

8 September 2014

**Murgitroyd Group PLC ("Murgitroyd" or "the Group")  
Preliminary Results for the year ended 31 May 2014**

Murgitroyd (AIM:MUR), the European Patent and Trade Mark Attorney, is pleased to announce its audited results for the year ended 31 May 2014.

**Highlights**

- Turnover increased to £38.4m (2013: £36.0m)
- Profit before income tax\* decreased by 9% to £4.13m (2013: £4.56m)
- Basic earnings per share of 33.2p (2013: 38.2p)
- Proposed final dividend of 9.5p per share, giving a total dividend for the year of 13.25p (2013: 12.5p), an increase of 6% year on year
- Net debt reduced to £0.38m (31 May 2013: £1.91m)
- Board to adopt a more aggressive dividend policy

\* before impact of property revaluations in 2013

Ian Murgitroyd, Chairman of Murgitroyd Group PLC said:

"We are pleased to once again report growth for the year. The reduction in earnings, caused in part by unfavourable foreign exchange rate movements, is disappointing, but we remain encouraged by our ability to win new business, believing it to be a reflection of the high quality service offering we provide.

"The market in which we operate continues to display growth but pricing pressure remains. As such, our commitment to ongoing investment in business development, sales and marketing, people and the development of our internal systems is an essential component to our future strategy, helping to build a robust platform to deliver sustainable long-term growth, both in revenue and earnings terms. 2015 will see us focus on the European market with the aim of reversing the recent contraction of revenues in this market, alongside our continued drive to pursue growth in the US. We are confident in our strategy and in our ability to continue to generate further value for shareholders. Reflecting this confidence, as well as the Group's strong cash flows, is our commitment to an aggressive dividend policy."

**For further information, please contact:**

Keith Young, Murgitroyd  
Sandy Fraser, N+1 Singer (NOMAD and Broker)  
Nadja Vetter/Georgina Hall, Cardew Group

T: 07802 951913  
T: 0131 603 6873  
T: 0207 930 0777

**Notes to Editors:**

Murgitroyd Group PLC, the holding company of Murgitroyd & Company Limited ("MURGITROYD"), a European Patent and Trade Mark Attorney practice, was floated on AIM on 30 November 2001.

MURGITROYD has European offices in Aberdeen, Belfast, Dublin, Edinburgh, Glasgow, Helsinki, London, Milan, Munich, Newcastle, Nice and York, and offices in Raleigh-Durham and Santa Clara.

MURGITROYD 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**

2014 saw Murgitroyd continue its record of unbroken revenue growth each year since flotation, an annual increase of 6.6% being achieved despite unfavourable headwinds from foreign exchange rate movements impacting earnings, as well as revenue.

This increase was achieved through organic growth accruing from continued investment in business development, principally in the US. Revenue from US clients again saw strong growth in 2014, increasing by £2.7m to £12.9m. This growth continues the long-term expansion of this market that has seen revenue from US clients increase by over 220% since 2010, a time period during which the Group's historic UK client base revenue has contracted from a peak of £19.5m in 2011 to the current level of £18.3m.

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

Gross profit was unchanged year on year at £22.1m, with the gross margin percentage contracting to 57.6% (2013: 61.5%). This reflects both the changes in client and sales mixes that have been highlighted previously, as well as the price pressure that continues in the market for professional IP advisory services.

Operating profit decreased by 9.4% to £4.1m (2013: £4.6m) excluding the effect of the £115,000 revaluation uplift applied to the Group's head office building in 2013. As I said in my Chairman's statement last year, 2013 marked the last distortion due to the annual revaluation, the upward revaluation of £50,000 recognised at 31 May 2014 being credited directly to equity.

As highlighted in the Trading statement issued in May, on a like-for-like basis, applying the average foreign exchange rates applicable in the financial year ended 31 May 2013, the translation effect of the stronger Pound during 2014 has had an adverse impact on revenue and gross profit, and consequently earnings. The impact of the stronger Pound on consolidated revenues and gross profit is estimated to have been £340,000.

