

31 August 2004

**Murgitroyd Group PLC (“Murgitroyd” or “the Group”)  
Preliminary Results for the year ended 31 May 2004**

**Highlights**

- Turnover increased 16% to £12.3m (2003: £10.6m)
- Earnings before interest, tax and amortisation increased 37% to £1,032,000 (2003: £757,000)
- Basic earnings per share increased 83% to 3.59p (2003: 1.96p)
- Dividend up 27% to 1.99p per share (2003: 1.57p)

Ian Murgitroyd, Chairman, commented:

“I am delighted to report a solid performance by the Group with a rise in turnover of 16% and profits in line with expectations. With the Group’s expansion plans in Europe progressing well and its current and future client portfolio remaining strong, I believe we are in an excellent position to continue the growth of the business.”

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**Notes:**

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 and Nice.

Murgitroyd Group PLC specialises in the provision of Intellectual Property 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 Attorneys.

## **Murgitroyd Group PLC**

### **Chairman's Statement**

#### **Financial and operating review**

I am pleased to report another solid performance by the Group for the financial year to 31 May 2004, reflecting our track record for continual sustained growth.

Group turnover increased by 16% to £12.3m (2003: £10.6m). Earnings before interest, tax and amortisation were up by 37% to £1,032,000 (2003: £757,000). The Group's basic earnings per share were up by 83% to 3.59p (2003: 1.96p).

The Group's turnover for the second half of the financial year to 31 May 2004 rose by 19% year on year to £6.5m (six months to 31 May 2003: £5.4m), which exceeded expectations.

During the period under review, the gross margin was 66.7%, slightly lower than the previous year (2003: 67.8%). This was primarily caused by the historically lower sales prices of Cabinet Bonneau EURL ("Bonneau"), the French Patent and Trade Mark practice whose trade and assets were purchased by the Group in July 2003. The aim is to harmonise prices across the Group over the medium term and significant progress has already been made in this direction.

The Directors are proposing a dividend of 1.99p per share (2003: 1.57p). Subject to approval at the Annual General Meeting, the dividend will be paid on 11 October 2004 to shareholders on the register on 10 September 2004.

Significant improvement has been made in debt collection, with a decrease in debtor days of twenty days. This reduction has, in conjunction with the growth in turnover, facilitated a consequential improvement in supplier payment, with a decrease in creditor days of 42 days. This improvement has, however, not adversely affected Group cash flow, with net cash flow before financing being neutral.

These results contain almost a full year's contribution from the business of Bonneau. The acquisition and integration of Bonneau's business has proven highly successful with turnover generated in France increasing to £991,000 (2003: £33,000). This represents a further step forward in our ability to offer a truly pan-European service and we believe that there are further significant opportunities for growth in France.

The Group's clients, as a result of the acquisition as well as through organic growth, now enjoy representation rights in the UK, Ireland, Germany, France, Monaco and the Netherlands. The Group remains focused on its strategy of establishing itself as the leading pan-European Patent and Trade Mark Attorney through its ongoing expansion programme. Our relationship with US law firm, DrinkerBiddle, remains strong and serves as a high-quality conduit between Europe and the US. The Group further continued to increase revenues through both our existing client portfolio and through new clients.

The Group has added a significant number of clients to its portfolio during the period. Of the top 50 clients, ranked by turnover, seven are recent client wins. As a result of the acquisition of the Bonneau business we also added around 3,000 active cases to our portfolio.

During the period we have piloted a new service, Attorney secondments, where Attorneys work in a quasi in-house capacity for clients. These arrangements accrue benefits to both the client and the Group. For the client, such an arrangement removes the need and cost for a permanent employee to cover certain projects internally; whereas for the Group, it facilitates a more extensive involvement in project processes. The Group anticipates offering this service across a number of existing as well as potential clients.

### **The market**

We believe the European Intellectual Property market continues to strengthen overall. 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 demographic in the European Patent and Trade Mark profession.

While the Patent market is showing no indication of declining in the near future, mature users of the Intellectual Property system continue to remain cost conscious.

### **Board changes**

As previously announced, in June 2003, Paolo Pacitti, an Executive Director, began a one-year sabbatical and resigned his Directorships with the company and its principal operating subsidiary, Murgitroyd & Company Limited. Since then, Paolo has decided to retire. The Board would like to take this opportunity to thank Paolo for his significant and longstanding contribution to the business and wish him every success in the future.

We were pleased to welcome Edward Murgitroyd and Dr Roisin McNally as Executive Directors to the Board with effect from 25 November 2003 and 2 February 2004 respectively. Edward has been associated with Murgitroyd & Company Limited since 1997 and has sat on the company's Risk Assessment Committee since its inception. He is an Honours graduate of Glasgow University and joins the Board of Directors as a second representative of the Murgitroyd family, majority shareholders in the company.

Roisin is a Director of Murgitroyd & Company Limited and a graduate of Queens University of Belfast with a degree in biochemistry and genetics. She also has a PhD in molecular biology. Roisin is a Chartered Patent Agent, European Patent Attorney and a Community Trade Mark Attorney and has been with Murgitroyd & Company Limited since 1995.

