guildford with smaller offices existing in Cheltenham, Newton Abbot and Taunton. Premium income has steadily increased to circa £46.2 million in 2005 which has been achieved in part by four acquisitions in the past six years.

The voting share capital of Goss is owned by three individuals, all of whom will be staying with the combined business following the Acquisition. A brief biography of each of the Vendors is given below:

Michael J King, BA (Hons), Chairman, is a Chartered Insurance Broker with over 40 years experience in the insurance industry having been with Goss since 1967. He is a fellow of the Chartered Insurance Institute (CII) and owns 70 per cent. of the "A" Shares.

Michael F Heard is managing director of the Financial Services Division and is a Chartered Insurance Practitioner. He joined Goss in 1981 after 12 years with Sun Alliance and joined the main board of Goss in 1986. He is a fellow of the CII. Michael owns 25 per cent. of the "A" Shares.

Jeremy V.H. Wilson, MBA, is managing director of the General Insurance Division. He has worked for nearly 30 years in the insurance industry and joined Goss in 1987, becoming managing director of the Insurance Division in 1999. He is an associate of the CII and a Chartered Insurance Broker. He owns 5 per cent. of the "A" Shares.

Reasons for the Acquisition

The Acquisition is in line with the Company's stated strategy of acquiring insurance intermediaries and the Directors believe it to be a good fit with the Company for the following reasons:

- Strong corporate focus;
- Good geographical fit with little overlap between the two businesses;
- Greater insurance business buying power generating increased commission rates;

- Generation of cost savings by the removal of certain overheads; and
- Generation of cross selling opportunities.

In addition to the above there is a strong cultural fit between the two businesses which will be essential in ensuring a smooth integration and the capture of benefits.

As a result the Directors believe that the Acquisition should deliver increased profits to the Group.

- The combined corporate healthcare premiums will increase to £50m consolidating its position in the top 5 in this sector (based on volumes of business on risk with BUPA, excluding Nationals)
- The combined commercial insurance book of business will now generate over £75m in annual premiums which would have placed the Enlarged Group in the top 10 of Insurance Age's 'Top 100 Independent Broker Survey 2005'
- The combined financial services operation will now have annual turnover in excess of £10m establishing the Enlarged Group in the top 40 in this sector (Source: Based on published results in the Financial Adviser Regional Adviser Survey, Nov 2005)

Details of the Acquisition

Goss's issued share capital comprises the "A" Shares and the "B" Shares. The "B" Shares have been issued to employees but do not carry any voting rights or rights to attend general meetings.

Under the terms of the Acquisition Agreement, Jelf has conditionally agreed to acquire the "A" Shares for an initial consideration of £6,254,000 of which £2,034,000 is payable in cash on Completion and £4,220,000 will be satisfied by way of the issue of 3,981,132 New Ordinary Shares, credited as fully paid, at the Placing Price per share.

Additional cash consideration may also be payable up to a maximum of £2,676,000. Payment of such additional consideration is dependent on Goss achieving certain income levels over a period of 2 years following Completion.

Under the terms of the Acquisition Agreement, following exchange of contracts, the Vendors have agreed to make an offer to purchase the "B" Shares from the employees and has further committed to transfer such purchased "B" Shares to the Company in accordance with the terms of the Acquisition Agreement.

Following Completion, completion accounts ("the Completion Accounts") will be drawn up to determine the value of the net tangible liabilities of Goss and its group companies on Completion ("Net Tangible Liabilities") according to the terms of the Acquisition Agreement. The amount of the Net Tangible Liabilities expected, as at Completion, is £3,400,000 ("the Minimum"). In the event that the Net Tangible Liabilities as at Completion are determined to be more than the Minimum, such excess will be payable in cash by the Vendors to the Company. If the Net Tangible Liabilities as at Completion is determined to be less than the Minimum then, payment of a sum equal to the deficit will be payable in cash by the Company to the Vendors.

Further Acquisitions

As previously stated, the Board is actively pursuing a policy of growth through acquisition. The Board is aware of a number of opportunities some of which, after careful consideration and due diligence, the Company hopes to be able to acquire in due course.

