

Cavanagh Group plc

("Cavanagh" or "the Group")

Unaudited preliminary results for the year ended 31 December 2008

Cavanagh Group plc, one of the leading firms of Independent Financial Advisers, announces its unaudited preliminary results for the year ended 31 December 2008.

Key Results

- Revenue up by 5% to £17,502,000
- EBITDA of £1,248,000 (2007: £1,964,000)
- Net cash generated from operations £1,247,000 (2007: £1,817,000)
- Average revenue per capita remains one of the highest in the Industry
- Cost reduction programme undertaken to improve operational efficiencies

Andrew Fay, Chief Executive, commented:

"Despite the dramatic change in market conditions experienced during 2008 I am pleased to report a satisfactory performance for the Group. Cavanagh has made good progress in strengthening the Group's structure through developing a comprehensive range of solutions to penetrate new markets whilst enhancing existing client relationships.

Given the current economic climate it is difficult to predict future financial performance with any certainty however the Group's results for the first quarter of the new financial year coupled with the business opportunities available to Cavanagh indicate that the Group will remain profitable through 2009."

Cavanagh Group plc

Andrew Fay (Chief Executive) 01444 475400

Brewin Dolphin Investment Banking (NOMAD)

Andrew Emmott 0845 2134730

Cavanagh Group plc

CHAIRMAN'S STATEMENT

Financial Results

I am pleased to report Cavanagh's results for the year ended 31 December 2008, which show profit before amortisation and tax expense of £779,502 (2007: £1,606,173) on revenue of £17,502,485 (2007: £16,638,681). Earnings before interest, depreciation, amortisation, tax and share based payment ("EBITDA") were £1,248,633 (2007: £1,964,204) with cash generated from operations of £1,247,387 (2007: £1,817,428) producing a reduction in net debt of £746,983.

Against a backdrop of what has probably been the most volatile period experienced in the financial markets since the 1930s, I consider this to be a satisfactory performance.

Our objective for 2008 had been to grow organically whilst completing the integration of JRG Financial Consultancy Limited ("JRG", acquired in November 2007) and to continue to develop service propositions suitable for both our high net worth and corporate clients.

The challenging environment encountered in 2008, especially in the second half of the year, made it unrealistic to achieve the organic growth we hoped for; however, we believe that Cavanagh has demonstrated its financial robustness as we have limited the effect of the dramatic downturn through the continued development of our business model and the successful integration of JRG.

Operations

Cavanagh's business model has become less reliant on initial commissions with an emphasis on increasing the level of recurring fees and fund-based income which now represent over 50% of total Group revenue. The Chief Executive's report, which follows, highlights how we have successfully introduced Cavanagh Asset Management ("CAM") during the year, with this platform having experienced strong levels of interest from clients despite the fall in market values.

We have reported previously that one of our key differentiators in the market has been our high average revenue per capita and whilst this is down at £233,000 (2007: £273,000), it still represents a performance well in excess of the industry norm, which is testament to the close relationship between the consultants and technical support teams.

However, given the volatility of the market place, we have been cautious in our expansion plans and, particularly in the latter part of the year, focused the business on efficiency and the maximisation of existing opportunities. Although this regrettably resulted in a limited number of redundancies as we reduced the overhead base, this strategy has helped us mitigate the effects of the downturn in the economy.

Following the integration of JRG, Cavanagh's operations are now split between Corporate and Private Client (catering mainly for high net worth individuals); and our actuarial service, CPRM, with management appropriately targeted.

We continue to embrace the evolving recommendations from the Retail Distribution Review ("RDR") as we believe it forms the basis for future independent professional advice in the UK which together with the principles of Treating Customers Fairly ("TCF") form the core of our proposition.

Staff

At the end of what has been a difficult year I would like to take this opportunity on behalf of the Board to thank all our colleagues for their continued support and commitment, and acknowledge the contribution they make to Cavanagh's reputation as being a leading example of what an independent financial adviser should be.

