

# Cavanagh Group plc

## INTERIM RESULTS

For the 6 months ended

30 June 2005

CAVANAGH GROUP PLC  
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 June 2005

KEY POINTS

- Turnaround in EBITDA from a loss of £702k to a profit of £133k
- Pre-tax loss of £0.2m (2004: £1.5m loss)
- Turnover £6.3m (2004: £6.3m)

Andrew Fay, Chief Executive, comments:

"I am very pleased to report such a turnaround in the business.

We anticipated that 2005 would be a year of consolidation and stability following the acquisition and integration of Ernst & Young Financial Management in the previous year. Our financial performance for the first half of this year clearly demonstrates the progress made. We are further enthused by continuing to drive efficiencies coupled with our focus on growing the business profitably"

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For further information please contact:

Andrew Fay, Chief Executive  
Cavanagh Group plc

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## **CHAIRMAN'S STATEMENT**

### **For the six months ended 30 June 2005**

#### **Results**

The results to June 2005 show turnover of £6.26m (2004: £6.33m) and an EBITDA of £133k (2004: £702k loss)

#### **Operations**

During the period, the management focus has centred on maximizing the skills of our staff and strengthening the overall quality of service to Clients. This in turn has enabled the Group to maintain income and to build on the value in our model, and this is now demonstrated in our results. Progress in reducing costs will continue, based on the decisions taken to restructure last year and this will also be evident in the second half of 2005 and early 2006. All of this has been achieved while the Group has reduced the overall number of Consultants from 75 to 65. The Group's philosophy has always been to improve quality and not compromise and this is to continue. We are pleased with our existing Consultant base, and we are motivated by the discussions we are currently engaged in, with quality Consultants who we hope will join during the second half of 2005. This will help our organic growth and we anticipate growing the number of Consultants steadily as and when the best opportunities present themselves.

I am pleased to report the new back office system went live on 1<sup>st</sup> July 2005 as scheduled, which will assist in driving further operational efficiencies.

#### **Business Opportunities**

As anticipated, management have been able to develop business relations both with existing introducers and contacts as well as other strategic alliances set up to benefit from closer working relationships with other professionals in the legal and accounting sectors. We continue to focus on the professional and high net worth sector for our advice proposition together with the corporate sector. Progress has accelerated due to A-day opportunities within both markets and the activity has increased considerably as there is an immediate requirement for professional advice. The Group is continually prioritising the significant opportunities presented to it, and improving the value for the Group and our Clients.

CPRM Limited, our actuarial advice service launched in September 2004 has continued to develop attractive Client relationships. Income is expected to continue to grow during the remainder of 2005, and consequently to contribute profitably to the Group's progress.

#### **Outlook**

The Group has made enormous strides in the period since flotation just three and a half years ago. The strategy employed has been to grow the company to become a significant player in the provision of independent financial advice, and we believe the current results show that a progressive journey to this position has been underway. The opportunities on the back of this year's consolidation will continue and we see Cavanagh as a major winner in the sector for the future.

Whilst 2004 was a difficult year of change for Cavanagh, 2005 is one of consolidation whereby we return to profitability and build a solid base for the future.

John Campbell  
Chairman  
29<sup>th</sup> September 2005

Cavanagh Group plc  
**GROUP PROFIT AND LOSS ACCOUNT**  
for the six months ended 30 June 2005

	Unaudited Six months to	Unaudited Six months to	Audited 14 months to 31 December 2004 £'000
	30 June 2005 £'000	30 June 2004 £'000	
<b>TURNOVER</b>	<u>6,255</u>	<u>6,326</u>	<u>12,217</u>
<b>OPERATING LOSS</b>			
Before exceptional costs and goodwill amortisation	9	(831)	(2,453)
Exceptional costs	0	(467)	(645)
	<u>9</u>	<u>(1,298)</u>	<u>(3,098)</u>
Goodwill amortisation	(100)	(109)	(202)
	<u>(91)</u>	<u>(1,407)</u>	<u>(3,300)</u>
Share of joint venture operating profit	40	60	109
Net Interest payable	(138)	(153)	(225)
	<u>(189)</u>	<u>(1,500)</u>	<u>(3,416)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Tax on loss on ordinary activities	(16)	468	1,065
	<u>(205)</u>	<u>(1,032)</u>	<u>(2,351)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
Minority Interest	0	0	5
<b>RETAINED LOSS</b>	<u>(205)</u>	<u>(1,032)</u>	<u>(2,346)</u>
Loss per share (pence) – basic and fully diluted	<u>(1.89)</u>	<u>(10.32)</u>	<u>(22.62)</u>

The operating loss for the year 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.

