5 February 2018

Murgitroyd Group PLC ("the Group")
Unaudited Interim Results for the six months ended 30 November 2017

The Group (AIM: MUR) is pleased to announce its unaudited interim results for the six months ended 30 November 2017.

Highlights

- Revenue increased to £21.6m (2016: £21.45m)
- Profit before income tax up 13% at £1.67m (2016: £1.48m)
- Basic EPS increased 14% to 13.8p (2016: 12.1p)
- Proposed interim dividend of 6.5p per share (2016: 5p), an increase of 30%
- Increased net cash position at period end of £2.63m (30 November 2016: £1.52m)

Ian Murgitroyd, Group Chairman, commented:

"I am pleased to report half year results in line with management expectations, with an increase in pre-tax profit of 13%. In the period under review the Group commenced its single biggest IT investment - in MURGITROYD's Client Portal - to remain at the cutting edge of client-service and productivity.

"Notwithstanding macro-economic and political uncertainties, the geographic spread of the Group's activities and customer base continues to put it in a strong position to balance out any weakness in individual markets. The Board remains confident that it can deliver sustainable long-term growth and value to shareholders, which combined with an increasingly strong balance sheet, has allowed us to increase our assessment of the sustainable level of dividends, consistent with the Board's commitment to a continued progressive dividend policy."

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Murgitroyd Group PLC
Chairman's Statement

Financial review

Revenue for the six months to 30 November 2017 increased to £21.6m (2016: £21.45m). Approximately 64% of total revenue was generated by Attorney groups and 36% by support services groups. The latter includes the first full half year contribution from MURGITROYD's search and docketing group in Managua, the £0.51m revenue generated by the operation representing a 28% increase on the immediately preceding six-month period. The office operated in line with management expectations and, in addition to fee earning activities, a number of administrative support tasks, previously carried out elsewhere by higher cost staff, have been transferred to Managua.

Profit before tax for the period under review was £1.67m (2016: £1.48m) with basic earnings per share of 13.8p (2016: 12.1p). Last year earnings were strongly weighted towards the second half of the year and, as I said in my last statement, this will again be the case. In line with its progressive dividend policy, the Board proposes an interim dividend of 6.5p per share, an increase of 30%.

The biggest variations in the first six months, compared to the same period last year, are the non-recurring costs relating to the acquisition completed in June 2016 and the absence of the foreign exchange rate tailwinds experienced in the first half of last year. The latter was a result of Sterling weakness following the result of the UK referendum on European Union ("EU") membership in 2016.

With more than half of the Group's revenue being generated in either US Dollars or Euros, and a substantial part of its costs being non-Sterling, the Group retains an exposure to foreign exchange rate volatility, and, in general terms, is a net beneficiary of Sterling weakness. In this regard, the return of the Sterling/Dollar exchange rate to more than £1/$1.43 in January 2018, a level not seen since before the UK referendum on EU membership, represented a headwind for the Group in the early part of the second half of the financial year.

The geographic spread of MURGITROYD's activities and customer base continues to see the Group in a strong position to balance out any weakness in individual markets.

The overall net contraction in gross margin percentage reflects changes in revenue composition, price pressures on new work and the absence of material foreign exchange rate benefits.

The Group was able to improve the depth and breadth of services for larger clients, seeing support services revenue increase as a result, both in value (up 4.4%) and as a proportion of total revenue (increasing from 34.4% to 35.6%). The market place for these services, that includes search, illustration and docketing, continues to see the effects of commoditisation and the Group's investment in its IT platform and systems reflects its commitment to compete in a fast-changing environment.

The Group continued to experience strong cash flow from operating activities during the first half. Net cash flow after financing was positive at £0.09m, compared to an outflow of £1.78m in the comparative period last year. The principal reason for this positive swing was the cash outlay on the Managua acquisition in June 2016 of £1.86m, funded from internal reserves. The Group's net funds at 30 November 2017 amounted to £2.35m (30 November 2016: £1.07m).

