

16 January 2006

**Murgitroyd Group PLC ("the Group")**  
**Unaudited Interim Results**  
**for the six months ended 30 November 2005**

**Highlights**

- Turnover up 51% to £9.5 million (2004: £6.3 million)
- EBITA up 87% to £1,029,000 (2004: £550,000)
- Profit before tax up 98% to £665,000 (2004: £336,000)
- Adjusted basic earnings per share: 7.67p (2004: 4.44p), basic earnings per share: 4.49p (2004: 2.26)
- Significant organic growth and benefits from the acquisition of Castles

Ian Murgitroyd, Group Chairman, commented:

"I am pleased to announce another successful performance by the Group for the six months ended 30 November 2005. Turnover increased by 51% as a result of continued organic growth and the acquisition and successful integration of the Castles practice. This result is highly encouraging and demonstrates the fact that the enlarged business has retained the Group's ability to produce strong underlying organic growth. In the wake of a strong trading performance during the first six months, your Board views the remainder of the current financial year with confidence."

**For further information, please contact:**

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Nadja Vetter, Cardew Group, 020 7930 0777

**Notes to Editors**

Murgitroyd Group PLC, the holding company of Murgitroyd & Company Limited ("Murgitroyd & Company"), a European Patent and Trade Mark Attorney practice, was floated on the Alternative Investment Market of the London Stock Exchange ("AIM") on 30 November 2001. The practice has offices in Aberdeen, Belfast, Dublin, Glasgow, London, Muenster, Munich, Nice and York.

Murgitroyd Group PLC specialises in the provision of Intellectual Property services, including filing, prosecuting, litigating, licensing, assigning and renewing Patents, Trade Marks and Designs, advising on Copyright and generally assisting clients with the management of their Intellectual Property. Patent services span the major sectors of the global economy including technology, engineering, electronics, chemistry and biotechnology with clients ranging from large multi-national corporations to individual inventors and both in-house and external Patent Attorneys. The practice services major Trade Mark clients from the personal care, clothing, food and drinks, tobacco, pharmaceuticals, chemicals and oil industries together with service sector, sport and entertainment and retail industry clients. Trade Mark services are also provided to other private practice Trade Mark Attorneys.

## **Murgitroyd Group PLC ("the Group") Chairman's Statement**

### **Financial and operating review**

I am pleased to announce another successful performance by the Group for the six months ended 30 November 2005.

Turnover increased by 51% as a result of continued organic growth and the acquisition and successful integration of the Castles practice, exceeding the Board's expectations. This result is highly encouraging and demonstrates the fact that the enlarged business has retained the Group's ability to produce strong underlying organic growth. The integration of Castles has also served to expand the Group's activities across a wide range of industry sectors.

The Group's profitability increased by 98% to £665,000; this greater than pro rata increase reflects continued economies of scale in the wake of the integration of the Castles practice and strong control of overheads. During the period under review, the gross margin was 60.3% (2004: 68.2%). A fall in margin was anticipated as prices are aligned across the Group over time following recent acquisitions. Net cash flow in the period was negative at £250,000, this after payment of £327,000 to the vendors of Castles.

The development of the Attorney secondment programme continues and agreements were secured with four additional organisations during the six-month period. Under such programmes the Group's Attorneys are seconded to work in a quasi in-house capacity for clients.

The Group's clients enjoy direct representation rights in the UK, Ireland, Germany, France, Monaco and the Netherlands. During the period under review direct client representation has also been established in Austria and Switzerland in respect of the local validation of granted European Patents providing both marketing and cost saving advantages to the Group. Having established ourselves as one of the leading pan-European Patent and Trade Mark Attorney practices we remain committed to a policy of ongoing organic and, where appropriate, acquisitive expansion.

### **The Market**

As stated at the time of the announcement of the annual results in August, both the Patent and Trade Mark markets continue to show signs of growth, with the latest annual statistics from The European Patent Office and Community Trade Mark Office indicating that the number of filings in both markets have increased.

Demand for qualified Patent Attorneys still exceeds supply, a factor that is compounded by the high average age demographic in the European Patent profession. In the event the Group has succeeded in using this demographic issue to our advantage while continuing to invest in training our 'in house' Attorneys in the different jurisdictions under which we represent clients' interests.

## **People**

As at 30 November 2005, the number of employees in the Group totalled 168 (2004: 141) including 33 qualified Attorneys with an average age of 38. Two new Attorneys - one Patent qualified and one Trade Mark qualified - have been recruited and join the Group in January and February 2006 respectively. The aforementioned internal training programme remains integral to the Group's culture and Attorneys are currently being trained in the UK, Ireland, France and Germany.

Our operations in Belfast have been transferred to larger premises and, in November, a new office was opened in York to service the Midlands and the North of England.

I would like to take this opportunity to thank all our employees for their hard work and commitment to the Group.

## **Share Price**

During the period, the middle market price of the Company's shares fluctuated between 163.5p and 248p. The current middle market price is 227p.

## **Dividend**

As in previous years, the Board has decided not to propose an interim dividend. The Board does however intend, subject to the availability of distributable reserves, to recommend a final dividend.

## **Outlook**

The continuation of strong organic growth and the successful integration of the Castles practice have, as anticipated, served to significantly improve the Group's performance, as reflected in the mid-year advances in both turnover and earnings. The Group's primary aim is to achieve continuous and sustainable growth, both organically and, where appropriate, through selective acquisitions. Following the successful integration of both Cabinet Bonneau and Castles, the Group will continue to consider acquisition opportunities. In the wake of a strong trading performance during the first six months, your Board views the remainder of the current financial year with confidence.

