

10 September 2012

**Murgitroyd Group PLC ("Murgitroyd" or "the Group")
Preliminary Results for the year ended 31 May 2012**

Murgitroyd (AIM:MUR), the European Patent and Trade Mark Attorney, is pleased to announce its audited results for the year ended 31 May 2012.

Highlights

- Turnover increased by 7.5% to £35.7m (2011: £33.2m)
- Operating profit increased* by 9.2% to £4.5m (2011: £4.1m)
- Profit before income tax* increased by 10.3% to £4.4m (2011: £4.0m)
- Basic earnings per share* of 36.4p (2011: 30.5p) an increase of 19.3%
- Basic earnings per share of 36.8p (2011: 31.1p)
- Proposed final dividend of 8.5p per share, giving a total dividend for the year of 12p (2011: 10.75p), an increase of 11.6% year on year

* before impact of property revaluations

Ian Murgitroyd, Chairman of Murgitroyd Group PLC said:

"I am pleased to report that Murgitroyd has continued to deliver an increase in turnover and profitability for the eleventh consecutive year since its flotation in 2001. While we remain cautious, due to the uncertain macro-economic environment, we continue to invest in the business and the Board remains confident that Murgitroyd can continue on this growth trajectory to deliver value to shareholders."

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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 European offices in Aberdeen, Belfast, Dublin, Edinburgh, Glasgow, Helsinki, London, Milan, Munich, Newcastle, Nice and York, and offices in Raleigh-Durham and San Francisco.

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 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 review

Murgitroyd has continued to deliver a robust performance which represents the eleventh consecutive year of sales and earnings growth with turnover increasing by 7.5% to £35.7 million (2011: £33.2 million). The Group continued to expand organically and attract new clients in a market where fee levels remain competitive.

Operating profit* rose by 9.2% to £4.5 million (2011: £4.1 million) before the impact of the annual revaluation of the Group's head office building (an uplift of £30,000, 2011: an uplift of £55,000). Profit before income tax* increased by 10.3% to £4.4m (2011: £4.0m) reflecting the organic growth achieved as well as continuing tight control on costs.

The period also saw a continuation in the increased use of specialist paralegal and formalities staff assisting in the streamlining of delivery of particular types of service and in the winning of new business in an increasingly price-sensitive market place. We pride ourselves in providing our clients with a high quality service at competitive prices.

The Group's basic earnings per share* increased to 36.4p (2011: 30.5p) during the period under review and net cash flow after financing for the period was positive at £185,000. The comparatively large year on year increase in earnings per share of 19.3% arises in part because of the impact of the prior year adjustments to overseas tax in 2011.

The Board proposes a final dividend of 8.5p per share, giving a total dividend for the year of 12p (2011: 10.75p), an increase of 11.6% year on year.

Gross profit was up 4.8% at £20.9 million (2011: £19.9 million), with the gross margin percentage falling to 58.4% (2011: 59.9%), reflecting ongoing market pricing pressures as well as changed sales mix. The Group also continued to successfully manage its exposure to foreign currency exchange movements.

Interest charges for the period under review were down by 22.8% compared to the same period last year amounting to £112,000 (2011: £145,000) as debt linked to historic acquisitions continued to be paid down and interest rates remained at historically low levels.

The Group benefits from competitively priced banking facilities and continues to operate comfortably within its trading and cash flow banking covenants. Against the continuing macro-economic uncertainty, management recognises the importance of maintaining tight cost controls. This has been successfully achieved during the period.

* before impact of property revaluation

Operating review

Murgitroyd operated fifteen offices in eight countries worldwide during the period and we continue to develop this global network. We have expanded our presence in Munich where Group Board Director Graham Murnane, most recently head of professional practice, and an experienced European Patent practitioner and former European Patent Office Examiner, is now based alongside two German Attorneys. We are looking to further expand this office in the coming year, and a fourth Attorney starts in the second quarter of the new financial year, joining as the office relocates to larger accommodation in November.

The Group also opened a central London office during the period for which we have recruited two new employees in addition to the staff who relocated from existing offices. The office will primarily serve as a client service centre similar to other such centres in Glasgow and Munich. It complements our existing presence in south London (Croydon).

London and Munich are two of the locations where the new unified European Patent Court will sit. The Court's third location, and the seat of its central division, will be in Paris. We will consider how best to service our clients' needs in Paris in the course of the coming year.

Take up of the IP Portal service showed strong growth during the period and we saw a further increase in business generated from the US where the Group's new business development office in San Francisco made its first full year contribution. The Group's global business development centre in North Carolina remains of key strategic importance by driving our organic growth. Sales to US clients continue to grow, up by 20.3% year on year, contributing just under 60% of the total increase in sales.

Our business development presence, on the ground, in Tokyo started two years ago. We stated that we would assess the return on the Group's investment in this method of servicing, and expansion into, the Japanese market on an ongoing basis. This assessment led us, during the period, to review how we carry out business development activity in Japan and resulted in the Group no longer directly employing its own business development staff in Tokyo but instead working closely with a local associate to develop this market.

