

22 January 2007

Murgitroyd Group PLC ("the Group")
Unaudited Interim Results
for the six months ended 30 November 2006

Highlights

- Turnover up 18% to £11.2 million (2005: £9.5 million)
- EBITA up 63% to £1.64 million (2005 restated: £1.01 million)
- Profit before tax up 85% to £1.19 million (2005 restated: £0.65 million)
- Basic earnings per share of 8.57p (2005 restated: 4.24p)
- Successful acquisition and integration of Fitzpatricks

Ian Murgitroyd, Group Chairman, commented:

"I am pleased to announce that the Group has had another strong performance for the six months ended 30 November 2006, with turnover increasing by 18% and profit before tax by 85% largely due to improved margins and economies of scale following the acquisition of Fitzpatricks. Our continued ability to grow, both organically and by acquisition, is encouraging and highlights the opportunities within the market. Murgitroyd has made three selective acquisitions in the last three years, all of which have been successfully integrated and have been immediately earnings enhancing. I strongly believe that Murgitroyd is well positioned to continue the sustained growth experienced over the last five years and trading in the second half of the current financial year to date has been encouraging."

For further information, please contact:

| | |
|--|---------------|
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Notes to Editors

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

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

Murgitroyd Group PLC ("the Group")

Chairman's Statement

Financial and operating review

I am pleased to announce that the Group has seen another successful half-year performance for the period ended 30 November 2006.

Turnover for the period under review increased by 18% to £11.2 million (2005: £9.5 million). As a result of both organic growth and the acquisition of Fitzpatrick's Group Limited ("Fitzpatrick's") EBITA was up by 63% to £1.64 million (2005 restated: £1.01 million). Profit before tax rose by 85% to £1.19 million (2005 restated: £0.65 million). This is due to improved gross margin and continued economies of scale following the integration of Fitzpatrick's, as well as tight cost controls. A move towards increased time-based charging resulted in the stronger gross margin of 65.8% (2005: 60.3%). Net cash flow in the period was positive at £240,000.

The acquisition and integration of Fitzpatrick's for a consideration of £1.3 million (excluding costs), in addition to approximately £270,000 of net assets, has to date proved extremely successful. Fitzpatrick's was one of the UK's longest established and leading providers of Patent and Trade Mark services. The acquisition has strengthened the Group's corporate client base and extended the scope of Murgitroyd's service offering. No client losses occurred during the process and, with the exception of the departure of Fitzpatrick's former Managing Director, all fee earners were retained within the Group. The acquisition has been immediately earnings enhancing.

Organic growth continues to remain strong within the enlarged Group. This is partly due to continued business development, which has helped to attract new clients, but is also in part due to improved client management, helping to retain existing clients.

The Group's clients enjoy direct representation rights in the UK, Ireland, Germany, France, Monaco, the Netherlands, Austria and Switzerland. Representation rights will also be established in Italy on 1 February 2007 with the opening of a new office in Milan. This will be followed by the opening of an office in Edinburgh in March to help serve Scotland. These two additional offices will bring the Group's network to eleven offices in seven European countries. The Group remains committed to continuing this European expansion through both organic and acquisitive growth in order to maintain its position as one of the leading pan-European Patent and Trade Mark Attorneys. In January Murgitroyd recruited its first dedicated US Business Development Executive who will be located in the Group's new marketing office located within the Research Triangle in North Carolina with the intention to expand business development activity further in North America.

The Market

The latest statistics from The European Patent Office ("EPO") and Community Trade Mark ("CTM") Office, which are used as benchmarks for the number of new filings for Intellectual Property Rights in Europe, continue to indicate healthy growth. The latest available EPO statistics are for 2005 and show the number of Patents filed at the office increased by 7% while the CTM Office handled 8.4% more CTM applications in 2006 than in 2005. Our own organic growth continues to reflect these statistics and we are confident this trend will continue.

As ever, the Group remains watchful of the continued imbalance in the supply of, and demand for, qualified Patent Attorneys. The internal training programme remains a primary focus and so far the Group has succeeded in using this to its advantage.

