

Cavanagh Group plc

("Cavanagh" or "The Group")

Unaudited Interim Results for the six months ended 30 June 2008

Cavanagh Group plc, one of the leading firms of Independent Financial Advisers, announces its interim results for the six months ended 30 June 2008.

Key Results

- Revenue increased by 22% to £9,456,000 (2007: £7,739,000)
- EBITDA up by 23% to £1,078,000 (2007: £875,000)
- Net debt reduced by £755,000

Andrew Fay, Chief Executive, comments:

Cavanagh has achieved another good performance in the first half of 2008 generating increased revenue and profitability.

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 the Group's results for the six months ended 30 June 2008, which show EBITDA of £1.078m against £875k in 2007. This profit is generated from increased revenue of £9.465m, up 22% on the equivalent period last year which has generated a reduction in net debt of £755k.

When measured against the challenges of the volatile global economic markets, I consider these results to be very creditable.

Operations

Cavanagh's strategy is to generate consistent, profitable growth both organically and, where appropriate, by suitable acquisition. A key element of this is the recruitment of new consultants who we believe can produce above-industry average levels of income and I'm able to report that we have identified a number of suitably qualified consultants some of whom have already joined and others will follow later in the year.

Although we are pleased with the progress made during the first half of the year, the current market turmoil and financial climate present conditions that are the most challenging we have seen and therefore we cannot be complacent. However, this environment also produces opportunities and we feel we are well placed to take advantage by providing much-needed advice to our clients and attracting new consultants.

The launch of the Cavanagh Asset Reporting Service, ("CARS") has been developed to a point where significant funds are moving across to this platform, which in turn has led to increasing levels of recurring revenue. This platform has also enhanced the wealth management proposition at Cavanagh, together with our improved asset allocation investment process which gives a sophisticated process for financial planning.

An important part of our business has been the positive adoption of "treating customers fairly" ("TCF") – we see this as core to our business principles and as part of this we continue to invest in an education programme to enhance the technical knowledge of staff across the group. We believe this will keep Cavanagh well positioned and comfortably ahead of the expected regulatory requirements to increase the level of qualifications within the industry which are anticipated as a key element of the 'retail distribution review' (RDR).

We have successfully completed the integration of JRG Financial Consultancy Limited ("JRG") during the first half, with its trade and assets being merged into Cavanagh Financial Management. Our corporate business now accounts for approximately a third of our total revenue.

The Group's average adviser productivity remained in line with the high standards we have previously set.

Reduction of Capital

As reported in the 2007 accounts we obtained shareholder approval at the AGM to reduce our share premium account; this was subsequently approved in the High Court of Justice (Chancery Division) on 25 June 2008. Subject to working capital requirements and meeting the FSA's financial resources tests, Cavanagh is now in a position to declare a dividend although this is unlikely during the next twelve months.

Staff

On behalf of the Board, I would like to thank our colleagues for their continued commitment, expertise and dedication in working with our clients and product providers to continue to build a successful Group.

Outlook

Cavanagh's improved financial performance over the last two years, and the resultant stability that this has created, has left the Group well positioned in what is an uncertain economic climate. The Board currently expects the results for the second half of the year to be challenging, but similar to the first six months.

Paul Sinnett
Chairman

29th September 2008

Cavanagh Group plc

CONSOLIDATED INCOME STATEMENT

	6 months 30-June -08 Unaudited	6 months 30-June -07 Unaudited	Year ended 31-Dec -07 Audited
<i>Notes</i>	£'000	£'000	£'000
REVENUE	9,456	7,739	16,639
PROFIT FROM OPERATIONS	1,028	793	1,776
Share of joint venture profit after tax	50	82	123
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTISATION AND TAX	1,078	875	1,899
Net finance costs	(105)	(74)	(116)
Depreciation	(104)	(89)	(177)
Amortisation	(246)	-	(50)
PROFIT BEFORE TAX EXPENSE	623	712	1,556
Income tax expense	(190)	(238)	(484)
PROFIT FOR THE FINANCIAL PERIOD	433	474	1,072
PROFIT ATTRIBUTABLE TO :			
Equity holders of Parent company	430	452	1,038
Minority Interest	3	22	34
	433	474	1,072
Earnings per share			
Basic – pence	2	3.7	4.2
Fully diluted – pence	2	3.7	4.1

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

There was no recognised income or expenditure other than the profit for the period. Accordingly no statement of Recognised Income and Expenditure has been prepared.

