

Cavanagh Group plc

("Cavanagh" or "The Group")

Results for the year ended 31 December 2007

Cavanagh Group plc, one of the leading firms of Independent Financial Advisers, announces its preliminary results for the year ended 31 December 2007.

Key Results

- Revenue up by 18% to £16,639,000 (2006: £14,112,000)
- Pre tax profit up by 49% to £1,556,000 (2006: £1,046,000)
- Net cash generated from operations £1,817,000 (2006: £1,620,000)

Andrew Fay, Chief Executive, comments:

"2007 has seen Cavanagh's strong organic growth continue and as a result we have enjoyed a positive twelve months with good performances across all areas of the business."

Cavanagh Group plc

Andrew Fay (Chief Executive) 01444 475400

Brewin Dolphin Investment Banking

Andrew Emmott 0845 2708610

Cavanagh Group plc

CHAIRMAN'S STATEMENT

Financial Results

I am pleased to report in my role as Acting Chairman, Cavanagh's results for the year ended 31 December 2007 which show profit before tax expense of £1,556,173 (2006: £1,046,401) on increased revenue of £16,638,681, 18% up on the previous year (2006: £14,112,186) and cash generated from operations of £1,817,428 (2006: £1,619,989). Having achieved the Board's aim of returning the Group to profitability in 2006, our key objective was to generate further profitable growth in 2007 and I believe that these results demonstrate that this has been successfully achieved.

Operations

In the Chairman's Interim statement for the six months ended 30 June 2007, he commented that the Board would consider suitable acquisitions that would fit Cavanagh's business model and enhance shareholder value – in November this led to the acquisition of JRG Financial Consultancy Limited ("JRG") which we believe satisfies both of these requirements. The integration process is well advanced and although only one month of JRG's trading is included in these results, the early indications are positive for 2008. Additionally we have the opportunity to offer wealth management advice to JRG clients which are currently predominantly corporate accounts. At a time of significant uncertainty in the capital markets I am pleased to note that this acquisition was partly funded by bank debt which underlines the level of confidence in the prospects of the combined business.

I anticipate that the Board will consider further appropriate opportunities during the coming year.

The Chief Executive's Review provides the detail of the Group's activities over the last year but I would like to briefly highlight a few points which help to differentiate Cavanagh from the majority of IFA operations. Firstly, the high level of average per capita revenue per consultant which has now reached £273,000, an increase of 14% over 2006 – this is not only attributable to the profile of the client base but also to the depth of technical support and knowledge which enables the consultants to be efficient; secondly, the high level of recurring and fee-based revenue which accounted for 40% of 2007 turnover and which is expected to increase as a full year of JRG's trading is included in 2008; and thirdly, the importance of the value of funds under advice which has increased to over £2 billion providing a solid base on which Cavanagh can obtain value for both clients and shareholders.

Reduction of Capital

As previously stated, we have been considering the possibility of obtaining shareholder approval to eliminate the deficit on the Company's income statement by means of a reduction in its share premium account so that it has the ability to make dividend payments in the future, subject to working capital and capital adequacy requirements. This is now to be proposed as a special resolution at the forthcoming Annual General Meeting, thereby negating the need for an extraordinary general meeting.

Adoption of International Financial Reporting Standards

These group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Board and Staff

At the end of what was the Group's most successful year John Campbell, our Chairman since flotation in 2001 announced his desire to focus on other business opportunities and resigned from the Board in January. More recently Neil Millard, one of the founders of the Group, decided that he would rather concentrate on client-facing activity and has stepped down from the Board. On behalf of both the Board and the Group I would like to formally thank them for their significant contributions to Cavanagh over the last few years.

As a result of John Campbell's departure at the request of the Board, I have taken on the role of Acting Chairman.

One of the other key differentiators of the Group is the enthusiasm, professionalism and dedication across all areas of its staff – I consider this to be an important reason as to why Cavanagh continues to be successful and I would like to take this opportunity to thank them, on behalf of the Board, for their contribution.

Outlook

Although we are operating in a particularly uncertain economic climate we anticipate that the demand for independent financial advice will remain strong and this, together with a number of ongoing initiatives, makes the Board cautiously optimistic about the current year.

Paul Sinnett

Chairman

22 April 2008

Cavanagh Group plc

CHIEF EXECUTIVE'S REVIEW

Overview

2007 has seen Cavanagh's strong organic growth continue and as a result we have enjoyed a positive twelve months with good performances across all areas of the business.

The Group's results for the year ended 31 December 2007 clearly demonstrate Cavanagh's progress over the past year, but as we move forward in the current challenging economic climate, we are taking nothing for granted.

We have delivered on all our key objectives for 2007 and we continue to build brand awareness based on our strengthening reputation for delivering the right results to both our clients and shareholders.

