

# HAYNES PUBLISHING GROUP P.L.C.

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 November 2011

Haynes Publishing Group P.L.C. is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals. Every Haynes manual is based on a complete vehicle strip-down and rebuild in our workshops, so that the instructions and photographs to our customers are inherently practical, accurate and easy to follow.

Through its Dutch subsidiary Vivid Holding BV, the Haynes Group is a leading European supplier of digital technical information to the motor trade, thereby broadening the Group's business to include professional as well as DIY mechanics and enthusiasts.

The Haynes Group publishes many other DIY titles as well as an extensive array of books about motor sport, vehicles and general transport.

### Financial Highlights

- Revenue of £14.3m (2010: £15.7m)
- Operating profit of £1.9m (2010: £3.0m)
- Profit before tax of £1.8m (2010: £2.7m)
- Basic earnings per share of 7.5 pence (2010: 11.3 pence)
- Strong cash generation with net funds of £5.0m (2010: £3.8m)
- Interim dividend declared of 6.2 pence per share (2010: 6.2 pence)

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### Cautionary Statement :

This report contains certain forward-looking statements with regard to the financial condition and results of the operations of Haynes Publishing Group P.L.C. These statements and forecasts involve risk factors which are associated with, but are not exclusive to, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Haynes Publishing Group P.L.C. has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

## **INTERIM STATEMENT**

### **Business overview**

The economic downturn, which the Group first experienced through its US subsidiary in August of 2007, has not yet been reversed, and indeed, over the last six months, we have encountered some of the most challenging trading conditions in the Group's 50 year history. Coming into this financial year, the Group has demonstrated a strong resilience to the recessionary pressures with profitability being maintained and strong cash generation. However, over the last six months, the Group has experienced some very difficult trading conditions for its core printed manual products. This was particularly the case in the US, which is the largest market for our Haynes repair manuals and where sales in the month of July were down 44% against the prior year. There appears to be no logical explanation for the significant drop-off in sales in July other than this was around the time that the US "debt ceiling" discussions were being held in Washington DC. Our suspicions are that for some of our larger retail customers, especially those who are leveraged, this was a period of considerable uncertainty which may have fed through into ordering patterns. Sales in the second quarter were stronger, but overall US revenue still ended the six month period, in local currency 16% down on the prior year. The month of July in the US represents over half of the shortfall.

It is primarily the performance of the large retail customers which has led to the shortfall in revenue against the prior year. We have recent evidence that in some cases, pressures on inventories have led to situations where retail sales have significantly exceeded replenishment orders. This provides a level of confidence that consumer demand for manuals remains stronger than is suggested by these results. Aside from these larger retailers, revenue from the remaining manual customer base has shown growth. This is true in both the US and the UK.

In the UK and Europe, revenue ended the period 4% ahead of last year. In the UK, sales of the core Haynes manuals were down 3% while sales of our non-automotive manuals and general DIY titles performed well in difficult market conditions ending the period 10% ahead of last year. In Europe revenue from Vivid, in local currency was 7% ahead of the prior period.

Since the end of our last financial year-end, the Group has continued to drive forward with its new digital platforms and in early November 2011 at the AAPEX/SEMA show in Las Vegas we launched the first titles in our new digital manual on-line format. At the same trade show we unveiled 'HaynesPRO', our way of introducing the Vivid product for professional installers to a North American audience. The feedback we obtained from the show on both counts has been very encouraging. The launch of the new Haynes manual on-line is a major step-forward for the Group and whilst the revenue from this channel is unlikely to be significant in the current financial year, this is undoubtedly the start of an important and exciting new phase for the Haynes Group. On the basis of the encouraging early results the decision has already been taken to expand the US offering and also to introduce a UK version.

### **Financial review**

#### *Income statement*

Group revenue ended the six month period 9% down on last year at £14.3 million (2010: £15.7 million). US revenue in local currency ended the period down 16% primarily due to the weaker trading mid-way through the first quarter. After translation to Sterling, reportable US revenue was down 19%. Revenue in the UK and Europe ended the first six months up 4% with UK revenue up 2% and reportable European revenue up 11%.

The lower mix of higher margin core automotive repair manual revenue and higher Vivid development costs amortisation of £0.2 million led to a fall in the Group's gross margin during the period of 4.2 percentage points to 59.1% (2010: 63.3%). The Group continues to keep a tight control over its non-direct overheads and during the period trading overheads fell by £0.5 million to £6.6 million (2010: £7.1 million). As a result, Group operating profit ended the period down 37% at £1.9 million (2010: £3.0 million).

With net finance costs, which primarily relate to the interest charge on pension scheme liabilities net of the expected return on pension scheme assets, lower at £0.1 million (2010: £0.2 million), the Group's pre-tax profit ended the six month period at £1.8 million (2010: £2.7 million). During the period, the Group's effective tax rate was 30.6% (2010: 32.8%), which reflects the lower mix of US income and a reduction of 1% in the UK corporation tax rate, leaving basic earnings per share of 7.5 pence (2010: 11.3 pence).

