Haynes Publishing Group P.L.C. ("the Company")

Annual Financial Report

Annual Report and Notice of Annual General Meeting

The Company has today posted its Annual Report and Accounts 2015 and Notice of Annual General Meeting 2015 to shareholders.

The Company announces that in compliance with Listing Rule 9.6.1, copies of the following documents have been submitted to the National Storage Mechanism and will shortly be available for inspection at: www.Hemscott.com/nsm.do.

i) Annual Report and Accounts 2015
ii) Notice of Annual General Meeting 2015
iii) Form of proxy for Ordinary Shareholders for the Annual General Meeting

The Annual Report and Accounts, which were approved by the Board of Directors on 23 September 2015, constitute the Annual Financial Report for the purposes of DTR 4.1.

The Company's Annual General Meeting will be held at 1:00pm on Wednesday 28 October 2015 at the Haynes International Motor Museum, Sparkford, near Yeovil, Somerset.

Both the Annual Report and Accounts 2015 and Notice of Annual General Meeting 2015 are also available to view on the Company's website www.haynes.co.uk/investor.

In compliance with DTR 6.3.5, the following information is extracted from the Annual Report and Accounts 2015 and should be read in conjunction with the Company's Results Announcement issued on 24 September 2015, both of which can be found at www.haynes.co.uk/investor. Together, these documents constitute the information required by DTR 6.3.5 to be communicated to the media in full unedited text through a Regulatory Information Service. This information is not a substitute for reading the Annual Report and Accounts 2015 in full and page numbers and cross-references in the extracted information below refer to page numbers and cross-references in the Annual Report and Accounts 2015.

Principal risks and uncertainties

The following is an extract from the Strategic Report on page 17 of the Annual Report and Accounts 2015:

In common with most businesses there are risks inherent in the Group's underlying operations which could impact on the Group's operating and financial performance. Thus the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities. Nevertheless, through its day to day management disciplines and monitoring of systems, the Group evaluates and mitigates unnecessary risks.

The Board has the primary responsibility for identifying the major business risks facing the Group and developing appropriate policies to manage those risks. These policies are used both by the directors and by senior management to determine the key control procedures for each area of risk identified by the Board and the degree of information required to safeguard the business and the assets used within it. It is accepted that risk is itself prevalent in any commercial enterprise and that it must be the objective of the Group's management and staff to be prudent in the acceptance and control of risk incurring activity, rather than aiming to eliminate it entirely.

The table below highlights the principal risks and uncertainties which the Board believes are presently most relevant to the Haynes Group. Wider scope risks such as macroeconomic conditions which impact all business but over which the Group has little or no control have not been included.

