30 January 2017

Murgitroyd Group PLC ("the Group")
Unaudited Interim Results for the six months ended 30 November 2016

The Group (AIM: MUR) is pleased to announce its unaudited interim results for the six months ended 30 November 2016.

Highlights

- Revenue increased by 5.3% to £21.45m (2015: £20.38m)
- Interim profit before income tax down 30% at £1.48m (2015: £2.11m)
- Basic EPS decreased 31.4% to 12.0p (2015: 17.6p)
- Proposed interim dividend of 5p per share (2015: 4.75p), an increase of 5.2%

Ian Murgitroyd, Group Chairman, commented:

"While the impact on interim profit of the Group's most recent acquisition was anticipated, the combination of a significant increase in investments and lower than anticipated revenue growth has led to a decline in profits for the first half.

"Notwithstanding the current contraction in interim earnings and continuing external uncertainties, the Board remains confident that it can deliver sustainable long-term growth and value to shareholders, reflected in the continuation of the progressive dividend policy.

"Profitable organic expansion of its client base and revenue, through targeted business development and the attraction and retention of high quality staff, coupled with economies of scale and effective cost control, are central planks of the Group's growth strategy."

For further information, please contact:

Keith Young, Murgitroyd Group PLC	T: 07802 951913
Sandy Fraser, N+1 Singer (NOMAD and Broker)	T: 0207 496 3000
Nadja Vetter, Cardew Group	T: 07941 340436
Emma Crawshaw, Cardew Group	T: 07971 468308
Cardew Group	T: 0207 930 0777

Murgitroyd Group PLC
Chairman's Statement

Financial review

In the six months to 30 November 2016, revenue increased to £21.45m (2015: £20.38m), an increase of 5.3%.

This growth includes the first revenue from MURGITROYD's new search and docketing group based in Managua, Nicaragua. Revenue generated by this group was in line with management expectations and amounted to £261,000, or just under a quarter of the year-on-year growth in the period.

The increase in revenue also reflects the benefit of the sustained depreciation in the value of Sterling that followed the result of the United Kingdom's ("UK") referendum on membership of the European Union ("EU"). The changes in Sterling's value against both the US Dollar and the Euro represented significant tailwinds for the Group given that more than 55% of revenue is denominated in those two currencies. It is estimated that, on a constant currency basis, and excluding revenue from the acquisition, revenue was broadly flat year-on-year.

Profit before income tax decreased by £630,000 to £1.48m (2015: £2.11m) reflecting acquisition and integration costs, and additional investment in business development and marketing activities, as well as slower than expected underlying revenue growth. Non-recurring professional fees in connection with the acquisition amounted to £57,000, and the post-acquisition net operating cost of the investment in Nicaragua totalled £216,000. The increased investment in business development and marketing activities saw expenditure in this area rise to £814,000 in the first half of the financial year, an increase of £343,000.

As mentioned at the time of the acquisition, its impact on interim profit was anticipated. It was expected that, due to the operation being loss-making in the first six months, it would be earnings-neutral in its first year and earnings enhancing thereafter.

Profit before income tax of £1.48m was below management's expectations and, consequently, measures have been taken to address the level of administrative expenses spend in the second half of the financial year, including the scale of investment in business development activities.

Reflecting the contraction in profit, basic earnings per share decreased year on year, by 31.4%, to 12.0p (2015: 17.6p).

Notwithstanding lower profitability, continuing strong cash flow facilitated the completion of the acquisition from internal cash reserves, the total purchase price amounting to £1.92m including employee benefit liabilities taken on. Substantially all of the purchase consideration represented goodwill, with £52,000 and £15,000 being attributable to tangible and intangible fixed assets respectively.

At 30 November 2016 the Group had cash amounting to £1.52m, with remaining term loan debt amounting to only £449,000.

Operating review

The Group's operating businesses, trading as MURGITROYD, continue to service clients from its international network, now spanning nine countries with the extension of the Global Support Services group ("GSS") to include the new operation in Nicaragua.