The Group aims to continue to develop long-term relationships with its clients by providing quality financial planning solutions tailored to professionals, high net worth individuals and corporates.

Business Highlights

As is traditional, the headline financial results are reported in the Chairman's statement however, I feel it is appropriate to highlight our successes here - strong organic growth has seen pre tax profits up 49% year on year - with profits 19% up in the second half of the year over the first half.

Turnover was up 18% year on year - mainly from organic growth, although this does include one month's trading figures from JRG following the acquisition in late November.

The Group now has a strong infrastructure upon which it can provide a good platform for further growth both organically and through appropriate acquisitions.

Pensions and investments continue to be a key area of business, and we see the future in these areas remaining very strong given the increasing need for professional advice due to the complexity of the market and the diversity of the products on offer.

Cavanagh saw client assets on Wrap products increase from £55 million in 2006, to £90 million in 2007, with additional assets on other platforms in excess of £160m which builds up the base of recurring income in the year. This is an area that we still believe shows opportunity for significant growth. I am pleased to report that the first full year of our new investment process has yielded significant benefits helping to manage and develop our investment offerings and we continue to further build recurring incomes from our PFP, actuarial and corporate propositions. In addition, we will continue to focus on data cleansing and developing our client segmentation programmes in order to help enhance our service proposition.

The Group's average adviser productivity increased by 14% from £239,000 in 2006 to £273,000 in 2007. This average annual revenue per Cavanagh consultant is, when compared with the rest of the IFA marketplace, already at the top end of the productivity range and we are targeting a further increase in productivity in 2008. We continue to have a clear focus on increasing the quality and quantity of business that is generated by our consultants from advising high net worth clients.

CPRM, the Group's specialist actuarial and advisory service, continues to grow steadily and to attract new corporate clients on a regular basis. It has built a solid and regular income with recurring income accounting for 58% of its business compared with 53% in 2006.

Our internal processes can be seen to have helped increase the quality of work we undertake and we remain committed to attracting and retaining the highest quality and level of staff, including the technical advisers who are a key part of our operations. To this end we have formalised our training and development structures and the initial results are encouraging.

There is a real sense of achievement throughout the Group for delivering this strong performance across all areas of business activity. But we cannot be complacent as we face fresh but exciting challenges in the coming year.

Organisation

In December 2007 our Chairman, John Campbell, stepped down to concentrate on other business interests and Paul Sinnett became Acting Chairman. We benefited enormously from John's increased involvement with the Group in 2007 and he was an important figure in the acquisition of JRG Financial Consultancy Limited. We wish him well.

Paul Sinnett has been a board member since September 2001 and is a member of the Remuneration Committee as well as being Chairman of the Audit Committee; he was also Group Finance Director of Lynx Group plc when it was a fully-listed company. We are looking forward to Paul continuing to contribute to the Group's success.

I am also pleased to report the Group opened two new offices, in Chichester and Cardiff, during the year. We merged our two Edinburgh offices in December following the acquisition of JRG Financial Consultancy Limited and also retained their two other offices in Reigate and Jedburgh. Our geographical coverage has therefore increased with nine offices in 2006 increasing to 13 offices in 2007. As a result, our staffing level has risen by 11 compared with last year.

Strategic Focus & Outlook

In 2008 and beyond the Group will continue to look to grow organically; however, we will consider suitable acquisitions when and where the enhancement of business and shareholder value can clearly be demonstrated.

The concept of "treating customers fairly" (TCF) has always been part of the culture within Cavanagh. Initiatives implemented by the FSA have been addressed and firmly remain part of our ongoing focus.

We are watching the Government's Retail Distribution Review (RDR) with interest, but feel Cavanagh is well placed to take advantage of any forthcoming changes, due to the strength of our team and our strong client relationships.

At this early stage of 2008 I look forward to another successful year.

Andrew Fay

Chief Executive

22 April 2008

Cavanagh Group plc

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

| | <i>Notes</i> | 2007 £ | 2006 £ |
|---|--------------|-------------------------|-----------------------|
| REVENUE | | 16,638,681 | 14,112,186 |
| Cost of sales | | <u>(9,293,158)</u> | <u>(7,773,821)</u> |
| GROSS PROFIT | | 7,345,523 | 6,338,365 |
| Administrative expenses excluding depreciation and amortisation | | (5,569,557) | (4,937,909) |
| Share of joint venture profit after tax | | <u>123,238</u> | <u>126,190</u> |
| EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTISATION AND TAX | | 1,899,204 | 1,526,646 |
| Finance costs | | (116,260) | (207,031) |
| Depreciation | | (176,771) | (268,587) |
| Amortisation | | <u>(50,000)</u> | <u>(4,627)</u> |
| PROFIT BEFORE TAX EXPENSE | | 1,556,173 | 1,046,401 |
| Tax expense | 4 | <u>(483,917)</u> | <u>(397,439)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u><u>1,072,256</u></u> | <u><u>648,962</u></u> |
| PROFIT ATTRIBUTABLE TO : | | | |
| Equity holders of Parent company | | 1,038,401 | 629,237 |
| Minority Interests | | <u>33,855</u> | <u>19,725</u> |
| | | <u><u>1,072,256</u></u> | <u><u>648,962</u></u> |
| Basic earnings per share – pence | 5 | 9.5 | 5.8 |
| Fully diluted earnings per share – pence | 5 | 9.4 | 5.8 |

The profit from operations arises from the Group's continuing operations.

