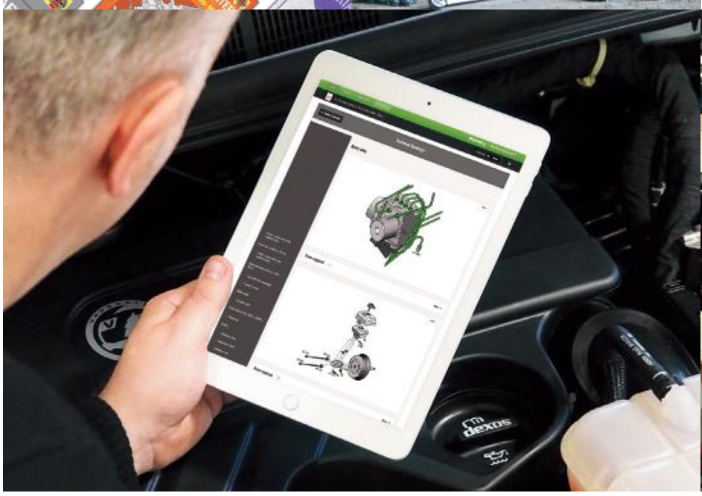
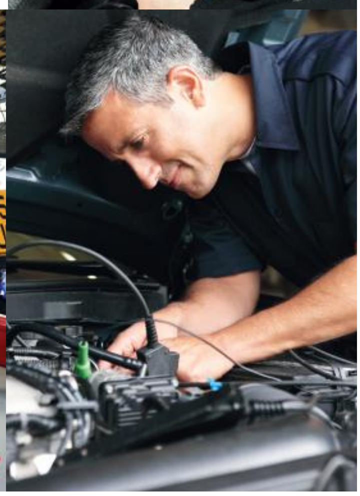
HAYNES PUBLISHING GROUP P.L.C.

Annual Report & Accounts 2019









ABOUT HAYNES

Haynes Publishing Group P.L.C. (“Haynes” or “the Group”), is a leading supplier of content, data and innovative workflow solutions for the automotive industry and motorists.

CONTENTS

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2019

REVENUE

£36.2m
+7%

2019	£36.2m
2018	£33.8m

ADJUSTED PROFIT BEFORE TAX[1]

£3.6m
+24%

2019	£3.6m
2018	£2.9m

ADJUSTED EBITDA[1]

£12.8m
+11%

2019	£12.8m
2018	£11.5m

ADJUSTED OPERATING PROFIT[1]

£4.2m
+20%

2019	£4.2m
2018	£3.5m

OPERATING CASH FLOW

£12.5m
+21%

2019	£12.5m
2018	£10.3m

ADJUSTED BASIC EARNINGS PER SHARE [1]

19.0p
+44%

2019	19.0p
2018	13.2p

NET CASH[2]

£4.9m

2019	£4.9m
2018	£2.5m

TOTAL DIVIDEND DECLARED

7.5p

2019	7.5p
2018	7.5p

Notes to the Financial Highlights;

[1] Adjusted to exclude £1.8 million of adjusting items (2018: gain £0.7 million). The table on page 16 details the 2019 adjusted and reported numbers.

[2] Net cash defined as cash at bank net of bank overdrafts and bank loans.

BUSINESS HIGHLIGHTS

SERVERS
HaynesPro servers exceed **one billion data access requests** over a rolling 12 month period.

WorkshopData
Launch of new **HaynesPro** WorkshopDataTM platform for the **Australian** professional aftermarket.

ProFIT
First significant multi-year contract signed for **'ProFIT'**, our online installation module.

SUBSCRIBERS
New responsive design for the **Group's online manuals**, enhancing services to our **60,000 subscribers**.

DATA
Second data production **office** opened in Bucharest, **Romania**, to support the growth of our Professional operations.

VRM
HaynesPro UK's vehicle registration look up servers received in excess of **192 million** data requests

WHERE WE OPERATE

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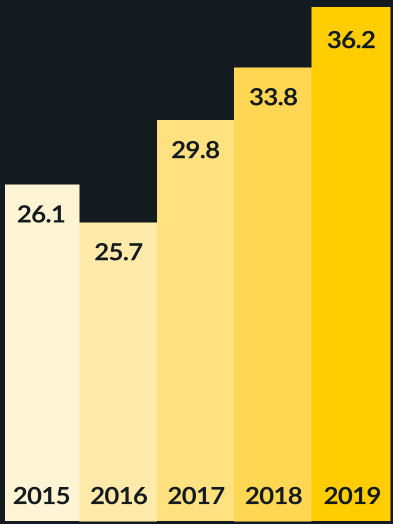
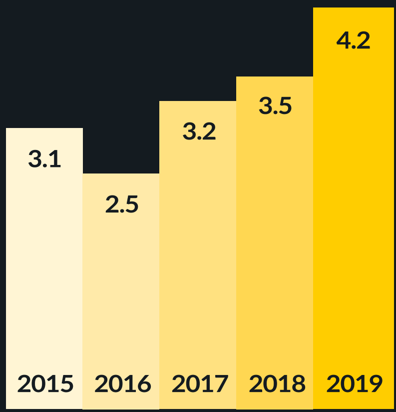
SUMMARY OF KEY FINANCIAL PERFORMANCE

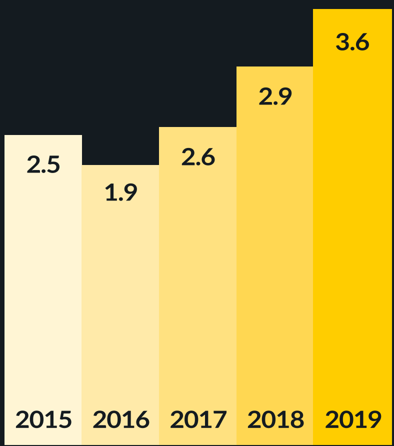
31 MAY
TURNOVER £m



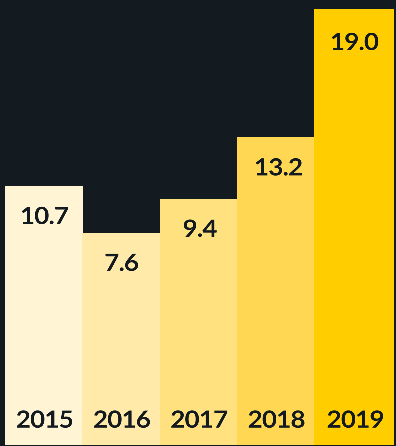
31 MAY
ADJUSTED OPERATING PROFIT £m



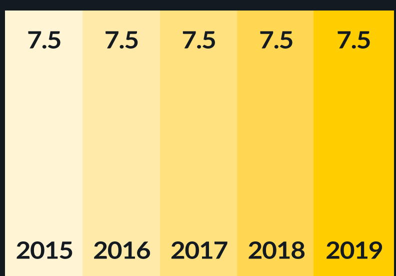
31 MAY
ADJUSTED PROFIT BEFORE TAX £m



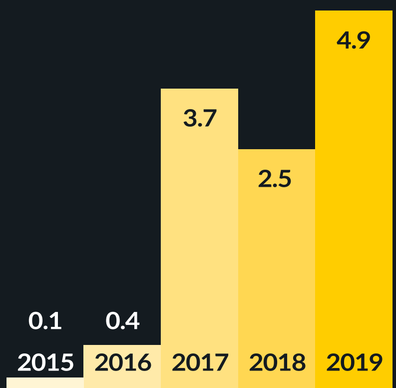
31 MAY
ADJUSTED BASIC EARNINGS PER SHARE pence



31 MAY
DIVIDENDS PER SHARE pence



31 MAY
NET FUNDS* £m



*Net funds defined as cash and cash equivalents net of bank loans.

GROUP BACKGROUND

1956
John Haynes, at 16 years of age, wrote his first book on the Austin 7.

1960
First corporate entity of the Haynes Group was formed and in 1965 the first Haynes manual was published.

1972
The Group's headquarters was established in Sparkford. Organic growth drove global expansion into the US in 1974, France in 1993, Sweden in 1996 and Australia in 1997.

1979
The Group was floated on the London Stock Exchange.

2001
The Group acquired the Chilton Manuals print product business in the US.

2008
The Group acquired the Vivid Holding BV Group based in the Netherlands. Vivid was subsequently rebranded as HaynesPro in 2012.

2011
The Group produced its first electronic version of the iconic Haynes manual.

2013
The Group acquired the trade and certain assets of Clymer and Intertec Manuals in the US.

2016
In a year of transformation, the Group undertook an Operational & Cost Review which led to outsourcing of Group printing and US distribution operations followed by the acquisition of OATS Limited based in Swindon, a global lubricants database business.

2017
The Group acquired the E3 Technical business, renamed HaynesPro UK which expanded the Groups technical offering in the UK to include high quality Vehicle Registration Mark (VRM) look-up capability.

2019
The Group servers achieve a landmark one billion data access requests over a rolling 12 month period

GROUP STRATEGY
THE PRINCIPAL GOALS OF THE GROUP ARE:

To be a leading global supplier of content, data & innovative solutions for the **automotive aftermarket** and **motorists**

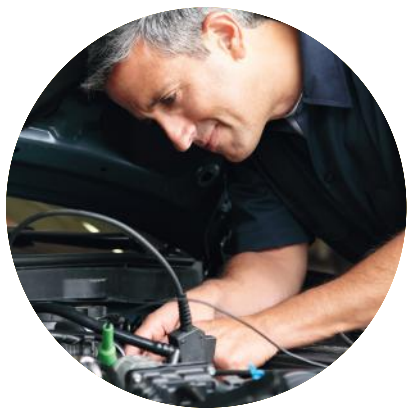
Aftermarket

For the automotive aftermarket, our goal is to supply integrated data products and solutions, through innovation and partnership.

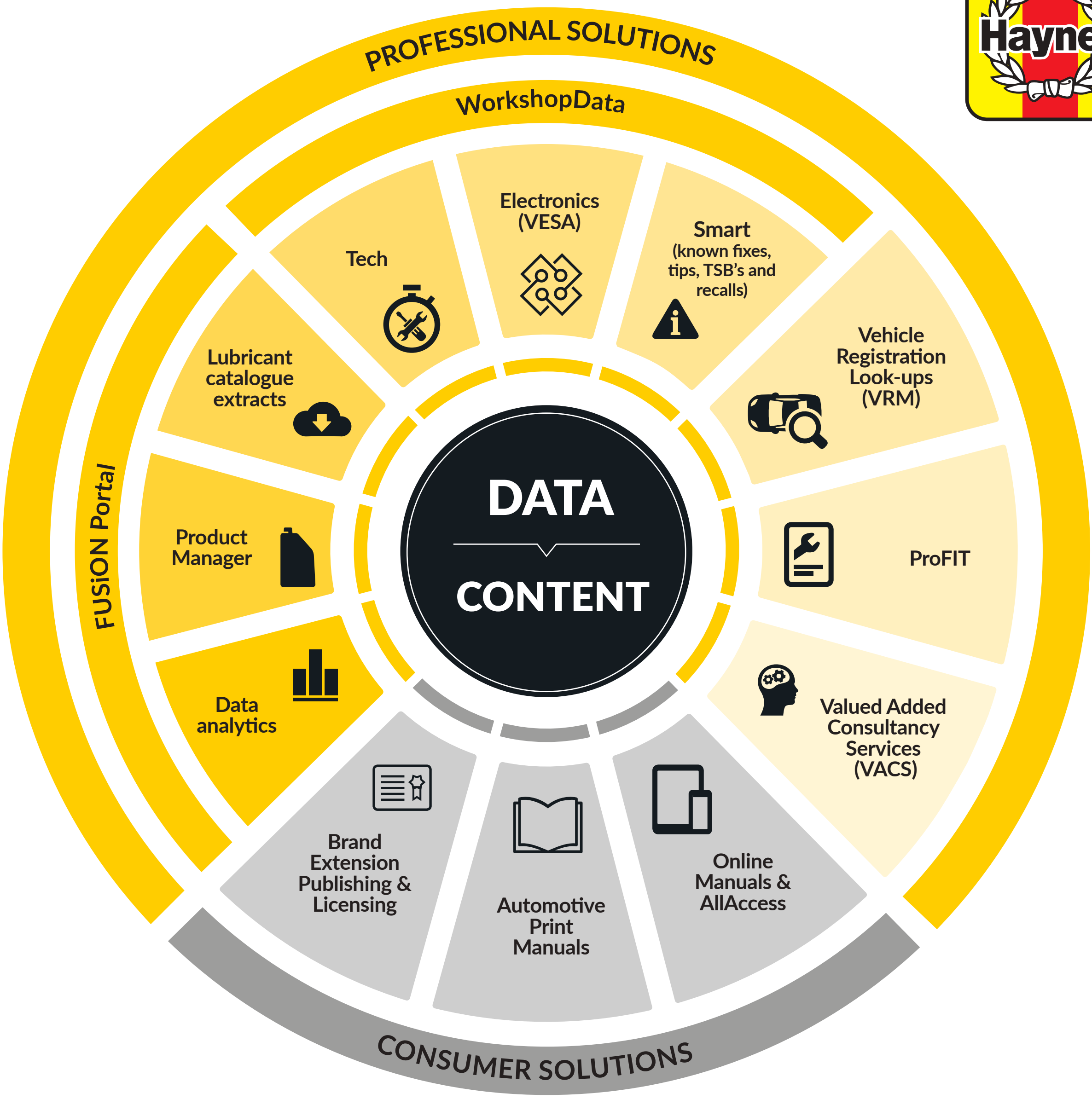
HaynesPro®
OATS

Motorists

For motorists, our goal is to provide inherently trustworthy, practical and useful information to empower our end-users to understand, maintain and repair.



Haynes® CLYMER® MANUALS CHILTON



HAYNES SOLUTION PORTFOLIO

Through our programme of product innovation, integration and growing data coverage, we are cementing the Haynes Group as a leading global transport data solutions business.

With close to 60 years of experience in working with data, Haynes has a deep understanding of our partners' evolving needs in the markets which we operate. Our data and content lies at the heart of the Group's innovative products and technical solutions. The Group has embedded processes, integral expertise and procedure driven efficiencies to ensure our solutions are of the highest quality. For the Haynes Group, market quality is not a differentiator, it is a necessity.

The value we create for our partners is driven through the breadth and the linking of our data and the technically advanced and innovative solutions we create. Our solutions provide our growing base of global partners with data-centric workflow efficiencies and business intelligence to improve operating margins and drive growth.

The graphic above illustrates the Group's primary technical and workflow solutions and on pages 6 to 9 we demonstrate how we are focussed on creating solutions that can be delivered across multiple channels, segments and geographies, all based on the core Haynes data and content.

WorkshopData™

HaynesPro serves the automotive aftermarket through its market-leading solution 'WorkshopData™'. Its database contains a vast amount of multilingual identification, repair, diagnostic and maintenance information for cars, light commercial vehicles and heavy trucks. WorkshopData™ is built on three main modules; Tech, Electronics and Smart.

Tech

+60,000

The application is used by in excess of 60,000 end users.

