

12 January 2005

## **Murgitroyd Group PLC ("the Group")**

### **Unaudited Interim Results for the six months ended 30 November 2004**

#### **Highlights**

- Turnover increased by 7.4% to £6.3 million (2003: £5.8 million)
- EBITA rose by 22% to £550,000 (2003: £448,000)
- Profit before tax increased by 38% to £336,000 (2003: £243,000)
- Adjusted basic earnings per share of 4.44p (2003: 3.12p)

#### **Recent developments**

- Acquisition of David W.J. Castle & Co. Limited completed

Ian Murgitroyd, Group Chairman, commented:

"I am delighted to report solid organic growth by the Group with a rise in turnover of almost 8% and a considerable increase in profitability. We have continued to attract new clients as well as retain existing clients, and are continuing to strengthen the financial base of the Group. The Group's expansion plans in Europe continue to progress and I believe we remain in position to continue the growth of the business. Furthermore, clients now enjoy full representation rights in the UK, Ireland, France, Germany, Monaco and The Netherlands. Overall, the Group's pan-European expansion strategy, involving the establishment of offices in key European locations, is progressing well."

#### **For further information, please contact:**

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Alasdair Robinson, Noble & Company Limited, 0131 225 9677  
Nadja Vetter, Cardew Group, 020 7930 0777

#### **Notes to Editors**

Murgitroyd Group PLC, the holding company of Murgitroyd & Company Limited, 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 Company is based in Glasgow with offices in Aberdeen, Belfast, Dublin, London, Muenster, Munich and Nice.

Murgitroyd Group PLC specialises in the provision of Intellectual Property ("IP") services, including filing, prosecuting, litigating, licensing, assigning and renewing Patents, Trade Marks and Designs and advising on Copyright. Services span the major sectors of the global economy including technology, engineering, electronics, chemistry and biotechnology. Clients range from large multi-national corporations to individual inventors and both in-house and external Patent and Trade Mark Attorneys.

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

### **Financial Review**

I am pleased to report an encouraging performance by the Group for the six months ended 30 November 2004. Revenues rose by 7.4% from £5.8 million to £6.3 million and the Group's profitability increased considerably with profit before tax at £336,000, an increase of 38%. This was predominantly the result of continuing economies of scale, improvements in credit control and the management of foreign exchange risks, as well as strong control of overheads.

During the period under review, the gross margin increased by 1.3% to 68.2%. We further achieved greater harmonisation of prices across the Group following the acquisition of EURL Cabinet Bonneau in France in July 2003.

Net cash flow in the period was positive by £20,000, a figure which rose to £84,000 after accounting for financing. The improvement in foreign currency management continued with a net foreign exchange loss in the six-month period of £17,000 comparing very favourably to a £42,000 loss in the comparative period.

### **Operating Review**

As a result of acquisition activity and organic growth, the Group's clients now benefit from representation rights in the UK, Ireland, Germany, France, Monaco and the Netherlands. The Group's new Muenster office was opened in June 2004 and is now fully operational. In addition, the London and Munich "virtual" offices were relocated to premises offering better and more flexible facilities. Further "virtual" offices were opened in Newcastle in the north-east of England and Miami in the US to serve as a "hubs" for ongoing business development activity.

The Group remains focused on its strategy of establishing itself as the leading pan-European Patent and Trade Mark Attorney practice through its ongoing expansion programme. Our relationship with US law firm, Drinker Biddle & Reath LLP ("DrinkerBiddle"), remains strong and serves as a high-quality conduit between Europe and the US. The relationship with DrinkerBiddle continues to prosper with sales to them more than doubling in the six-month period to 30 November 2004 as compared to in the comparative period to 30 November 2003. Turnover from DrinkerBiddle represented 3.3% of sales (2003: 1.8%) and makes them the Group's second largest client by sales value in the period.

We are clearly delighted to have augmented our client base and to have received extended mandates from current clients, such as our re-appointment as Attorneys to Queen's University Belfast ("Queen's") following a formal tender process. Queen's is one of the Group's top ten clients by sales value. The Group was also formally appointed as Patent and Trade Mark Attorneys to Pursuit Dynamics plc, an AIM listed company developing revolutionary, steam-based fluids handling technology.

The Group further decided to invest in updating our IT hardware and network infrastructure. It is anticipated that this upgrade will be completed in the first quarter of 2005, resulting in future cost savings in relation to system management and maintenance costs.

Following a formal tender process, the Group has decided to change its banker to Clydesdale Bank ("the Bank"). The Group will benefit from the agreed, enhanced terms with regards the cost of banking facilities and improved borrowing conditions as a consequence.

## **The Marketplace**

European Patent applications have continued to show growth, with the number of applications rising in the European Patent Office's most recently published Annual Report. In our opinion, market indicators demonstrate no sign of a slowdown in spending by key players in the Patent marketplace. Key indicators suggest that our pan-European strategy remains robust in the face of the continued demand/supply imbalance with regard to qualified Attorneys. This situation is compounded by the continuing poor average age of professionals in the European Intellectual Property profession as a whole, a demographic problem that we do not have.

## **People**

The total number of employees as at 30 November 2004 was 141 (2003: 137).