Cavanagh Group plc

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

| | 2007 | 2006 |
|--|-------------------|------------------|
| | £ | £ |
| ASSETS | | |
| Non-current assets | | |
| Property plant and equipment | 444,249 | 364,896 |
| Intangible assets | 7,190,566 | 1,532,350 |
| Investment in Joint Venture | 2,000 | 2,000 |
| Deferred tax asset | 243,631 | 659,069 |
| | <u>7,880,446</u> | <u>2,558,315</u> |
| Current assets | | |
| Trade and other receivables | 2,249,127 | 1,636,048 |
| Corporation tax receivable | - | 3,547 |
| Cash and cash equivalents | 2,598,367 | 1,836,595 |
| | <u>4,847,494</u> | <u>3,476,190</u> |
| TOTAL ASSETS | <u>12,727,940</u> | <u>6,034,505</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 3,117,560 | 1,807,162 |
| Corporation tax payable | 309,847 | 47,320 |
| Financial liabilities | 1,132,427 | 600,000 |
| | <u>4,559,834</u> | <u>2,454,482</u> |
| Non-current liabilities | | |
| Financial liabilities | 4,386,700 | 2,900,000 |
| Deferred tax liability | 942,784 | - |
| Provisions | 209,340 | 231,365 |
| | <u>5,538,824</u> | <u>3,131,365</u> |
| Total liabilities | <u>10,098,658</u> | <u>5,585,847</u> |
| NET ASSETS | <u>2,629,282</u> | <u>448,658</u> |
| Equity | | |
| Issued share capital | 115,205 | 108,684 |
| Share premium account | 3,742,647 | 2,705,800 |
| Share based payment reserve | 222,942 | 157,942 |
| Retained earnings | (1,502,137) | (2,540,538) |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | <u>2,578,657</u> | <u>431,888</u> |
| Minority interests | 50,625 | 16,770 |
| TOTAL EQUITY | <u>2,629,282</u> | <u>448,658</u> |

Cavanagh Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

| | Share Capital £ | Share Premium Account £ | Share Based Payment Reserve £ | Retained Earnings £ | Minority Interests £ | Total £ |
|--------------------------|-----------------------|----------------------------------|--|---------------------------|----------------------------|------------------|
| At 1 January 2006 | 108,684 | 2,705,800 | 112,781 | (3,169,775) | (2,955) | (245,465) |
| Profit for the year | - | - | - | 629,237 | 19,725 | 648,962 |
| Share based payment | - | - | 45,161 | - | - | 45,161 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2006 | 108,684 | 2,705,800 | 157,942 | (2,540,538) | 16,770 | 448,658 |
| Other movements | | | | | | |
| - Issue of new shares | 6,521 | 1,036,847 | - | - | - | 1,043,368 |
| - Share based payment | - | - | 65,000 | - | - | 65,000 |
| Profit for the year | - | - | - | 1,038,401 | 33,855 | 1,072,256 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2007 | <u>115,205</u> | <u>3,742,647</u> | <u>222,942</u> | <u>(1,502,137)</u> | <u>50,625</u> | <u>2,629,282</u> |

Cavanagh Group plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

| | 2007 £ | 2006 £ |
|--|--------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 1,556,173 | 1,046,401 |
| Share of profit in joint venture | (123,238) | (126,190) |
| Share based payment | 65,000 | 45,161 |
| Depreciation | 176,771 | 268,587 |
| Amortisation | 50,000 | 4,627 |
| (Decrease) / increase in trade and other receivables | (379,553) | 600,161 |
| Increase / (decrease) in trade and other payables | 392,835 | (409,472) |
| (Decrease) in provisions | (36,820) | (16,317) |
| Finance costs | 116,260 | 207,031 |
| NET CASH GENERATED FROM OPERATIONS | 1,817,428 | 1,619,989 |
| Income taxes paid | (18,284) | - |
| Interest paid | (241,993) | (266,102) |
| NET CASH FROM OPERATING ACTIVITIES | 1,557,151 | 1,353,887 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments to acquire property, plant and equipment | (125,642) | (40,573) |
| Payments to acquire intangible assets | (72,500) | - |
| Payment to acquire subsidiary (net of cash acquired) | (2,837,422) | - |
| Interest received | 125,733 | 59,071 |
| Income received from joint venture | 95,325 | 157,738 |
| NET CASH (USED IN) / FROM INVESTING ACTIVITIES | (2,814,506) | 176,236 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds of new borrowings | 3,519,127 | 1,500,000 |
| Repayment of borrowings | (1,500,000) | (2,100,000) |
| NET CASH INFLOW / (OUTFLOW) FROM FINANCING | 2,019,127 | (600,000) |
| Net increase in cash and cash equivalents | 761,772 | 930,123 |
| Cash & cash equivalents at the beginning of the financial year | 1,836,595 | 906,472 |
| Cash & cash equivalents at the end of the financial year | <u>2,598,367</u> | <u>1,836,595</u> |