People

I would like to take this opportunity to thank all our staff for their hard work and commitment. As at 31 May 2012 the Group employed 234 staff (31 May 2011: 230). While we have not increased the number of Attorneys, the overall number of employees did rise as we continued to recruit professional and paralegal staff across our network of offices. Future recruitment, including Attorneys, will see additional staff join our central London and Munich offices. Recognising talent early on, and as part of our corporate social responsibility, we will also recruit graduates into our recently launched intern programme which provides a year of structured work experience and training for up to six graduates and will provide an opportunity of remaining with the Group on a training contract thereafter.

As a company we remain committed to continued investment in people, systems and service offerings.

In February the Board was sad to announce the untimely death of our non-Executive Director Dr Chris Greig. Chris, who chaired the Audit Committee, was appointed to the Board in January 2002 and contributed enormously to the Group's growth and development for more than ten years.

In March we announced two further changes to the Board. Firstly we were delighted to welcome David Gray, as non-Executive Director, to the Board. David is a non-Executive director of Superglass Holdings plc and Scottish Water Horizons Ltd, is a member of the Institute of Chartered Accountants of Scotland, and a member of Court at the University of Strathclyde. Secondly, Edward Murgitroyd was appointed Deputy Chairman thus reinforcing the Group's commitment to business development, and to our IP Portal offering which, as noted, has been a significant component of our growth in the last few years.

The market

Statistics available from the European Community Trade Mark Office ("OHIM"), based in Alicante, show an increased number of Trade Mark applications, to the end of July 2012, on the number of applications in 2011, a calendar year that had, in turn, seen a record high number of filings, up 7.7% on 2010.

The European Patent Office ("EPO") published its filing statistics for 2011 in early 2012. These reported a 3% rise in applications on what had been the record number of filings in 2010.

Approximately one quarter (2011: 24.4%, 2010: 25.8%) of all European Patent applications continue to be filed by applicants whose country of residence is the US. Filings from applicants in the six European countries in which the Group has offices represent a further 24% of all filings. The Group is, therefore, operating on the ground in territories from where almost half (48.4%) of European Patent applications emanated in 2011.

Both OHIM's and the EPO's statistics are used as benchmarks for the number of new filings for Intellectual Property Rights and are considered good indicators of current market conditions.

In addition the Group is preparing to accommodate an increase in activity resulting from the UK Government's Patent Box initiative that will provide a Corporation Tax reduction to companies earning income from qualifying Intellectual Property Rights such as UK Patents.

Share price

During the period, the middle market price of the Company's shares fluctuated between 292p and 405p. The current middle market price is 387.5p.

Dividend

An interim dividend, of 3.5p per share, was paid during the year, reflecting the Board's confidence in the continued performance of the Group. A final dividend of 8.5p per share is being proposed, giving a total dividend for the year of 12p (2011: 10.75p), an increase of 11.6% year on year.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 23 November 2012 to shareholders on the register on 12 October 2012. The ex-dividend date is 10 October 2012.

Outlook

Although we remain cautious in light of the uncertain economic environment, we are confident in the Group's ability to continue to generate organic growth. Tight cost control and maximising the funds available to invest in direct business development, systems improvement and efficiencies to drive competitive pricing remain priorities for the Group as we pursue growth.

The Board will consider acquisition opportunities if they are complementary to the Group's existing offering and immediately earnings enhancing. The focus will however be on growing organically and continuing to generate value for shareholders.

We continue to believe that Murgitroyd remains able to generate long-term growth and value for shareholders.

Ian G Murgitroyd
Chairman

10 September 2012

This preliminary announcement was approved by the Board of Directors on 10 September 2012.

Consolidated income statement
for the year ended 31 May 2012

	Note	Year ended 31 May 2012 £'000	Year ended 31 May 2011 £'000								
Revenue		35,699	33,218								
Cost of sales		<u>(14,836)</u>	(13,307)								
Gross profit		20,863	19,911								
Administrative expenses (including property revaluation uplift of £30,000; 2011: £55,000)		<u>(16,325)</u>	(15,727)								
<table> <tbody> <tr> <td>Operating profit before property revaluation uplift</td> <td></td> <td style="text-align: right;">4,508</td> <td style="text-align: right;">4,129</td> </tr> <tr> <td>Property revaluation uplift</td> <td></td> <td style="text-align: right;">30</td> <td style="text-align: right;">55</td> </tr> </tbody> </table>				Operating profit before property revaluation uplift		4,508	4,129	Property revaluation uplift		30	55
Operating profit before property revaluation uplift		4,508	4,129								
Property revaluation uplift		30	55								
Operating profit		4,538	4,184								
Financial income		3	3								
Financial expense		<u>(112)</u>	(145)								
Profit before income tax		4,429	4,042								
Income tax		<u>(1,287)</u>	(1,389)								
Profit for the year attributable to equity holders of the parent		<u>3,142</u>	2,653								
Earnings per share	2										
Basic		36.76p	31.12p								
Diluted		35.77p	30.41p								

