

1 February 2016

Murgitroyd Group PLC ("the Group")
Unaudited Interim Results for the six months ended 30 November 2015

The Group (AIM: MUR) is pleased to announce its unaudited interim results for the six months ended 30 November 2015.

Highlights

- Revenue increased by 5.7% to £20.38m (2014: £19.28m)
- Interim profit before income tax up 6.6% at £2.11m (2014: £1.98m), in line with expectations
- Basic EPS increased 8.6% to 17.6p (2014: 16.2p)
- Net cash increased to £0.89m (30 November 2014: £0.29m)
- Proposed interim dividend of 4.75p per share (2014: 4.25p), an increase of 11.8%

Ian Murgitroyd, Group Chairman, commented:

“We are pleased to be able to report good growth in both revenue and profit before income tax, in line with market expectations. This is the first time that the Group has reported revenue in excess of £20m in the first half of the year which reflects the return on ongoing investment in the operating businesses’ people, systems and processes. Furthermore the Group has continued to pay down debt in the first half.

“We continue to see strong growth in revenue from the USA which remains both a key geographical area for investment and an important growth market. It is the largest source of European Patent applications and our growing presence there offsets weaker European demand.

“Trading since the reporting date has been in line with management expectations.”

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Murgitroyd Group PLC Chairman's Statement

Financial review

In the six months to 30 November 2015, revenue increased to £20.38m (2014: £19.28m), an increase of 5.7%. This is the first time that the Group has reported revenue in excess of £20m in the first half of the year and it reflects the continued return on investment in people, and operating systems and processes.

Profit before income tax increased by 6.6% to £2.11m (2014: £1.98m) reflecting both the continued revenue growth and an increase in gross profit.

This performance is in line with market expectations, and we anticipate this to continue in the second half of the current financial year.

Basic earnings per share increased by 8.6% to 17.6p (2014: 16.2p), the increase reflecting both the improvement in profit before income tax and a further reduction in the UK Corporation Tax rate.

Administrative expenses continue to be satisfactorily controlled, increasing by less than 5% year on year.

Continuing strong cash flow resulted in net cash of £888,000 as at 30 November 2015 (30 November 2014: £288,000) and interest charges were down to £7,000 from £13,000 as the Group continued to pay down its debt. As at 30 November 2015, the remaining term loan debt owed by the Group amounted to only £704,000 (30 November 2014: £1,364,000).

Operating review

The Group's operating businesses, trading as MURGITROYD, continue to service clients from its international network, spanning eight countries.

Of the £1.1m increase in revenue, 48% was generated by MURGITROYD's Global Support Services group ("GSS") employing paralegals, specialist formalities staff, and Patent and Trade Mark Administrators. Client wins in this area have resulted in first half GSS revenue increasing by £1.95m over the last three years. GSS revenue now represents more than a third (34%) of total revenue, up from 28% in the six months ended 30 November 2012, and further growth in this area is anticipated.

The balance, and larger part, of the increase in revenue was produced by MURGITROYD's Attorney Practice Groups ("APG"), with the productivity gains in this area that I highlighted in my Chairman's Statement in September having continued in the new financial year. These productivity gains are reflected by the fact that an average of 69 technical staff generated the £13.52m of APG revenue in the first half of the current financial year, compared to the £12.75m of APG revenue recorded in the six months ended 30 November 2012 by an average of 76 technical staff.

Analysis of revenue by geographical location of client also shows that MURGITROYD continues to see strong growth in the US market where revenue has grown by 18% year on year, reflecting the investment in business development there. Revenue from the USA now represents 43% of total revenue.

The USA remains a key focus for investment and an important growth market. It is the largest source of European Patent applications and MURGITROYD's growing presence in this market continues to offset weaker demand in Europe.

The European Community Trade Mark Office ("OHIM") statistics show that there was an increase in Community Trade Mark ("CTM") applications filed in 2015, its official statistics reporting that more than 130,000 CTM applications were filed (2014: 117,000). In 2015 we have, therefore, seen the sixth consecutive year of growth, with the number of applications filed in that year setting a new record.

OHIM is being renamed the European Union ("EU") Intellectual Property Office, and the CTM will be called the EU Trade Mark, from 23 March 2016.

The European Patent Office ("EPO") is yet to report its 2015 statistics, so the most recent available data relates to 2014. This showed a 3% year on year increase in Patent filings for 2014, with the number of applications rising to more than 273,000, an all-time high. The composition of these filings very much reflect MURGITROYD's experience, with applications from the US increasing by 6.7%, Japanese applications falling by 3.8% and European applications remaining virtually unchanged.

OHIM's and EPO's statistics continue to be considered good indicators of the current state of the European Intellectual Property ("IP") market.