### *Balance sheet and cash flow*

Management continue to keep a tight control over working capital to ensure the Group has sufficient funds available to invest in the business. During the six month period to 30 November 2011 the positive movement in working capital (excluding the impact of exchange rate movements) was £0.8 million (2010: £0.1 million). Over the same six month period the Group invested £0.6 million in new capital equipment (2010: £0.3 million) and £1.1 million on new intangible product development (2010: £1.0 million).

The net cash inflow before tax generated from operations during the six month period was £3.6 million (2010: £3.8 million) which represented 191% of Group operating profit (2010: 130%). At the end of the period the Group's net cash was £5.0 million, an increase of £1.2 million or 32% over last year (2010: £3.8 million).

The net deficit on the Group's two retirement benefit scheme's was reduced by £1.3 million during the period to £9.1 million (31 May 2011: £10.4 million). The Schemes' assets increased by 3% to £24.1 million (31 May 2011: £23.3 million) while the present value of the Schemes' liabilities reduced by 1% to £33.2 million (31 May 2011: £33.7 million).

### **Interim dividend**

Despite the specific challenges we currently face for our printed products in our core markets, the Board is confident in the future trading prospects of the Group. The development of the Group's electronic platforms is progressing well and the Group continues to generate a positive cash flow. Accordingly, the Board is declaring an unchanged interim dividend of 6.2 pence per share (2010: 6.2 pence).

The payment of the interim dividend will be made on 11 April 2012 to shareholders on the register at the close of business on 30 March 2012, the shares being declared ex-dividend on 28 March 2012.

### **Operational review**

#### *North America and Australia*

While we were aware, as the year began, of the high level of uncertainty that was affecting more or less the whole global community and that there could be an impact on our own performance, sales in the US suffered a notable slowdown. In July, sales were 44% down on the prior year despite the efforts of our sales and marketing teams to implement new in-store initiatives and as has been pointed out previously, this one month in the US represents over half of the overall shortfall.

The shortfall in volume sales during the period as a whole related to a small group of major customers, yet outside of this small group, volume sales in the US were 6% ahead of the prior year. Nevertheless, we are mindful of the desire of our larger retail customers to maintain a tight control over working capital during these uncertain times. Sales in the second quarter were 5% up on the first quarter but were not sufficient to recover the earlier shortfall and consequently, revenue in local currency ended the period 16% down on last year. The Australian economy has been more resilient than Europe and the US and our retail customers and end-consumers have responded positively to the new face-out display racking in stores. As a result, revenue in this territory ended the period 5% ahead of the prior year. During the second quarter, the US business implemented a price increase which, although due to timing did not have a notable impact on the reported figures, will benefit the business in the second half of the year. In light of the above factors, overall North American and Australian segmental revenue, after translation to Sterling, was £7.2 million (2010: £8.8 million).

Towards the end of the period, the US business launched the Group's first 50 manual titles in an electronic on-line format. Early feedback has been positive and so far we are experiencing a quite high conversion rate among those using the shopping cart (well over 30%) with the majority of sales appearing to be incremental to the printed product sales on-line. The revenue from this new product line is unlikely to be significant in the current financial year, but if sales continue in-line with current trends it will be large enough to cover the cost of developing the new electronic range within the current financial year.

As part of an ongoing review, but also in response to the fall in demand during the first quarter, management has been closely monitoring the cost base of the business. Following this review, North American and Australian overheads were reduced by \$0.5 million or 9% during the six month period, while finished goods inventory and raw materials have fallen by 6%. Notwithstanding the savings in overheads, the reduction in revenue during the period has had a direct impact on profitability with reportable segmental profit before interest lower at £0.9 million (2010: £1.6 million).

### *UK and Europe*

UK revenue ended the six month period 2% ahead of the prior year. Sales of our automotive repair manuals ended the first quarter 5% down on the prior period but stronger second quarter sales helped reduce the shortfall to 3% at the half year. Following a similar pattern to the US, the revenue shortfall has arisen from the UK's largest retail customers, with revenue of automotive manuals from the remaining UK customer base 5% ahead of last year. Sales of our non-automotive DIY and general interest titles ended the period 10% ahead of the prior period. This performance is particularly pleasing in light of the very competitive trading conditions and the fact that last year's third top selling title 'F1 Season Review' was not released until after the end of the half year due to the later running of the F1 Season.

In Europe, local currency revenue from Vivid ended the period 7% ahead of the prior year, boosted by a full period of trading with a significant new contract.

The impact of the above factors led to an increase in UK & European segmental revenue of £0.2 million to £7.1 million (2010: £6.9 million). However, the lower mix of the higher margin automotive repair manual income together with an increase in Vivid development costs of £0.2 million and the loss of £0.1 million of rental income following the administration of a UK tenant in early 2010, has meant that segmental profit before interest was lower at £0.7 million (2010: £1.0 million).

### **Future outlook**

Unfortunately the Group has experienced a repeat of the first half profit performance of three years ago, albeit not quite to the same degree. On that previous occasion we were able to recover the first half shortfall during the second half of the financial year and while management would hope to be able to repeat that performance, and will be making every effort to do so, it is too early to say how successful this will be in the current economic environment.