Cavanagh Group plc

CHAIRMAN'S STATEMENT

Outlook

We operate in what continues to be a time of great economic uncertainty and believe that the Group is well placed to benefit from the demand for sound independent financial advice sought in challenging times from both individuals and companies. Although forecasting financial performance becomes even more difficult in these conditions, the results for the first few months of 2009 and the business opportunities available to Cavanagh indicate that we will remain a profitable Group in 2009.

Paul Sinnett
Chairman
26 May 2009

Cavanagh Group plc

CHIEF EXECUTIVE'S REVIEW

Overview

2008 has seen Cavanagh make good progress in strengthening the Group's structure through developing and broadening our service offering and this has resulted in the Group being able to deliver a satisfactory performance despite the dramatic change in the market conditions.

The results for the year ended 31 December 2008 illustrate that we have a robust model with an ability to diversify when necessary, and a services offering to provide a comprehensive range of financial solutions to our clients and enable us to attract new relationships.

We have delivered on a number of key objectives and expect to take advantage of these in 2009 as we continue to build our brand and deliver solid results in a difficult market for both our clients and our shareholders.

The Group aims to continue developing long term relationships by improving its service proposition to enable clients to ultimately obtain all their financial solutions from Cavanagh, whether they are private clients or corporate.

Business Highlights

Although the headline results mentioned in the Chairman's statement provide the overall performance I would like to highlight a number of key successes that support the model we have been building and continue to develop; the profits earned in the first half at the EBITDA level were preserved in the second half of the year. This was achieved even after taking into account the summer months which historically provide a lower level of income together with the unprecedented collapse of the financial markets which accelerated in the final quarter of the year.

The Corporate division made a good contribution to the results, mainly due to the strong recurring revenue we secure through our management of corporate accounts and the acquisition of JRG in November 2007, further complimenting this revenue stream. JRG is now fully integrated within the Group and as a result of this we have closed our Jedburgh office, moved the corporate administration to Edinburgh and made a number of redundancies as a result.

Our Private Client advisers have continued to focus mainly on pensions and investments and have had the added benefit of offering our new discretionary fund management service, Cavanagh Asset Management ("CAM"). This was launched in October 2008 following a period of evaluation and due diligence with a significant number of third party discretionary fund managers involved in the selection process. We have been pleased by the initial results since launch and are optimistic about the benefits this will bring during 2009. The discretionary third party manager providing this service is Rathbone Investment Management Limited and at 31 December 2008 we had opened 69 accounts totalling in excess of £18 million. We believe that the proposition will be well received by clients in 2009 as a welcome addition to our comprehensive and well diversified range of services.

Our revenue per adviser has continued to be strong at £233,000 (2007: £273,000) and this again indicates the strong recurring revenue stream we maintain as a consequence of the service and the value our clients receive. Our current recurring revenue is in excess of 50% of our total income.

CPRM, the Group's specialist actuarial and advisory service has achieved steady results which again is mainly down to the quality of its client base, the service its clients have selected and the strong recurring income already in place which equates to approximately 60% of this divisions revenue.

We have continued to develop our internal processes during 2009 by automating more of the manual work to enable future growth to be supported more efficiently.

Cavanagh Group plc

CHIEF EXECUTIVE'S REVIEW

Strategic Focus and Outlook

The Group will aim to continue to grow organically and focus on building a highly efficient and profitable model that delivers a high level service to our well spread client base. Although the current economic climate reduces the opportunities for considering acquisitions, where we can see clear benefits and can demonstrate the value to our model and enhance shareholder value, we will consider appropriate targets.

The Group has TCF firmly embedded as part of the Cavanagh culture and remains focused on maintaining and improving our proposition to our clients.

The potential impact of RDR is welcome within Cavanagh and our staff will continue to be supported with further training to develop their knowledge and skills and a programme is in place to help all advisers to be qualified to QCA4 by the end of 2011, well in advance of proposed implementation of the RDR recommendations.