Profit before income tax decreased by 11.1% to £4.1m (2013: £4.6m) reflecting the organic revenue growth as offset by margin reduction, the impact of unfavourable foreign exchange rate movements and the costs of generating the revenue growth.

Basic earnings per share decreased to 33.16p (2013: 38.15p).

The Group's effective tax rate increased slightly to 28.0% (2013: 27.8%) as the continuing reduction in UK corporate tax rates was offset slightly by the impact of the higher overseas tax rate applicable to the increased earnings generated by the Group's US operations.

Net cash flow from operating activities rose to £2.9m (2013: £2.1m), and net debt continued to fall. At 31 May 2014, net debt stood at £0.38m (31 May 2013: £1.9m).

#### **Operating review**

Murgitroyd operated from an unchanged fifteen-office network, in eight countries worldwide, during the year.

2014 saw the continuing evolution of the Group's operations, revenue growth being driven by ongoing business development, sales and marketing efforts. Since the year end, the Group has rebranded all of its client-facing operating businesses under the simplified "MURGITROYD" brand. Deputy Chairman Edward Murgitroyd assumed day-to-day leadership of the operational businesses' management teams from me over the last year, driving the strategy for growth and implementing the rebranding.

The Group has continued to recruit and train paralegals, specialist formalities staff, and Patent and Trade Mark Administrators. This is reflected in the change in composition of a slightly increased overall average staff complement. I discuss this further, below. Continuing to restructure how the Group delivers services to clients, allied to driving fee earner efficiency, are key components of the Group delivering increased future earnings from the new business being won at lower prices.

Recruitment of Attorneys remains a key part of the Group's expansion plans too however, and, notwithstanding the net reduction in Attorney numbers in 2014 we have grown Attorney numbers in our newer offices in Munich and the City of London, as well as in Dublin. We also continue to recruit and train graduates to qualify as Attorneys.

Ensuring each geographical part of Murgitroyd's operations is contributing satisfactorily is also key to the Group's overall success. As previously highlighted, sales to US clients have grown by more than a quarter in 2014 (2013: an increase of 19%), with the Group's second US business development hub in the Santa Clara area now well established and generating a satisfactory level of new business. Much of the US new business continues to come from larger corporate clients, many utilising the Group's IP Portal Patent national phase filing service, a market that Murgitroyd's business development teams continue to target.

In parallel to continuing to drive revenue growth in the USA, a particular focus for 2015 will be the expansion of business development, sales and marketing efforts here in Europe with the aim of reversing the contraction of revenues, admittedly at a time of broader economic stagnation in this market.

In my statement last year, I highlighted the investment we were making in improving our internal systems using our own in-house IT developers, with a view to achieving the sustainable growth of earnings in the face of increased price pressure, and given the Group's changing client and sales mix. This investment has continued in 2014. As I said in 2013, much of this is geared towards the lowering of the costs of delivering services to clients and streamlining interactions with them.

## **The market**

The markets in which Murgitroyd operates continued to display 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") and Registered Community Design ("RCD") applications. The year on year growth in CTM and RCD applications, to 31 May 2014, was 4.5% and 4.7% respectively.

The European Patent Office's ("EPO") most recent published statistics are for the calendar year 2013. These reported an annual increase of 2.8% in European Patent applications, to 266,000, an all-time high. Of these, 64% came from applicants based outside Europe, with a quarter of all filings coming from the US. The overall number of European Patent applications filed annually has increased by 12.7% since 2010.

As stated previously, we monitor developments concerning the introduction of the new European Unitary Patent, which is now not expected to be ratified by sufficient member states of the European Union and enter into force before 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. Clients, in particular the larger corporate clients with significant IP portfolios, continue to demand more for less from their professional advisers. Critically assessing and investing in improvements in the Group's working practices and service delivery and cost control, in parallel to winning new business therefore, remains a priority.