NOTES TO THE RESULTS

1 BASIS OF THE PRELIMINARY ANNOUNCEMENT

The board of directors of Cavanagh Group plc approved these results on 22 April 2008.

The preliminary financial information does not constitute full accounts within the meaning of section 240 of the Companies Act 1985 but is derived from accounts for the years ended 31 December 2007 and 31 December 2006.

The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2007. Those accounts, upon which the Auditors issued an unqualified opinion, will be delivered to the Registrar of Companies following the Annual General Meeting.

Statutory accounts for the year ended 31 December 2006, which were prepared under accounting practices generally accepted in the UK, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

The statutory accounts will be posted to shareholders shortly.

While the financial information include in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRS's.

The Annual General Meeting will be held at The Courtyard, Staplefield Road, Cuckfield, West Sussex on Thursday 29 May 2008 at 10.00.

2 SIGNIFICANT ACCOUNTING POLICIES

The Group's previous financial statements have been prepared under UK Generally Accepted Accounting Practice (UK GAAP). However for the financial year ended 31 December 2007, the Group has decided to prepare its annual consolidated financial statements in accordance with IFRS as adopted by the European Union (EU) and implemented in the UK.

The presentation of financial information under IFRS is governed by IFRS 1. In some cases this will require the presentation of an item in a different position, or the use of a different description in the IFRS income statement or balance sheet to that adopted in the UK GAAP profit and loss account or balance sheet. These reclassifications have been described in the explanatory notes.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's results and income statement for the year ended 31 December 2006, and the equity and balance sheets as at 1 January 2006 and 31 December 2006 is set out in note 7.

IFRS 7 Financial Instruments: Disclosures became effective for accounting periods commencing on or after 1 January 2007. The Group has adopted IFRS 7 accordingly. The accounting policy amendment affects disclosures only and has no material impact on the current or preceding periods' financial position and performance.

At the date of the authorisation of the financial information the following standards and interpretations, which have not been applied in the financial information, were in issue but not yet effective:

| | |
|----------|---|
| IFRS 8 | Operating segments |
| IAS 1 | Amendment to IAS 1 – Presentation of Financial Statements |
| IFRIC 10 | Interim financial reporting and impairment |

| | |
|----------|---|
| IFRIC 11 | Group and treasury share transactions |
| IFRIC 12 | Service concession arrangements |
| IFRIC 13 | Customer loyalty programmes |
| IFRIC 14 | The limit on a Defined Benefit Asset, minimum funding requirement and their interaction |
| IAS 23 | Amendment to IAS 23 Borrowing Cost |
| IAS 27 | Amendment – Consolidated and Separate Financial Statements |
| IFRS 3 | Amendment – Business Combinations |
| IFRS 2 | Amendment – Share-based payment |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information when the relevant standards and interpretations come into effect.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated income statement from the date control is obtained to the date control is transferred to a third party.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial information in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgements about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates concern the valuation of intangible assets arising on business combinations and provision for future clawback commission.

REVENUE

Revenue represents commissions and consultancy fees and is recorded at the fair value of the consideration, excluding value added tax. Revenue is recognised on the following basis:

- initial commission is recognised as revenue on the date that the relevant policy is placed on risk with the insurance company;
- some initial commission is paid on indemnity terms. As a result, commission may subsequently be clawed back by the insurance companies. Provision is made for future clawback commission to cover the liability of repayments in the event of premiums ceasing within the indemnity period;
- renewals commission is recognised when it is receivable; and
- any fees charged for consultancy are recognised as revenue during the period in which the consultancy is provided.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is a group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different environments. The directors consider that the Group operates in only one geographic segment, being the United Kingdom.

INTANGIBLE ASSETS

Intangible assets such as computer software and web sites which have finite useful lives, are measured at cost, net of any amortisation and any provision for impairment. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|-----------|---------------------------------------|
| Web sites | over 7 years on a straight line basis |
| Software | over 3 years on a straight line basis |

Websites acquired during the period have been recognised as intangible assets in accordance with the principles outlined in SIC Interpretation 32 (Intangible Assets – Web Site Costs).

