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This document, which comprises a prospectus, has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulations") and has been delivered to the Registrar of Companies in Scotland for registration in accordance with paragraph 4(2) of the POS Regulations. The Directors of Murgitroyd Group PLC whose names and details are set out in Part II of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information. All of the Directors accept responsibility accordingly.

APPLICATION WILL BE MADE FOR THE WHOLE OF THE ISSUED AND TO BE ISSUED ORDINARY SHARE CAPITAL OF MURGITROYD GROUP PLC TO BE ADMITTED TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET OF THE LONDON STOCK EXCHANGE ("AIM"). AIM IS A MARKET DESIGNED PRIMARILY FOR EMERGING OR SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK THAN THAT ASSOCIATED WITH ESTABLISHED COMPANIES TENDS TO BE ATTACHED. AIM SECURITIES ARE NOT OFFICIALLY LISTED. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND IF APPROPRIATE CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER. LONDON STOCK EXCHANGE PLC HAS NOT ITSELF EXAMINED OR APPROVED THE CONTENTS OF THIS DOCUMENT. THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" IN PART IV OF THIS DOCUMENT. THE RULES OF AIM ("THE AIM RULES") ARE LESS DEMANDING THAN THOSE OF THE LISTING RULES OF THE UK LISTING AUTHORITY. IT IS EMPHASISED THAT NO APPLICATION IS BEING MADE FOR ADMISSION OF THESE SECURITIES TO THE OFFICIAL LIST OF THE UK LISTING AUTHORITY.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Holding Company. It is expected that dealings in the Ordinary Shares on AIM will commence on 30 November 2001.

Murgitroyd Group PLC

(Incorporated in Scotland under the Companies Act 1985 with Registered Number SC221766)

Placing of 2,479,333 New Ordinary Shares of 10 pence each at 121p per share

and

Admission to the Alternative Investment Market

by

Noble & Company
LIMITED

EXPECTED SHARE CAPITAL (immediately following the Placing)				
Authorised		Ordinary Shares of 10 pence each	Issued and fully paid	
Amount	Number		Amount	Number
£871,358	8,713,580		£827,788	8,277,887

Noble & Company Limited, which is regulated by The Securities and Futures Authority Limited, is acting exclusively for Murgitroyd Group PLC as the nominated adviser and broker, for the purpose of the AIM Rules. in connection with the Placing and admission to AIM (the "Admission"). Noble & Company Limited will not be responsible to anyone other than Murgitroyd Group PLC for providing the protections afforded to clients of Noble & Company Limited nor for providing advice to any other person in connection with the Placing or Admission and the contents of this document. No representation or warranty, express or implied, is made by Noble & Company Limited as to any of the contents of this document for which the Directors are solely responsible.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission or any province or territory of Canada. No document in relation to Admission or the Placing has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance, in relation to the Admission or Placing of the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States, Canada, Australia or Japan or offered or sold to a person within the United States of America or a resident of Canada, Australia or Japan.

Copies of this document will be available free of charge from the offices of Noble & Company Limited, 1 Frederick's Place, London, EC2R 8AB during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days from the date of Admission.

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Ian George Murgitroyd, <i>Chairman</i> Keith Graeme Young, <i>Chief Executive Officer</i> Norman Pattullo, <i>Executive Director</i> Pierpaolo Alfonso Maria Eugenio Pacitti, <i>Executive Director</i> Dr Kenneth George Chrystie, <i>Non-Executive Director</i> Mark Norman Kemp-Gee, <i>Non-Executive Director</i>
Secretary:	McClure Naismith 292 St Vincent Street Glasgow G2 5TQ
Registered Office:	Scotland House 165-169 Scotland Street Glasgow G5 8PL
Nominated Adviser:	Noble & Company Limited 76 George Street Edinburgh EH2 3BU
Broker:	Noble & Company Limited 1 Frederick's Place London EC2R 8AB
Solicitors to the Holding Company:	McClure Naismith 292 St Vincent Street Glasgow G2 5TQ
Solicitors to the Placing:	Shepherd & Wedderburn WS Saltire Court 20 Castle Terrace Edinburgh EH1 2ET
Reporting Accountants:	KPMG Audit Plc 24 Blythswood Square Glasgow G2 4QS
Auditors:	KPMG 24 Blythswood Square Glasgow G2 4QS
Receiving Agents and Registrars:	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Financial and Corporate Communications:	Cardew & Co 12 Suffolk Street London SW1Y 4HQ
Website address of the Company:	www.murgitroyd.com

CONTENTS

Directors, Secretary and Advisers	2
Anticipated Timetable and Placing Statistics	3
Part I – Key Information	4
Part II – Information on Murgitroyd Group PLC	5
Part III – Information on the Placing	13
Part IV – Risk Factors	14
Part V – Accountant’s Report on Murgitroyd & Company Limited and subsidiaries	15
Part VI – Statutory and General Information	34
Part VII – Definitions and Glossary	49
Part VIII – Trade Mark Schedule	53

ANTICIPATED TIMETABLE

Publication of Prospectus	22 November 2001
Admission and commencement of Dealings in the New Ordinary Shares on AIM	30 November 2001
CREST accounts credited	30 November 2001
Despatch of definitive Share Certificates	4 December 2001

PLACING STATISTICS

Placing Price	121p
Number of ordinary shares in issue immediately following Admission	8,277,887
Market capitalisation at the Placing Price	£10,016,242
Number of New Ordinary Shares subject to the Placing	2,479,333
New Ordinary Shares as a percentage of enlarged share capital	29.95%
Net proceeds of the Placing receivable by the Company	£2,670,000

PART I – KEY INFORMATION

- Murgitroyd is an established Patent and Trade Mark Attorney practice which carries out business in Europe. It was founded as a sole-trader in 1975, evolved into a partnership, and became a limited company in 1993. Murgitroyd has doubled its staff numbers in the last four years and now employs approximately 110 people, of whom approximately 40 are qualified, or training to be qualified, Patent and/or Trade Mark Attorneys. The Company is based in Glasgow with further offices in Aberdeen and Belfast and office facilities in Dublin, London, Munich and Nice.
- Murgitroyd specialises in the provision of Intellectual Property (“IP”) services being Patents, Trade Marks, Designs and 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.
- In the last fifteen years Murgitroyd has experienced rapid growth in its business with an average compound growth in turnover of 20% per annum. The Company has generated operating profits throughout this period. For the financial year ended 31 May 2001 turnover was £7.75m with an operating profit of £391,000. Historically the market for Patent and Trade Mark applications in both UK and Europe has risen steadily as have charges for IP protection work.
- Murgitroyd’s Directors are highly experienced and possesses extensive industry expertise. The Company is proud of its ability to attract and retain Attorneys. Murgitroyd has placed high priority (as evidenced by its ISO9001 accreditation) on finding efficient and economical means of service delivery. To achieve this, the management has developed an infrastructure, based on an IT network, which extends throughout all its staffed offices and office facilities. The systems were selected, integrated and are supported by the Company’s own IT team. Direct client access can be provided to case record information. A technical support group can provide assistance with searching, translation and Patent illustration including 3D modelling services for inventors and evidence presentation for Patent litigators.
- Murgitroyd’s competitors are Attorneys working principally in partnerships, as sole traders, or as part of in-house company Intellectual Property departments. The largest UK partnership has approximately 50 partners and is understood to have grown mainly through acquisition. Murgitroyd is one of a minority of private practices in the UK which has opted for a company, rather than a partnership structure.
- Despite initiatives designed to simplify and harmonise IP processes in different countries, the amount of worldwide IP work continues to grow. Murgitroyd has developed a dedicated Business Development team to identify opportunities and market the company services direct to target clients.
- Murgitroyd Group PLC has raised £3 million in order to provide funding for expansion through the development of a pan-European Intellectual Property service and to restructure the financial base of the Group.

PART II – INFORMATION ON THE GROUP

2.1 Background and General Information on the Group

Murgitroyd Group PLC is the parent company of a company of European Patent and Trade Mark Attorneys with its head office in Glasgow. The Company provides a range of Intellectual Property (“IP”) services including filing, prosecuting, litigating, licensing, assigning and renewing Patents, Trade Marks, Designs and advising on Copyright, and currently also operates from offices in Aberdeen and Belfast and has office facilities in Dublin, London, Munich and Nice. Murgitroyd Group employs approximately 110 people, of whom approximately 40 are qualified or training to be qualified Patent and/or Trade Mark Attorneys.

The Company was originally formed as a sole trader in 1975 by Ian Murgitroyd, became a partnership in 1978 and was incorporated as a limited company in 1993. The Holding Company was formed in 2001 in order to prepare the Company for an IPO.

From an early stage the Company sought to differentiate its services from its competitors and to devise innovative client solutions. This strategy has resulted in the Company attaining an average compound turnover growth of 20% per annum since 1987. The Company has introduced a service for clients whereby they are able to obtain on-screen access to detail on services being undertaken on their behalf by Murgitroyd.

The Company’s current growth plans centre on the development of a pan-European expansion strategy. This strategy has at its core the recruitment of Patent and Trade Mark Attorneys qualified in other mainland European countries and the establishment of satellite offices. At present Murgitroyd can represent its clients’ IP interests directly before the UK, Irish and French national Patent Offices as well as both the European Patent Office in Munich (“EPO”) and the Community Trade Mark Office in Alicante. Murgitroyd plans to attain equivalent representation rights before the German, Italian and Swedish Patent Offices over the next four years where the Company currently outsources its work. This will include the recruitment of nationally qualified Patent and Trade Mark Attorneys in each of these countries and the establishment of a country “desk” for each. Each country “desk” will be intended to handle Murgitroyd clients’ local, single-country IP matters from filing through prosecution to grant, as well as general opinion work. At present the Directors believe that there are no genuinely pan-European Patent and/or Trade Mark practices offering such a service.

2.2 Background to the Patent and Trade Mark Profession

The Patent and Trade Mark profession provides a range of IP services including filing, prosecuting, litigating, licensing, assigning and renewing Patents, Trade Marks, Designs and advising on Copyright. These services are provided to the major sectors of the global economy.

2.2.1 The European Patent Convention (“EPC”)

Historically, if an IP owner wished Patent protection in a number of countries throughout Europe, it was necessary to file independently in each country using a locally-accredited Patent Attorney. In 1977 the EPC set up a central EPO in Munich whereby a single Patent Application would be effective in a number of European countries (currently 20). The aim of the EPC was to attempt to standardise the Patent system throughout Europe but there remains the requirement to validate the European Patent in each designated country using a locally qualified Attorney.

2.2.2 Patent Attorneys and Trade Mark Attorneys

There are currently approximately 1,400 Chartered Patent Attorneys (“CPA”) registered in the UK of whom more than 50% work in an in-house capacity. The Chartered Institute of Patent Agents (“CIPA”) stated in January 2001 that 50% of Patent Agents are over 50 years of age. In order to qualify as a CPA, candidates normally possess a University degree of a technical nature and thereafter pass the qualifying exams of CIPA. In practice, some CPAs also have a postgraduate qualification such as a PhD, and this can result in the qualification period post University graduation being seven years. Most CPAs are also European Patent Attorneys (“EPA”) and many are also Registered Trade Mark Attorneys (“RTMA”).

Following the introduction of the EPO in 1977, it was envisaged within the profession that the overall quantity of work would decline due to the rationalisation of the European Patent system. It transpired that the volume of work for Patent Attorneys after 1977 actually increased. This, combined with the length of qualification period for Patent Attorneys, has resulted in the President of CIPA formally estimating in January 2001 that the profession will be undermanned by approximately 25% by 2004.

A number of firms of Patent and Trade Mark Attorneys distinguish between the two disciplines, i.e. they have separate Patent and Trade Mark departments. This is commonly because some firms will employ law and/or other graduates to train only as Trade Mark Attorneys; because of the subject matter of their degree courses, such graduates are not technically qualified to train as Patent Attorneys. Murgitroyd does not have separate Patent and Trade Mark departments but, rather, has a stated policy of training all its trainee Attorneys to become both Patent and Trade Mark qualified believing such IP “generalists” provide better all round IP advice to clients. This is reflected in the profile of Murgitroyd’s fee income which has substantial proportions of both Patent and Trade Mark turnover.

2.3 Murgitroyd Services

2.3.1 Core Services

The Company’s core activities are providing to clients IP services in the UK and abroad. This involves:

- Filing and prosecuting Patent Applications before the UK, Irish and French national Patent Offices as well as both the European Patent Office in Munich. These can be, amongst other sectors, in relation to technology, engineering, electronics, chemistry and biotechnology.
- Filing and prosecuting Trade Mark Applications before the UK Trade Marks Registry and the European Community Trade Mark Office (The Office for the Harmonisation in the Internal Market (“OHIM”) based in Alicante).
- Filing and prosecuting Design Registrations before the UK Design Registry.
- Providing ancillary IP services including litigation support, licensing and assignation (assignment) of Patents and Trade Marks, and providing technical support covering issues such as Patent and Trade Mark searches, technical translations and illustrations.
- Replicating case records of individual clients from the Company’s system onto that of the client or a stand-alone computer set up for the purpose.
- Record keeping for clients, including recording of key filing dates and notification of forthcoming renewal dates.
- Advising on and assisting clients with Copyright Issues.
- Acting for clients in pursuing Patent, Trade Mark and Design protection outwith Europe.

2.3.2 The SCEPTRE Service for Solicitors

The Company also provides a “wholesale” IP service to solicitors under the SCEPTRE branding. This allows solicitors to access the IP expertise of Murgitroyd directly allowing them to offer that expertise on an inclusive basis to their clients. Currently the Company provides this service to approximately 35 firms of solicitors in the UK (including 15 firms appearing in the “Top 100 Survey” published by “The Lawyer”) and this service now accounts for approximately 18% of the Company’s fee income.

