

7 September 2015

**Murgitroyd Group PLC ("the Group")
Preliminary Results for the year ended 31 May 2015**

The Group (AIM:MUR), is pleased to announce its audited results for the year ended 31 May 2015.

Highlights

- Revenue increased to £39.8m (2014: £38.4m)
- Profit before income tax increased to £4.16m (2014: £4.10m)
- Basic earnings per share of 35.0p (2014: 33.2p)
- Proposed final dividend of 10.5p per share, giving a total dividend for the year of 14.75p (2014: 13.25p), an increase of 11.3% year on year
- Net cash of £0.71m (31 May 2014 net debt: £0.38m)

Ian Murgitroyd, Chairman of Murgitroyd Group PLC said:

"We are pleased to be able to report an increase in pre-tax profits to £4.16m together with record revenues of £39.8m, the latter continuing the Group's record of unbroken revenue growth since its flotation in 2001. We are also reporting for the first time a positive net cash position at the year end.

"Increased revenues continue to be achieved through organic growth as a result of our continued investment in infrastructure, people and processes, and a focus on business development. Over the next year we will continue to drive growth in the USA while also increasing our focus on Europe, with the aim of reversing the recent contraction of revenues in this market as economic activity increases.

"Despite the challenging trading environment, these results are encouraging and reinforce the Board's confidence in the Group's ability to deliver sustainable, long-term growth and value for shareholders. This, combined with the Group's strong cash flows, underpins our commitment to a continued progressive dividend policy.

"Trading since the year end has been in line with management expectations. We look to the future with confidence."

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Murgitroyd Group PLC

Chairman's Statement

Financial review

During 2015 the Group generated record revenue of £39.8m, an increase of 3.8% over the previous year. This continues the record of unbroken revenue growth since the Group's flotation in 2001, with pre-tax profits increasing to £4.2m (2014: £4.1m).

Importantly 2015 saw a return to year-on-year earnings growth, after unfavourable foreign exchange rate movements contributed to earnings falling back in 2014, the only decline since flotation.

Revenue growth continues to be driven organically by the Group's ongoing investment in business development, principally in the USA where revenue from US clients increased by more than 20% year-on-year to £15.7m. The USA now represents almost 40% of the Group by revenue.

This growth was partially offset by a further contraction of £0.9m in revenues from the Group's longstanding UK client base which once dominated the business. Revenue from UK clients peaked at £19.5m in 2011. The return to growth in this market, and in Europe more generally, is an area of strategic focus for the Group in the medium term.

The Group remains committed to its strategy of achieving sustainable long-term growth, through continued investment in its business development, sales and marketing.

Gross profit was unchanged year-on-year at £22.1m, with the gross margin percentage decreasing slightly to 55.4% (2014: 57.6%). This continues to reflect the ongoing changes in our client and sales mix highlighted previously, as well as the continuing price pressure in the market for professional Intellectual Property advisory services.

Operating profit increased by 1.2% reflecting a strong focus on controlling costs. Administrative expenses reduced to £17.9m (2014: £18.0m).

Profit before tax increased by 1.5% to £4.2m (2014: £4.1m); the result of the organic revenue growth and good control of overheads, offset by the impact of the reduction in gross margin.

Basic earnings per share increased to 35.00p (2014: 33.16p) as a consequence of the growth in profit and a reduction in applicable corporate tax rates. The Group's effective tax rate decreased to 24.9% (2014: 28.0%) principally as a result of the continuing decline in UK corporate tax rates.

Net cash flow from operating activities was £2.5m (2014: £2.9m) and, for the first time since flotation, the Group is reporting a positive net cash position at the year end. At 31 May 2015, net funds stood at £0.7m (31 May 2014: net debt: £0.4m).

Operating review

As we reported at the time of our interim results, the Group's operating businesses continue to service clients from fifteen offices in eight countries, with all operations rebranded as "MURGITROYD" on 1 July 2014.

In my Chairman's Statement last year I highlighted that Edward Murgitroyd had taken on day-to-day leadership of the management teams of the operational businesses during the preceding year. Reflecting this, Edward was appointed Chief Executive Officer of the MURGITROYD operating subsidiaries in October 2014, and, with his management team, has led the continued investment in both revenue growth and internal efficiencies.

The return on the investment from business development and marketing is evidenced by the increase in reported revenue, whilst the return on our investment in systems and processes is demonstrated by the increase in revenue being achieved in parallel with a reduction in overall headcount.