Cavanagh Group plc

CONSOLIDATED BALANCE SHEET

	30-June-08 Unaudited £'000	30-June -07 Unaudited £'000	31-Dec- 07 Audited £'000
ASSETS			
Non-current assets			
Property plant and equipment	421	315	444
Intangible assets	6,600	1,565	7,191
Investment in Joint Venture	2	2	2
Deferred tax asset	-	445	244
	<u>7,023</u>	<u>2,327</u>	<u>7,881</u>
Current assets			
Trade and other receivables	2,311	1,586	2,249
Cash and cash equivalents	3 2,781	2,399	2,598
	<u>5,092</u>	<u>3,985</u>	<u>4,847</u>
TOTAL ASSETS	<u>12,115</u>	<u>6,312</u>	<u>12,728</u>
LIABILITIES			
Current liabilities			
Trade and other payables	2,540	1,841	3,118
Corporation tax payable	359	40	310
Financial liabilities	3 1,120	670	1,132
	<u>4,019</u>	<u>2,551</u>	<u>4,560</u>
Non-current liabilities			
Financial liabilities	3 3,827	2,600	4,387
Deferred tax liability	871	-	943
Provisions	217	212	209
	<u>4,915</u>	<u>2,812</u>	<u>5,539</u>
TOTAL LIABILITIES	<u>8,934</u>	<u>5,363</u>	<u>10,099</u>
NET ASSETS	<u>3,181</u>	<u>949</u>	<u>2,629</u>
EQUITY			
Issued share capital	116	109	115
Share premium account	7	2,706	3,743
Share based payment reserve	230	184	223
Retained earnings	2,775	(2,089)	(1,502)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	<u>3,128</u>	<u>910</u>	<u>2,579</u>
Minority interests	53	39	50
TOTAL EQUITY	<u>3,181</u>	<u>949</u>	<u>2,629</u>

Cavanagh Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2008

	Share Capital £'000	Share Premium Account £'000	Share Based Payment Reserve £'000	Retained Earnings £'000	Minority Interests £'000	Total £'000
At 1 January 2008	115	3,743	223	(1,502)	50	2,629
Other movements						
- Issue of new shares	1	111				112
- Share based payment			7			7
- Reduction in share premium account		(3,847)		3,847		-
Profit for the period				430	3	433
At 30 June 2008	<u>116</u>	<u>7</u>	<u>230</u>	<u>2,775</u>	<u>53</u>	<u>3,181</u>

On 25 June 2008, the High Court of Justice (Chancery Division) approved the reduction of the Company's share premium account and the reduction was registered on 2 July 2008. The share premium account was reduced by £3,846,947.

Share Capital as at 30 June 2008 amounted to £11,597,047. During the period, 76,521 shares were issued as a result of two separate share options being exercised for consideration of £112,499, which resulted in an increase in the share capital of £765 and an increase in the share premium account of £111,734.

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CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30 June 2008

	6 months 30-June-08 Unaudited £'000	6 months 30-June-07 Unaudited £'000	Year ended 31-Dec-07 Audited £'000
CASH FLOW FROM OPERATIONS			
Profit before tax	623	712	1,556
Share of profit in joint venture	(50)	(82)	(123)
Share based payment	7	26	65
Depreciation	104	89	177
Amortisation	246	-	50
(Increase) / decrease in trade and other receivables	(62)	54	(380)
(Decrease) / increase in trade and other payables	(172)	73	393
Increase / (decrease) in provisions	8	(19)	(37)
Finance costs	105	74	116
NET CASH GENERATED FROM OPERATIONS	809	927	1,817
Income taxes paid	-	-	(18)
Interest paid	(184)	(126)	(242)
NET CASH FROM OPERATING ACTIVITIES	625	801	1,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	(81)	(32)	(126)
Payments to acquire intangible assets	(30)	(40)	(72)
Payment to acquire subsidiary (net of cash acquired)	-	-	(2,837)
Interest received	79	52	126
Income received from joint venture	50	82	95
NET CASH FROM / (USED IN) / INVESTING ACTIVITIES	18	62	(2,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of new borrowings	-	-	3,519
Proceeds from issue of new shares	112	-	-
Repayment of borrowings	(572)	(300)	(1,500)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING	(460)	(300)	2,019
Net increase in cash and cash equivalents	183	563	762
Cash & cash equivalents at the beginning of the financial period	2,598	1,836	1,836
Cash & cash equivalents at the end of the financial period	<u>2,781</u>	<u>2,399</u>	<u>2,598</u>

NOTES TO THE RESULTS

1 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The interim financial information does not constitute full accounts within the meaning of section 240 of the Companies Act 1985. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2007, which were prepared under accounting practices generally accepted in the UK, and 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.

While the financial information included 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 interim financial statements which were neither audited nor reviewed by the Auditors, were approved by the Board of Directors on 29 September 2008.

2 EARNINGS PER SHARE

	6 months 30-June-08 Unaudited £'000	6 months 30-June-07 Unaudited £'000	Year ended 31-Dec-07 Audited £'000
Profit for the financial period after taxation attributable to Equity holders	430	452	1,038
Share based compensation charge	7	26	65
Adjusted profit after taxation	<u>437</u>	<u>478</u>	<u>1,103</u>
Weighted average number of shares (No)			
For basic earnings per ordinary share	11,565,321	10,868,421	10,930,952
Exercise of share options	147,973	81,495	122,013
For fully diluted earnings per ordinary share	<u>11,713,294</u>	<u>10,967,916</u>	<u>11,052,965</u>
Earnings per ordinary share – basic	<u>3.7</u>	<u>4.2</u>	<u>9.5p</u>
Earnings per ordinary share – fully diluted	<u>3.7</u>	<u>4.1</u>	<u>9.4p</u>

3 ANALYSIS OF NET DEBT

	1-Jan-08 £'000	Cash Flow £'000	Non-cash movements £'000	30-Jun-08 £'000
Cash at bank	2,598	183		2,781
Bank loan	(5,519)	572		(4,947)
Net debt	<u>(2,921)</u>	<u>755</u>	<u>-</u>	<u>(2,166)</u>

Copies of this report will be sent to shareholders shortly and are available on the website www.cavanagh.co.uk or from The Courtyard, Staplefield Road, Cuckfield, West Sussex RH17 5JT.