MURGITROYD's central Scotland operations have recently been consolidated in Glasgow, following the successful bringing together of London operations in Croydon, together saving office rental costs of over £100,000 on an annual basis. Additional efficiencies will also accrue from the continuing automation of processes, as well as the reduction in the scale of business development and marketing investment in the second half of the year.

The introduction of a new online annuities platform in November 2016 is a good example of the investment made in systems and has already directly led to new, recurring, GSS revenue being secured.

Revenue from MURGITROYD's GSS, employing paralegals, specialist formalities, search and docketing staff, and Patent and Trade Mark Administrators, continues to represent just over a third (34%) of total revenue, the remainder, and larger part, being produced by MURGITROYD's Attorney Practice Groups ("APG").

Analysis of revenue by geographical location of client also demonstrates that MURGITROYD continues to generate substantial revenue from North America, this geographical market contributing 49% of total revenue.

The EU Intellectual Property Office ("EUIPO") statistics show that there was an increase in EU Trade Mark ("EUTM") applications filed in 2016, its official statistics reporting that more than 135,000 EUTM applications were filed (2015: 130,400). In 2016 we have, therefore, seen the seventh consecutive year of growth, with the number of applications filed in that year setting a new record.

The European Patent Office ("EPO") is yet to report its 2016 statistics, so the most recent available data relates to 2015. The 2015 statistics from the EPO showed a 1.6% year-on-year increase in Patent filings, with the number rising to more than 278,000, an all-time high. The composition of these filings shows that filings originating in the US represent 24% of the total.

The EUIPO's and the EPO's statistics continue to be good indicators of the current state of the Group's European market.

In my Chairman's Statement a year ago I noted how, on 15 December 2015, the EPO had announced that with the adoption of a number of rules, it considered that preparations for the new Unitary Patent ("UP") were complete. The only remaining steps were the opening of the Unified Patent Court ("UPC") and the finalisation of the ratification process at national level which it hoped would take place in 2016. I also referred to a necessary pre-requisite for the UP system to start being the existence of the UPC, and that once thirteen states, including France, Germany and the UK, had ratified the treaty establishing the UPC, both the UPC and the UP system could come into being. On 28 November 2016, by which date eleven member states had ratified the UPC Agreement, the UK Government confirmed that it too was proceeding with preparations to ratify the Agreement. It stated that, notwithstanding the outcome of the EU referendum vote, it would continue with preparations for ratification over the following months and would be working with the Preparatory Committee to bring the UPC into operation as soon as possible.

As I said in my Chairman's Statement in September, the full impact of the EU referendum vote held on 23 June 2016 is not known, and it is too early to evaluate with certainty the longer-term consequences of the vote on the business, and on the European Intellectual Property ("IP") market more generally. Management remains however confident that the geographic spread of MURGITROYD's activities and customer base puts it in a strong comparative market position. After the UK's exit from the EU is completed the Group will also continue to have both operations and subsidiaries in the EU.

As at 30 November 2016 the Group employed 262 staff (31 May 2016: 250, 30 November 2015: 236), the net increase primarily reflecting the acquisition completed in June 2016.

Acquisition

The Group completed the acquisition of certain trade and assets from MDB and Patentvest on 23 June 2016 for a consideration of £1.82m. In addition, the Group took on liability for employment-related liabilities of £94,000. Included within the consideration was £37,000 in respect of IT systems, £15,000 in respect of tangible fixed assets and £15,000 in respect of client records, being assessed fair values. The remainder of the consideration represented goodwill.

Since the opening of the Managua Office its service offering has been extended to include technical illustration.

In its first five months as part of MURGITROYD, the Managua Office traded in line with management expectations, generating revenue of £261,000 and representing a post-acquisition net investment by the Group of £216,000 in the six months ended 30 November 2016. MURGITROYD management expects the Managua Office to make a contribution to Group earnings in the second half of the financial year.

Board

As previously announced, I became non-Executive Chairman of the Group after the Annual General Meeting in October 2016, formally taking on this role from 1 November 2016.

