

Cavanagh Group plc

("Cavanagh" or "The Group")

Unaudited Interim Results for the six months ended 30 June 2006

Cavanagh Group PLC, one of the leading firms of Independent Financial Advisers, announces its interim results for the six months to 30th June 2006.

Key Points

- Turnover up by 13% to £7,068,000 (2005: £6,255,000)
- Significant improvement in operating profit to £443,000 from a loss of £94,000 in 2005
- Pre-tax profit of £417,000 from a pre-tax loss of £192,000
- Operating cash inflow of £1,026,000 (2005: outflow of £311,000)

Andrew Fay, Chief Executive, comments:

"As anticipated, a very encouraging start to 2006 with the Group reporting a pre-tax profit following last year's concentration on generating operating efficiencies. We remain focused on building further on the progress achieved to date"

Cavanagh Group plc

Andrew Fay (Chief Executive)

01444 475400

Cavanagh Group plc
("Cavanagh" or "The Group")

Unaudited Interim Results for the six months ended 30 June 2006

Chairman's Statement

Financial performance:

I am extremely pleased to report these interim results for the six months ended 30 June 2006 which show turnover of £7,068,000 (2005: £6,255,000), an operating profit of £443,000 (2005: loss of £94,000) and, importantly, a pre-tax profit of £417,000 (2005: loss of £192,000). The business has generated an operating cash inflow of £1,026,000 (2005: outflow £311,000).

Following the improvement seen in the results for 2005 these figures clearly demonstrate Cavanagh's progress.

Operations:

As indicated previously, the Group's focus on generating profitable growth continues with particular emphasis being placed on increasing our clients' assets under management which currently exceed £1billion; we are also continuing to provide support to our consultants which has enabled them to generate average revenue in excess of £200,000 per annum.

Attracting and retaining high quality consultants remains core to our model as we have established a reputation for delivering the highest levels of support to our consultants, for both technical advice and administrative services. In July 2005, we installed a new back office system enabling us to drive through operating efficiencies; a year on from this, the benefits to the business are apparent with greater clarity in our management information which in turn allows us to focus on increasing our profitability. Our marketing department continues to provide the backbone of our activity for consultants with the emphasis on high net worth individuals (HNWs), professionals and corporates remaining our core market. Cavanagh has an established proven business model focussing on these clients. The infrastructure is established to provide consultants with suitable numbers of high quality meetings which in turn has allowed them to develop and maintain the very highest levels of productivity and earnings.

CPRM, our actuarial and pension advisory service, continues to grow and remains profitable with its recurring income now accounting for over 45% of its income.

Business Opportunities:

Management continues to develop strong business relations with both our existing introducers as well as new opportunities focused in the HNW and professional areas. These opportunities have arisen through brand awareness as our reputation has strengthened, this being our tenth year involved in advising clients in the legal sector. This, as well as a maturing of the client bank, many of whom have now become partners with their more complex planning requirements, is partly responsible for the increase in business volume.

Although there is no doubt that the first half year has benefited from A-Day it is evident that there is ongoing work caused by the legislative changes in this area; indeed, early evidence indicates that post A-Day work will generate more business than that pre A-Day.

During the period more development has been undertaken in the corporate arena with further clients signing up for the services offered by our corporate division including several high profile companies and one FSTE 100 company.

Given the board's objective of generating profitable growth we anticipate, particularly in the near-term, that acquisitions will only be considered when and where the enhancement of shareholder value can be clearly demonstrated.

Outlook:

Now that the Group has demonstrated it has developed a profitable business model, the focus is on maximising its existing opportunities by continuing to attract high-calibre consultants and support staff, delivering a high quality service to our clients, and thoroughly evaluating any new growth opportunities that present themselves. We consider that Cavanagh is well placed to achieve lasting success and accelerate its growth.