Notwithstanding the above, whilst the economic situation may not have improved over the last three years, the Group's outlook is considerably brighter. Utilising Vivid's IT and web development skills we have now designed, tested and commercially implemented our own Haynes electronic platform. We have been able to accomplish this with in-house skills as a result of the Vivid acquisition. The top 50 selling US automotive repair manuals went live shortly before the period end and will be followed by the next 50 US titles, the top 50 UK titles and the top 50 motorcycle titles. These are projects which are in the pipeline and will be delivered in the next few months.

The development of our own electronic platform coupled with our in-house expertise to develop new technologies in a flexible yet secure way means that we are now in a position to advance commercial opportunities in new markets which were not previously possible with a printed product. Issues surrounding data security and product distribution can now be substantially overcome through the development of new web based digital platforms.

Our research into a professional product for the South American aftermarket is progressing well. The meetings held with representatives in Brazil in October were very constructive and have helped shape our approach to this market. Although we do not foresee a commercial product in the current financial year, we do still feel there is an opportunity in this territory for the Group in the short term. We recently renewed our discussions in China and are now talking to several organisations regarding a variety of potential initiatives. At this stage, the meetings have been exploratory but once again the technological expertise now resident in the Group could play a major role and with China now producing one in four of all new vehicles, nearly twice as many as its nearest rival, it is a country which we need to work on. We will be following up on these discussions in March of this year.

Closer to home, we are also moving forward with our plans to develop an electronic platform for our non-automotive manuals and Booktrade titles. When completed this will give the Group its own ePUB capability incorporating encryption and digital rights management enabling us to sell Booktrade titles direct to the consumer in both a printed and an electronic format as well as opening the possibility of publishing certain titles in an electronic format only.

The Haynes Group is cash generative. Through our substantial investment in new digital products we are planning for the future to ensure strong cash flow remains a positive characteristic of the Group. Through the acquisition of Vivid we have taken control of our electronic future. We are no longer reliant on third parties to design, build and implement our new digital delivery platforms, thereby allowing the Group greater flexibility over timing whilst allowing management to maintain a tighter control over costs. With no gearing and a strong balance sheet we are also well placed to add to our previous acquisitions but will only do so where we are satisfied that the target will add value to the Group and fit into our future plans.

We have over the past six months seen a decline in Group pre-tax profits. We are also very aware of the uncertainty surrounding the European financial markets and cognisant that trading conditions, particularly in our main markets, remain extremely challenging. Nevertheless, the Board are genuinely excited about the future prospects for the Haynes Group.

### **Responsibility statement**

Pages 14 and 15 of the Annual Report 2011 provide details of the serving Executive and Non-Executive Directors and there have been no changes during the six months to 30 November 2011. A statement of the Directors' responsibilities is contained on page 33 of the Annual Report 2011. A copy of the Annual Report 2011 can be found on the Haynes website [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

The Board confirms that to the best of its knowledge the condensed set of financial statements gives a true and fair view of the assets and liabilities, financial position and profit of the Group and has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules as issued by the Financial Services Authority, namely:

- DTR 4.2.7: An indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.
- DTR 4.2.8: Details of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period. Together with any changes in the related parties transactions described in the last annual report that could have a material effect on the enterprise in the first six months of the current financial year.

**J H C Haynes**  
**Chairman of the Board**

**25 January 2012**

## Consolidated Income Statement (unaudited)

	6 months to		Year ended
	30 Nov 2011 £000	30 Nov 2010 £000	31 May 2011 £000
<b>Continuing operations</b>			
<b>Revenue</b> (note 2)	<b>14,332</b>	<b>15,699</b>	<b>32,743</b>
Cost of sales	(5,858)	(5,754)	(11,937)
<b>Gross profit</b>	<b>8,474</b>	<b>9,945</b>	<b>20,806</b>
Other operating income	46	146	214
Distribution costs	(3,184)	(3,685)	(7,007)
Administrative expenses	(3,446)	(3,442)	(6,326)
<b>Operating profit</b>	<b>1,890</b>	<b>2,964</b>	<b>7,687</b>
Finance income (note 4)	768	677	1,283
Finance costs (note 5)	(884)	(901)	(1,793)
<b>Profit before taxation</b>	<b>1,774</b>	<b>2,740</b>	<b>7,177</b>
Taxation (note 6)	(542)	(898)	(2,428)
<b>Profit for the period</b>	<b>1,232</b>	<b>1,842</b>	<b>4,749</b>
Attributable to:			
Equity holders of the Company	1,230	1,846	4,742
Non-controlling interests	2	(4)	7
	<b>1,232</b>	<b>1,842</b>	<b>4,749</b>
<b>Earnings per 20p share</b> - (note 7)	Pence	Pence	Pence
Earnings per share from continuing operations			
- Basic	7.5	11.3	29.0
- Diluted	7.5	11.3	29.0

