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If you have sold or transferred all of your Ordinary Shares, please send this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Directors, whose names are set out on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an AIM Admission document, has been prepared in accordance with the rules of the Alternative Investment Market of the London Stock Exchange plc ("AIM"). Trading in Ordinary Shares is currently suspended and is expected to be restored on 17 October 2003 following publication of this document. In accordance with the AIM Rules, application will be made for re-admission of the Ordinary Shares following completion of the proposals outlined in this document and it is expected that re-admission will occur by 26 January 2004.

This document does not constitute a prospectus and a copy of this document has not been delivered to the Registrar of Companies in England and Wales for registration under Regulation 4(2) of the Public Offers Securities Regulations 1995.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.



Independent Financial Advisors

(Incorporated under the Companies Act 1985 with registered number 4220482)

**Proposed acquisition of Ernst & Young Financial Management Limited
and
Admission to trading on the Alternative Investment Market
arranged by Nominated Adviser and Broker
BREWIN DOLPHIN SECURITIES LTD**

A letter from John Campbell, the Chairman of the Company, is set out in Part 1 of this document. Risk factors which should be taken into account in assessing the activities of the Enlarged Group are set out in that letter.

Brewin Dolphin Securities Ltd, which is a member of the London Stock Exchange and is regulated by the Financial Services Authority, is acting for Cavanagh Group plc and no one else in connection with the Proposals and will not be responsible to anyone other than Cavanagh Group plc for providing the protections afforded to customers of Brewin Dolphin Securities Ltd or for providing advice in relation to the Proposals.

Notice of an Extraordinary General Meeting of the Company to be held at the Company's offices at 1 Half Moon Street, London W1J 7DY at 10.00 am on 12 November 2003 is set out at the end of this document. The Form of Proxy for use at the EGM accompanies this document and, to be valid, must be completed in accordance with the instructions printed thereon and returned to the Company's registrars, Capita Registrars, P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible but in any event must arrive no later than the close of business on 10 November 2003.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2003
Latest time and date for receipt of completed Forms of Proxy for the EGM	10.00am on 10 November 2003
EGM	10.00am on 12 November 2003
Latest date for satisfaction of the conditions in the Sale and Purchase Agreement ("the Long Stop Date")	14 January 2004
Latest date for Completion of the Acquisition	23 January 2004
Latest date for Admission to trading on AIM	26 January 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Campbell Andrew Fay Simon Redgrove Neill Millard Mark Liley Paul Sinnett ACA	Non-executive Chairman Chief Executive Managing Director Marketing Director Sales Director Non-executive Director
Registered Office	The Courtyard Staplefield Road Cuckfield West Sussex, RH17 5JT	
Company Secretary	Neill Millard	
Website Address	www.cavanagh.co.uk	
Nominated Adviser and Broker	Brewin Dolphin Securities Ltd 34 Lisbon Street Leeds, LS1 4LX	
Reporting Accountants and Auditors	Baker Tilly Brazenose House Lincoln Square Manchester, M2 5BL	
Solicitors to the Company	Dundas & Wilson CS Saltire Court 20 Castle Terrace Edinburgh, EH1 2EN	
Registrars	Capita Registrars P.O. Box 25 Beckenham Kent, BR3 4BR	

PART 1
LETTER FROM THE CHAIRMAN
CAVANAGH GROUP PLC

(Registered and incorporated in England and Wales No. 4220482)

Directors:

John Campbell	<i>Non-executive Chairman</i>
Andrew Fay	<i>Chief Executive</i>
Simon Redgrove	<i>Managing Director</i>
Neill Millard	<i>Marketing Director</i>
Mark Liley	<i>Sales Director</i>
Paul Sinnett ACA	<i>Non-executive Director</i>

Registered Office:

The Courtyard
Staplefield Road
Cuckfield
West Sussex
RH17 5JT

17 October 2003

To holders of Ordinary Shares and, for information only, to holders of options over Ordinary Shares

Dear Shareholder

Proposed Acquisition of Ernst & Young Financial Management Limited and Admission to trading on the Alternative Investment Market

Introduction

I am pleased to announce that Cavanagh Group plc has agreed conditionally to acquire the entire issued share capital of Ernst & Young Financial Management Limited (“EYFM”) an independent financial adviser ultimately owned by Ernst & Young LLP. EYFM is an established financial adviser with a broad range of clients covering high net worth individuals, owner managed businesses and subsidiaries of multinational companies. In the year to 27 June 2003, EYFM achieved a turnover of £7.4 million. The Directors believe EYFM’s business will make a good strategic fit with Cavanagh’s existing business and are encouraged by the prospects for the Enlarged Group.

The consideration for the acquisition will be £3.0 million paid in cash (subject to adjustment as described in Part 5). The consideration plus budgeted integration costs and advisers’ fees of approximately £1.2 million will be financed by way of New Debt Facilities of £4.5 million. Further details of the Acquisition and the New Debt Facilities are given below and in Part 5.

Owing to its size, the Acquisition is classified as a reverse takeover and as such is conditional upon approval by the Company’s shareholders at the EGM. The Acquisition is also conditional upon, *inter alia*, shareholder approval to dispense with certain borrowing restrictions in the Company’s Articles of Association in relation to the Acquisition. In addition, resolutions will be put to the EGM which will seek to disapply statutory pre-emption rights on new share issues. The purpose of this document is to provide you with information about the Proposals and explain why your Board considers them to be in the best interests of the Company.

Trading in the Company’s shares has been suspended since the announcement on 29 July 2003 that the Company was in advanced negotiations regarding the possible acquisition of EYFM. It is expected that trading will be restored with effect from 8.30am on 17 October 2003 following publication of this document. For an acquisition of this size, the AIM Rules require that the Enlarged Group submits an application for the re-admission of its entire share capital to trading on AIM following Completion. It is expected that Completion will occur by 23 January 2004 and that re-admission will occur on or before 26 January 2004.

The EGM has been convened for these purposes and is to be held at the Company’s offices at 1 Half Moon Street, London W1J 7DY at 10.00am on 12 November 2003. Notice of the EGM is set out at the end of this document.

Background to and Reasons for the Acquisition

The Group is a niche player in the IFA sector. The Directors believe that the Group’s emphasis on quality and professionalism is key to sustainable productivity in the future.

In my Chairman's statement in the interim results of the Company announced on 31 July 2003, I was delighted to report a further period of growth for the Group, with turnover in the 6 months to April 2003 reaching £2.4 million, an increase of 69% on the previous period (£1.4 million). The total number of clients served has risen to approximately 7,000, demonstrating high activity across the Group. Although a small loss of £69,000 was incurred this was largely attributable to the start-up costs of a new office opened in London in this period.

Cavanagh has shown significant organic growth without heavy losses or substantial capital expenditure. We have sought to balance a near break-even position during this period whilst maximising our development opportunities.

Our objective has been to maintain an organic growth model unless a high quality acquisition opportunity presented itself that was strategically, operationally and culturally compelling. Your Board believes that EYFM is a company that meets these criteria.

Strategic Rationale for the Acquisition

Profile

The Directors believe that the Enlarged Group will benefit from the profile generated by the Acquisition and by the creation of a team of over 76 professional and qualified consultants. In short the Directors believe the Enlarged Group will represent one of the largest niche professional players in the IFA marketplace.

National Coverage

Cavanagh is currently very strong in London and the South East, having offices in Sussex, Surrey and London.

EYFM presently operates from nine locations in the UK with principal teams operating from Edinburgh, Glasgow, London and Newcastle. Smaller teams operate in Aberdeen, Birmingham, Bristol, Leeds and Manchester.

The Enlarged Group will have a geographic spread of office locations allowing us to cover the majority of the United Kingdom and in turn establish Cavanagh as a national IFA as opposed to servicing just London and the South East.

National coverage should enable EYFM and CFSL to roll out their respective business models and product offerings across all of the Enlarged Group's office locations. For instance, post Completion, it is intended that each of the former EYFM office locations will have the capability of servicing the legal sector in addition to their existing financial advisory offering.

The Directors believe this coverage will give the Enlarged Group significant opportunities to grow turnover and client base.

Common Business Ethos

The Directors believe the key to Cavanagh's success is recruiting consultants with the requisite experience to be comfortable with and capable of conducting business in the professional sector. On average the consultants of both EYFM and Cavanagh produce results which exceed the national average amongst IFA's, giving a clear indication of the strength of both businesses.

EYFM, like Cavanagh, places emphasis on professional standards and qualifications, with 19 of their consultants having passed the Advanced Financial Planning Certificate.

Markets

Cavanagh has a focus on providing financial planning advice to individuals in the legal sector and has shown that this model works well in the South-East. Since flotation Cavanagh has forged strategic relationships and has recruited consultants enabling it to extend its reach to barristers and other professionals and high net worth individuals.

EYFM provides a wide range of independent financial planning services to corporations, directors, senior executives, business owners, partnerships and professionals, encompassing a broad range of businesses. The Directors believe that similarities between EYFM's and Cavanagh's customer bases provide a good strategic fit.

Information on EYFM

Overview

EYFM is an independent financial adviser ultimately owned by Ernst & Young LLP. EYFM was established in 1986 as part of the Ernst & Young tax practice, and has expanded since then, both organically and through acquisition. Today, EYFM is headquartered in Glasgow and operates from nine sites across the UK.

EYFM provides financial planning advice on pensions, investments and protection solutions to individuals and companies. In the year ended 27 June 2003, more than half of EYFM's turnover arose from pensions advice. EYFM currently has 3,500 clients, including 500 current and former partners of Ernst & Young, and over 600 corporate clients.

Historically, EYFM has focused on winning new business through referrals from existing clients, from Ernst & Young LLP and through its presence on the Camelot Advisory Panel. As part of the Acquisition, Ernst & Young LLP has agreed to continue its arrangements with EYFM for the referral of clients requiring independent financial advisory services.

EYFM has a policy of offering clients a choice between a fee or commission basis of paying for its services. In the year ended 27 June 2003, around 37 per cent. of its turnover arose from fees, and the balance from commissions and similar income.

EYFM currently employs 121 staff, of whom 35 are consultants.

Financial Information on EYFM

The trading record of EYFM for the three years ended 27 June 2003 is summarised below and has been extracted from the Financial Information included in Part 2 of this document.

	Year ended 29 June 2001 £'000	Year ended 28 June 2002 £'000	Year ended 27 June 2003 £'000
Turnover	8,071	8,206	7,449
Gross profit	5,246	5,178	4,751
Operating profit/(loss)	192	705	(180)
Net assets	<u>1,966</u>	<u>2,527</u>	<u>2,441</u>

The downturn observed in 2003 in comparison to the prior year is partly attributable to the loss in the number of consultants employed over the periods under review. At 28 June 2002, EYFM employed 48 consultants. At 7 October 2003 this figure was 35.

Information on Cavanagh Group plc

Cavanagh is an independent financial adviser based in the South-East focused on providing financial advice to professionals.

The three founders of Cavanagh, Andrew Fay, Simon Redgrove and Neill Millard, commenced trading in partnership as The Cavanagh Group in October 1996. Before establishing The Cavanagh Group, the three founders had together gained over 20 years' experience as senior financial advisers or consultants for insurance companies. The founders believed there was an opportunity for a firm of independent financial advisers focused on the provision of a high quality service to professionals.

Cavanagh floated on AIM in October 2001 and raised £1.5 million (before expenses) in a placing. Since then it has grown organically through recruitment of consultants and has opened offices in Guildford and London and has continued to strengthen its links with the London legal sector through its relationship with Place Campbell, a firm of specialist accountants advising many London barristers.

Financial record of Cavanagh

The following information has been extracted from the statutory accounts of Cavanagh Financial Services Limited for the two years ended 31 October 2001, from the statutory accounts of Cavanagh Group plc for the year ended 31 October 2002 and from the interim results statement of Cavanagh Group plc for the six months ended 30 April 2003.