On 15 December 2015 the EPO announced that its Select Committee representing the EU member states participating in the new Unitary Patent ("UP") had formalised a series of agreements into a complete secondary legal framework comprising the implementing rules, budgetary and financial rules, the level of the renewal fees and the rules concerning the distribution of the renewal fees between the EPO and the participating member states. With the adoption of these rules, the EPO considers that preparations for the new UP are complete. The only remaining steps are the opening of the Unified Patent Court ("UPC") and the finalisation of the ratification process at national level which it hopes will take place in 2016.

A necessary pre-requisite for the UP system to start is the existence of the UPC. Once thirteen states, including France, Germany and the UK, have ratified the treaty establishing the UPC, both the UPC and the UP system can come into being. So far eight states, including France, have ratified. I believe that MURGITROYD's established presence in six EU countries, including France, Germany and the UK, means it is uniquely placed to service clients in this changing European IP landscape.

As at 30 November 2015 the Group employed 236 staff (31 May 2015: 240, 30 November 2014: 254), the reduction continuing to reflect investment in systems and processes, as detailed in the Group's 2015 Preliminary results statement.

As I also said in my Chairman's Statement in September, we are monitoring any impacts that the outcome of the proposed referendum on the UK's membership of the EU may have on the business and are confident that the geographic spread of the Group's activities and customer base will enable it to deal with any resultant changes or uncertainties.

Board

Dr Christopher Masters and John Reid were appointed as non-Executive Directors on 12 August 2015. The Board was further enhanced on the same date by the appointment of an additional Executive Director, Gordon Stark, MURGITROYD's Chief Operations Officer. All three new Directors are already making full and valuable contributions to the Board.

Christopher has been appointed to the Remuneration Committee, and John to the Audit Committee, with both also joining the Nomination Committee.

Dividend

The Board is proposing an interim dividend of 4.75p per share (2014: 4.25p) that will be paid on 25 March 2016 to shareholders on the register at 12 February 2016. The ex-dividend date will be 11 February 2016. This increase reflects the Group's stated intention to adopt a higher payout ratio. The Board also intends, subject to trading results, the availability of distributable reserves and the economic outlook at that time, to recommend an increased final dividend.

Outlook

These results are encouraging and reinforce the Board's confidence in the Group's ability to deliver sustainable, long-term growth and value to its shareholders. We are pleased to report that trading since the reporting date has been in line with management expectations.

Ian G Murgitroyd
Group Chairman

1 February 2016

This interim announcement was approved by the Board of Directors on 1 February 2016.

MURGITROYD GROUP PLC

Unaudited consolidated statement of comprehensive income for the six months ended 30 November 2015

	Six months ended 30 November 2015 £'000	Six months ended 30 November 2014 £'000	Year ended 31 May 2015 £'000
Revenue	20,376	19,276	39,819
Cost of sales	(9,151)	(8,579)	(17,750)
Gross profit	11,225	10,697	22,069
Administrative expenses	(9,111)	(8,704)	(17,887)
Operating profit	2,114	1,993	4,182
Financial income	2	2	3
Financial expense	(7)	(13)	(22)
Profit before income tax	2,109	1,982	4,163
Income tax	(541)	(533)	(1,039)
Profit for the period attributable to equity holders of the parent	1,568	1,449	3,124
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign exchange translation differences – equity accounted investments	15	76	75
Profit for the financial period and total comprehensive income all attributable to equity holders of the parent	1,583	1,525	3,199
Earnings per share			
Basic	17.56p	16.23p	35.00p
Diluted	17.35p	16.01p	34.51p

MURGITROYD GROUP PLC

Unaudited consolidated balance sheet at 30 November 2015

	30 November 2015 £'000	30 November 2014 £'000	31 May 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	2,300	2,407	2,360
Intangible assets	14,913	14,927	14,924
Deferred tax asset	-	28	-
Total non-current assets	17,213	17,362	17,284
Current assets			
Work in progress	756	707	254
Trade and other receivables	16,138	14,989	16,086
Tax recoverable	204	-	12
Cash and cash equivalents	1,595	1,652	1,617
Total current assets	18,693	17,348	17,969
Total assets	35,906	34,710	35,253
Current liabilities			
Bank overdraft	(3)	-	-
Other interest-bearing loans and borrowings	(205)	(523)	(304)
Trade and other payables	(6,106)	(6,180)	(5,980)
Tax payable	-	(133)	-
Total current liabilities	(6,314)	(6,836)	(6,284)
Non-current liabilities			
Other interest-bearing loans and borrowings	(499)	(841)	(607)
Deferred tax liabilities	(21)	-	(21)
Total non-current liabilities	(520)	(841)	(628)
Total liabilities	(6,834)	(7,677)	(6,912)
Net assets	29,072	27,033	28,341
Equity			
Share capital	896	893	893
Share premium	3,444	3,368	3,368
Merger reserve	6,436	6,436	6,436
Revaluation reserve	47	47	47
Foreign currency translation reserve	(28)	(42)	(43)
Retained earnings	18,277	16,331	17,640
Total equity attributable to equity holders of the parent	29,072	27,033	28,341