2.3.3 SPECTRA

SPECTRA is a service offered by Murgitroyd to provide sector support services including technical translations, virtual prototyping, evidence presentation and Patent drawings.

2.3.4 The RELAY Service

The RELAY Service is a service offered to clients which focuses on the “bulk” processing of European National Phase Formalities.

2.3.5 “Agency Work”

Many Patent Attorneys in the UK rely heavily on Attorneys in foreign countries referring work to them when foreign clients wanting European IP protection require the services of a Patent Attorney in the UK. Although Murgitroyd does carry out Agency Work, the Company is not heavily reliant on these referrals as a major constituent of its fee income. Indeed, less than 10% of the Company’s fee income is currently derived from Agency Work.

2.4 Sources of Work

Murgitroyd’s fee income is generated from clients of various sizes and from across a wide range of business disciplines. Clients range from individual inventors to large, multi-national corporations. Approximately one third of the Company’s fee income is generated from sales made to clients outwith the UK, with the USA and Japan being its largest export markets. By type of work, in the year to May 2001 Patent-related services constituted approximately 64% of fee income, Trade Mark-related services approximately 34% and the remainder being made up of Design Right, Copyright and ancillary services-related income.

In the last financial year, and in the first quarter of the current financial year, the top 3 clients by fee income instructed no more than 13% of the fee income of the Company with no one client generating more than 7% of its annual fee income.

Clients are targeted by and marketed to by the Company’s dedicated Business Development staff.

2.5 The Competition

Competition arises from two major sources:

2.5.1 Private Practice

There are a large number of smaller practices offering IP services in the UK. The majority of these are small partnerships. One partnership, Marks & Clerk, has approximately 50 partners and is the largest private practice firm in the UK. Marks & Clerk is understood to have grown through acquisition.

2.5.2 In-house IP Departments

Although the in-house IP departments of large corporations do not compete directly for work with Murgitroyd, they can potentially affect the Company through the decrease (or increase) of outsourcing of IP work and the recruitment of qualified staff.

The in-house IP departments of the multi-national corporations, particularly foreign, also represent major sources of work for Murgitroyd.

2.6 Business Strategy

Murgitroyd has developed a strategy to develop the business through differentiated service delivery channels to clients, the creation of a pan-European IP service and the building of a highly skilled team through targeted recruitment, focused training and, potentially, acquisition.

2.6.1 Service Delivery Channels

Murgitroyd investment in its IT infrastructure has resulted in it being able to offer its clients “Read Only” access to their case record information, including copy correspondence, IP status records and work-in-progress/billing information as well as standard reports. This access allows Murgitroyd’s clients to remain up-to-date with actions on cases being handled on their behalf. Docketing and case record management activities are carried out in Glasgow by Murgitroyd’s Technical Support department with the Aberdeen, Belfast, Dublin and Munich offices being linked to Glasgow by a combination of dedicated kilostream and ISDN2 lines which ensures IT integration between all the Company’s staffed offices. Integration of working practices is also provided through the Company’s ISO9001 quality management system.

2.6.2 Pan-European IP Service

As Murgitroyd already instructs work to local Attorneys in all the major European countries, satellite offices established in other European countries will benefit from a core workload of country-specific IP work which can be “brought-back” in-house, i.e. Murgitroyd need no longer sub-contract such work to local Attorneys. This should result in the lead time for such offices becoming income generating being reduced. Taking this into account Murgitroyd plans to develop a pan-European business. The Directors believe that at present there are no genuinely pan-European Patent and/or Trade Mark practices offering such a service.

2.6.3 Building a Highly Skilled Team

Murgitroyd currently employs 13 qualified EPAs. The average age of these EPAs is 40 and, with the exception of one, all are employed on Service Agreements with varying initial fixed periods of one to three years and thereafter continuing for successive three year periods (if renewed by the relevant employee). In addition to these senior Attorneys, the Company’s other executive officers, its Business Development General Manager and other of its senior technical staff are similarly employed under such Service Agreements. Taking into account both Attorneys and non-Attorneys alike, the average age of these staff is 39.

Murgitroyd’s pan-European growth plans include the continued training and/or recruitment and retention of Attorneys appropriately qualified in the European countries earmarked for new satellite offices and in which the individual country “desks” will provide local representation and advice.

The Company has over the last six years, recruited and is training 23 graduate, post-graduate and part-qualified assistant trainees. These trainees embark upon what is expected to be a five year professional training programme at the end of which it is anticipated each will be professionally qualified as a CPA, EPA and RTMA. The Company invests in training in a number of ways: on-the-job, work-based training under the guidance of a senior Attorney to whom trainees are attached; using dedicated in-house training sessions carried out by an Attorney brought in solely for the purpose of training, by the setting aside of time, for exam-orientated seminars; and the sitting of “mock” examinations.

The Directors of Murgitroyd Group PLC believe that recruitment of Attorneys will be aided by having a public market for Murgitroyd Group equity, through the ability to offer key staff share options. Similarly, existing benefits considered by the Company to be staff retention schemes aimed at Attorneys progressing through the Company can be augmented by offering them further benefits such as shadow share options or secondments to overseas offices.

2.7 Directors and Senior Management

The Directors of Murgitroyd Group PLC are:

Ian George Murgitroyd (aged 56) (Chairman and Director)

Ian Murgitroyd is Executive Chairman of Murgitroyd Group PLC. His particular professional interests include mechanical engineering, hydraulics, pneumatic tools, carpet-making machinery, oil-related offshore engineering, litigation and commercial contracts. He gained a BSc in mechanical engineering from the University of Strathclyde. He is a Chartered Patent Agent, European Patent Attorney, Registered Trade Mark Attorney and a Community Trade Mark Attorney. He is also a director of The Strathclyde University Incubator Limited, Artroyd Securities Limited and SCI Artroyd France.

Keith Graeme Young (aged 35) (Chief Executive and Finance Director)

Keith Young is Chief Executive of Murgitroyd Group PLC. He is also a director of Murgitroyd Property Services Limited and Murgitroyd & Co. Management Services Limited. He received an B.Admin. from Dundee University and then qualified as a Chartered Accountant in 1991 at KPMG where he worked from 1988 to 1996 and joined the Company upon leaving KPMG.

Norman Pattullo (aged 53) (Director)

Norman Pattullo is an executive Director of Murgitroyd Group PLC. He graduated from Edinburgh University with a degree in chemistry. His particular areas of professional interest are in the fields of Trade Mark strategies, protection and disputes, and Patents in the offshore oil exploration and production sector, and the construction industry. He is a Chartered Patent Agent, European Patent Attorney, Registered Trade Mark Attorney and Community Trade Mark Attorney.

Pierpaolo Alfonso Maria Eugenio Pacitti (aged 53) (Director)

Paolo Pacitti is an executive Director of Murgitroyd Group PLC. He graduated from Glasgow University with a degree in electronic and electrical engineering. His particular areas of professional interest are in the fields of electrical and electronics systems, automobile technology and telecommunications, Patent and Trade Mark prosecution and litigation. He is a Chartered Patent Agent, European Patent Attorney, Registered Trade Mark Attorney and Community Trade Mark Attorney.

Dr Kenneth George Chrystie (aged 54) (Non-executive Director)

Kenneth Chrystie is the senior partner in the corporate and commercial law firm of McClure Naismith. His main areas of work are Intellectual Property, corporate finance, joint ventures, professional negligence, commercial negotiation and arbitration. He is a founder member of The Intellectual Property Lawyers' Organisation ("TIPLo") and is the author of the commercial credits section of the Encyclopaedia of Scots Law. He is an accredited specialist in Intellectual Property Law. His other directorships include TIPLo and the Royal Glasgow Institute of the Fine Arts.

Mark Norman Kemp-Gee (aged 55) (Non-executive Director)

Mark Kemp-Gee is Chief Executive of Exeter Investment Group plc, ("Exeter") a fully listed investment management and financial administration company. Prior to joining Exeter, he was Executive Chairman of Greig Middleton & Co Limited and a Director of Gerrard Group plc. He is a member of the Securities Institute.

The Directors of Murgitroyd & Company Limited, in addition to Ian Murgitroyd, Norman Pattullo and Paolo Pacitti, are:

John Cooper, Director (aged 38), graduated from Strathclyde University with a degree in electrical and electronic engineering. His particular areas of professional interest are in the fields of electrical, electronic and computer related technology, instrumentation, process control, laboratory equipment, semi-conductor manufacturer and offshore engineering. He is a Chartered Patent Agent, European Patent Attorney, Registered Trade Mark Attorney and Community Trade Mark Attorney.

Beverley Ouzman, Director (aged 34), graduated from Oxford University with a degree in biochemistry (with chemical pharmacology a supplementary subject). She then completed a certificate in Intellectual Property law at the University of London. Her particular areas of professional interest are in the fields of chemistry, biochemistry and biotechnology including immunology, genetic engineering and virology. She is a Chartered Patent Agent, European Patent Attorney, Registered Trade Mark Attorney, Community Trade Mark Attorney and Registered Patent Agent (Ireland).

Roisin McNally, Director (aged 37), graduated from the Queens University of Belfast with a degree in biochemistry and genetics and has a PhD in molecular biology. Her particular areas of professional interest are in the fields of Patent prosecution and biotechnology, molecular biology, biochemistry, chemistry and healthcare industries, advising research institutes and universities on identification and exploitation of Intellectual Property. She is a Chartered Patent Agent, European Patent Attorney and a Community Trade Mark Attorney.

Graham Murnane, Director (aged 42), graduated from Cambridge University with a degree in engineering. He then qualified as a Chartered Engineer and is a member of the Institution of Civil Engineers. His particular areas of professional interest are in the fields of European Patent procedures, oppositions and appeals, construction technology, mechanical and offshore engineering and computer related technology. He is a Chartered Patent Agent, European Patent Attorney and Community Trade Mark Attorney.

Jamie Allan, Director (aged 36), graduated from Glasgow University with a degree in cell biology. His particular areas of professional interest are in the fields of virology biotechnology, molecular biology healthcare, offshore petroleum engineering and Patents in offshore oil and gas industry downhole items, tools, well structures and well architecture. He is also interested in Trade Mark filing, prosecution, opposition and enforcement especially relating to the entertainment industry. He is a Chartered Patent Agent, European Patent Attorney, Registered Patent Agent (Ireland) and Community Trade Mark Attorney.

The Company operates a "hub and spoke" system whereby small sector Management Groups are responsible for the day to day operations of each spoke, ultimately reporting to the Directors of the Company at the hub.

2.8 Summarised Financial Information

The summary financial information provided below is extracted from the statutory accounts of Murgitroyd & Company Limited and subsidiaries.

Summary profit and loss accounts	Year ended 31 May 1999 £000	Year ended 31 May 2000 £000	Year ended 31 May 2001 £000
Turnover	6,139	7,006	7,749
Cost of sales	<u>(2,513)</u>	<u>(2,829)</u>	<u>(3,045)</u>
Gross profit	3,626	4,177	4,704
Loan write off	–	–	(233)
Administrative expenses	<u>(3,159)</u>	<u>(3,638)</u>	<u>(4,080)</u>
Total administrative costs	<u>(3,159)</u>	<u>(3,638)</u>	<u>(4,313)</u>
Operating profit	467	539	391
Impairment of fixed assets	<u>–</u>	<u>–</u>	<u>(201)</u>
Profit before interest and tax	467	539	190
Non recurring items - loan write off	–	–	233
- impairment of fixed assets	<u>–</u>	<u>–</u>	<u>201</u>
“Adjusted” operating profit	467	539	624
Net interest receivable/payable and similar income/charges	<u>(154)</u>	<u>(158)</u>	<u>(199)</u>
“Adjusted” profit on ordinary activities before tax	313	381	425
Taxation on profit on ordinary activities	<u>(115)</u>	<u>(93)</u>	<u>(164)</u>
“Adjusted” profit on ordinary activities after taxation	198	288	261
Dividends	<u>(210)</u>	<u>(200)</u>	<u>(200)</u>
“Adjusted” retained (loss)/profit	<u><u>(12)</u></u>	<u><u>88</u></u>	<u><u>61</u></u>

The summary financial information has been extracted from the Company’s statutory accounts. For the year ended 31 May 2001 a number of non-recurring charges were incurred including a loan write off and impairment of fixed assets. These have been added back to the profit before interest and tax to present an “adjusted” profit.

2.9 Additional Information on Murgitroyd Group PLC

2.9.1 Technology

The Company has developed an information technology network allowing networked access by members of staff. Core client case record information is maintained on an Informix database, a relational database which runs on Unix. Murgitroyd’s use of Lotus Notes software in conjunction with this Informix database ensures that Murgitroyd staff receive ongoing case record updates as well as having access to Lotus Notes’ email and other associated databases. Additional software packages provide services such as translation functions, 3D imaging and accounting services.

The Company’s view is that its IT systems have been designed for and are capable of supporting more users. Planned future growth in staff numbers, geographical locations and data volume should therefore be able to be absorbed by the existing IT infrastructure.

2.9.2 Training and Recruitment

After commencing professional training, Patent Attorneys take on average between 4 and 6 years to qualify fully and have a number of professional exams to sit. A current shortage of qualified Patent Attorneys in the industry as a whole can possibly be attributed to this long qualification period and the low intake of candidates following the introduction of the EPC in 1977. In order to help alleviate this, Murgitroyd has developed a formalised training programme for its technical staff. In addition, Murgitroyd has in the past three years recruited six EPAs and continues to advertise for additional technical staff.