At 31 May 2015, the Group employed 240 people, down from a peak of more than 260. This reduction is anticipated to continue in the new financial year through further internal efficiencies. Total staff numbers have been reduced by six since the end of the financial year.

As well as a reduction in overall headcount, notwithstanding continuing growth in revenue, the number of qualified Attorneys required, and employed, by the Group also continues to fall, reflecting the transfer of a number of revenue-generating areas from Attorneys to paralegals, specialist formalities staff, and Patent and Trade Mark Administrators. At 31 May 2015 the Group employed 61 qualified Attorneys and generated £39.8m revenue in the year to that date. This compares with a qualified Attorney complement at 31 May 2009 of 70, the end of a financial year in which the Group's total revenue was more than £10m lower at £29.4m.

The Group will continue to recruit and train paralegals, specialist formalities staff, and Patent and Trade Mark Administrators whilst at the same time restructuring how it delivers services to clients to generate greater efficiencies. This restructuring is on course and remains a key component of the Group's strategy of continuing to grow both revenue and earnings.

The market

The markets in which MURGITROYD operate showed steady growth in the period under review. As reported in the Interim Results, statistics available from the European Union's Office for Trade Marks and Designs ("OHIM") continue to show an increase in Community Trade Mark ("CTM") applications and a stable demand for Registered Community Design ("RCD") applications. The year-on-year growth in CTM applications, to 31 May 2015, was 4.4% whilst RCD applications were unchanged.

The European Patent Office's ("EPO") most recent published statistics for the calendar year 2014 report an annual increase of 3% in European Patent applications to 273,000, which is an all-time high. As also reported in the Interim Results, the composition of these filings very much reflect MURGITROYD's experience, with applications from the USA increasing by 6.7%, Japanese originating applications falling by 3.8% and European originating applications remaining virtually unchanged.

As stated previously, we continue to monitor developments concerning the introduction of the new European Unitary Patent, which is still expected to be ratified by sufficient member states of the European Union ("EU") and enter into force during the course of 2017.

OHIM's and the EPO's statistics are considered good indicators of the current state of the market in which the Group operates. However, whilst the market as a whole remains buoyant as measured by the numbers of Patents and Trade Marks being filed, price pressures remain. Critically assessing and investing in improvements in the Group's working practices, service delivery and cost control remains a priority.

Although we are monitoring any impacts that the outcome of the proposed referendum on the UK's membership of the EU may have on the business, we are confident that the geographic spread of the Group's activities and customer base will enable us to deal with any resultant changes or uncertainties.

Board

The Group announced in February 2015 that non-Executive Director David Gray had resigned from the Board. In that announcement David's contribution to the Group was acknowledged and the Board wishes him well for the future. I am pleased to report that, as announced in August 2015, Dr Christopher Masters and John Reid have been appointed as non-Executive Directors. On 12 August 2015 the Board was further enhanced by the appointment of an additional Executive Director, Gordon Stark, MURGITROYD's Chief Operations Officer. I am delighted to welcome them all. Christopher and John will both add to the breadth and depth of commercial expertise and public company experience of the Board, whilst Gordon brings operational, as well as IP industry, insight.

Consistent with the new Board appointments and the previously announced reduction in my executive role, I intend to move from being Executive to non-Executive Chairman during the current financial year, at which point the Board will comprise five non-Executive and four Executive Directors.

Share price

During the period, the middle market price of the company's shares fluctuated between 461p and 628p. The current middle market price is 520p.

Dividend

An increased interim dividend of 4.25p per share was paid during the year, reflecting the Board's confidence in the performance of the Group. The near elimination of Group borrowings, and the net funds position as at 31 May 2015 noted above, provides flexibility for the Board to sustain a more progressive dividend policy. A final dividend of 10.5p per share is therefore being proposed, giving a total dividend for the year of 14.75p (2014: 13.25p), an increase of 11.3% year-on-year.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 13 November 2015 to shareholders on the register on 2 October 2015. The ex-dividend date is 1 October 2015.

Outlook

In the context of a continuation of the challenging trading environment, these results are encouraging and reinforce the Board's confidence in the Group's ability to deliver sustainable, long-term growth and value to shareholders through ongoing investment and our established market presence. We are pleased to report that trading since the year end has been in line with management expectations.