John Campbell
Chairman
5 September 2006

| Cavanagh Group plc | 6 Months | 6 Months | Year ended |
|---|-------------------|---------------------|---------------------|
| Group profit and loss account | 30-Jun-06 | 30-Jun-05 | 31-Dec-05 |
| | Unaudited | Unaudited | Audited |
| | | (restated*) | (restated*) |
| | £'000 | £'000 | £'000 |
| TURNOVER: | | | |
| Group and share of joint venture's turnover | 7,154 | 6,295 | 12,160 |
| Less: share of joint venture's turnover | (86) | (40) | (107) |
| | | | |
| TURNOVER | <u>7,068</u> | <u>6,255</u> | <u>12,053</u> |
| | | | |
| OPERATING PROFIT/(LOSS) | | | |
| Before goodwill amortisation | 543 | 6 | 23 |
| Goodwill amortisation | (100) | (100) | (202) |
| | | | |
| | <u>443</u> | <u>(94)</u> | <u>(179)</u> |
| Share of joint venture operating profit | 85 | 40 | 105 |
| Net interest payable | (111) | (138) | (263) |
| | | | |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | <u>417</u> | <u>(192)</u> | <u>(337)</u> |
| Tax on profit/(loss) on ordinary activities | (143) | (16) | (124) |
| | | | |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | <u>274</u> | <u>(208)</u> | <u>(461)</u> |
| Minority interest | (5) | - | (2) |
| | | | |
| RETAINED PROFIT/(LOSS) | <u><u>269</u></u> | <u><u>(208)</u></u> | <u><u>(463)</u></u> |
| Earnings per share – basic (pence) | 2.48p | (1.91)p | (4.26)p |
| Earnings per share – fully diluted (pence) | 2.47p | (1.91)p | (4.26)p |

The operating profit/(loss) for the period arises from the group's continuing operations. No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

* restated following the adoption of FRS 20 from 1 January 2006 (see note 1)

Cavanagh Group plc
Group Balance Sheet

As at 30 June 2006

| | 30-Jun-06 Unaudited £'000 | 30-Jun-05 Unaudited £'000 | 31-Dec-05 Audited £'000 |
|---|---------------------------------|---------------------------------|-------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 1,425 | 1,695 | 1,525 |
| Tangible | 494 | 694 | 605 |
| Investments – share of assets of joint venture | 2 | 2 | 2 |
| | <u>1,921</u> | <u>2,391</u> | <u>2,132</u> |
| CURRENT ASSETS | | | |
| Debtors | 3,038 | 3,629 | 3,281 |
| Cash | 1,563 | 501 | 906 |
| | <u>4,601</u> | <u>4,130</u> | <u>4,187</u> |
| CREDITORS - Amounts falling due within one year | (3,035) | (2,431) | (2,817) |
| NET CURRENT ASSETS | <u>1,566</u> | <u>1,699</u> | <u>1,370</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>3,487</u> | <u>4,090</u> | <u>3,502</u> |
| CREDITORS - Amounts falling due after one year | (3,200) | (3,800) | (3,500) |
| PROVISION FOR LIABILITIES AND CHARGES | <u>(248)</u> | <u>(287)</u> | <u>(247)</u> |
| NET ASSETS | <u>39</u> | <u>3</u> | <u>(245)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 109 | 109 | 109 |
| Share premium account | 2,706 | 2,706 | 2,706 |
| Profit and loss account | (2,778) | (2,807) | (3,057) |
| EQUITY SHAREHOLDERS' FUNDS | <u>37</u> | <u>8</u> | <u>(242)</u> |
| Non-equity minority interests | 2 | (5) | (3) |
| | <u>39</u> | <u>3</u> | <u>(245)</u> |

Cavanagh Group plc
Group Cash Flow Statement
For the period to 30 June 2006

| | 6 Months 30-Jun-06 Unaudited £'000 | 6 Months 30-Jun-05 Unaudited £'000 | Year ended 31-Dec-05 Audited £'000 |
|--|---|---|---|
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 1,026 | (311) | 451 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Dividends received from joint venture | 69 | 40 | 89 |
| Net interest paid | (111) | (138) | (264) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE | (42) | (98) | (175) |
| CAPITAL EXPENDITURE | | | |
| Purchase of tangible fixed assets | (27) | (112) | (159) |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | (27) | (112) | (159) |
| ACQUISITIONS AND DISPOSALS | | | |
| Purchase of subsidiary undertakings | - | - | 67 |
| NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS | - | - | 67 |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING | 957 | (521) | 184 |
| FINANCING | | | |
| Repayment of bank loans | (300) | (100) | (400) |
| NET CASH OUTFLOW FROM FINANCING | (300) | (100) | (400) |
| INCREASE/(DECREASE) IN CASH | 657 | (621) | (216) |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT | £'000 | £'000 | £'000 |
| Increase/(decrease) in cash in the period | 657 | (621) | (216) |
| Net cash outflow from debt financing | 300 | 100 | 400 |
| Change in net funds | 957 | (521) | 184 |
| Net debt as 1 January | (3,194) | (3,378) | (3,378) |
| Net debt as 31 December | (2,237) | (3,899) | (3,194) |

