

4 September 2006

**Murgitroyd Group PLC ("Murgitroyd" or "the Group")
Preliminary Results for the year ended 31 May 2006**

Highlights

- Turnover increased 30% to £18.8m (2005: £14.5m)
- Operating profit rose by 48% to £1.59m (2005: £1.07m) and, before goodwill amortisation (EBITA) rose by 41% to £2.11m (2005: £1.50m)
- Basic earnings per share are 8.32p up 34% (2005: 6.20p)
- Proposed dividend increased 40% to 4.651p per share (2005: 3.322p)
- First full year contribution from the former Castles practice
- Outsourcing Agreement signed with Coats plc
- New office opened in York
- Acquisition of Fitzpatrick's Group Limited announced

Ian Murgitroyd, Chairman, said:

"I am delighted to announce another strong performance by the Group. Turnover has increased by 30% and EBITA rose 41%. The recent acquisition of Fitzpatrick's represents a further extension to our offering of fully rounded pan-European Intellectual Property services and will provide benefits to clients, employees and investors alike. Over the last five years Murgitroyd has delivered sustainable growth and increased its market share through organic growth and selective acquisitions. We believe that Murgitroyd has a clear strategy and is strongly positioned to continue this success."

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Notes:

Murgitroyd Group PLC, the holding company of Murgitroyd & Company Limited ("Murgitroyd & Company"), a European Patent and Trade Mark Attorney practice, was floated on 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 Chairman's Statement

Financial and operating review

I am pleased to report excellent results for the Group. These results incorporate the first full year contribution of Castles and demonstrate that the enlarged business has maintained the Group's ability to produce strong underlying organic growth.

Group turnover increased by 30% to £18.8m (2005: £14.5m). Profit before tax, excluding goodwill, rose 39% to £1.91m (2005: £1.38m), exceeding expectations. This is partly due to continued economies of scale following the Castles acquisition and tight cost controls.

The Group's basic earnings per share were up by 34% to 8.32p (2005: 6.20p). During the period under review, the gross margin decreased slightly as anticipated due to price alignment following the Castles acquisition.

In March 2006, the Group announced that Coats plc ("Coats") had decided to outsource the administration of its Trade Marks to Murgitroyd. Coats, is a global leader in sewing, thread and needlecraft products and has a renowned tradition of landmark innovations, many of which have become global industry standards.

Murgitroyd has taken over the functions of Coats' Intellectual Property department, which included two Trade Mark Attorneys and two support staff with approximately 7,000 active Trade Mark files. A fixed fee is being paid per annum in addition to costs. It is hoped this agreement will lead the way for further outsourcing projects.

Discussions are currently ongoing with regards to Murgitroyd opening an Italian office. During the period under review, representation rights were established in Austria and Switzerland. The Group already had offices in the UK, Ireland, Germany and France, as well as representation rights in Monaco and the Netherlands. Murgitroyd's continuing expansion, both organic and through acquisitions, has helped the Group maintain its position as one of the leading pan-European Patent and Trade Mark Attorney practice.

Recent developments

Since the year end, Murgitroyd has completed the acquisition of Fitzpatricks Group Limited ("Fitzpatricks") for a consideration of £1.3 million, in addition to approximately £240,000 of net assets. Fitzpatricks is one of the UK's longest established and leading providers of Patent and Trade Mark services. This acquisition has strengthened the Group's corporate client base, thus further enhancing the scope of Murgitroyd's existing Patent and Trade Mark practices and will immediately be earnings enhancing and cash positive.

The market

The market continues to show signs of healthy growth. The European Patent Office ("EPO") and Community Trade Mark ("CTM") Office statistics are used as benchmarks for the number of new filings for Intellectual Property Rights. The latest available statistics for the calendar year 2005 saw the number of Patents filed at the EPO increase by just over 7% whilst the CTM Office handled almost exactly the same number of CTM applications as in 2004. These remain market indicators that are supported by the increase in organic growth experienced by the Group. We believe this positive trend will continue.

Demand for qualified Attorneys continues to exceed supply, which is exacerbated by the high average age in the European Patent and Trade Mark profession. Our expansion strategy however has so far counteracted this trend and with continued investment in 'in-house' training, we are confident to circumvent the demographic problem facing the industry.

Internal training is an integral part of the Group's culture and during the period under review we have started to train Attorneys in Germany in addition to the UK, Ireland and France.

People

The total number of employees as at 31 May 2006 was 167 (2005: 165). This figure includes a total of 37 qualified Attorneys (2005: 32) and is a result of our continued recruitment programme and our internal training programmes. Since the year-end, when 24 people joined the Group as a result of the acquisition of Fitzpatrick's, the number of qualified Attorneys has risen to 45.

In November 2005 a new office was opened in York to service the Midlands and the North of England.

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

Roisin McNally has intimated she will resign as a Director in September after eleven years with the Group to pursue other interests both in the UK and elsewhere. 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.

Share price

During the period, the middle market price of the company's shares fluctuated between 160p and 288p. The current middle market price is 293p. This compares with the flotation price of 121p in November 2001.

Dividend

As in previous years, the Board did not recommend an interim dividend. However, a final dividend of 4.65p per share (2005: 3.32p) is being proposed. Subject to approval at the Annual General Meeting, the dividend will be paid 4 October 2006 to shareholders on the register on 15 September 2006.

Outlook

Over the last five years Murgitroyd has delivered sustainable growth and increased its market share through organic growth and selective acquisitions. We believe that Murgitroyd has a clear strategy and is strongly positioned to continue this success.