All intangible assets are externally generated.

INTANGIBLE ASSETS ACQUIRED AS PART OF A BUSINESS COMBINATION

The value of acquired customer relationships is determined by estimating the net present value of the future profits expected from those customer relationships which have finite useful lives. The resultant carrying value is amortised over its expected useful economic life as follows:

Acquired customer relationships over 7 years on a straight line basis

GOODWILL

Goodwill arising on a business combination represents the excess of the cost of acquisition over the Group's interest in the fair share of the identifiable assets and liabilities of the business combination.

Goodwill on acquisition of subsidiaries is separately disclosed, as an intangible asset.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

CONTINGENT CONSIDERATION

Deferred and contingent consideration payable in cash is recorded at fair value and is shown as other payables within current or non current liabilities, as appropriate, on the balance sheet to the extent that a contractual obligation exists and there is a probable transfer of economic benefit.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises purchase price and other directly attributable costs. Depreciation is charged so as to write off the cost or valuation of assets to their residual values over their estimated useful lives, on the following bases:

| | |
|------------------------|---------------------------------------|
| Freehold property | 2% per annum straight line |
| Leasehold improvements | over the term of the lease |
| Fixtures and fittings | 20% on reducing balance method |
| Equipment | over 3 years on a straight line basis |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangibles with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Goodwill is tested for impairment annually. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

FINANCIAL ASSET INVESTMENTS

Investments consist of the Group's subsidiary undertakings. Investments are initially recorded at cost, being the fair value of the consideration given and including directly attributable expenses associated with the investment. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Any provision is recognised in a separate allowance account and any impairment loss is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial liabilities

Financial liabilities consist of bank borrowings and other loans. Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

Borrowings

Borrowings comprise of interest-bearing bank loans and overdrafts. Interest-bearing bank loans are initially recorded at fair value, which represents the fair value of the consideration received, net of any directly attributable issue costs. Borrowings are subsequently stated at amortised cost.

Finance charges are allocated over the term of the instrument using the effective rate of interest, and are recognised in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LEASING COMMITMENTS

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of

interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

TAXATION

The tax expense represents the sums of the current tax expense and deferred tax expense.

Current tax is the expected corporation tax payable or receivable in respect of the taxable profit for the financial year using tax rates enacted or substantively enacted at the balance sheet date, less any adjustments to tax payable or receivable in respect of previous periods.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the amounts used for tax purposes that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

No provision is made relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than those acquired as part of a business combination.

Provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in joint ventures, except where the Group can control the reversal of the temporary differences.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits 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 asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Provision is made for future clawback commission to cover the liability of repayments in the event of premiums ceasing within the indemnity period.

Provision is made for dilapidations where the Group has a contractual obligation to restore leasehold properties to the condition on commencement of each lease and is included in other payables.

DEFINED CONTRIBUTION PENSION PLANS

Obligations for contributions to defined contribution retirement benefit plans are charged as an expense as they fall due.

SHARE-BASED PAYMENT

The Group has applied the requirements of IFRS 2 Share-based payment.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-

based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of share options that will eventually vest and a corresponding amount credited to share based payments reserve.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

3 SEGMENTAL INFORMATION

The directors are of the opinion that there are two business segments within the activities of the Group. Activities of Independent Financial Advisers and also actuarial services. All operations are carried out within the United Kingdom.

| | 2007 Total £ | 2007 IFA £ | 2007 Actuarial £ | 2006 Total £ | 2006 IFA £ | 2006 Actuarial £ |
|----------------------------------|--------------------|------------------|------------------------|--------------------|------------------|------------------------|
| Income | 16,638,681 | 15,209,201 | 1,429,480 | 14,112,186 | 12,993,090 | 1,119,096 |
| Profit before tax expense | <u>1,556,173</u> | <u>1,408,533</u> | <u>147,640</u> | <u>1,046,401</u> | <u>969,286</u> | <u>77,115</u> |
| Tax expense | <u>(483,917)</u> | <u>(444,181)</u> | <u>(39,736)</u> | <u>(397,439)</u> | <u>(380,754)</u> | <u>(16,685)</u> |
| Profit for the financial year | <u>1,072,256</u> | <u>964,352</u> | <u>107,904</u> | <u>648,962</u> | <u>588,532</u> | <u>60,430</u> |
| Trade receivables | <u>1,904,375</u> | <u>1,530,179</u> | <u>374,196</u> | <u>1,130,943</u> | <u>846,140</u> | <u>284,803</u> |
| Total net assets | <u>2,629,282</u> | <u>2,457,269</u> | <u>172,013</u> | <u>448,658</u> | <u>391,759</u> | <u>56,899</u> |
| Average number of staff employed | <u>159</u> | <u>143</u> | <u>16</u> | <u>148</u> | <u>133</u> | <u>15</u> |

