<u>Haynes Publishing Group P.L.C. ("the Company")</u>

Annual Financial Report

Annual Report and Notice of Annual General Meeting

The Company has posted its Annual Report and Accounts 2019 and Notice of Annual General Meeting 2019 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.morningstar.co.uk/uk/nsm.

i) Annual Report and Accounts 2019
ii) Notice of Annual General Meeting 2019
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 18 September 2019, 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 23 October 2019 at the Haynes International Motor Museum, Sparkford, near Yeovil, Somerset.

Both the Annual Report and Accounts 2019 and Notice of Annual General Meeting 2019 are also available to view on the Company's website www.haynes.com/investor.

In compliance with DTR 6.3.5, the following information is extracted from the Annual Report and Accounts 2019 and should be read in conjunction with the Company's Results Announcement issued on 12 September 2019, both of which can be found at www.haynes.com/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 2019 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 2019.

Principal risks and uncertainties

The following is an extract from the Strategic Report on pages 20-21 of the Annual Report and Accounts 2019:

"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 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, it is the objective of the Board and Group staff to be prudent in the acceptance and control of a risk incurring activity rather than aiming to eliminate it entirely. Through its day to day management disciplines and monitoring of systems, the Group evaluates and mitigates unnecessary risks.

The table overleaf 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.

Brexit

The risks relating to Britain's exit of the European Union ("EU") are not considered Principal Risks to Haynes. Shortly after the vote to leave management considered an internal impact assessment that had been undertaken. The Group is exposed to fluctuations in the value of sterling, in particular:

i) a proportion of sales are made outside the UK, predominantly in Euro's and US dollars; and

ii) the contract for the Group's external production is in US Dollars and so the price paid in sterling will depend on the value of sterling.

In relation to the first of the exposures, the risk is primarily translational and does not affect the underlying operating efficiency or performance of the local businesses.

In relation to the second of the exposures, the Group has some natural hedging which helps to offset the impact of the transactional exposure such that the overall impact for the Group is not expected to be material.

The Directors assessment of risk posed by Brexit remains unchanged. The Group generates 56% of its revenue through its digital products and technical data solutions and through the sale of publishing rights and brand licensing arrangements where the Group has flexibility over where these services can be provided. The remaining 44% is generated through the sale of printed products globally, of which 2% relates to sales into Europe from the UK. Our printed product is not perishable and therefore any delays in the supply chain will only impact on the timing of inventory to and from our distributor. The Group has relationships with short-run printers both within and outside the UK which management are confident will allow the Group to manage any Brexit related disruption to supply arrangements in the short-term."

Risk	Why the Board think this is important	How the Board mitigate the risk
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.	IT representation on the Board through the Chief Technology Officer (CTO). The recruitment of technically competent staff and the appropriate level of investment in the Group's information technology infrastructure. Increasing use of the Cloud, monitoring security risks, up-to-date anti-virus software, maintaining adequate back-up procedures and regular testing and control reviews of the systems are key components of minimising the risk of system downtime.
Lack of investment in the core products and in developing new product initiatives.	In all our key markets it is vital that our content, coverage and platforms are kept up-to-date and relevant.	The Board ensures that the level of ongoing investment on product development is appropriate to maintain the Group's reputation and to retain its market leading positions in its respective market sectors.
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 and the level of quality control applied throughout the 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.
Reducing DIY activity on cars & motorcycles in the Group's geographic markets.	Revenue derived from the sale of printed service and repair manuals is down 5% from 2018.	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.
Restriction on the Group's ability to access licensed content or the availability of content.	Changes to regulations around the provision of technical data or the cost of licensing the data could necessitate changes to the production processes of the Group or increase competition in the market.	The Group actively monitors planned and actual changes to regulations in all territories in order to minimise disruption to the business. Key senior personnel are appointed to Associations and Bodies that regularly feedback on the drafting of future regulations in our key territories. Management closely monitor the cost of licensing the data to ensure it is calculated in line with the spirit of legislation.
Judgemental valuation of assets and provisions from financial valuations.	Significant assets and provisions in the Balance Sheet depend on judgemental assumptions as explained in Note 1 to the financial statements.	Regular monitoring of Group policies adopted with consistent and evidence based approach to assumptions. Where valuations are undertaken internally they are subject to external review as part of the audit process.
Breach of Intellectual Property and Copyright.	Piracy of content in both a print and digital format as well as the lapsing of copyrights and trademarks held, impacting the financial performance of the Group.	The Group has an ongoing Trademark filing and registration strategy in place covering all Group marks in the appropriate classes and territories. Bi-annual meetings are held with the external trademark advisors. Internally, the Group adopts robust anti-piracy policies on a territory and product basis that are regularly reviewed to update for changes in the market.
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 financial year there are no customers who represent more than 10% of Group revenue.
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. During 2017/18 a new Long Term Incentive Plan (LTIP) was established for executive and senior managers of the Group and a new group wide bonus scheme implemented for all group employees.
The funding position on the Group's two defined benefit schemes deteriorates.	A need to significantly 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. In 2015, both the US plan and UK scheme were closed to new entrants. In 2018, the UK scheme closed to future accrual.