The Tech module is the cornerstone of the WorkshopData™ application. The module contains extensive identification, repair and maintenance information, including over 100,000 high quality technical drawings, with featured parts for ease of identification and the option to link to a shopping cart in a parts catalogue. The Tech module also includes HaynesPro's internally created repair times database with over 330 million individual positions and overlap calculations.

Electronics (VESA)

+25,000

The standalone VESA application is embedded in over 25,000 diagnostic tools.

Vehicle Electronic Smart Assistant (VESA) sits at the heart of HaynesPro's innovative market leading electronics module. VESA can also be used as a standalone product, integrated in Diagnostic Tool Manufacturer' equipment. VESA uses scalable vector graphics to generate component specific electronic diagrams which guide mechanics to a rapid, precise diagnosis of electronic system and component errors.

Smart

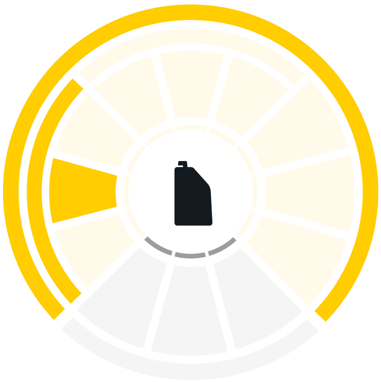
+6,300

Contains over 4,800 recalls and over 6,300 unique cases.

WorkshopData's Smart module provides practical information from industry experts and renowned European helpdesks to allow technicians to quickly identify solutions to common problems which are linked with fault codes in VESA. Enabling Technicians to quickly identify and resolve common problems that are not available through the manufacturer's technical data helps improve workflow efficiency and improve margins in their workshop. Smart also contains Original Equipment (OE) recall data and Technical Service Bulletins (TSB's).

FUSiON Portal

The OATS FUSiON Portal platform provides a suite of applications for lubricants manufacturers and blenders' technical & sales teams to efficiently deal with customer queries on products and equipment specifications, create and store new technical specifications and quote for new business based on matching their products to competitor products.
The FUSiON Portal also provides statistics and the capability to track API feeds and website traffic.

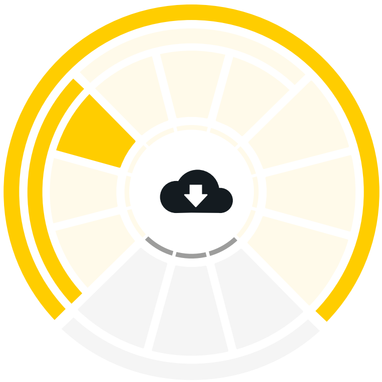


Product Manager

+900 API'S

Product Manager powers over 900 API feeds to 175 hosted websites, hundreds of customer hosted lube selectors and other applications

Product Manager is both an in-house or do it for me software solution for the lubricants industry. It both automates and then enables manual matching of oil and other lubricant product specifications to many categories of vehicle components. Product Manager also powers the API feeds to customers or OATS' hosted lube selector websites to enable their customers and consumers to find the right lubricant for their vehicle.

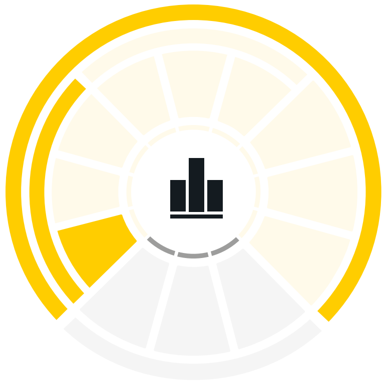


Lubricant Catalogue Extracts

+160

Over 160 Catalogue extracts per annum and growing.

OATS work with automotive parts catalogue standards and suppliers in North America and Europe to enable lubricant manufacturers, blenders and distributors to sell their products in parts distributors and retail online catalogues by aligning car parts and lubricants to Original Equipment Manufacturers (OEM) specifications for cars and vans. This is provided as a managed service and structured to enable a catalogue extract to be performed at any time the customer requires it.



Data Analytics

£'000's OF SAVINGS

Rapidly growing solution that has delivered £'000's of savings to our customers to date.

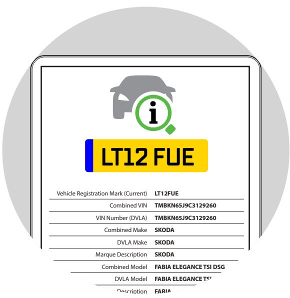
OATS use vehicles in production and other market data added to its equipment and lubricant specification databases to provide market and product portfolio insights for the lubricants industry. The solutions we provide through data analytics enable our customers to optimise their product portfolio in particular territories which in turn can deliver substantial savings to their business. Our Data Analytics solutions are delivered through dashboards available on our FUSiON Portal, as well as custom analysis by our data science team.

Vehicle Registration Mark (VRM) Look-ups

+192M

VRM servers received in excess of 192 million data requests.

As a DVLA licence holder, HaynesPro (UK) manage a highly accurate and granular UK vehicle database. By combining the DVLA feed with data from many other key automotive industry companies, we provide a 'best in class' solution. VRM is not only powering our technical data solutions in the UK, it also enables inventory management solutions, provides high quality car identification services and enables analytics solutions using MOT and regional car parc data.

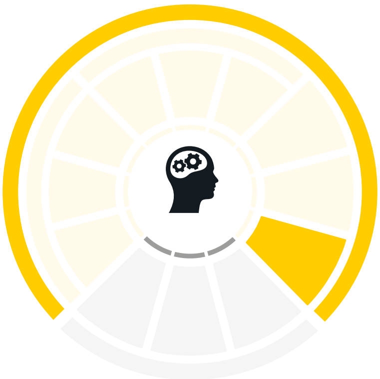


ProFIT

28 LANGUAGES

Instant online part fitting instructions available in 28 languages.

ProFIT allows parts manufacturers to provide online installation instructions for their components on a comprehensive range of platforms, including tablets, PCs and smartphones. ProFIT also provides an alternative solution for regions where parts catalogues with fully integrated technical data sets are not widely used. Through clear, high quality fitting instructions in 28 languages, the ProFIT solution enables our customers to improve their returns rate on parts as well as benefitting the environment from savings in the production of paper instructions.



Valued Added Consultancy Services (VACS)

+2,500HRS

Over 2,500 hours developing bespoke solutions for Major Global players.

Digital and automotive technologies are rapidly evolving, constantly revealing new opportunities and challenges. HaynesPro understands that not every company's strength lies in IT management which is why it offers consultancy services and data management solutions to a number of Global automotive aftermarket companies. Our highly skilled technical team are providing solutions to major global players, providing efficiencies in how they structure, link and present their data.

Automotive Print Manuals

+200M

Over 200 million Haynes manuals have been sold globally.

The eponymous Haynes Manuals continue to be based on a complete vehicle strip-down and rebuild so our instructions are inherently practical and easy to follow. The step-by-step guides contain simple-to-follow instructions, complimented by photographs and highly detailed technical drawings showing component parts written by experts. Following the same Haynes process since the first manual was written has resulted in the Group owning the unique IP of automotive content covering over 180 million vehicles in the US and over 19 million vehicles in the UK.

Online Manuals & AllAccess

+60,000

The Online Manual has in excess of 60,000 subscribers.

Each Online Manual is based on content from the Print Manual. After releasing the new responsive design in 2017 and embedding over 2,000 videos covering over 4,500 task specific procedures, the Online Manual is one of the fastest growing solutions in the Haynes portfolio. The Online Manual can also be white labelled. Launched in 2018, Haynes AllAccess is a portal containing all the online consumer content. AllAccess is available globally and is targeted at the library, education and smaller workshop markets.

Brand Extension Publishing & Licensing

+400

The growing list has over 400 branded print titles.

Through its brand extension publishing programme, the UK has created a general publishing list of 400+ titles styled on the iconic Haynes Manual. The list contains an extensive range of practical and DIY titles covering a wide variety of subjects. Within the publishing list, the Group also owns the Bluffers Guides; the humorous pocket-sized guidebooks based on factual content, written by experts, offering readers an opportunity to pass as an expert on over 30 subject areas from Brexit to fine wines. The Group also license the Haynes Brand into a variety of global markets through third party licensing arrangements.

CHAIRMAN'S STATEMENT

Eddie Bell
Executive Chairman

"Our growth is underpinned through our investment in people, products and technology and a tight control over costs and cash management."

On a corporate level this has been another successful year for the Haynes Group as we report a third successive year of headline revenue and underlying profit growth.

On a personal level this has also been a sad year, as we reflect on the legacy left by John Haynes OBE, the founder of the Haynes Group, who passed away in February 2019. John was a true entrepreneur and inspiring individual who, through a combination of vision, dedication and hard work turned his passion for the motor car into the global Haynes business we know today. Since John stripped down his first vehicle back in 1956, over 200 million Haynes manuals have been sold worldwide. John's attention to detail, his step-by-step approach and the honest and impartial advice which were all important pillars of his success, still remain the core values at the heart of the Haynes business.

John understood the need for businesses to adapt, change and most of all to remain relevant in a changing global and economic environment. Through the changes implemented in recent years, the Haynes Group continues to position itself as a leading global automotive content, data and solutions provider. Our growth is underpinned through our investment in people, products and technology and a tight control over costs and cash management.

FINANCIAL HIGHLIGHTS

Through a combination of organic growth and an additional four months of revenue from the E3 Technical acquisition, Group revenue increased by 7% to £36.2 million (2018: £33.8 million). Like-for-like Group revenue (excluding acquisitions, discontinued third party Australian print services and on a constant currency basis) was up 5% year-on-year. The increase in revenue helped grow adjusted profit before tax by 24% to £3.6 million (2018: £2.9 million).

I am pleased to report that following the significant restructuring programme implemented over the last five years, together with the acquisitions of OATS and E3 Technical in 2016/17 and 2017/18 respectively, the Group is debt free for the first time since 2013, with net cash balances up 96% at £4.9 million (2018: £2.5 million).

DIVIDEND

The Board is recommending an unchanged final dividend for the year of 4.0 pence which, together with the interim dividend paid in April 2019, maintains the total dividend for the year at 7.5 pence (2018: 7.5 pence). Subject to approval by shareholders, the final dividend will be paid on 30 October 2019 to shareholders on the register at the close of business on 11 October 2019 (with an ex-dividend date of 10 October 2019).

BOARD

On 19 July 2019, we announced the appointment of Harvey Wolff to the Haynes Board. Harvey's appointment strengthens our commercial insight and market experience in North America, which continues to be a strategically important territory for the Group.

I would also like to take this opportunity to thank my fellow directors for their support and hard work during the year. There is a strong team spirit in the Board which continues to grow and help drive the business forward and it is pleasing to see the strength and depth we now have as a business in our global operational management teams.

GROUP EMPLOYEES

The Group's continuing success is built on the commitment, performance and loyalty of all our employees. Our workforce have talents and skills which help us create innovative and dynamic solutions and which allow our partners to drive workflow and business efficiencies. On behalf of the Board, I would like to thank all our staff for their valuable contribution during the year.

OUTLOOK

Through the automotive knowledge and technological expertise we possess in the business, we are accelerating the linking of the Group's content and datasets. Allied to the breadth and depth of content and data in our three core brands 'Haynes', 'HaynesPro' and 'OATS,' and our growing data analytical capabilities, our teams are well positioned to deliver new and exciting global growth opportunities for the Haynes Group through a combination of organic growth and strategic acquisition.

Eddie Bell
Executive Chairman
18 September 2019


Haynes
shows you how
NISSAN QASHQAI
2007 TO 2013 (56 TO 13 REG) PETROL & DIESEL
NISSAN QASHQAI & QASHQAI+2 WITH TWO & FOUR-WHEEL-DRIVE
PETROL: 1.6 LITRE (1598CC) AND 2.0 LITRE (1997CC).
TURBO-DIESEL: 1.5 LITRE (1461CC) AND 2.0 LITRE (1995CC).
Online Workshop Manual
Step-by-step maintenance & repair
Nissan Qashqai Owners Workshop Manual
While every attempt is made to ensure that the
information in this manual is correct, no liability
can be accepted by the authors or publishers
loss, damage or injury caused by any errors in
omissions from, the information given.

CHIEF EXECUTIVE'S REVIEW

J Haynes
Chief Executive Officer

"Through our programme of product innovation, integration and growing data coverage, we will continue to deliver workflow solutions and advice, serving both drivers and the automotive industry."

I am pleased to report that it has been another excellent year for the Haynes Group. Our strategy is delivering value for you, our shareholders, while being responsive to changes in the transport sector.

Through our programme of product innovation and data development, we offer world leading integrated transport workflow solutions. This focus has resulted in the retention of all key contracts at renewal date over the past 12 months, as well as a number of important customer wins.

STRONG NUMBERS

As a result of these commercial successes, our organic growth, together with a full year of trading from HaynesPro UK, drove revenue up 7% year-on-year. Adjusted pre-tax profit was up 24% to £3.6 million (2018: £2.9 million) and adjusted EBITDA increased 11% to £12.8 million (2018: £11.5 million).

Our commitment to creating world leading solutions is illustrated by our investment in global content, datasets and technology platforms. Over the past 12 months, the Group has invested £8.7 million in expanding and updating our core content. Over two thirds of this expenditure was directed to our professional business.

We gain confidence over the levels of investment through the proportion of Group revenue from our digital product ranges. This revenue, which is primarily contracted and recurring in nature, has more than tripled in the last 5 years and now represents 56% of total Group revenue (2018: 50%).

The level of development expenditure to revenue ratio improved during the year to 23.9%, down from 25.0% in 2017/18 and 26.6% in 2016/17. Net cash flows generated from operating activities increased by 21% during the year to £12.5 million (2018: £10.3 million).

For the first time our European servers achieved a landmark one billion data access requests over a 12 month period. HaynesPro UK's vehicle registration look-up servers received in excess of 192 million data requests, with over 33 million of the 40 million vehicles on the UK's roads having had a look up request.

We continue to invest in the taxonomy and linking of our datasets. In HaynesPro, the technical information we possess on passenger cars, light commercial vehicles and trucks provides coverage for 99% of the vehicles in Western Europe and 90% in Australia. The OATS lubricant datasets cover 98% of US vehicles in operation since 2003, in Canada the figure is 96%, in mainland Europe 97% and UK coverage is 99%.

Alongside our growing professional datasets, our iconic step-by-step picture driven service and repair data, which is available in both print and online manual formats, covers over 180 million vehicles in the USA and 19 million vehicles in the UK.

Our consumer digital content is one of the fastest growing channels in the Group and we now have over 60,000 Online Manual subscribers. Over the last 12 months, there were 6.5 million visits to our site spending 30 minutes or more viewing our data on haynes.com, 69% higher than the prior year. During these sessions over 2.4 million job specific tasks were viewed online.

OPERATIONAL UPDATE

To facilitate greater shareholder understanding of the Group's activities the Board has decided to report on a new segmental basis, focusing on professional and consumer. These are our two primary operating segments, and brings our reporting more closely into alignment with how the executive team now manage the business.

