12 September 2017

Murgitroyd Group PLC ("the Group")
Preliminary Results for the year ended 31 May 2017

The Group (AIM:MUR), is pleased to announce its audited results for the year ended 31 May 2017.

Highlights

- Revenue increased to £44.3m (2016: £42.2m)

- Profit before income tax decreased to £3.80m (2016: £4.29m)

- Basic earnings per share decreased to 28.3p (2016: 35.4p)

- Proposed final dividend of 12p per share, giving a total dividend for the year of 17p (2016: 16p), an increase of 6.3% year-on-year

Ian Murgitroyd, non-Executive Chairman of Murgitroyd Group PLC, said:

"I am pleased to be able to report the return to earnings growth in the second half of the financial year, after a first half that saw the Group absorb the one-off transaction and integration costs of its most recent acquisition. Generating a sustainable return on this investment remains a key goal for the Group, in conjunction with profitable growth through targeted business development, economies of scale and effective cost control, which remain central to the Group's strategy.

“We are operating in a robust market with good long-term prospects and the Board remains committed to the delivery of value to shareholders, reflected in the continuation of the progressive dividend policy."

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Murgitroyd Group PLC
Chairman's Statement

Financial review

In the full year to 31 May 2017, revenue increased by 4.8% to £44.25m (2016: £42.23m) as a result of a strong performance in the second half. Revenue in the second half of £22.8m was £1m higher than in the same period in the previous financial year and profit before tax for the second half stood at £2.32m (2016: £2.18m), an increase of over 6% compared to the equivalent period.

	Six months ended 31 May 2017	Six months ended 30 November 2016	Six months ended 31 May 2016	Six months ended 30 November 2015
Revenue	£22.80M	£21.45M	£21.80M	£20.40M
Profit before income tax	£2.32M	£1.48M	£2.18M	£2.11M

In line with the revised market expectations issued in January, profit before tax for the full year was £3.80m (2016: £4.29m) with basic earnings per share of 28.3p (2016: 35.4p). In line with its progressive dividend policy, the Board proposes a final dividend of 12p per share, an increase of 6.3%.

As reported in detail earlier this year, profit at the interim stage was negatively impacted by a combination of non-recurring costs associated with the Group's acquisition in Nicaragua and a significant increase in the level of investment in business development, sales and marketing, and lower than expected revenue growth. This investment also included capital expenditure on the Group's IT infrastructure, client interfaces and web presence. Reflecting this, capital expenditure on tangible fixed assets almost doubled year-on-year, to £318,000, and capitalised website and other online development costs increased by more than 60% to £95,000.

The increase in profit before tax in the second half of the financial year is a reflection of both the period's increase in revenue and a reduction in overhead costs. Following further cost control, the Group's spending on business development and marketing was lower in the second half, decreasing by 18%. Taking the year as a whole, total administrative expenses increased by more than 10%, due to the activities highlighted above.

The period under review includes the first contribution from MURGITROYD's new search and docketing group based in Managua, Nicaragua and the revenue generated amounted to £658,000, or just under a third of the reported year-on-year growth.

The Group's full year results also benefited from the continued weakness of Sterling following the result of the United Kingdom's ("UK") referendum on membership of the European Union ("EU"). The decrease in Sterling's value against both the US Dollar and the Euro resulted in significant gains for the Group given that more than 55% of revenue is denominated in those two currencies. The remaining 45% of revenue is generated directly in Sterling. A weakening in Sterling represents a net benefit to the Group, higher Sterling-equivalent revenue derived from foreign currency denominated fee income being partially offset by increases in MURGITROYD's non-Sterling costs that cannot readily be recovered from clients.

As MURGITROYD has experienced over many years, the geographic spread of the Group's activities and customer base continues to put us in a strong position to balance out any weakness in individual markets and currencies.

Interest charges fell to £6,000 from £11,000 as the Group continued to pay down its debt. As at 31 May 2017, the remaining term loan debt owed by the Group amounted to just £351,000 (31 May 2016: £546,000).

The Group's overall effective corporate tax rate increased to 33.1% (2016: 26.1%), mainly due to continued growth in overseas taxable earnings. Notwithstanding, the Group continued to experience strong cash flow from operating activities during the year. This facilitated the completion of the Managua acquisition from internal cash reserves. Net funds at 31 May 2017 amounted to £2.19m (31 May 2016: £2.75m).

Acquisition

The Group completed the acquisition of certain trade and assets from MDB and Patentvest on 23 June 2016 for a total purchase price amounting to £1.82m including employee benefit liabilities. The consideration included £52,000 attributable to tangible fixed assets. The remainder of the consideration represented goodwill.

