

9 September 2013

**Murgitroyd Group PLC ("Murgitroyd" or "the Group")
Preliminary Results for the year ended 31 May 2013**

Murgitroyd (AIM:MUR), the European Patent and Trade Mark Attorney, is pleased to announce its audited results for the year ended 31 May 2013.

Highlights

- Turnover increased to £36.0m (2012: £35.7m)
- Profit before income tax* increased by 2% to £4.5m (2012: £4.4m)
- Record basic earnings per share of 38.2p (2012: 36.8p)
- Proposed final dividend of 8.75p per share, giving a total dividend for the year of 12.5p (2012: 12p), an increase of 4.2% year on year
- Net debt reduced to £1.9m (31 May 2012: £3.2m)

* before impact of property revaluations

Ian Murgitroyd, Chairman of Murgitroyd Group PLC said:

"In a challenging macro environment, Murgitroyd has once again delivered increased sales and profitability. Investment in the business remains a key focus and the Board is confident that Murgitroyd can continue on its steady growth path."

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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 delivered growth for the twelfth consecutive year with turnover increasing to £36.0m (2012: £35.7m). Organic expansion and tight cost controls have delivered positive results whilst enabling continued investment in the sustainable long-term growth of the business amidst a difficult macro economic environment.

Operating profit rose by 2.2% to £4.6m (2012: £4.5m) excluding the Group's head office building revaluation (2013: £115,000 uplift, 2012: £30,000 uplift). This year marks the last distortion due to the annual revaluation as the charge to the Income Statement made in 2009 of £355,000 has now fully reversed, and as such, any future upward revaluations will be credited directly to equity.

Profit before income tax increased by 4.5% to £4.6m (2012: £4.4m) reflecting organic growth and a continued tight control on costs.

As highlighted at the time of the Interim Results, the change of sales mix has seen the gross margin percentage fall from 67% in 2008 to 58% in the current year, and reflects both the pricing pressures that exist in the market for professional services and the business development strategy adopted over the last few years. This strategy has seen the Group concentrate on winning new filing work from larger corporate clients, predominantly in the USA. The success of this strategy, notwithstanding the recessionary environment of the last five years, has been seen in both the growth in overall sales and earnings, but more specifically the increase in sales to US clients. Revenues from US clients have increased from £3.1m in 2008 to the £10.2m reported for 2013. Securing instructions to file large volumes of Patents and/or Trade Marks is both profitable and as importantly accrues downstream work, over a three to five year period, as applications are subsequently examined, prosecuted and granted.

Basic earnings per share increased to a record level of 38.2p (2012: 36.8p). Once again, the increase in earnings per share can be partly attributed to the continuing reduction in UK corporate tax rates.

Net cash flow from operating activities remains strong at £2.1m. Net debt continues to fall and at 31 May 2013 stood at £1.9m (31 May 2012: £3.2m). Murgitroyd continues to operate well within all of its banking covenants.

Operating review

Murgitroyd operated fifteen offices in eight countries worldwide during the year and we continue to look to develop this global network. As well as driving organic growth, the Group has continued significant investment in business development, which is critical to securing future new work. This has seen the establishment of a second US business development hub in the San Francisco area, now with two members of staff, as well as the expansion of sales and marketing staff in Durham, NC, and here in Europe.

The Group has continued to recruit and train paralegals, specialist formalities staff, and Patent and Trade Mark Administrators. This has enabled us to complete fee earning work of the highest standard at competitive prices to existing and new clients alike whilst keeping tight control of costs. This also reflects a key restructuring of how the Group delivers services to clients, particularly relevant in a recessionary environment, and has both enabled the winning of work at lower prices and delivered an effective expansion of fee earning capacity without increasing the number of Attorneys employed as work has transferred from Attorneys to non-Attorneys.

Selective and strategic recruitment of Attorneys does, however, remain a key component of the Group's expansion plans, and during 2013 we have continued to grow Attorney numbers in our new offices in Munich and the City of London.

Following the year end, in August, the Group was also pleased to welcome John Liu who has brought his practice to the Munich office. John is an experienced German Patent Attorney with an established client base which will both complement and add to our growing German operation. He joins a growing Attorney group, now numbering four, in Munich whose growth has been overseen by Executive Director Graham Murnane who returns to the UK later this year after a two-year secondment.

We also continue to develop the London City office, which remains another specific focus for growth in the years to come and complements our existing established presence in south London.