People

Internal training continues to be an integral part of the Group's culture and four Attorneys successfully passed the European Qualifying Examinations during the period. Our new trainee recruitment programme continues, with new trainees now placed in every office. This includes York, where two trainees started this financial year.

The total number of 194 employees (2005: 168) now includes 47 (2005: 33) qualified Attorneys with an average age of 38.

Roisin McNally resigned as a Director in September after eleven years with the Group to pursue other interests. We would like to thank Roisin for her considerable contribution and commitment over the past years and wish her the very best for the future. Following her resignation Murgitroyd appointed Graham Murnane as an Executive Director to the Board with effect from 26 October. Mr Murnane, has been a Director of Murgitroyd & Company Limited, the Group's principal subsidiary since 1995. Prior to Murgitroyd, Mr Murnane, who is a Qualified Chartered Engineer and has a MA in Engineering from Cambridge University, was an Examiner at the European Patent Office in Munich.

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

Share Price

During the period, the middle market price of the Company's shares fluctuated between 262p and 416p. The current middle market price is 480p.

Dividend

The Board has decided not to propose an interim dividend at this time. The Board does however intend, subject to the availability of distributable reserves, to recommend a final dividend.

Outlook

The continuation of strong organic growth, improved margins, good cost control and the successful integration of Fitzpatricks have significantly improved the Group's performance. The Group's primary aim is to continue to achieve sustainable growth, both organically and, where appropriate, through selective acquisitions. In the wake of a strong trading performance during the first six months, your Board views the remainder of the current financial year with confidence.

Ian G Murgitroyd
Chairman

19 January 2007

This interim announcement was approved by the Board of Directors on 19 January 2007.

MURGITROYD GROUP PLC

Unaudited Consolidated Profit and Loss Account

For the six months ended 30 November 2006 (six months ended 30 November 2005)

| | Six months ended 30 November 2006 £'000 (unaudited) | Six months ended 30 November 2005 £'000 (unaudited) (restated*) |
|---|--|---|
| Turnover | 11,163 | 9,482 |
| Cost of sales | (3,816) | (3,760) |
| Gross Profit | <u>7,347</u> | <u>5,722</u> |
| Administrative expenses | (5,705) | (4,713) |
| Goodwill amortisation | (320) | (263) |
| Operating profit | <u>1,322</u> | <u>746</u> |
| Other interest receivable and similar income | 6 | 2 |
| Interest payable and similar charges | (138) | (103) |
| Profit on ordinary activities before taxation | <u>1,190</u> | <u>645</u> |
| Taxation on profit on ordinary activities | (479) | (294) |
| Profit on ordinary activities after taxation and for the period | <u>711</u> | <u>351</u> |
| Earnings per 10p ordinary share | | |
| Basic | 8.57p | 4.24p |
| Diluted | 8.32p | 4.18p |

* See Note 1

MURGITROYD GROUP PLC

Unaudited Consolidated Balance Sheet At 30 November 2006 (30 November 2005)

| | 30 November 2006 £'000 (unaudited) | 30 November 2005 £'000 (unaudited) |
|--|---|---|
| Fixed assets | | |
| Tangible fixed assets | 2,389 | 2,189 |
| Goodwill | 10,091 | 8,948 |
| | <hr/> | <hr/> |
| | 12,480 | 11,137 |
| Current Assets | | |
| Work in progress | 443 | 491 |
| Debtors | 7,111 | 6,340 |
| Cash at bank and in hand | 689 | 273 |
| | <hr/> | <hr/> |
| | 8,243 | 7,104 |
| Creditors: amounts falling due within one year | (5,707) | (4,998) |
| | <hr/> | <hr/> |
| Net current assets | 2,536 | 2,106 |
| Total assets less current liabilities | <hr/> | <hr/> |
| | 15,016 | 13,243 |
| Creditors: amounts falling due after more than one year | (3,725) | (2,802) |
| Provision for liabilities and charges | (81) | 15 |
| | <hr/> | <hr/> |
| Net Assets | 11,210 | 10,456 |
| Capital and reserves | | |
| Called up share capital | 830 | 828 |
| Share premium account | 2,282 | 2,258 |
| Merger reserve | 6,437 | 6,437 |
| Revaluation reserve | 167 | 103 |
| Profit and loss account | 1,494 | 830 |
| | <hr/> | <hr/> |
| Shareholders funds - equity | 11,210 | 10,456 |
| | <hr/> | <hr/> |