We are monitoring the impacts that the outcome of the referendum on Scottish independence may have on the business but we are confident that the geographic spread of the Group will enable us to deal easily with any resultant changes or uncertainties.

## **People**

Staff numbers increased slightly and in 2014 the Group employed 242 staff on average (2013: 240, 2012: 235). Attorney numbers again fell slightly during the period, down by three, to 73 (2013:76, 2012: 81), reflecting the continuing evolution of working practices that have facilitated increased levels of work being carried out by specialist formalities staff and paralegals.

We remain committed to investment in our employees and, on behalf of the Board, I would like to thank them for their continued hard work over the past year.

## **Share price**

During the period, the middle market price of the company's shares fluctuated between 471p and 669p. The current middle market price is 535p.

## **Dividend**

An interim dividend, of 3.75p per share, was paid during the year, reflecting the Board's confidence in the continued performance of the Group. The near elimination of Group borrowings noted above provides flexibility for the Board to adopt a more aggressive dividend policy. A final dividend of 9.5p per share is being proposed, giving a total dividend for the year of 13.25p (2013: 12.5p), an increase of 6% year on year.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 14 November 2014 to shareholders on the register on 3 October 2014. The ex-dividend date is 1 October 2014.

## **Outlook**

We are pleased to once again report growth for the year. The reduction in earnings, caused in part by unfavourable foreign exchange rate movements, is disappointing, but we remain encouraged by our ability to win new business and committed to the investment required to ensure future growth of earnings as well as revenues in the longer term. In the meantime, the price pressure we have seen in the market continues to impact the Group and, we expect, will constrain profits progression both this year and next.

Whilst the focus remains on organic growth, the Board also continues to believe appropriate acquisitions to be complementary to the Group's long-term objective where these are assessed to be immediately earnings enhancing.

We continue to be optimistic about the delivery of long-term sustainable growth.

**Ian G Murgitroyd**  
**Chairman**

**8 September 2014**

This preliminary announcement was approved by the Board of Directors on 8 September 2014.

## Consolidated statement of comprehensive income

for the year ended 31 May 2014

|  | Note     | Year<br>ended<br>31 May<br>2014<br>£'000 | Year<br>ended<br>31 May<br>2013<br>£'000 |
|--|----------|--|--|
|  |          |  | (Restated, see Note 1)                   |
| <b>Revenue</b>   |          | <b>38,353</b>                            | 35,969                                   |
| Cost of sales  |          | <b>(16,268)</b>                          | (13,882)                                 |
| <b>Gross profit</b>  |          | <b>22,085</b>                            | 22,087                                   |
| Administrative expenses (including property revaluation uplift of £nil; 2013: £115,000)                              |          | <b>(17,952)</b>                          | (17,408)                                 |
| Operating profit before property revaluation uplift  |          | <b>4,133</b>                             | 4,564                                    |
| Property revaluation uplift  |          | -  | 115                                      |
| <b>Operating profit</b>  |          | <b>4,133</b>                             | 4,679                                    |
| Financial income   |          | <b>4</b>                                 | 3  |
| Financial expense  |          | <b>(37)</b>                              | (71)                                     |
| <b>Profit before income tax</b>  |          | <b>4,100</b>                             | 4,611                                    |
| Income tax   |          | <b>(1,150)</b>                           | (1,285)                                  |
| <b>Profit for the year attributable to equity holders of the parent</b>  |          | <b>2,950</b>                             | 3,326                                    |
| <b>Other comprehensive income</b>  |          |  |  |
| <i>Items that will not be reclassified to profit or loss:</i>  |          |  |  |
| Revaluation of property, plant and equipment   |          | <b>50</b>                                | 9  |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i>   |          |  |  |
| Foreign exchange translation differences   |          |  |  |
| – equity accounted investments   |          | <b>(118)</b>                             | -  |
| <b>Profit for the financial year and total comprehensive income all attributable to equity holders of the parent</b> |          | <b>2,882</b>                             | 3,335                                    |
| <b>Earnings per share</b>  | <b>2</b> |  |  |
| <b>Basic</b>   |          | <b>33.16p</b>                            | 38.15p                                   |
| <b>Diluted</b>   |          | <b>32.67p</b>                            | 37.52p                                   |