## Consolidated Statement of Comprehensive Income (unaudited)

	6 months to		Year ended
	30 Nov 2011	30 Nov 2010	31 May 2011
	£000	£000	£000
<b>Profit for the period</b>	<b>1,232</b>	<b>1,842</b>	<b>4,749</b>
<b>Other comprehensive income/(expense):</b>			
Exchange differences on translation of foreign operations	888	(1,519)	(2,278)
Actuarial gains/(losses) on retirement benefit obligation			
- UK Scheme	379	1,804	3,032
- US Scheme	776	(83)	210
Deferred tax on retirement benefit obligation			
- UK Scheme	(95)	(487)	(788)
- US Scheme	(310)	33	(84)
Deferred tax arising on change in UK corporation tax rate	(90)	(117)	(234)
<b>Other comprehensive income/(expense) recognised directly in equity</b>	<b>1,548</b>	<b>(369)</b>	<b>(142)</b>
<b>Total comprehensive income for the financial period</b>	<b>2,780</b>	<b>1,473</b>	<b>4,607</b>
Attributable to:			
Equity holders of the Company	2,778	1,477	4,600
Non-controlling interests	2	(4)	7
	<b>2,780</b>	<b>1,473</b>	<b>4,607</b>

## Consolidated Balance Sheet (unaudited)

	30 Nov 2011 £000	30 Nov 2010 £000	31 May 2011 £000
<b>Non-current assets</b>			
Property, plant and equipment (note 12)	10,173	10,285	9,850
Intangible assets (note 13)	17,450	16,501	17,022
Deferred tax assets	3,646	4,679	4,155
<b>Total non-current assets</b>	<b>31,269</b>	<b>31,465</b>	<b>31,027</b>
<b>Current assets</b>			
Inventories	13,466	13,383	13,255
Trade and other receivables	9,551	9,858	10,319
Cash and cash equivalents	5,040	3,761	5,383
<b>Total current assets</b>	<b>28,057</b>	<b>27,002</b>	<b>28,957</b>
<b>Total assets</b>	<b>59,326</b>	<b>58,467</b>	<b>59,984</b>
<b>Current liabilities</b>			
Trade and other payables	(4,203)	(4,482)	(4,465)
Current tax liabilities	(261)	(79)	(704)
<b>Total current liabilities</b>	<b>(4,464)</b>	<b>(4,561)</b>	<b>(5,169)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	(3,976)	(3,359)	(3,849)
Retirement benefit obligation (note 10)	(9,127)	(12,135)	(10,434)
<b>Total non-current liabilities</b>	<b>(13,103)</b>	<b>(15,494)</b>	<b>(14,283)</b>
<b>Total liabilities</b>	<b>(17,567)</b>	<b>(20,055)</b>	<b>(19,452)</b>
<b>Net assets</b>	<b>41,759</b>	<b>38,412</b>	<b>40,532</b>
<b>Equity</b>			
Share capital	3,270	3,270	3,270
Share premium	638	638	638
Retained earnings	33,128	29,923	32,791
Foreign currency translation reserve	4,706	4,577	3,818
<b>Capital and reserves attributable to equity shareholders</b>	<b>41,742</b>	<b>38,408</b>	<b>40,517</b>
Equity attributable to non-controlling interests	17	4	15
<b>Total equity</b>	<b>41,759</b>	<b>38,412</b>	<b>40,532</b>



## Consolidated Statement of Changes in Equity (unaudited)

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Sub total £000	Non- controlling interests £000	Total £000
<b>Current interim period :</b>							
Balance at 1 June 2011	3,270	638	3,818	32,791	40,517	15	40,532
Profit for the period	-	-	-	1,230	1,230	2	1,232
<i>Other comprehensive income:</i>							
Currency translation adjustments	-	-	888	-	888	-	888
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	660	660	-	660
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>888</b>	<b>660</b>	<b>1,548</b>	<b>-</b>	<b>1,548</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>888</b>	<b>1,890</b>	<b>2,778</b>	<b>2</b>	<b>2,780</b>
Dividends (note 8)	-	-	-	(1,553)	(1,553)	-	(1,553)
<b>Balance at 30 November 2011</b>	<b>3,270</b>	<b>638</b>	<b>4,706</b>	<b>33,128</b>	<b>41,742</b>	<b>17</b>	<b>41,759</b>
<b>Prior interim period :</b>							
Balance at 1 June 2010	3,270	638	6,096	28,448	38,452	8	38,460
Profit for the period	-	-	-	1,846	1,846	(4)	1,842
<i>Other comprehensive income:</i>							
Currency translation adjustments	-	-	(1,519)	-	(1,519)	-	(1,519)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	1,150	1,150	-	1,150
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,519)</b>	<b>1,150</b>	<b>(369)</b>	<b>-</b>	<b>(369)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,519)</b>	<b>2,996</b>	<b>1,477</b>	<b>(4)</b>	<b>1,473</b>
Dividends (note 8)	-	-	-	(1,521)	(1,521)	-	(1,521)
<b>Balance at 30 November 2010</b>	<b>3,270</b>	<b>638</b>	<b>4,577</b>	<b>29,923</b>	<b>38,408</b>	<b>4</b>	<b>38,412</b>
<b>Prior year :</b>							
Balance at 1 June 2010	3,270	638	6,096	28,448	38,452	8	38,460
Profit for the period	-	-	-	4,742	4,742	7	4,749
<i>Other comprehensive income:</i>							
Currency translation adjustments	-	-	(2,278)	-	(2,278)	-	(2,278)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	2,136	2,136	-	2,136
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,278)</b>	<b>2,136</b>	<b>(142)</b>	<b>-</b>	<b>(142)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,278)</b>	<b>6,878</b>	<b>4,600</b>	<b>7</b>	<b>4,607</b>
Dividends (note 8)	-	-	-	(2,535)	(2,535)	-	(2,535)
<b>Balance at 31 May 2011</b>	<b>3,270</b>	<b>638</b>	<b>3,818</b>	<b>32,791</b>	<b>40,517</b>	<b>15</b>	<b>40,532</b>