2.9.3 Senior Employee Contracts

The Company recognises the need to be able to retain staff, including Patent Attorneys, and has provided a number of staff members with Service Agreements with varying initial fixed periods of one to three years and thereafter continuing for successive three year periods (if renewed by the relevant employee). At present twelve of Murgitroyd's senior Attorneys and other management personnel are employed under such arrangements.

In addition to such senior staff contracts, Murgitroyd's Directors participate in an executive bonus scheme weighted towards growth in profitability and all Murgitroyd staff who have been employed by Murgitroyd for at least one year, of whatever grade, participate in a company-wide profit sharing scheme.

2.9.4 Quality Management

The Company was accredited under ISO9001 in 1994. This implements a quality management system throughout all professional and administrative functions and procedures. The ISO9001 quality management system sets out a consistent approach to client service delivery and allows new procedures to be implemented in a structured way.

2.9.5 Professional Indemnity ("PI") Insurance

Murgitroyd maintains PI insurance with the Patent Attorneys' mutual insurer, PAMIA. The level of cover taken out exceeds the minimum level of cover recommended by the Company's governing professional body, CIPA.

2.10 Banking Facilities

In order to provide additional working capital facilities the Company has arranged a £1,000,000 overdraft facility with The Royal Bank of Scotland plc ("the Bank"). The facility is conditional upon admission of the Ordinary Shares of the Group to AIM and completion of the Bank's legal process. The facility carries an interest margin of 1.25% over the Bank's base rate. In addition, the Company has arranged term loan facilities of £363,000 with the Bank which are subject to a fixed interest rate of 9.65%. The Bank has also agreed to provide an indicative commitment to incremental banking facilities of £1,000,000 should a suitable acquisition be identified, subject to the Bank's assessment and diligence process.

2.11 Raising of Funds and Use of Proceeds

There are two primary objectives for the AIM flotation and simultaneous placing of New Ordinary Shares:

- (a) to provide funding for expansion into European markets through the recruitment and retention of quality Patent Attorneys and the establishment of satellite offices in key European locations;
- (b) to restructure the financial base of the Group through the repayment of debt facilities currently outstanding, thus enabling the Group to develop its strategy on a sound financial base.

In addition, two existing Directors and significant shareholders, Norman Pattullo and Pierpaolo Pacitti, are taking the opportunity to partially realise pre-existing shareholdings in the Company (held through Liferent Trusts) by sale for Loan Notes under the Share Exchange Agreement, and approximately £1 million of the funds raised will be used for this purpose. Both Mr Pattullo and Mr Pacitti shall retain an ongoing executive role with the Group.

2.12 Corporate Governance

The Holding Company intends, where practicable for a company of its size and nature, to comply with the main provisions of the Principles of Good Governance and Codes of Best Practice prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel, published in June 1998 (the "Combined Code"). Murgitroyd Group PLC intends to hold Board meetings bimonthly. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions.

The Board has established the following committees having the following roles within the Group:

- (i) **Audit Committee** – This has primary responsibility of monitoring the quality of internal control, for ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group’s auditors relating to the Group’s accounting and internal controls;
- (ii) **The Remuneration Committee** – This will determine the terms and conditions of service of the Directors and senior executives, including their remuneration and the granting of options to Executive Directors under the Group’s share option schemes;
- (iii) **Nominations Committee** – This will discuss and propose the appointment of suitable independent, non-executive Directors;
- (iv) **Executive Committee** – This will discuss and execute minor administrative matters not requiring full Board approval;
- (v) **Approvals Committee** – This will discuss and execute administrative matters requiring full Board approval.

Murgitroyd Group PLC will adopt the Model Code for AIM Companies.

2.13 Dividend Policy

The Directors intend, subject to the availability of distributable reserves, that dividends will be paid to shareholders following announcement of the annual report and accounts. The Directors aim to distribute 25% of post-tax profits by way of dividend commencing May 2002.

2.14 Share Options

2.14.1 The Directors believe that it is important to incentivise key management personnel and employees generally by granting them options over shares in the Holding Company to allow them to participate over time in any increase in the value of the Group.

2.14.2 In addition to Options (comprising approximately 1.875% of the Ordinary Share capital of the Holding Company on Admission) granted to the individuals referred to in Paragraph 12 of Part VI of this document the Directors have adopted the Murgitroyd Group PLC Executive Share Option Scheme allowing for the grant of options over Ordinary Shares to certain other Directors and employees.

2.14.3 Further information on such share options is set out in Paragraph 12 of Part VI of this document.

2.14.4 In addition to the above scheme, the Holding Company has adopted the Murgitroyd Group PLC Management Incentive Plan, which operates as a “shadow” share scheme whereby performance related awards are made to certain key employees of the Company of options which are linked in value to, but not granted over, shares in the Holding Company. The award of such “shadow” options is in the control of the Remuneration Committee.

2.15 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced other than by a physical certificate and transferred other than by written instrument. The Board has resolved that the Holding Company’s Ordinary Shares may be held and transferred both in certificated form and in uncertificated form in accordance with the CREST Regulations and the Articles contain provisions implementing this. The Directors will apply for the shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the shares following Admission may take place within the CREST system if the relevant shareholders so wish.

2.16 Qualifying Investment for EIS and VCTs

The Inland Revenue has confirmed that an investment in the Holding Company should be a qualifying investment for the purposes of the Enterprise Investment Scheme or for Venture Capital Trusts. Further information is set out in Part VI of this document. Any person who is in any doubt as to their taxation position should consult his or her professional adviser.

2.17 Further Considerations

Your attention is drawn to the risk factors set out in Part IV of this document. An investment in Murgitroyd Group PLC may not be suitable for you for several reasons.

PART III – THE PLACING

3.1 Shares Subject to the Placing

The Holding Company intends to issue 2,479,333 New Ordinary Shares by way of the Placing in order to raise net proceeds of £2,670,000. In making the Placing, Nobles is acting as agent of the Group in respect of the offer of New Ordinary Shares.

3.2 The Placing

New Ordinary Shares will be placed to institutional and certain other investors in the European Union. The terms and conditions relating to the Placing are set out in a placing letter which will be circulated to those institutional and other investors which, having been approached by Nobles, express an interest in applying for New Ordinary Shares. Allotments of New Ordinary Shares under the Placing are wholly at the discretion of Nobles in consultation with Murgitroyd Group PLC.

3.3 Allocation and Pricing

All New Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price. The 2,479,333 Ordinary Shares the subject of the Placing represent approximately 29.95% of the enlarged issued ordinary share capital of the Holding Company on Admission and all are new shares.

The rights attaching to the New Ordinary Shares will be uniform in all respects and the New Ordinary Shares and the Existing Ordinary Shares will form a single class for all purposes and will rank *pari passu* in all respects.

3.4 Conditions to the Placing

The Placing is subject to the satisfaction or waiver by Nobles, of conditions contained in the Placing Agreement, including Admission occurring on or before 30 November 2001 (or such later date that may be agreed between Nobles and the Group and not being later than 14 December 2001). Certain conditions are not capable of waiver. Further details of the Placing Agreement are set out in Part VI of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM on 30 November 2001.

3.5 Lock in Arrangements

The Directors have agreed, subject to certain exceptions (including, for example, in the case of a take-over offer for the Holding Company), not to dispose of any of their Ordinary Shares until six months after Admission without the consent of Nobles.

PART IV – RISK FACTORS

Prospective investors should consider, in particular, the following before making a decision to subscribe for or purchase Ordinary Shares in the Holding Company. The risks associated with subscribing for New Ordinary Shares include, but may not be limited to, the following identifiable risks which, individually or in aggregate, could have a material effect on Murgitroyd Group PLC and on Shareholders.

The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in Murgitroyd Group PLC. In particular, the Group's performance may be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements.

4.1 AIM

The value of the Ordinary Shares may go down as well as up. Investors may, therefore realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. Furthermore, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List of the UK Listing Authority. The market value of the Ordinary Shares may not necessarily reflect the underlying consolidated net asset value of the Holding Company.

4.2 Barriers to Entry and Competition

The main barriers to entry for competitors of Murgitroyd Group PLC are the recruitment and retention of suitably qualified staff and the offering of differentiated Intellectual Property services to an established client base.

4.3 Staff

The success of Murgitroyd Group PLC will be influenced by the recruitment and retention of technical staff, and in particular Patent Attorneys for the Company. There are staff shortages in the market in which the Company operates which may inhibit its ability to attract appropriate staff as required.

4.4 The Market

It is possible that global recessionary pressures may decrease expenditure in areas such as research and development. This in turn may lead to a slowdown in the engagement of Intellectual Property services. Similarly the in-house Intellectual Property departments of multinational companies' strategies regarding the outsourcing of Intellectual Property advice can change and is often bound up in those companies' wider business strategies. Such changes may impact the Company's Business Development efforts and the success thereof.

4.5 Requirement for Additional Capital

The Group may be required to conduct further fundraising exercises in the future in order to develop its business and sustain cash resources.

4.6 International Expansion Plans

Plans, expectations and assumptions in relation to international expansion are no more than that and do not constitute forecasts. Such international expansion plans may be adversely affected by political, macro-economic or other factors.

AN INVESTMENT IN MURGITROYD GROUP PLC MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986 WHO SPECIALISES IN INVESTMENTS OF THIS KIND BEFORE MAKING A DECISION.

PART V – ACCOUNTANT’S REPORT ON MURGITROYD & COMPANY LIMITED AND SUBSIDIARIES

The Directors
Murgitroyd Group PLC
Scotland House
165–169 Scotland Street
Glasgow
G5 8PL

The Directors
Noble & Company Limited
76 George Street
Edinburgh
EH1 3BU

22 November 2001

Dear Sirs

Murgitroyd & Company Limited and subsidiaries

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 22 November 2001 (“the prospectus”) of Murgitroyd Group PLC.

Basis of preparation

Murgitroyd Group PLC was incorporated as a public company on 1 August 2001 and on 20 November 2001 acquired the whole of the share capital of Murgitroyd & Company Limited. The financial information set out in paragraphs 1 to 6.29 is based on the audited financial statements of Murgitroyd & Company Limited and subsidiaries for the three years ended 31 May 2001 prepared on the basis described in note 6.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Murgitroyd & Company Limited and subsidiaries who approved their issue.

The Directors of Murgitroyd Group PLC are responsible for the contents of the prospectus dated 22 November 2001 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by KPMG relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the prospectus dated 22 November 2001, a true and fair view of the state of affairs of Murgitroyd & Company Limited and subsidiaries as at the dates stated and of its profits and losses, cash flows and recognised gains and losses for the periods then ended.

We consent to the inclusion in the prospectus dated 22 November 2001 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1 Profit and loss accounts

		Year ended		
		31 May	31 May	31 May
	Notes	1999	2000	2001
		£000	£000	£000
Turnover	6.2	6,139	7,006	7,749
Cost of sales		<u>(2,513)</u>	<u>(2,829)</u>	<u>(3,045)</u>
Gross profit		<u>3,626</u>	<u>4,177</u>	<u>4,704</u>
Administrative expenses				
Exceptional loan write off	6.4	–	–	(233)
Directors' remuneration	6.5	(657)	(850)	(792)
Related party charges	6.7	(189)	(215)	(233)
Other administrative expenses		<u>(2,313)</u>	<u>(2,573)</u>	<u>(3,055)</u>
		<u>(3,159)</u>	<u>(3,638)</u>	<u>(4,313)</u>
Operating profit	6.3	467	539	391
Impairment of fixed assets	6.4	–	–	(201)
Interest receivable and similar income	6.8	18	25	43
Interest payable and similar charges	6.9	<u>(172)</u>	<u>(183)</u>	<u>(242)</u>
Profit / (loss) on ordinary activities before taxation		313	381	(9)
Taxation on profit/(loss) on ordinary activities	6.10	<u>(115)</u>	<u>(93)</u>	<u>(164)</u>
Profit/(loss) on ordinary activities after taxation		198	288	(173)
Dividends	6.11	<u>(210)</u>	<u>(200)</u>	<u>(200)</u>
Retained (loss)/ profit for the financial year		<u>(12)</u>	<u>88</u>	<u>(373)</u>
Basic earnings/ (loss) per share	6.12	<u>2.5p</u>	<u>3.6p</u>	<u>(2.2)p</u>
IIMR headline earnings per share	6.12	<u>2.5p</u>	<u>3.6p</u>	<u>3.3p</u>

The above results relate wholly to continuing activities.