Dividend

The Board is proposing an interim dividend of 5p per share (2015: 4.75p) that will be paid on 23 March 2017 to shareholders on the register at 10 February 2017. The ex-dividend date will be 9 February 2017. This increase again reflects the Group's stated intention to adopt a higher payout ratio in recognition of its strong balance sheet and operating cash flow. The Board also intends, subject to trading results, the availability of distributable reserves and the economic outlook at that time, to recommend a final dividend.

Outlook

In my last Chairman's Statement in September I stated that the first half of the current financial year would see the Group absorb one-off transaction and integration costs related to the acquisition completed in late June 2016. I also made reference to macro-economic and other uncertainties which are anticipated to have an impact on the Group in 2017.

These uncertainties persist. Since September there has been a change in Government in the USA, the UK's exit from the EU is starting to take shape, the question of a second referendum on Scottish independence remains, and volatility in foreign currency markets has continued. We have also seen the first interest rate rise in the USA and inflation beginning to rise on both sides of the Atlantic. The long-awaited introduction of the UPC may also finally take place in 2017, bringing with it new challenges and opportunities for Patent Attorneys in Europe.

Notwithstanding the current contraction in interim earnings and continuing external uncertainties, the Group aims to continue to deliver sustainable long-term growth and value to its shareholders. The Board remains confident that it can consistently achieve this over the long-term, which is reflected in the continuation of the progressive dividend policy.

Profitable organic expansion of the Group's client base and revenue, through targeted business development and the attraction and retention of high quality staff, coupled with the realisation of economies of scale and effective cost control, are central planks of the Group's growth strategy.

Trading in the second half of the financial year is expected to be in line with historical levels, and is in line with management's revised expectations for 2017 that were announced in the Group's trading update on 24 January.

Ian G Murgitroyd
Group Chairman

30 January 2017

This interim announcement was approved by the Board of Directors on 30 January 2017.

MURGITROYD GROUP PLC

Unaudited consolidated statement of comprehensive income
for the six months ended 30 November 2016

	Six months ended 30 November 2016 £'000	Six months ended 30 November 2015 £'000	Year ended 31 May 2016 £'000
Revenue	**21,452**	20,376	42,231
Cost of sales	**(9,724)**	(9,151)	(19,565)
Gross profit	**11,728**	11,225	22,666
Administrative expenses	**(10,251)**	(9,111)	(18,372)
Operating profit	**1,477**	2,114	4,294
Financial income	**3**	2	3
Financial expense	**(4)**	(7)	(11)
Profit before income tax	**1,476**	2,109	4,286
Income tax	**(392)**	(541)	(1,120)
Profit for the period attributable to equity holders of the parent	**1,084**	1,568	3,166
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences – overseas undertakings	**364**	15	103
Revaluation of property, plant and equipment	**-**	-	33
Profit for the financial period and total comprehensive income all attributable to equity holders of the parent	**1,448**	1,583	3,302
Earnings per share			
Basic	**12.05p**	17.56p	35.35p
Diluted	**11.95p**	17.35p	35.03p

MURGITROYD GROUP PLC

Unaudited consolidated balance sheet
at 30 November 2016

	30 November 2016 £'000	30 November 2015 £'000	31 May 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	**2,410**	2,300	2,292
Intangible assets	**16,793**	14,913	14,953
Deferred tax asset	**-**	-	-
Total non-current assets	**19,203**	17,213	17,245
Current assets			
Work in progress	**607**	756	596
Trade and other receivables	**16,121**	16,138	14,976
Tax recoverable	**371**	204	548
Cash and cash equivalents	**1,523**	1,595	3,298
Total current assets	**18,622**	18,693	19,418
Total assets	**37,825**	35,906	36,663
Current liabilities			
Bank overdraft	**-**	(3)	-
Other interest-bearing loans and and borrowings	**(165)**	(205)	(185)
Trade and other payables	**(6,354)**	(6,106)	(5,646)
Tax payable	**-**	-	-
Total current liabilities	**(6,519)**	(6,314)	(5,831)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(284)**	(499)	(361)
Other payables	**(90)**	-	-
Deferred tax liabilities	**(34)**	(21)	(34)
Total non-current liabilities	**(408)**	(520)	(395)
Total liabilities	**(6,927)**	(6,834)	(6,226)
Net assets	**30,898**	29,072	30,437
Equity			
Share capital	**900**	896	899
Share premium	**3,497**	3,444	3,488
Merger reserve	**6,436**	6,436	6,436
Revaluation reserve	**47**	47	47
Foreign currency translation reserve	**424**	(28)	60
Retained earnings	**19,594**	18,277	19,507
Total equity attributable to equity holders of the parent	**30,898**	29,072	30,437