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

As reported, the Managua Office operated in line with management expectations in the period 23 June, the date of acquisition, to 30 November 2016, generating revenue amounting to £261,000. Revenue in the second half of the financial year increased to £397,000, resulting in the Group making a further, albeit reduced, net investment in its Nicaraguan operations in this period. The Managua office is now expected to make its first contribution to Group earnings in the new financial year and, I believe, represents a significant opportunity to grow and develop our Intellectual Property ("IP") support services offerings.

Operating review

The Group's operating businesses, trading as MURGITROYD, continued to service clients from its international network, now spanning nine countries, with the extension of IP support services to include search, technical illustration and third party docketing in Nicaragua. IP support services, predominantly provided by paralegals, specialist formalities, search and docketing staff, and Patent and Trade Mark Administrators, continues to generate a third of total revenue, the remainder, and larger part, the provision of filing, prosecution and other IP advisory services, being principally carried out by MURGITROYD's Attorney teams.

Analysis of revenue by geographical location of client also demonstrates that MURGITROYD continues to generate substantial revenue from North America, this geographical market contributing just under half of total revenue. The USA remains a key focus for investment.

In addition, since the end of the financial year, the Group has appointed a new Head of UK Business Development reflecting both MURGITROYD's commitment to the UK market and its continuing importance, with UK clients still generating 34% of the total revenue.

A new online platform used in the provision of renewals services was introduced in November 2016 and is an example of the investment made in systems. Renewals revenue in the second half of the financial year amounted to £4.28m, a 9.7% increase on the comparative period last year.

MURGITROYD's central Scotland operations were consolidated in Glasgow during the year, following the successful bringing together of London operations in Croydon. These, combined with the relocation of MURGITROYD's York office during the year, will result in more than £140,000 in savings on annual office rental and associated costs.

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). 2016 was the seventh consecutive year of growth, with the number of applications filed setting a new record.

The European Patent Office ("EPO") statistics showed a 6.2% year-on-year increase in Patent filings in 2016, with the number rising to more than 296,000, an all-time high. The composition of these filings shows those originating in North America represent 24% of the total.

The EUIPO's and the EPO's statistics continue to be considered good indicators of the current state of what remains the Group's principal market.

As I indicated in my two previous Chairman's Statements, it is too early to evaluate with certainty the longer term consequences of the EU referendum, both on the business and on the European IP market. However, management remains 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 continue to have operations and subsidiaries in the EU.

In our last full year results statement, I noted how 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. Earlier this year I reported that on 28 November 2016, eleven member states had ratified the UPC Agreement and the UK Government was proceeding with preparations for its ratification. 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.

Employees

Our strong and growing emphasis on client service is a reflection of our international reach and the hard work and dedication of our workforce. On behalf of the Board I would like to thank them for their efforts during the past year.

As at 31 May 2017, the Group employed 255 staff (31 May 2016: 239), the net increase primarily reflecting the acquisition completed in June 2016.

Board

The Group announced in May 2017 that Non-executive Director Dr Christopher Masters had resigned from the Board. The Board wishes him well for the future.

As announced earlier, I became Non-executive Chairman on 1 November 2016.

Dividend

The Board is proposing a final dividend of 12p per share, giving a total dividend for the year of 17p (2016: 16p), an increase of 6.3% year-on-year. This increase reflects the strength of the Group's cash flows and the Board's long-stated policy of maintaining a progressive dividend policy.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 3 November 2017 to shareholders on the register at 6 October 2017. The ex-dividend date is 5 October 2017.

Outlook

The financial year has seen the Group absorb one-off transaction and integration costs attaching to the acquisition that completed in late June 2016 and significant business development costs. Generating a sustainable return on this investment remains a key goal for the Group, in conjunction with generating both revenue and earnings growth through sustainable investment in future business development.

The Group continues to be committed to the delivery of sustainable higher earnings and a progressive dividend policy, as well as increased revenue over the longer term.

I am pleased to report higher revenue and the return to earnings growth in the second half of the financial year, and that the Board is proposing another increased final dividend at a time still characterised by uncertainty.

The Group's results in June and July 2016 benefited from the sharp and sustained decline in the value of Sterling following the result of the UK's referendum on membership of the EU and, with comparatively more stable currency markets in the early months of the new financial year, that tailwind has largely evaporated. As a result the Group's 2018 result will once again be strongly second-half weighted and the Board's earnings expectations for the year as a whole have been tempered accordingly. Notwithstanding this, and the uncertainty and broader challenging macro-economic backdrop that I have referred to in each of my previous two statements, I am confident of the Group's ability to deliver long-term growth and value to its shareholders.

