

5 August 2003

**Murgitroyd Group PLC (“Murgitroyd” or “the Group”)
Preliminary Results for the year ended 31 May 2003**

Highlights

- Turnover increased by 17% to £10.56m (2002: £9.05m)
- Profit before tax and exceptional items up by 25% to £792,000
- Profit before tax up by 11% to £704,000
- Adjusted basic earnings per share up by 50% to 6.20p (2002: 4.13p).
- Dividend up by 18% to 1.570p per share (2002: 1.329p)
- Gross margin increased to 67.8% (2002: 65.2%)
- Significant new account wins
- French acquisition successfully completed

Ian Murgitroyd, Chairman, commented:

"I am delighted to report another solid performance by the Group with an increase in turnover of 17%. The Group's pan-European expansion plans continue to progress well and we have successfully completed the acquisition of Cabinet Bonneau EURL near Nice, which added several significant clients to our portfolio and results in the Group operating the largest French practice between Monaco and Marseille. Despite slow economic activity, I believe we are in a strong position to move the business forward and achieve the objectives we set ourselves."

For further information, please contact:

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Notes:

Murgitroyd Group PLC, the holding company of Murgitroyd & Company Limited ("Murgitroyd & Company"), a European Patent and Trade Mark Attorney practice, was floated on the Alternative Investment Market of the London Stock Exchange ("AIM") on 30 November 2001. The Company is based in Glasgow with further offices in Aberdeen, Belfast, Dublin, London, Munich and Nice.

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

Murgitroyd Group PLC Chairman's Statement

Introduction

I am pleased to report a continuing strong performance by the Group in the financial year to 31 May 2003, Murgitroyd's first full year as a quoted company. Despite slow economic activity, the Group has made significant progress and has remained highly profitable.

Financial review

For the year ended 31 May 2003, the turnover of the Group's trading subsidiary, Murgitroyd & Company, increased by 17% to £10.56m (2002: £9.05m). Its profit before tax was up by 11% to £704,000 (2002: £634,000) and its gross margin increased to 67.8% (2002: 65.2%).

The Group's basic earnings per share were 1.96p (2002: 2.00p) but adjusted basic earnings per share stood at 6.20p (2002: 4.13p) after adding back goodwill amortisation.

The Group's turnover for the second half of the financial year to 31 May 2003 rose by 10.5% year on year to £5.43m (six months to 31 May 2002: £4.92m), which exceeded expectations.

As we announced in January this year, the Board undertook a detailed cost review in anticipation of more difficult trading conditions. A number of prudent decisions were made and implemented in the face of global economic uncertainties. These addressed the level of overheads and, among the consequent measures implemented, Directors' salaries were temporarily cut and bonus entitlements waived. The benefits of this review became apparent in the second half of the financial year as the pre-tax profit of Murgitroyd & Company increased to 9.6% of turnover from the 3.6% earned in the first half.

As previously announced the Group has had to provide against £88,000 owed by one of its longstanding clients, Artlite Limited, which unexpectedly went into receivership in February 2003. The Official Receiver's formal review of the circumstances of the receivership is ongoing. During the period under review the Group has, for the first time, made a general bad debt provision. Total bad debts either written off or provided against in the year amounted to £241,000 (2002: £38,000). Nevertheless Murgitroyd & Company's bad debt history over the medium term remains good at less than 1% of sales.

Dividend

In accordance with the stated policy at the time of our AIM flotation, the Directors are proposing a dividend of 1.570p per share (2002: 1.329p). Subject to approval at the Annual General Meeting the dividend will be paid on 15 September 2003 to shareholders on the register on 15 August 2003.

Business review

The Group has continued to increase turnover and gained a significant number of clients during the period under review, despite what has been generally viewed as an uncertain time in the global Intellectual Property market. New clients require significant levels of investment by the Group during the initial stages.

We retained our existing extensive portfolio of clients, which continue to provide us with a steady income.

At the time of our AIM flotation we stated that our growth strategy was based on the development of the truly pan-European service to which we remain committed. During the period we have made further progress in implementing this strategy. We have recently completed the acquisition of Cabinet Bonneau EURL which has entailed relocating our Nice office to nearby Sophia Antipolis, the recruitment of four qualified and part-qualified Attorneys and the addition of several significant clients previously serviced by Cabinet Bonneau.