INNOVATION AND INTEGRATION

Our ability to deliver innovative software solutions is illustrated by VESA™ , our market leading electronics diagnostics application, which helps technicians diagnose electronic faults and component errors. The software is now embedded into the tools of market leading diagnostic equipment manufacturers with over 25,000 devices throughout Europe now fitted with the VESA™ application.

Earlier in 2019, we launched an Australian WorkshopData™ module. This is the first expansion of the HaynesPro WorkshopData™ platform outside of Europe.
During the year, we signed a distribution agreement with a leading global tools and diagnostics equipment manufacturer to market the new product in Australia.

ProFIT is an innovative solution which helps parts manufacturers reduce their CO_2 carbon footprint by providing online installation instructions. During the year, the Group signed a multi-year contract with a major global manufacturer of timing belts.

Our Online Manual product has a new responsive design and over 2,000 videos linked to more than 4,500 task specific jobs. The new features have also been integrated into 'Haynes AllAccess', the Group's library of Online Manuals available in one subscription and aimed at the education, library, retail and independent garage workshop sectors.

PARTNERSHIP

During the year, OATS and HaynesPro completed a groundbreaking project with a major global oil and lubricant partner. Our team customised a data input platform for the customer to enter industrial equipment and lubricant specifications, which is linked to OATS lube advice tool.

In many cases our partners are multi-national businesses and one of our key strengths is our ability to engage with our partners in numerous geographies. During the year, our teams spent time at the Chinese headquarters of a major Asian diagnostic tool manufacturer helping them to integrate VESA™ into their European diagnostic tools.

The HaynesPro UK team has been working closely with a leading Retail and Autocentre chain to extend our relationship beyond that of a data supplier, by assisting in the development and delivery of key data centric workflow projects.

In Germany, HaynesPro have been a key partner to a leading European automotive aftermarket catalogue provider since 2006. We have helped integrate HaynesPro's technical data into their innovative new catalogue which is being rolled out to customers in 2019.

Our complementary mix of automotive and technology skillsets makes us well placed to offer value added consultancy services. Since 2016, we have been working closely with a global automotive parts manufacturer on a major website and data overhaul. Following the introduction of the new portal in 2017, our teams have been commissioned to work on new features for the website including vehicle registration look-up in multiple countries, quote management and extended product line support.

ORGANISATIONAL EFFICIENCY

In March 2019, we opened up a second office in Bucharest which extends our resource capacity in Romania by approximately 60%, enabling the Group to move forward with some key new product initiatives.

To facilitate accurate and timely decision making we commenced a programme to roll out a new finance software package across all parts of the Haynes Group in 2017/18. I am pleased to confirm this roll-out was completed in June of this year.

In November 2018, as part of an ongoing management plan for our legacy defined benefit pension arrangements, the UK defined benefit scheme was closed to future accrual. All active members transferred to a new Group defined contribution arrangement.

Shortly after the financial year end we opened our first OATS office in North America. Our presence in this territory has been growing in recent years, and this dedicated local resource will help build our relationships with existing and future North American partners.

PEOPLE AND STRUCTURE

In November 2018, we were delighted to welcome Mike Skypala as Managing Director of OATS and in January 2019, Harvey Wolff as Senior Vice President of Haynes North America Inc. These were key appointments for the Group and I am pleased to report that both Mike and Harvey have settled well into their new roles.

As the Group grows, we need to continually refine our organisational structure and processes. During the year, management implemented a series of coordinated initiatives to improve the Group's future performance. The total cost of these one-off actions was £0.6 million which has been included within Group overheads.

In the last 12 months, I have been able to spend time with many of our employees and I feel incredibly grateful for the dedication and professionalism of our staff. Our employees are the cornerstone from which the Group's future success will be driven and I would like to offer my sincere thanks and appreciation to all of them.

FIRST QUARTER TRADING UPDATE

Overall Group revenue during the first quarter of 2019/20 was tracking 9% ahead of the prior year. At a segmental level, both the Professional and Consumer segments were performing ahead of the prior year through the first 13 weeks of 2019/20.

OUTLOOK AND FUTURE DEVELOPMENTS

The Group's management teams enter the new financial year focused on delivering our current initiatives and progressing our pipeline projects.

My father founded the Haynes Group with a belief that to be helpful and relevant we must provide accurate, useful and trustworthy information. Through our programme of product innovation, integration and growing data coverage, we will continue to deliver workflow solutions and advice, serving both drivers and the automotive industry. I believe this focus will support our partners' growth ambitions, and firmly establish the Haynes Group as a leading global transport data solutions business.

J Haynes
Chief Executive Officer
18 September 2019

FINANCE REVIEW

Richard Barker
Group Finance Director

"The Group's net cash generated from operations before tax for the year was up 8% at **£12.7 million** (2018: £11.8 million) reflecting the improved trading performance and working capital cycles."

The 2019 financial year represents the 52 weeks to 31 May 2019 ("the financial year") and the comparative period represents the 52 weeks to 31 May 2018 ("prior year").

GROUP REVENUE

	2019 £m	2018 £m	Movement %
Total Group revenue	**36.2**	33.8	+7%

Overall Group revenue ended the year up 7% at £36.2 million (2018: £33.8 million) boosted by the performance from the professional product ranges. Revenue from the Group's range of digital products and workflow solutions ended the year up 20% at £20.2 million (2018: £16.9 million) and now represents 56% of total Group revenue (2018: 50%).

This is the first set of Group results to include a full 12 months of the E3 Technical business, which added £0.9 million of incremental revenue in comparison to 2017/18.

The decision to exit low margin third party printing services in Australia in August 2018 reduced revenue by £0.4 million year-on-year.

Over the course of the last 12 months, Sterling has weakened against the US dollar, driving a lower average exchange rate of $1.30 (2018: $1.35). In contrast, Sterling strengthened against the Euro and Australian dollar leading to average exchange rates of €1.14 (2018: €1.13) and A$1.81 (2018: A$1.74) respectively. The net effect of these movements increased Group revenue by £0.2 million.

On a constant currency basis and excluding the incremental revenue from E3 Technical and discontinued Australian third-party print services, underlying Group revenue increased by 5%.

SEGMENTAL REVIEW

PROFESSIONAL

	2019 £m	2018 £m	Movement %
Professional revenue	**19.5**	16.3	+20%
Professional adjusted operating profit[1]	**7.0**	5.6	+25%
Professional adjusted EBITDA[1]	**12.0**	10.2	+18%

[1] Adjusted EBITDA and adjusted operating profit are defined as before Group licence fees and adjusting items.

Revenue from the Group's Professional operations ended the year up 20% at £19.5 million (2018: £16.3 million) which includes a full period of trading from the E3 Technical business (acquired 30 September 2017) which contributed an incremental £0.9 million to revenue. On a like-for-like basis, excluding the impact of exchange rate movements and the additional E3 Technical income, Professional revenue was up 15% at £18.7 million (2018: £16.3 million).

Local currency HaynesPro revenue excluding the incremental benefit from E3 Technical was up 15%. OATS delivered revenue growth of 10% during the year, driven by the new management team and a focus on expanding the OATS global content and datasets and upgrading the businesses delivery platforms.

The impact of the stronger trading led to adjusted operating profit in the Professional segment ending the year up 25% at £7.0 million (2018: £5.6 million). After Group licence fees, adjusting items and finance costs, Professional profit before tax for the year was up 26% at £4.9 million (2018: £3.9 million).

CONSUMER

	2019 £m	2018 £m	Movement %
Consumer revenue	**16.7**	17.4	(4%)
Consumer adjusted operating profit [1]	**1.1**	1.8	(39%)
Consumer adjusted EBITDA[1]	**4.4**	4.9	(10%)

[1] Adjusted EBITDA and adjusted operating profit are defined as before Group licence fees and adjusting items.

Consumer revenue ended the year down 4% at £16.7 million (2018: £17.4 million). The exchange gains from a weaker Sterling against the US dollar were offset by the reduction in revenue following the exit from low margin Australian third party printing services, leaving Consumer revenue on a constant currency basis similarly down 4%.

UK consumer revenue was up 1% over the prior year, driven by a solid performance from our UK automotive manuals which ended the period up 4%. Offsetting the higher automotive revenue was lower revenue from our brand extension publishing, as sales of the new Bluffers range of titles only partially offset the expected reduction in sales from the novelty Haynes Explains range. Revenue from UK consumer digital products, although small in value has grown by 84% year-on-year.

Local currency US revenue was down 6% as weaker ordering from a small number of key retailers impacted the business but was partially offset by growth in the digital revenue channels. The new management team in the US implemented an overdue stock replenishment programme with a key customer in the final quarter of 2018/19 and I am pleased to report that we have experienced a pickup in the ordering patterns from this customer in recent weeks.

Like-for-like Australian local currency revenue, excluding the discontinued third party printing services income, ended the 12 month period in line with the prior year, as lower print manual revenue was offset by higher revenue from the Australian digital channels.

Non-trading restructuring costs impacted adjusted operating profit in the Consumer segment, which ended the year down 39% at £1.1 million (2018: £1.8 million). Excluding the non-trading costs, adjusted operating profit in the Consumer segment would have traded in line with the prior year.

The reported Consumer profit before tax for the year was down 79% at £0.6 million (2018: £2.9 million) following the exceptional property gain in the US last year of £2.6 million and after Group licence fees, adjusting items and finance costs.

GROUP MARGINS

	2019	2018	Movement	**2019**	2018	Movement
	£m	£m	%	**%**	%	bps
Gross profit & margin	**22.5**	20.1	+12%	**62.2**	59.5	+270
Adjusted operating profit & margin[1]	**4.2**	3.5	+20%	**11.6**	10.4	+120

[1] Excluding adjusting items. Reported Group operating profit was £2.4 million (2018: £4.2 million) with a Group operating margin of 6.6% (2018: 12.4%)

Adjusted gross profit ended the 12 month period up 12% at £22.5 million (2018: £20.1 million) and with the growing mix of digital revenues and the exit from low margin third party printing in Australia, the Group gross margin was up 270 basis points at 62.2% (2018: 59.5%).

Adjusted operating profit ended the year up 20% at £4.2 million (2018: £3.5 million). Following a full year of trading from the E3 Technical business and the additional costs associated with the new finance IT system roll-out, Group overheads were up 10%. Excluding E3 Technical, the one-off costs and the impact of currency movements, like-for-like overheads were up 4% against the prior year.

Group finance costs ended the year in line with the prior year at £0.6 million (2018: £0.6 million) and primarily relate to the interest charge on the UK and US defined benefit pension schemes' liabilities net of interest on the pension schemes' assets.

ADJUSTED EARNINGS AND EARNINGS PER SHARE

	2019[1]	2018[1]	Movement
	£m	£m	%
Adjusted profit before tax	**3.6**	2.9	+24%
Adjusted taxation	**(0.7)**	(0.9)	(22%)
Adjusted profit for the period	**2.9**	2.0	+45%
	Pence	Pence	
Adjusted basic EPS	**19.0**	13.2	+44%

[1] Excluding adjusting items. Reported profit before tax was £1.9 million (2018: £3.6 million), taxation was £0.5 million (2018: £2.1 million) and the reported profit for the period was £1.4 million (2018: £1.5 million). Reported earnings per share were 9.4 pence (2018: 9.9 pence).

Adjusted pre-tax profit ended the year up 24% at £3.6 million (2018: £2.9 million). The adjusted tax charge was £0.7 million (2018: £0.9 million) giving an effective tax rate of 20.6% (2018: 31.2%). The lower effective tax rate is primarily driven by a full year of a lower headline federal tax rate in the US. Adjusted earnings per share increased to 19.0 pence (2018: 13.2 pence).

ADJUSTING ITEMS

	2019	2018
	£m	£m
Equalisation of Guaranteed Minimum Pension (GMP) benefits	**(1.2)**	-
Acquired intangible amortisation charge	**(0.6)**	(0.3)
Write-down of assets held for sale	**-**	(0.4)
Restructuring costs	**-**	(1.0)
Acquisition expenses	**-**	(0.2)
Gain on property disposals	**-**	2.6
Total adjusting items effecting profit before tax	**(1.8)**	0.7
Adjustments to tax	**0.3**	(1.2)
Total adjusting items	**(1.5)**	(0.5)

Adjusting items include £1.2 million to reflect the impact of guaranteed minimum pension ("GMP") equalisation to our UK pension scheme which remains our actuaries best estimate of the charge. On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that Schemes should equalise pension benefits for men and women in relation to GMP. The judgement has implications for many defined benefit schemes, including our UK scheme. Adjusting items also include the amortisation of acquired intangible assets of £0.6 million (2018: £0.3 million).

FINANCE REVIEW
continued

BALANCE SHEET

	2019 £m	Restated[1] 2018 £m	Movement £m
Non-current assets	**41.2**	40.5	+0.7
Working capital	**1.8**	2.5	(0.7)
Net cash	**4.9**	2.5	+2.4
Retirement benefit obligation	**(23.8)**	(18.7)	(5.1)
Net other assets/(liabilities)	**(1.1)**	(1.2)	+0.1
Net assets	**23.0**	25.6	(2.6)

[1] See Note 1 - Restatement of prior years

During the year, the Group increased its investment in new product development by 4% to £8.7 million (2018: £8.4 million) which included £6.2 million (2018: £5.3 million) in relation to the Group's rapidly growing professional product ranges. The Group also invested £2.3 million (2018: £2.8 million) on new consumer content and £0.2 million (2018: £0.3 million) on new consumer digital platforms. Netting against the above was higher product development amortisation of £8.2 million (2018: £7.5 million) and acquired intangible amortisation of £0.6 million (2018: £0.3 million). Deferred tax assets increased by £0.6 million directly linked to the increase in the deficit of the Group's defined benefits schemes.

Group working capital has benefitted from lower outsourced print prices, which has reduced inventory values on similar volumes. Trade receivables were in line with the prior year, despite the increased revenues, with the Group's debtors days ratio improved by 7 days. Our ongoing focus on cash has helped reduce the Group's working capital as a percentage of sales to 5.0% (2018: 7.5%). The improvement in working capital has boosted Group net cash which ended the year up 96% at £4.9 million (2018: £2.5 million).

At 31 May 2019, the net deficit, as reported in accordance with IAS 19, on the Group's two defined benefit retirement schemes increased by £5.1 million to £23.8 million (2018: £18.7 million) with the UK scheme deficit increasing to £22.6 million (2018: £17.4 million) offset by a small reduction in the US deficit to £1.2 million (2018: £1.3 million). The combined total assets of the schemes were maintained at £34.1 million (2018: £34.1 million) while the total liabilities increased to £57.9 million (2018: £52.8 million). The adverse movement in the UK scheme liabilities was driven by a lower UK discount rate of 2.45% (2018: 2.85%) and the inclusion of an actuarial estimated charge of £1.2 million in relation to GMP equalisation (as noted above).

On 30 November 2018, the UK defined benefit scheme was closed to future accrual and all active members transferred to a new Group defined contribution arrangement.