2 Balance sheets

	Notes	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Fixed assets				
Tangible assets	6.13	2,008	2,198	1,569
Investments	6.14	5	5	–
		<u>2,013</u>	<u>2,203</u>	<u>1,569</u>
Current assets				
Work in progress	6.15	150	178	233
Debtors	6.16	2,343	2,862	3,092
Property held for disposal		–	–	516
Cash at bank and in hand		76	531	1,125
		<u>2,569</u>	<u>3,571</u>	<u>4,966</u>
Creditors: amounts due within one year	6.17	<u>(2,804)</u>	<u>(3,585)</u>	<u>(4,677)</u>
Net current (liabilities)/ assets		(235)	(14)	289
Creditors: amounts due after more than one year	6.19	(744)	(993)	(881)
Provisions for liabilities and charges	6.20	<u>(16)</u>	<u>(10)</u>	<u>(77)</u>
Net assets		<u>1,018</u>	<u>1,186</u>	<u>900</u>
Capital and reserves				
Called up share capital	6.21	265	265	265
Revaluation reserve	6.22	94	174	237
Capital reserve		1	1	–
Profit and loss account	6.22	652	740	398
Minority interest		6	6	–
Shareholders' funds – all equity	6.23	<u>1,018</u>	<u>1,186</u>	<u>900</u>

3 Cash flow statements

		Year ended		
		31 May	31 May	31 May
		1999	2000	2001
	Notes	£000	£000	£000
Net cash inflow from operating activities	6.26	348	733	886
Returns on investment and servicing of finance	6.26	(170)	(170)	(187)
Taxation		(91)	(67)	(160)
Capital expenditure and financial investment	6.26	(176)	(187)	(122)
Equity dividends paid		(210)	(200)	(200)
		<u>(299)</u>	<u>109</u>	<u>217</u>
Cash (outflow)/inflow before financing				
Financing	6.26	(8)	208	(300)
		<u>(307)</u>	<u>317</u>	<u>(83)</u>
(Decrease)/increase in cash in the year	6.27	<u>(307)</u>	<u>317</u>	<u>(83)</u>

4 Statement of total recognised gains and losses

		Year ended		
		31 May	31 May	31 May
		1999	2000	2001
		£000	£000	£000
Profit/(loss) for the financial year		198	288	(173)
Unrealised surplus on revaluation of properties		<u>–</u>	<u>80</u>	<u>87</u>
Total recognised gains and losses relating to the financial year		<u>198</u>	<u>368</u>	<u>(86)</u>

5 Note of historical cost profits and losses

		Year ended		
		31 May	31 May	31 May
		1999	2000	2001
		£000	£000	£000
Reported profit/(loss) for the financial year		198	288	(173)
Realisation of property revaluation gains of previous periods		<u>–</u>	<u>–</u>	<u>24</u>
Historical cost profit/ (loss) for the financial year		<u>198</u>	<u>288</u>	<u>(149)</u>

6 Notes to financial statements

6.1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

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 properties owned by the group.

Basis of consolidation

The group financial statements consolidate the results and balance sheets of the company and its subsidiaries. The results of subsidiaries acquired are consolidated for the period of ownership by the group using the acquisition basis of accounting.

Fixed assets and depreciation

Following the introduction of FRS 15, the group has adopted a policy of revaluation of freehold properties. In accordance with this policy freehold properties will be subject to a full revaluation at least every five years with an interim valuation carried out in accordance with FRS 15 in the third year after each revaluation. All other tangible fixed assets are stated at cost.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold properties	nil
Office equipment	20% per annum
Motor vehicles	25% per annum
Fixtures and fittings	10% to 20% per annum

Freehold properties are not depreciated as the directors carry out an annual impairment test. Any impairment will be charged to profit although annual testing carried out to date does not indicate that any impairment has taken place.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Investments

Investments are included at cost less amounts written off or provisions for losses.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of professional and technical services to customers.

Work in progress

Work in progress is stated at the lower of direct cost plus attributable overheads and net realisable value.

Hire purchase contracts and leases

Assets acquired under hire purchase contracts are capitalised and the outstanding future hire purchase obligations are shown in creditors. The finance charges relating to such contracts are charged to the profit and loss account over the life of each contract.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

6.2 Turnover

All turnover and profits/(losses) before taxation are derived from the group's principal activities being European Patent and Trade Mark Attorneys and the provision of technical support services. During the year ended 31 May 2001 30% (2000: 33%, 1999: 32%) of turnover was attributable to geographical markets outside the United Kingdom.

6.3 Profit/(loss) on ordinary activities before taxation

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
<i>The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</i>			
Depreciation and other amounts written off tangible fixed assets:			
Owned assets	77	92	111
Held under hire purchase contracts	104	122	124
Amortisation of trade marks	1	1	–
Exchange losses	15	51	41
Rentals payable under operating leases:			
Plant and machinery	7	1	–
Land and buildings	50	50	58
Auditor's remuneration:			
Audit	10	9	7
Non audit services	12	9	15
Exceptional items (note 6.4)	–	–	434
Profit on sale of fixed assets	(10)	(13)	(57)

6.4 Exceptional loan write off and loss on disposal of fixed assets

- (a) The exceptional loan write off of £233,000 in the year ended 31 May 2001 relates to a loan provided in January 1997 to a French limited liability partnership controlled by the Murgitroyd family. There are now no longer any balances due to or from this family interest.
- (b) The provision for the impairment of fixed assets of £201,000 in the year ended 31 May 2001 relates to the proposed sale of premises, formerly used in the business and valued (including additions) at £768,000, to Artroyd Securities Limited, a company controlled by Mr Ian Murgitroyd, for £567,000.

6.5 Remuneration of directors

	Year ended		
	31 May 1999 £000	31 May 2000 £000	31 May 2001 £000
Directors' emoluments	612	821	765
Pension contributions to directors' defined contribution schemes	45	29	27
	<u>657</u>	<u>850</u>	<u>792</u>

Retirement benefits are accruing to the following number of directors under:

	Year ended		
	31 May 1999	31 May 2000	31 May 2001
Money purchase schemes	<u>6</u>	<u>9</u>	<u>8</u>

The analysis of remuneration by director is set out below.

	Basic salary £000	Fees £000	Benefits in kind £000	Pension contribution £000	Bonus/ PRP £000	Total emoluments £000
Year ended 31 May 1999						
Ian G Murgitroyd	80	10	16	4	4	114
Norman Pattullo	140	10	11	4	8	173
Pierpaolo AME Pacitti	90	10	17	29	8	154
John Cooper	53	10	5	3	4	75
Beverley NC Ouzman	40	10	9	3	7	69
Graham Wotherspoon	48	10	5	2	7	72
	<u>451</u>	<u>60</u>	<u>63</u>	<u>45</u>	<u>38</u>	<u>657</u>
Year ended 31 May 2000						
Ian G Murgitroyd	82	10	18	4	5	119
Norman Pattullo	106	10	11	4	6	137
Pierpaolo AME Pacitti	96	10	12	4	6	128
John Cooper	57	10	6	3	5	81
Beverley NC Ouzman	45	10	9	4	5	73
Graham Wotherspoon	56	10	5	2	6	79
Graham J Murnane	52	10	7	3	5	77
James S Allan	52	10	9	2	5	78
Roisin MP McNally	52	10	8	3	5	78
	<u>598</u>	<u>90</u>	<u>85</u>	<u>29</u>	<u>48</u>	<u>850</u>

6.5 Remuneration of directors (continued)

	Basic salary £000	Fees £000	Benefits in kind £000	Pension contribution £000	Bonus/ PRP £000	Total emoluments £000
Year ended 31 May 2001						
Ian G Murgitroyd	85	10	18	4	4	121
Norman Pattullo	105	10	12	4	4	135
Pierpaolo AME Pacitti	97	10	11	4	4	126
John Cooper	60	10	7	3	3	83
Beverley NC Ouzman	28	10	9	4	4	55
Graham Wotherspoon	10	2	3	–	–	15
Graham J Murnane	60	10	8	3	4	85
James S Allan	60	10	10	2	4	86
Roisin MP McNally	60	10	10	3	3	86
	<u>565</u>	<u>82</u>	<u>88</u>	<u>27</u>	<u>30</u>	<u>792</u>

Mr Graham Wotherspoon retired on 31 July 2000.

Benefits in kind include company car and fuel benefit, private medical insurance, subscriptions and professional fees and other discretionary benefits.

In the year ended 31 May 2001 a management fee of £48,000 was paid to Artroyd Securities Limited, a company controlled by Mr Ian Murgitroyd (2000: £60,000, 1999: £48,000) which has not been included in the above analysis.

Details of the directors' interests in the share capital of the company at the end of each financial year are as follows:

	31 May 1999 Number	31 May 2000 Number	31 May 2001 Number
No. of Ordinary shares of £1 held			
Ian G Murgitroyd	135,150	135,150	135,150
Norman Pattullo	66,250	66,250	66,250
Pierpaolo AME Pacitti	39,750	39,750	39,750
	<u>241,150</u>	<u>241,150</u>	<u>241,150</u>

There were no share options outstanding at these year ends.

6.6 Staff number and costs

The average number of persons employed by the group (including directors) during the period was as follows:

	31 May 1999	Year ended 31 May 2000	31 May 2001
Office and management	<u>83</u>	<u>88</u>	<u>92</u>

The aggregate payroll costs of these persons was as follows:

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Wages and salaries	1,701	2,031	2,209
Social security costs	171	210	232
Other pension costs	55	62	119
	<u>1,927</u>	<u>2,303</u>	<u>2,560</u>

6.7 Related party charges

During the year ended 31 May 2001, the group purchased services with a value of £233,000 (2000: £215,000; 1999: £189,000) from Artroyd Securities Limited, a company controlled by Mr Ian Murgitroyd. In addition, for the year ended 31 May 2001, there are transactions with Artroyd Securities Limited described more fully in note 6.4 above.

6.8 Interest receivable and similar income

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Receivable from related companies	11	15	18
Bank interest receivable	3	4	23
Other income	4	6	2
	<u>18</u>	<u>25</u>	<u>43</u>

6.9 Interest payable and similar charges

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
On bank loans and overdrafts	151	159	209
On other loans	1	1	–
Finance charges payable in respect of hire purchase contracts	20	23	33
	<u>172</u>	<u>183</u>	<u>242</u>

6.10 Taxation

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
UK Corporation tax (2001: 30%, 2000: 30%, 1999: 30.8%)	(94)	(104)	(97)
Deferred tax (charge)/credit	(8)	6	(67)
Adjustment relating to an earlier year – (under)/ over provision	(13)	5	–
	<u>(115)</u>	<u>(93)</u>	<u>(164)</u>

No deduction for tax purposes has been assumed in respect of the exceptional loan write-off and the provision for the impairment on disposal of fixed assets referred to at note 6.4 above and arising in the year to 31 May 2001.

6.11 Dividends

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Equity shares:			
Ordinary dividends paid	<u>210</u>	<u>200</u>	<u>200</u>

6.12 Earnings per share

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Basic earnings/(loss) per share is calculated as follows:			
Profit/(loss) for the year ("Basic profit/(loss)")	<u>198</u>	<u>288</u>	<u>(173)</u>
Weighted average number of shares in issue	<u>7,922</u>	<u>7,922</u>	<u>7,922</u>
Basic earnings/(loss) per share	<u>2.5p</u>	<u>3.6p</u>	<u>(2.2p)</u>

A reconciliation of earnings per share with IIMR headline earnings per share is as follows:

Earnings	198	288	(173)
Eliminate:			
Impairment of fixed assets	–	–	201
Exceptional loan write off	<u>–</u>	<u>–</u>	<u>233</u>
	<u>198</u>	<u>288</u>	<u>261</u>
Weighted average number of shares in issue	<u>7,922</u>	<u>7,922</u>	<u>7,922</u>
IIMR headline earnings per share	<u>2.5p</u>	<u>3.6p</u>	<u>3.3p</u>

6.13 Tangible fixed assets

	Freehold properties £000	Office equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost/ valuation					
At 1 June 1998	1,315	556	269	129	2,269
Additions	78	237	73	15	403
Disposals	<u>–</u>	<u>(6)</u>	<u>(30)</u>	<u>–</u>	<u>(36)</u>
At 31 May 1999	<u>1,393</u>	<u>787</u>	<u>312</u>	<u>144</u>	<u>2,636</u>
Additions	139	66	131	9	345
Disposals	–	(200)	(85)	(2)	(287)
Revaluations	<u>80</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>80</u>
At 31 May 2000	<u>1,612</u>	<u>653</u>	<u>358</u>	<u>151</u>	<u>2,774</u>
Additions	219	142	119	47	527
Disposals	(768)	(5)	(461)	–	(1,234)
Revaluations	<u>87</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>87</u>
At 31 May 2001	<u>1,150</u>	<u>790</u>	<u>16</u>	<u>198</u>	<u>2,154</u>

6.13 Tangible fixed assets (continued)

	Freehold properties £000	Office equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Depreciation					
At 1 June 1998	–	315	90	66	471
Charge for year	–	89	74	18	181
On disposals	–	–	(24)	–	(24)
At 31 May 1999	–	404	140	84	628
Charge for year	–	111	82	21	214
On disposals	–	(200)	(64)	(2)	(266)
At 31 May 2000	–	315	158	103	576
Charge for year	–	129	79	27	235
On disposals	–	(3)	(223)	–	(226)
At 31 May 2001	–	441	14	130	585
Net book value at 31 May 1999	<u>1,393</u>	<u>383</u>	<u>172</u>	<u>60</u>	<u>2,008</u>
Net book value at 31 May 2000	<u>1,612</u>	<u>338</u>	<u>200</u>	<u>48</u>	<u>2,198</u>
Net book value at 31 May 2001	<u>1,150</u>	<u>349</u>	<u>2</u>	<u>68</u>	<u>1,569</u>

Included in the total net book value is £130,000 in respect of assets purchased under hire purchase contracts (2000: £329,000; 1999: £341,000). Depreciation for the year on these assets was £124,000 (2000: £122,000, 1999: £104,000).

Included in the total net book value of freehold properties is £15,000 (2000: £15,000, 1999: £15,000) in respect of assets purchased under hire purchase contracts. Depreciation for the year on these assets was £Nil (2000: £Nil, 1999: £Nil).

The company's interest in its freehold property at Scotland House, 165-169 Scotland Street, Glasgow was valued as at 31 May 2001 at £1,150,000 (31 May 2000: £850,000) on the basis of open market value for existing use by Campbell & Company Commercial Property Consultants, independent Chartered Surveyors, in accordance with the guidelines issued by the Royal Institute of Chartered Surveyors.

The company's interests in its other properties were valued as at 13 November 1998 at £750,000 on the basis of open market value for existing use by Campbell & Company Commercial Property Consultants, independent Chartered Surveyors, in accordance with the guidelines issued by the Royal Institute of Chartered Surveyors.