Continuing the growth in Munich and central London are important parts of the Group's future strategy.

Under the European Union's agreement on a Unified Patent Court ("UPC"), London and Munich will each be home to a section of the central division of the UPC. The third location will be in Paris and, as stated previously, we will monitor developments concerning the introduction of the new Unitary Patent – likely not now until 2015 – to determine what is the most advantageous strategy for Paris. Any new Paris presence would complement the Group's established French operation in Nice.

As previously highlighted, sales to US clients have grown by circa 19% in 2013. Much of this new business comes from larger corporate clients utilising the Group's IP Portal Patent national phase filing service. Filings made using this service accrue significant savings to the instructing client, as well as downstream work for the Group.

In the year under review, the Group invested in additional sales people in both Durham, NC and on the US West Coast. The strategic importance of the USA as a source of business cannot be overstated, US applicants still accounting for almost a quarter of all European Patents ("EP") filed according to European Patent Office ("EPO") statistics.

Furthermore, investments have also been made in systems development by our own team of in-house systems and IT developers, with a view to continuing the sustainable growth of the business. Much of this investment is again geared towards both the lowering of the costs of delivering services to clients and streamlining the Group's interactions with them, and in ensuring the scalability of the Group's unitary operating model as expansion continues.

The market

The markets in which Murgitroyd operates continued to display growth. As reported in the Interim Results, statistics available from the European Community Trade Mark Office ("OHIM"), showed an increase in Community Trade Mark ("CTM") applications in 2012, up on the number of applications in 2011, a year that had seen the previous record high number of filings. This growth has continued in 2013 with the number of CTM applications up just under 5% in the first six months of the calendar year.

The EPO preliminary filing statistics for 2012 published in January 2013 reported an annual increase of 5.7% in EP applications, to 258,000 applications, setting a new record. Of these, 63% came from applicants based outside Europe, with 24.7% of filings coming from the USA.

Whilst the market as a whole remains buoyant as regards the numbers of Patents and Trade Marks being filed, price pressures remain. In short, clients expect the same, if not more, for less, from their professional advisers. Therefore, it is increasingly important that winning new business is prioritised whilst costs are tightly controlled as the work is processed.

People

These results would not have been possible without the hard work and commitment shown by our staff; we would like to take this opportunity to thank all of them.

Staff numbers increased slightly and in 2013 the Group employed 240 staff on average (2012: 235). Attorney numbers fell slightly during the period reflecting the increased levels of work given to the paralegal teams already mentioned.

We remain committed to continued investment in our employees, including the recruitment of graduates to train towards qualification as Attorneys.

Share price

During the period, the middle market price of the company's shares fluctuated between 313p and 518p. The current middle market price is 525p.

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. A final dividend of 8.75p per share is being proposed, giving a total dividend for the year of 12.5p (2012: 12p), an increase of 4.2% year on year.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 4 November 2013 to shareholders on the register on 11 October 2013. The ex-dividend date is 9 October 2013.

Outlook

We are pleased to once again report growth for the year at a time when the economic environment remains challenging. We are encouraged by these results and the investments made for future growth, are confident we can continue to grow the business, and are therefore optimistic about continuing the delivery of long-term sustainable growth. The focus remains to generate value for shareholders through organic growth, however the Board will also consider acquisition opportunities if they are complementary to the Group's existing offering and immediately earnings enhancing.

Ian G Murgitroyd
Chairman

9 September 2013

This preliminary announcement was approved by the Board of Directors on 9 September 2013.

Consolidated income statement
for the year ended 31 May 2013

	Note	Year ended 31 May 2013 £'000	Year ended 31 May 2012 £'000								
Revenue		35,969	35,699								
Cost of sales		<u>(15,119)</u>	(14,836)								
Gross profit		20,850	20,863								
Administrative expenses (including property revaluation uplift of £115,000; 2012: £30,000)		<u>(16,171)</u>	(16,325)								
<table> <tbody> <tr> <td>Operating profit before property revaluation uplift</td> <td></td> <td style="text-align: right;">4,564</td> <td style="text-align: right;">4,508</td> </tr> <tr> <td>Property revaluation uplift</td> <td></td> <td style="text-align: right;"><u>115</u></td> <td style="text-align: right;">30</td> </tr> </tbody> </table>				Operating profit before property revaluation uplift		4,564	4,508	Property revaluation uplift		<u>115</u>	30
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Property revaluation uplift		<u>115</u>	30								
Operating profit		4,679	4,538								
Financial income		3	3								
Financial expense		<u>(71)</u>	(112)								
Profit before income tax		4,611	4,429								
Income tax		<u>(1,285)</u>	(1,287)								
Profit for the year attributable to equity holders of the parent		<u>3,326</u>	3,142								
Earnings per share	2										
Basic		38.15p	36.76p								
Diluted		37.52p	35.77p								