Risk	Why the Board think this is important	How the Board mitigate the risk
Reducing DIY activity on cars & motorcycles in the Group's core geographic markets.	The Group's core revenue is derived from the sale of printed service and repair manuals originated in its core geographic markets.	The Board seek to mitigate this risk by : • Broadening the Group's revenue generating base. • By opening up new geographic sales territories. • By developing new delivery platforms to deliver the Group's content through a variety of multi-media formats.
The publication of inaccurate information.	The Haynes brand is built on a reputation of publishing technically accurate information in a trusted and easy to understand format.	Through the process driven methodology the Group adopts to capture its technical data, the skill and expertise of the staff recruited and the level of quality control applied to the approval process, the Group takes the necessary steps to minimise this risk. As a responsible business the Group has appropriate global insurance to cover product indemnity and multimedia liability.
Lack of investment in the core products and in developing new product initiatives.	In both our professional and consumer markets it is vital that vehicle coverage is kept up-to-date.	The Board ensures that the level of ongoing expenditure on product development is appropriate to maintain the Group's reputation and to retain its market leading positions in its respective market sectors.
A failure in the Group's information technology systems prevents the business from functioning and/or fulfilling its contractual duties.	The business is dependent on its information technology systems to run its day-to-day operations and in the case of its digital delivery platforms to deliver the technical information to its end users.	Through the recruitment of technically competent staff and the appropriate level of investment in the Group's information technology infrastructure the Board takes comfort that the information technology systems are appropriate and fit for purpose. Maintaining adequate back-up procedures is a key component of minimising the risk of system downtime.
An over reliance on a single key customer.	The loss of a major customer could significantly impact on the financial performance of the Group and hamper the Board's objective of delivering sustainable revenue and profit growth.	The Group aims to establish strong and long standing relationships with all its key customers. However, the Board recognises that a customer can be lost for a variety of reasons and therefore, by broadening the base of the business and developing new delivery platforms, the reliance on a single customer is reduced. In the current and preceding financial years there is only one customer who represents more than 10% of Group revenue but in neither year did the percentage exceed 11%.
The loss of key executives and personnel.	The Group has key executives and employees who have worked in the business for a number of years and who have an in-depth knowledge of the Group, its processes and its culture.	Through the setting of competitive remuneration packages and fulfilling employment conditions the Group helps to mitigate the loss of a senior Board executive or key employee. In the case of Board executives, the responsibility for succession planning and the recruitment of new Board executives is overseen by the Remuneration and Nomination Committee.
The funding position on the Group's two defined benefit schemes deteriorates requiring significant additional funding.	A need to increase contributions into the pension schemes could adversely affect the Group's ability to invest in the development of new delivery platforms, new product initiatives and to fund both internal and acquisitive growth.	The performance of both the US and UK pension schemes are monitored on a regular basis by the Company, the Trustees and the Scheme's professional advisers and the funding to the schemes reflects the ongoing investment requirements of the Group.

Risk management

The following is an extract from the Corporate Governance statement on page 31 of the Annual Report and Accounts 2015:

"The Board has the primary responsibility for identifying the major business risks facing the Group and developing appropriate policies to manage those risks. These policies are used both by the directors and by senior management to determine the key control procedures for each area of risk identified by the Board and the degree of information required to safeguard the business and the assets used within it.

It is accepted that risk is itself prevalent in any commercial enterprise and that it must be the objective of the Group's management and staff to be prudent in the acceptance and control of risk incurring activity, rather than aiming to eliminate it entirely. Thus the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities.

Through its day to day management disciplines, face to face meetings, regular written reports and monitoring systems, the Group evaluates and mitigates unnecessary risks.

In addition, there are a number of areas of the Group's business where it is necessary to take risks in order to strive for satisfactory profitability and returns to shareholders. The publication of both workshop manuals and a range of titles covering non-automotive practical and DIY subject matters as well as a range of light entertainment manuals styled on the iconic Haynes Manual engenders commercial and publishing risk requiring close evaluation by editors and editorial committees with an in-depth knowledge of their subject and their markets.

For the financial year ended 31 May 2015, the Board is satisfied that there was in place an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group as a whole. This process is formally structured by means of a written report which is presented annually to the Board. In addition, through discussion with the heads of the various operating units, an update is provided to the Board by the Group Finance Director at the half year. Risks identified by this process are regularly reviewed by the Board and addressed jointly by the Group Chief Executive and directors drawing upon the skills of senior management as necessary. The Board monitors this process and is satisfied that, given the size of the Group, and the nature of its operations, this process is sufficient to meet its needs without unduly hampering entrepreneurial activity, and that (in accordance with the recommendation of the Audit Committee) a separate internal audit function is not required."

Statement of Directors' Responsibilities

The following is an extract from page 45 of the Annual Report and Accounts 2015:

"The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors are required by company law to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006, and as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website Publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's UK website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's UK website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement pursuant to DTR4

The directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Parent Company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face."

Financial risk and treasury policy

The following is an extract from Note 20 on pages 79 to 81 of the Annual Report and Accounts 2015:

"The Group's principal financial instruments during the year comprised bank loans and overdrafts, cash and short-term deposits as well as other various items arising from its operations such as trade receivables and trade payables. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. From time to time the Group may enter into derivative transactions such as interest rate swaps or forward exchange contracts, the main purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and sources of finance. There were no such transactions entered into during the current or preceding financial years.