6.13 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

<i>Freehold properties at 31 May 1999</i>	£000
At 1998 open market value	1,315
Cost	78
Aggregate depreciation thereon	—
Net book value	1,393
Historical cost	1,299
Aggregate depreciation based on historical cost	—
Historical cost net book value	1,299
 <i>Freehold properties at 31 May 2000</i>	 £000
Valuation – 1998	750
2000	850
Cost	12
Aggregate depreciation thereon	—
Net book value	1,612
Historical cost	1,438
Aggregate depreciation based on historical cost	—
Historical cost net book value	1,438
 <i>Freehold properties at 31 May 2001</i>	 £000
Valuation – 2001	1,150
Aggregate depreciation thereon	—
Net book value	1,150
Historical cost	913
Aggregate depreciation based on historical cost	—
Historical cost net book value	913

6.14 Fixed asset investments

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
<i>Cost and Net book value</i>			
At beginning of year	7	5	5
Additions	–	–	10
Disposals	(2)	–	(15)
At end of year	<u>5</u>	<u>5</u>	<u>–</u>

Additions in the year ended 31 May 2001 consisted of 10,000 ordinary 1p shares in “SpaceandPeople Limited” at a premium of 99p per share. This represented 2% of the ordinary share capital of that company.

The Group disposed of its investments to Artroyd Securities Limited at cost at 31 May 2001.

6.15 Work in progress

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Work in progress	<u>150</u>	<u>178</u>	<u>233</u>

6.16 Debtors

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Trade debtors	2,125	2,519	2,803
Amounts owed by related companies	132	242	118
Other debtors	6	24	35
Prepayments and accrued income	80	77	136
	<u>2,343</u>	<u>2,862</u>	<u>3,092</u>

As described more fully in note 6.4 above, a loan of £233,000 to a French limited liability partnership controlled by the Murgitroyd family was written off in the year ended 31 May 2001.

At 31 May 2001 amounts owed by related parties comprises amounts owed by Artroyd Securities Limited (2000: £33,000, 1999: £nil).

6.17 Creditors: amounts falling due within one year

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Bank loans and overdrafts	1,114	1,345	2,040
Payments received on account	16	–	–
Trade creditors	1,014	1,486	2,047
Amounts owed to related company	15	23	28
Corporation tax	71	104	41
Other taxes and social security	171	220	242
Other creditors	73	65	29
Directors' loans	26	39	7
Obligations under hire purchase contracts	131	121	33
Accruals and deferred income	173	182	210
	<u>2,804</u>	<u>3,585</u>	<u>4,677</u>

Directors' loans at 31 May 2001 consist of £1,885 (2000: £4,217, 1999: £647) due to Mr Murgitroyd, £2,496 (2000: £34,468, 1999: £24,489) due to Mr Pattullo and £3,024 (2000: £Nil, 1999: £344) due to Mr Pacitti. During 2001 the maximum owed to the group, in respect of which interest was charged at a commercial rate, by Mr Murgitroyd, Mr Pattullo and Mr Pacitti was £29,068, £40,504 and £3,024 (2000: £75,806, £3,443 and £33,576, 1999: £53,846, £Nil and £13,475) respectively.

The Group has granted standard securities over its freehold properties in respect of outstanding bank borrowings. The bank also has bonds and floating charges over the assets of the Group.

6.18 Interest rate risk profile of financial liabilities and assets

Short term debtors and creditors have been excluded from the disclosures below.

All of the Group's financial liabilities and assets as at 31 May 2001 were covered by variable interest rate agreements carrying a margin of 1.75% over base with the exception of two loans which carry a fixed interest rate of 9.65% per annum. The balance due on such loans at 31 May 2001 was £386,000. In addition one loan carries an interest rate of base plus 2% but is subject to a minimum interest rate of 8% per annum. The outstanding amount due on this loan was £152,000 at 31 May 2001.

For all debt with the exception of fixed interest rate debt, short term assets and liabilities the book values and fair values are the same. The book value and fair value of fixed interest rate debt is not materially different. The Group does have foreign currency exposure but has not entered into any derivatives or other forward exchange contracts as at 31 May 2001.

6.19 Creditors: amounts falling due after more than one year

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Bank loans	616	903	862
Obligations under hire purchase contracts	128	90	19
	<u>744</u>	<u>993</u>	<u>881</u>

Analysis of debt:

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Bank loans and overdrafts can be analysed as falling due:			
In one year or less, or on demand	1,114	1,345	2,040
Between one and two years	141	234	252
Between two and five years	398	594	542
In five years or more	77	75	68
	<u>1,730</u>	<u>2,248</u>	<u>2,902</u>

The maturity of obligations under hire purchase contracts is as follows:

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Within one year	131	121	33
In the second to fifth years	128	90	19
	<u>259</u>	<u>211</u>	<u>52</u>

The above finance lease obligations are secured over the relevant assets.

6.20 Provision for liabilities and charges

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
Deferred taxation			
At beginning of year	8	16	10
Charge/(credit) for year in the profit and loss account	8	(6)	67
At end of year (2001: 30%, 2000: 30%, 1999: 30.8%)	<u>16</u>	<u>10</u>	<u>77</u>

The above provision for deferred taxation is attributable to accelerated capital allowances.

6.21 Called up share capital

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
<i>Authorised</i>			
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>			
Ordinary shares of £1 each	<u>265</u>	<u>265</u>	<u>265</u>

6.22 Reserves

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
<i>Revaluation reserve</i>			
At beginning of year	94	94	174
Revaluation surplus	–	80	87
Transfer to profit and loss account	–	–	(24)
At end of year	<u>94</u>	<u>174</u>	<u>237</u>
<i>Profit and loss account</i>			
At beginning of year	664	652	740
Retained (loss)/profit for the year	(12)	88	(373)
Transfer from revaluation reserve	–	–	24
Reclassification of other reserves	–	–	7
At end of year	<u>652</u>	<u>740</u>	<u>398</u>

6.23 Reconciliation of movements in shareholders' funds

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Profit/(loss) for the year	198	288	(173)
Dividends	(210)	(200)	(200)
	(12)	88	(373)
Other recognised gains and losses relating to the year	–	80	87
Net (deduction)/addition to shareholders' funds	(12)	168	(286)
Opening shareholders' funds	<u>1,030</u>	<u>1,018</u>	<u>1,186</u>
Closing shareholders' funds	<u>1,018</u>	<u>1,186</u>	<u>900</u>

6.24 Commitments under operating leases payable in the next year may be analysed as follows:

	As at 31 May 1999 £000	As at 31 May 2000 £000	As at 31 May 2001 £000
<i>On leases which expire within one year:</i>			
Land and buildings	3	9	9
Other	1	–	40
	<u>4</u>	<u>9</u>	<u>49</u>
<i>On leases which expire in two to five years:</i>			
Land and buildings	19	19	29
Other	5	32	121
	<u>24</u>	<u>51</u>	<u>150</u>
<i>On leases which expire outwith five years:</i>			
Land and buildings	15	15	15
	<u>15</u>	<u>15</u>	<u>15</u>
<i>Total commitments under operating leases</i>			
Land and buildings	37	43	53
Other	6	32	161
	<u><u>43</u></u>	<u><u>75</u></u>	<u><u>219</u></u>

6.25 Pensions

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they are payable. The contributions of the Company are equal to the contributions of the employee which are between 3% and 5% of earnings, with a maximum of 5% being paid by the Group where the employee's contribution is higher than 5%. Amounts payable by the Group to the scheme were £119,000 (2000: £62,000, 1999: £55,000) during the year.

6.26 Analysis of cash flows

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	467	539	391
Depreciation and amortisation	182	215	235
Profit on sale of fixed assets	(10)	(13)	(57)
Other provisions	9	–	–
Increase in stocks	(25)	(28)	(55)
Increase in debtors	(468)	(503)	(134)
Increase in creditors	193	523	506
Net cash inflow from operating activities	<u>348</u>	<u>733</u>	<u>886</u>
Returns on investment and servicing of finance			
Interest received	6	10	27
Interest paid	(156)	(157)	(181)
Interest element of hire purchase repayments	(20)	(23)	(33)
	<u>(170)</u>	<u>(170)</u>	<u>(187)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(199)	(221)	(409)
Proceeds from sale of fixed assets	21	34	297
Proceeds from sale of investment	2	–	–
Acquisition of investment	–	–	(10)
	<u>(176)</u>	<u>(187)</u>	<u>(122)</u>
Financing			
Increase/(decrease) in bank loans	136	380	(23)
Capital element of hire purchase repayments	(144)	(172)	(277)
	<u>(8)</u>	<u>208</u>	<u>(300)</u>

6.27 Reconciliation of net cash flow to movement in net debt

	31 May 1999 £000	Year ended 31 May 2000 £000	31 May 2001 £000
(Decrease)/ increase in cash in the year	(307)	317	(83)
Cash inflow/(outflow) from increase in net debt and financing	<u>8</u>	<u>(208)</u>	<u>300</u>
Change in net debt resulting from cash flows	(299)	109	217
New hire purchase contracts	204	(124)	(118)
Movement in net debt in the year	<u>(95)</u>	<u>(15)</u>	<u>99</u>
Net debt at beginning of year	(1,818)	(1,913)	(1,928)
Net debt at end of year	<u>(1,913)</u>	<u>(1,928)</u>	<u>(1,829)</u>

6.28 Analysis in changes in net debt

	Cash in hand at bank £000	Overdrafts £000	Debt due within one year £000	Debt due after one year £000	Hire purchase contracts £000	Total £000
At 1 June 1998	92	(682)	(110)	(511)	(607)	(1,818)
Cashflows	(16)	(291)	(31)	(105)	144	(299)
Other non cash changes	–	–	–	–	204	204
At 31 May 1999	76	(973)	(141)	(616)	(259)	(1,913)
Cashflows	455	(138)	(93)	(287)	172	109
Other non cash changes	–	–	–	–	(124)	(124)
At 31 May 2000	531	(1,111)	(234)	(903)	(211)	(1,928)
Cashflows	594	(677)	234	(211)	277	217
Other non cash changes	–	–	(252)	252	(118)	(118)
At 31 May 2001	1,125	(1,788)	(252)	(862)	(52)	(1,829)

6.29 Subsequent events note

On 20 November 2001 the shareholders in Murgitroyd & Company Limited sold all their shares to Murgitroyd Group PLC in exchange for a combination of Ordinary Shares and Loan Notes in Murgitroyd Group PLC, whereby Murgitroyd & Company Limited became a wholly owned subsidiary of Murgitroyd Group PLC. The Loan Notes are in denominations of £1, redeemable in full by 31 October 2006 and carry a coupon equal to the higher of (1) base rate from time to time of The Royal Bank of Scotland plc and (2) the rate which the Company can obtain on Sterling balances on the amount outstanding of the Loan Notes, payable half annually in arrears.

Yours faithfully

KPMG Audit Plc

PART VI – STATUTORY & GENERAL INFORMATION

1. Incorporation and Status of the Holding Company

1.1 The Holding Company was incorporated and registered in Scotland on 1 August 2001 with the name Project Kansas plc, as a public limited company under the Act with registered number 221766.

1.2 On 29 October 2001, the Holding Company changed its name to Murgitroyd Group PLC. The principal legislation under which the Holding Company operates is the Act and regulations made thereunder.

1.3 The Holding Company received a certificate pursuant to section 117 of the Act (allowing it to carry on business and to exercise its borrowing powers) on 21 November 2001.

1.4 The Holding Company's principal activity is that of a holding company and its registered office is located at Scotland House, 165-169 Scotland Street, Glasgow G5 8PL.

2. Share capital of the Holding Company

2.1 At the date of its incorporation, the Holding Company had an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1 each of which two Ordinary Shares of £1 each were in issue nil paid.

2.2 On 20 November 2001 pursuant to resolutions of the Holding Company:

2.2.1 each existing Ordinary Share of £1 each contained in the authorised share capital of the Holding Company was subdivided into 10 Ordinary Shares of £0.10 each;

2.2.2 the authorised share capital of the Holding Company was increased from £50,000 to £579,856 by the creation of 5,298,560 Ordinary Shares of £0.10 each; and

2.2.3 the Directors were authorised to allot relevant securities pursuant to section 80 of the Act up to the amount of the authorised but unissued share capital for the period until the annual general meeting of the Holding Company in 2006 or 5 years after the date of passing of the resolution (whichever is the earlier) unless previously revoked or varied by the Holding Company in general meeting.

2.3 On 20 November 2001 the Directors allotted Ordinary Shares, all of which were credited as fully paid in cash and Loan Notes to the shareholders of the Company pursuant to the Share Exchange Agreement as follows:

2.3.1 5,798,534 Ordinary Shares; and

2.3.2 £1,000,000 Loan Notes.

2.4 On 20 November 2001, by or pursuant to resolutions of the Holding Company:

2.4.1 the authorised share capital of the Holding Company was increased from £579,856 to £871,357 by the creation of 2,915,010 Ordinary Shares ranking *pari passu* with the existing Ordinary Shares in issue;

2.4.2 the Directors were authorised to allot relevant securities pursuant to Section 80 of the Act up to the amount of the authorised but unissued share capital for the period until the annual general meeting of the Holding Company in 2006 or 5 years after the date of passing of the resolution (whichever is the earlier), unless previously revoked or varied by the Holding Company in general meeting;

2.4.3 the Directors were empowered for a period of 12 months after the passing of the resolution or the conclusion of the annual general meeting of the Holding Company in 2002, whichever is earlier, to allot equity securities for cash pursuant to the authority referred to in 2.4.2 above as if section 89(1) of the Act did not apply to such allotment provided that the power was limited to:

2.4.3.1 the allotment of New Ordinary Shares of up to an aggregate value of £247,934 pursuant to the Placing; or

2.4.3.2 the allotment of securities by way of rights issue or otherwise generally available to all shareholders of the Holding Company in proportion to their holdings of shares; or

2.4.3.3 the allotment of New Ordinary Shares pursuant to the Murgitroyd Group PLC Executive Share Option Scheme.