4 TAXATION ON ORDINARY ACTIVITIES

| | 2007 £ | 2006 £ |
|--------------------------------------|----------------|----------------|
| Current tax: | | |
| Corporation tax at 30% (2006: 30%) | 68,471 | 16,285 |
| Adjustment in respect of prior years | 8 | (513) |
| Total current tax | <u>68,479</u> | <u>15,772</u> |
| Deferred tax: | | |
| Income tax expense | <u>415,438</u> | <u>381,667</u> |
| | <u>483,917</u> | <u>397,439</u> |

The charge for the year can be reconciled to the profit per the Income Statement as follows:

| | 2007 £ | 2006 £ |
|---------------------------|-----------|-----------|
| Profit before tax expense | 1,072,256 | 648,962 |

| | | |
|--|---------------------------|---------------------------|
| Total income tax expense | 483,917 | 397,439 |
| | <u> </u> | <u> </u> |
| Profit for the financial year | 1,556,173 | 1,046,401 |
| | <u> </u> | <u> </u> |
| Tax at the UK corporation tax rate of 30% (2006: 30%) | 466,852 | 313,920 |
| Expenses not deductible for tax purposes | 5,857 | 2,907 |
| Unrelieved tax losses and other deductions in the year | 77,761 | 77,034 |
| Other | (22,353) | (10,865) |
| Over provision in prior year | (40,770) | 14,443 |
| Marginal relief | (3,430) | - |
| | <u> </u> | <u> </u> |
| Total current tax | 483,917 | 397,439 |
| | <u> </u> | <u> </u> |

5 EARNINGS PER SHARE

| | 2007 | 2006 |
|---|---------------------------|---------------------------|
| | £ | £ |
| Profit for the financial year after taxation attributable to Equity holders | 1,038,401 | 629,237 |
| Share based compensation charge | 65,000 | 45,161 |
| | <u> </u> | <u> </u> |
| Adjusted profit after taxation | 1,103,401 | 674,398 |
| | <u> </u> | <u> </u> |
| Weighted average number of shares (No) | | |
| For basic earnings per ordinary share | 10,930,952 | 10,868,421 |
| Exercise of share options | 122,013 | 33,109 |
| | <u> </u> | <u> </u> |
| For fully diluted earnings per ordinary share | 11,052,965 | 10,901,530 |
| | <u> </u> | <u> </u> |
| Earnings per ordinary share – basic | 9.5p | 5.8p |
| | <u> </u> | <u> </u> |
| Earnings per ordinary share – adjusted | 10.1p | 6.2p |
| | <u> </u> | <u> </u> |
| Earnings per ordinary share – fully diluted | 9.4p | 5.8p |
| | <u> </u> | <u> </u> |

6 ACQUISITION OF JRG FINANCIAL CONSULTANCY LIMITED

On 27 November 2007, the Company purchased 100% of the issued ordinary shares in JRG Financial Consultancy Limited for a maximum total consideration of £5,300,000 plus costs which was satisfied by £3,500,000 in cash, the issue of 652,105 new shares and contingent consideration of £750,000 payable after one year subject to certain profit targets being met.

At the date of acquisition JRG Financial Consultancy Limited had assets made up as follows:

| | Book value | Fair value | | Fair Value |
|-------------------------------|------------|------------|----|------------|
| | £ | adjustment | | £ |
| | £ | £ | | £ |
| Intangible assets | - | 3,349,360 | a) | 3,349,360 |
| Property, plant and equipment | 95,173 | 35,309 | b) | 130,482 |
| Receivables | 233,526 | - | | 233,526 |

| | | | | |
|---|----------------|------------------|----|------------------|
| Cash and cash equivalents | 812,988 | - | | 812,988 |
| Payables | (411,355) | - | | (411,355) |
| Deferred taxation | - | (942,784) | c) | (942,784) |
| Provisions | (14,795) | - | | (14,795) |
| | <u>715,537</u> | <u>2,441,885</u> | | <u>3,157,422</u> |
| Goodwill arising on acquisition | | | | <u>2,286,356</u> |
| | | | | <u>5,443,778</u> |
| Settled by: | | | | |
| Shares issued | | | | 1,043,368 |
| Cash consideration | | | | 3,500,000 |
| Acquisition costs | | | | 150,410 |
| Contingent consideration | | | | 750,000 |
| Total | | | | <u>5,443,778</u> |
| Cash Outflow | | | | £ |
| Cash consideration | | | | 3,500,000 |
| Acquisition costs | | | | 150,410 |
| Less cash and cash equivalents acquired | | | | (812,988) |
| | | | | <u>2,837,422</u> |

- a) Customer relationships acquired as part of the business combination have been valued using the multi-period excess earnings method.
- b) The freehold property was independently revalued as at 27 November 2007 to open market value
- c) Deferred taxation has been recognised in respect of the temporary difference between the carrying amount of the freehold property and its tax base. Deferred taxation is also recognised in respect of future taxable profits anticipated to be generated from the acquired customer relationships.