CASH FLOW

	2019 £m	2018 £m
Net cash generated from operations before tax	**12.7**	11.8
Tax paid	**(0.3)**	(1.5)
Investing activities	**(8.9)**	(10.0)
Financing activities	**(1.2)**	(1.2)
Net movement in cash during the year	**2.3**	(0.9)
Cash and cash equivalents at the beginning of the year	**2.5**	3.7
Effect of foreign exchange rates	**0.1**	(0.3)
Cash and cash equivalents at the end of the period	**4.9**	2.5

The Group's net cash generated from operations before tax for the year was up 8% at £12.7 million (2018: £11.8 million) reflecting the improved trading performance and working capital cycles. Management continue to closely monitor free operational cash flows to provide confidence over the Group's investing activities and I am pleased to report the Group's cash generation remains strong with cash generated from operations at 303% (2018: 332%) of adjusted Group operating profit.

Richard Barker
Group Finance Director
18 September 2019

SUMMARY FINANCIAL HIGHLIGHTS

	Adjusted 12 months to 31 May 2019	Adjusted 12 months to 31 May 2018	Change YoY (Year-on-Year)	Statutory 12 months to 31 May 2019	Statutory 12 months to 31 May 2018	Change YoY (Year-on-Year)
Group revenue	**£36.2m**	£33.8m	+7%	**£36.2m**	£33.8m	+7%
EBITDA	**£12.8m**	£11.5m	+11%	**£11.7m**	£12.9m	(9%)
Group operating profit	**£4.2m**	£3.5m	+20%	**£2.4m**	£4.2m	(43%)
Group profit before tax	**£3.6m**	£2.9m	+24%	**£1.9m**	£3.6m	(47%)
Basic earnings per share	**19.0p**	13.2p	+44%	**9.4p**	9.9p	(5%)
Total dividend	**7.5p**	7.5p	-	**7.5p**	7.5p	-
Net cash	**£4.9m**	£2.5m	+£2.4m	**£4.9m**	£2.5m	+£2.4m


HG15
GB
CW Motorcycles
MICHELIN
SWL 400 kg

KEY PERFORMANCE INDICATORS

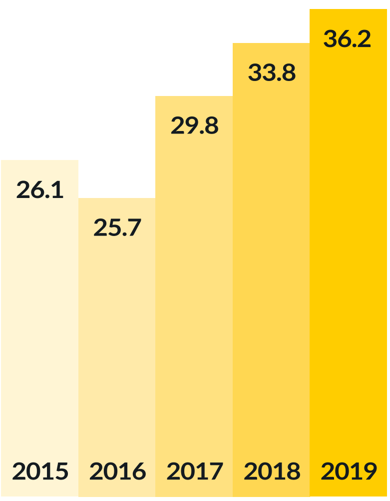
The Board regularly monitors and measures key performance within the business to ensure the underlying Group operations are performing in line with expectations. The information, which is largely embedded into the monthly reporting packs prepared for the Board members, enables

RATIONALE FOR MONITORING

A key Board objective is to deliver sustainable revenue growth.

COMMENTARY ON PERFORMANCE

The Report on pages 1 to 23 outlines the primary reasons for the increase in Group revenue during the year. Solutions across the Professional segment continue to drive organic revenue growth, increasing market share with year-on-year revenue up 15% in the segment. The acquisition of E3 Technical in September 2017 added £0.9 million of incremental revenue to the Group. The above factors helped to offset the softer Consumer segment revenue which ended the year down 4%.



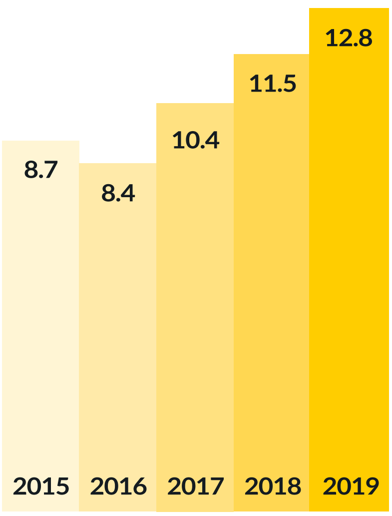
REVENUE GROWTH £m

RATIONALE FOR MONITORING

A significant objective for the Board is to drive profit growth. Adjusted EBITDA measures the operating profit performance of the Group before the deduction of exceptional items and before the charge for tangible asset depreciation and intangible asset amortisation. Adjusted EBITDA is therefore an important indicator of underlying profit.

COMMENTARY ON PERFORMANCE

The Group's adjusted EBITDA increased by 11% during the year reflecting the stronger sales from the Group's professional product ranges in Europe, the additional contribution from the E3 Technical acquisition and growth in the Consumer digital channels.



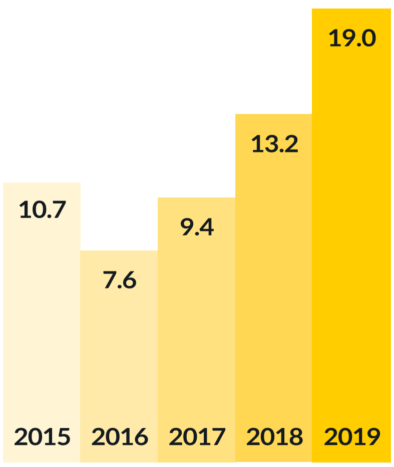
ADJUSTED EBITDA £m

RATIONALE FOR MONITORING

The Board monitor adjusted Basic earnings per share (EPS) as it serves as an indicator of the Group's profitability. The earnings per share measurement reflects all aspects of the Income Statement including management of the Group's tax rate.

COMMENTARY ON PERFORMANCE

Basic earnings per share before adjusting items were up by 44% to 19.0 pence (2018: 13.2 pence) due to a combination of both growth in profits and a reduction in the Groups adjusted effective tax rate to 20.6% (2018: 31.2%). The effective rate reduction is driven by a full year of a lower headline rate of federal tax in the US from 35% to 21% in December 2016.



ADJUSTED BASIC EARNING PER SHARE (EPS) pence

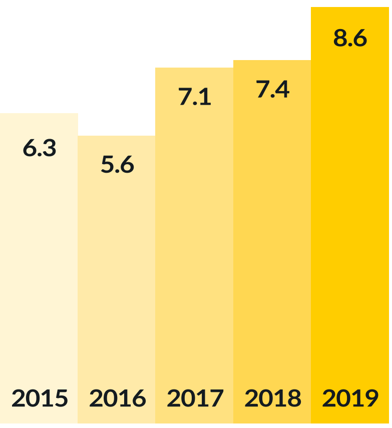
the Board to measure the success of the individual operating entities and the Group as a whole, in achieving its objectives for revenue and profit growth. Set out below are the key performance measures used by the Board:

RATIONALE FOR MONITORING

The ratio presents adjusted Group operating profit as a percentage of average capital employed. Capital employed is defined as average total assets less current liabilities. It is a key indicator of how the Company is making use of its available capital and is a good reflection of the performance of the Company in terms of both earnings and cash flow.

COMMENTARY ON PERFORMANCE

The Group continues to re-invest a significant proportion of its free cash flow, funding the continued development of its new consumer digital platforms and the development of new professional content databases and products. The improvement in the adjusted Group operating profit has resulted in an improved return on average capital employed of 8.6% (2018: 7.4%).



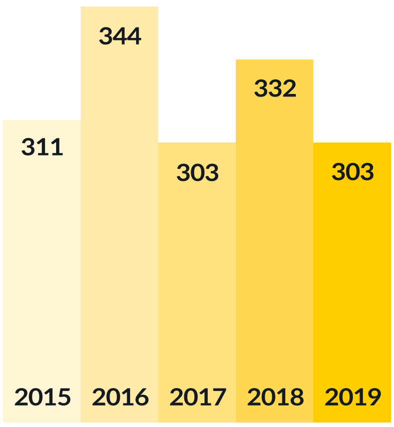
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE) %

RATIONALE FOR MONITORING

Strong cash generation is a key strength of the business which helps fund the development of new product initiatives, drive the development of new multi-media platforms and facilitates the Group's acquisition activity. The ratio measures the Group's net cash inflow from continuing operations before tax as a proportion of adjusted Group operating profit.

COMMENTARY ON PERFORMANCE

The Group continues to drive strong cash generation by focussing on new revenue and profit enhancing initiatives and through controlling costs and working capital management. This helps to ensure there is sufficient capital required for current trading and the forward investment plans of the business.



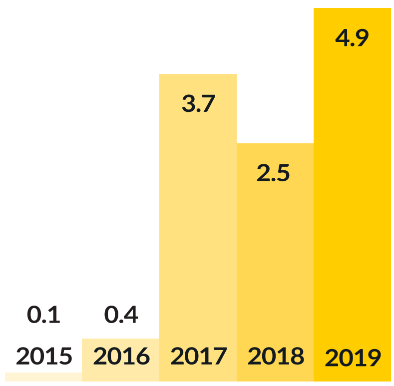
CASH GENERATION %

RATIONALE FOR MONITORING

The Board recognises the importance of debt as a tool to help finance the Group's expansion plans.

COMMENTARY ON PERFORMANCE

By the end of the financial year, the Group was debt free for the first time since 2013, having funded the recent acquisitions of OATS Limited and E3 Technical and invested £8.7 million in new product development from working capital (2018: £8.4 million).



NET FUNDS* £m

*Net funds defined as cash and cash equivalents net of bank loans.

PRINCIPAL 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 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.

VIABILITY STATEMENT

In line with C.2.2. of the UK Corporate Governance Code 2016, the Directors have assessed the future prospects for the Group and have chosen a three year period over which to make this assessment. A three year period was adopted by the Board as this links into the timeframe of the financial projections (including profit and loss, balance sheet and cash flows) prepared by each of the Group's operating units as part of the annual budgeting process and which the Board review and approve in May each year.

In preparing the three year projections, each business unit assesses the significant commercial risks within its business and local markets, its likely capital expenditure and development cost requirements over the period and any structural or operational changes which can be reasonably expected to occur over the three year time frame.

Having undertaken the detailed annual budgeting exercise for the financial year ended 31 May 2020 and prepared financial projections for the years ending 31 May 2021 and 2022, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period.

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.

CORPORATE AND SOCIAL RESPONSIBILITY

With operational businesses across three different continents, the Board is aware of the need to undertake its business in a safe and socially acceptable manner. Operations are largely office based, with small workshop facilities in the UK, US and Australia. Despite not being large, the Group conducts its business activities in the spirit of legislation even if it is not mandatory to the Group.

HEALTH AND SAFETY

The Board has ultimate responsibility for the Group's health and safety matters. Each of the Group's operating entities has its own health and safety committee which meets at regular intervals and any incidents, and if appropriate, corrective actions, are reported to the Board. During the financial year under review, there were no health and safety incidents which required reporting to the Board.

EMPLOYEES AND DIVERSITY

The Board places considerable value on the participation and involvement of the Group's employees and with an employee base spread over eight different countries, the Group is committed to employment practices which support equal opportunities and non-discrimination and which comply with relevant local legislation and codes of practice.

The Group involves employees by providing them with information which concerns them, consults with them and considers their views when making decisions which affect their interests and generally discloses matters affecting the Group's performance through company briefings. The Group's full year and half year financial results are made available to all employees on the day of their announcement. As an equal opportunities employer, the Board understands the importance of diversity throughout the business. The Group encourages the employment of under-represented groups recognised in the Equality Act 2010 in line with business requirements.

HUMAN RIGHTS

The Haynes Group does not have a specific human rights policy as the Group's activities are undertaken in developed countries where there is strong legislation governing the area of human rights. However, it is the Board's view that within the Group's key policies and business practices there is a responsibility to ensure all our employees, customers, suppliers and stakeholders are treated fairly and with respect in line with The Human Rights Act 1998 and Equalities Act 2010.

COMMUNITY

Haynes recognises the important role businesses can play by supporting society and regularly makes donations to aid a range of Charities. The Group also fully support staff fundraising activities that are undertaken with examples this year being sky dives, 12,000 metre mountain bike climbs and sponsorship of a school team's entry into a pan European technology competition.

THE BREAKDOWN OF THE GROUP'S EMPLOYEES BY GENDER WAS AS FOLLOWS

	31 May 2019			31 May 2018		
	Male	Female	Total	Male	Female	Total
Main Board Directors	**9**	**1**	**10**	9	1	10
Senior Managers	**9**	**-**	**9**	9	-	9
All employees	**204**	**82**	**286**	201	69	270
	222	**83**	**305**	219	70	289

Recently, our focus has been on engaging with charitable causes to promote opportunities for young people and disadvantaged groups to learn important life skills through practical application. We believe that hands-on learning can help young people gain an appreciation for, and improve attitudes towards, education by learning tangible technical skills which help build self-belief and self-esteem.

Our primary focus remains on the continued expansion of the MechaniX programme, which is designed to give young people belief in themselves by providing them with the skillsets necessary to successfully carry out meaningful practical tasks by repairing and maintaining a car. Linking core learning principles to practical outcomes is central to the MechaniX ethos, as is the aim of participants gaining an introductory-level vocational qualification that will assist if they wish to further their education or embark on a career in motor mechanics.

Our key partnership remains with ProspeX, a London based youth charity, which supports young people aged 8-21 whose life chances are affected through factors outside of their control. MechaniX programmes have taken place in three locations this year, and work on the project has taken place in order to allow for the provision of consistent course materials for youth centres across the country should they wish to undertake MechaniX programmes.

J HAYNES
Chief Executive Officer
18 September 2019

MechaniX programmes have taken place in three locations this year.


Haynes Manuals are based on a complete vehicle strip-down and rebuild in one of our workshops.


The Group regularly supports staff fundraising activities and the wider communities in which it operates including sponsorship of a local school's entry into a pan European technology competition.

ENVIRONMENT

The Board is committed to minimising the impact its operations have on the local environment. With the outsourcing of Group book production in 2017 and the Australian third-party print facility during the year, the Group has significantly reduced the direct impact it has on the surrounding environment. The Group now partners with a supplier that maintains similar high standards to those adopted by the Group previously, with all of the papers and board that are used in the production of our Haynes Manuals continuing to be sourced from Programme for the Endorsement of Forest Certification (PEFC) paper, printed using vegetable based inks and the cartons in which they are packed and shipped are made from 100% post-consumer waste. It is Group policy to ensure that both national and local environmental laws and guidelines are adhered to in full. The Board ensures that key management are tasked with the responsibility to oversee the Group's activities which impact the environment and to report back to the Board with any recommendations they may have regarding environmental policy.

This is the sixth year of reporting under the Greenhouse Gas (GHG) emissions reporting requirements. The table below provides details of the Group's GHG emissions data over the last two financial years as well as for 2014, which represented our first year for reporting our GHG emissions and forms our base year for future reporting and for comparative purposes.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for Scope 1 and Scope 2 emissions. All sources reported on fall within the Group's consolidated financial statements and the Board have no responsibility for any emission sources that are not included in the consolidated statements. Each subsidiary has used emission factors sourced from their relevant national Government's GHG conversion factors for corporate reporting purposes. Where information was not available for a local subsidiary, the UK Government's GHG Conversion Factors for corporate reporting has been used.

The intensity ratio has increased due to an increase in the volume of leased offices across the Group to support the growth in staff numbers. The 2019 level at 14.7 (tonnes of CO_2 per £1.0 million of revenue) remains significantly down on the 2014 base year of 73.9.