2.5 The Holding Company does not have in issue any securities not representing share capital and on Admission there will not be any outstanding convertible securities of the Holding Company in issue.

2.6 The Existing Ordinary Shares in issue at the date of this document are in registered form. The New Ordinary Shares will be represented by definitive certificates and will be freely transferable in registered form. It is expected that definitive certificates will be despatched by 4 December 2001.

2.7 The New Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the ordinary share capital of the Holding Company.

2.8 On 20 November 2001 the Holding Company granted options over 163,380 Ordinary Shares exercisable from 20 November 2004 to 20 November 2011 and exercisable at a sum equal to the Placing Price. Further information about the options is contained in Paragraph 12 below.

3. Memorandum and Articles of Association

3.1 The Memorandum of Association of the Holding Company provides that its principal object is to carry on the business of a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association, which is one of the documents referred to in paragraph 15 below as being available for inspection.

3.2 The Articles of Association of the Holding Company ("the Articles") which were adopted at incorporation include provisions to the following effect:

3.2.1 Votes of members

Subject to any special rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every ordinary share of which he is the holder. No member is entitled to vote at a general meeting either personally or by proxy unless the Directors determine otherwise, if any calls from him have not been paid.

3.2.2 Borrowing powers

The Directors may exercise all the powers of the Holding Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and, subject to applicable law, to issue debentures and other securities.

3.2.3 Directors

3.2.3.1 A Director is not required to hold any qualification shares.

3.2.3.2 The amount of any fees payable to Directors shall be determined by the Directors. The Directors are also entitled to be repaid all reasonable expenses incurred by them respectively in the performance of their duties. Any Director holding an executive office or otherwise performing services, which in the opinion of the Directors are outside the scope of his ordinary duties as a Director may be paid such remuneration as the Directors may determine.

3.2.3.3 The Directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of or who are or were at any time Directors or officers of and holding any salaried employment or office in the Holding Company or any other company which is its holding company or in which the Holding Company or such holding company has any interest or which is allied to or associated with the Holding Company or in any company which is a subsidiary undertaking of the Holding

Company or of any such other company and the families and dependants of any such persons and the Directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time Directors, officers, employees or auditors of the Holding Company, its associated companies and for trustees of any pension fund in which employees of the Holding Company or its associated companies are interested.

3.2.3.4 The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including the office of Chairman, Deputy Chairman, Managing Director or Chief Executive) on such terms and for such period as they may determine.

3.2.3.5 Subject to the provisions of applicable law and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a director notwithstanding his office:

3.2.3.5.1 may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Holding Company or in which the Holding Company is otherwise interested;

3.2.3.5.2 may be a Director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Holding Company or in which the Holding Company is otherwise interested;

3.2.3.5.3 may hold any other office or place of profit under the Holding Company (except that of auditor or auditor of a subsidiary of the Holding Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Holding Company and in any such case on such terms as to remuneration and otherwise as the Directors may arrange; and

3.2.3.5.4 shall not, by reason of his office, be accountable to the Holding Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

3.2.3.6 Save as specifically provided in the Articles, a Director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Holding Company. A Director will not be counted in the quorum at a meeting in relation to any resolution on which he is prohibited from voting.

3.2.3.7 Subject to applicable law, a director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

3.2.3.7.1 the giving of any guarantee, security or indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Holding Company or any of its subsidiary undertakings;

3.2.3.7.2 the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Holding Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

3.2.3.7.3 any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Holding Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;

3.2.3.7.4 any contract, transaction, arrangement or proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by, or is subject to and conditional on approval by, the Board of Inland Revenue for taxation purposes;

3.2.3.8 Subject to any applicable law, the Holding Company may by ordinary resolution suspend or relax the provisions summarised under 3.2.3.7.3 and 3.2.3.7.4 above either generally or in relation to any particular matter, or ratify any transactions not duly authorised by reason of a contravention of such provision.

3.2.3.9 A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any general meeting unless a resolution that it shall be so moved has first been agreed by the meeting without any vote being given against it, and any resolution moved in contravention of this provision of the Articles shall be void.

3.2.4 Transfer of shares

All transfers of ordinary shares may be effected by transfer in writing in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid the transferee. The Directors may refuse to register any transfer of a share which is not fully paid or over which the Holding Company has a lien. The Articles do not contain any restriction on the transferability of fully paid ordinary shares provided that the Holding Company has no lien over the shares, the instrument of transfer is in favour of not more than four joint transferees and in respect of only one class of shares and is duly stamped (if so required).

3.2.5 Dividends and distribution of assets on liquidation

The holders of ordinary shares are entitled *pari passu* amongst themselves, but in proportion to the numbers of shares held by them and to the amounts paid up or credited as paid up, to share in the whole of the profits of the Holding Company paid out as dividends and the whole of any surplus in the event of liquidation of the Holding Company.

3.2.6 Unclaimed dividends

Any dividend unclaimed after a period of 12 years from the date of its declaration shall be forfeited and shall revert to the Holding Company.

4. Directors' and other Interests

4.1 Immediately following Admission the interests of the Directors and the persons connected (within the meaning of section 346 of the Act) with them (all of which are beneficial save where otherwise stated) in the ordinary share capital of the Holding Company which are required to be shown in the register maintained under section 325 of the Act or which are required to be notified by a Director (or, in the case of such a connected person, would be required to be notified by that person had he or she been a Director) to the Holding Company pursuant to sections 324 or 328 of the Act are as follows:

Name	Number of Ordinary Shares prior to the Placing	Percentage of issued ordinary share capital prior to the Placing	Number of Ordinary Shares following the Placing	Percentage of issued ordinary share capital following the Placing
Ian G Murgitroyd	3,378,750	51%	3,378,750	40.82%
Keith G Young	Nil	Nil	Nil	Nil
Norman Pattullo	1,656,250	25%	1,027,970	12.42%
Pierpaolo AME Pacitti	993,750	15%	616,782	7.45%
Kenneth G Chrystie	Nil	Nil	Nil	Nil
Mark N Kemp-Gee	Nil	Nil	8,264	0.1%

Notes:

4.2 Save as disclosed in paragraph 4.1 above and in this paragraph 4.2 the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Holding Company's ordinary share capital which, immediately after Admission, would amount to 3% or more of the Holding Company's issued ordinary share capital.

Name	Number of Ordinary Shares prior to the Placing	Percentage of the issued ordinary share capital prior to the Placing	Number of Ordinary Shares following the Placing	Percentage of issued ordinary share capital following the Placing
Elizabeth-Anne Thomson	298,125	4.5%	387,526	4.68%
G Edward Murgitroyd	298,125	4.5%	387,526	4.68%

4.3 Save as set out in sub paragraphs 4.1 and 4.2 above or in the Call Option Agreements none of the Directors or their connected parties has any interest in the share capital of the Holding Company and the Holding Company is not aware of any persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Holding Company.

4.4 There are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of any of the Directors.

4.5 Save as disclosed in paragraph 7, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by any member of the Group during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

5. Directors' service agreements

5 Directors Service Agreements

5.1 On 20 November 2001 Ian G Murgitroyd entered into an Executive Service Agreement ("the Agreement") with the Company amending and replacing a prior Service Agreement dated 18 June 1993 in terms of which he serves part-time as Chairman of the Company. The current annual salary is £110,000 to be reviewed annually at the discretion of the Board. Additional remuneration by way of annual bonus (relating to Company profit) is provided for together with payment of director's fees. In addition the Company undertakes to contribute to a pension scheme (by matching contributions up to 5%) and provides a fully expensed motor car, death-in-service benefit and private health insurance. The Agreement is for an initial term of one year and is terminable by either party thereafter on not less than 12 months' prior notice. Post termination restrictive covenants for one year apply. In addition, by letter dated 20 November 2001, Ian Murgitroyd was appointed part-time Chairman of the Holding Company. The appointment is for an initial term of one year and can thereafter be terminated by either party on not less than 12 months' notice.

5.2 On 20 November 2001 Norman Pattullo entered into an Executive Service Agreement ("the Agreement") with the Company amending and replacing a prior Service Agreement dated 18 June 1993 in terms of which he serves as Patent Attorney and Director of the Company. The current annual salary is £92,300 to be reviewed annually at the discretion of the Board. Additional remuneration by way of annual bonus (relating to Company profit) is provided for together with payment of Director's fees. In addition the Company undertakes to contribute to a pension scheme (by matching contributions up to 5%) and provides a fully expensed motor car, death-in-service benefit and private health insurance. The Agreement is for an initial term of one year and is terminable by either party thereafter on not less than 12 months' prior notice. Post termination restrictive covenants for one year apply. In addition by letter dated 20 November 2001 Norman Pattullo was appointed a Director of the Holding Company. The appointment is for an initial term of one year and can thereafter be terminated by either party on not less than 12 months' notice.

5.3 On 20 November 2001 Pierpaolo AME Pacitti entered into an Executive Service Agreement (“the Agreement”) with the Company amending and replacing a prior service agreement dated 18 June 1993 in terms of which he serves as Patent Attorney and Director of the Company. The current annual salary is £90,200 to be reviewed annually at the discretion of the Board. Additional remuneration by way of annual bonus (relating to Company profit) is provided for together with payment of Director’s fees. In addition the Company undertakes to contribute to a pension scheme (by matching contributions up to 5%) and provides a fully expensed motor car, death-in-service benefit and private health insurance. The Agreement is for an initial term of one year and is terminable by either party thereafter on not less than 12 months’ prior notice. Post termination restrictive covenants for one year apply. In addition by letter dated 20 November 2001 Paolo Pacitti was appointed a Director of the Holding Company. The appointment is for an initial term of one year and can thereafter be terminated by either party on not less than 12 months’ notice.

5.4 On 26 June 1998 Keith G Young entered into a Service Agreement (“the Agreement”) with the Company in terms of which he serves as Company Secretary. Subsequently Keith Young’s position was changed to be Chief Executive. The current annual salary is £77,500 to be increased annually by a percentage equal to the percentage increase in the Retail Prices Index. Additional remuneration by way of annual bonus (relating to Company profit) is provided for together with payment of officer’s fees. Mr Young is entitled to participate in any pension scheme established by the Company. The Company provides a fully expensed motor car, death in service benefit and private health insurance. The Agreement is for an initial period for three years (from 1 June 1998) renewable for further three year periods at Mr Young’s request and thereafter continues unless and until terminated on six months’ notice expiring on the third anniversary of commencement or renewal (as appropriate). Post termination restrictive covenants for one year apply. In addition by letter dated 20 November 2001, Keith Young was appointed Chief Executive of the Holding Company. The appointment is for an initial term of one year and can thereafter be terminated by either party on not less than 12 months’ notice.

5.5 Pursuant to a letter from the Holding Company dated 22 November 2001 Dr Kenneth G Chrystie was appointed as a non-executive Director of the Holding Company at a fee of £12,000 per annum. This appointment can be terminated on not less than 12 months’ prior notice.

5.6 Pursuant to a letter from the Holding Company dated 22 November 2001 Mark N Kemp-Gee was appointed as a non-executive Director of the Holding Company at a fee of £12,000 per annum. This appointment can be terminated on not less than 12 months’ prior notice.

6. Additional Information on the Board

6.1 The Directors currently hold the following directorships (other than with Murgitroyd Group PLC) and have or have held the following directorships within the five years prior to the publication of this document and are currently or have been partners in the following firms within the five years prior to publication of this document.

Name	Current Directorships	Past Directorships
Ilan G Murgitroyd	Artroyd Securities Limited Murgitroyd & Co. Management Services Limited Murgitroyd & Company Limited Murgitroyd Property Services Limited Strathclyde University Incubator Limited MacDougall Tackle Limited (dissolved) Sir George Beatson Radiotherapy Trust (dissolved) Rossmuir Limited (dissolved)	Licensing Centre Limited
	Current Partnership	Past Partnership
	SCI Artroyd France	

Name	Current Directorships	Past Directorships
Keith G Young	Artroyd Securities Limited Murgitroyd & Co. Management Services Limited Murgitroyd Property Services Limited	Transacct Outsourced Accounting Limited
Kenneth G Chrystie	Lycidas Nominees Limited Lycidas Secretaries Limited Lycidas Trustee Company Limited Royal Glasgow Institute of the Fine Arts The Intellectual Property Lawyers' Organisation WorldCo Limited (dissolved) St. Vincent Street (133) Limited (dissolved) Chapelwell Street Limited (dissolved) St. Vincent Street (A-T) Limited (dissolved) Third Ardgowan Homes Limited (dissolved)	
Norman Pattullo	Murgitroyd & Company Limited	Murgitroyd & Co. Management Services Limited Artroyd Properties Limited
Pierpaolo AME Pacitti	Murgitroyd & Co. Management Services Limited Murgitroyd & Company Limited	Artroyd Properties Limited
Mark N Kemp-Gee	Exeter Investment Group plc Exeter Asset Management Limited Exeter Fund Administration Limited Exeter Fund Managers Limited Moncrieffe & Co Plc Sinclair Henderson Limited	Gerrard Group Plc Gerrard Limited Greig Middleton Holdings Limited Greig Middleton Nominees Limited Greig Middleton & Co Limited King & Shaxson Holdings plc Rights & Issues Investment Trust plc Venturi Investment Management Limited

6.2 Save as stated above or in paragraph 6.3 below, no Director:

- (i) has any unspent convictions; or
- (ii) has become bankrupt or entered into any voluntary arrangement with his creditors or had any asset which has been subject to a receivership; or
- (iii) has been a Director of any company or partner in any firm which, at that time or within 12 months after ceasing to be a Director or a partner (as the case may be), had a receiver appointed or went into compulsory liquidation or creditors voluntary liquidation or went into administration, or entered into a company or partnership voluntary arrangement or made any composition or arrangement with its creditors; or
- (iv) has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a Court from acting as a Director or acting in the management or conduct of the affairs of any company, save as disclosed below in paragraph 6.3.