Ian G. Murgitroyd
Chairman

4 September 2006

**Consolidated Profit and Loss Account
for the years ended 31 May 2006 and 31 May 2005**

	Before goodwill amortisation	Goodwill amortisation	2006 Year ending 31 May 2006	Before goodwill amortisation	Goodwill amortisation	2005 Year ending 31 May 2005 (restated*)
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	18,837	-	18,837	14,456	-	14,456
Cost of sales	(7,012)	-	(7,012)	(4,784)	-	(4,784)
Gross profit	11,825	-	11,825	9,672	-	9,672
Administrative expenses	(9,711)	(527)	(10,238)	(8,170)	(430)	(8,600)
Operating profit	2,114	(527)	1,587	1,502	(430)	1,072
Interest receivable and similar income	5	-	5	4	-	4
Interest payable and similar charges	(206)	-	(206)	(130)	-	(130)
Profit on ordinary activities before taxation	1,913	(527)	1,386	1,376	(430)	946
Tax on profit on ordinary activities	(697)	-	(697)	(434)	-	(434)
Profit on ordinary activities after taxation and for the financial year	1,216	(527)	689	942	(430)	512
Earnings per 10p ordinary share						
Basic			8.32p			6.20p
Diluted			8.16p			6.19p

* See Note 1

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

Balance Sheets
at 31 May 2006 and 31 May 2005

	Group	2006 Company	Group (restated *)	2005 Company (restated*)
	£'000	£'000	£'000	£'000
Fixed assets				
Intangible assets	8,695	-	9,211	-
Tangible assets	2,252	-	2,180	-
Investments	-	8,056	-	8,056
	10,947	8,056	11,391	8,056
Current assets				
Work in progress	317	-	434	-
Debtors	5,981	1,505	5,340	1,505
Cash at bank and in hand	298	-	477	-
	6,596	1,505	6,251	1,505
Creditors: amounts falling due within one year	(4,136)	-	(4,427)	-
Net current assets	2,460	1,505	1,824	1,505
Total assets less current liabilities	13,407	9,561	13,215	9,561
Creditors: amounts falling due after more than one year	(2,499)	-	(2,857)	-
Provisions for liabilities and charges	(73)	-	-	-
Net assets	10,835	9,561	10,358	9,561
Capital and reserves				
Called up share capital	828	828	828	828
Share premium account	2,258	2,258	2,258	2,258
Merger reserve	6,436	6,436	6,436	6,436
Revaluation reserve	166	-	103	-
Profit and loss account	1,147	39	733	39
Shareholders' funds – all equity	10,835	9,561	10,358	9,561

* See Note 1

**Consolidated Cash Flow statement
for the years ended 31 May 2006 and 31 May 2005**

	Year ending 31 May 2006 £'000	Year ending 31 May 2005 £'000
Net cash inflow from operating activities	1,740	1,331
Returns on investments and servicing of finance		
Interest received	5	4
Bank interest paid	(121)	(96)
Interest element of hire purchase repayments	(5)	(5)
Net cash outflow from returns on investments and servicing of finance	(121)	(97)
Taxation	(578)	(432)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(203)	(160)
Proceeds from sale of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	(203)	(160)
Acquisitions		
Purchase of subsidiary undertaking	(692)	(1,730)
Cash at bank and in hand acquired with subsidiary undertaking	-	631
Cash outflow from acquisitions	(692)	(1,099)
Equity dividends paid	(275)	(165)
Net cash outflow before financing	(129)	(622)
Financing		
Increase in bank loans due within one year	45	43
Increase in bank loans due outwith one year	102	1,363
Repayment of capital element of hire purchase obligations	(51)	(46)
Repayment of Loan Notes	(300)	-
Net cash (outflow)/inflow from financing	(204)	1,360
(Decrease)/increase in cash in the year	(333)	738

Notes to the announcement:

1. 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 buildings. FRS 21 "Events after the balance sheet date" and FRS 28 "Corresponding amounts" have been adopted in the Financial Statements for the first time. Under FRS 21, dividends which are declared after the relevant Balance Sheet date cannot be accrued for, as was the case previously. As a result, the Balance Sheets and Profit and Loss Accounts for the comparative period have been restated to reflect this, with the prior year end dividends of £275,000 (2005) and £165,000 (2004) being removed from those years and instead treated as dividends in the current period and comparative years respectively. FRS 28 "Corresponding amounts" has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The financial information set out in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The Balance Sheet, consolidated Profit and Loss Account and consolidated Cash Flow Statement at 31 May 2006 for Murgitroyd Group PLC have been extracted from the statutory accounts upon which the Auditor's reported. The report of the Auditors was (i) unqualified, (ii) did not include references to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Earnings per share

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

	Profit for the financial year £'000	Weighted average number of shares Number	2006 Earnings per share p	Profit for the financial year £'000	Weighted average number of shares Number	2005 Earnings per share p
Basic earnings per share	689	8,277,887	8.32	512	8,277,887	6.20
Dilutive share options	-	161,140	(0.16)	-	7,516	(0.01)
Diluted earnings per share	689	8,439,027	8.16	512	8,285,403	6.19
Amortisation of goodwill	527	8,439,027	6.24	430	8,285,403	5.19
Adjusted, diluted earnings per share	1,216	8,439,027	14.40	942	8,285,403	11.38
Adjusted, basic earnings per share	1,216	8,277,887	14.68	942	8,277,887	11.39

Adjusted earnings per share have been shown in order to demonstrate the performance of the Group before goodwill amortisation.

3. Annual General Meeting

The Annual General Meeting of the company will be held at 12 Suffolk Street, London SW1Y 4HQ at 11am on 26 September 2006.

4. Further copies

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