GHG emissions data (tonnes of CO_2)	**2019**	2018	2014
Scope 1 emissions [1]	**312**	265	410
Scope 2 emissions [2]	**219**	206	1,754
Total Group emissions	**531**	471	2,164
Intensity ratio (per £m turnover) [3]	**14.7**	13.9	73.9

[1] Scope 1 emissions are direct GHG emissions from sources owned by the Group.
[2] Scope 2 emissions result from the generation of electricity, heating and cooling or steam purchased for own use.
[3] In order to provide a recognisable and quantifiable measure for our annual emissions the Group has chosen to express its GHG emissions per £1.0 million of revenue (our 'intensity ratio') as the Board considers this to be the best comparative measure over time.


dexos

GROUP BOARD
DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS
The Directors in office at the date of signing the financial statements were:
E Bell
JHC Haynes
JT Bunkum
J Yates-Round
A Kwarts •
P van der Galiën •
R Barker
H Wolff + (appointed 18th July 2019)

NON-EXECUTIVE DIRECTORS
S Daykin *°
(Chair of Audit Committee)
N Wright *°
(Chair of Remuneration & Nomination Committee)

* Member of Remuneration & Nomination Committee
° Member of Audit Committee
• Resident in the Netherlands
+ Resident in the United States

GROUP COMPANY SECRETARY
R Barker

REGISTERED OFFICE
Sparkford, Yeovil,
Somerset,
BA22 7JJ
Company No. 659701

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
2 Glass Wharf, Bristol, BS2 0FR

SOLICITORS
Michelmores LLP
Woodwater House, Pynes Hill, Exeter, EX2 5WR

PRINCIPAL UK BANKERS
Barclays Bank PLC
Corporate Banking Centre,
4th Floor, Bridgewater House,
Counterslip, Finzels Reach, Bristol, BS1 6BX

PRINCIPAL US BANKERS
Union Bank, N.A.
21700 Oxnard Street, Suite 120, MC4-73A-120, Woodland Hills, CA91367, USA

STOCKBROKERS
Panmure Gordon (UK) Ltd
One New Change, London, EC4M 9AF

REGISTRARS
Link Asset Services
6th Floor, 65 Gresham Street, London, EC2V 7NQ

FINANCIAL PR
New Century Media Ltd
Dacre House, 19 Dacre Street, London, SW1H 0DJ

GROUP BOARD DIRECTOR BIOGRAPHIES

EXECUTIVE

Executive Chairman
EDDIE BELL (70)

Eddie has held a number of senior positions spanning over 30 years in book publishing. Latterly he was the Executive Chairman and Publisher for Harper Collins UK and during his tenure was responsible for publishing the memoirs of both Mikhail Gorbachev and Lady Thatcher, and the autobiography of John Major. Eddie has also held a number of non-Executive positions both within and outside the publishing industry and is currently a non-executive director of New Century Media Limited. On 20 May 2009, Eddie was appointed the Company's Senior Independent Director. On 23 September 2015 Eddie was appointed Vice-Chairman and proceeded to undertake a Group operational and cost review. On 21 March 2016 Eddie was appointed Executive Chairman of the Group.

Chief Executive Officer
J HAYNES (52)

J joined the Board as a Non-Executive Director on 25 March 2000, having completed a two year MBA at the London Business School. J was formerly a Director at Beeson Gregory, a specialist investment bank, before which he worked for 5 years as a Graduate Trainee with Haynes North America Inc. In January 2002, J was appointed Managing Director of the Group's UK and European operations and in June 2008 became Group Vice Chairman. On 1 June 2010, J was appointed Group Chairman. J is a patron of Prospex, a London charity that supports young people by providing them with access to learning opportunities and social activities that help build life skills and self-confidence. On 21 March 2016, J stepped down as Chairman ahead of being appointed Chief Executive Officer from 1 June 2016.

Chief Operating Officer
JAMES BUNKUM (54)

James is a Chartered Accountant who started his career with KPMG and joined Haynes in 1995, becoming UK & European Finance Director in 2001. After joining the UK Board, James worked closely with the Group's executive team on the disposal of Sutton Publishing in 2007, the acquisition of the Vivid Group in 2008 and the sale of the UK Book Manufacturing Division in 2009. In 2008 James also took on the duties of Group Company Secretary until March 2016. In 2013/14 James worked with the Executive Team on the restructuring of the UK business and in 2015/16 with Eddie Bell on the Group's operational and cost review. James was appointed to the Group Board in January 2016 serving as Chief Financial Officer until 1 February 2018 at which time James took on the role of Chief Operating Officer.

Managing Director Haynes Consumer
JEREMY YATES-ROUND (58)

Jeremy has worked in publishing for over 30 years, gaining a sales background with Hodder & Stoughton in both domestic and international markets. During the 1990's, Jeremy moved into sales management with Collins becoming Deputy Managing Director of the Religious division. In 2001 Jeremy joined the Haynes Group as Sales and Marketing Director for the Haynes Book Division and in 2002 was appointed Managing Director of Sutton Publishing prior to its successful sale in 2007. Following this, Jeremy took over as Sales and Marketing Director of the Haynes UK operations and on 1 June 2010 was appointed Managing Director of the Haynes UK and European operations. Jeremy was appointed to the Group Board in June 2010 and was given additional responsibilities for group print publishing, production and the Haynes Australian business. In February 2018 Jeremy became Managing Director Haynes Consumer and took on the additional commercial responsibility for the Group's global consumer digital initiatives.

Chief Technology Officer
ALEX KWARTS (64)

Alex started his automotive career in 1985 with Olyslager, where he became IT director and a member of the board. In 1995, together with two partners, Alex left Olyslager to form Vivid Automotive (rebranded HaynesPro in 2012) where from the outset the vision was to deliver automotive technical information in an entirely digital format. Indeed, Vivid Automotive was the first European company to offer automotive technical data via the Internet. Alex was the Company's IT director from formation in 1995 and was appointed Managing Director in August 2009. Alex joined the Group Board in September 2010 and is resident in the Netherlands. On 21 March 2016 Alex was appointed Chief Technology Officer of the Haynes Publishing Group and retains an interest in HaynesPro as its Founder Director.

Group Finance Director
RICHARD BARKER (37)

Rich is a Fellow Certified and Chartered Accountant who joined the Haynes Group in 2010 as UK Financial Controller after reading Business Studies at Bournemouth University and undertaking his accountancy qualifications with Milsted Langdon LLP in the South West of England. At the end of 2014, Rich moved to the Netherlands to take up the position of HaynesPro Finance Director. On the 1 June 2016, Rich moved back to the UK to take a position on the UK Board as UK & European Finance Director retaining his HaynesPro responsibilities. Rich has been involved in the Group's recent UK & European acquisitions and asset purchases namely, Teon, OATS and E3 Technical. Rich was appointed to the Group Board and became the Group's Finance Director on 1 February 2018. Rich has also been the Group Company Secretary since March 2016.

NON-EXECUTIVE

Senior Independent Non-Executive Director
STEPHEN DAYKIN (62)

Stephen (Steve) was appointed a Non-Executive Director and Chairman of the Audit Committee on 1 August 2016. Steve is a Chartered Accountant whose early career was spent with PricewaterhouseCoopers LLP. Steve has been the CFO of two listed publishing businesses as well as working with private and private equity backed companies across several sectors including digital media, digital workflow and content marketing. Steve's most recent role was CFO of COPA90, a sports based digital video business based in London and New York. Steve Daykin does not have a service contract with the Company.

Managing Director Haynes Professional
PETER VAN DER GALIËN (52)

Peter has over 25 years experience in international business. Following his education as an engineer in micro-electronics, Peter worked for 17 years at Motorola Inc. where he was promoted from Region Manager Benelux to Sales Director for Europe & Middle East's Embedded Communications & Computing (ECC) Division. In 2004, Peter was appointed Managing Director of Motorola Netherlands, retaining his existing European responsibilities and became Director of Sales in Emerson Inc., following the acquisition of Motorola ECC in January 2008. In October 2009, he joined Vivid Automotive (rebranded HaynesPro in 2012) as Director Sales & Marketing. In May 2016, Peter was appointed Managing Director of the HaynesPro Group and was involved in the acquisitions of OATS in 2016 and E3 Technical in 2017. On 1 February 2018, Peter was appointed to the Haynes Group Board as Executive Director for the Haynes Professional business.

Senior Vice President Haynes North America
HARVEY WOLFF (64)

Harvey started his career in the computer business and gained technical expertise as a Systems Engineer followed by business and sales management experience as an IBM Marketing Representative. During the 1990's, Harvey was Vice President of Sales at Hopkins Manufacturing, a global automotive aftermarket supplier during which time he supported the integration of numerous corporate acquisitions. Harvey was recruited by Haynes Manuals Inc. in 1996 where he managed the Company sales team as well as outside agencies throughout the U.S. and Canada. In 2010, Harvey moved to a sales role at a leading supplier of automotive starters and alternators, Remy International, followed by roles at FRAM and Champion Laboratories Inc. where he was responsible for retail and automotive aftermarket accounts. Harvey rejoined the Haynes Publishing Group as the Sr. Vice President of Haynes North America Inc. where he manages all sales and operations for the U.S. and Canada and was appointed to the Group Board in July 2019.

Independent Non-Executive Director
NINA WRIGHT (48)

Nina completed a BSC (Hons) Psychology Degree in Liverpool before undertaking a career in the media industry over 25 years ago. Nina joined the New Scientist Media Company as CEO in October 2018 and is an accomplished business leader, with a track record for business transformation, driving growth and commercial performance in both events and subscription publishing. Prior to joining New Scientist, Nina worked at UBM, where her most recent role was Chief Commercial Officer for EMEA. Nina joined the Board of Haynes as a Non-Executive Director on 1 August 2016. Nina Wright does not have a service contract with the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 May 2019. The Strategic Report on pages 1 to 23 along with the Report of the Directors constitutes the management report as required under 4.1.5R of the Disclosure and Transparency Rules.

DIRECTORS

The names of the Directors who served in office during the year and a brief biographical overview are set out on pages 26 to 27.

In accordance with the Articles of Association, Executive Director J Bunkum and Non-Executive Directors S Daykin and N Wright retire by rotation and, being eligible, offer themselves for re-election.

In accordance with the Articles of Association, H Wolff retires at the first AGM after his appointment and, being eligible, offers himself for re-election.

The interests of the Directors in the ordinary share capital of the Company are shown on page 44. As at 18 August 2019, there had been no changes in the Director's shareholdings notified to the Company.

At 31 May 2019, the beneficial shareholdings of the Directors represented 56.3% of the total issued share capital. This represented 13.0% of the ordinary shares (which are listed on the London Stock Exchange) and 91.7% of the 'A' ordinary shares. The above calculations include the former shareholdings of JH Haynes which are currently held in his estate pending the grant of probate and distribution of assets.

Options to subscribe for ordinary shares under the terms of the Long-Term Incentive Plan are described in the Board Report on Remuneration. Directors' interests in contracts with the Group companies are shown in note 25 to the consolidated financial statements.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of the Directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts and related legislation. Any director appointed by the Board must retire at the next AGM of the Company and put themselves forward for reappointment by the shareholders. Further to any power of removal granted by the Companies Act 2006, the Company may remove any director before the expiration of their term of office by ordinary resolution.

POWERS OF DIRECTORS

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all the powers of the Company. The powers of the Directors are more specifically described in the Main Board Terms of Reference, a copy of which can be found at www.haynes.com/investor and are also discussed in the Corporate Governance Report on pages 30 to 33.

2019 ANNUAL GENERAL MEETING (AGM)

The AGM will be held on Wednesday 23 October 2019 at the Haynes International Motor Museum, Sparkford, Somerset. The Notice of the Meeting along with an explanation of the proposed resolutions are set out in a separate circular which has been sent to shareholders along with the Annual Report 2019 and can be viewed on the Company's website.

The Company conducts voting at the AGM by a show of hands and the results of the votes, including proxies, is published on the Company's website following the Meeting.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

The Group purchases and maintains insurance for the Directors and officers of the Parent Company, including the trustees of the pension scheme, when undertaking duties in accordance with Sc 233 of the Companies Act 2006.

CHANGE OF CONTROL

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change in control of the Company following a takeover. The Directors are not aware of any agreements between the Company and its Directors or employees that would provide for compensation for loss of office or employment resulting from a takeover.

POLITICAL DONATIONS

The Group has abided by its policy of not making any political donations in any part of the world.

DIVIDENDS

The Directors have recommended a final dividend for the year of 4.0 pence per share (2018: 4.0 pence) making a total dividend for the year of 7.5 pence (2018: 7.5 pence). Subject to shareholder approval at the forthcoming AGM, the final dividend will be payable on 30 October 2019.

SUBSTANTIAL SHAREHOLDINGS

As at 31 May 2019, in accordance with Disclosure and Transparency Rule DTR 5, the Company had been notified of the interest in 3% or more of the Company's issued ordinary 20p share capital (note 24) by the following:

	Ordinary Shares	% Class
Haynes International Motor Museum	630,000	10.3
Miton Group P.l.c.	626,105	10.2
CriSeren Investments Ltd	533,666	8.7
Axa Framlington S.A.	450,000	7.3
AC Haynes	326,375	5.3
Jarvis Investment Management Ltd	199,533	3.3

As at 18 August 2019, the Company had not received any notifications amending the above holdings or notifying of any new significant holdings of 3% or more in the Company's ordinary share capital.

The interests of those directors who have major shareholdings are detailed in the table of directors' interests in shares on page 44.

SHARE CAPITAL AND RELATED MATTERS

Details of the Company's share capital are shown in note 24 to the consolidated financial statements.

Both the 'A' ordinary shares and the ordinary shares carry equal voting rights of one vote per share where a matter is decided other than on a show of hands. Both classes of share rank 'pari passu' (including any distribution by way of dividend and on a return of capital), save that a transfer of 'A' ordinary shares will not be permitted by the Directors other than to a member of the holder's immediate family or to family settlements. The holders of 'A' ordinary shares may convert such shares into ordinary shares at the rate of one ordinary share for each 'A' ordinary share, subject to the further provisions of the Articles of Association and the Companies Acts.

As at 17 September 2019 (being the last business day prior to the approval of the Annual Report 2019), the Company's issued share capital consisted of 9,000,000 'A' ordinary shares and 7,351,540 ordinary shares. As at 31 May 2019, the Company held 1,229,054 (2018: 1,240,000) ordinary shares in treasury which represents 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% (2018: 7.6%) of the Company's total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares. Therefore, as at 17 September 2019, the total voting rights in the Company were 15,122,486 of which 6,122,486 were listed on the London Stock Exchange.

The 'A' ordinary shares represent 55% of the total issued capital, and the ordinary shares 45%.