Operating review

The Group's operating businesses, trading as MURGITROYD, serviced clients from its international network, now spanning fourteen offices in nine countries.

In the period under review MURGITROYD commenced a major investment in its IT platform and systems, the largest part of the £0.34m total capital expenditure in the period relating to projects designed to improve communication with clients, internal processes and productivity, in particular its Client Portal. MURGITROYD is committed to continuously deliver the highest quality client service at competitive prices, and this increased level of capital investment will continue in 2018. I believe this can provide MURGITROYD with a competitive edge when it comes to winning and retaining clients.

MURGITROYD has added to its business development teams in the UK and the USA with additional hires in both, and has seen continued blue-chip clients wins, particularly in the USA, where more than half of the Group's revenue is generated. The strength of the US economy has been beneficial and MURGITROYD has experienced increased demand for providers that can deliver commoditised elements of the IP lifecycle such as renewals, PCT and other Patent filings, and EP validations, underpinned by excellent client service. The Group continues to invest in these areas of the business.

Business development in the UK is progressing well following the appointment of a new Head of UK Business Development in July 2017, reflecting both MURGITROYD's commitment to this market and its continuing importance, with UK clients still generating 30% of total revenue.

The EU Intellectual Property Office ("EUIPO") and the European Patent Office ("EPO") statistics are considered good indicators of the current state of the Group's principal markets. They both suggest that the numbers of Trade Mark and Patent applications filed continue to increase, which is a long-term trend. The EPO has not yet reported its annual statistics for 2017, but the EUIPO's statistics, released monthly, show that EU Trade Mark filings had risen 8.9% year-on-year, in the eleven months to 30 November 2017. MURGITROYD also continues to see a growing involvement in representing clients in hearings before the EPO.

The uncertainty around the UK leaving the EU and how it might affect the European marketplace, and IP systems in particular, remains. However the Group remains extremely well-placed to continue to act for its worldwide clients at both national and EU-wide level, having an unparalleled network of offices across the EU, and qualified Attorneys from fourteen European country jurisdictions. The Group has continued to off-set possible related risks by strengthening its geographic footprint and management remains confident that the spread of MURGITROYD's activities and customer base puts it in a strong comparative market position.

The situation with the new Unitary Patent ("UP") and Unified Patent Court ("UPC") is little changed since my last statement. The UPC agreement still awaits ratification by the UK, and Germany, where a constitutional legal challenge has delayed the process. The UK Government is continuing with preparations for ratification, and the UPC (Immunities and Privileges) Order 2017 was approved by the UK Parliament in December 2017.

As at 30 November 2017, the Group employed 257 staff (30 November 2016: 262). Its commitment to long-term growth is reflected by its continuing investment in its people. This will see two new qualified Patent Attorneys, and two new trainee Attorneys, start with MURGITROYD in the second half of the financial year, with additional resources being added to the business development teams, and in Managua.

MURGITROYD's standing in the industry and high level of client service is a reflection of the hard work and dedication of its workforce. On behalf of the Board I would like to thank them for their efforts during the first half of this financial year.

Dividend

The Board is proposing an interim dividend of 6.5p per share (2016: 5p) that will be paid on 23 March 2018 to shareholders on the register at 16 February 2018. The ex-dividend date will be 15 February 2018. This increase reflects the Board's continued commitment to a progressive dividend policy, the strength of its cash flow and the increasing strength of its balance sheet. 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

While macro-economic and political uncertainties persist, MURGITROYD operates in a market with good long-term prospects. The Board is satisfied with the performance of the Group in the first half and continues to aim to deliver sustainable long-term growth and value to its shareholders.

The second half of the financial year will see the continuation of the level of investment in MURGITROYD's IT platform and systems. I believe this investment is necessary to continue to attract and retain new clients and is made possible by the Group's strong cash flow.

Notwithstanding macro-economic and political uncertainties, and in particular the possible impact of these on both the value and volatility of Sterling, I remain confident that the Group can achieve its aims. This confidence is reflected in the increase in our assessment of the sustainable level of dividends, consistent with our progressive dividend policy.