	2000	2001	2002	2003 (six months)
	£'000	£'000	£'000	£'000
Turnover	1,207	1,789	3,469	2,406
Gross profit	861	1,095	2,057	1,173
Operating profit/(loss)	433	204	(122)	(76)
Net assets	126	11	1,107	1,038

The trends of Cavanagh's results have borne out the expectation set down at the time of the flotation. Turnover has increased with investment in infrastructure and recruitment has brought the number of staff from 44 at the time of flotation to 85 today. Pro rata turnover in the six months to April 2003 was approximately four times that achieved in the year to October 2000.

Gross profit margins have fallen for two reasons. Firstly, the results for 2000 and 2001 were heavily influenced by the performance of the directors of CFSL who were largely remunerated by dividends. Since then, the proportion of business written by advisers, who receive a share of commissions and fees, has increased. Secondly, Cavanagh has pursued a strategy of organic growth through the recruitment of new advisers. Each new recruit has a learning curve which depresses gross profit margins in the short term. Cavanagh has sought to strike a balance between the rate of growth and profitability, such that the profits after tax are approximately break even.

Operating margins have fallen for similar reasons.

Details of the Acquisition

On 16 October 2003 the Company entered into the Sale and Purchase Agreement pursuant to which the Acquisition will be effected.

The consideration to be paid by the Company pursuant to the Acquisition will (subject to adjustment as described in Part 5) be the sum of £3.0 million for the entire issued share capital of EYFM.

Following Completion, EYFM will change its name to Cavanagh Financial Management Limited.

Completion of the Sale and Purchase Agreement is subject to satisfaction or waiver of a number of conditions, including, *inter alia*:

- the passing of the Resolutions at the EGM (other than Resolution 1);
- the Financial Services Authority approving the Company's acquisition of EYFM; and
- the completion of the transition pursuant to the Transition Agreement.

Further details of the Sale and Purchase Agreement and New Debt Facilities are provided in Part 5 of this document.

Current Trading

The interim results of the Company for the six months ended 30 April 2003 announced on 31 July 2003 included the following statement:

"In a period in which we have observed our peer group struggling in the present economic climate, Cavanagh has continued to attract new business and continued to recruit and retain high quality consultants. A combination of innovation, quality and hard work by the whole team has led to the identification and fulfilment of many major business opportunities in the last year and sustained increases in the new business. We are looking forward immensely to the future."

The Directors view of the Company's prospects has not changed since making that statement. However, since the announcement, the trading performance of Cavanagh has fallen behind budget as the Directors have focused their attention on the Acquisition. The Directors now expect the results for the year to 31 October 2003 to meet market expectations in turnover, but with a small loss before tax.

Since 30 June 2003, EYFM's trading performance has also fallen behind budget as its Directors have focused their attention on the Acquisition.

Prospects for the Enlarged Group

The Enlarged Group will continue with Cavanagh's existing high quality and independent model whilst continuing its commitment to motivating its existing consultants and attracting high calibre recruits. The Directors intend to capitalise on the Enlarged Group's new national presence and expand its reputation as a specialist in the legal sector through strategic alliances and continued marketing strategy. The Directors intend that EYFM, once part of the Enlarged Group, will increase its focus on private wealth management. The Directors have identified significant annual cost savings that can be effected within EYFM. The Directors are encouraged by the prospects for the Enlarged Group.

Directors and Secretary

John Campbell (aged 60) Non-executive Chairman

John joined the Company as Non-executive Chairman in September 2001. He has been on the board at Scottish Mutual Assurance plc since May 1997 where he was the Sales Director, until he retired in 2001. John is an Associate of the Chartered Insurance Institute and has worked in the financial services industry since 1966 when he joined Standard Life as a Sales Consultant.

Andrew Fay (aged 38) Chief Executive

Andrew together with Simon Redgrove and Neill Millard founded the Cavanagh Group as a partnership in 1996. Previously Andrew had been a senior financial adviser at Royal Insurance where he had worked since 1989. At Royal Insurance Andrew was consistently one of the highest ranked producers and received a number of awards and promotions in recognition. In addition to his responsibilities as Chief Executive, Andrew continues to write business and has assumed the Compliance Officer role within Cavanagh.

Simon Redgrove (aged 38) Managing Director

Simon has assumed the roles of sales manager and personnel officer at Cavanagh and has led the recruitment drive in recent months to build the sales and administration team. Simon was a senior financial adviser at Royal Insurance where he worked since 1990. At Royal Insurance he was consistently one of the highest ranked producers and received a number of awards and promotions in recognition.

Neill Millard (aged 36) Marketing Director and Secretary

Neill takes responsibility for promoting the Cavanagh name and its products and developed the telemarketing and mortgage processing teams, and continues to write business. Neill joined Manulife Financial in 1989 as a consultant specialising in high net worth individuals and in February 1995 joined Royal Insurance as a senior consultant. At Manulife and Royal Insurance, Neill was consistently one of the highest ranked producers.

Mark Liley (aged 38) Sales Director

Mark was appointed to the Cavanagh board in September 2001. He joined Cavanagh as a self employed consultant in June 1999. Previously Mark spent 10 years as a consultant at Frizzell Life and Financial Planning where he specialised in retirement advice. Since joining Cavanagh he has led the sales teams and has consistently achieved high levels of sales within the firm.

Paul Sinnott (aged 45) Non-executive Director

Paul is the Finance Director of Lynx plc which is the holding company of a group of IT companies previously owned by the fully-listed Lynx Group plc, where he was the Group Finance Director for 9 years. Paul joined Lynx Group plc as a group financial controller having held similar positions in other quoted UK companies.

Finance Director

The Directors are actively seeking, and hope to appoint as soon as practicable, a suitably qualified finance director.

Employee Incentive Arrangements

The Directors believe that it is in the interests of the Company to incentivise employees through participation in the Company's growth.

The Company has an enterprise management incentives share option scheme ("EMI Scheme") and an unapproved company share option plan ("Unapproved Plan") under which Directors, employees and consultants can be offered options ("Options") to acquire Ordinary Shares. The schemes are administered by the Board. The principal features of the schemes are summarised in paragraph 8 of Part 6 of this document. The number of Ordinary Shares over which Options under both the EMI Scheme and the Unapproved Plan are granted cannot exceed in aggregate 10 per cent. of the Company's issued ordinary share capital from time to time.

Risk Factors

Investing in the Company involves a degree of risk. The Directors consider that, in addition to those risks detailed in the admission document published on 2 October 2001, the factors and risks described below are the most significant and should be carefully considered, together with all other information contained in this document. The price of Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment. It should be noted that the risks described below are not the only risks faced by the Company. There may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition and results of operations could be materially adversely affected:

- the Acquisition is conditional on a number of matters set out in the Sale and Purchase Agreement (summarised in Part 5 of this document). These conditions may take up to 90 days from the date of the Sale and Purchase Agreement to be satisfied. If all the conditions are not satisfied, or waived by the Long Stop Date (or any extension thereto agreed between the parties), the Acquisition may not proceed;
- failure to maintain historical growth rates, whether as a result of a failure to continue to recruit advisers of the appropriate quality or a drop in the performance of existing advisers;
- failure to maintain the historic levels of referrals of new business to EYFM from Ernst & Young;
- there can be no assurance that the Enlarged Group will not breach regulations which apply to its business nor that it will maintain levels of regulatory authorisation required to carry on certain types of business; and
- failure to successfully complete the Acquisition or to integrate and manage the EYFM business, including the transition of operations and staff to new premises.

Related Party Transactions

Pursuant to the Facility Agreement (summarised in Part 5 of this document) Andrew Fay, Neill Millard and Simon Redgrove have given personal guarantees in favour of Bank of Scotland, in each case for £250,000. In addition, Bankhall Investment Management Limited has agreed to provide a guarantee in favour of Bank of Scotland in connection with the New Debt Facilities. In support of this guarantee, Bankhall will take a charge over 496,454, 496,454, 496,454 and 21,277 shares held by Andrew Fay, Neill Millard, Simon Redgrove and Paul Sinnett respectively. The Directors other than Andrew Fay, Neill Millard, Simon Redgrove and Paul Sinnett, consider, having consulted with Brewin Dolphin Securities, the terms of the Facility Agreement are fair and reasonable insofar as shareholders are concerned.

Additional Information

Your attention is drawn to the additional information contained in Parts 2 to 6 of this document.

Extraordinary General Meeting

A Notice convening an Extraordinary General Meeting of the Company to be held at the Company's offices at 1 Half Moon Street, London W15 7DY at 10.00 am on 12 November 2003 is set out at the end of this document. At that meeting, resolutions will be proposed, *inter alia*, to the following effect:

- a special resolution to amend the Articles of Association of the Company to the effect that the restrictions on the borrowing powers of the Directors set out therein may, by special resolution, be disregarded in respect of any particular borrowings;
- a special resolution to disregard the borrowings pursuant to the New Debt Facilities for the purposes of the restrictions on the borrowing powers of the Directors set out in the Articles of Association of the Company; and
- an ordinary resolution seeking the consent of shareholders to the proposed Acquisition.

Completion of the Acquisition pursuant to the Sale and Purchase Agreement is conditional, *inter alia*, on the passing of these resolutions. Irrevocable undertakings to vote in favour of the Resolutions have been received in respect of 7,897,665 Ordinary Shares, representing 78.9 per cent of the issued Ordinary Shares as at the date of this document.

A further special resolution will be proposed at the EGM to grant the Directors authority to issue new Ordinary Shares and to disapply the statutory pre-emption rights under the Act which would otherwise apply. The Directors do not presently envisage recourse to such authorities other than (1) to issue shares and options over shares pursuant to the Share Options Schemes and (2) in connection with a possible capital raising by the Company (by way of private placing or otherwise) to raise additional share capital in order to reduce the level of the Enlarged Group's borrowings.

Dividend policy

At the current time, the Directors consider it inappropriate to make a forecast of the likely level of any future dividends. The Directors intend initially to retain the Company's earnings to fund further organic growth and further expansion. However the Directors intend, in the longer term, to commence the payment of dividends when it becomes commercially prudent to do so.

Corporate governance

The Directors intend, following Admission and so far as is practicable and appropriate for a public company of its size, to comply with the Combined Code on Corporate Governance (published in July 2003 the "Combined Code").

An Audit Committee has been established which is composed of the non-executive Directors. It meets at least twice each year unless it determines that a second meeting is unnecessary and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the proper reporting of the financial performance of the Group and for reviewing financial statements prior to publication.

A Remuneration Committee has been established which is composed of the non-executive Directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. The Remuneration Committee also determines the allocation of share options to employees. It is a rule of the Remuneration Committee that no director shall participate in discussions or decisions concerning his own remuneration.

Action to be taken

You will find enclosed with this document a Form of Proxy for use in connection with the EGM.

Whether or not you intend to be present at the meeting, you are requested to complete the Form of Proxy in accordance with the instructions thereon and return it to the Company's registrars, Capita Registrars, P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible and in any event so that it is received no later than the close of business on 10 November 2003.

Completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person if you so wish.

Recommendation

Your Board, having been so advised by Brewin Dolphin Securities, considers the Acquisition and the passing of the Resolutions to be in the best interests of the Company and its shareholders as a whole. In providing its advice, Brewin Dolphin Securities has relied upon the Board's commercial assessments of the Proposals.

Accordingly, the Directors unanimously recommend shareholders to vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their own holdings which together amount to 7,897,665 existing Ordinary Shares representing approximately 79 per cent. of the existing issued Ordinary Shares of the Company at the date of this document.

Yours faithfully

John Campbell

Non-executive Chairman

PART 2

ACCOUNTANTS' REPORT ON EYFM



BAKER TILLY

The Directors
Cavanagh Group plc
The Courtyard
Staplefield
Cuckfield
West Sussex
RH17 5JT

Brazenose House
Lincoln Square
Manchester M2 5BL
Tel: +44 (0)161 834 5777
Fax: +44(0)161 835 3242
DX: 14371 Manchester 1
www.bakertilly.co.uk

The Directors
Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds
LS1 4LX

16 October 2003

Dear Sirs

Ernst & Young Financial Management Limited

We report in connection with the proposed acquisition of Ernst & Young Financial Management Limited ("EYFM") by Cavanagh Group plc ("the Company") and the admission to trading on The Alternative Investment Market ("AIM") of the Company's ordinary share capital.