Consolidated balance sheet
at 31 May 2012

	31 May 2012 £'000	31 May 2011 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,127	2,155
Intangible assets and goodwill	14,827	14,829
Deferred tax asset	73	67
Total non-current assets	<u>17,027</u>	<u>17,051</u>
Current assets		
Work in progress	362	745
Trade and other receivables	13,176	12,572
Cash and cash equivalents	1,208	1,252
Total current assets	<u>14,746</u>	<u>14,569</u>
Total assets	<u>31,773</u>	<u>31,620</u>
Current liabilities		
Bank overdraft	(292)	(521)
Other interest-bearing loans and borrowings	(1,204)	(1,190)
Trade and other payables	(5,943)	(6,420)
Taxation payable	(118)	(370)
Total current liabilities	<u>(7,557)</u>	<u>(8,501)</u>
Non-current liabilities		
Other interest-bearing loans and borrowings	(2,895)	(4,098)
Other payables	-	-
Provisions for liabilities	(55)	(65)
Deferred tax liabilities	-	-
Total non-current liabilities	<u>(2,950)</u>	<u>(4,163)</u>
Total liabilities	<u>(10,507)</u>	<u>(12,664)</u>
Net assets	<u>21,266</u>	<u>18,956</u>
Equity		
Share capital	855	854
Share premium	2,676	2,646
Merger reserve	6,436	6,436
Revaluation reserve	-	-
Retained earnings	11,299	9,020
Total equity attributable to equity holders of the parent	<u>21,266</u>	<u>18,956</u>

Consolidated statement of cash flows
for the year ended 31 May 2012

	Year ended 31 May 2012 £'000	Year ended 31 May 2011 £'000
Cash flows from operating activities		
Profit for the year	3,142	2,653
<i>Adjustments for:</i>		
Depreciation	220	216
Amortisation	2	-
Loss on disposal of property, plant and equipment	1	-
Provision for "Onerous Lease"	-	(7)
Provision for leasehold property dilapidations	-	20
Property revaluation surplus	(30)	(55)
Financing costs	109	142
Equity settled share-based payment expense	59	81
Income tax expense	1,287	1,389
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	4,790	4,439
Increase in trade and other receivables	(604)	(1,792)
Decrease/(increase) in work in progress	383	(127)
(Decrease)/increase in trade and other payables	(470)	840
Decrease in provision for liabilities	(10)	-
	<hr/>	<hr/>
	4,089	3,360
Interest paid	(119)	(138)
Interest received	3	3
Income tax paid	(1,549)	(1,156)
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Net cash from operating activities	2,424	2,069
Cash flows from investing activities		
Acquisition of property, plant and equipment	(163)	(379)
Proceeds from disposal of property, plant and equipment	-	-
Acquisition of subsidiaries, net of cash acquired	-	(656)
	<hr/>	<hr/>
Net cash used in investing activities	(163)	(1,035)
Cash flows from financing activities		
Proceeds from exercise of share options	31	68
Loans received	-	300
Repayment of borrowings	(1,189)	(1,118)
Payment of finance lease liabilities	-	-
Dividends paid	(918)	(469)
	<hr/>	<hr/>
Net cash used in financing activities	(2,076)	(1,219)
Net increase/(decrease) in cash and cash equivalents	185	(185)
Cash and cash equivalents at start of year	731	916
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Cash and cash equivalents at year end	916	731

Notes to the announcement:

1. Basis of preparation

The financial statements are prepared on the historical cost basis except that freehold property is stated at fair value. The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These consolidated financial statements are presented in Pounds which is the parent company's functional currency. All financial information presented in Pounds has been rounded to the nearest thousand.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 May 2011 or 2012 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 year. 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 year	Weighted average number of shares	2012 Earnings per share	Profit for the year	Weighted average number of shares	2011 Earnings per share
	£'000	Number	p	£'000	Number	p
Basic earnings per share	3,142	8,544,971	36.76p	2,653	8,524,337	31.12p
Dilutive share options	-	236,956	(0.99p)	-	199,794	(0.71p)
Diluted earnings per share	3,142	8,781,927	35.77p	2,653	8,724,131	30.41p
Property revaluation uplift	(30)	-	(0.34p)	(55)	-	(0.63p)
Adjusted, diluted earnings per share	3,112	8,781,927	35.43p	2,598	8,724,131	29.78p
Adjusted, basic earnings per share	3,112	8,544,971	36.42p	2,598	8,524,337	30.48p

3. Annual General Meeting

The Annual General Meeting of the company will be held at Scotland House, 165-169 Scotland Street, Glasgow G5 8PL at 11 am on 20 November 2012.

4. Further copies

Further copies of the Directors' report and financial statements will be available, free of charge, for a period of one month following posting to shareholders from the company's Nominated Adviser and Broker, Nplus1Brewin LLP, 12 Smithfield Street, London, EC1A 9LA, telephone: 0845 213 2000. Copies of the full financial statements will be posted to shareholders as soon as practicable. A copy of this announcement will be made available on the company's website: www.murgitroyd.com