Foreign currency risk
The Group has investments in subsidiary operations outside of the UK and also buys and sells goods and services in currencies other than in the functional currencies of its subsidiary operations. In light of the above, the Group's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. The Group is able to take advantage of certain natural hedge flows within the business operations which helps to minimise the impact of the fluctuations in exchange but where appropriate will use forward rates to minimise the risk. There were no forward exchange contracts entered into during the current or preceding financial years. It is Group policy not to engage in any speculative trading in financial instruments.

Sensitivity analysis
The most significant foreign currency risk to the Group is in relation to the US dollar. Management estimate that if all other variables remained constant the impact on pre-tax profits of a 5% increase in the value of the US dollar against sterling would have been to reduce profits by £0.1 million with a decrease of 5% having an equal and opposite effect. This estimate has been based on an assessment of translating the US dollar profits into sterling using the average rate for the year of $1.58. Apart from balances held in the functional currency of the various Group trading entities, there were no other significant balances held by the trading companies in other currencies which would give rise to a significant foreign exchange exposure at the end of the financial year.

Credit risk
The Group's credit risk is primarily attributable to its trade receivables, which are spread over a range of countries and customers, a factor which helps to dilute the concentration of risk. The risk associated with such trading is mitigated through credit control management procedures including the use of credit worthiness checks, the application of credit limits and the sale of goods subject to retention of title clauses. The UK business outsources its distribution which includes customer invoicing, cash collection and credit control. The external distributor invoices the customers of the UK business as its agent but the UK business retains the full credit risk associated with the sales. In light of this arrangement the UK business has a secondary risk in relation to the cash collected from its customers which has yet to be remitted to the UK business by the external distributor. A provision is made against such balances where there is an identifiable loss or event, which based on prior experience provides management with a significant doubt over the recovery of the balance. Due to the long established relationships with the majority of the Group's customers and the good standing of the UK distributor which is part of a large multinational publishing group, there is not deemed to be a credit quality issue in relation to the trade receivables balance. The amount of the total exposure is shown in note 15.

In addition to the above, the UK business has an exposure in relation to contractual advanced royalty payments to authors. However, due to the large number of authors there is no significant concentration of risk. The asset balance in relation to the author advances is held within other debtors and prepayments (refer to note 15) and amounted to £0.2 million net of allowances for doubtful recovery (2014: £0.2 million).

The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk
The principal aim of the Group's liquidity management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and asset leasing. As at 31 May 2015 the Group had a £2.5 million UK overdraft facility (2014: £2.5 million) which is due for review in October 2015, a €0.4 million overdraft in Europe (2014: €0.4 million) which has no fixed renewal date and a $11.0 million revolving loan facility in the US (2014: $11.0 million) which has $8.9 million undrawn as at 31 May 2015 and is due for renewal in January 2016.

Interest rate risk
From time to time the Group companies have overdraft and loan facilities which are subject to variable rates of interest based on the respective bank's base rate. As at 31 May 2015 there were bank loans outstanding of £1.4 million (2014: £2.2 million) and bank overdrafts outstanding of £1.4 million (2014: £1.2 million). Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis
As all of the Group's borrowings are subject to variable interest rates the Group has an exposure to a change in the market rates of interest. Management have not undertaken a sensitivity analysis on the impact of movement in the bank base rate as they deem it would have an immaterial effect on Group results due to a combination of the low level of borrowing at the year end and the low current base rates in the UK and US.

Fair value of financial assets and liabilities
There are no material differences between the carrying values and the fair values of the financial assets and liabilities as recorded in the Consolidated Balance Sheet. Details of the amounts of financial assets and liabilities held in foreign currencies can be found in notes 15, 16, 17 and 18 to the Consolidated Financial Statements.