# Consolidated balance sheet

at 31 May 2014

|  | 31 May<br>2014<br>£'000 | 31 May<br>2013<br>£'000 |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| <b>Non-current assets</b>  |                         |                         |
| Property, plant and equipment                                    | 2,462                   | 2,314                   |
| Intangible assets and goodwill                                   | 14,936                  | 14,914                  |
| Deferred tax asset   | 28                      | 99                      |
| <b>Total non-current assets</b>                                  | <u>17,426</u>           | <u>17,327</u>           |
| <b>Current assets</b>  |                         |                         |
| Work in progress   | 671                     | 623                     |
| Trade and other receivables                                      | 14,515                  | 13,868                  |
| Taxation recoverable   | 125                     | 179                     |
| Cash and cash equivalents  | 1,457                   | 989                     |
| <b>Total current assets</b>                                      | <u>16,768</u>           | <u>15,659</u>           |
| <b>Total assets</b>  | <u>34,194</u>           | <u>32,986</u>           |
| <b>Current liabilities</b>                                       |                         |                         |
| Bank overdraft   | -                       | (4)                     |
| Other interest-bearing loans and borrowings                      | (795)                   | (1,001)                 |
| Trade and other payables   | (5,998)                 | (5,702)                 |
| <b>Total current liabilities</b>                                 | <u>(6,793)</u>          | <u>(6,707)</u>          |
| <b>Non-current liabilities</b>                                   |                         |                         |
| Other interest-bearing loans and borrowings                      | (1,045)                 | (1,893)                 |
| Provisions for liabilities                                       | -                       | (55)                    |
| <b>Total non-current liabilities</b>                             | <u>(1,045)</u>          | <u>(1,948)</u>          |
| <b>Total liabilities</b>   | <u>(7,838)</u>          | <u>(8,655)</u>          |
| <b>Net assets</b>  | <u>26,356</u>           | <u>24,331</u>           |
| <b>Equity</b>  |                         |                         |
| Share capital  | 893                     | 886                     |
| Share premium  | 3,368                   | 3,230                   |
| Merger reserve   | 6,436                   | 6,436                   |
| Revaluation reserve  | 47                      | -                       |
| Foreign currency translation reserve                             | (118)                   | -                       |
| Retained earnings  | 15,730                  | 13,779                  |
| <b>Total equity attributable to equity holders of the parent</b> | <u>26,356</u>           | <u>24,331</u>           |