Due to the proximity of the business combination to the year end, management continues to assess information to support the assumptions that are currently being used to calculate the amount of goodwill attributable to the value of customer relationships.

The results of the entities acquired during the year were:

| | Revenue | | Post tax profit | |
|-----------------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| | Year to 31 December 2007 £ | Post acquisition £ | Year to 31 December 2007 £ | Post acquisition £ |
| JRG Financial Consultancy Limited | <u>3,564,000</u> | <u>302,000</u> | <u>594,000</u> | <u>40,000</u> |

7 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Group has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRS was therefore 1 January 2006.

For all periods up to and including the year ended 31 December 2006 the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP).

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 January 2006, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first time adoption of IFRS.

IFRS 1 allows first time adopters certain exemptions from the general requirements to retrospectively apply IFRS as effective for the 31 December 2005 year end. The optional exemptions taken by the Group are as follows:

Business Combinations: The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business that took place prior to the transition date. Consequently goodwill arising on business combinations before transition date remains at its previous UK GAAP carrying value as at the date of transition.

The entity has also elected to apply IFRS 2 to equity instruments granted on or after 7 November 2002 that had not vested as at the transition date as permitted by IFRS 1.

The reconciliation between UK GAAP and IFRS for the Group's profit/(loss), income statement, balance sheet and total equity are presented below:

Reconciliation of equity as at 31 December 2006

| | Year ended 31 December 2006 £ |
|----------------------------|--|
| Total equity under UK GAAP | 252,758 |
| Amortisation of goodwill | 195,900 |
| Total equity under IFRS | <u>448,658</u> |

The principal effects identified on adoption of IFRS are discussed below:

Goodwill

IFRS 3 'Business Combinations', IAS 36 and IAS 38 resulted in a change to the carrying values of Goodwill. Until 31 December 2005, goodwill was amortised on a straight line basis over a period of up to 10 years from the year of acquisition and assessed for an indication of impairment at each balance sheet date.

Under IFRS 3, goodwill is no longer amortised and, instead, is assessed annually for impairment. As a result of this change, the goodwill asset was increased by £195,900.

Intangible Assets.

IAS 38 resulted in a change of classification of computer software. Under UK GAAP, computer software was classified as a tangible non current asset. Under IAS 38, computer software is classified as an intangible non current asset.

Joint Ventures

IAS 1 resulted in a change to the presentation of profits attributable to joint venture operations. Under UK GAAP, the proportion of turnover, profits from operations and taxation arising from joint venture operations were disclosed separately.

Reconciliation of balance sheet at 1 January 2006 (date of transition to IFRS)

| | As previously restated under UK GAAP 1 January 2006 £ | Effect of transition to IFRS £ | As restated under IFRS 1 January 2006 £ |
|--------------------------------|--|---|---|
| Non-current assets | | | |
| Property plant and equipment | 604,477 | - | 604,477 |
| Intangible assets | 1,525,410 | - | 1,525,410 |
| Investment in joint venture | 2,000 | - | 2,000 |
| Deferred tax asset | 1,040,736 | - | 1,040,736 |
| | <u>3,172,623</u> | <u>-</u> | <u>3,172,623</u> |
| Current assets | | | |
| Trade and other receivables | 2,236,209 | - | 2,236,209 |
| Corporation tax receivable | 3,547 | - | 3,547 |
| Cash and cash equivalents | 906,472 | - | 906,472 |
| | <u>3,146,228</u> | <u>-</u> | <u>3,146,228</u> |
| Total assets | <u>6,318,851</u> | <u>-</u> | <u>6,318,851</u> |
| Current liabilities | | | |
| Trade and other payables | 2,216,634 | - | 2,216,634 |
| Financial liabilities | 600,000 | - | 600,000 |
| | <u>2,816,634</u> | <u>-</u> | <u>2,816,634</u> |
| Non current liabilities | | | |
| Financial liabilities | 3,500,000 | - | 3,500,000 |
| Provisions | 247,682 | - | 247,682 |
| | <u>3,747,682</u> | <u>-</u> | <u>3,747,682</u> |
| Total liabilities | <u>6,564,316</u> | <u>-</u> | <u>6,564,316</u> |
| Net liabilities | <u>(245,465)</u> | <u>-</u> | <u>(245,465)</u> |
| Equity | | | |
| Issued share capital | 108,684 | - | 108,684 |
| Share premium account | 2,705,800 | - | 2,705,800 |
| Share based payment reserve | 112,781 | - | 112,781 |
| Retained earnings | (3,169,775) | - | (3,169,775) |
| Minority interests | (2,955) | - | (2,955) |
| Total equity | <u>(245,465)</u> | <u>-</u> | <u>(245,465)</u> |