## Consolidated Cash Flow Statement (unaudited)

	6 months to		Year ended
	30 Nov 2011	30 Nov 2010	31 May 2011
	£000	£000	£000
<b>Cash flows from operating activities - continuing</b>			
Profit after tax	1,232	1,842	4,749
<b>Adjusted for :</b>			
Income tax expense	542	898	2,428
Interest payable and similar charges	-	1	1
Interest receivable	(14)	(9)	(16)
Interest charges on pension liabilities less expected returns on pension assets	130	232	525
Operating profit	1,890	2,964	7,687
Depreciation on property, plant and equipment	476	497	976
Amortisation of intangible assets	780	570	1,215
IAS 19 pensions current service cost net of contributions paid	(330)	(239)	(621)
(Gain)/loss on disposal of property, plant and equipment	(8)	4	(5)
	<b>2,808</b>	<b>3,796</b>	<b>9,252</b>
<b>Changes in working capital :</b>			
Decrease /(increase) in inventories	104	(634)	(839)
Decrease /(increase) in receivables	1,003	394	(351)
(Decrease) /increase in payables	(308)	290	315
<b>Net cash generated from operations</b>	<b>3,607</b>	<b>3,846</b>	<b>8,377</b>
Tax paid	(824)	(939)	(1,447)
<b>Net cash generated by operating activities</b>	<b>2,783</b>	<b>2,907</b>	<b>6,930</b>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment	9	-	31
Purchases of property, plant and equipment	(575)	(335)	(578)
Expenditure on development costs	(1,143)	(1,026)	(2,134)
Interest received	14	9	16
<b>Net cash used in investing activities</b>	<b>(1,695)</b>	<b>(1,352)</b>	<b>(2,665)</b>
<b>Financing activities</b>			
Dividends paid	(1,553)	(1,521)	(2,535)
Interest paid	-	(1)	(1)
<b>Net cash used in financing activities</b>	<b>(1,553)</b>	<b>(1,522)</b>	<b>(2,536)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(465)</b>	<b>33</b>	<b>1,729</b>
Cash and cash equivalents at beginning of year	5,383	3,842	3,842
Effect of foreign exchange rate changes	122	(114)	(188)
<b>Cash and cash equivalents at end of period</b>	<b>5,040</b>	<b>3,761</b>	<b>5,383</b>

## Notes to the Interim Results

### 1. Basis of accounting

The interim financial statements for the six months ended 30 November 2011 and 30 November 2010 and for the twelve months ended 31 May 2011 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 May 2011 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 May 2011 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

The 30 November 2011 statements were approved by the Board of Directors on 25 January 2012 and although not audited are subject to a review by our auditors.

The financial information has been prepared in accordance with the Disclosure and Transparency rules of the Financial Services Authority and in compliance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as endorsed by the European Union.

The interim financial statements have been prepared in accordance with the accounting policies set out in the 2011 Annual Report and which the Group expects to follow in its next Annual Report. During the period under review, the new standards, amendments to standards and interpretations which apply to the Group for the first time in this financial year have been reviewed by management. At the present time management do not believe that the new standards, amendments to standards or interpretations will have a material impact on the Group's financial statements for the financial year ended 31 May 2012.

Summarised below are details of the new standards, significant amendment to standards and interpretations which have been issued by the IASB and IFRIC but not adopted by the Group during the period as application is not mandatory in the current financial year :

<b>Standard/Interpretation</b>	<b>Title</b>	<b>Effective date</b>
- IFRS 7 (amendments):	Financial instruments disclosures	1 July 2011
- IFRS 9:	Financial instruments	1 January 2013
- IFRS 10:	Consolidated financial statements	1 January 2013
- IFRS 11:	Joint arrangements	1 January 2013
- IFRS 12:	Disclosure of interests in other entities	1 January 2013
- IFRS 13:	Fair value measurement	1 January 2013
- IAS 1 (amendments):	Presentation of Financial Statements	1 July 2012
- IAS 12 (revised):	Income taxes	1 January 2012
- IAS 19 (amendments):	Employee benefits	1 January 2013

## 2. Revenue

	6 months to		Year ended
	30 Nov 2011	30 Nov 2010	31 May 2011
	£000	£000	£000
<b>Revenue by geographical destination on continuing operations :</b>			
United Kingdom	3,779	3,805	7,585
Rest of Europe	2,833	2,623	5,738
United States of America	5,884	7,444	15,768
Australia	1,219	1,105	2,350
Rest of World	617	722	1,302
<b>Total consolidated revenue *</b>	<b>14,332</b>	<b>15,699</b>	<b>32,743</b>

### \* Analysed as follows :

Revenue from sales of printed products	11,995	13,491	27,870
Revenue from sales of digital data	2,124	1,903	4,299
Revenue from royalty and licensing arrangements	213	305	574
	<b>14,332</b>	<b>15,699</b>	<b>32,743</b>

## 3. Segmental analysis

For management and internal reporting purposes, the Group is organised into two geographical operating segments as follows:

- UK and Europe
- North America and Australia

The UK and European business with headquarters in Sparkford, Somerset has subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. Its core business is the publication and supply of automotive repair and technical information to the professional automotive and DIY aftermarkets.