**Ian G Murgitroyd**  
**Chairman**

**13 January 2006**

This interim announcement was approved by the Board of Directors on 13 January 2006.

## MURGITROYD GROUP PLC

### Unaudited Consolidated Profit and Loss Account

For the six months ended 30 November 2005 (six months ended 30 November 2004)

	Six months ended 30 November 2005 £'000 (unaudited)	Six months ended 30 November 2004 £'000 (unaudited)
Turnover	9,482	6,264
Cost of sales	(3,760)	(1,993)
Gross Profit	<u>5,722</u>	<u>4,271</u>
Administrative expenses	(4,693)	(3,721)
Goodwill amortisation	(263)	(181)
Operating profit	<u>766</u>	<u>369</u>
Other interest receivable and similar income	2	0
Interest payable and similar charges	(103)	(33)
Profit on ordinary activities before taxation	<u>665</u>	<u>336</u>
Taxation on profit on ordinary activities	(294)	(149)
Profit on ordinary activities retained for the period	<u>371</u>	<u>187</u>
Earnings per 10p ordinary share		
Basic	4.49p	2.26p
Diluted	4.43p	2.25p
Adjusted, basic before goodwill amortisation	7.67p	4.44p
Adjusted, diluted before goodwill amortisation	7.56p	4.43p

## MURGITROYD GROUP PLC

### Unaudited Consolidated Balance Sheet At 30 November 2005 (30 November 2004)

		30 November 2005 £'000 (unaudited)		30 November 2004 £'000 (unaudited)
Fixed assets				
Tangible fixed assets		2,189		2,172
Goodwill		8,948		6,160
		<hr/>		<hr/>
		11,137		8,332
Current Assets				
Work in progress	491		305	
Debtors	6,340		4,563	
Cash at bank and in hand	273		286	
	<hr/>		<hr/>	
	7,104		5,154	
Creditors: amounts falling due within one year	(4,998)		(3,328)	
	<hr/>		<hr/>	
Net current assets		2,106		1,826
Total assets less current liabilities		<hr/>		<hr/>
		13,243		10,158
Creditors: amounts falling due after more than one year		(2,802)		(165)
Provision for liabilities and charges		15		(1)
Net Assets		<hr/>		<hr/>
		10,456		9,992
Capital and reserves				
Called up share capital		828		828
Share premium account		2,258		2,258
Merger reserve		6,437		6,437
Revaluation reserve		103		62
Profit and loss account		830		407
		<hr/>		<hr/>
Shareholders funds - equity		10,456		9,992
		<hr/>		<hr/>

## MURGITROYD GROUP PLC

### Unaudited consolidated Cash Flow statement

For the six months ended 30 November 2005 (six months ended 30 November 2004)

	Six months ended 30 November 2005 £'000 (unaudited)	Six months ended 30 November 2004 £'000 (unaudited)
<b>Net cash inflow from operating activities</b>	826	597
Returns on investments and servicing of finance		
Interest received	2	0
Bank interest paid	(58)	(2)
Interest element of hire purchase repayments	(2)	(32)
<b>Net cash outflow from returns on investments and servicing of finance</b>	(58)	(34)
<b>Taxation</b>	(312)	(177)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(104)	(114)
Cash outflow from capital expenditure and financial investment	(104)	(114)
<b>Acquisitions</b>		
Purchase of subsidiary undertaking	(327)	(23)
Cash outflow from acquisitions	(327)	(23)
Equity dividends paid	(275)	(165)
Net cash (outflow)/inflow before financing	(250)	84
Financing		
Increase/(decrease) in bank loans due within one year	5	(15)
Decrease in bank loans due outwith one year	(75)	(32)
Repayment of capital element of hire purchase obligations	(26)	(17)
Net cash outflow from financing	(96)	(64)
(Decrease)/increase in cash in the period	(346)	20

**NOTES:**

1. The accounting policies that have been applied to the unaudited interim results are consistent with the latest published audited accounts of Murgitroyd & Company Limited.
2. These interim results are unaudited and do not comprise full accounts within the meaning of section 240 of the Companies Act 1985. Full accounts for the year ended 31 May 2005, on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies.
3. A charge for taxation has been included at the effective rate likely to be applied to the UK result, excluding the goodwill amortisation, for the full year to 31 May 2006.
4. The earnings per share of Murgitroyd Group PLC is calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

	Six months ended 30 November 2005	Six months ended 30 November 2004
Profit after taxation	371,473	186,686
Amortisation of goodwill	263,222	180,696
	<hr/> 634,695	<hr/> 367,382
Basic weighted average number of shares	8,277,887	8,277,887
Diluted weighted average number of shares	8,394,134	8,299,201
Basic earnings per share	4.49p	2.26p
Diluted earnings per share	4.43p	2.25p
Adjusted basic earnings per share	7.67p	4.44p
Adjusted diluted earnings per share	7.56p	4.43p

5. The Directors do not propose to pay an interim dividend at this time. The Directors do intend, subject to the availability of distributable reserves, to recommend a final dividend to shareholders in respect of the financial year ending 31 May 2006.
6. Copies of this announcement and the full interim statement will be available, free of charge for a period of one month, from the Group's Nominated Adviser:

Noble & Company Limited 76 George Street Edinburgh EH2 3BU	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
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## **Independent review report by KPMG Audit Plc to Murgitroyd Group PLC**

### **Introduction**

We have been engaged by the company to review the financial information set out on pages 4 to 7 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

### **Review work performed**

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2005.

**KPMG Audit Plc**  
**Chartered Accountants**

13 January 2006

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