Consolidated balance sheet
at 31 May 2013

	31 May 2013 £'000	31 May 2012 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,314	2,127
Intangible assets and goodwill	14,914	14,827
Deferred tax asset	99	73
Total non-current assets	<u>17,327</u>	<u>17,027</u>
Current assets		
Work in progress	623	362
Trade and other receivables	13,868	13,176
Taxation recoverable	179	-
Cash and cash equivalents	989	1,208
Total current assets	<u>15,659</u>	<u>14,746</u>
Total assets	<u>32,986</u>	<u>31,773</u>
Current liabilities		
Bank overdraft	(4)	(292)
Other interest-bearing loans and borrowings	(1,001)	(1,204)
Trade and other payables	(5,702)	(5,943)
Taxation payable	-	(118)
Total current liabilities	<u>(6,707)</u>	<u>(7,557)</u>
Non-current liabilities		
Other interest-bearing loans and borrowings	(1,893)	(2,895)
Other payables	-	-
Provisions for liabilities	(55)	(55)
Deferred tax liabilities	-	-
Total non-current liabilities	<u>(1,948)</u>	<u>(2,950)</u>
Total liabilities	<u>(8,655)</u>	<u>(10,507)</u>
Net assets	<u>24,331</u>	<u>21,266</u>
Equity		
Share capital	886	855
Share premium	3,230	2,676
Merger reserve	6,436	6,436
Revaluation reserve	-	-
Retained earnings	13,779	11,299
Total equity attributable to equity holders of the parent	<u>24,331</u>	<u>21,266</u>

Consolidated statement of cash flows
for the year ended 31 May 2013

	Year ended 31 May 2013 £'000	Year ended 31 May 2012 £'000
Cash flows from operating activities		
Profit for the year	3,326	3,142
<i>Adjustments for:</i>		
Depreciation	217	220
Amortisation	27	2
(Gain)/loss on disposal of property, plant and equipment	(1)	1
Provision for leasehold property dilapidations	-	-
Property revaluation surplus	(115)	(30)
Financing costs	68	109
Equity settled share-based payment expense	23	59
Income tax expense	1,285	1,287
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	4,830	4,790
Increase in trade and other receivables	(692)	(604)
(Increase)/decrease in work in progress	(261)	383
Decrease in trade and other payables	(239)	(470)
Decrease in provision for liabilities	-	(10)
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	3,638	4,089
Interest paid	(73)	(119)
Interest received	3	3
Income tax paid	(1,421)	(1,549)
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Net cash from operating activities	2,147	2,424
Cash flows from investing activities		
Acquisition of property, plant and equipment	(280)	(163)
Acquisition of intangible fixed assets	(114)	-
Proceeds from disposal of property, plant and equipment	1	-
Acquisition of subsidiaries, net of cash acquired	-	-
	<hr/>	<hr/>
Net cash used in investing activities	(393)	(163)
Cash flows from financing activities		
Proceeds from exercise of share options	585	31
Loans received	-	-
Repayment of borrowings	(1,205)	(1,189)
Dividends paid	(1,065)	(918)
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Net cash used in financing activities	(1,685)	(2,076)
Net increase in cash and cash equivalents	69	185
Cash and cash equivalents at start of year	916	731
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Cash and cash equivalents at year end	985	916
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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 2012 or 2013 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 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	2013 Earnings per share	Profit for the year	Weighted average number of shares	2012 Earnings per share
	£'000	Number	p	£'000	Number	p
Basic earnings per share	3,326	8,718,070	38.15p	3,142	8,544,971	36.76p
Dilutive share options	-	146,691	(0.63p)	-	236,956	(0.99p)
Diluted earnings per share	3,326	8,864,761	37.52p	3,142	8,781,927	35.77p
Property revaluation uplift	(115)	-	(1.29p)	(30)	-	(0.34p)
Adjusted, diluted earnings per share	3,211	8,864,761	36.23p	3,112	8,781,927	35.43p
Adjusted, basic earnings per share	3,211	8,718,070	36.83p	3,112	8,544,971	36.42p

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 24 October 2013.

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