6.3 Greig Middleton & Co Limited and Mark N Kemp-Gee, as Chairman, were fined, and Mr Kemp-Gee reprimanded, in 1995 by the SFA in connection with the issuance of an Enterprise Zone Trust in 1991.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

7.1 Hive Across Agreement

By a Business and Asset Transfer Agreement (“Hive Across Agreement”) between the Company and Murgitroyd Property Services Limited (“MPS”) dated 14 November 2001 MPS transferred all its assets and liabilities (subject to certain exceptions including the property detailed below) to the Company with effect from 31 May 2001. The balance of net liabilities (£99,858) is constituted as an inter-company account between the Company and MPS. Part of the consideration is the transfer of the SRU Debentures.

7.1.1 264 Bath Street, Glasgow – This property was sold and transferred by the Company to Artroyd Securities Limited for £50,890 after execution of the Hive Across Agreement.

7.1.2 The MPS Sale Agreement

By a Share Sale Agreement entered into between and among the Company and Artroyd Securities Limited dated 14 November 2001, the whole share capital of Murgitroyd Property Services Limited was sold to Artroyd Securities Limited for a consideration of £516,110.

7.1.3 373 Scotland Street, Glasgow – This property was excluded from the Hive Across Agreement and thus left within MPS at execution of the MPS Sale Agreement (see 7.1.2). It was subsequently sold by MPS to Artroyd Securities Limited for £516,110.

7.2 The Share Exchange Agreement

By an agreement between and among Ian G Murgitroyd, G Edward Murgitroyd, Elizabeth-Anne Thomson, Norman Pattullo’s Liferent Trust and Pierpaolo AME Pacitti’s Liferent Trust (“the Vendors”) and the Holding Company dated 20 November 2001 the Vendors sold to the Holding Company the whole share capital of the Company in exchange for the issue of New Ordinary Shares and (in the case of the said trusts) New Ordinary Shares and Loan Notes of the Holding Company. The Loan Notes are in denominations of £1, redeemable in full by 30 November 2006, and carry a coupon at a rate equal to the higher of (1) base rate of The Royal Bank of Scotland plc and (2) the rate at which the Company can obtain Sterling deposits on the outstanding amount of Loan Notes payable half-yearly in arrears. In addition, G Edward Murgitroyd and Elizabeth-Anne Thomson have by agreement dated 20 November 2001 purchased between them 111,751 Ordinary Shares from the Norman Pattullo Liferent Trust and 67,051 Ordinary Shares from the Pierpaolo AME Pacitti Liferent Trust.

7.3 The Call Option Agreements

7.3.1 By an agreement entered into on 20 November 2001 between and among Ian G Murgitroyd, G Edward Murgitroyd, Elizabeth-Anne Thomson (“the Holders”), the Holding Company, Norman Pattullo and the Trustees of the Norman Pattullo Liferent Trust, the Holders were granted options in aggregate over up to 136,150 Ordinary Shares in the Holding Company held by the Trust the option being exercisable only following occurrence of the exercise of options under the Murgitroyd Group PLC Executive Share Option Scheme. The maximum number of option shares taken together with the option referred to at 7.3.2 below shall not exceed 2.5% of the issued shares (subject to modification in light of reorganisation, reclassification, sub-division or otherwise of the share capital of the Holding Company). Options shall be exercised at market value and the option has a maximum duration of 7 years.

7.3.2 By an agreement entered into on 20 November 2001 between and among Ian G Murgitroyd, G Edward Murgitroyd, Elizabeth-Anne Thomson (“the Holders”), the Holding Company, Pierpaolo AME Pacitti and the Trustees of the Pierpaolo AME Pacitti Liferent Trust, the Holders were granted options in aggregate over up to 81,690 Ordinary Shares in the Holding Company held by the Trust the option being exercisable only following occurrence of the exercise of options under the Murgitroyd Group PLC Executive Share Option Scheme. The

maximum number of option shares taken together with the option referred to at 7.3.1 above shall not exceed 2.5% of the issued shares (subject to modification in light of reorganisation, reclassification, sub-division or otherwise of the share capital of the Holding Company). Options shall be exercised at market value and the option has a maximum duration of 7 years.

7.4 The Placing Agreement referred to in Paragraph 8.1 below.

7.5 The Nominated Advisor Agreement referred to in Paragraph 8.2 below.

7.6 The Broker Agreement referred to in Paragraph 8.3 below.

8. Placing Arrangements

8.1 Placing Agreement

On 22 November 2001, the Holding Company (1), certain directors of Murgitroyd Group PLC and others (2) and Nobles (3) entered into a placing agreement ("Placing Agreement") pursuant to which Nobles has agreed conditionally, *inter alia*, upon Admission taking place by 30 November 2001, (or such later date as the Holding Company and the Nominated Adviser may agree, being in any event not later than 5 pm on 31 December 2001) to use its reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price.

Under the Placing Agreement, which is subject to satisfaction of certain conditions, the Holding Company has agreed to pay Nobles a corporate finance fee of £120,000 payable on Admission together with commission of 2% of the aggregate value of the New Ordinary Shares allotted for cash pursuant to the Placing.

8.2 Nominated Adviser Agreement

On 22 November 2001, the Holding Company (1) and Nobles (2) entered into an agreement (the "Nominated Adviser Agreement") whereby Nobles has agreed to act as a Nominated Adviser to the Holding Company, under the AIM Rules, in relation to Admission. Nobles has further undertaken to provide its services as Nominated Adviser to the Holding Company on a continuing basis following Admission in return for an annual fee of £12,000 (plus VAT where applicable). The Nominated Adviser Agreement contains certain indemnities by the Holding Company in favour of Nobles. The appointment is terminable after 12 months, upon the giving of not less than four months' notice by either party, except in certain circumstances where the appointment may be terminated immediately.

8.3 Broker Agreement

On 22 November 2001, the Holding Company (1) and Nobles (2) entered into a broker agreement ("Broker Agreement") whereby, *inter alia*, Nobles agreed to act as Broker to the Holding Company, under the AIM Rules, from the date of Admission for a minimum period of 12 months (unless terminated by the Holding Company) and thereafter, until termination by either party giving at least four months written notice to the other. Under the Broker Agreement, the Holding Company has agreed to pay Nobles a fee of £8,000 per annum (plus VAT where applicable) for its services as Broker. The Broker Agreement contains indemnities given by the Holding Company to Nobles.

9. Property

9.1 The Group's interest in property, held in all cases by the Company, is as follows:

Address of Premises	Tenure	Monthly Rent	Area
Scotland House 165-169 Scotland Street, Glasgow G5 8PL	Heritable	N/A	Scotland
373 Scotland Street, Glasgow G5 8QA	Leasehold	£5,667	Scotland
Exploration House, Exploration Drive, Bridge of Don, Aberdeen AB23 8GX	Leasehold	£1,545	Scotland
Clarence Chambers 18 Donegall Square East Belfast BT1 5HE	Leasehold	£1,250	Northern Ireland
Regus House, Harcourt Centre, Harcourt Road, Dublin 2	Leasehold	£2,250	Republic of Ireland
Pontis House, Arnulfstrasse 27, 80335 Munich	Leasehold	DM3,248	Germany
211 Piccadilly, London	Leasehold	N/A	England

9.2 The consent in principle of the landlord of the leasehold property at Exploration House, Bridge of Don, Aberdeen to the assignation of the tenant's interest by MPS to the Company has been obtained although the formal documentation to complete the assignation has not yet been completed.

10. Litigation

No member of the Group is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the Group's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

11. Working capital

The Directors are of the opinion that following Admission and taking into account of the proceeds of the Placing and the Bank facilities available to it, the Group will have sufficient working capital for its present requirements, that is for at least for the next 12 months.

12. Share Options

The following is a summary of the Share Option Agreements and Schemes which have been entered into or adopted by the Holding Company.

12.1 The Murgitroyd Group PLC Executive Share Option Scheme (“the Scheme”)

12.1.1 Under the terms of the Scheme, seven senior employees have been awarded options over Ordinary Shares amounting to 1.875% of the issued share capital of the Holding Company (assuming exercise) as at the date of Admission and at a price equal to the Placing Price all subject to the rules of the Scheme.

12.1.2 It is anticipated that other senior employees will be invited to be eligible for the award of further options in terms of the Scheme rules subject to the company achieving a 20% annual compound growth rate in turnover (as determined by the most recent statutory accounts from the date of grant until the date of exercise of the option).

12.1.3 All options granted under the Scheme are granted in the discretion of the Board and are subject to invitation which may be declined. No option may be granted within two years of the anticipated retirement date of the relevant eligible employee. The aggregate maximum number of shares which may be issued on the exercise of options under the Scheme within a period of ten years from the date of approval shall not exceed 5% of the issued Ordinary share capital of the Holding Company from time to time.

12.2 Summary of the Principal Terms of the Scheme

12.2.1 Status

The Scheme is an unapproved scheme and is therefore is not available to all employees of the Group.

12.2.2 Administration

The Board or a Committee of the Board of the Holding Company administers the Scheme. In accordance with Inland Revenue rules, no options may be exercised within three years of grant.

12.2.3 Eligibility

Any Director or employee of the Holding Company or of a participating company required to devote not less than twenty-five hours per week (excluding meal breaks) is eligible to participate at the discretion of the Board.

12.2.4 Exercise Price

The exercise price per Ordinary share shall not be less than the market value of an Ordinary share on the date of grant as determined by the Inland Revenue.

12.2.5 Overall Scheme Limit

No option shall be granted under this Scheme if at the time the aggregate number of Ordinary Shares in respect of which subsisting options have been granted under the Scheme or under any other scheme exceeds 5% of the issued share capital of the Holding Company.

12.2.6 Individual Limit

The aggregate market value (determined by the Inland Revenue as at the date of grant) of Ordinary Shares placed under option for an individual shall be limited to four times the option holder's relevant emoluments (as defined within Schedule 6 Part 1 Paragraph 3 of the Companies Act 1985) in respect of any one tax year.

12.2.7 Exercise of Options

No options may be exercised prior to the third anniversary of the date of grant or if earlier the date of death of the option holder. Options granted will lapse on the earliest of ten years after the date of grant, twelve months after the option holder's death, forthwith upon the option holder ceasing for any reason to be a Director or employee of a Group Company (other than by reason of death) or within six months of a change of control occurring.

Options are not transferable save to personal representatives on death.

12.2.8 Takeovers, Winding-Up, Change of Control, Demerger

Options may be exercised:-

12.2.8.1 on a takeover, subject to the terms of the Rules and subject to any condition under which the offer is made, or if the acquirer is bound or entitled to acquire shares in the Holding Company under Sections 428-430 of the Companies Act 1985, for so long as that person remains so bound or entitled. On a change of control, options may be exchanged for equivalent options if the acquirer agrees;

12.2.8.2 within six months if the court sanctions a compromise or arrangement for a scheme or reconstruction;

12.2.8.3 within six months of a resolution for voluntary winding up.

12.2.9 Variation of Share Capital

The number of shares subject to an option shall be adjusted as a result of any variation of share capital on a capitalisation or a rights issue, consolidation, sub-division or reduction of capital or otherwise as the Auditors may certify.

12.2.10 Amendments

The Board may from time to time amend the Scheme Rules save that no amendment may make the terms of the options materially more generous without the prior approval of the Holding Company in general meeting.

12.2.11 Status in Relation to Employees

Participation in the Scheme by an option holder is separate from any pension right or entitlement he may have arising from his employment and following termination of employment no compensation will be payable for any loss of any right or benefit or prospective right or benefit under the Scheme.

13. Taxation

13.1 Close Company

- (a) The Directors have been advised that the Holding Company is at present a close company as defined by section 414 of the Taxes Act and that, following Admission, it is likely to continue to be a close company.
- (b) The Directors sought advance clearance from the Inland Revenue under the provisions of section 707 of the Income and Corporation Taxes Act 1988 that the insertion of a new holding company, Murgitroyd Group PLC, prior to the AIM flotation would not be regarded as a transaction falling within the ambit of section 703 of the Income and Corporation Taxes Act 1988. This clearance was granted.

13.2 Taxation of Dividends

- (a) Dividends paid by the Holding Company will carry an associated tax credit of one-ninth of the cash dividend or 10% of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax in the aggregate of the dividend and associated tax credit at the schedule F ordinary rate (10%) or the Schedule F upper rate (32.5%).

- (b) The effect would be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5% of the aggregate of the cash dividend and associated tax credit, subject to certain transitional reliefs for PEPs and ISAs. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.
- (c) A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Holding Company unless that company is carrying on a trade of dealing in shares.
- (d) Trustees of discretionary trusts including accumulation and maintenance trusts who are liable to account for income tax at the rate applicable to trusts on the trust's income are required to account the tax at the Schedule F trust rate, it is currently 25%, on dividends.

13.3 Stamp Duty and Stamp Duty Reserve Tax

The Holding Company has been advised in relation to stamp duty and stamp duty reserve tax that:

- (a) no liability to stamp duty or stamp duty reserve tax should arise on the allotment or issue of the Ordinary Shares by the Holding Company under the Placing;
- (b) the conveyance or transfer on sale of Ordinary Shares will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 50p per £100 (or part thereof) on the amount or value of the consideration. Where an agreement to transfer such shares is not completed by a duly stamped instrument of transfer, a charge to stamp duty reserve tax (generally at the same rate) may arise.