Basis of Preparation

The financial information set out below is based on the audited financial statements of EYFM for the three years ended 27 June 2003 after making such adjustments as we consider necessary. EYFM's accounts for each of the three years ended 27 June 2003 were reported on by BDO Stoy Hayward who gave unqualified reports thereon.

Responsibility

The financial statements of EYFM are the responsibility of the directors of EYFM, who approved their issue.

The Directors of Cavanagh Group plc are responsible for the contents of the Admission document dated 17 October 2003 in which this report is included.

It is our responsibility to compile the financial information set out in our report, to form an opinion on the financial information and to report our opinion to you in accordance with Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose, for our work, for this report or for the opinions we have formed.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

Our work included an assessment of evidence relevant to the amount of and disclosures in the financial information. The evidence included that previously obtained during the audit of EYFM's financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements and of whether the accounting policies are appropriate to EYFM's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which are considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below, gives for the purposes of the Admission Document, a true and fair view of the state of affairs of EYFM as at the dates stated and of their profits, losses, cash flow and recognised gains and losses for the years then ended.

PROFIT AND LOSS ACCOUNTS

		Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Turnover	2	8,071,101	8,205,572	7,448,104
Cost of sales		(2,825,000)	(3,027,159)	(2,876,802)
Gross profit		5,246,101	5,178,413	4,571,302
Administrative expenses		(5,053,614)	(4,473,430)	(4,751,762)
Operating profit/(loss)	3	192,487	704,983	(180,460)
Bank interest receivable		175,286	114,404	87,021
Profit/(loss) on ordinary activities before taxation		367,773	819,387	(93,439)
Taxation on profit/(loss) on ordinary activities	6	(130,359)	(258,323)	7,700
Net profit/(loss) for the year	14	237,414	561,064	(85,739)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEETS

	Note	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Fixed assets				
Tangible assets	7	8,352	6,277	3,636
Current assets				
Debtors	8	1,183,974	1,330,240	1,341,556
Cash at bank	10	2,471,668	1,858,494	2,032,688
		3,655,642	3,188,734	3,374,244
Creditors: amounts falling due within one year	12	(1,632,656)	(574,719)	(845,089)
Net current assets		2,022,986	2,614,015	2,529,155
Total assets less current liabilities		2,031,338	2,620,292	2,532,791
Provisions for liabilities and charges				
Commission on indemnity terms	1	(65,314)	(93,204)	(91,442)
Net assets		1,966,024	2,527,088	2,441,349
Capital and reserves				
Called up share capital	13	91,000	91,000	91,000
Profit and loss account	14	1,875,024	2,436,088	2,350,349
Equity shareholders' funds	14	1,966,024	2,527,088	2,441,349

CASH FLOW STATEMENTS

	Note	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Net cash inflow/(outflow) from operations	3	462,344	(554,637)	291,437
Returns on investments and servicing of finance				
Interest received		175,286	114,404	87,021
UK corporation tax paid		(166,439)	(171,732)	(204,264)
Capital expenditure and financial investment				
Payments to acquire fixed assets		(4,852)	(1,209)	-
Increase/(decrease) in cash		<u>466,339</u>	<u>(613,174)</u>	<u>174,194</u>
Reconciliation of net cash flow to movement in net funds				
Increase/(decrease) in cash in the year	11	466,339	(613,174)	174,194
Increase/(decrease) in net funds in year		466,339	(613,174)	174,194
Net funds brought forward		2,005,329	2,471,668	1,858,494
Net funds carried forward		<u>2,471,668</u>	<u>1,858,494</u>	<u>2,032,688</u>

NOTES TO THE FINANCIAL INFORMATION

1. Principal accounting policies

Basis of accounting

The financial information in this report has been prepared under the historical cost convention. The following accounting policies have been applied consistently to the financial information throughout the period under review.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment 5 years

Provisions for indemnity commission

A provision has been made at each year end for indemnity commission received but potentially repayable to suppliers.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

Ernst & Young LLP operates a pension scheme for staff, the Ernst & Young LLP Retirement Benefits Plan. The company makes contributions to this plan on behalf of its employees. The Plan contains three main sections, the Final Salary Section (a defined benefit plan) and two Money Purchase Sections (defined contribution plans). The cost of the Final Salary Section is charged against profit so as to spread the cost over the service lives of the participating employees. Contributions to the Money Purchase Sections are charged to the profit and loss account when they become payable.

2. Turnover

Turnover, which is stated net of value added tax, represents commissions received, net fees and similar income in respect of EYFM's principal activities of the provision of investment, tax and financial planning, advisory management and broking services for individuals, partnerships and companies.

Turnover, all of which arises from continuing operations within the United Kingdom, is analysed as follows:

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Commissions received and similar income	5,195,253	5,059,822	4,751,241
Net fees	2,875,848	3,145,750	2,696,863
	<u>8,071,101</u>	<u>8,205,572</u>	<u>7,448,104</u>

3. Operating profit

(a) This is stated after charging:

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Auditors' remuneration	15,000	15,000	20,200
Depreciation	2,846	3,284	2,641

(b) Reconciliation of operating profit to net cash inflow operating activities:

Operating profit/(loss)	192,487	704,983	(180,460)
Depreciation	2,846	3,284	2,641
Increase in debtors	(78,633)	(147,658)	(3,616)
Increase/(decrease) in creditors	345,644	(1,115,246)	472,872
	<u>462,344</u>	<u>(554,637)</u>	<u>291,437</u>

4. Staff charges

Salary and pension costs were paid under a service agreement with Ernst & Young Services Limited from 30 June 2001 to 27 September 2002. During this period, EYFM did not employ any staff directly. From 28 September 2002 to 27 June 2003, the staff were employed directly by the company.

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Service fee for salary and other employment costs	5,587,913	5,085,441	1,268,804
Salaries	-	-	3,405,918
Social security costs	-	-	286,915
Other pension costs	-	-	229,426
	<u>5,587,913</u>	<u>5,085,441</u>	<u>5,191,063</u>

The average weekly number of persons, excluding directors, employed by EYFM was:

	No.	No.	No.
Staff numbers			
Consultants	-	-	97
Administrative staff	-	-	30
	<u>-</u>	<u>-</u>	<u>127</u>

5. Directors' emoluments

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Total aggregate emoluments for directors	207,634	282,521	341,291
Amount payable to the highest paid director in respect of emoluments	111,735	108,725	110,853
	29 June 2001	28 June 2002	27 June 2003
Accrued pension of highest paid director	21,735	25,183	27,429
Accrued lump sum of highest paid director	48,903	56,662	61,714

Five directors have retirement benefits accruing under the Ernst & Young defined benefit scheme (2002: three; 2001: three).

6. Tax on profit/(loss) on ordinary activities

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Current tax:			
UK corporation tax on profit/(loss) of the period	119,065	256,906	(8,692)
Adjustments in respect of previous periods	9,098	24	-
Total current tax	128,163	256,930	(8,692)
Deferred tax:			
Origination and reversal of timing differences	2,196	1,393	992
Tax on profit/(loss) on ordinary activities	130,359	258,323	(7,700)

Factors affecting the tax charge/(credit) for the year

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	Year ended 29 June 2001 £	Year ended 28 June 2002 £	Year ended 27 June 2003 £
Profit/(loss) on ordinary activities before tax	367,773	819,387	(93,439)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	110,332	245,816	(28,032)
Effects of:			
Disallowed expenses and non-taxable income	10,929	12,483	20,331
Capital allowances in excess of depreciation	(2,196)	(1,393)	(991)
Adjustments in respect of previous years	9,098	24	-
Current tax charge/(credit) for the year	128,163	256,930	(8,692)

7. Tangible fixed assets - Office equipment

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Cost			
Brought forward	11,876	16,728	16,570
Additions	4,852	1,209	-
Disposals	-	(1,367)	-
Fully depreciated	-	-	(6,544)
Carried forward	<u>16,728</u>	<u>16,570</u>	<u>10,026</u>
Depreciation			
Brought forward	5,530	8,376	10,293
Charge for the year	2,846	3,284	2,641
Disposals	-	(1,367)	-
Fully depreciated	-	-	(6,544)
Carried forward	<u>8,376</u>	<u>10,293</u>	<u>6,390</u>
Net book value			
Carried forward	<u>8,352</u>	<u>6,277</u>	<u>3,636</u>
Brought forward	<u>6,346</u>	<u>8,352</u>	<u>6,277</u>

8. Debtors

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Trade debtors	676,053	813,375	679,257
Prepayments and accrued income	501,278	511,614	649,348
Corporation tax	-	-	8,692
Deferred tax (Note 9)	6,643	5,251	4,259
	<u>1,183,974</u>	<u>1,330,240</u>	<u>1,341,556</u>

9. Deferred tax asset

	£
At 25 June 1999	-
Movement during the year	8,839
At 30 June 2000	8,839
Movement during the year	(2,196)
At 29 June 2001	6,643
Movement during the year	(1,392)
At 28 June 2002	5,251
Movement during the year	(992)
At 27 June 2003	<u>4,259</u>

The deferred tax consists wholly of depreciation in excess of capital allowances.

10. Cash at bank and in hand

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Cash at bank	2,471,668	1,858,494	2,032,688

EYFM also holds monies on behalf of clients which do not form part of the assets of EYFM as follows:

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Clients' bank accounts	26,866,889	19,471,361	17,904,616
Clients' accounts	(26,866,889)	(19,471,361)	(17,904,616)

11. Cash and cash equivalents

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Cash at bank at beginning of year	2,005,329	2,471,668	1,858,494
Cash inflow/(outflow) in year	466,339	(613,174)	174,194
Cash at bank at end of year	2,471,668	1,858,494	2,032,688

12. Creditors: amounts falling due within one year

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Corporation tax	119,065	204,264	-
Other creditors (Note 16)	1,132,971	141,089	667,763
Accruals	380,620	229,366	177,326
	1,632,656	574,719	845,089

13. Called up share capital

	As at 29 June 2001 £	As at 28 June 2002 £	As at 27 June 2003 £
Authorised			
Ordinary shares of £1 each	200,000	200,000	200,000
Issued, called up and fully paid			
Ordinary shares of £1 each	91,000	91,000	91,000

14. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 30 June 2000	91,000	1,637,610	1,728,610
Profit for the financial year	-	237,414	237,414
At 29 June 2001	91,000	1,875,024	1,966,024
Profit for financial year	-	561,064	561,064
At 28 June 2002	91,000	2,436,088	2,527,088
Loss for year	-	(85,739)	(85,739)
At 27 June 2003	91,000	2,350,349	2,441,349

15. Parent undertaking

EYFM's immediate parent undertaking is Rolls House Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking is Ernst & Young LLP of 1 More London Place, London, SE1 2AF, a partnership with limited liability under English Law.

16. Related party transactions

EYFM has undertaken the following transactions with Ernst & Young LLP:

	29 June 2001 £	28 June 2002 £	27 June 2003 £
Turnover	359,319	542,000	558,000
Rent paid to Ernst & Young LLP	869,996	1,047,203	1,212,568
Other recharges from Ernst & Young LLP	236,160	275,570	267,180
Management charge from Ernst & Young LLP	1,000,000	-	-
Balance outstanding at the period end	1,132,971	141,089	667,763

The contracts with Ernst & Young LLP covering these payments will cease on completion of the sale of EYFM subject to the Transition Agreement, the details of which can be found in Part 5 of this document.

17. Financial Reporting Standard No. 17 (FRS 17)

At 27 June 2003, 38 of EYFM's employees were still members of the Ernst & Young LLP Retirement Benefits Plan, which is a defined benefit scheme. The Final Salary Section of that Plan had a deficit of £151.7m at 30 June 2002, the date of the last audited financial statements of Ernst & Young LLP. EYFM is at present unable to quantify its share of that deficit. Any deficit applicable to EYFM may impact on future contributions payable. However, the Vendors have agreed to provide certain indemnities to Cavanagh under the Sale and Purchase Agreement (summarised in Part 5 of this document) in respect of this potential liability.