Risk management

The following is an extract from the Corporate Governance statement on page 33 of the Annual Report and Accounts 2019:

"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 accept a degree of risk in order to deliver revenue and profitability growth. The publication of automotive workshop manuals in both a print and online format and a range of titles covering nonautomotive practical and DIY subject matters, including 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 2019, 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 by the Group Finance Director 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 47 of the Annual Report and Accounts 2019:

"The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy."

Financial risk and treasury policy

The following is an extract from Note 21 on pages 81 to 82 of the Annual Report and Accounts 2019:

"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 euro and the US dollar. Management estimate that if all other variables remained constant the impact on pre-tax profits/(losses) of a 5% increase in the value of the euro and US dollar against sterling would have been to reduce profits by £0.2 million and £0.02 million respectively, with a decrease of 5% having an equal and opposite effect. The impact on net assets of a 5% increase in the value of the euro and US dollar against sterling would be £0.8 million and £0.4 million respectively, with a decrease of 5% having an equal and opposite effect. These estimates have been based on an assessment of translating the euro and US dollar profits into sterling using the average exchange rates for the year of €1.14 and $1.30 and closing rates of €1.13 and $1.26. 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 16.

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 16) and amounted to £0.1 million (2018: £0.1 million) net of allowances for doubtful recovery.

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 2019, the Group had a £5.0 million UK overdraft facility (2018: £5.0 million) which has no fixed renewal date and is due for review in December 2019, a €0.4 million overdraft facility in Europe (2018: €0.4 million) which has no fixed renewal date and is due for review in December 2019, and a $1.0 million revolving loan facility in the US (2018: $1.0 million) which has $1.0 million undrawn as at 31 May 2019 and is due for renewal in January 2021.

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 2019, there were no bank overdrafts outstanding (2018: £2.3 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 16, 17, 18, 19 and 20 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

	2019	2018
Operating profit before exceptional items (£000)	4,199	3,502
Net finance costs (£000)	40	46
Interest cover (ratio)	105	76

Interest cover is calculated by taking the operating profit before adjusting items 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.

Net Gearing ratio

	2019	Restated[1] 2018
Net debt (£000)	-	-
Total equity (£000)	23,033	25,572
Gearing ratio (%)	-	-

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 17 and 18)."

[1] See Note 1 – Restatement of prior years

Related party transactions

The following is an extract from Note 25 on page 91 of the Annual Report and Accounts 2019:

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 36.

Transactions with related parties

The interests of the Directors in the ordinary share capital of the Company as at 31 May 2019 are shown in the Board Report on Remuneration on page 44 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 during the year) and Haynes North America Inc. of the premises situated at 859 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001, runs for a period of 5 years from that date. The tenancy on premises 859 Lawrence Drive is presently held over pending renewal and the annual rent for the year ended 31 May 2019 was \$103,607 (2018: \$103,607) or £79,820 (2018: £76,848) at the average exchange rate for the year.
2. During the year, The Haynes Motor Museum Limited, (of which JH Haynes and Mrs AC Haynes were directors during the year) 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 2019 £'000	Balance at 31 May 2019 £'000	Transactions 2018 £'000	Balance at 31 May 2018 £'000
Supply of conference facilities and garage workshop services	4	-	4	-
Purchase of books and manuals and storage rental	14	2	10	1

3. During the year, £200 (2018: £500) was paid to Haynes Developments Limited, of which JH Haynes and Mrs AC Haynes were directors during the year, for rent and service charges relating to Fulton Mews in London. No balance was outstanding at the end of either year.
4. During the year, Haynes North America Inc. (a subsidiary company of Haynes Publishing Group P.L.C.) sold a vehicle to JH Haynes at a cost of \$6,149 or £4,737 at the average exchange rate for the year. No balance was outstanding at the end of the year.
5. During the year, the Company engaged 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 New Century Media Limited. During the year, the Company paid £78,584 (2018: £85,502) to New Century Media Limited for financial PR services. As at 31 May 2019, the balance outstanding to New Century Media Limited was £7,800 (2018: £7,800).

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 Executive 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 Board Report on Remuneration on pages 37 to 46.

	2019	2018
	£'000	£'000
Short term employee benefits	1,759	1,847
Post employee benefits	245	320
	2,004	2,167
Employer's social security costs	170	142
	2,174	2,309

Contact :

Haynes Publishing Group P.L.C. +44 1963 442009
Richard Barker
Group Company Secretary

Panmure Gordon +44 20 7886 2500
James Stearns