At this stage of 2009 I believe we continue to be well placed but by no means complacent with the current issues we face in the challenging market.

Andrew Fay
Chief Executive
26 May 2009

Cavanagh Group plc
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
REVENUE		17,502,485	16,638,681
Cost of sales		(10,075,354)	(9,293,158)
GROSS PROFIT		<u>7,427,131</u>	<u>7,345,523</u>
Administrative expenses excluding depreciation and amortisation		(6,274,421)	(5,504,557)
Share of joint venture profit after tax		95,923	123,238
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTISATION, SHARE BASED PAYMENT AND TAX		<u>1,248,633</u>	<u>1,964,204</u>
Share based payment		(65,009)	(65,000)
Depreciation		(213,399)	(176,771)
Amortisation		(571,739)	(50,000)
Finance income		138,792	125,733
Finance costs		(329,515)	(241,993)
PROFIT BEFORE TAX EXPENSE		<u>207,763</u>	<u>1,556,173</u>
Tax expense	3	(110,602)	(483,917)
PROFIT FOR THE FINANCIAL YEAR		<u><u>97,161</u></u>	<u><u>1,072,256</u></u>
PROFIT ATTRIBUTABLE TO :			
Equity holders of Parent company		67,411	1,038,401
Minority Interests		29,750	33,855
		<u><u>97,161</u></u>	<u><u>1,072,256</u></u>
Basic earnings per share – pence	4	0.6	9.5
Fully diluted earnings per share – pence	4	0.6	9.4

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

Cavanagh Group plc
CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	2008 £	2007 £
ASSETS		
Non-current assets		
Property plant and equipment	374,303	444,249
Intangible assets	5,934,790	7,190,566
Investments accounted for using the equity method	4,000	2,000
Deferred tax asset	85,206	243,631
	<u>6,398,299</u>	<u>7,880,446</u>
Current assets		
Trade and other receivables	1,761,936	2,249,127
Cash and cash equivalents	2,213,323	2,598,367
	<u>3,975,259</u>	<u>4,847,494</u>
TOTAL ASSETS	<u>10,373,558</u>	<u>12,727,940</u>
LIABILITIES		
Current liabilities		
Trade and other payables	2,031,904	3,117,560
Corporation tax payable	95,900	309,847
Financial liabilities	1,194,600	1,132,427
	<u>3,322,404</u>	<u>4,559,834</u>
Non-current liabilities		
Financial liabilities	3,192,500	4,386,700
Deferred tax liability	797,646	942,784
Provisions	176,557	209,340
	<u>4,166,703</u>	<u>5,538,824</u>
Total liabilities	<u>7,489,107</u>	<u>10,098,658</u>
NET ASSETS	<u>2,884,451</u>	<u>2,629,282</u>
Equity		
Issued share capital	115,970	115,205
Share premium account	7,434	3,742,647
Share based payment reserve	255,584	222,942
Retained earnings/(deficit)	2,444,588	(1,502,137)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	<u>2,823,576</u>	<u>2,578,657</u>
Minority interests	60,875	50,625
TOTAL EQUITY	<u>2,884,451</u>	<u>2,629,282</u>

Cavanagh Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

Group	Share Capital £	Share Premium Account £	Share Based Payment Reserve £	Retained Earnings £	Minority Interests £	Total £
At 1 January 2007	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
At 31 December 2007	115,205	3,742,647	222,942	(1,502,137)	50,625	2,629,282
Other movements						
- Issue of new shares	765	111,734	-	-	-	112,499
- Share premium reduction	-	(3,846,947)	-	3,846,947	-	-
- Reserves transfer in respect of lapsed options	-	-	(32,367)	32,367	-	-
- Share based payment	-	-	65,009	-	-	65,009
Profit for the year	-	-	-	67,411	29,750	97,161
Dividends	-	-	-	-	(19,500)	(19,500)
At 31 December 2008	115,970	7,434	255,584	2,444,588	60,875	2,884,451

CAPITAL REDUCTION

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.