Ian G Murgitroyd
Chairman

12 September 2017

This preliminary announcement was approved by the Board of Directors on 12 September 2017.

Consolidated statement of comprehensive income

for the year ended 31 May 2017

	Note	**Year ended 31 May 2017 £'000**	Year ended 31 May 2016 £'000
Revenue		**44,251**	42,231
Cost of sales		**(20,084)**	(19,565)
Gross profit		**24,167**	22,666
Administrative expenses		**(20,362)**	(18,372)
Operating profit		**3,805**	4,294
Financial income		**4**	3
Financial expense		**(6)**	(11)
Profit before income tax		**3,803**	4,286
Income tax		**(1,260)**	(1,120)
Profit for the year attributable to equity holders of the parent		**2,543**	3,166
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences – overseas undertakings		**301**	103
Revaluation of property, plant and equipment		**33**	33
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**2,877**	3,302
Earnings per share	**2**		
Basic		**28.27p**	35.35p
Diluted		**28.03p**	35.03p

Consolidated balance sheet

at 31 May 2017

	31 May 2017 £'000	31 May 2016 £'000
Assets		
Non-current assets		
Property, plant and equipment	**2,371**	2,292
Intangible assets and goodwill	**16,846**	14,953
Total non-current assets	**19,217**	17,245
Current assets		
Work in progress	**301**	596
Trade and other receivables	**15,628**	14,976
Taxation recoverable	**506**	548
Cash and cash equivalents	**2,539**	3,298
Total current assets	**18,974**	19,418
Total assets	**38,191**	36,663
Current liabilities		
Other interest-bearing loans and borrowings	**(144)**	(185)
Trade and other payables	**(5,888)**	(5,646)
Total current liabilities	**(6,032)**	(5,831)
Non-current liabilities		
Other interest-bearing loans and borrowings	**(207)**	(361)
Deferred tax liabilities	**(79)**	(34)
Provision for liabilities	**(17)**	-
Total non-current liabilities	**(303)**	(395)
Total liabilities	**(6,335)**	(6,226)
Net assets	**31,856**	30,437
Equity		
Share capital	**900**	899
Share premium	**3,497**	3,488
Merger reserve	**6,436**	6,436
Revaluation reserve	**47**	47
Foreign currency translation reserve	**361**	60
Retained earnings	**20,615**	19,507
Total equity attributable to equity holders of the parent	**31,856**	30,437

Consolidated statement of cash flows

for the year ended 31 May 2017

	Year ended 31 May 2017 £'000	Year ended 31 May 2016 £'000
Cash flows from operating activities		
Profit for the year	**2,543**	3,166
Adjustments for:		
Depreciation	**271**	265
Amortisation	**64**	30
Gain on disposal of property, plant and equipment	**(1)**	(4)
Financing costs	**2**	8
Equity settled share-based payment expense	**34**	22
Income tax expense	**1,260**	1,120
	4,173	4,607
Other reserves movements	**301**	103
(Increase)/decrease in trade and other receivables	**(652)**	1,110
Decrease/(increase) in work in progress	**295**	(342)
Increase/(decrease) in trade and other payables	**242**	(334)
Increase in provision for liabilities	**17**	-
	4,376	5,144
Interest paid	**(6)**	(11)
Interest received	**4**	3
Income tax paid	**(1,213)**	(1,632)
Net cash from operating activities	**3,161**	3,504
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(318)**	(165)
Acquisition of intangible fixed assets	**(95)**	(59)
Business combinations	**(1,862)**	-
Proceeds from disposal of property, plant and equipment	**2**	5
Net cash used in investing activities	**(2,273)**	(219)
Cash flows from financing activities		
Proceeds from exercise of share options	**10**	126
Repayment of borrowings	**(195)**	(365)
Dividends paid	**(1,462)**	(1,365)
Net cash used in financing activities	**(1,647)**	(1,604)
Net (decrease)/increase in cash and cash equivalents	**(759)**	1,681
Cash and cash equivalents at start of year	**3,298**	1,617
Cash and cash equivalents at year end	**2,539**	3,298

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 2016 or 2017 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 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**	**2017 Earnings per share**	Profit for the year	Weighted average number of shares	2016 Earnings per share
	£'000	**Number**	**p**	£'000	Number	p
Basic earnings per share	**2,543**	**8,994,849**	**28.27p**	3,166	8,955,757	35.35p
Dilutive share options	**-**	**76,640**	**(0.24p)**	-	82,629	(0.32p)
Diluted earnings per share	**2,543**	**9,071,489**	**28.03p**	3,166	9,038,386	35.03p

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 26 October 2017.

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