Capital management

The primary aim of the Group's capital management is to safeguard the Group's ability to continue as a going concern, to support its businesses and to maximise shareholder value. The Group monitors its capital structure and makes adjustments as and when it is deemed necessary and appropriate to do so using such methods as adjusting the dividend payment to shareholders or the issuing of new shares.

Interest cover

	2015	2014
Operating profit before exceptional items (£000)	3,050	4,818
Net finance costs (£000)	69	69
Interest cover (ratio)	44	70

Interest cover is calculated by taking the operating profit from the Consolidated Income Statement divided by net finance costs (defined as finance costs less finance income), where finance income is greater than the finance costs, net finance costs is shown as £nil.

Gearing ratio

	2015	2014
Net debt (£000)	-	1,064
Total equity (£000)	24,370	35,344
Gearing ratio (%)	-	3.0%

The net gearing ratio comprises net debt divided by total equity (net debt being defined as cash and cash equivalents net of bank loans – see notes 16 and 17)."

Related party transactions

The following is an extract from Note 23 on pages 87 to 88 of the Annual Report and Accounts 2015:

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its directors. A list of all the Group's subsidiaries is shown in note 33.

Transactions with related parties

The interests of the directors in the Ordinary share capital of the Company as at 31 May 2015 are shown in the Directors Remuneration Report on page 40 as required by the FCA's Disclosure & Transparency rules.

During the year the directors had declarable interests in contracts with the Company and its subsidiary undertakings as shown below.

1. A lease dated 28 August 1979 between John H Haynes Developments Inc, (a company registered in California and controlled by JH Haynes) and Haynes North America Inc. of the premises situated at 859 and 861 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001, runs for a period of 5 years from that date, and is presently held over pending renewal. The annual rent for the year ended 31 May 2015 was $207,214 (2014: $207,214) or £130,875 (2014: £127,831) at the average exchange rate for the year. MEF Haynes is a Vice President of John H Haynes Developments Inc.
2. During the year The Haynes Motor Museum Limited, (of which JH Haynes and MEF Haynes are directors) which is jointly owned by the Haynes International Motor Museum Charitable Trust and JH Haynes and Mrs AC Haynes (spouse of JH Haynes) undertook the following transactions with the Group:

	Transactions 2015 £'000	Balance at 31 May 2015 £'000	Transactions 2014 £'000	Balance at 31 May 2014 £'000
Supply of conference facilities and garage workshop services	8	3	4	-
Purchase of books and manuals and storage rental	14	-	16	2

JH Haynes is a Trustees of the Charitable Trust.

3. A tenancy of No. 12 Ivel Gardens, Ilchester - owned by Mrs AC Haynes and let to Haynes Publishing Group P.L.C., with Haynes Developments Limited (of which JH Haynes, JHC Haynes and MEF Haynes are shareholders) acting as agent for lessor. During the year the amount paid to Haynes Developments Limited for rent and service charges of 12 Ivel Gardens was £10,533 (2014: £11,343). In addition £400 (2014: £nil) was paid to Haynes Developments Limited for rent and service charges relating to a property at Fulton Mews in London. As at 31 May 2015 the balance outstanding to Haynes Developments Limited was £804 (2014: £828).
4. During the year the Company continued its engagement for the services of New Century Media Limited to undertake financial PR on behalf of the Company. Mr E Bell is a non-executive director of the Company and of New Century Media Limited. During the period the Company paid £90,267 (2014: £91,739) to New Century Media Limited for financial PR services. As at 31 May 2015 the balance outstanding to New Century Media Limited was £nil (2014: £9,013).

Except as stated above, no directors were materially interested in contracts with the Company or any of its subsidiary undertakings.

Key management emoluments

The remuneration of the directors, who are the key management personnel of the Group is set out below in aggregate for each of the categories specified within IAS 24 'Related Party Disclosures'. Further information regarding the directors' individual remuneration packages is provided in the audited part of the Directors Remuneration Report on pages 40 to 42.

	2015	2014
	£'000	£'000
Short term employee benefits	1,328	1,359
Post employee benefits	778	660
	2,106	2,019

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