We are also in the process of expanding our operations in our other European offices and expect to staff our Munich office in the course of the coming financial year. We will consider strategic acquisitions and continue to believe that a number of acquisition opportunities will arise as professionals retire and exit practices.

People

We have always stressed that the ability to recruit, retain and incentivise quality Patent and Trade Mark Attorneys is central to the success of the Group. As at 31 May 2003 we employed 20 qualified Attorneys (2002: 17). This number has since risen to 22. The average age profile of these Attorneys is still believed to be significantly below the industry average. We continue to recruit trainee Attorneys and develop our staff-training programmes. In addition we have in place recruitment and development policies for support staff. The total number of staff at 31 May 2003 was 129 (2002: 127).

On 1 July 2003 Paolo Pacitti resigned as an Executive Director to embark on a sabbatical year. Paolo was a longstanding Partner of Murgitroyd & Company and has been of enormous support to me personally. On behalf of all the staff at Murgitroyd, we wish him well.

Operational Issues

The refurbishment of the Glasgow headquarters at Scotland House has been completed on schedule. We have relocated all staff to these premises and terminated the lease on Murgitroyd & Company's previous Head Office at no cost.

Share Price

During the year to 31 May 2003, the middle market price of our shares varied from 108.5p to 150p. The current middle market price is 123.5p. This compares with our flotation price of 121p.

Outlook

Despite difficult market conditions we have made significant progress in achieving the objectives we set at the time of our AIM flotation. We believe the Group has built a solid platform with which to continue to meet these aims even if uncertain market conditions prevail. We look forward to the forthcoming year with confidence.

Ian G. Murgitroyd
Chairman

4 August 2003

**Pro forma Profit and Loss Account of Murgitroyd & Company Limited (2002: the Murgitroyd & Company Limited sub-group)
for the years ended 31 May 2003 and 31 May 2002**

	Before exceptional admin. Expenses £'000	Exceptional admin. expenses £'000	2003 Year ending 31 May 2003 £'000	Before exceptional admin. expenses £'000	Exceptional admin. expenses £'000	2002 Year ending 31 May 2002 £'000
Turnover	10,561	-	10,561	9,054	-	9,054
Cost of sales	(3,403)	-	(3,403)	(3,150)	-	(3,150)
Gross profit	7,158	-	7,158	5,904	-	5,904
Administrative expenses						
- standard	(6,312)	-	(6,312)	(5,192)	-	(5,192)
- exceptional*	-	(88)	(88)	-	-	-
Operating profit	846	(88)	758	712	-	712
Interest receivable and similar income	10	-	10	19	-	19
Interest payable and similar charges	(64)	-	(64)	(97)	-	(97)
Profit on ordinary activities before taxation	792	(88)	704	634	-	634
* bad debt provision						

**Consolidated Profit and Loss Account
for the year ended 31 May 2003 (2002: ten month period ended 31 May 2002)**

	Before goodwill amortisation £'000	Goodwill amortisation £'000	2003 Year ending 31 May 2003 £'000	Before goodwill amortisation £'000	Goodwill amortisation £'000	2002 Period ending 31 May 2002 £'000
Turnover	10,561	-	10,561	4,917	-	4,917
Cost of sales	(3,403)	-	(3,403)	(1,674)	-	(1,674)
Gross profit	7,158	-	7,158	3,243	-	3,243
Administrative expenses						
- standard	(6,313)	(351)	(6,664)	(2,794)	(175)	(2,969)
- exceptional*	(88)	-	(88)	-	-	-
Operating profit	757	(351)	406	449	(175)	274
Interest receivable and similar income	10	-	10	5	-	5
Interest payable and similar charges	(64)	-	(64)	(24)	-	(24)
Profit on ordinary activities before taxation	703	(351)	352	430	(175)	255
Tax on profit on ordinary activities	(189)	-	(189)	(89)	-	(89)
Profit on ordinary activities after taxation and for the financial year/(period)	514	(351)	163	341	(175)	166
Dividends - equity	(130)	-	(130)	(110)	-	(110)
Retained profit for the year/(period)	384	(351)	33	231	(175)	56
Earnings per 10p ordinary share						
Basic	-		1.96p	-		2.00p
Diluted	-		1.96p	-		2.00p
Adjusted, basic before goodwill amortisation	6.20p		-	4.13p		-
Adjusted, diluted before goodwill amortisation	6.20p		-	4.12p		-
* bad debt provision						