18. Post Balance Sheet Events

By entering into a Sale and Purchase Agreement among Cavanagh Group Plc, Rolls House Holdings Limited and Ernst & Young LLP dated 16 October 2003, Cavanagh Group Plc has agreed to buy and Rolls House Holdings Limited (the beneficial owner and registered holder of the issued share capital of EYFM) ("the Vendor") has agreed to sell the entire issued share capital of EYFM. The obligations of the Vendor will be guaranteed by Ernst & Young LLP.

Completion is conditional upon satisfaction or waiver of certain conditions ("the Conditions") on or before 90 days from the date of the Sale and Purchase Agreement (or such later date as the parties agree in writing) ("the Long Stop Date").

19. Nature of financial information

The financial information presented above in respect of the three years ended 27 June 2003 does not constitute statutory accounts for each of year. Statutory accounts for the three years ended 27 June 2003 have been delivered to the Registrar of Companies. In respect of the statutory accounts for the three years to June 2003 BDO Stoy Hayward, Chartered Accountants and Registered Auditors have made an unqualified report under section 235 of the Companies Act 1985 and such report did not contain any statement under section 237(2) or (3) of that Act.

20. Consent

We consent to the inclusion of this report in the Admission Document.

Yours faithfully

Baker Tilly
Chartered Accountants
Registered Auditor

PART 3

UNAUDITED INTERIM RESULTS OF CAVANAGH GROUP PLC FOR THE SIX MONTHS ENDED 30 APRIL 2003

The following text is the text of the Company's announcement of its unaudited interim results for the six months ended 30 April 2003. It has not been subject to any audit or verification.

Cavanagh Group plc, a provider of financial services and advice to the legal profession and high net worth individuals, is pleased to announce its interim results for the six months ended 30 April 2003.

CHAIRMAN'S STATEMENT

I am delighted to report a further period of growth for the Group, with turnover in the 6 months to April 2003 reaching £2.4 million, an increase of 69% on the comparative period (£1.4 million). The total number of clients served has risen to 7,000 from 5,800 during the period, demonstrating the high activity across the Group. Although a small loss of £69,000 was incurred this was largely attributable to the start-up costs of a new office opened in London in the period.

Referred business from the legal profession is increasing and leads from the dedicated telemarketing team continue to be plentiful and strong.

Operations

During the period we have continued our organic investment in infrastructure with the opening of a new office in Central London, bringing our number of offices to three. At the same time there has been continued emphasis on quality advice and service levels with the current team of 38 advisers (an increase of 5 advisers since October 2002) focusing on serving the client bank of 7,000 and pursuing the leads provided from an increasing number of sources (by telemarketing and various joint ventures and introducer arrangements). Adviser retention rates remain high and can be attributed to the successful business model and management style.

The support infrastructure remains strong and increases in size and experience as the number of consultants increases. This element, combined with the telemarketing team, enable the advisers to maximise the time spent with their clients to ensure higher sales figures and a continued efficient approach.

Cavanagh continues to operate with a focus on the City, Greater London and the South East. The Guildford office continues to contribute well to the overall success of the company and recruitment of consultants and support staff continues. The Company has developed further by successfully opening an office in Central London in December 2002 and again recruitment activity is high. The board intend that further geographical expansion will occur when it is considered that it will add to the success of the Company.

Business Opportunities

Cavanagh continues to have strong relationships with London Barristers and lawyers by offering trusted advice throughout their careers and ensuring there are attractive opportunities for them such as exclusive mortgage deals. The relationship with Place Campbell, as reported in my last report, has proved very successful. Mailing campaigns into Place Campbell's client base have provided further leads for the dedicated team of consultants generating an increasing level of business. Emphasis on securing further productivity from the three Cavanagh offices will remain a high priority in the next period.

Outlook

In a period in which we have observed our peer group struggling in the present economic climate, Cavanagh has continued to attract new business and continued to recruit and retain high quality consultants. A combination of innovation, quality and hard work by the whole team has led to the identification and fulfilment of many major business opportunities in the last year and sustained increases in the new business. We are looking forward immensely to the future.

On 29 July we announced that Cavanagh is currently in talks with Ernst & Young LLP which may or may not lead to the acquisition of Ernst & Young Financial Management Limited, a firm of independent financial advisers owned by Ernst & Young LLP. These negotiations are at an advanced stage but remain subject to finalisation, due diligence and shareholder approval, amongst other matters.

The acquisition would be classed as a reverse takeover under the AIM Rules and therefore the Company requested a suspension of trading in its shares on AIM which became effective on 29 July.

Further announcements regarding this possible acquisition will be made when appropriate.

CAVANAGH GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 30 APRIL 2003

	6 months to 30 April 2003	6 months to 30 April 2002	Period ended 31 October 2002
	£'000	£'000	£'000
Turnover	2,406	1,423	3,792
Cost of sales	(1,233)	(528)	(1,550)
Gross profit	1,173	895	2,242
Administrative expenses	(1,244)	(996)	(2,323)
Goodwill amortisation	(5)	(5)	(10)
Operating profit	(76)	(106)	(91)
Net interest receivable	7	11	46
Profit before tax	(69)	(95)	(45)
Tax	0	0	(11)
Retained profit	(69)	(95)	(56)
Loss per share	(0.69)p	(0.95)p	(0.57)p

CAVANAGH GROUP PLC
CONSOLIDATED BALANCE SHEET AT 30 APRIL 2003

	At 30 April 2003	At 30 April 2002	At 31 October 2002
	£'000	£'000	£'000
Fixed assets			
Intangible fixed assets	86	96	91
Tangible fixed assets	193	190	195
	279	286	286
Current assets			
Debtors	954	534	708
Cash at bank	654	776	834
	1,608	1,310	1,542
Creditors within one year	(849)	(498)	(721)
Net current assets	759	812	821
Total assets less current liabilities	1,038	1,098	1,107
Deferred tax	0	(22)	0
Net assets	1,038	1,076	1,107
Capital and reserves			
Share capital	100	100	100
Share premium	1,064	1,064	1,064
Profit and loss account	(126)	(88)	(57)
Equity shareholders' funds	1,038	1,076	1,107

CAVANAGH GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 APRIL 2003

	6 months to 30 April 2003 £'000	6 months to 30 April 2002 £'000	Period ended 31 October 2002 £'000
Net cash outflow from operating activities	(148)	(259)	(216)
Returns on investments and servicing of finance	7	11	22
Taxation	0	0	(96)
Capital expenditure	(37)	(75)	(136)
Net cash outflow before financing	(178)	(323)	(426)
Acquisitions and disposals			
Net cash acquired with subsidiary	0	0	169
Financing:			
Issue of equity share capital	0	30	
Share premium on issue of equity share capital	0	1,490	
Share issue expenses	0	(250)	(426)
Repayment of principal under HP agreements	(2)	(1)	(3)
	<u>(2)</u>	<u>(251)</u>	<u>1,091</u>
(Decrease)/Increase in cash in the period	<u>(180)</u>	<u>(574)</u>	<u>834</u>

Notes:

1. The interim results are unaudited and do not comprise full accounts within the meaning of Section 240 of the Companies Act 1985.
2. The interim results have been prepared in accordance with the accounting policies adopted in the accounts for the 13 month period ended 31 October 2002.
3. Loss per share are based on a loss after taxation of £69,000 and on 10,000,000 ordinary shares, being the weighted average number in issue during the period.
4. Copies of this report will be sent to shareholders shortly.

PART 4

Unaudited Pro Forma Statement of net assets of the Enlarged Group

The following unaudited pro forma statement of net assets has been prepared to illustrate the impact of the acquisition of EYFM on the net assets of the Cavanagh Group plc at 30 April 2003 as if the transaction had taken place on that date. The unaudited pro forma net asset statement has been prepared for illustrative purposes only and should be read in conjunction with the notes set out below. Because of its nature, it may not give a true picture of the financial position of the Enlarged Group.

	Cavanagh Group plc As at April 2003 (Note 1) £'000	EYFM As at 29 June 2003 (Note 2) £'000	EYFM Adjustments (Note 3) £'000	Other Adjustments (Note 4) £'000	Enlarged Group pro forma net assets £'000
Fixed assets					
Intangible fixed assets	86,131	-	-	1,848,576	1,934,707
Tangible fixed assets	192,962	3,636	-	850,000	1,046,598
Investments	-	-	-	-	-
	279,093	3,636	-	2,698,576	2,981,305
Current assets					
Debtors	954,239	1,341,556	-	-	2,295,795
Cash at bank	654,144	2,032,688	(1,532,688)	-	1,154,144
	1,608,383	3,374,244	(1,532,688)	-	3,449,939
Creditors: amounts falling due within one year	(849,120)	(845,089)	667,763	-	(1,026,446)
Net current assets/(liabilities)	759,263	2,529,155	(864,925)	-	2,423,493
Total assets less current liabilities	1,038,356	2,532,791	(864,925)	2,698,576	5,404,798
Creditors: amount falling due after one year	-	-	-	(4,500,000)	(4,500,000)
Provisions for liabilities and charges	-	(91,442)	-	-	(91,442)
Net assets	1,038,356	2,441,349	(864,925)	(1,801,424)	813,356

Notes:

1. The figures for the Cavanagh Group plc as at 30 April 2003 have been extracted without material adjustment from the unaudited interim results of the Cavanagh Group plc for the six months ended 30 April 2003 set out in Part 3 of this document.
2. The figures for EYFM as at 29 June 2003 have been extracted without material adjustment from the Accountants' report set out in Part 2 of this document.
3. The adjustments to EYFM comprise:
 - a. Repayment of EYFM's intercompany balance with Ernst & Young LLP (£667,763).
 - b. The payment of an interim dividend to Ernst & Young LLP (£864,925).
4. Other adjustments comprise:
 - a. Goodwill of £1,848,576 arising on the acquisition of EYFM, representing the excess of the purchase price of £3,000,000 and acquisition expenses of £425,000 over net assets of £1,576,424 (after taking account of the repayment of the intercompany balance (£667,763) and payment of the final dividend (£864,925)). The goodwill has been calculated prior to any fair value adjustments, which may be made to the book values of the underlying assets being acquired.
 - b. The adjustment to tangible fixed assets represents the anticipated one-off transition costs which will be incurred in order to separate the existing EYFM business from the vendor.
 - c. The increase in creditors falling due after one year represents borrowings of £4,500,000 undertaken to finance the purchase of EYFM and the transition costs.
5. No adjustment has been made to reflect any trading or other transactions of the Cavanagh Group plc since 30 April 2003 and EYFM since 29 June 2003.



BAKER TILLY

The Directors
Cavanagh Group plc
The Courtyard
Staplefield
Cuckfield
West Sussex
RH17 5JT

Brazennose House
Lincoln Square
Manchester M2 5BL
Tel: +44 (0)161 834 5777
Fax: +44(0)161 835 3242
DX: 14371 Manchester 1
www.bakertilly.co.uk

The Directors
Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds
LS1 4LX
16 October 2003

Dear Sirs

Cavanagh Group plc (“the Company”) and its subsidiaries (together “the Group”)

Introduction

We report on the Pro Forma Statement of Net Assets of the Group (“the Statement”) set out in Part 4 of the Admission Document to be issued by the Company dated 17 October 2003 (“the Admission Document”). The Statement has been prepared for illustrative purposes only, to provide information about how the acquisition might have affected the financial information presented.

Responsibility

It is the responsibility of the directors of the Company to prepare the Statement.

It is our responsibility to form an opinion on the Statement and to report our opinion to you. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed. We do not accept responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Statement of Net Assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Statement with the Directors of Cavanagh Group plc.

Opinion

In our opinion:

- the Statement has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Cavanagh Group plc; and
- the adjustments are appropriate for the purposes of the Statement as disclosed.