During the year, 76,521 shares were issued as a result of two separate share options being exercised for consideration of £112,499.

Cavanagh Group plc
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008

	2008 £	2007 £
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	207,763	1,556,173
Share of profit in joint venture	(95,923)	(123,238)
Share based payment	65,009	65,000
Depreciation	213,399	176,771
Amortisation	571,739	50,000
Increase/(decrease) in trade and other receivables	512,381	(379,553)
Increase in trade and other payables	(384,921)	392,835
Decrease in provisions	(32,783)	(36,820)
Finance costs	190,723	116,260
NET CASH GENERATED FROM OPERATIONS	1,247,387	1,817,428
Income taxes paid	(311,264)	(18,284)
Interest paid	(329,515)	(241,993)
NET CASH FROM OPERATING ACTIVITIES	606,608	1,557,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(143,453)	(125,642)
Payments to acquire intangible assets	(65,963)	(72,500)
Payment to purchase share of Joint Venture	(2,000)	-
Dividend paid to minority shareholders	(19,500)	-
Payment to acquire subsidiary (net of cash acquired)	-	(2,837,422)
Interest received	138,792	125,733
Income received from joint venture	120,000	95,325
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	27,876	(2,814,506)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of new borrowings	-	3,519,127
Repayment of borrowings	(1,132,027)	(1,500,000)
Proceeds from issue of new shares	112,499	-
NET CASH (OUTFLOW) / INFLOW FROM FINANCING	(1,019,528)	2,019,127
Net (decrease)/increase in cash and cash equivalents	(385,044)	761,772
Cash & cash equivalents at the beginning of the financial year	2,598,367	1,836,595
Cash & cash equivalents at the end of the financial year	2,213,323	2,598,367

Cavanagh Group plc

NOTES TO THE PRELIMINARY RESULTS

1 GENERAL INFORMATION

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 2008 and 31 December 2007. The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The Auditors reported on those accounts; their report was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985. The audit of the statutory accounts for the year ended 31 December 2008 is not yet complete, but the Auditors expect to provide an unqualified report. These accounts will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary announcement.

While the financial information included 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. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2008.

Cavanagh Group plc is incorporated and domiciled in the United Kingdom.

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

IFRS 2	Share based Payment – Amendments relating to vesting conditions and cancellations (endorsed)
IFRS 3	Business Combinations – Amendments
IFRS 7	Financial Instruments: Disclosures – Consequential amendments arising from amendments to IAS 32
IFRS 8	Operating Segments (endorsed)
IAS 1	Presentation of Financial Statements – Revised (endorsed)
IAS 23	Borrowing Costs – Amendment (endorsed)
IAS 27	Consolidated and separate Financial Statements – Consequential amendments arising from Amendments from IFRS 3
IAS 27	Consolidated and Separate Financial Statements – Amendments cost of an investment in a subsidiary, jointly controlled entity or associate (endorsed)
IAS 28	Investments in Associates – Consequential amendments arising from IFRS 3
IAS 31	Investments in Joint Ventures – Consequential amendments arising from IFRS 3
IAS 39	Financial Instruments: Recognition and measurement – Amendment; Eligible hedged items
IFRIC 14 IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (endorsed)

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.

2 SEGMENTAL INFORMATION

The directors are of the opinion that there are two distinct 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, which is treated as one geographical market.