Murgitroyd's in-house training programme continues to produce encouraging results in the development of existing personnel. In addition, we have maintained our success in supporting our employees in the process of gaining their professional qualifications, thereby adding to our qualified Attorney "pool". We have further continued our recruitment strategy of hiring Attorneys as well as part-qualified professional staff from other practices. Two qualified Attorneys have been recruited for the Nice and Dublin offices respectively. They will start with the Group in February.

The Group's principal operating company, Murgitroyd & Company, appointed two new Directors, Keith Jones and Malcolm Main, to its Board as of 1 December 2004.

I would like to take this opportunity to thank all our staff for their continued commitment to the Group.

## **Dividend**

In common with previous years the Directors do not propose to pay an interim dividend. The Directors do intend, subject to the availability of distributable reserves, to recommend a final dividend.

## **Share Price**

During the period, the middle market price of Murgitroyd's shares fluctuated between 110p and 175p. The current middle market price is 160p. This compares with the Group's flotation price of 121p in November 2001.

## **Recent developments**

The Group has today completed the acquisition of the entire issued share capital of David W.J. Castle & Co. Limited ("Castles"), a Patent and Trade Mark Attorney practice founded by David Castle in 1986 and based in South London. The acquisition follows an extensive period of due diligence undertaken by the Group and our advisers.

For the year to 31 December 2003, Castles' turnover amounted to £3.5 million, with profit before tax totalling £221,000 and net assets amounting to £366,000.

We are also delighted to welcome David Castle to the board of Murgitroyd Group PLC with effect from today and look forward to working with him, his co-directors and staff.

Further details on the acquisition of Castles and the appointment of David Castle to the board of Murgitroyd are contained in a separate announcement released today.

## **Outlook**

Our organic business has continued to grow and we believe that the Group is in a strong position to continue its expansion into Europe. The Group continues to win new clients and we remain positive with regard to our strategy of establishing "Murgitroyd" as the leading pan-European Patent and Trade Mark Attorney practice through our expansion programme. Your Board's goal is to continue to build on the progress made in the first six months of the current financial year thereby ensuring increased profitability in 2005.

We look forward to the remainder of the year with confidence.

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

**11 January 2005**

This interim announcement was approved by the Board of Directors on 11 January 2005.

## MURGITROYD GROUP PLC

### Unaudited Consolidated Profit and Loss Account

For the six months ended 30 November 2004 (six months ended 30 November 2003)

	Six months ended 30 November 2004 £'000 (unaudited)	Six months ended 30 November 2003 £'000 (unaudited)
Turnover	6,264	5,834
Cost of sales	(1,993)	(1,931)
Gross Profit	<u>4,271</u>	<u>3,903</u>
Administrative expenses	(3,721)	(3,455)
Goodwill amortisation	(181)	(176)
Operating profit	<u>369</u>	<u>272</u>
Other interest receivable and similar income	0	2
Interest payable and similar charges	(33)	(31)
Profit on ordinary activities before taxation	<u>336</u>	<u>243</u>
Taxation on profit on ordinary activities	(149)	(160)
Profit on ordinary activities retained for the period	<u>187</u>	<u>83</u>
Earnings per 10p ordinary share		
Basic	2.26p	1.00p
Diluted	2.25p	1.00p
Adjusted, basic before goodwill amortisation	4.44p	3.12p
Adjusted, diluted before goodwill amortisation	4.43p	3.12p

## MURGITROYD GROUP PLC

### Unaudited Consolidated Balance Sheet At 30 November 2004

	£'000	2004 £'000 (unaudited)	£'000	2003 £'000 (unaudited)
Fixed assets				
Tangible fixed assets		2,172		2,009
Goodwill		6,160		6,540
		<hr/>		<hr/>
		8,332		8,549
Current Assets				
Work in progress	305		309	
Debtors	4,563		4,692	
Cash at bank and in hand	286		90	
	<hr/>		<hr/>	
	5,154		5,091	
Creditors: amounts falling due within one year	(3,328)		(3,672)	
	<hr/>		<hr/>	
Net current assets		1,826		1,419
Total assets less current liabilities		<hr/>		<hr/>
		10,158		9,968
Creditors: amounts falling due after more than one year		(165)		(218)
Provision for liabilities and charges		(1)		(10)
		<hr/>		<hr/>
Net Assets		9,992		9,740
Capital and reserves				
Called up share capital		828		828
Share premium account		2,258		2,258
Merger reserve		6,437		6,437
Revaluation reserve		62		46
Profit and loss account		407		171
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Shareholders funds - equity		9,992		9,740
		<hr/>		<hr/>

## 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 2004, 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 2005.
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 2004	Six months ended 30 November 2003
Profit after taxation	186,686	82,884
Amortisation of goodwill	180,696	175,689
	<hr/>	<hr/>
	367,382	258,573
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Basic weighted average number of shares	8,277,887	8,277,887
Diluted weighted average number of shares	8,299,201	8,288,803
Basic earnings per share	2.26p	1.00p
Diluted earnings per share	2.25p	1.00p
Adjusted basic earnings per share	4.44p	3.12p
Adjusted diluted earnings per share	4.43p	3.12p

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 2005.
6. A copy of the interim statement for the six months ended 30 November 2004 is due to be sent to all shareholders on or about 12 January 2005. 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 5 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 2004.

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

11 January 2005

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