We consent to the inclusion of this report in the Admission Document.

Yours faithfully

Baker Tilly

Chartered Accountants

Manchester

PART 5

SUMMARY OF THE PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT AND RELATED AGREEMENTS

The Sale and Purchase Agreement

By the Sale and Purchase Agreement among the Company, Rolls House Holdings Limited and Ernst & Young LLP dated 16 October 2003 the Company has agreed to buy and Rolls House Holdings Limited (the beneficial owner and registered holder of the issued share capital of EYFM) (“the Vendor”) has agreed to sell the entire issued share capital of EYFM. The obligations of the Vendor are guaranteed by Ernst & Young LLP.

Completion is conditional upon satisfaction or waiver of certain conditions (“the Conditions”) on or before 90 days from the date of the Sale and Purchase Agreement (or such later date as the parties agree in writing) (“the Long Stop Date”). The Conditions relate, *inter alia*, to:

- the passing of the Resolutions (other than Resolution 1);
- the repayment by the Vendor and any member of its group of any inter-company loans to or from EYFM;
- the Financial Services Authority approving the Company’s acquisition of EYFM;
- the Completion of the transition pursuant to the Transition Agreement (see below) (such condition will, however, be deemed to be met by the Long Stop Date if certain minimum requirements for transition have been fulfilled); and
- the agreement in relation to the New Debt Facilities having become unconditional in all respects, other than as to Completion of the Acquisition.

The consideration for the Acquisition will be £3.0 million paid in cash subject to adjustment pursuant to a completion accounts exercise to reflect the net assets of EYFM at Completion.

Completion should take place on 19 December 2003 if the conditions have been satisfied not less than 3 business days prior to that date or on the first Friday (being a business day) following the satisfaction of these conditions.

The Vendor has agreed to give certain warranties in relation to EYFM. Such warranties will be repeated at Completion. The Company’s reliance upon such warranties is subject to disclosure by the Vendor. Furthermore, the Vendor’s liability under the warranties is subject to certain limitations. These limitations (each of which is subject to exceptions) include (1) that the Vendor is not liable in respect of claims for breach of the warranties other than warranties as to title to the shares in EYFM unless they are notified to it within 18 months after Completion (or seven years after Completion in respect of claims under the tax warranties and under the tax deed); (2) that any claim in respect of the warranties will be deemed to be withdrawn if proceedings in respect of it are not brought by the Company within 9 months of giving notice to the Vendor; (3) that no account will be taken of individual claims not exceeding £5,000; (4) that the Vendor shall not be liable for any claims for breach of the Warranties until its liability exceeds £50,000; and (5) the liability of the Vendor under the Warranties and related tax indemnity as a whole will not exceed an amount equal to the consideration for the shares.

If prior to Completion, there is a material breach of any such warranties, the Company shall have the ability to rescind the Sale and Purchase Agreement.

In addition to the warranties, the Sale and Purchase Agreement contains certain indemnities granted by the Vendor in favour of the Company in respect of (1) certain potential compliance issues in respect of EYFM, (2) certain potential employment liabilities in respect of EYFM (including any requirements to make a contribution to the Ernst & Young pension plans) and (3) certain potential tax liabilities.

The Sale and Purchase Agreement also contains certain warranties, given by the Company to the Vendor, in respect of the Company’s capacity and authority to enter into the agreement.

Upon Completion, the name of EYFM will be changed to Cavanagh Financial Management Limited.

Investment Consulting Transfer Agreement

Prior to Completion of the Acquisition a business and asset sale and purchase agreement will be entered into between EYFM and Ernst & Young LLP by which EYFM will transfer the investment consulting business previously conducted by it to Ernst & Young LLP. The consideration to be paid for this sale will reflect the net book value of the business and assets transferred. Pursuant to the agreement, Ernst & Young LLP will assume the liabilities relating to the investment consulting business.

Preferred Supplier Agreement

Upon Completion of the Acquisition an agreement will be entered into among the Company, EYFM and Ernst & Young LLP by which the parties will agree to co-operate to facilitate opportunities for the provision of IFA services being referred to EYFM from Ernst & Young LLP. Subject to regulatory requirements and to Ernst & Young LLP retaining its professional freedom and independence to recommend other IFAs, Ernst & Young LLP has undertaken to provide certain support to EYFM, including using all reasonable endeavours to refer all future enquiries received in respect of, and all opportunities identified for the provision of, IFA services received from Ernst & Young LLP clients. The agreement will (subject to earlier termination in certain circumstances) remain in force for a period of 3 years.

The Transition Agreement

By the Transition Agreement among the Company, Ernst & Young LLP and Rolls House Holdings Limited dated 16 October 2003, the parties to such agreement have agreed the responsibility for establishing the new IT infrastructure for EYFM for use post-Completion by reference to an agreed transition plan (“transition”). Under the Transition Agreement, the principal responsibility for effecting transition is that of the Company, subject to Ernst & Young LLP undertaking certain tasks and providing certain specified support at its cost up to the Long Stop Date (see “The Sale and Purchase Agreement” above). The Company is required to effect transition in accordance with the agreed transition plan and in such a manner as to ensure that no material disruption is caused to the respective businesses of the Company, Ernst & Young LLP or its associated entities or to the systems which are being retained on the systems being transitioned. In certain circumstances where the Company’s performance of its obligations have been deficient, Ernst & Young LLP may take steps to prevent or mitigate any delay in achieving the transition plan.

The New Debt Facilities

The Company has entered into a loan facility agreement with the Bank of Scotland (“the Bank”) dated 16 October 2003 (the “Facility Agreement”). Under the Facility Agreement, the Bank will provide facilities secured on and repayable from certain anticipated future commissions receivable by CFSL and EYFM.

The Facility Agreement provides for a facility of up to £4,500,000 of which amount an initial tranche of up to £1,000,000 will be drawn down on or around 16 October 2003 to fund certain transition costs with a second tranche of up to £3,500,000 being drawn down at Completion to meet the consideration then payable in respect of the Acquisition.

Drawdown of the facilities under the Facility Agreement is conditional, *inter alia*, upon:

- personal guarantees in favour of the Bank being granted by Mr Andrew Fay, Mr Neill Millard and Mr Simon Redgrove, in each case for £250,000;
- a £1,000,000 guarantee in favour of the Bank being granted by Bankhall Investment Management Limited;
- (in the case of EYFM) satisfaction of the procedures set down by Sections 151 to 158 of the Companies Act 1985 (which relate to the giving of financial assistance by a company in relation to the acquisition of its shares); and
- the entering into of certain security arrangements in favour of the Bank.

The continued availability of the facilities, following their drawdown, is subject to the Company’s continued observance of certain stipulated covenants.

Arrangements with Bankhall

In support of the New Debt Facilities, Bankhall Investment Management Limited (“Bankhall”) has conditionally agreed to grant a guarantee in favour of the Bank of Scotland. Bankhall provides certain support and services to the Group. The granting of this guarantee is subject to the terms of an agreement between Bankhall and the Company dated 16 October 2003 whereby it has been agreed, *inter alia*, that (1) Bankhall will take a charge over certain shareholdings in the Company including those of Mr Andrew Fay, Mr Neill Millard, Mr Simon Redgrove and Mr Paul Sinnott (496,454, 496,454, 496,454 and 21,277 shares respectively) in support of its obligations under the guarantee and (2) the Group commits to maintain its existing arrangements with Bankhall and its associates in place for at least 2 years from the date of the granting of the guarantee.

PART 6

ADDITIONAL INFORMATION

1. Responsibility

The Directors, each of whose business address is the registered office of the Company and whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in England and Wales on 21 May 2001 with number 4220482 under the name of Broomco (2574) Limited as a private limited company under the Act. On 15 August 2001 the Company changed its name to Cavanagh Group Limited. On 28 September 2001 the Company was re-registered as a public limited company under the Act with the name Cavanagh Group plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the Company's members is limited. The Company's registered office and head office is situated at The Courtyard, Staplefield Road, Cuckfield, West Sussex, RH17 5JT.
- 2.3 The principal activity of the Company is that of a holding company.
- 2.4 CSFL and EYFM are authorised by the Financial Services Authority to conduct investment business. This authorisation is of key importance to the business of these companies.

3. Share capital

- 3.1 Set out below are details of the authorised and issued share capital of the Company as at the date of this document:

<i>Class of share</i>	<i>As at the date of this document and immediately following Admission</i>	
	<i>Authorised</i>	<i>Issued and fully paid up</i>
Ordinary Shares - Number	50,000,000	10,000,000
Ordinary Shares - Aggregate Nominal Value	£500,000	£100,000

- 3.2 By written resolutions passed on 17 September 2001 the members of the Company resolved, *inter alia*, that:

- 3.2.1 each of the issued and unissued ordinary shares of £1 each in the capital of the Company be and is subdivided into 100 ordinary shares of one pence each;
- 3.2.2 the authorised share capital of the Company be increased from £1,000 to £500,000 by the creation of 49,900,000 ordinary shares of one pence each;
- 3.2.3 in substitution for all existing authorities under that section, the Directors be generally and unconditionally authorised pursuant to Section 80 of the Act to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities within the meaning of that section up to an aggregate nominal amount of £146,300 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) five years from the date of passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require securities to be allotted after the expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement;

- 3.2.4 in substitution for all existing authorities, the Directors be empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) pursuant to the authority referred to in paragraph 3.2.1 above as if Section 89(1) of the Act did not apply to the allotment provided that such authority shall expire five years from the date of passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after the expiry of this authority and the Directors may allot equity securities in pursuance of that offer or agreement. Such power is limited to:
- 3.2.4.1 the allotment of 1,999,801 ordinary shares of one pence each in aggregate to Richard Last, Paul Sinnett, Paul Hogarth, Simon Taylor, Mark Liley and others which took place in September 2001;
 - 3.2.4.2 the allotment of 6,999,999 ordinary shares of one pence each in aggregate to Andrew Fay, Simon Redgrove, Neill Millard, Amanda Fay, Karen Akehurst and Sarah Millard in exchange for their shareholding in Cavanagh Financial Services Limited which took place in September 2001;
 - 3.2.4.3 the allotment of up to 1,000,000 ordinary shares of one pence each in aggregate pursuant to the placing by Brewin Dolphin Securities Limited, which took place in November 2001;
 - 3.2.4.4 the allotment of up to 1,000,000 ordinary shares of one pence each to the holders of options granted under the unapproved share option plan adopted by the Company;
 - 3.2.4.5 the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to or for the benefit of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares in the capital of the Company but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and to deal with any legal or practical problems arising under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any overseas territory; and
 - 3.2.2.6 the allotment (otherwise than pursuant to the proceeding sub-paragraphs) of ordinary shares of one pence each up to an aggregate nominal amount of £5,000.
- 3.3 At the EGM, it is proposed, *inter alia*, that a special resolution, to the following effect be passed:
- 3.3.1 the Directors be generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) in the capital of the Company, provided that such authority be limited to the allotment of Ordinary Shares of 1 pence each in the capital of the Company up to an aggregate nominal value of £33,333 such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of the resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of the resolution, whichever first occurs, but so that such authority shall allow the Company to make offers or enter into agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired. The authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 80 to the extent not utilised at the date the resolution is passed;
 - 3.3.2 the Directors be empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) in the capital of the Company pursuant to the authority referred to in paragraph 3.3.1 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 3.3.2.1 the allotment of equity securities up to an aggregate nominal amount of £25,000 pursuant to an issue or issues of Ordinary Shares of 1 pence each in the capital of the Company considered by the Directors (in their sole opinion) to fall within the description of certain potential capital raisings by the Company referred to in the circular (comprising an AIM Admission Document) to shareholders dated 17 October 2003;
- 3.3.2.2 the allotment of equity securities otherwise than pursuant to the authority referred to paragraph 3.3.2.1 in connection with rights issues, open offers or other entitlement issues or offers to shareholders, where the equity securities respectively attributable to the interests of all shareholders are proportionate (as near as may be) to the respective numbers of shares held by them (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or requirements of, any recognised regulatory body or any stock exchange in, any territory); and
- 3.3.2.3 the allotment (otherwise than pursuant to the authorities referred to in paragraphs 3.3.2.1 and 3.3.2.2 of equity securities up to an aggregate nominal value of £5,000, representing 5 per cent. of the issued share capital of the Company as at the date of this notice.

save that such authority shall expire 15 months after the date of the passing of the resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of the resolution, whichever first occurs, save that the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offers or agreements as if the authority conferred hereby had not expired. Such authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 95 to the extent not utilised at the date the resolution is passed.