Ian G Murgitroyd
Group Chairman

5 February 2018

This interim announcement was approved by the Board of Directors on 5 February 2018.

MURGITROYD GROUP PLC

Unaudited consolidated statement of comprehensive income
for the six months ended 30 November 2017

	Six months ended 30 November 2017 £'000	Six months ended 30 November 2016 £'000	Year ended 31 May 2017 £'000
Revenue	**21,604**	21,452	44,251
Cost of sales	**(10,005)**	(9,724)	(20,084)
Gross profit	**11,599**	11,728	24,167
Administrative expenses	**(9,931)**	(10,251)	(20,362)
Operating profit	**1,668**	1,477	3,805
Financial income	**4**	3	4
Financial expense	**(2)**	(4)	(6)
Profit before income tax	**1,670**	1,476	3,803
Income tax	**(433)**	(392)	(1,260)
Profit for the period attributable to equity holders of the parent	**1,237**	1,084	2,543
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences – overseas undertakings	**(100)**	364	301
Revaluation of property, plant and equipment	**-**	-	33
Profit for the financial period and total comprehensive income all attributable to equity holders of the parent	**1,137**	1,448	2,877
Earnings per share			
Basic	**13.76p**	12.05p	28.27p
Diluted	**13.65p**	11.95p	28.03p

MURGITROYD GROUP PLC

Unaudited consolidated balance sheet
at 30 November 2017

	30 November 2017 £'000	30 November 2016 £'000	31 May 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	**2,396**	2,410	2,371
Intangible assets	**16,964**	16,793	16,846
Total non-current assets	**19,360**	19,203	19,217
Current assets			
Work in progress	**429**	607	301
Trade and other receivables	**15,027**	16,121	15,628
Tax recoverable	**211**	371	506
Cash and cash equivalents	**2,625**	1,523	2,539
Total current assets	**18,292**	18,622	18,974
Total assets	**37,652**	37,825	38,191
Current liabilities			
Other interest-bearing loans and and borrowings	**(122)**	(165)	(144)
Trade and other payables	**(5,363)**	(6,354)	(5,888)
Total current liabilities	**(5,485)**	(6,519)	(6,032)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(153)**	(284)	(207)
Other payables	**-**	(90)	-
Deferred tax liabilities	**(79)**	(34)	(79)
Provision for liabilities	**-**	-	(17)
Total non-current liabilities	**(232)**	(408)	(303)
Total liabilities	**(5,717)**	(6,927)	(6,335)
Net assets	**31,935**	30,898	31,856
Equity			
Share capital	**900**	900	900
Share premium	**3,497**	3,497	3,497
Merger reserve	**6,436**	6,436	6,436
Revaluation reserve	**47**	47	47
Foreign currency translation reserve	**261**	424	361
Retained earnings	**20,794**	19,594	20,615
Total equity attributable to equity holders of the parent	**31,935**	30,898	31,856

MURGITROYD GROUP PLC

Unaudited consolidated statement of cash flows
for the six months ended 30 November 2017