MURGITROYD GROUP PLC

Unaudited consolidated statement of cash flows
for the six months ended 30 November 2016

	Six months ended 30 November 2016 £'000	Six months ended 30 November 2015 £'000	Year ended 31 May 2016 £'000
Cash flows from operating activities			
Profit for the period	**1,084**	1,568	3,166
Adjustments for:			
Depreciation	**134**	138	265
Amortisation	**23**	11	30
Gain on disposal of property, plant and equipment	**-**	(5)	(4)
Financing costs	**1**	5	8
Equity settled share-based payment expense	**15**	7	22
Income tax expense	**392**	541	1,120
	1,649	2,265	4,607
Other reserves movements	**364**	15	103
(Increase)/decrease in trade and other receivables	**(1,145)**	(52)	1,110
Increase in work in progress	**(11)**	(502)	(342)
Increase/(decrease) in trade and other payables	**798**	126	(334)
	1,655	1,852	5,144
Interest paid	**(4)**	(7)	(11)
Interest received	**3**	2	3
Income tax paid	**(215)**	(733)	(1,632)
Net cash from operating activities	**1,439**	1,114	3,504
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(252)**	(78)	(165)
Acquisition of intangible assets	**(1,863)**	-	(59)
Proceeds from disposal of property, plant and equipment	**-**	5	5
Net cash used in investing activities	**(2,115)**	(73)	(219)
Cash flows from financing activities			
Proceeds from exercise of share options	**10**	79	126
Repayment of borrowings	**(97)**	(207)	(365)
Dividends paid	**(1,012)**	(938)	(1,365)
Net cash used in financing activities	**(1,099)**	(1,066)	(1,604)
(Decrease)/increase in cash and cash equivalents	**(1,775)**	(25)	1,681
Cash and cash equivalents at start of period	**3,298**	1,617	1,617
Cash and cash equivalents at period end	**1,523**	1,592	3,298

MURGITROYD GROUP PLC

Unaudited consolidated statement of changes in equity
for the six months ended 30 November 2016

	Share capital	Share premium	Profit and loss account	Foreign currency translation reserve	Revaluation reserve	Merger reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 June 2015	893	3,368	17,640	(43)	47	6,436	28,341
Total comprehensive income for the year:							
Profit for the year	-	-	3,166	-	-	-	3,166
Exchange rate differences	-	-	-	103	-	-	103
Revaluation in year	-	-	-	-	33	-	33
Transfer between reserves	-	-	33	-	(33)	-	-
Transactions with owners recorded directly in equity:							
Dividends	-	-	(1,365)	-	-	-	(1,365)
Share based payments	-	-	22	-	-	-	22
Deferred tax on share options	-	-	11	-	-	-	11
Share options exercised	6	120	-	-	-	-	126
Total equity at 31 May 2016	**899**	**3,488**	**19,507**	**60**	**47**	**6,436**	**30,437**
At 1 June 2015	893	3,368	17,640	(43)	47	6,436	28,341
Total comprehensive income for the period:							
Profit for the period	-	-	1,568	-	-	-	1,568
Exchange rate differences	-	-	-	15	-	-	15
Transactions with owners recorded directly in equity:							
Dividends	-	-	(938)	-	-	-	(938)
Share based payment	-	-	7	-	-	-	7
Share options exercised	3	76	-	-	-	-	79
Total equity at 30 November 2015	**896**	**3,444**	**18,277**	**(28)**	**47**	**6,436**	**29,072**
At 1 June 2016	899	3,488	19,507	60	47	6,436	30,437
Total comprehensive income for the period:							
Profit for the period	-	-	1,084	-	-	-	1,084
Exchange rate differences	-	-	-	364	-	-	364
Transactions with owners recorded directly in equity:							
Dividends	-	-	(1,012)	-	-	-	(1,012)
Share based payment	-	-	15	-	-	-	15
Share options exercised	1	9	-	-	-	-	10
Total equity at 30 November 2016	**900**	**3,497**	**19,594**	**424**	**47**	**6,436**	**30,898**