Balance sheets
at 31 May 2003 and 31 May 2002

	Murgitroyd Group PLC £'000	2003 Murgitroyd & Company £'000	Murgitroyd Group PLC £'000	2002 Murgitroyd & Company £'000
Fixed assets				
Tangible assets	1,988	-	1,876	-
Investments	9	8,056	-	8,056
Intangible assets	6,501	-	6,852	-
	8,498	8,056	8,728	8,056
Current assets				
Work in progress	230	-	241	-
Debtors	4,603	1,635	3,688	1,633
Cash at bank and in hand	106	-	1,147	1,012
	4,939	1,635	5,076	2,645
Creditors: amounts falling due within one year	(3,546)	(130)	(3,909)	(1,137)
Net current assets	1,393	1,505	1,167	1,508
Total assets less current liabilities	9,891	9,561	9,895	9,564
Creditors: amounts falling due after more than one year	(224)	-	(272)	-
Provisions for liabilities and charges	(10)	-	(8)	-
Net assets	9,657	9,561	9,615	9,564
Capital and reserves				
Called up share capital	828	828	828	828
Share premium account	8,694	8,694	8,695	8,695
Revaluation reserve	46	-	36	-
Profit and loss account	89	39	56	41
Shareholders' funds – all equity	9,657	9,561	9,615	9,564

**Consolidated Cash Flow statement
for the year ended 31 May 2003 (2002: ten month period ended 31 May 2002)**

	Year ending 31 May 2003 £'000	Period ending 31 May 2002 £'000
Net cash inflow/(outflow) from operating activities	276	(2,034)
Returns on investments and servicing of finance		
Interest received	7	3
Bank interest paid	(58)	(34)
Interest element of hire purchase repayments	(3)	(1)
Net cash outflow from returns on investments and servicing of finance	(54)	(32)
Taxation	(179)	(160)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(246)	(163)
Proceeds from sale of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	(246)	(163)
Acquisitions		
Purchase of subsidiary	(9)	-
Cash at hand and in bank acquired with subsidiary undertaking	-	826
Net cash (outflow)/inflow from acquisitions	(9)	826
Equity dividends paid	(110)	-
Cash outflow before financing	(322)	(1,563)
Financing		
Issue of ordinary share capital for cash	-	3,000
Expenses of share issues	(1)	(493)
Decrease in bank loans due outwith one year	(55)	(25)
Repayment of capital element of hire purchase obligations	(26)	(15)
Repayment of Loan Notes	(1,012)	-
Net cash (outflow)/inflow from financing	(1,094)	2,467
(Decrease)/increase in cash in the year/period	(1,416)	904

NOTES:

Accounting Policies

The Financial Statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules, modified to include the revaluation of buildings.

Basis of Preparation

The financial information set out in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The balance sheet, pro forma profit and loss account, consolidated profit and loss account and consolidated cash flow statement at 31 May 2003 for Murgitroyd Group PLC have been extracted from the statutory accounts upon which the auditor's opinion was unqualified and does not contain a statement under section 237(2) of the Companies Act 1985. The statutory accounts for the period ended 31 May 2003 will be filed with the Registrar of Companies.

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 dilutive potential shares.

	Earnings	Weighted average number of shares Number	2003 Earnings Per Share
	£'000		
Basic earnings per share	163	8,277,887	1.96
Dilutive share options	-	8,579	(0.00)
Diluted earnings per share	163	8,286,466	1.96
Amortisation of goodwill	351	8,286,466	4.24
Adjusted, diluted earnings per share	514	8,286,466	6.20
Adjusted, basic earnings per share	514	8,277,887	6.20

Annual General Meeting

The Annual General Meeting will be held at Murgitroyd Group PLC, Scotland House, 165-169 Scotland Street, Glasgow, G5 8PL at 11.30am on 2 September 2003.

Further Copies

Copies of this announcement and the full annual report and accounts are available, free of charge, for a period of one month from the Company's Nominated Adviser and Broker Noble & Company Limited, 1 Frederick Street, London, EC2R 8AB, Tel: 020 7367 5600. Copies of the full financial statements will be posted to shareholders as soon as possible.