3.4 The existing Ordinary Shares are in registered form and are capable of being held and transferred in uncertificated form via CREST.

3.5 The Group has granted options, which remain exercisable to subscribe for Ordinary Shares, as follows:

<i>Grant date</i>	<i>Subscription price</i>	<i>Period over which exercisable</i>	<i>Number of Shares for which rights exercisable</i>
Unapproved Share options:			
2001	150p	Between 3-10 years from date of grant	44,000
2002	155p	Between 3-10 years from date of grant	199,420
Approved Share options:			
2001	150p	Between 3-10 years from date of grant	145,333
2002	155p	Between 3-10 years from date of grant	109,000

It is intended that following the end of the financial year ending 31 October 2003 further options will be granted to consultants.

3.6 Save as disclosed in paragraphs 3.5 and 4.2 of this Part 6 in relation to the Share Option Schemes, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

4. Directors' and other interests

- 4.1 The interests (all of which are beneficial) of the Directors and persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company which (i) have been notified to the Company pursuant to sections 324 to 328 of the Act or (ii) which are required to be entered in the register maintained under section 325 of the Act (but excluding any options over Ordinary Shares) or (iii) so far as the Directors are aware having made due and proper enquiry of such persons as are connected (within the meaning of section 346 of the Act) with each Director, are interests of a connected person of a Director which would, if the connected person were a director of the Company, be required to be disclosed under sub-paragraphs (i) or (ii) above, as at the date of this document, and as they are expected to be following Admission are as follows:

<i>As at the date of this document and immediately following Admission</i>		
<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Andrew Fay	2,310,333	23.31
Simon Redgrove	2,310,333	23.31
Neill Millard	2,310,333	23.31
Mark Liley	800,000	8.0
Paul Sinnett	100,000	1.0
John Campbell	66,000	0.66
<i>Connected persons</i>		
Karen Redgrove	23,000	0.23
Amanda Fay	23,000	0.23
Sarah Millard	23,000	0.23

- 4.2 As at the date of this document, the following options have been granted to the Directors under the Share Option Schemes.

<i>Director</i>	<i>Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Exercise period</i>
John Campbell	70,000	150p	7 years commencing 16 October 2004

- 4.3 So far as the Directors are aware, the only persons (other than the Directors) who are as at the date of this document or will following Admission be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company are or will be as follows:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Simon Taylor	366,667	3.67
Vidacos Nominees Limited	402,292	4.02

- 4.4 Save as described in paragraphs 4.1 to 4.3 above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- 4.5 Save for the arrangement with Bankhall referred to in Part 5 of this document, professional advisers whose names are disclosed in this document and trade suppliers no person has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Enlarged Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Enlarged Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

- 4.6 Save as described in paragraph 11 and in Part 5 of this document, no Director has, or has at any time had, any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or which is or was significant in relation to the business of any member of the Enlarged Group and which was effected by any member of the Enlarged Group at any time and which remains in any respect outstanding or unperformed.

- 4.7 Save as described in paragraph 11, no Director has, or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Enlarged Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Enlarged Group.
- 4.8 There are no outstanding loans granted by any member of the Enlarged Group to any of the Directors nor are there any guarantees granted by any member of the Enlarged Group for their benefit.
- 4.9 Other than their directorships of Group companies, the directorships and partnerships held by the Directors at the date of this document and in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
John William Ruffus Campbell (Age 60)	Brand 20:20 Limited Blue Planet Investment Management Limited	Abbey National Asset Managers Limited Key Administration Services Limited Scottish Mutual Nominees Limited Abbey National Financial and Investment Services plc Scottish Mutual Assurance plc Scottish Mutual Investment Managers Limited Scottish Mutual Pension Funds Investment Limited Scottish Mutual Pensions Limited Scottish Mutual Assurance Society Pegasus Assurance Group Limited Pegasus Assurance Limited Brandkey Limited
Andrew Steven Fay (Age 38)	BCL Financial Services Limited	The Cavanagh Group (partnership)
Simon George Redgrove (Age 38)	None	The Cavanagh Group (partnership)
Neill Haverland Millard (Age 36)	None	The Cavanagh Group (partnership)
Mark Michael Liley (Age 38)	BCL Financial Services Limited Y Consulting Limited	None

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Paul Martin Sinnett (Age 45)	Lynx plc APD Communications Limited APD S-Com Limited FS (UK) Limited Lynx CT Solutions Limited Lynx Financial Systems Limited Lynx Financial Systems (UK) Limited Lynx Group Limited Lynx IT Communications Limited Lynx IT Training Limited Lynx Overseas Investments Limited Lynx Wealth Management Systems Limited Lynx Technology Limited Lynxserv Limited Orsted Limited Quantix Limited Signal Limited Sphinx CST Limited Sphinx CST Networks Limited Sphinx Group Limited Sphinx Professional Services Limited Switch Networks Limited Sphinx CST (Ireland) Limited	Lighthouse Group plc Lynx Automotive Systems Limited Lynx Nominees Limited Lynx Publishing Limited Ascent Limited Bandhold Limited Bankhall Investment Management limited Broomco (2248) Limited IFA Holding Company Limited IFAengine Limited Level V Distribution Limited Lynx Commercial Systems Limited Lynx Quest Trustee Limited Lynx Tesoft (UK) Limited Apex Computers Limited Ascent Technology Limited Bewley Carlaw Computer Systems Limited Crowline Computers Limited Lynx Heywood Limited Power Education Limited Lihnet Limited

4.10 None of the Directors has:

- 4.10.1 any unspent convictions in relation to indictable offences;
- 4.10.2 been declared bankrupt or entered into an individual voluntary arrangement;
- 4.10.3 been a director of a company which while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into liquidation, entered into administration, entered into a voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;
- 4.10.4 been a partner of any partnership which, while he was a partner or within 12 months of his ceasing to be a partner, entered into compulsory liquidation, administration or a partnership voluntary arrangement;

- 4.10.5 owned an asset over which a receiver has been appointed nor has any of the Directors been a partner of any partnership at the time of or within 12 months of receivership of any assets of the partnership;
- 4.10.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
- 4.10.7 been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5. Directors' service agreements, letters of appointment and emoluments

- 5.1 Each of the executive Directors has a service agreement with the Company. Details of the service agreements are set out below:

<i>Director</i>	<i>Date of Agreement</i>	<i>Salary per Annum</i>
Andrew Fay	28 September 2001	£116,000
Simon Redgrove	28 September 2001	£116,000
Neill Millard	28 September 2001	£116,000
Mark Liley	28 September 2001	£116,000

Each of these agreements is terminable by 12 months' notice from the Company or the executive Director (excluding Mark Liley's agreement which is terminable by 6 months' notice from the Company or the executive Director). Each executive Director is entitled to receive a car allowance of £600 per month, a pension contribution from the Company of 10 per cent. of basic salary (for the year ended 31 October 2003, this will only be paid if certain profit targets are met by the Group), insurance benefits (private medical expenses, permanent health insurance) and sick pay (six months' full pay, six months' half pay and discretionary thereafter). All the agreements contain restrictive covenants which apply for a period of twelve months after termination of employment.

- 5.2 By a letter of appointment dated 28 September 2001 between John Campbell and the Company, John Campbell was appointed as a non-executive Director and the Chairman of the Company with an entitlement to receive fees of £15,000 per annum. This contract is terminable on three months' notice by either party.
- 5.3 By a letter of appointment dated 28 September 2001 between Paul Sinnett and the Company, Paul Sinnett was appointed as a non-executive Director of the Company with an entitlement to receive fees of £10,000 per annum exclusive of VAT. This contract is terminable on three months' notice by either party.
- 5.4 Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and the Company.
- 5.5 The aggregate remuneration, including salaries, fees and benefits in kind (excluding bonuses) granted to the Directors during the financial year ending on 31 October 2002, was approximately £521,000.

It is estimated that the aggregate of the remuneration, including salaries, fees and benefits in kind (but excluding bonuses) to be granted to the Directors during the financial year ending on 31 October 2003, based on the arrangements in force at the date of this document, will be approximately £521,000.

6. Memorandum of association

The principal objects of the Company are set out in full in clause 4.1 of its memorandum of association and provide that the Company may, *inter alia*, carry on business as a general commercial company.

7. Articles of association

The articles of association of the Company ("Articles"), which were adopted pursuant to a written resolution passed on 28 September 2001, contain provisions, *inter alia*, to the following effect:

7.1 **Voting rights**

- 7.1.1 Subject to any terms as to voting upon which any shares may have been issued or may for the time being be held, or any suspension or abrogation of voting rights pursuant to the Articles at a general meeting of the Company:
- 7.1.1.1 every member who is present in person shall, on a show of hands, have one vote; and
 - 7.1.1.2 every member present in person by proxy shall, on a poll, have one vote for every share of which he is the holder.
- 7.1.2 Unless the Board otherwise determines, a member shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

7.2 **Dividends**

- 7.2.1 Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.
- 7.2.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.
- 7.2.3 Without prejudice to the provisions of the Articles, the Board may, with the authority of an ordinary resolution of the Company:
- 7.2.3.1 offer holders of a particular class of shares the right to elect to receive further shares of that class, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;
 - 7.2.3.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

7.3 **Distribution of assets on a winding-up**

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

7.4 **Transfer of shares**

- 7.4.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

- 7.4.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (as defined in the Uncertificated Securities Regulations 1995).
- 7.4.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if:
- 7.4.3.1 it is in respect of a share which is not fully paid up;
 - 7.4.3.2 it is in respect of more than one class of share;
 - 7.4.3.3 it is not duly stamped (if so required); or
 - 7.4.3.4 it is not delivered for registration to the registered office of the Company or such other place as the board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- 7.4.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any allotment or transfer of shares which is in favour of:
- 7.4.4.1 a child, bankrupt or person of unsound mind; or
 - 7.4.4.2 more than four joint allottees or transferees.
- 7.4.5 In the case of shares in certificated form, the registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine.
- 7.4.6 In the case of shares in uncertificated form, the register shall not be closed without the consent of the Operator of the relevant system (as defined in the Articles).

7.5 Variation of class rights

- 7.5.1 Subject to the provisions of the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, two persons holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of that class held by them.
- 7.5.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

7.6 Share capital, changes in capital and purchase of own shares

- 7.6.1 Subject to the provisions of the Act and the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.
- 7.6.2 Subject to the provisions of the Act and to any rights attached to any existing shares:

- 7.6.2.1 any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution; and
- 7.6.2.1 the Company may issue redeemable shares.
- 7.6.3 Subject to the provisions of the Act, the Company may, by ordinary resolution:
 - 7.6.3.1 increase its share capital;
 - 7.6.3.2 consolidate, or consolidate and then divide, all or any of its shares into shares of a larger amount;
 - 7.6.3.3 sub-divide its shares or any of them into shares of a smaller amount and as a part of such sub-division determine that any of such shares may have any preference or other advantage or deferred or qualified rights or be subject to any restriction as compared with the others;
 - 7.6.3.4 cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
 - 7.6.3.5 convert all or any of its paid up shares into stock, and re-convert that stock into paid up shares of any denomination.
- 7.6.4 Subject to the provisions of the Act, the Company may by special resolution reduce its authorised and issued share capital, any capital redemption reserve and any share premium account in any way.
- 7.6.5 Subject to the provisions of the Act, the Company may purchase all or any of its shares of any class (including redeemable shares).