Reconciliation of balance sheet at 31 December 2006 (date of last UK GAAP Statements)

| | As previously stated under UK GAAP 31 December 2006 £ | IAS 38 Intangible assets £ | IFRS 3 Business combinations £ | As restated under IFRS 31 December 2006 £ |
|----------------------------------|--|-------------------------------------|---|---|
| Non-current assets | | | | |
| Property, plant and equipment | 371,836 | (6,940) | - | 364,896 |
| Intangible assets | 1,329,510 | 6,940 | 195,900 | 1,532,350 |
| Share of assets in joint venture | 2,000 | - | - | 2,000 |
| Deferred tax asset | 659,069 | - | - | 659,069 |
| | <u>2,362,415</u> | <u>-</u> | <u>195,900</u> | <u>2,558,315</u> |
| Current assets | | | | |
| Trade and other receivables | 1,636,048 | - | - | 1,636,048 |
| Corporation tax receivables | 3,547 | - | - | 3,547 |
| Cash and cash equivalents | 1,836,595 | - | - | 1,836,595 |
| | <u>3,476,190</u> | <u>-</u> | <u>-</u> | <u>3,476,190</u> |
| Total assets | <u>5,838,605</u> | <u>-</u> | <u>195,900</u> | <u>6,034,505</u> |
| Current liabilities | | | | |
| Trade and other payables | 1,807,162 | - | - | 1,807,162 |
| Corporation tax payable | 47,320 | - | - | 47,320 |
| Financial liabilities | 600,000 | - | - | 600,000 |
| | <u>2,454,482</u> | <u>-</u> | <u>-</u> | <u>2,454,482</u> |
| Non-current liabilities | | | | |
| Financial liabilities | 2,900,000 | - | - | 2,900,000 |
| Provisions | 231,365 | - | - | 231,365 |
| | <u>3,131,365</u> | <u>-</u> | <u>-</u> | <u>3,131,365</u> |
| Total liabilities | <u>5,585,847</u> | <u>-</u> | <u>-</u> | <u>5,585,847</u> |
| Net assets | <u>252,758</u> | <u>-</u> | <u>195,900</u> | <u>448,658</u> |
| Equity | | | | |
| Issued Share capital | 108,684 | - | - | 108,684 |
| Share premium account | 2,705,800 | - | - | 2,705,800 |
| Share based payment reserve | 157,942 | - | - | 157,942 |
| Retained earnings | (2,736,438) | - | 195,900 | (2,540,538) |
| Minority interests | 16,770 | - | - | 16,770 |
| Total equity | <u>252,758</u> | <u>-</u> | <u>195,900</u> | <u>448,658</u> |

Reconciliation of income statement at 31 December 2006

| | As previously stated under UK GAAP 31 December 2006 £ | IAS 31 Interest in Joint Ventures and IAS 38 Intangible assets £ | IFRS 3 Business combinations £ | As restated under IFRS 31 December 2006 £ |
|--|--|--|---|---|
| Revenue | 14,112,186 | - | - | 14,112,186 |
| Cost of Sales | (7,773,821) | - | - | (7,773,821) |
| Gross Profit | <u>6,338,365</u> | <u>-</u> | <u>-</u> | <u>6,338,365</u> |
| Administrative expenses excluding depreciation and amortisation | 4,937,909 | - | - | 4,937,909 |
| Share of joint venture profit after tax | (157,738) | 31,548 | - | (126,190) |
| Earnings before finance costs, depreciation and tax | <u>1,558,194</u> | <u>(31,548)</u> | <u>-</u> | <u>1,526,646</u> |
| Finance Costs | 207,031 | - | - | 207,031 |
| Depreciation | 273,214 | (4,627) | - | 268,587 |
| Amortisation | 195,900 | 4,627 | (195,900) | 4,627 |
| Profit before tax expense | <u>882,049</u> | <u>-</u> | <u>195,900</u> | <u>1,046,401</u> |
| Tax expense | (428,987) | 31,548 | - | (397,439) |
| Profit attributable to equity holders of parent | <u><u>453,062</u></u> | <u><u>-</u></u> | <u><u>195,900</u></u> | <u><u>648,962</u></u> |

Reconciliation of Cash Flow at 31 December 2006 (date of last UK GAAP Statements)

There are no adjustments to Cash Flow resulting from the transition to IFRS.