Cavanagh Group plc  
GROUP BALANCE SHEET  
30 June 2005

	Unaudited 30 June 2005 £'000	Unaudited 30 June 2004 £'000	Audited 31 December 2004 £'000
<b>FIXED ASSETS</b>			
Intangible assets	1,695	1,884	1,795
Tangible assets	694	798	706
Investments - share of assets of joint venture	2	2	2
<b>CURRENT ASSETS</b>			
Debtors	3,629	3,188	3,233
Cash at bank and in hand	501	705	1,122
	<u>4,130</u>	<u>3,893</u>	<u>4,355</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(2,431)	(2,320)	(2,243)
<b>NET CURRENT ASSETS</b>	<u>1,699</u>	<u>1,573</u>	<u>2,112</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>4,090</u>	<u>4,257</u>	<u>4,615</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	(3,800)	(4,450)	(4,100)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<u>(287)</u>	<u>(105)</u>	<u>(307)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>3</u>	<u>(298)</u>	<u>208</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	109	100	109
Share premium account	2,706	1,065	2,706
Profit and loss account	(2,807)	(1,463)	(2,602)
Minority Interest	(5)	0	(5)
<b>SHAREHOLDERS' FUNDS</b>	<u>3</u>	<u>(298)</u>	<u>208</u>

Cavanagh Group plc  
**GROUP CASH FLOW STATEMENT**  
for the six months ended 30 June 2005

	Unaudited Six months to	Unaudited Six months to	Audited 14 months to 31 December 2004 £'000
	30 June 2005 £'000	30 June 2004 £'000	
Net cash outflow from operating activities	(311)	(771)	(2,364)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Dividends received from joint venture	40	60	104
Net Interest paid	(138)	(153)	(225)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<u>(98)</u>	<u>(93)</u>	<u>(121)</u>
<b>TAXATION</b>	<u>0</u>	<u>0</u>	(13)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets	(112)	(751)	(781)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<u>(112)</u>	<u>(751)</u>	<u>(781)</u>
<b>ACQUISITIONS AND DISPOSALS</b>			
Net cash acquired with subsidiary	0	0	1,322
Acquisition costs	0	0	(3,565)
<b>NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS</b>	<u>0</u>	<u>0</u>	<u>(2,243)</u>
<b>CASH OUTFLOW BEFORE FINANCING</b>	<u>(521)</u>	<u>(1,615)</u>	<u>(5,522)</u>
<b>FINANCING</b>			
Issue of equity share capital	0	0	1650
Bank loan	0	0	4500
Bank loan repayment	(100)	0	0
<b>NET CASH (OUTFLOW)/ INFLOW FROM FINANCING</b>	<u>(100)</u>	<u>0</u>	<u>6,150</u>
<b>(DECREASE)/INCREASE IN CASH</b>	<u>(621)</u>	<u>(1,615)</u>	<u>628</u>

Notes:

1. The interim results are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the period ended 31 December 2004 have been extracted from the Group accounts for that period. Those financial statements have been filed with the Registrar of Companies and included an auditor's report which was unqualified.
2. The interim results have been prepared in accordance with the accounting policies adopted in the accounts for the period ended 31 December 2004.  
The interim results in 2004 were for the six months to April 2004, but following the change in year end from October to December 2004, the interims are now for the six months to June.
3. Loss per share is based on a loss after taxation of £205,000 and on 10,868,400 ordinary shares, being the weighted average number in issue during the period.
4. Reconciliation of operating loss to net cash flow from operating activities

	Unaudited 6 months to 30 June 2005	Unaudited 6 months to 30 June 2004	Audited 14 months ended 31 December 2004
	£'000	£'000	£'000
Operating loss	(91)	(1,407)	(3,300)
Amortisation of goodwill	100	109	202
Depreciation	124	129	251
(Increase) / decrease in debtors	(412)	(174)	138
(Decrease) / increase in creditors	<u>(32)</u>	<u>572</u>	<u>345</u>
Net cash outflow from operating activities	<u>(311)</u>	<u>(771)</u>	<u>(2,364)</u>

5. Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months to 30 June 2005	Unaudited 6 months to 30 June 2004	Audited 14 months ended 31 December 2004
	£'000	£'000	£'000
Increase/(decrease) in cash in the period	(621)	(1,615)	628
Cash flow in respect of bank loans	100	0	(4,500)
Change in net funds	<u>(521)</u>	<u>(1615)</u>	<u>(3,872)</u>
Opening net borrowings	<u>(3,378)</u>	<u>(2,180)</u>	<u>494</u>
Closing net borrowings	<u>(3,899)</u>	<u>(3,795)</u>	<u>(3,378)</u>

6. Copies of this report will be sent to shareholders shortly.