13.4 Enterprise Investment Scheme and Venture Capital Trusts

- (a) The continuing availability of EIS reliefs and the status of the New Ordinary Shares as a qualifying holding for VCT purposes, will be conditional, *inter alia*, on the Holding Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment (under EIS), and, for VCT purposes throughout the period that the New Ordinary Shares are held as a 'qualifying holding'.
- (b) The EIS will allow the following tax relief for individual investors provided that investments are held for three years and the investor meets the requirements over that three year period.
 - (i) Initial income tax relief of 20% of the amount subscribed up to £150,000 per annum; and
 - (ii) Exemption from capital gains tax ("CGT") of any increase in the value of the Company's shares on which EIS income tax relief is attributable.
- (c) The EIS will also allow CGT payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for CGT deferral, a sum of up to the amount of the chargeable gain must be subscribed for ordinary shares of a qualifying trading company or an unquoted company which is the parent of a qualifying trading group. The investment must be made not more than one year before nor more than three years after the date on which the chargeable gain arises.
- (d) The EIS reliefs are not given automatically, they must be claimed.
- (e) Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.
- (f) Persons who are not resident in the UK should consult their own tax advisors on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.
- (g) These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. Any person who is in any doubt as to his taxation position should consult his or her professional advisor.

14. General

14.1 There has been no significant change in the trading or financial position of the Group since 31 May 2001, the date to which the last audited accounts of the Group were made up.

14.2 Nobles has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

14.3 The auditors of the Group during the three years ended 31 May 2001 were KPMG of 24 Blythswood Square, Glasgow, G2 4QS.

14.4 KPMG Audit Plc have given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their report in this document and they accept responsibility for their letters and reports for the purposes of the POS Regulations.

14.5 Other than the current application for Admission, the Existing Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Existing Ordinary Shares or the New Ordinary Shares.

14.6 Save as disclosed in this document, there are no persons (excluding professional advisers and trade suppliers) who have received directly or indirectly from the Group in the 12 months preceding the date of this document or have entered into contractual arrangements to receive fees, securities in the Holding Company or any other benefit to a value of £10,000 or more.

14.7 The Holding Company's Nominated Adviser and Broker is Noble & Company Limited whose principal place of business is 76 George Street, Edinburgh, EH2 3BU.

14.8 The accounting reference date of the Group is 31 May.

14.9 For the purposes of paragraph 21(a) of Part 4 of Schedule 1 to the POS Regulations there is no minimum amount which must be raised for the Group pursuant to the Placing.

14.10 Save as disclosed in Part VIII or elsewhere in this document, there are no patents or other Intellectual Property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.

14.11 The Placing Price represents a premium of 111p over the nominal value of 10p per Ordinary Share.

14.12 The financial information relating to the Group set out in Part V of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.

14.13 The gross proceeds of the Placing are expected to be £2,670,000. The total costs and expenses in relation to Admission and the Placing are payable by the Group and are estimated to amount to £330,000, excluding value added tax.

14.14 It is expected that definitive share certificates will be despatched by first class post on 4 December 2001. No temporary documents of title will be issued.

14.15 There have been no interruptions and there have been no significant changes to the business of the Group which have or have had a significant effect on the financial position of the Group since incorporation and there are no significant investments in progress by any member of the Group.

14.16 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the Placing Agreement by Nobles until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 14 December 2001 application monies will be returned to applicants as soon as practicable at their own risk and without interest.

15. Documents available for inspection

15.1 Copies of the following documents will be made available for inspection at the offices of McClure Naismith, 292 St Vincent Street, Glasgow, G2 5TQ during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Holding Company;
- (b) the financial information on the Group reproduced in Part V of this document;
- (c) the audited accounts of Murgitroyd & Company Limited for the three years ended 31 May 2001;
- (d) the Service Agreements and letters of appointment referred to in paragraph 5 above;
- (e) the Murgitroyd Group PLC Executive Share Option Scheme;
- (f) the Murgitroyd Group PLC Management Incentive Plan;
- (g) the material contracts referred to in paragraph 7 above;
- (h) the contracts referred to in paragraph 8 above; and
- (i) the written consents referred to in paragraph 14 above.

15.2 Copies of this document will be available free of charge at the offices of Noble & Company Limited, 1 Frederick's Place, London, EC2R 8AB during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling 14 days following the date of Admission.

Dated 22 November 2001

PART VII – DEFINITIONS AND GLOSSARY

Definitions

“Act”	the Companies Act 1985, as amended;
“Admission”	Admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“Articles”	the articles of association of the Holding Company adopted, subject to Admission on 30 November 2001;
“Board” or “Directors”	the Directors of the Holding Company;
“Call Option Agreements”	the agreement among (a)(1) Ian G Murgitroyd, G Edward Murgitroyd and Elizabeth-Anne Thomson (2) the Holding Company and (3) Norman Pattullo’s Liferent Trust and (b)(1) Ian G Murgitroyd, G Edward Murgitroyd and Elizabeth-Anne Thomson (2) the Holding Company and (3) Pierpaolo AME Pacitti’s Liferent Trust;
“Completion”	Completion of the allotment and issue of the New Ordinary Shares pursuant to the Placing;
“CREST”	the system operated by CRESTCo Limited in accordance with which securities may be held and transferred in uncertificated form;
“EPC”	the European Patent Convention;
“Existing Ordinary Shares”	existing ordinary shares of 10p each in existence prior to the Placing;
“Group”	Murgitroyd Group PLC, its subsidiaries and associated companies;
“Holding Company” or “Murgitroyd Group”	Murgitroyd Group PLC;
“IPO”	an initial public offering of the Holding Company’s Existing Ordinary Shares;
“Loan Notes”	means the £1,005,109 of Murgitroyd Group PLC Loan Notes 2001-2006 constituted by Loan Note Instrument dated 20 November 2001 adopted by the Board of Directors of Murgitroyd Group PLC by Resolution of that date, for issue to certain of the Shareholders of Murgitroyd & Company Limited pursuant to the Share Exchange Agreement;
“MPS Sale Agreement”	means the agreement dated 14 November 2001 between Murgitroyd & Company Limited and Artroyd Securities Limited for the acquisition by Artroyd Securities Limited of the whole share capital of Murgitroyd Property Services Limited;
“Murgitroyd” or “the Company”	Murgitroyd & Company Limited, a wholly owned subsidiary of the Holding Company;
“New Ordinary Shares”	new Ordinary Shares to be issued pursuant to the Placing;
“Nobles”	Noble & Company Limited;
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Holding Company;

“Placing”	the placing of 2,479,333 New Ordinary Shares details of which are set out in this document;
“Placing Price”	121 pence per New Ordinary Share;
“Share Exchange Agreement”	an agreement dated 20 November 2001 made between all of the shareholders of Murgitroyd (1) and the Holding Company (2) pursuant to which the entire issued share capital of Murgitroyd was acquired by the Holding Company in consideration of the allotment and issue to such shareholders of 5,798,534 ordinary shares of £0.10 each, all credited as fully paid and £1,000,000 Loan Notes;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority in its capacity as United Kingdom Listing Authority, the competent authority for the purposes of Part IV of the Financial Services Act 1986.

Glossary

“Assign”	to transfer the (IP) rights of one person to another;
“CDPA 1988”	the Copyright, Designs and Patents Act 1988 as amended;
“Copyright”	refers to the right obtained by the producer of work (including software, sound recordings, videos, images, printed material etc) to limit another’s use of that work. Copyright is governed by CDPA 1988;
“Design”	refers to the appearance of an article produced by features of shape, configuration, pattern or ornament. Some Design features are protected by copyright and others (in the UK) by an unregistered design right, both being governed by CDPA 1988. In addition, Designs may be protected (again in the UK) by registration as a Registered Design at the Patent Office, under the Registered Designs Act 1949 as amended;
“Designs Registry”	part of the Patent Office dealing with registration of Designs;
“European Community Trade Mark Office”	known as the Office for Harmonization in the Internal Market Mark Office: (OHIM). The OHIM is based in Alicante, Spain and registers Community Trade Marks (CTMs) and will in the near future also register Designs. CTMs grant the proprietor of the CTM a uniform right valid in all Member States of the European Union by means of a single procedural system created by Council Regulation (EC) 40/94 to protect their Trade Mark (see Trade Mark);
“European National Formalities”	the formalities (such as providing translations) which must be dealt with in individual states to make a European Patent (see below) effective there;
“European Patent”	a Patent granted by the European Patent Office (see below);
“European Patent Attorney”	a person who is registered and authorised to represent those filing European Patent applications before the EPO;
“European Patent Office (EPO)”	an international body based in Munich operating under the European Patent Convention. The EPO provides a route by which a single application which undergoes a single search and examination procedure leads to the grant of a Patent effective in up to (currently) eighteen states. The member states include all EU states plus some non-EU states;
“Fee Earners”	members of staff who are engaged in work that can be charged to a client;
“File/Filing”	refers to the application made for registration of a Trade Mark, Patent or Design;
“Licence”	a grant of permission by the owner of a right to another to act in a way that would infringe the rights of the owner but for the grant of the rights as expressed in the licence. The owner will normally receive a royalty payment for the grant of the licence;
“Litigate”	to raise an action before a court or tribunal (e.g. the Trade Marks Registry) in respect of a dispute;

“Patent”	a right granted by the state to the owner of an invention to prevent others using the invention for up to 20 years. To be patentable, the invention must be new, non-obvious, and capable of industrial application. Patents in the UK are governed by the Patents Act 1977 as amended;
“Patent Application”	the prescribed form of application for an invention to be patented. A Patent Application must give a full technical disclosure of the invention;
“Patent Attorney/Patent Agent”	a person entered on the Register of Patent Agents after passing statutory examinations and gaining prescribed practical experience, and qualified to represent applicants at the Patent Office;
“Patent Office”	the UK Government agency responsible for examining Patent Applications and granting Patents. Also operates the Designs Registry and the Trade Marks Registry;
“Prosecute”	to file and deal with the examination and grant of an application for IP rights;
“Registered Trade Mark”	in the UK a Trade Mark which is registered at the Trade Marks Registry under the Trade Marks Act 1994, or at OHIM under Council Regulation (EC) 40/94;
“Trade Mark”	refers to any sign which can distinguish the goods or services of one trader from those of another. This can include words, logos, pictures or a combination of these;
“Trade Mark Application”	the prescribed form of application for a trade mark to be registered;
“Trade Mark Attorney/Registered Trade Mark Agent”	a person entered on the Register of Trade Mark Agents after meeting statutory requirements of examination and experience; qualified to represent applicants at the Trade Marks Registry and at OHIM;
“Trade Marks Registry”	part of the Patent Office dealing with registration of Trade Marks.

PART VIII – TRADE MARK SCHEDULE

Country	IP Holder	Trade Mark/Catch	Class(es)	App/Regn No	Status	Renewal Date	File Number
Canada	Murgitroyd & Company	SCEPTRE	16 41 42	1061231	PENDING		T13250C
European Community	Murgitroyd & Company	SCEPTRE	16 41 42	001141878	REGISTERED	4/16/09	T13250A
European Community	Murgitroyd & Company	E-TEAM	16 41 42	001267079	REGISTERED	8/4/09	T23330A
European Community	Murgitroyd & Company	THEROS	16 41 42	001298223	REGISTERED	9/3/09	T24541-
European Community	Murgitroyd & Company	MURGITROYD & COMPANY	16 41 42	000379453	REGISTERED	9/23/06	T15843A
European Community	Murgitroyd & Company Management Services Limited	SPECTRA	35 41 42	000535625	REGISTERED	5/12/07	T18845A
France	Murgitroyd & Company Limited	RELAY	35 41 42	310125601	PENDING		T28787-
Ireland	Murgitroyd & Company Limited	RED LINE device	16 41 42	2000/00428	PENDING		T23213A
Ireland	Murgitroyd & Company	MURGITROYD	16 41 42	217654	REGISTERED	2/7/10	T25470-
Japan	Murgitroyd & Co. Management Services Ltd.	RELAY	41 42	4394687	REGISTERED	6/23/10	T21036B
United Kingdom	Murgitroyd and Company Limited	MARISTA	16 42	2159457	REGISTERED	2/27/08	T21546-
United Kingdom	Murgitroyd and Company	MURGITROYD & COMPANY logo (series)	16 41 42	2026050	REGISTERED	7/6/05	T15843-
United Kingdom	Murgitroyd and Company	RED LINE device	16 41 42	2237925	PENDING		T26447-
United Kingdom	Murgitroyd and Company Limited	MURGITROYD	35	1362531	REGISTERED	11/1/05	T06650-
United Kingdom	Murgitroyd and Company Limited	THEROS	42	2040830	REGISTERED	10/11/05	T16387-
United Kingdom	Murgitroyd and Company	E-TEAM (series)	16 41 42	2188026	REGISTERED	2/6/09	T23330-
United Kingdom	Murgitroyd and Company Limited	SCEPTRE	42	1565531	REGISTERED	3/12/11	T13250-
United Kingdom	Murgitroyd and Company Limited	SCEPTRE logo	42	2055748	REGISTERED	2/6/06	T17052-
United Kingdom	Murgitroyd & Co. Management Services Limited	RELAY	41 42	2151729	REGISTERED	11/21/07	T21036-
United Kingdom	Murgitroyd & Co. Management Services Limited	SPECTRA	42	2117197	REGISTERED	11/29/06	T18845-
United Kingdom	Murgitroyd & Co. Management Services Limited	MODESTA	9 16 42	2159842	REGISTERED	3/4/08	T21542-
United States	Murgitroyd & Company Limited	SCEPTRE	16 35 41 42	76/070052	PENDING		T13250B
United States	Murgitroyd & Co. Management Services Limited	RELAY	41 42	2445558	REGISTERED	4/24/06	T21036A