The North American and Australian business with headquarters near Los Angeles, California publishes DIY repair manuals for cars and motorcycles under the Haynes and Chilton brands, in both the English and Spanish languages. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands.

The above two operating segments are each organised and managed separately and are treated as distinct operating and reportable segments in line with the provisions of IFRS 8. The identification of the two operating segments is based on the reports reviewed by the chief operating decision maker, which form the basis for operational decision making. Inter-segmental sales are charged at the prevailing market rates in a manner similar to transactions with third parties.

The adjustments below have been made in the segmental tables which follow to reconcile the internal reports as reviewed by the chief operating decision maker to the financial information as reported under IFRS in the Group Financial Statements:

- In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
- In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
- In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
- In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill – under IAS 38 specific intangible assets are created and adjusted for deferred tax arising on acquisition.
- The unallocated head office assets primarily relate to freehold property, deferred tax assets and amounts owed by subsidiary undertakings.

### 3. Segmental analysis (continued)

#### Analysis of geographic operating segments

##### Revenue and results:

	UK & Europe 6 months to 30 Nov 2011 £000	North America & Australia 6 months to 30 Nov 2011 £000	Consolidated 6 months to 30 Nov 2011 £000
<b>Segmental revenue</b>			
Total segmental revenue	7,318	8,382	15,700
Inter-segment sales	(174)	(1,194)	(1,368)
<b>Total external revenue</b>	<b>7,144</b>	<b>7,188</b>	<b>14,332</b>
<b>Segment result</b>			
Segment operating profit before interest	736	911	1,647
Interest received	2	12	14
Interest payable	-	-	-
<b>Segment profit after interest</b>	<b>738</b>	<b>923</b>	<b>1,661</b>
Unallocated head office income less expenses			(191)
<b>Segment profit before tax and adjustments</b>			<b>1,470</b>
<b>Reconciliation to consolidated profit before tax:</b>			
IAS 16 Property, plant & equipment			15
IAS 19 Employee benefits			180
IFRS 3 Business combinations			109
<b>Consolidated profit before tax</b>			<b>1,774</b>
Taxation			(542)
<b>Consolidated profit after tax</b>			<b>1,232</b>

##### Segment assets:

	UK & Europe 30 Nov 2011 £000	North America & Australia 30 Nov 2011 £000	Eliminations 30 Nov 2011 £000	Consolidated 30 Nov 2011 £000
Property, plant and equipment	516	6,191	-	6,707
Intangible assets	4,964	2,222	-	7,186
Working capital assets	11,527	17,175	(695)	28,007
<b>Segment total assets</b>	<b>17,007</b>	<b>25,588</b>	<b>(695)</b>	<b>41,900</b>
Unallocated head office assets				11,350
Unallocated head office eliminations				(2,454)
				<b>50,796</b>
<b>Reconciliation to consolidated total assets:</b>				
IAS 16 Property, plant & equipment				1,206
IAS 19 Employee benefits				2,358
IAS 38 Intangible assets				1,519
IFRS 3 Business combinations				3,447
<b>Consolidated total assets</b>				<b>59,326</b>

### 3. Segmental analysis (continued)

#### Revenue and results:

	UK & Europe 6 months to 30 Nov 2010 £000	North America & Australia 6 months to 30 Nov 2010 £000	Consolidated 6 months to 30 Nov 2010 £000
<b>Segmental revenue</b>			
Total segmental revenue	7,048	10,104	17,152
Inter-segment sales	(194)	(1,259)	(1,453)
<b>Total external revenue</b>	<b>6,854</b>	<b>8,845</b>	<b>15,699</b>
<b>Segment result</b>			
Segment operating profit before interest	957	1,624	2,581
Interest received	1	8	9
Interest payable	(1)	-	(1)
<b>Segment profit after interest</b>	<b>957</b>	<b>1,632</b>	<b>2,589</b>
Unallocated head office income less expenses			(170)
<b>Segment profit before tax and adjustments</b>			<b>2,419</b>
<b>Reconciliation to consolidated profit before tax:</b>			
IAS 16 Property, plant & equipment			9
IAS 19 Employee benefits			72
IFRS 3 Business combinations			240
<b>Consolidated profit before tax</b>			<b>2,740</b>
Taxation			(898)
<b>Consolidated profit after tax</b>			<b>1,842</b>