Other than as expressed above, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

At the AGM held on 8 November 2018, special resolutions were passed renewing the Directors' authority to make purchases of its own shares up to a maximum number of 1,500,000 shares; to allot further shares of the Company, having an aggregate nominal value of £1,090,102 which represents approximately one-third of the total ordinary share capital of the Company and; to renew the Directors' authority to issue equity securities for cash otherwise than in proportion to existing holdings to a maximum aggregate nominal value of £163,515 which represents just under 5% of the total ordinary share capital of the Company. The authorities granted will expire at the conclusion of the 2019 AGM if not renewed.

MATERIAL CONTRACTS

In the Directors' view, there is no single contract which is essential to the Group's business for the purpose of the business review disclosure requirements under Sc 417 of the Companies Act 2006.

INFORMATION REQUIRED IN THE DIRECTORS' REPORT INCLUDED IN THE STRATEGIC REPORT

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 23:

- Particulars of any events, if there are any, which affect the Company or Group and which have occurred since the balance sheet date.
- An indication of the likely future developments in the business.
- Details of companies outside the UK (page 2).
- The information required under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 in relation to the Group's global greenhouse gas (GHG) emissions.

FINANCIAL INSTRUMENTS

The Group's policies in relation to financial risk management including the Group's exposure to credit risk, liquidity risk and cash flow risk are included in note 21 to the consolidated financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors of the Company confirm that, in so far as they are aware, the Company's auditors have been made aware of all relevant audit information. In addition, each of the Directors have taken all the reasonable steps that a director ought to take to make themselves aware of any relevant information and if there is any such information, to establish that the Company's auditors are also aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration will be put to the forthcoming Annual General Meeting.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, cash flow forecasts and capital expenditure requirements for the next twelve months from the date of signing these accounts. The Board also considers the impact of the financial risks upon the business, details of which are included in note 21 to the financial statements.

On behalf of the Board.

Richard Barker
Group Company Secretary
18 September 2019

CORPORATE GOVERNANCE REPORT

Eddie Bell
Executive Chairman

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance Report for 2019. The purpose of this report is to provide a comprehensive review of how the Haynes governance framework has applied the principles of the UK Corporate Governance Code across the Haynes Group.

For our financial year ended 31 May 2019, Haynes Publishing Group P.L.C. reported under the UK Corporate Governance Code published in April 2016 ('the Code') as appended to the Listing Rules. The Code is not intended to be a rigid set of rules but rather a guide to the components of good governance which companies are expected to follow. The Code recognises that one set of provisions will not necessarily fit all companies and accordingly, there are certain provisions within the Code which do not apply to companies outside of the FTSE 350.

There may also be areas of the Code where smaller companies judge the provisions to be disproportionate or less relevant to their particular circumstances and where good governance can be achieved by other means. In such instances, Boards are required to disclose the area of strict non-compliance in their Annual Report.

Set out below is how we as a Board (and through our sub-committees) have discharged our duties under the Code during the year under review. We also provide details of where our governance differs from the strict provisions of the Code and the reasons for the divergence. For those who would like to view the full text of the Code, details can be found on the FRC website at www.frc.org.uk.

Eddie Bell
Executive Chairman
18 September 2019

Statement of compliance

The Board of Haynes Publishing Group P.L.C. recognises the importance of high standards of corporate governance. Accordingly, it has considered the principles and provisions of the Code and will continue to manage its affairs in line with the principles where it is in the interests of the business and of shareholders to do so. Other than where expressly stated, the Company has complied with the principles, supporting principles and provisions of the Code throughout the year under review.

Board of directors

During the year, the Board reviewed its terms of reference which lay precise emphasis upon its responsibility for the overall management and strategic direction of the Group. The Board aims to encourage entrepreneurial endeavour within a framework of prudent planning and control. The Board appraises and approves major financing, investment and contractual decisions in excess of defined thresholds. During the year, the Audit Committee was chaired by S Daykin, the Group's senior Non-Executive Director, and the Remuneration & Nomination Committee was chaired by N Wright, the Group's other independent Non-Executive Director. The Committees comprised of solely Non-Executive Directors. The Non-Executive Directors are intrinsically involved in scrutinising and monitoring the performance of management, and assessing the processes for the control of financial and other risks. The terms of reference of the Committees may be viewed on **www.haynes.com/investors**.

- Following the passing of the Founder Director, John Haynes OBE, on 8 February 2019, the Board comprised of seven Executive Directors. Following the appointment of Harvey Wolff on 18 July 2019, the Board comprises of eight Executive Directors.
- The Board also comprises of two Non-Executive Directors, both of whom are considered to be independent by the Board. Having two Non-Executive Directors ensures the Company is in compliance with recommendation B.1.2 of the Code, which requires smaller companies to have at least two independent Non-Executive Directors. The biographies of the Directors are set out on pages 26 and 27 of this Annual Report.
- The division of responsibility between the Group Chairman and the Group Chief Executive is clear and understood and has been committed to writing and approved by the Board. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness along with the effectiveness of the individual Directors, while the Chief Executive is responsible for the day to day running of the business.
- The present constitution of the Haynes Board provides a wide mix of skills and experience. The Board has a strong understanding of the global markets in which the Group's businesses operate from a hands-on experience of working in each subsidiary. The Nomination Committee is responsible for succession planning and recommending

new appointments to the Board and will make such recommendations based on the skills, knowledge and experience of the existing Directors as well as the overall diversity of the Board.

- The Non-Executive Directors occasionally hold meetings informally without the Executive Directors present. Likewise, the Chairman occasionally meets with the Non-Executive Directors without the Executive Directors present.
- The Directors are able to take independent professional advice in the furtherance of their duties at the Group's expense and all Directors have access to the advice and services of the Group Company Secretary.
- The Board has identified S Daykin as the Senior Independent Director.
- The Board defines an independent director as one who has no relationship with any company within the Group or its management which may undermine independence, who is not dependent on the Group or its management for his or her primary source of income, who was not within the last five years a senior manager within the Group, and who does not participate in the Group's incentive bonus schemes or pension arrangements.
- The memberships of the Committees of the Board are indicated on page 25. Only the Chair of the Committee and its members are entitled to be present at the meetings – but others may attend by invitation.
- Executive Directors may be permitted to take a limited number of outside Non-Executive directorships in non-competing companies, subject to the approval of the Remuneration & Nomination Committee.
- The Board meets at regular intervals of approximately two months to determine and monitor corporate strategy, to review the trading and financial performance of the Group and to consider matters specifically reserved for its approval. The following table details the number of board and committee meetings held during the year and the attendance record of the individual Directors :

	Full Board meetings	Short Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	**5**	**1**	**3**	**2**
E Bell	5	-	-	-
JHC Haynes	5	1	-	1[b]
J Bunkum	5	1	-	2[b]
J Yates-Round	4	1	-	-
A Kwarts	5	-	-	-
P van der Galiën	5	1	-	-
R Barker	5	1	3[a]	2[b]
JH Haynes	3	-	-	-
S Daykin	5	-	3	2
N Wright	4	1	3	2

[a] R Barker was invited to (and attended) the meetings on 4 September 2018, 23 January 2019 and 22 May 2019 during the year.

[b] J Bunkum and R Barker were invited to (and attended) the Remuneration & Nomination Committee meeting on 23 January 2019. JHC Haynes, J Bunkum and R Barker were invited to (and attended) the meeting on 22 May 2019.

Full Main Board meetings are scheduled at least 12 months in advance and include regular agenda items such as current trading, the Group's financial and treasury position, corporate governance, health and safety, shareholder engagement and Group strategy.

Short Main Board Meetings are in most cases called at short notice to discuss and/or approve business matters specified for the Main Board. All the Directors will be invited to attend the meetings and where relevant provided with the background papers pertaining to the meeting. However, the Board recognises that due to the short notice, the Directors may not always be able to physically attend the meeting. Nevertheless, in such circumstances it is commonplace for the thoughts and feedback of these Directors to be considered at the meeting.

CORPORATE GOVERNANCE REPORT
continued

Information, professional development and evaluation

All Directors are provided with regular performance updates and full and timely access to information that enables them to make informed decisions on corporate and business issues. The Board receives monthly management accounts explaining performance against budget and the comparable year for each sector of the business, as well as risk management and business plans. The Executive Directors receive information on sales for the individual businesses within the Group on a fortnightly basis.

Directors are encouraged to regularly update and refresh their skills and knowledge on the basis that 'all development is self-development'. The Group Secretary is responsible through the Chairman for facilitating the training and induction of newly appointed directors, and ensuring that they are familiar with the Company's operations and their own duties and responsibilities. He is also responsible for advising the Board through the Chairman on governance and legal matters.

During the year, the Board has undertaken a formal appraisal of its own performance and processes and that of its committees, including a review of each committee's composition and operating procedures.

Through a combination of personal discussions, general observation and ongoing monitoring of performance, the contribution of each individual Director has been assessed by the Chairman against expected standards. The process of ongoing monitoring and review helps the Chairman to ensure that the contribution of the Directors continues to be to the agreed standards and relevant to the Group's business and organisation.

In turn, the Chairman's own performance has been reviewed by the Senior Independent Director following consultation with his fellow Non-Executive Director and other members of the Board.

In line with the Articles of Association, all Directors should seek re-election by shareholders at regular intervals of no more than three years. Directors are also subject to re-election by shareholders at the first AGM after their appointment.

Directors' remuneration, contracts and nomination

- In accordance with the provisions of the Code, a Remuneration & Nomination Committee with its own terms of reference has been established by the Board. The Board's Report on Remuneration, which follows on pages 37 to 46, sets out details of the Group's policy on remuneration, the Directors remuneration during the year and the work of the Remuneration & Nomination Committee. This includes an explanation of those areas of non-adherence to the provisions of the Code.
- The Remuneration & Nomination Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vets and scrutinises these proposals. The Committee's composition is explained in the Board's Report on Remuneration. Traditionally the Committee has been reliant upon its own energies and judgement in sourcing and evaluating candidates for vacancies on the Board. However, where deemed appropriate the Committee may use external search consultants to identify and evaluate suitable candidates to fill a Board position.
- All Executive Directors have rolling service contracts with the Company implemented as a matter of course and terminable with a notice term of one year or less, which in all cases may be served by either party (see page 46).
- The Non-Executive Directors do not have service contracts with the Company but are usually appointed at the will of the Board for a fixed period of two years.

Dialogue with shareholders

- The Directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's Statement and Strategic Report on pages 1 to 23 provide a summary of the Group's trading performance and future outlook. In addition to the publication of the Group's Annual Report, the Board issues an Interim Report at the end of January each year which provides a financial and narrative review of the first six months of the financial year. The Company's corporate brokers also arrange briefings for Shareholders or their representatives with the Group's management following the Group's interim and final announcements.
- The Chairman is in a good position to ensure that the views of major Shareholders are communicated to the Board as a whole. Additionally, the Chief Executive updates the Board with any significant discussions/feedback with Shareholders at each Board meeting.
- The Board views the Annual General Meeting as an ideal opportunity to communicate with both institutional and private investors alike and confirms its compliance with all the provisions of the Code relating to the constructive use of Annual General Meetings. This year's Annual General Meeting will be held on 23 October 2019 and all Board directors (including Committee Chairs) plan to be present and available to answer questions.

Accountability, audit, and going concern

It is the intention of the Board through this Annual Report, and other public reports and announcements, to present a fair, balanced and reasonable assessment of the Company's position and prospects. The Directors have set out their responsibility for preparing the accounts on page 47 of the financial statements.

Financial

- A comprehensive budgeting system is in place with annual budgets requiring approval by the Directors. The results of the trading companies within the Group are reported monthly and compared to plan. The Group reports its financial results to shareholders on a six monthly basis.
- Authority limits are in place across the Group defining expenditure levels and the Group has clearly prescribed guidelines covering capital expenditure (which includes detailed appraisal and review), levels of authority and due diligence requirements when businesses or assets are being acquired.
- A report on the Group's cash flow and treasury position is received by the Directors at every full Board meeting, as well as brief updates being provided in the monthly management accounts.
- In addition (to the extent required to form a statutory audit opinion), the Group's financial systems are subject to annual review by the Group's external auditors and reportable weaknesses, if any, identified during this annual review process are discussed with the Audit Committee.

Operational

- There is a clearly defined organisational structure which allows the Group's objectives to be planned, executed, controlled and monitored. The Group is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.
- The Directors and senior management implement the control objectives of the Group through the adoption of defined checks and procedures. These include the review of financial and operational information, the setting up of appropriate authority levels, the segregation of incompatible duties and the defining of procedures for seeking and obtaining approval for major transactions and organisational changes.
- The management information systems provide the Directors with relevant and timely reports, from which the Directors can monitor the performance of the business. The Executive Directors have a significant involvement in the day to day management of the Group's activities and accordingly, are able to monitor and control procedures at an operational level.

Compliance

- Effective health and safety and quality control procedures operate to meet or exceed the standards for approval set by external regulatory bodies. The systems are constantly being evolved and refined to reflect business advances, process changes, and quality issues.
- Litigation and claims by or against the Company and its subsidiaries are controlled by Senior Management, with the assistance of external counsel as required. The Directors are kept informed and are able to stay abreast of events.

Risk management

- 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 non-automotive 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.

On behalf of the Board.

Richard Barker
Group Company Secretary
18 September 2019

REPORT OF THE AUDIT COMMITTEE

Members of the Committee:

Stephen Daykin (Chair), **Nina Wright**

As Chairman of the Audit Committee, I am delighted to present our report to shareholders for the year ended 31 May 2019. The Committee oversees the Board's relationship with the Company's external auditors, as well as monitoring the Company's internal financial controls and external financial reporting, ensuring that the financial and non-financial information presented to shareholders represents a true, fair and balanced overview of the Company and Group performance.

Composition of the Audit Committee

Upon my appointment to the Group Board in 2016 as Senior Independent Non-Executive Director, I was appointed Chair of the Audit Committee. Through my fellowship of the Institute of Chartered Accountants in England and Wales (ICAEW) and my recent and relevant commercial experience, the Board consider me suitably qualified to undertake this role.

Simultaneously, Nina Wright was appointed to the Group Board as Non-Executive Director and to the Audit Committee, bringing a wealth of business experience. Biographies of myself and Nina can be found on page 27.

The Group Finance Director, Richard Barker, attends the meetings of the Audit Committee by invitation, as do other Executive Board members if an agenda item decrees it appropriate.

As the Committee consists of two independent non-executive directors, the Board fully complies with the recommendation under C.3.1 of the UK Corporate Governance Code 2016 for the Audit Committees of smaller companies.

Responsibilities of the Audit Committee

The responsibilities of the Committee are reflected in its terms of reference, details of which can be found on the Haynes.com investor website. The principal duties of the Committee are as follows:

- To review the effectiveness of the Company's financial reporting and internal financial control policies and procedures for the identification, assessment and reporting of financial risk. This review includes an annual assessment of whether there is a need for an internal audit function.
- To make recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors, taking into consideration their remuneration and terms of engagement, as well as their independence, objectivity and the effectiveness of their audit process.
- To review and challenge where necessary the integrity of the Company's financial statements and any formal announcements containing detailed commentary upon the Company's financial performance. The Committee also keeps under review the consistency of accounting policies both on a year-to-year basis and across the Group, including the significant accounting estimates and judgements made by management.
- To review whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- To keep under review the "Whistle blowing" arrangements across the Group to ensure that procedures are in place for staff to report fraud and similar matters.
- In certain circumstances, it is permitted by the Board for the auditors to supply non-audit services (such as advice on specific projects). During the year, PricewaterhouseCoopers LLP provided a covenant assessment in relation to the UK defined benefit pension scheme and it's triennial valuation. The work was undertaken on behalf of the Pension Trustees but paid for by the Company. These fees have not been included in the Auditors' Remuneration note on page 69. The Committee monitors the level of non-audit services provided in order to safeguard the objectivity and independence of the external auditors.
- To investigate any matter within its terms of reference and where necessary to obtain external legal or other independent professional advice.