MURGITROYD GROUP PLC

Unaudited consolidated Cash Flow statement

For the six months ended 30 November 2006 (six months ended 30 November 2005)

| | Six months ended 30 November 2006 £'000 (unaudited) | Six months ended 30 November 2005 £'000 (unaudited) |
|--|--|--|
| Net cash inflow from operating activities | 1,406 | 826 |
| Returns on investments and servicing of finance | | |
| Interest received | 6 | 2 |
| Bank interest paid | (89) | (58) |
| Interest element of hire purchase repayments | (2) | (2) |
| Net cash outflow from returns on investments and servicing of finance | (85) | (58) |
| Taxation | (359) | (312) |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (107) | (104) |
| Cash outflow from capital expenditure and financial investment | (107) | (104) |
| Acquisitions | | |
| Purchase of subsidiary undertaking | (851) | (327) |
| Cash at bank and in hand/(overdraft) acquired with subsidiary undertaking | 47 | - |
| Net cash outflow from acquisitions | (804) | (327) |
| Equity dividends paid | (386) | (275) |
| Net cash outflow before financing | (335) | (250) |
| Financing | | |
| Issue of ordinary share capital for cash | 26 | - |
| Increase in bank loans due within one year | 52 | 5 |
| Increase/(decrease) in bank loans due outwith one year | 526 | (75) |
| Repayment of capital element of hire purchase obligations | (29) | (26) |
| Net cash inflow/(outflow) from financing | 575 | (96) |
| Increase/(decrease) in cash in the period | 240 | (346) |

NOTES:

1. The accounting policies that have been applied to the unaudited interim results are consistent with the latest published audited accounts of Murgitroyd & Company Limited except for a change in accounting policy for the valuation of share options in accordance with FRS20 Share-based payments. The comparative figures for the six month period ended 30 November 2005 have also been restated on adoption of FRS20 Share-based payments.

In accordance with FRS 20 Share-based payments, a charge of £20,000 has been made to Administrative Expenses for both the six month period ended 30 November 2006 and the six month period ended 30 November 2005.

2. These interim results are unaudited and do not comprise full accounts within the meaning of section 240 of the Companies Act 1985. Full accounts for the year ended 31 May 2006, on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies.
3. The earnings per share of Murgitroyd Group PLC is calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

| | Six months ended 30 November 2006 | Six months ended 30 November 2005 (restated*) |
|---|---|--|
| Profit on ordinary activities after taxation and for the period | £711,357 | £351,046 |
| Amortisation of goodwill | £320,425 | £263,222 |
| | <u>£1,031,782</u> | <u>£614,268</u> |
| Basic weighted average number of shares | 8,299,671 | 8,277,887 |
| Diluted weighted average number of shares | 8,551,382 | 8,400,267 |
| Basic earnings per share | 8.57p | 4.24p |
| Diluted earnings per share | 8.32p | 4.18p |
| Adjusted basic earnings per share | 12.43p | 7.42p |
| Adjusted diluted earnings per share | 12.07p | 7.31p |

* See Note 1

4. The Directors do not propose to pay an interim dividend at this time. The Directors do intend, subject to the availability of distributable reserves, to recommend a final dividend to shareholders in respect of the financial year ending 31 May 2007.
5. Copies of this announcement and the full interim statement will be available, free of charge for a period of one month, from the Group's Nominated Adviser:

| | |
|--|--|
| Noble & Company Limited 76 George Street Edinburgh EH2 3BU | Noble & Company Limited 120 Old Broad Street London EC2N 1AR |
|--|--|



Independent review report by KPMG Audit Plc to Murgitroyd Group PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 November 2006 which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities

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

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2006.

**KPMG Audit Plc
Chartered Accountants
191 West George Street
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19 January 2007