7.7 **Directors**

- 7.7.1 Unless otherwise determined by ordinary resolution, the number of directors shall not be less than two.
- 7.7.2 Subject to the provisions of the Act and provided that he has disclosed to the Directors the nature and extent of any interest, a director may:
 - 7.7.2.1 enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
 - 7.7.2.2 hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and be remunerated accordingly;
 - 7.7.2.3 be a director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
 - 7.7.2.4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal.
- 7.7.3 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially

interested, directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company); provided that a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates:

- 7.7.3.1 to the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - 7.7.3.2 to an offer of securities of the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate
 - 7.7.3.3 to another company in which he and any persons connected with him has a direct or indirect interest of any kind, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class of equity share capital, or the voting rights, in such company;
 - 7.7.3.4 to any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - 7.7.3.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.
- 7.7.4 A director shall not vote or be counted in the quorum on any resolution of the Board or any committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- 7.7.5 Unless otherwise determined by the Company by ordinary resolution, the directors (other than alternate directors) who do not hold executive office shall be paid for their services as directors such aggregate fees (not exceeding £150,000 per annum) as the Board may decide, to be divided among such directors in such proportion and manner as it may determine or, in default of determination, equally. Such maximum level of fees shall be increased in line with the increase in the General Index of Retail Prices. Any fee payable shall accrue from day to day and shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to other provisions of the Articles.
- 7.7.6 Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director, including any expenses incurred in attending meetings of the Board or of any committees of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Any director who performs special services for the Company may be paid such extra remuneration by way of additional fees, salary, percentage of profits or otherwise as the Board may determine.
- 7.7.7 At each annual general meeting of the Company, there shall be required to retire by rotation:
- 7.7.7.1 one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third; and

7.7.7.2 in addition, any director who at an annual general meeting shall have been a director at each of the preceding two annual general meetings of the Company (provided that he was not appointed or reappointed at either such annual general meeting and he has not otherwise ceased to be a director and been reappointed by general meeting of the Company at or since either such annual general meeting), and each such retiring director may, if eligible, offer himself for re-election.

7.7.8 The directors to retire by rotation shall first be those who wish to retire and not offer themselves for re-election and secondly those who have been longest in office since their last appointment or reappointment and, in the case of those who have been in office an equal length of time, shall, unless they agree otherwise, be determined by lot. Any director appointed by the board shall hold office only until the next annual general meeting, when he shall be eligible for appointment, but shall not be taken into account in determining the directors to retire by rotation at that meeting.

7.7.9 No person shall be or become incapable of being appointed a director by reason of his having attained the age of 70 or any other age and no special notice shall be required in connection with the appointment or the approval of the appointment of any such person, nor shall a director be required to retire by reason of his having attained that or any other age.

7.7.10 Directors shall not be required to hold any shares in the Company.

7.8 **Borrowing powers**

Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, Property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the group shall not, without an ordinary resolution of the Company, exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the group as shown in the latest audited balance sheet of the Group, after such adjustments and deductions as are specified in the Articles. At the EGM, it is proposed that a special resolution will be put which will amend the Articles to allow the Company, by special resolution, to determine that any particular borrowings, or, borrowings pursuant to any particular facility agreement or otherwise, are to be disregarded for the purposes of the application of these restrictions and ascertainment of the limited provided thereby.

7.9 **Pensions and benefits**

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

7.10 **Untraced shareholders**

7.10.1 The Company may sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission on the death or bankruptcy of a member or otherwise by operation of law if all dividends, warrants and cheques sent, or funds transferred, to such member or person have remained uncashed or been returned to the Company, respectively, for a period of 12 years; the Company has paid at least three cash dividends in respect of those shares during such period; and the Company has, on the expiration of such period given notice of its intention to sell such shares in a national newspaper and an appropriate local newspaper, and no communication from the member or person entitled through transmission in respect of such share has been received.

7.10.2 The Company shall account to the member or other person entitled to such shares for the net proceeds of such sale.

8. Share Option Schemes

The Company has adopted an enterprise management incentives share option scheme (“EMI Scheme”) and an unapproved company share option plan (“Unapproved Plan”) under which directors and employees of the Group and following Completion the Enlarged Group can be offered options (“Options”) to acquire Ordinary Shares. The Schemes are administered by the Board. The principal features of the schemes are summarised below:

8.1 EMI Scheme

8.1.1 Participation

8.1.1.1 Material interest

No director or employee can participate in the EMI Scheme if he has a “material interest” in the Company, “material interest” means (broadly) ownership of 30 per cent. or more of the issued Ordinary Shares.

8.1.1.2 Eligibility to be eligible to participate, the director or employee must devote at least 25 hours per week or 75 per cent. of his working time (if less) to the business of the Group. Actual participation is at the discretion of the Board. Options are personal to the participant and may not be assigned except that on death, the Option holder’s personal representatives may exercise the Option within 12 months thereafter. Options shall be granted by deed for no consideration.

8.1.1.3 Individual participation limit

(a) The aggregate market value (at the date of grant) of Ordinary Shares over which outstanding Options which are qualifying Options for the purposes of the EMI legislation can be held by any one participant (aggregating the market value of ordinary shares under Option granted under a scheme approved under Schedule 9 to the Taxes Act (other than a savings related scheme)) may not exceed £100,000. There are also limits on how soon after a participant has reached this limit new Options may be granted.

(b) In addition, the aggregate market value (at the date of grant) of Ordinary Shares under all outstanding Options which may be granted in any one financial year of the Company to any one participant under the EMI Scheme and any other share scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) may not exceed the amount of his remuneration for that financial year or £100,000 if greater. Options granted at or in connection with Admission are, however, excluded from this limit.

8.1.1.4 Scheme limits

The EMI Scheme imposes limits on the numbers of Ordinary Shares over which Options may be granted as follows:

(a) the total number of Ordinary Shares over which Options to subscribe may be granted under all share incentive schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Ordinary Shares in issue from time to time. Lapsed and surrendered Options shall be disregarded for this purpose;

(b) the aggregate market value (at the date of grant) of Ordinary Shares over which outstanding Options may be held under the EMI Scheme may not exceed £3 million.

- 8.1.2 Exercise
 - 8.1.2.1 Price

The exercise price per Ordinary Share shall not be less than the higher of the nominal value of an Ordinary Share and the market value of an Ordinary Share at the date of grant.
 - 8.1.2.2 Exercise period

An Option may generally be exercised at any time from the third anniversary of the date of grant until the day before the tenth anniversary of the date of grant of the Option, but subject to the satisfaction of any performance conditions which may be specified by the Board in relation to that Option.
 - 8.1.2.3 Cessation of employment

If an Option holder ceases to be employed within the Group due to death, injury, disability, redundancy, the participant's retirement at normal retirement age, or, at the discretion of the Board, on the participant in question leaving employment for any other reason, his Option must be exercised, if at all, by the expiry of the period of six months following the cessation of employment except in the case of death, when the participant's personal representatives may exercise the Option within 12 months following the death. If employment ceases for any other reason, the Option will lapse.
- 8.2 The Unapproved Plan
 - 8.2.1 Participation
 - 8.2.1.1 Eligibility

Any director or employee of the Group is eligible to participate. Actual participation is at the discretion of the Board. Options are personal to the participant and may not be assigned except that on death, the Option Holder's personal representative may exercise the Option within 12 months thereafter. Options shall be granted by deed for no consideration.
 - 8.2.1.2 Individual participation limit

The aggregate market value (at the date of grant) of Ordinary Shares under all outstanding Options which may be granted in any one financial year of the Company to any one participant under the Unapproved Plan and under any other share scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) may not exceed the amount of his remuneration for that financial year or £100,000 if greater. Options granted at or in connection with Admission are excluded from this limit.
 - 8.2.1.3 Scheme limits

The Unapproved Plan imposes limits on the numbers of Ordinary Shares over which Options may be granted. The total number of Ordinary Shares over which Options to subscribe may be granted under all share incentive schemes of the Company shall not, in any consecutive ten year period, exceed 10 per cent. of the Ordinary Shares in issue from time to time. Lapsed and surrendered options shall be disregarded for this purpose.

8.2.2 Exercise of options

- 8.2.2.1 Options may normally be exercised only within the period of three to ten years after the date of grant. Exceptionally, Options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, the participant's retirement at normal retirement age or, at the discretion of the Board, on the participant in question leaving employment for any other reason. In each of these situations (other than on death), the Option must generally be exercised, if at all, by the expiry of the period of six months following the cessation of employment except in the case of death, in which case the Participant's personal representatives may exercise the Option within 12 months following the death.
- 8.2.2.2 The Board may impose objective conditions as to the performance of the Group which must normally be satisfied before Options can be exercised.
- 8.2.2.3 The exercise price per Ordinary Share will not be less than the higher of the nominal value of the Ordinary Shares at the time of grant of the Option and the market value of the Ordinary Shares at the time of grant of the Option.
- 8.2.2.4 Options held by a participant will lapse if the participant ceases to be employed by a company within the Group save to the extent that the reason for cessation is as outlined in paragraph 8.2.2.1 above.

8.3 Features common to both schemes

8.3.1 Grant of options

Options may initially be granted under each scheme within 42 days after adoption of each scheme by the Company and, thereafter, normally within 42 days after the announcement of the Company's results for any period. Without further shareholder approval, Options may only be granted within ten years of shareholder approval of the schemes.

8.3.2 Shares issued on exercise of options

Ordinary Shares allotted under each scheme rank *pari passu* with the Company's existing issued shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the option).

8.3.3 Change of control

In the event of a change of control, amalgamation or reconstruction of the Company Options which have already become exercisable may be exercised. Whether or not Options which have not already become exercisable may be exercised will be determined by the Board in the light of actual circumstances at the time. On a change of control, amalgamation or reconstruction, may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

8.3.4 Variation of share capital

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Shares subject to a subsisting Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable.

8.3.5 Alterations to the schemes

The Board may alter the schemes but certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to maintain favourable taxation treatment for the Company or Option holders or potential participants), being amendments to the limits on the number of Ordinary Shares which can be offered under the relevant scheme, the category of persons who may participate, the exercise price of Options, the number of Ordinary Shares over which an employee may hold an Option, the period during which Options may be granted and exercised, the rights attaching to Ordinary Shares subject to an Option, the provisions for altering share capital and for altering the terms of the relevant scheme and the provisions which apply on a winding-up of the Company.

8.3.6 Pension rights

None of the benefits which may be received under either of the schemes shall be pensionable.

8.4 Self-Employed Consultants

The Unapproved Plan contains a schedule which allows self-employed consultants to purchase or be granted Options on a similar basis as is outlined above in relation to employees participating in the Unapproved Scheme.

9. Litigation

No member of the Enlarged Group is engaged in any legal or arbitration proceedings and no such proceedings are known to the Directors to be pending or threatened against or being brought by any member of the Enlarged Group which are having or may have a significant effect on the Group's financial position.

10. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

11. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group since their respective dates of incorporation and are, or may be, material in the context of the Enlarged Group as at the date of this document:

11.1 An acquisition agreement dated 28 September 2001 made between (1) Andrew Fay, Amanda Fay, Neill Millard, Sarah Millard, Simon Redgrove and Karen Redgrove ("Vendors") and (2) the Company, pursuant to which the Company acquired the entire issued share capital of CFSL in consideration of the allotment of a total of 6,999,999 Ordinary Shares ("Consideration Shares"). The agreement contains warranties and a taxation indemnity in favour of the Company. The warranties and taxation indemnity are provided by the Vendors on a joint and several basis with a cap on liability in respect of the warranties only of £4,000,000. Andrew Fay, Neill Millard, and Simon Redgrove have entered into restrictive covenants for a period of three years from the date of the agreement.