Main activities during the year

During the financial year ended 31 May 2019, the main activities of the Committee included the following:

- The Committee met with the external auditors on three occasions with all three being face to face meetings.
- The Committee considered and reviewed the external auditors' pre-audit planning documentation.
- The Committee considered and reviewed the Group's half year and annual results and received written presentations from the external auditors outlining their audit processes and their principal auditing judgements.
- The Committee considered the appropriateness of the Company's whistleblowing procedures and also the effectiveness of the Group's internal control procedures, including an assessment of whether there is a need for an internal audit function.

Significant financial judgements

As mentioned above, the Committee reviews the areas where management make significant accounting judgements and estimates to ensure they appear reasonable and appropriate. Included below are the principal areas where management made significant judgements or applied their best estimates during the year and how the Committee satisfied itself that these judgements and estimates were reasonable and appropriate:

- **Impairment testing of intangible assets**. In line with IAS 36, the Group is required to test the carrying value of goodwill and intangible assets with indefinite or indeterminate lives, at least annually, for impairment. At 31 May 2019, there were no intangible assets with indefinite lives other than goodwill. As part of this review process, the recoverable amount of the asset is determined using value in use calculations, which require management to make key judgements and best estimates of such items as future sales growth, sales pricing and cost increases in order to predict future cash flows of the cash generating units (CGU's). Through discussions at Board meetings, the review of circulated Board papers and using its own knowledge of the market sectors where appropriate, the Committee has assessed the appropriateness of the key assumptions and judgements made by management and where appropriate challenged management on these assumptions. The Committee has also reviewed the approach adopted by the external auditors, including the extent to which they have challenged management on the procedures and processes undertaken during the year, to make sure their approach was robust and was designed to adequately challenge the underlying assumptions used by management in their various models and calculations.
- **Capitalisation and amortisation of product development costs**. The Group incurs product development expenditure which is subsequently capitalised when it can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development and use the asset, in line with IAS 38. The Group amortises these assets over a period of 5 years. The Committee has discussed with management the application of the capitalisation criteria as prescribed by the standard, as well as the appropriateness of the defined amortisation period. The Committee has also evaluated the auditors approach for testing of the product development intangible valuation.
- **Inventory provisions**. The Group reviews its finished goods inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimates of future sales activity by management is based on both historical experience and expected outcomes using their knowledge of the markets in which the Group operates. During the year, the Committee has discussed with management the appropriateness of the provisioning policy. The Committee has also reviewed the auditors approach for testing the ageing and saleability of the current inventory.
- **Accounting for pensions**. In determining the net pension expense and the defined benefit obligation of the Group's defined benefit pension schemes, a number of assumptions are required from management including the use of an appropriate discount rate, the levels of salary escalation and price inflation, the expected return on the schemes' investments and mortality rates. The Committee discussed with management how they had derived these assumptions including the extent to which qualified actuarial advice had been sought. The Committee also assessed the scope of work undertaken by the auditors, including the use of actuarial specialists to ensure the pension obligation has been correctly accounted for and disclosed in the financial statements.

REPORT OF THE AUDIT COMMITTEE
continued

Internal control and risk management

The Board maintains a sound system of internal control to safeguard its assets and the investments of shareholders. The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. At least annually, the Board conducts a review of the effectiveness of these internal controls and takes the necessary action to remedy any significant failings or weaknesses which may be identified by its review. During audit testing and reviews, should the auditors identify any breaches or weaknesses in the Group's internal controls, these will be discussed with the Committee in the first instance.

External audit

The Committee is responsible for making recommendations to the Board in relation to the appointment and reappointment of the Company's external auditors, including their remuneration and terms of engagement. The year under review marks the second year during which PricewaterhouseCoopers LLP has been the Group's external auditors following a formal tender process in 2017. Looking forward, the Committee has recommended to the Board the reappointment of the external auditors under the current external audit contract for the 2020 financial year. The Directors will be proposing the reappointment of PricewaterhouseCoopers LLP at the AGM in October 2019. The Committee will continue to review the auditors' appointment and the need to tender the audit, ensuring the Group's compliance with the UK Corporate Governance Code and the reforms of the audit market by the UK Competition and Markets Authority and the European Union.

Under current guidance, external auditors are required to rotate their lead audit partner every five years. As noted above, this is the second year of appointment for the current PricewaterhouseCoopers LLP lead partner and therefore, in line with the UK Listing Rules, he will need to retire from the Haynes Group audit no later than the conclusion of our 31 May 2022 financial year-end.

The Committee will continue to meet with PricewaterhouseCoopers LLP at least three times a year to discuss the Group's framework of controls, Group reporting and other relevant matters. At the conclusion of each annual audit, the Committee will receive and consider a report from PricewaterhouseCoopers LLP which sets out any material findings from their audit of the individual Group companies and reports to the Board as necessary. The Group Finance Director is invited to attend all meetings of the Committee as set out in the terms of reference of the Committee. The effectiveness of the external audit team is regularly monitored by the Committee through such measures as assessing the clarity of the planning and post audit review documents presented to the Committee, the robustness of their audit and review procedures and their knowledge and understanding of the markets in which the Group operates, including their access to appropriately qualified specialists as and when required.

In assessing the independence and objectivity of the external audit firm, the Committee reviews, on an annual basis, the length of service of the key audit team members as well as reviewing the level of non-audit fee income the firm has derived from the Group in the previous 12 months. A table outlining the fees paid to PricewaterhouseCoopers LLP is included in the notes to these Consolidated Financial Statements. All significant non-audit work undertaken by the external auditors is approved in advance by the Committee.

Internal audit

The Committee has reviewed the need for an internal audit function within the Group and concluded that given the present structure and size of the Group a separate internal audit function is not considered necessary or appropriate at this time.

Stephen Daykin
Chair of the Audit Committee
18 September 2019

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

Members of the Committee:

Nina Wright (Chair), **Stephen Daykin**

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2019. The Committee continues to evolve the Group remuneration arrangements through collaborative reviews to ensure alignment with the overall Group strategy. In doing so, the Committee considers the principles of Corporate Governance as their foundation is based on the long-term sustainable success and values of a company.

This report provides details of the remuneration paid to Executive and Non-Executive Directors for services to the Company during the year. The Committee sets the strategy, structure and levels of remuneration for the Executive Directors and does so in the context of the Group's overall strategy and performance to align the financial interests of the Executive Directors with the achievement of the Group's objectives, and with shareholder returns.

1 – Chair of the Remuneration Committee – Annual Statement

The report has been prepared in compliance with the information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the provisions of the UK Corporate Governance Code 2016 ("the Code") and the Listing Rules of the Financial Conduct Authority.

The report comprises three sections as follows:

- The Chair's Annual Statement
- The Directors Remuneration Policy
- The Annual Report on Remuneration

At the Group's 2017 Annual General Meeting (AGM), the Directors Remuneration Policy as set out on pages 38 to 41 was approved by our shareholders and in-line with the above guidance, unless the Committee wishes to make a change to the policy which would require shareholder approval, the existing policy remains in force for one more year at which point it will once again be put before shareholders for approval as an ordinary resolution at our AGM.

The Annual Report on Remuneration sets out the payments made to Directors during the financial year under review and along with this introductory statement will be subject to an advisory shareholder vote at the 2019 Annual General Meeting.

1.1 Remuneration Committee ("the Committee") composition

The Committee is chaired by myself as an Independent Non-Executive Director with Steve Daykin (Senior Independent Non-Executive Director) also on the Committee. The Committee meets the requirements under the Code of having at least two independent non-executive directors on the Committee.

1.2 Responsibilities of the Committee

The responsibilities of the Committee are reflected in its terms of reference, details of which can be found on the Haynes.com/investor website. The principal duties of the Committee are summarised below:

- To determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, the Chairman of the Company, and the Executive Directors. The remuneration of Non-Executive Directors is a matter for the executive members of the Board.
- To take into account all factors which it deems necessary to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.
- Within the terms of the agreed policy, to determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses and incentive payments and to determine targets for any performance related incentive schemes operated by the Company, seeking shareholder approval where appropriate.
- To determine the scope and nature of service agreements for the Executive Directors including termination payments and compensation for loss of office payments, taking into account prevailing pension arrangements. In particular, the Committee shall endeavour to ensure that the contractual terms on termination and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

- In determining such packages and arrangements, give due regard to the recommendations of the UK Corporate Governance Code 2016, the Listing Rules of the Financial Conduct Authority and current legislation.

In determining the emoluments of the Executive Directors, the Committee feels it is impractical to also monitor in detail the remuneration of senior management below board level as required by D.2.2 of the Code. Accordingly, the remuneration packages of senior management below Board level are reviewed by the Executive Director responsible for the respective business areas in which the senior managers are employed.

1.3 Activities of the Committee in the current financial year

The main activities of the Committee which met twice during the financial year ended 31 May 2019 were as follows :

- **Salaries**
  The Committee approved a 2% increase for all Executive Directors effective from 1 June 2018 which was below the average increase given to group wide employees at 2.7%.

  J Yates-Round's annual salary was increased to £172,000 from 1 February 2019.

- **Pension arrangements**
  In their meeting of 23 January 2019, the Committee agreed the following:

  i) For Executive Directors based in the UK, pension contributions are to be set at 15% of pensionable salary. The change was retrospectively applied from 1 December 2018 and each Director has the option to receive the contribution into a designated money purchase arrangement or as a cash payment in lieu. The Committee concluded 15% was an appropriate percentage after undertaking a benchmarking exercise with comparable companies through the use of independent reviews of FTSE SmallCap pension provisions.

  ii) For Executive Directors based in the Netherlands and in accordance with pension practice in the territory, Company pension contributions are based on a rising premium scale dependent on the age of a director. The change was retrospectively applied from 1 January 2019, inline with all other Netherlands-based employees.

- **Bonuses**
  In their meeting of the 23 January 2019, the Committee exercised their power within the approved Directors' Remuneration Policy to adjust the applicable percentages of individual executive directors.

  Further details of the arrangements are discussed in Sc2.1(i).

  J Yates-Round received a one-off bonus of £10,000 in recognition of the additional responsibilities for his interim management of the US operations.

- **Benefits**
  There were no new benefits awarded during the financial year.

- **Share options**
  Details of awards granted during the financial year under the Group Long-Term Incentive Plan (LTIP) are detailed page 44.

2 – Directors Remuneration Policy

The principal elements of Executive Directors' remuneration comprises a basic salary and fixed benefits, an annual bonus, the provision of a post-retirement pension and the Haynes Group Long Term Incentive Plan. Each of these elements is viewed with equal importance by the Committee, to ensure that the remuneration packages reflect not only the short term but also the longer-term goals of the Group.

Non-Executive Directors receive a fee for their services and are entitled to the reimbursement of incidental expenses.

The following table sets out the various elements forming a Director's remuneration package. The table and the notes below the table form our policy on Directors' remuneration which was approved by shareholders at the 2017 AGM and which we intend to apply for the coming year. In line with the regulations, which came into effect on 1 October 2013, unless it is felt appropriate or necessary to seek approval for a change in the policy ahead of this timeframe, it will be the intention of the Board to review the policy and put before the shareholders for approval every three years.

2.1 Directors Remuneration Policy table

Element of remuneration	Purpose and link to Company's strategy	How the element operates (including maximum opportunity)	Performance metrics where relevant
Base Salary	– To attract, motivate and retain Executive Directors of the right calibre to ensure the future growth and success of the Group.	– Salaries are set to reflect the individual responsibilities and role of the Director. The Committee may at its discretion increase the base salary of a Director where there is a change in a Director's responsibility, personal progression in the role or to reflect the increased experience of the individual Director. - Base salaries are reviewed annually with changes normally taking effect from 1 June. Base salaries of the Directors located in the UK and Europe are paid monthly in arrears and for the US based Directors are paid twice a month in arrears.	– When undertaking its annual review, the Committee is mindful of the annual pay review process for employees elsewhere in the wider Group, comparable pay for like roles in similar sized businesses as well as the retail price index and similar indices of inflation.
Benefits	– To attract, motivate and retain Executive Directors by providing benefits which are commensurate with the role and responsibility of the Director.	– The benefits available to the Directors will take into account local market practice in the country where the Director is based and will principally include the provision of a company car (including private fuel) or an alternative cash allowance, private medical cover for the Director and their immediate family and income protection. There is no prescribed maximum but the Committee monitor the overall level of benefits to ensure the cost to the business is proportionate.	– Not performance related.
Annual Bonus	– To provide a reward scheme for Executive Directors which aligns the shorter term benefits of the Directors with the interests of the stakeholders and which is transparent and administratively straightforward to operate.	– For the year to 31 May 2019, all Executive bonuses are based on the performance of the overall Group. – The majority of the bonuses also include an element of personal performance. – All bonuses are capped, with the maximum cap at 60% of gross base salary. – The Committee has the discretion to adjust the applicable percentages or target metrics where there is a change in a director's responsibility or where the development and/or increased experience of the individual Director justify such an amendment.	– Refer to note (i) for details of the individual Director's bonus arrangements.
Pension	– To offer a retirement package which helps to attract and retain Executive Directors of the right calibre to ensure the continued growth and success of the Group.	– The Committee may authorise the funding of a Director's pension arrangement as appropriate. This could include contributions to a money purchase scheme and/or payment of a cash allowance as appropriate. Life assurance linked to the membership of a pension scheme may be available to the Directors as appropriate. – Details of the pension arrangements for the specific Directors (including maximum entitlements) are included in note (ii).	– Not performance related.
Long Term Incentive Plan (LTIP)	– To help recruit, retain and motivate Executive Directors to achieve the Group's business objectives and closer align their interests to the Company's shareholders.	– From 1 June 2017, the LTIP permitted an annual grant of shares which vest subject to performance and continued employment. The LTIP awards are granted in accordance with the rules of the plan, which were approved by shareholders on 18 July 2017. A copy of the rules is available upon request from the Company Secretary. – Under the rules of the LTIP, the maximum award is 100% of salary. In exceptional circumstances and at the discretion of the Committee the award can be increased to 300%. Details of the current award levels are set out in the Annual Report on Remuneration.	– Awards under the LTIP are currently subject to two performance conditions. Firstly, an earnings per share (EPS) performance measure and secondly, on return on average capital employed. Each performance condition is measured over three financial years. – The Committee has the discretion to amend the targets providing the new targets are no less challenging. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.
Non-Executive Fees	– To support the recruitment of high quality and experienced Non-Executive Directors.	– The fees for Non-Executive Directors are determined by the Board and are set to reflect the time commitments and responsibilities associated with the role. – Incidental expenses are payable to Non-Executive Directors as appropriate. – A basic annual fee for normal duties is paid monthly through the Company payroll. Supplementary fees may also be payable for additional duties at the discretion of the Board.	– Not performance related.