#### Segment assets:

	UK & Europe 30 Nov 2010 £000	North America & Australia 30 Nov 2010 £000	Eliminations 30 Nov 2010 £000	Consolidated 30 Nov 2010 £000
Property, plant and equipment	602	6,138	-	6,740
Intangible assets	4,054	2,495	-	6,549
Working capital assets	11,133	16,581	(782)	26,932
<b>Segment total assets</b>	<b>15,789</b>	<b>25,214</b>	<b>(782)</b>	<b>40,221</b>
Unallocated head office assets				11,251
Unallocated head office eliminations				(2,388)
				<b>49,084</b>
<b>Reconciliation to consolidated total assets:</b>				
IAS 16 Property, plant & equipment				1,188
IAS 19 Employee benefits				3,542
IAS 38 Intangible assets				1,476
IFRS 3 Business combinations				3,177
<b>Consolidated total assets</b>				<b>58,467</b>

### 3. Segmental analysis (continued)

#### Revenue and results:

	UK & Europe Year ended 31 May 2011 £000	North America & Australia Year ended 31 May 2011 £000	Consolidated Year ended 31 May 2011 £000
<b>Segmental revenue</b>			
Total segmental revenue	14,783	20,804	35,587
Inter-segment sales	(357)	(2,487)	(2,844)
<b>Total external revenue</b>	<b>14,426</b>	<b>18,317</b>	<b>32,743</b>
<b>Segment result</b>			
Segment operating profit before interest	2,400	4,413	6,813
Interest received	2	14	16
Interest payable	(1)	-	(1)
<b>Segment profit after interest</b>	<b>2,401</b>	<b>4,427</b>	<b>6,828</b>
Unallocated head office income less expenses			(132)
<b>Segment profit before tax and adjustments</b>			<b>6,696</b>
<b>Reconciliation to consolidated profit before tax:</b>			
IAS 16 Property, plant & equipment			19
IAS 19 Employee benefits			84
IFRS 3 Business combinations			378
<b>Consolidated profit before tax</b>			<b>7,177</b>
Taxation			(2,428)
<b>Consolidated profit after tax</b>			<b>4,749</b>

#### Segment assets:

	UK & Europe 31 May 2011 £000	North America & Australia 31 May 2011 £000	Eliminations 31 May 2011 £000	Consolidated 31 May 2011 £000
Property, plant and equipment	546	5,827	-	6,373
Intangible assets	4,703	2,232	-	6,935
Working capital assets	11,714	17,943	(800)	28,857
<b>Segment total assets</b>	<b>16,963</b>	<b>26,002</b>	<b>(800)</b>	<b>42,165</b>
Unallocated head office assets				11,483
Unallocated head office eliminations				(2,542)
				<b>51,106</b>
<b>Reconciliation to consolidated total assets:</b>				
IAS 16 Property, plant & equipment				1,169
IAS 19 Employee benefits				2,921
IAS 38 Intangible assets				1,601
IFRS 3 Business combinations				3,187
<b>Consolidated total assets</b>				<b>59,984</b>

#### 4. Finance income

	6 months to 30 Nov 2011	30 Nov 2010	Year ended 31 May 2011
	£000	£000	£000
Interest receivable on bank deposits	14	9	16
Expected return on pension scheme assets	754	668	1,267
	<b>768</b>	<b>677</b>	<b>1,283</b>

#### 5. Finance costs

	6 months to 30 Nov 2011	30 Nov 2010	Year ended 31 May 2011
	£000	£000	£000
Interest payable on bank loans and overdrafts	-	1	1
Interest charge on pension scheme liabilities	884	900	1,792
	<b>884</b>	<b>901</b>	<b>1,793</b>

#### 6. Taxation

The tax charge for the six months ended 30 November 2011 has been based on an estimate of a full year effective tax rate of 30.6% (30 November 2010: 32.8% / 31 May 2011: 33.8%).

The Finance Act 2011, which had been substantively enacted at the balance sheet date, reduces the main rate of UK corporation tax from 26% to 25% from 1 April 2012. An adjustment has been made to the Group's UK deferred tax balances to reflect the forthcoming change in the UK tax rate.

#### 7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:-

	6 months to 30 Nov 2011	30 Nov 2010	Year ended 31 May 2011
	£000	£000	£000
<b>Earnings :</b>			
Profit after tax – continuing operations *	1,230	1,846	4,742
	No.	No.	No.
<b>Number of shares :</b>			
Weighted average number of shares	16,351,540	16,351,540	16,351,540

\* The profit after tax excludes a profit of £2,000 (2010: loss of £4,000) attributable to non-controlling interests.

As at 30 November 2011, 31 May 2011 and 30 November 2010 there were no outstanding options on either of the Company's two classes of shares and there is no difference between the earnings used in the basic and diluted earnings per share calculation.



## 8. Dividends

	6 months to		Year ended
	30 Nov 2011	30 Nov 2010	31 May 2011
	£000	£000	£000
<b>Amounts recognised as distributions to equity holders :</b>			
Final dividend of 9.5p per share (2010: 9.3p)	1,553	1,521	1,521
Interim dividend of 6.2p per share	-	-	1,014
	<b>1,553</b>	<b>1,521</b>	<b>2,535</b>

An interim dividend of 6.2p per share (2010: 6.2p) amounting to £1,013,795 (2010: £1,013,795) has been declared during the period but has not been reflected in the interim accounts. The payment of the interim dividend will be made on 11 April 2012 to shareholders on the register at the close of business on 30 March 2012, the shares being declared ex-dividend on 28 March 2012.