Use of proceeds

The proposed Placing of New Ordinary Shares will assist in the financing of the Acquisition, the repayment of Goss's current indebtedness and provide working capital for the Enlarged Group.

The funds raised by the Company from the placing of the New Placing Shares will be applied as follows:

	£'000
Pay the initial cash consideration for Goss	2,034
Repayment of existing Goss indebtedness	3,400
Expenses of the transaction	650
Expected integration costs	200
Surplus capital available for additional expansion and working capital by the Enlarged Group	1,035
Total	7,319

Financial record of Goss

The table below is a summary of the financial information relating to the assets of Goss that the Company is acquiring:

	<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2004</i>	<i>9 months ended 30 September 2005</i>
	£	£	£
Turnover	9,282,858	10,260,445	7,603,187
EBITDA	1,354,538	1,304,611	1,237,911

Current trading and prospects of the Enlarged Group

In the accompanying statement to the preliminary results for the Company for the twelve month period to 30 September 2005, which was released on 26 January 2006, Chris Jelf, Chairman, said that the Company will continue with its strategy of strengthening its market position by both acquiring and consolidating businesses, and creating value through organic growth activities and that current trading in the Company's three divisions is on budget. During the first quarter a small healthcare benefits consultancy was acquired and in addition to this a team of corporate advisers based in Swindon joined the Company.

Details of the Placing

The Company is proposing to raise approximately £7.3 million, before expenses, by way of a Placing to institutional and other investors, through the issue of 6,904,988 New Ordinary Shares at a price of 106 pence per Placing Share pursuant to the Placing Agreement. In addition 467,000 existing Ordinary Shares will be included in the Placing. J.M. Finn, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the New Placing Shares and as agent for certain existing shareholders has agreed to use reasonable endeavours to procure purchasers of the Sale Placing Shares. The Placing is conditional, *inter alia*, on the passing of Resolutions 9 and 10 as set out in the AGM Notice. The allotment and issue of 4,074,800 of the New Placing Shares to be subscribed by venture capital trusts and investors seeking the benefit of the Reliefs (Qualifying Placing Shares) is not subject to Admission or Completion. The placing of the remaining Placing Shares (not being Qualifying Placing Shares) is conditional upon Admission taking place by 8.00 a.m. on 22 March 2006, or such later time, being not later than 4 April 2006, as J.M. Finn and Daniel Stewart may agree with the Company.

On Admission, the Directors (and persons associated with them in accordance with the AIM Rules) will hold, in aggregate, approximately 32.2 per cent. of the Enlarged Share Capital.

AGM

The Notice of AGM was sent to Shareholders yesterday convening the AGM to be held at the Kendleshire Golf Club, Henfield Road, CoalpitHeath, Bristol BS36 2UY at 10.00 a.m. on 21 March 2006.

Directors' Interests

Michael King has agreed to become a Director of the Company on Completion.

David Walker intends to subscribe for 200,000 Placing Shares as detailed below. Subject to the Placing, Peter Elliott intends to sell 200,000 Existing Ordinary Shares as detailed below.

The interests of the Directors and the proposed director of the Company as at the date of this announcement and at Admission are and will be:

	<i>At the date of this announcement</i>		<i>Following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Christopher Jelf*	2,767,657	20.5	2,767,657	11.4
Alexander Alway	1,080,800	8.0	1,080,800	4.4
Peter Elliott**	661,274	4.9	461,274	1.9
John Harding	201,600	1.5	201,600	0.8
David Walker	200,000	1.5	400,000	1.6
Michael King***	0	0	2,945,283	12.1

* In addition 205,800 Ordinary Shares which are registered in the name of Hazell Carr Pensions Services Limited (trustees of the Company's self administered pension scheme), are beneficially owned by Christopher Jelf through his interest in that company's small self administered pension scheme.

Hazell Carr Pensions Services Limited (as trustees of the Company's small self administered pension scheme) is the registered holder of 714,700 Ordinary Shares amounting to 5.3 per cent. of the Company's issued share capital at the date of this document.

** In addition 72,100 Ordinary Shares which are registered in the name of Hazell Carr Pensions Services Limited (trustees of the Company's small self administered pension scheme), are beneficially owned by Peter Elliott through his interest in that company's small self administered pension scheme.