The Group also announced that Norman Pattullo had resigned as an Executive Director of the company on 2 February 2004. Norman remains on the Board of Murgitroyd & Company Limited.

### **People**

As at 31 May 2004 the Group employed 22 qualified Attorneys (2003: 20). We continue to recruit trainee Attorneys and develop our internal staff-training programmes. The total number of staff at 31 May 2004 was 142 (31 May 2003: 129).

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

The Group continues to encourage an involvement by its staff in their local communities, not least through our active Charities Committee. The Group also remains cognisant of its wider responsibilities and carries on its business in a manner as environmentally friendly as possible.

### **Share Price and notifiable interest**

During the period, the middle market price of the company's shares fluctuated between 113.7p and 166p. The current middle market price is 114p. This compares with the flotation price of 121p.

The company received notification on 22 October 2003 that Norman Pattullo's Liferent Trust had sold 795,728 ordinary shares in the company. This trust now holds 232,242 ordinary shares in the company, representing 2.81 per cent of the issued share capital. In addition, Pierpaolo AME Pacitti's Liferent Trust, sold 189,541 ordinary shares in the company on 22 October 2003 and now holds 232,241 ordinary shares in the company representing 2.81 per cent of the issued share capital. Both trusts no longer have notifiable interests in the company.

Schroder Investment Management Limited ("SIM") acquired 700,000 ordinary shares in the company on 22 October 2003. This is equivalent to 8.46 per cent of the current issued share capital and represents SIM's entire shareholding. We are delighted to welcome a new institutional shareholder of the standing of SIM. It remains the company's objective to continue to attract investors of a similar calibre.

### **Recent developments**

In July the Group announced that Murgitroyd & Company Limited had opened and permanently staffed an office in Muenster, Germany. This office complements the Group's pre-existing office facility in Munich and meets our stated objective of staffing a German office to represent the Group's clients' German domestic interests at the German Patent Office.

The office is headed up by Carsten ten Brink, an experienced German and European Patent Attorney with extensive in-house and private practice expertise. This new development means that the Group now operates from eight offices across Europe. This expanding pan-European network continues to differentiate the Group from its competitors and has, we believe, already enhanced our client service offering. We also believe our network is now of a scale that brings significant benefits to clients with regard to their European requirements.

The Group's Aberdeen office was relocated to larger office accommodation during the year, a move that reflects its continued expansion.

### **Outlook**

I believe that we have made significant progress in developing the business. We remain well positioned to sustain our rate of growth as we continue the Group's organic development whilst considering further acquisition opportunities. Bearing in mind the improvement in the operating environment, we believe that the Group is in a strong position to continue its pan-European expansion. The current year has started satisfactorily and we look forward to the remainder of the year with confidence.

Ian G. Murgitroyd  
Chairman

30 August 2004

**Consolidated Profit and Loss Account  
for the years ended 31 May 2004 and 31 May 2003**

	Before goodwill amortisation	Goodwill amortisation	2004 Year ending 31 May 2004	Before goodwill amortisation	Goodwill amortisation	2003 Year ending 31 May 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	12,287	-	12,287	10,561	-	10,561
Cost of sales	(4,087)	-	(4,087)	(3,403)	-	(3,403)
Gross profit	8,200	-	8,200	7,158	-	7,158
Administrative expenses						
- standard	(7,168)	(360)	(7,528)	(6,313)	(351)	(6,664)
- exceptional*	-	-	-	(88)	-	(88)
	(7,168)	(360)	(7,528)	(6,401)	(351)	(6,752)
Operating profit	1,032	(360)	672	757	(351)	406
Interest receivable and similar income	3	-	3	10	-	10
Interest payable and similar charges	(65)	-	(65)	(64)	-	(64)
Profit on ordinary activities before taxation	970	(360)	610	703	(351)	352
Tax on profit on ordinary activities	(313)	-	(313)	(189)	-	(189)
Profit on ordinary activities after taxation and for the financial year	657	(360)	297	514	(351)	163
Dividends - equity	(165)	-	(165)	(130)	-	(130)
Retained profit for the year	492	(360)	132	384	(351)	33
Earnings per 10p ordinary share						
Basic	-		3.59p	-		1.96p
Diluted	-		3.58p	-		1.96p
Adjusted, basic before goodwill amortisation	7.95p		-	6.20p		-
Adjusted, diluted before goodwill amortisation	7.93p		-	6.20p		-
* bad debt provision						

There were no discontinued operations in the current or previous year.