NOTES:

1 Basis of preparation

Murgitroyd Group PLC ("the Group") is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Group for the six months ended 30 November 2016 comprise those of Murgitroyd Group PLC and its subsidiaries (together referred to as "the Group").

The interim statement is prepared applying the recognition and measurement requirements of IFRSs as adopted by the EU. The Group has elected not to prepare the interim statement in accordance with IAS 34 as adopted by the EU.

The interim statement does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 May 2016 which were prepared in accordance with IFRS as adopted by the EU.

The preparation of the interim statement 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. Actual results differ from these estimates. The accounting policies applied by the Group in this interim statement are the same as those applied in its financial statements as at and for the year ended 31 May 2016. The following amendments to existing standards were effective for the first time in the financial period commencing on 1 June 2016 but did not have a material impact on the condensed interim statements of the Group.

- Annual Improvements to IFRSs – 2012-2014 Cycle

The comparative figures for the financial year ended 31 May 2016 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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.

The interim statement was approved by the Board of Directors on 30 January 2017.

2 Taxation

A charge for taxation has been included at the effective rate likely to be applied to the Group result for the full year to 31 May 2017.

3 Earnings per share

The earnings per share of Murgitroyd Group PLC are calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

	Six months ended 30 November 2016 £'000	Six months ended 30 November 2015 £'000	Year ended 31 May 2016 £'000
Profit for the period attributable to equity holders of the parent	**1,084**	1,568	3,166
Basic weighted average number of shares	**8,993,574**	8,933,098	8,955,757
Diluted weighted average number of shares	**9,070,430**	9,037,524	9,038,386
Basic earnings per share	**12.05p**	17.56p	35.35p
Diluted earnings per share	**11.95p**	17.35p	35.03p

4 Dividend

The Board is proposing an interim dividend of 5p per share (2015: 4.75p) that will be paid on 23 March 2017 to shareholders on the register at 10 February 2017. The ex-dividend date will be 9 February 2017.

The Board intends, subject to trading results, the availability of distributable reserves and the economic outlook at that time, to recommend an increased final dividend.

5 Acquisition

In the period to 30 November 2016, the Group acquired certain trade and assets from MDB Capital Group, LLC ("MDB") and Patentvest S.A. ("Patentvest"), including employee and client contracts of MDB's IP Software & Services Group, based in Managua, Nicaragua. The provisional book values and fair values of the assets and liabilities acquired were as follows:

	Carrying value and fair value £'000
Property, plant and equipment	(52)
Client contracts	(15)
Other non-current liabilities	94
Net assets	27
Total consideration	1,821
Goodwill arising on acquisition	1,848

The goodwill is considered to represent the synergies and assembled workforce from acquiring the operation.

All related acquisition costs have been expensed.

The acquisition occurred on 23 June 2016 so the Directors consider that the revenue and profit before income tax of the Group for the six months ended 30 November 2016 if the acquisition had occurred on 1 June 2016 would not have been materially different from those shown within the consolidated statement of comprehensive income.

6 Further copies

Copies of this announcement and the full interim statement will be available, free of charge, for a period of one month, from the Group's Nominated Broker, N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX, telephone: 0207 496 3000. A copy of this announcement will be made available on the company's website: www.murgitroyd.com

KPMG LLP

319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent review report to Murgitroyd Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 November 2016 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on *Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 November 2016 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Hugh Harvie
for and on behalf of KPMG LLP
Chartered Accountants
30 January 2017