MURGITROYD GROUP PLC

Unaudited consolidated statement of cash flows for the six months ended 30 November 2015

	Six months ended 30 November 2015 £'000	Six months ended 30 November 2014 £'000	Year ended 31 May 2015 £'000
Cash flows from operating activities			
Profit for the period	1,568	1,449	3,124
<i>Adjustments for:</i>			
Depreciation	138	142	285
Amortisation	11	31	52
Gain on disposal of property, plant and equipment	(5)	-	-
Other reserves movements	15	76	75
Financing costs	5	11	19
Equity settled share-based payment expense	7	-	-
Income tax expense	541	533	1,039
	2,280	2,242	4,594
Increase in trade and other receivables	(52)	(474)	(1,571)
(Increase)/decrease in work in progress	(502)	(36)	417
Increase/(decrease) in trade and other payables	126	180	(20)
	1,852	1,912	3,420
Interest paid	(7)	(11)	(21)
Interest received	2	2	3
Income tax paid	(733)	(275)	(896)
	1,114	1,628	2,506
Net cash from operating activities	1,114	1,628	2,506
Cash flows from investing activities			
Acquisition of property, plant and equipment	(78)	(87)	(150)
Acquisition of intangible assets	-	(22)	(40)
Proceeds from disposal of property, plant and equipment	5	-	-
	(73)	(109)	(190)
Net cash used in investing activities	(73)	(109)	(190)
Cash flows from financing activities			
Proceeds from exercise of share options	79	-	-
Repayment of borrowings	(207)	(476)	(929)
Dividends paid	(938)	(848)	(1,227)
	(1,066)	(1,324)	(2,156)
Net cash used in financing activities	(1,066)	(1,324)	(2,156)
(Decrease)/increase in cash and cash equivalents	(25)	195	160
Cash and cash equivalents at start of period	1,617	1,457	1,457
Cash and cash equivalents at period end	1,592	1,652	1,617

MURGITROYD GROUP PLC

Unaudited consolidated statement of changes in equity for the six months ended 30 November 2015

	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 2014	893	3,368	15,730	(118)	47	6,436	26,356
<i>Total comprehensive income for the year:</i>							
Profit for the year	-	-	3,124	-	-	-	3,124
Exchange rate differences	-	-	-	75	-	-	75
Revaluation in year	-	-	-	-	33	-	33
Transfer between reserves	-	-	33	-	(33)	-	-
<i>Transactions with owners recorded directly in equity:</i>							
Dividends	-	-	(1,227)	-	-	-	(1,227)
Deferred tax on share options	-	-	(20)	-	-	-	(20)
Total equity at 31 May 2015	893	3,368	17,640	(43)	47	6,436	28,341
At 1 June 2014	893	3,368	15,730	(118)	47	6,436	26,356
<i>Total comprehensive income for the period:</i>							
Profit for the period	-	-	1,449	-	-	-	1,449
Exchange rate differences	-	-	-	76	-	-	76
<i>Transactions with owners recorded directly in equity:</i>							
Dividends	-	-	(848)	-	-	-	(848)
Total equity at 30 November 2014	893	3,368	16,331	(42)	47	6,436	27,033
At 1 June 2015	893	3,368	17,640	(43)	47	6,436	28,341
<i>Total comprehensive income for the period:</i>							
Profit for the period	-	-	1,568	-	-	-	1,568
Exchange rate differences	-	-	-	15	-	-	15
<i>Transactions with owners recorded directly in equity:</i>							
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

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 2015 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 2015 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 2015. The following amendments to existing standards were effective for the first time in the financial period commencing on 1 June 2015 but did not have a material impact on the condensed interim statements of the Group.

- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

The comparative figures for the financial year ended 31 May 2015 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 1 February 2016.

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 2016.

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 2015 £'000	Six months ended 30 November 2014 £'000	Year ended 31 May 2015 £'000
Profit for the period attributable to equity holders of the parent	1,568	1,449	3,124
<hr/>			
Basic weighted average number of shares	8,933,098	8,926,847	8,926,847
Diluted weighted average number of shares	9,039,230	9,057,367	9,052,616
Basic earnings per share	17.56p	16.23p	35.00p
Diluted earnings per share	17.35p	16.01p	34.51p

4 Dividend

The Board is proposing an interim dividend of 4.75p per share (2014: 4.25p) that will be paid on 25 March 2016 to shareholders on the register at 12 February 2016. The ex-dividend date will be 11 February 2016.

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 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



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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 2015 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 2015 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.

Bruce Marks
for and on behalf of KPMG LLP
Chartered Accountants
1 February 2016