*** 99,057 of these shares are to be transferred by Michael King to third parties following Completion.

APPENDIX

Michael James King holds or has held directorships in the five years preceding his appointment at the Company as follows:

Current Directorships

Goss Group Limited
Goss & Co. (Insurance Brokers) Limited
Goss & Co. (Financial Services) Limited
Petline Limited
M.W.F. Carter Limited
Access Underwriting Limited
Access Underwriters Limited
Cream Design Limited
Travel Incorporate Limited
Protocol Group Limited
Protocol Business Development Limited
Protocol Management Services Limited
John Holt & Partners (Financial Services) Limited
Pendleton May (Holdings) Limited
Pendleton May Insurance Brokers Limited
Pendleton May Financial Services Limited
C&I Insurance Services Limited
Commercial & International Insurance Consultants Limited
Goring and Streatley Travel Limited
Champion Seafoods Limited

Past Directorships

None

There are no other matters to be disclosed in relation to Schedule 2 paragraph (g) of the AIM Rules.

DEFINITIONS

The following definitions apply throughout this announcement, except where the context requires otherwise.

“A Shares”	the 500,000 issued and paid up ordinary shares of £1 each in the share capital of Goss
“Acquisition”	the proposed purchase of the “A” Shares of Goss, pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 20 February 2006 between the Vendors (1) and the Company (2) relating to the Acquisition
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission of securities to AIM
“Annual General Meeting” or “AGM”	the annual general meeting of the Company convened for 21 March 2006 (or any adjournment thereof)
“B Shares”	the 5,570 issued and paid up “B” ordinary shares of £1 each in the share capital of Goss
“Bank”	The Royal Bank of Scotland plc
“Bank Facility”	the £7,250,000 facilities to be granted to Jelf by the Bank
“Board” or “Directors”	the board of directors of the Company
“Completion”	Completion of the Acquisition Agreement which will occur automatically upon Admission (when all conditions of the Acquisition Agreement will have been satisfied or waived)
“Consideration Shares”	the 3,981,132 new Ordinary Shares to be issued on Completion, credited as fully paid, pursuant to the terms of the Acquisition Agreement
“Daniel Stewart”	Daniel Stewart & Company plc
“Enlarged Group”	the Group as enlarged by the Acquisition
“Existing Ordinary Shares”	the 13,495,120 existing Ordinary Shares in issue at the date of this announcement
“Enlarged Share Capital”	the issued share capital of the Company following Admission, as enlarged by the issue of the New Ordinary Shares
“Goss”	Goss Group Limited
“J.M. Finn”	J.M. Finn & Co
“Group”	the Company and its subsidiaries
“Jelf” or the “Company”	Jelf Group plc
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	together, the Consideration Shares and the New Placing Shares
“New Placing Shares”	the 6,904,988 new Ordinary Shares which are part of the Placing
“Notice of AGM”	the notice of AGM set out at the end of this document
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing”	the conditional placing by J.M. Finn, on behalf of

	Jelf, of the Placing Shares at the Placing Price to certain institutional and other investors, pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 20 February 2006 between Daniel Stewart (1), J.M. Finn (2), the Company (3) and the Directors (4) relating to the Placing
“Placing Price”	106p per Placing Share
“Placing Shares”	the New Placing Shares and the Sale Placing Shares
“Qualifying Placing Shares”	4,074,800 of the New Placing Shares to be subscribed by venture capital trusts and investors seeking to take the benefit of the Reliefs
“Reliefs”	relief available under Schedule 28B and Section 842AA of the Income and Corporation Taxes Act 1988 (Venture Capital Trusts), or under Chapter III of Part VII of the Income and Corporation Taxes Act 1988 and Sections 150A-150D and Schedule 5B and 5BA of Taxation of Chargeable Gains Act 1992 (Enterprise Investment Scheme)
“Resolutions”	the resolutions to be proposed at the AGM as set out in the Notice of AGM
“Sale Placing Shares”	means 467,000 existing Ordinary Shares which are the subject of the Placing
“Shareholders”	holders of Ordinary Shares
“Vendors”	Michael King, Michael Heard and Jeremy Wilson