	Six months ended 30 November 2017 £'000	Six months ended 30 November 2016 £'000	Year ended 31 May 2017 £'000
Cash flows from operating activities			
Profit for the period	**1,237**	**1,084**	2,543
Adjustments for:			
Depreciation	**139**	**134**	271
Amortisation	**58**	**23**	64
Gain on disposal of property, plant and equipment	**-**	**-**	(1)
Financing costs	**(2)**	**1**	2
Equity settled share-based payment expense	**22**	**15**	34
Income tax expense	**433**	**392**	1,260
	1,887	**1,649**	4,173
Other reserves movements	**(100)**	**364**	301
Decrease/(increase) in trade and other receivables	**601**	**(1,145)**	(652)
(Increase)/decrease in work in progress	**(128)**	**(11)**	295
(Decrease)/increase in trade and other payables	**(525)**	**798**	242
(Decrease)/increase in provision for liabilities	**(17)**	**-**	17
	1,718	**1,655**	4,376
Interest paid	**(2)**	**(4)**	(6)
Interest received	**4**	**3**	4
Income tax paid	**(138)**	**(215)**	(1,213)
Net cash from operating activities	**1,582**	**1,439**	3,161
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(164)**	**(252)**	(318)
Acquisition of intangible assets	**(176)**	**(1)**	(95)
Business combinations	**-**	**(1,862)**	(1,862)
Proceeds from disposal of property, plant and equipment	**-**	**-**	2
Net cash used in investing activities	**(340)**	**(2,115)**	(2,273)
Cash flows from financing activities			
Proceeds from exercise of share options	**-**	**10**	10
Repayment of borrowings	**(76)**	**(97)**	(195)
Dividends paid	**(1,080)**	**(1,012)**	(1,462)
Net cash used in financing activities	**(1,156)**	**(1,099)**	(1,647)
Increase/(decrease) in cash and cash equivalents	**86**	**(1,775)**	(759)
Cash and cash equivalents at start of period	**2,539**	**3,298**	3,298
Cash and cash equivalents at period end	**2,625**	**1,523**	2,539

MURGITROYD GROUP PLC

Unaudited consolidated statement of changes in equity
for the six months ended 30 November 2017

	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 2016	899	3,488	19,507	60	47	6,436	30,437
Total comprehensive income for the year:							
Profit for the year	-	-	2,543	-	-	-	2,543
Exchange rate differences	-	-	-	301	-	-	301
Revaluation in year	-	-	-	-	33	-	33
Transfer between reserves	-	-	33	-	(33)	-	-
Transactions with owners recorded directly in equity:							
Dividends	-	-	(1,462)	-	-	-	(1,462)
Share based payments	-	-	34	-	-	-	34
Deferred tax on share options	-	-	(40)	-	-	-	(40)
Share options exercised	1	9	-	-	-	-	10
Total equity at 31 May 2017	**900**	**3,497**	**20,615**	**361**	**47**	**6,436**	**31,856**
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**
At 1 June 2017	900	3,497	20,615	361	47	6,436	31,856
Total comprehensive income for the period:							
Profit for the period	-	-	1,237	-	-	-	1,237
Exchange rate differences	-	-	-	(100)	-	-	(100)
Transactions with owners recorded directly in equity:							
Dividends	-	-	(1,080)	-	-	-	(1,080)
Share based payment	-	-	22	-	-	-	22
Share options exercised	-	-	-	-	-	-	-
Total equity at 30 November 2017	**900**	**3,497**	**20,794**	**261**	**47**	**6,436**	**31,935**

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 2017 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 2017 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 2017.

There were no amendments to existing standards in the financial period commencing 1 June 2017.

The comparative figures for the financial year ended 31 May 2017 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 5 February 2018.

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 2018.

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 2017 £'000	Six months ended 30 November 2016 £'000	Year ended 31 May 2017 £'000
Profit for the period attributable to equity holders of the parent	**1,237**	1,084	2,543
Basic weighted average number of shares	**8,994,849**	8,993,574	8,994,849
Diluted weighted average number of shares	**9,067,037**	9,070,430	9,071,489
Basic earnings per share	**13.76p**	12.05p	28.27p
Diluted earnings per share	**13.65p**	11.95p	28.03p

4 Dividend

The Board is proposing an interim dividend of 6.5p per share (2016: 5p) that will be paid on 23 March 2018 to shareholders on the register at 16 February 2018. The ex-dividend date will be 15 February 2018.

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 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 Adviser, 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

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Independent review report to Murgitroyd Group PLC

Conclusion

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 2017 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.

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 2017 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and the AIM Rules.

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. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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 directors are responsible for preparing The condensed set of financial statements included in this half-yearly financial report 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.

The purpose of our review work and to whom we owe our responsibilities

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.

Hugh Harvie for and on behalf of KPMG LLP
Chartered Accountants
5 February 2018