Cavanagh Group plc
NOTES TO THE PRELIMINARY RESULTS

	2008 Total £	2008 IFA £	2008 Actuarial £	2007 Total £	2007 IFA £	2007 Actuarial £
Revenue	17,502,485	16,072,024	1,430,461	16,638,681	15,209,201	1,429,480
Earnings before Interest, Depreciation, amortisation share based payment and tax	1,248,633	1,130,483	118,150	1,964,204	1,812,722	151,482
Share based payment	(65,009)	(70,017)	5,008	(65,000)	(57,790)	(7,210)
Finance costs	(190,723)	(197,065)	6,342	(116,260)	(119,629)	3,369
Depreciation	(213,399)	(212,982)	(417)	(176,771)	(176,771)	-
Amortisation	(571,739)	(571,739)	-	(50,000)	(50,000)	-
Tax expense	(110,602)	(76,935)	(33,667)	(483,917)	(444,181)	(39,736)
Profit for the financial year	97,161	1,745	95,416	1,072,256	964,351	107,905
Total assets	10,373,558	9,955,004	418,554	12,727,940	12,279,171	448,769
Total liabilities	(7,489,107)	(7,274,474)	(214,633)	(10,098,658)	(9,821,902)	(276,756)
Total net assets	2,884,451	2,680,530	203,921	2,629,282	2,457,269	172,013
Intangible asset additions	65,963	65,963	-	72,500	72,500	-
Tangible asset additions	143,453	135,953	7,500	125,642	125,642	-
Trade receivables	1,447,400	1,086,483	360,917	1,904,375	1,530,179	374,196
Financial liabilities	4,387,100	-	-	5,519,127	-	-
Corporation tax liability	95,900	67,209	28,691	309,847	263,436	46,411

Cavanagh Group plc

NOTES TO THE PRELIMINARY RESULTS

3 TAXATION ON ORDINARY ACTIVITIES

	2008 £	2007 £
Current tax:		
Corporation tax at 28.5% (2007: 30%)	95,901	68,471
Adjustment in respect of prior years	1,416	8
Total current tax	<u>97,317</u>	<u>68,479</u>
Deferred tax:		
Current year charge	(31,169)	456,216
Adjustment in respect of prior years	44,454	(40,778)
Income tax expense	<u>110,602</u>	<u>483,917</u>

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

	2008 £	2007 £
Profit before tax expense	207,763	1,556,173
Less share of profits on joint venture	(95,923)	(123,238)
Profit for the financial year excluding joint ventures	<u>111,840</u>	<u>1,432,935</u>
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	31,874	429,881
Expenses not deductible for tax purposes	39,949	5,857
Unrelieved tax losses and other deductions in the year	-	77,761
Other	(3,477)	14,618
Under/(over) provision in prior year	45,870	(40,770)
Marginal relief	(3,614)	(3,430)
Total tax	<u>110,602</u>	<u>483,917</u>

Cavanagh Group plc

NOTES TO THE PRELIMINARY RESULTS

4 EARNINGS PER SHARE

	2008 £	2007 £
Profit for the financial year after taxation attributable to Equity holders	67,411	1,038,401
Share based compensation charge	65,009	65,000
Adjusted profit after taxation	<u>132,420</u>	<u>1,103,401</u>
Weighted average number of shares (No)		
For basic earnings per ordinary share	11,613,401	10,930,952
Exercise of share options	41,802	122,013
For fully diluted earnings per ordinary share	<u>11,655,203</u>	<u>11,052,965</u>
Earnings per ordinary share – basic	<u>0.6p</u>	<u>9.5p</u>
Earnings per ordinary share – adjusted	<u>1.1p</u>	<u>10.1p</u>
Earnings per ordinary share – fully diluted	<u>0.6p</u>	<u>9.4p</u>

5 BASIS OF PRELIMINARY ANNOUNCEMENT

The board of directors of Cavanagh Group plc approved these results on 26 May 2009.

The statutory accounts will be posted to shareholders in due course. Further copies will be available to the public, free of charge, at the company's registered office, The Courtyard, Staplefield Road, Cuckfield, West Sussex RH17 5JT and from the company's website www.cavanagh.co.uk.

The Annual General Meeting will be held at The Courtyard, Staplefield Road, Cuckfield, West Sussex on Wednesday 24 June 2009 at 10.00.