Notes to the Interim Financial Statements

1. Basis of preparation of interim financial information

The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2005 Annual Report and Financial Statements, with the exception of accounting for share based payments. This follows the adoption of Financial Reporting Standard No. 20 ('FRS 20' – Share based payments) for the year ended 31 December 2006. The interim results include the impact of the FRS 20 and both comparative 2005 results have been restated to reflect the change in accounting policy.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 December 2005 have been extracted from the statutory financial statements (restated following the adoption of FRS 20) which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 237(2) or 237 (3) of the Companies Act 1985. The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Board of Directors approved the interim financial statements on 5 September 2006

2. Earnings per share

The calculation of basic earnings per share is based on earnings of £269,000 (6 months ended 30 June 2005: £208,000 loss; year ended 31 December 2005: £463,000 loss) and on the weighted average number of shares in issue during the period of 10,868,000 (6 months ended 30 June 2005: 10,868,000; year ended 31 December 2005: 10,868,000).

| | 6 Month 30-Jun-06 Unaudited No | 6 Months 30-Jun-05 Unaudited No | 12 Months 31-Dec-05 Audited No |
|---|---|--|---|
| Basic weighted average number of shares | 10,868,000 | 10,868,000 | 10,868,000 |
| Dilutive potential ordinary shares: | | | |
| Employee share options | 14,310 | - | - |
| | <u>10,882,310</u> | <u>10,868,000</u> | <u>10,868,000</u> |

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the 6 months ended 30 June 2005 and year ended 31 December 2005 is identical to those used for the basic earnings per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard No 22 (FRS 22).

3. Reconciliation of equity shareholders' funds

| | 6 Month 30-Jun-06 Unaudited £'000 | 6 Months 30-Jun-05 Unaudited (restated*) £'000 | 12 Months 31-Dec-05 Audited (restated*) £'000 |
|---|--|--|---|
| Retained profit/(loss) for the period | 269 | (208) | (463) |
| Share based payment | 10 | 2 | 7 |
| Increase/(decrease) in equity shareholder funds | 279 | (206) | (456) |
| Opening equity shareholder (deficit)/funds | (242) | 214 | 214 |
| Closing equity shareholder funds/(deficit) | <u>37</u> | <u>8</u> | <u>(242)</u> |

4. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

| | 6 Month 30-Jun-06 Unaudited £'000 | 6 Month 30-Jun-05 Unaudited (restated*) £'000 | 12 Months 31-Dec-05 Audited (restated*) £'000 |
|---|--|---|---|
| Operating profit/(loss) | 443 | (94) | (179) |
| Share based compensation | 10 | 2 | 7 |
| Amortisation of goodwill | 100 | 100 | 202 |
| Depreciation | 138 | 124 | 261 |
| Decrease/(increase) in debtors | 116 | (412) | (155) |
| Increase/(decrease) in creditors | 219 | (31) | 315 |
| Net cash inflow/(outflow) from operating activities | <u>1,026</u> | <u>(311)</u> | <u>451</u> |

5. Analysis of net debt

| | 1-Jan-06 £'000 | Cash Flow £'000 | Non-cash movements £'000 | 30-Jun-06 £'000 |
|--------------------------|-------------------|--------------------|--------------------------------|--------------------|
| Cash at bank and in hand | <u>906</u> | <u>657</u> | <u>-</u> | <u>1,563</u> |
| Bank loans | <u>(4,100)</u> | <u>300</u> | <u>-</u> | <u>(3,800)</u> |
| Net debt | <u>(3,194)</u> | <u>957</u> | <u>-</u> | <u>(2,237)</u> |

6. Copies of this report will be sent to shareholders shortly and available from The Courtyard, Staplefield Road, Cuckfield, West Sussex RH17 5JT.