## 9. Analysis of the changes in net funds

	As at 1 June 2011	Cash flow	Exchange movements	As at 30 Nov 2011
	£000	£000	£000	£000
Cash at bank and in hand	5,383	(465)	122	5,040

## 10. Retirement benefit obligation

The Group operates a number of different retirement programmes in the countries within which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK and a non contributory defined benefit plan in the US. The assets of all schemes are held independently of the Group and its subsidiaries.

During the period the financial position of the above pension arrangements have been updated in line with the anticipated annual cost for current service, the expected return on scheme assets, the interest on scheme liabilities and cash contributions made to the schemes.

The last full IAS 19 actuarial valuation was carried out by a qualified independent actuary as at 31 May 2011 and this valuation has been updated by the Scheme's actuaries on an approximate basis to 30 November 2011.

## 10. Retirement benefit obligation (continued)

The movements in the retirement benefit obligation were as follows :-

	6 months to		Year ended
	30 Nov 2011	30 Nov 2010	31 May 2011
	£000	£000	£000
Retirement benefit obligation at beginning of period	(10,434)	(14,017)	(14,017)
Movement in the period :			
- Total expenses charged in the income statement	(569)	(771)	(1,601)
- Contributions paid	769	778	1,697
- Actuarial gains taken directly to reserves	1,155	1,721	3,242
- Foreign currency exchange rates	(48)	154	245
<b>Retirement benefit obligation at end of period</b>	<b>(9,127)</b>	<b>(12,135)</b>	<b>(10,434)</b>

## 11. Exchange rates

The foreign exchange rates used in the financial statements to consolidate the overseas subsidiaries are as follows (local currency equivalent to £1):

	Period end rate			Average rate		
	30 Nov 2011	30 Nov 2010	31 May 2011	30 Nov 2011	30 Nov 2010	31 May 2011
US dollar	1.57	1.56	1.65	1.60	1.56	1.59
Euro	1.17	1.20	1.15	1.14	1.19	1.17
Swedish krona	10.61	10.95	10.18	10.42	11.10	10.65
Australian dollar	1.53	1.62	1.54	1.53	1.69	1.62

## 12. Property, plant and equipment

	Total £000
Net book value at 1 June 2010	10,725
Exchange rate movements	(274)
Additions	335
Disposals	(4)
Depreciation	(497)
<b>Net book value at 30 November 2010</b>	<b>10,285</b>
	£000
Net book value at 1 June 2011	9,850
Exchange rate movements	225
Additions	575
Disposals	(1)
Depreciation	(476)
<b>Net book value at 30 November 2011</b>	<b>10,173</b>

As at 30 November 2011 the Group had no capital expenditure which had been contracted but had not been provided for (2010: £15,000).

### 13. Intangible assets

	Total £000
Carrying value at 1 June 2010	16,537
Exchange rate movements	(492)
Additions	1,026
Amortisation	(570)
<b>Carrying value at 30 November 2010</b>	<b>16,501</b>
	£000
Carrying value at 1 June 2011	17,022
Exchange rate movements	65
Additions	1,143
Amortisation	(780)
<b>Carrying value at 30 November 2011</b>	<b>17,450</b>

### 14. Related party transactions

During the six months to 30 November 2011 there were no new material related party transactions or material changes to the related party transactions as reported in the Annual Report 2011.

### 15. Principal risks and uncertainties

The principal risks and uncertainties facing the Group during the second half of the financial year are outlined in the Interim Statement and summarised below :

- The UK and Global economic outlook and in particular, the consequential impact on consumer confidence and businesses.
- Movements in the exchange rate of the US Dollar and Euro against Sterling.
- The impact of movements in interest rates, inflation and investment performance on the Group's retirement benefit schemes.

The Board considers that the above, along with the principal risks and uncertainties which were discussed at more length in the Annual Report 2011 under the following headings and page references, continue to be the major risks and uncertainties facing the Group :

- The processes adopted by the Board to identify and monitor risk (page 25)
- The Group's principal financial risks and uncertainties (pages 65 – 67)
- The Group's principal operational risks and uncertainties (pages 8 – 12)

A copy of the Annual Report 2011 can be found on the Group's corporate website [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

### 16. Other information

A copy of this half-year report will be distributed to all shareholders and will also be available to members of the public from the Company's registered office at Sparkford, Near Yeovil, Somerset BA22 7JJ. A copy of the interim report will also be available on the Group's corporate website at [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

# **INDEPENDENT REVIEW REPORT TO HAYNES PUBLISHING GROUP P.L.C.**

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2011 which comprises a consolidated income statement, consolidated statement of comprehensive income and expense, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes.

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

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## **Our responsibility**

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

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect to half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## **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 United Kingdom. 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 financial report for the six months ended 30 November 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

*BDO LLP  
Chartered Accountants and Registered Auditors  
Southampton  
United Kingdom  
25 January 2012*

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number 0C305127).*