11.2 A joint Venture Agreement dated 21 January 2003 entered into among (1) Cavanagh Financial Services Limited, (2) Place Campbell and (3) Place Campbell Cavanagh Limited, pursuant to which CFSL entered into a joint venture with Place Campbell, through Place Campbell Cavanagh Limited, a joint venture company. The business of the joint venture company is to carry on investment business as the appointed representative of CFSL. Control of the joint venture company is split equally between CFSL and Place Campbell. Certain reserved matters require the approval of at least one 'A' shareholder and one 'B' shareholder (CFSL and Place Campbell holding 'A' and 'B' shares respectively). The parties have made certain covenants to

one another in respect of competition with the business of the joint venture company, and Place Campbell's business. The Agreement contains a mechanism for resolution of deadlock, together with restrictions on transfers of shares, and certain confidentiality obligations.

- 11.3 The Sale and Purchase Agreement and related agreements details of which are set out in Part 5 of this document.

12. Subsidiary Undertakings

- 12.1 The Company, which is the holding company of the Group, has the following subsidiary undertakings, which are wholly-owned:

<i>Name of company</i>	<i>Place of Incorporation</i>	<i>Activity</i>	<i>Shareholder</i>
Cavanagh Financial Services Limited	England and Wales	IFA	Company
Broomco (2606) Limited	England and Wales	Dormant	Company

- 12.2 Upon Completion, the following companies will in addition become part of the Company's group each as a subsidiary of the Company:

<i>Name of company</i>	<i>Place of Incorporation</i>	<i>Activity</i>	<i>Shareholder</i>
Ernst & Young Financial Management Limited	Scotland	IFA	Company
S.A. Trustees Limited	Scotland	Dormant	Ernst & Whinney Limited

13. UK Taxation

The following comments are intended as a general guide to current UK tax law and Inland Revenue practice. They are intended only for shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their Ordinary Shares as investments rather than trading stock and who are the beneficial owners thereof. Any shareholder who is in any doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

13.1 Dividends

- 13.1.1 The Company will not be required to withhold tax at source from dividend payments it makes.

- 13.1.2 Individual shareholders resident in the UK for tax purposes should generally be entitled to a tax credit in respect of any dividend paid by the Company which they may be able to offset against their total income tax liability. The amount of the tax credit is one ninth of the amount of the net cash dividend. The amount of the dividend received by such an individual shareholder and the associated tax credit are both included in calculating the individual shareholder's income for UK tax purposes.

- 13.1.3 Dividends are taxed on the gross equivalent sum received being the net cash dividend plus the tax credit. The rate of income tax on dividends is 10 per cent. for lower and basic rate taxpayers. The tax credit will discharge the income tax liability of an individual shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5 per cent., so that an individual shareholder who is a higher rate taxpayer will have further tax to pay, after taking account of the tax credit, equal to 25 per cent. of the net cash dividend.

- 13.1.4 Generally, shareholders who are not liable to UK tax on dividends are no longer entitled to reclaim the tax credit attaching to dividends paid by the Company save where their Ordinary Shares are held in a Personal Equity Plan or Individual Savings Account, in which case the tax credit can be reclaimed for dividends paid on or before 5 April 2004. Certain transitional relief also applies to dividends received by charities. UK Pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

13.1.5 A UK resident corporate shareholder will not normally be liable to corporation tax in respect of any dividend received.

13.2 Capital Gains

13.2.1 A disposal of Ordinary Shares by a shareholder who is either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, or is not UK resident but carries on a trade, profession, or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable, may, depending on the shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable on his return to UK taxation of chargeable gains (subject to any available exemptions or reliefs).

13.2.2 For UK resident individual shareholders, taper relief may be available to reduce the amount of the gain chargeable to tax. The availability and rate of taper relief will depend upon the period of ownership of the Ordinary Shares and on whether the Ordinary Shares qualify as business assets for the individual in question.

13.2.3 For UK resident shareholders within the charge to corporation tax, taper relief is not available but an indexation allowance should be available to reduce the amount of the chargeable gain realised on a disposal of the Ordinary Shares.

14. General

14.1 Brewin Dolphin Securities is the nominated adviser and broker to the Company. Brewin Dolphin Securities, which has its registered office at 5 Giltspur Street, London EC1A 9BD, is regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange. Brewin Dolphin Securities has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.

14.2 Baker Tilly has given and have not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear and the inclusion of its reports set out in Parts 2 and 4 of this document.

14.3 Ernst & Young LLP has given and have not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear.

14.4 The financial information in relation to the Group set out in Parts 2 and 3 and otherwise in this document does not comprise statutory financial statements as referred to in section 240 of the Act.

14.5 The accounting reference date of the Company is 31 October.

14.6 There are no arrangements in force for the waiver of future dividends.

14.7 There are no specified dates on which entitlements to dividends or interest payable by the Company arise.

15 Documents for Inspection

Copies of this document will be available to the public free of charge from the registered office of the Company and at the offices of Brewin Dolphin Securities Ltd, 5 Gilsbur Street, London EC1A 9BD, during normal business hours on any week day, Saturdays and public holidays excepted, from the date of this document until the date one month following Admission. Copies of the following documents may be inspected at the same addresses during the same business hours for a period of 14 days from the date of this document:

- 15.1 the AIM admission document dated 2 October 2001; and
- 15.2 the material contracts referred to in paragraph 11 above.

Date: 17 October 2003

DEFINITIONS

The following definitions apply throughout this document unless otherwise stated or the context otherwise requires:

“Acquisition”	the proposed acquisition of EYFM to be effected by the acquisition by the Company of the whole of the issued share capital of EYFM
“Act”	means the Companies Act 1985 (as amended)
“Admission”	the re-admission to trading on AIM of the Ordinary Shares
“AIM Rules”	the rules of AIM, as amended from time to time
“AIM”	the Alternative Investment Market of the London Stock Exchange
“Articles”	the Company’s articles of association
“Brewin Dolphin Securities”	Brewin Dolphin Securities Ltd
“CFSL”	Cavanagh Financial Services Limited, a wholly owned subsidiary of the Company
“Company”	Cavanagh Group plc
“Completion”	completion of the Acquisition
“CREST”	the electronic share settlement system operated by CRESTCo Limited
“Directors” or “Board”	the directors of the Company whose names are set out on page 3 of this document
“Enlarged Group”	the Group as enlarged by the Acquisition
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the Company’s offices at 1 Half Moon Street, London W1J 7DY at 10.00 a.m. on 12 November 2003, or any adjournment thereof, notice of which is set out at the end of this document
“EYFM”	Ernst & Young Financial Management Limited
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the EGM
“Group” or “Cavanagh”	the Company and its subsidiaries
“London Stock Exchange”	London Stock Exchange plc
“New Debt Facilities”	the facilities to be made available to the Group by Bank of Scotland, further details of which are set out in Part 5 of this document
“Ordinary Shares”	the existing ordinary shares of 1 pence each in the capital of the Company

“Proposals”	the Acquisition and other matters the subject of this document
“Resolutions”	the resolutions set out in the notice of the EGM set out at the end of this document
“Sale and Purchase Agreement”	the sale and purchase agreement entered into among the Company, Rolls House Holdings Limited and Ernst & Young LLP, a summary of the principal terms of which is contained in Part 5 of this document
“Share Option Schemes”	the Cavanagh Group plc Enterprise Management Incentive Scheme and the Cavanagh Group plc Unapproved Company Share Option Plan

CAVANAGH GROUP PLC

The Courtyard, Staplefield Road, Cuckfield, West Sussex RH17 5JT
Incorporated and Registered in England and Wales (Registered Number 04220482)

Extraordinary General Meeting

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Cavanagh Group plc (the “Company”) will be held at the Company’s offices at 1 Half Moon Street, London W1J 7DY at 10.00 am on 12 November 2003 for the purpose of considering and, if thought fit, passing the resolutions set out below which, in the case of Resolutions 1, 2 and 3 will be proposed as Special Resolutions and, in the case of Resolution 4, will be proposed as an Ordinary Resolution.

Special Resolutions

1. That:

- (a) the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the “Act”) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) in the capital of the Company, provided that such authority be limited to the allotment of Ordinary Shares of 1 pence each in the capital of the Company up to an aggregate nominal value of £33,333 such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this Resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution, whichever first occurs, but so that such authority shall allow the Company to make offers or enter into agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired. This authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 80 to the extent not utilised at the date this Resolution is passed; and
- (b) the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) in the capital of the Company pursuant to the authority conferred by paragraph (a) of this Resolution as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) the allotment of equity securities up to an aggregate nominal amount of £25,000 pursuant to an issue or issues of Ordinary Shares of 1 pence each in the capital of the Company considered by the Directors (in their sole opinion) to fall within the description of certain potential capital raisings by the Company referred to in the circular (comprising an AIM Admission document) to shareholders dated 17 October 2003;
 - (ii) the allotment of equity securities otherwise than pursuant to sub-paragraph (b)(i) above in connection with rights issues, open offers or other entitlement issues or offers to shareholders, where the equity securities respectively attributable to the interests of all shareholders are proportionate (as near as may be) to the respective numbers of shares held by them (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or requirements of, any recognised regulatory body or any stock exchange in, any territory); and
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (b)(i) and (b)(ii) above) of equity securities up to an aggregate nominal value of £5,000, representing 5 per cent. of the issued share capital of the Company as at the date of this Notice;

save that this authority shall expire 15 months after the date of the passing of this Resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution, whichever first occurs, save that the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offers or agreements as if the authority conferred hereby had not expired. This authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 95 to the extent not utilised at the date this Resolution is passed.

2. That the terms of Article 90 of the Company's Articles of Association be and they are hereby amended by the insertion therein of a new Article 90.6 as follows:

"90.6 The Company may by special resolution determine that any particular borrowings, or borrowings pursuant to any particular facility agreement or otherwise, are to be disregarded for the purposes of the application of the restrictions and ascertainment of the limits provided for in this Article 90".

3. That pursuant to the terms of Article 90.6 of the Company's Articles of Association, any borrowings by the Company pursuant to the facility agreement between it and the Governor and Company of the Bank of Scotland dated 16 October 2003 be and they are hereby to be disregarded for the purposes of the application of the restrictions and ascertainment of the limits provided for in Article 90.

Ordinary Resolution

4. That pursuant to Rule 13 of the rules published by the London Stock Exchange plc for companies admitted to trading on the Alternative Investment Market thereof, the shareholders approve and consent to the proposed acquisition of the issued share capital of Ernst & Young Financial Management Limited by the Company upon the terms of the agreement among (1) the Company, (2) Rolls House Holdings Limited and (3) Ernst & Young LLP dated 16 October 2003 referred to in the Circular (comprising an AIM Admission document) published by the Company dated 17 October 2003.

Dated: 17 October 2003

Registered Office:

The Courtyard
Staplefield Road
Cuckfield
West Sussex
RH17 5JT

By order of the Board

Neill Millard
Secretary

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy of his own choice to attend in his place. A proxy need not be a member of the Company. If no name is entered on the Form of Proxy, the return of the Form of Proxy duly signed will appoint the Chairman of the Meeting to act as proxy.
2. In the case of a corporation, the Form of Proxy must be executed under its common seal or under the hand of a duly authorised officer or attorney.
3. In order that the Form of Proxy shall be valid, it must be deposited (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or a copy certified in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the Directors) at the Company's registrars, Capita Registrars, P.O. Box 25, Beckenham, Kent BR3 4BR, not later than 48 hours before the time appointed for the Meeting. The completion and return of a Form of Proxy will not, however, preclude members from attending and voting in person at the Meeting or any adjournment thereof, should they wish to do so.
4. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the Meeting either in person or by proxy, but if more than one joint holder is present at the Meeting either in person or by proxy, the one whose name stands first in the Register of Members in respect of the joint holding shall alone be entitled to vote in respect thereof. In any event, the names of all joint holders should be stated in the Form of Proxy.
5. If the Form of Proxy is returned without any indication as to how the person(s) appointed shall vote on the Resolution; such person(s) will exercise his/her discretion as to how to vote or whether to abstain from voting.
6. Unless instructed otherwise, the proxy may also vote or abstain from voting as he or she thinks fit on any other business which may properly come before the Meeting (including amendments to the Resolutions).
7. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the Register of Members of the Company as at the close of business on 10 November 2003 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their respective names at the time. Changes to entries on the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