**Balance Sheets**  
**at 31 May 2004 and 31 May 2003**

	<b>2004</b>		2003 (restated)	
	<b>Group £'000</b>	<b>Company £'000</b>	Group £'000	Company £'000
<b>Fixed assets</b>				
Intangible assets	6,340	-	6,501	-
Tangible assets	2,075	-	1,988	-
Investments	-	8,056	9	8,056
	<b>8,415</b>	<b>8,056</b>	8,498	8,056
<b>Current assets</b>				
Work in progress	265	-	230	-
Debtors	4,621	1,670	4,603	1,635
Cash at bank and in hand	344	-	106	-
	<b>5,230</b>	<b>1,670</b>	4,939	1,635
<b>Creditors:</b> amounts falling due within one year	<b>(3,677)</b>	<b>(165)</b>	(3,546)	(130)
<b>Net current assets</b>	<b>1,553</b>	<b>1,505</b>	1,393	1,505
<b>Total assets less current liabilities</b>	<b>9,968</b>	<b>9,561</b>	9,891	9,561
<b>Creditors:</b> amounts falling due after more than one year	<b>(162)</b>	-	(224)	-
<b>Provisions for liabilities and charges</b>	<b>(1)</b>	-	(10)	-
<b>Net assets</b>	<b>9,805</b>	<b>9,561</b>	9,657	9,561
<b>Capital and reserves</b>				
Called up share capital	828	828	828	828
Share premium account	2,258	2,258	2,258	2,258
Merger reserve	6,436	6,436	6,436	6,436
Revaluation reserve	62	-	46	-
Profit and loss account	221	39	89	39
<b>Shareholders' funds – all equity</b>	<b>9,805</b>	<b>9,561</b>	9,657	9,561

**Consolidated Cash Flow statement  
for the years ended 31 May 2004 and 31 May 2003**

	Year ending 31 May 2004 £'000	Year ending 31 May 2003 £'000
<b>Net cash inflow from operating activities</b>	<b>846</b>	276
<b>Returns on investments and servicing of finance</b>		
Interest received	15	7
Bank interest paid	(61)	(58)
Interest element of hire purchase repayments	(3)	(3)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(49)</b>	(54)
<b>Taxation</b>	<b>(284)</b>	(179)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(191)	(246)
Proceeds from sale of tangible fixed assets	1	-
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(190)</b>	(246)
<b>Acquisitions</b>		
Purchase of trade and assets	(194)	(9)
<b>Cash outflow from acquisitions</b>	<b>(194)</b>	(9)
<b>Equity dividends paid</b>	<b>(130)</b>	(110)
<b>Net cash outflow before financing</b>	<b>(1)</b>	(322)
<b>Financing</b>		
Expenses of share issues	-	(1)
Increase in bank loans due within one year	15	-
Decrease in bank loans due outwith one year	(60)	(55)
Repayment of capital element of hire purchase obligations	(29)	(26)
Repayment of Loan Notes	-	(1,012)
<b>Net cash outflow from financing</b>	<b>(74)</b>	(1,094)
<b>Decrease in cash in the year</b>	<b>(75)</b>	(1,416)

## Notes to the Announcement:

### 1. Accounting Policies

The Financial Statements have been prepared in accordance with applicable Accounting Standards, and under the historical cost accounting rules, modified to include the revaluation of buildings. The premium on the shares issued in exchange for shares in Murgitroyd & Company Limited qualified for merger relief under section 131 of the Companies Act 1985 and therefore that premium has been transferred from the share premium account to the merger reserve. The prior year figures have been restated accordingly.

### 2. Basis of Preparation

The financial information set out in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The balance sheet, consolidated profit and loss account and consolidated cash flow statement at 31 May 2004 for Murgitroyd Group PLC have been extracted from the statutory accounts upon which the auditor's opinion was unqualified and does not contain a statement under section 237(2) of the Companies Act 1985. The statutory accounts for the year ended 31 May 2004 will be filed with the Registrar of Companies.

### 3. Earnings Per Share

Earnings per 10p ordinary share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive shares.

	<b>Profit for the financial year £'000</b>	<b>Weighted average number of shares Number</b>	<b>2004 Earnings per share p</b>	<b>Profit for the financial year £'000</b>	<b>Weighted average number of shares Number</b>	<b>2003 Earnings per share p</b>
Basic earnings per share	<b>297</b>	<b>8,277,887</b>	<b>3.59</b>	163	8,277,887	1.96
Dilutive share options	-	<b>18,669</b>	<b>(0.01)</b>	-	8,579	(0.00)
Diluted earnings per share	<b>297</b>	<b>8,296,556</b>	<b>3.58</b>	163	8,286,466	1.96
Amortisation of goodwill	<b>360</b>	<b>8,296,556</b>	<b>4.35</b>	351	8,286,466	4.24
Adjusted, diluted earnings per share	<b>657</b>	<b>8,296,556</b>	<b>7.93</b>	514	8,286,466	6.20
Adjusted, basic earnings per share	<b>657</b>	<b>8,277,887</b>	<b>7.95</b>	514	8,277,887	6.20

#### **4. Annual General Meeting**

The Annual General Meeting of the company will be held at CardewChancery, 12 Suffolk Street, London, SW1Y 4HG at 11am on 28 September 2004.

#### **5. Further Copies**

Further copies of the Annual Report and Accounts will be available, free of charge, for a period of one month following posting to shareholders from the company's Nominated Adviser and Broker, Noble & Company Limited, 120 Old Broad Street, London, EC2N 1AR, tel: 020 7763 2200. Copies of the full Financial Statements will be posted to shareholders as soon as practicable.