## Consolidated statement of cash flows

for the year ended 31 May 2014

|  | Year<br>ended<br>31 May<br>2014<br>£'000 | Year<br>ended<br>31 May<br>2013<br>£'000 |
|--|--|--|
| <b>Cash flows from operating activities</b>              |  |  |
| Profit for the year                                      | 2,950                                    | 3,326                                    |
| <i>Adjustments for:</i>                                  |  |  |
| Depreciation   | 255                                      | 217                                      |
| Amortisation   | 65                                       | 27                                       |
| (Gain)/loss on disposal of property, plant and equipment | (15)                                     | (1)                                      |
| Other reserves movements                                 | (118)                                    | -  |
| Property revaluation surplus                             | -  | (115)                                    |
| Financing costs  | 33                                       | 68                                       |
| Equity settled share-based payment expense               | -  | 23                                       |
| Income tax expense                                       | 1,150                                    | 1,285                                    |
|  | <hr/>                                    | <hr/>                                    |
|  | 4,320                                    | 4,830                                    |
| Increase in trade and other receivables                  | (647)                                    | (692)                                    |
| Increase in work in progress                             | (48)                                     | (261)                                    |
| Increase/(decrease) in trade and other payables          | 302                                      | (239)                                    |
| Decrease in provision for liabilities                    | (55)                                     | -  |
|  | <hr/>                                    | <hr/>                                    |
|  | 3,872                                    | 3,638                                    |
| Interest paid  | (43)                                     | (73)                                     |
| Interest received  | 4  | 3  |
| Income tax paid  | (947)                                    | (1,421)                                  |
|  | <hr/>                                    | <hr/>                                    |
| <b>Net cash from operating activities</b>                | 2,886                                    | 2,147                                    |
| <b>Cash flows from investing activities</b>              |  |  |
| Acquisition of property, plant and equipment             | (320)                                    | (280)                                    |
| Acquisition of intangible fixed assets                   | (87)                                     | (114)                                    |
| Proceeds from disposal of property, plant and equipment  | 15                                       | 1  |
|  | <hr/>                                    | <hr/>                                    |
| <b>Net cash used in investing activities</b>             | (392)                                    | (393)                                    |
| <b>Cash flows from financing activities</b>              |  |  |
| Proceeds from exercise of share options                  | 145                                      | 585                                      |
| Repayment of borrowings                                  | (1,054)                                  | (1,205)                                  |
| Dividends paid   | (1,113)                                  | (1,065)                                  |
|  | <hr/>                                    | <hr/>                                    |
| <b>Net cash used in financing activities</b>             | (2,022)                                  | (1,685)                                  |
| Net increase in cash and cash equivalents                | 472                                      | 69                                       |
| Cash and cash equivalents at start of year               | 985                                      | 916                                      |
|  | <hr/>                                    | <hr/>                                    |
| <b>Cash and cash equivalents at year end</b>             | 1,457                                    | 985                                      |

## 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 2013 or 2014 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 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.

Foreign exchange gains and losses (2014: gain of £1,355,000, 2013: gain of £1,237,000), previously accounted for in administrative expenses, are now accounted for in cost of sales in the consolidated statement of comprehensive income. The cost of sales and administrative expenses figures for both comparative accounting periods have been restated accordingly. There was no impact upon the reported profit for the previous year

### 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.

|                                      | <b>Profit<br/>for the<br/>year</b> | <b>Weighted<br/>average<br/>number of<br/>shares</b> | <b>2014<br/>Earnings<br/>per<br/>share</b> | <b>Profit<br/>for the<br/>year</b> | <b>Weighted<br/>average<br/>number of<br/>shares</b> | <b>2013<br/>Earnings<br/>per<br/>share</b> |
|--------------------------------------|------------------------------------|--|--|------------------------------------|--|--|
|                                      | <b>£'000</b>                       | <b>Number</b>  | <b>p</b>                                   | <b>£'000</b>                       | <b>Number</b>  | <b>p</b>                                   |
| Basic earnings per share             | <b>2,950</b>                       | <b>8,897,617</b>                                     | <b>33.16p</b>                              | 3,326                              | 8,718,070  | 38.15p                                     |
| Dilutive share options               | -                                  | <b>132,993</b>                                       | <b>(0.49p)</b>                             | -                                  | 146,691  | (0.63p)                                    |
| Diluted earnings per share           | <b>2,950</b>                       | <b>9,030,610</b>                                     | <b>32.67p</b>                              | 3,326                              | 8,864,761  | 37.52p                                     |
| Property revaluation uplift          | -                                  | -  | -  | (115)                              | -  | (1.29p)                                    |
| Adjusted, diluted earnings per share | <b>2,950</b>                       | <b>9,030,610</b>                                     | <b>32.67p</b>                              | 3,211                              | 8,864,761  | 36.23p                                     |
| Adjusted, basic earnings per share   | <b>2,950</b>                       | <b>8,897,617</b>                                     | <b>33.16p</b>                              | 3,211                              | 8,718,070  | 36.83p                                     |

### 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 28 October 2014.

#### **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](http://www.murgitroyd.com)