Ian G Murgitroyd
Chairman

7 September 2015

This preliminary announcement was approved by the Board of Directors on 7 September 2015.

Consolidated statement of comprehensive income

for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £'000	Year ended 31 May 2014 £'000
Revenue		39,819	38,353
Cost of sales		(17,750)	(16,268)
Gross profit		22,069	22,085
Administrative expenses		(17,887)	(17,952)
Operating profit		4,182	4,133
Financial income		3	4
Financial expense		(22)	(37)
Profit before income tax		4,163	4,100
Income tax		(1,039)	(1,150)
Profit for the year attributable to equity holders of the parent		3,124	2,950
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		-	50
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign exchange translation differences			
– equity accounted investments		75	(118)
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		3,199	2,882
Earnings per share	2		
Basic		35.00p	33.16p
Diluted		34.51p	32.67p

Consolidated balance sheet

at 31 May 2015

	31 May 2015 £'000	31 May 2014 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,360	2,462
Intangible assets and goodwill	14,924	14,936
Deferred tax asset	-	28
Total non-current assets	<u>17,284</u>	<u>17,426</u>
Current assets		
Work in progress	254	671
Trade and other receivables	16,086	14,515
Taxation recoverable	12	125
Cash and cash equivalents	1,617	1,457
Total current assets	<u>17,969</u>	<u>16,768</u>
Total assets	<u>35,253</u>	<u>34,194</u>
Current liabilities		
Other interest-bearing loans and borrowings	(304)	(795)
Trade and other payables	(5,980)	(5,998)
Total current liabilities	<u>(6,284)</u>	<u>(6,793)</u>
Non-current liabilities		
Other interest-bearing loans and borrowings	(607)	(1,045)
Deferred tax liabilities	(21)	-
Total non-current liabilities	<u>(628)</u>	<u>(1,045)</u>
Total liabilities	<u>(6,912)</u>	<u>(7,838)</u>
Net assets	<u>28,341</u>	<u>26,356</u>
Equity		
Share capital	893	893
Share premium	3,368	3,368
Merger reserve	6,436	6,436
Revaluation reserve	47	47
Foreign currency translation reserve	(43)	(118)
Retained earnings	17,640	15,730
Total equity attributable to equity holders of the parent	<u>28,341</u>	<u>26,356</u>

Consolidated statement of cash flows

for the year ended 31 May 2015

	Year ended 31 May 2015 £'000	Year ended 31 May 2014 £'000
Cash flows from operating activities		
Profit for the year	3,124	2,950
<i>Adjustments for:</i>		
Depreciation	285	255
Amortisation	52	65
(Gain)/loss on disposal of property, plant and equipment	-	(15)
Other reserves movements	75	(118)
Financing costs	19	33
Income tax expense	1,039	1,150
	4,594	4,320
Increase in trade and other receivables	(1,571)	(647)
Decrease/(increase) in work in progress	417	(48)
(Decrease)/increase in trade and other payables	(20)	302
Decrease in provision for liabilities	-	(55)
	3,420	3,872
Interest paid	(21)	(43)
Interest received	3	4
Income tax paid	(896)	(947)
	2,506	2,886
Net cash from operating activities		
Cash flows from investing activities		
Acquisition of property, plant and equipment	(150)	(320)
Acquisition of intangible fixed assets	(40)	(87)
Proceeds from disposal of property, plant and equipment	-	15
	(190)	(392)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from exercise of share options	-	145
Repayment of borrowings	(929)	(1,054)
Dividends paid	(1,227)	(1,113)
	(2,156)	(2,022)
Net cash used in financing activities		
Net increase in cash and cash equivalents	160	472
Cash and cash equivalents at start of year	1,457	985
Cash and cash equivalents at year end	1,617	1,457

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 judgments, 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 judgments 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 2014 or 2015 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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	2015 Earnings per share	Profit for the year	Weighted average number of shares	2014 Earnings per share
	£'000	Number	p	£'000	Number	p
Basic earnings per share	3,124	8,926,847	35.00p	2,950	8,897,617	33.16p
Dilutive share options	-	125,769	(0.49p)	-	132,993	(0.49p)
Diluted earnings per share	3,124	9,052,616	34.51p	2,950	9,030,610	32.67p

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 11am on 29 October 2015.

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, N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX, telephone: 0207 496 3000. 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