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE
continued

2.1 Directors Remuneration Policy table (continued)

Notes to the Policy table

i) Bonus arrangements
The bonus arrangements are set out at the start of each financial year and consist of a combination of financial targets linked to the Group business plan & budgets for the year and individual pre-determined performance objectives.

The target level ranges from 20% to 25% for the Executives and is capped at 40% with the exception of the Executive Chair whose bonus is capped at 60%.

The non-discretionary element of the bonus arrangements in relation to the year ended 31 May 2019 form part of a Director's contractual arrangement with the Company with no claw back or recovery provisions in place. In the event of termination for cause, the bonus element of remuneration is either not payable or payable only at the discretion of the Company.

ii) Pension arrangements
The Executive Directors' entitlement to pension related benefits arising from their employment with the Group are described below.

- E Bell does not have any pension entitlements arising from his employment with the Group.
- JHC Haynes, J Yates-Round, J Bunkum and R Barker are deferred members of the UK defined benefit pension scheme ('UK Scheme'). The UK Scheme was closed to future accrual on 30 November 2018. The Directors are entitled to benefits accrued up to the date of closure (or in the case of JHC Haynes & J Yates-Round up to 1 June 2015) with the target pension being seven-eighths of two-thirds of final pensionable salary at the age of 61 (two-thirds of final pensionable salary from age 60 pre 12 July 2011). Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service.

  Pensions increase annually during retirement by the lower of 2.5% or the percentage rise in the Retail Price Index (5% pre 12 July 2011). With the approval of the UK Scheme Trustees and the Employer, members may retire from the age of 55 on an actuarially reduced pension based on the shorter working life and after taking into account the cost of earlier payments.

  The Directors continue to receive death in service benefits which provide for a cash sum equal to 4 times pensionable salary and a widow or dependants pension equal to 50% of the target pension receivable at normal retirement age. For death occurring during retirement, a widow's pension equal to 50% of pension entitlement is payable. All Directors continue to receive life assurance cover under the same terms as when they were active members of the UK Scheme.

  From 1 December 2018, the UK Directors are entitled to employer pension contributions equalling 15% of their gross salary. Payable either; into a money purchase scheme or to elect to receive cash in lieu.
- A Kwarts and P van der Galiën are members of the HaynesPro Holding BV money purchase pension scheme which is governed by the employment laws in the Netherlands. Under the regulated scheme, the employee contributes 4.5% (increased from 3.5% on 1 January 2019) of gross salary (including holiday pay) and the employer contributes the remaining amount to achieve the targeted return depending on variables for each employee. From 1 January 2019, the employer contributions were 22% and 14.5% of gross salary respectively.

2.2 Other remuneration policy considerations

Approach to recruitment

- The Board has determined that the role of the Nomination Committee will be combined with that of the Remuneration Committee. The Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vets and scrutinises these proposals. The Committee is mindful of the need to ensure orderly succession planning and to recommend new appointments to the Board based on merit and experience. The Committee may rely on its own energies and judgement in sourcing and evaluating candidates for vacancies for the Board or alternatively, to use external search consultants and open advertising if felt appropriate.

- In the case of an external appointment the Committee reserves the right, in exceptional circumstances, to make payments outside of this policy. The right would only be exercised where the Committee believes to do so is in the best interests of the Company and where it would be impractical to seek specific approval from a general meeting beforehand. If such discretion is applied the relevant circumstances would be disclosed to shareholders in the next Annual Remuneration Report.

- In the case of internal appointments, any outstanding variable pay in respect of the prior role may at the Committees discretion be permitted to continue on its original terms or if appropriate adjusted to reflect the new appointment.

Comparison with wider Group employees and consultation with shareholders

- The Committee considers the pay and employment conditions of the wider employees below Group level when determining the appropriate remuneration packages for the Executive Directors. During the financial year, the Committee has not commissioned the services of external consultants for this purpose and has not formally consulted with shareholders or employees in formulating its remuneration policy. However, the Committee meets with shareholders at the Annual General Meeting and receives feedback at least twice a year from institutional shareholders which helps to ensure the interests of the directors are aligned as closely as possible to the interests of the shareholders.

Service contracts and loss of office payments

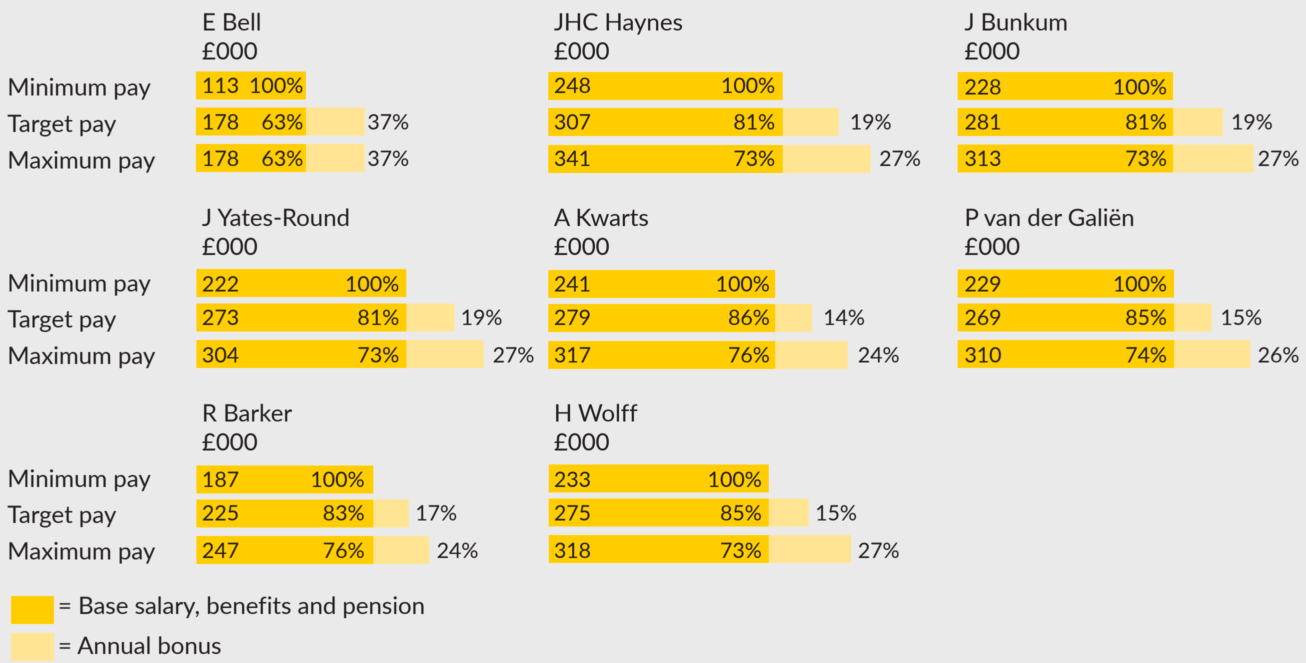
- In line with the guidance issued in the Code, the service contracts for all Executive Directors include a notice period of 12 months or less upon termination.

- If the Company terminates without notice or at short notice, the individual is entitled to the contractual entitlements and benefits which would have accrued within the notice period. With the Company's consent these may be "rolled up" into a single payment at the point of termination. In addition to any contractual rights pertaining to a payment for loss of office, Executive Directors will have legal rights relevant to the Country in which they are based.

2.3 Application of remuneration policy

The remuneration report sets out in the form of a bar chart an indication of the level of remuneration that will be received by each Executive Director in the following financial year. The chart shows the minimum amount receivable (base salary, benefits and pension); the amount receivable if the Group performs in line with expected levels (target pay) and the maximum amount of remuneration which would be payable. The chart also quantifies the value of the remuneration and the percentage this represents of the Director's total remuneration package.

The Executive Directors' remuneration is all contractually based and apart from E Bell comprises a discretionary element assessed on the Executive's performance against pre-determined objectives. An element of the bonus targets have been set at achieving expected levels as such are included as target pay.



Assumptions:
1. Based on policy to be applied for 2019/20.
2. Salaries are based on agreed amounts from 1 June 2019.
3. Taxable benefits and pensionable amounts are based on expected amounts for financial year ending 31 May 2019.
4. The Directors' annual bonuses are calculated in line with the policy outlined in Sc 2.1.

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE
continued

3 – Annual Report on Remuneration

The information contained in Sc 3.1 to 3.6 below have been audited by PricewaterhouseCoopers LLP in accordance with Part 5 Sc41 of Statutory Instrument 2013 No. 1981.

3.1 Directors' remuneration table

The table below sets out the total remuneration of the directors for the financial year ended 31 May 2019:

	Salary/fees		Benefits[1]		Performance bonus[5]		Employers pension contribution [6/7]		Increase in accrued pension from defined benefit schemes [6]		Total Emoluments	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Executive												
E Bell	104	102	5	9	62	61	-	-	-	-	171	172
JHC Haynes	195	191	16	11	42	38	36	39	-	-	289	279
J Bunkum [8]	179	160	16	15	40	32	18	9	151	190	404	406
J Yates-Round	156	137	20	22	34	27	45	50	-	-	255	236
A Kwarts [3]	190	189	17	19	37	35	15	11	-	-	259	254
P van der Galiën [2]/[3]	187	65	5	7	36	12	9	2	-	-	237	86
R Barker [2]/[8]	117	38	14	7	26	8	13	-	52	-	222	53
JH Haynes [4]/[9]	79	95	12	12	-	19	-	-	-	-	91	126
J Nicholson [4]/[10]	-	355	-	30	-	-	-	-	-	108	-	493
	1,207	1,332	105	132	277	232	136	111	203	298	1,928	2,105
Non-Executive												
S Daykin	45	31	-	-	-	-	-	-	-	-	45	31
N Wright	31	31	-	-	-	-	-	-	-	-	31	31
	76	62	-	-	-	-	-	-	-	-	76	62
Total	**1,283**	1,394	**105**	132	**277**	232	**136**	111	**203**	298	**2,004**	2,167

[1] The benefits relate to the provision of company cars, private fuel and private healthcare cover.
[2] The prior year figures for P van der Galiën and R Barker cover the period from 1 February 2018 to 31 May 2018 following their appointment as Executive Directors.
[3] A Kwarts and P van der Galiën are paid in Euros and the amounts have been converted to Sterling at the average exchange rates for 2019 and 2018.
[4] J Nicholson and part of JH Haynes salaries are paid in Dollars and the amounts have been converted to Sterling at the average exchange rates for 2019 and 2018.
[5] The Executive Directors' annual bonus arrangements are set out in note 1 of Sc 2.1.
[6] The Directors' benefits arising from pension arrangements during the financial year are summarised in Sc 3.2 overleaf.
[7] JHC Haynes and J Yates-Round receive cash in lieu of pension contributions. £13,000 of J Bunkum's pension contributions was received as cash in lieu of pension contributions. The total post-employment benefits per note 25 excludes these amounts.
[8] The pension input amount relating to J Bunkum and R Barker reflects adjustments following their promotions to the Group Board.
[9] JH Haynes' 2019 remuneration relates to a part period to 8 February 2019.
[10] Included in J Nicholson salary in the prior year is a loss of office payment totalling £207,000.

3.2 Directors pensions entitlements

The value of pension benefits to the Directors arising under company related pension arrangements during the financial years ended 31 May 2019 and 2018 were as follows :

	Note	Normal pensionable age	Total accrued pension in the defined benefit scheme 31 May 2019 £000	31 May 2018 £000	Value of pension related benefits 31 May 2019 Defined [4] benefit scheme £000	Money purchase arrangements £000	Total £000	31 May 2018 Defined [4] benefit scheme £000	Money purchase arrangements £000	Total £000
JHC Haynes	UK	61	60	60	-	-	-	-	-	-
J Bunkum	UK	61	71	61	156	-	156	199	-	199
R Barker	UK	61	14	11	55	9	64	1	-	-
J Yates-Round	UK	61	64	64	-	-	-	-	-	-
A Kwarts		67	-	-	-	15	15	-	11	11
P van der Galiën		67	-	-	-	9	9	-	2	2
JH Haynes	US	65	-	37	-	-	-	-	-	-

Key : UK – member of the UK Scheme US – member of the US Plan

1. Current year amounts for the US defined benefit plan have been converted to Sterling at the closing rate for the financial year. Amounts payable to the Executive Directors in relation to money purchase arrangements are converted at the average rate for the year.
2. The total accrued pension in the defined benefit scheme as at 31 May 2019 represents the amount that would be paid annually in retirement from normal pension age, based on the Director's pensionable service to 31 May 2019.
3. The value of a Director's benefits derived from the defined benefit scheme is based on the increase in accrued pension during the year and reflects an increase for UK Consumer Price Index (CPI) inflation.
4. The pension input amount relating to J Bunkum and R Barker reflects adjustments following their promotions to the Group Board.

The increase in the Directors' accrued pension arising from defined benefit arrangements and the increase in transfer value during the year were as follows :

	31 May 2019 Increase in accrued pension arising from defined benefit schemes during the year[1] £000	31 May 2018 Increase in accrued pension arising from defined benefit schemes during the year [1] £000
J Bunkum	10	12
R Barker	3	1 [3]
JH Haynes [2]	-	(1)
J Nicholson [2]	-	5

[1] The increase in accrued pension excludes any increase for inflation during the year.
[2] All amounts for the US defined benefit plan have been converted to Sterling at the closing rate for the financial year.
[3] The increase for R Barker relates to the period from his appointment on 1 February 2018 to 31 May 2018.

3.3 Payments to past Directors

No payments were made to past Directors during the year

3.4 Payments for loss of office

No payments for loss of office were made during the year.

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

continued

3.5 Directors' interests in shares of the Company

The Directors who served during the year who have interests in the share capital of the Company as at 31 May 2019 (including the interests of connected parties) are as follows:

	Beneficial 'A' Ordinary No.	Non-Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive						
E Bell	-	-	-	10,946	-	-
JHC Haynes	-	450,000 [2]	8,550,000 [2] [4]	719,653 [2]	163,500 [2]	632,575 [2] [3] [4]
A Kwarts	-	-	-	25,792	-	-

The Directors who served during the year who had interests in the share capital of the Company as at 31 May 2018 (including the interests of connected parties) are as follows:

	Beneficial 'A' Ordinary No.	Non-Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive						
E Bell	-	-	-	-	-	3,000
JHC Haynes	-	450,000 [2]	8,550,000 [2] [4]	710,141 [2]	163,500 [2]	632,575 [2] [3] [4]
JH Haynes [5]	8,250,000	750,000 [2]	-	197,500	902,500 [1] [2]	1,036,216 [2] [3] [4]
A Kwarts	-	-	-	25,792	-	-

Notes (relating to both 2019 and 2018 interests) :

[1] 630,000 shares are in respect of the Haynes International Motor Museum (a charitable trust) of which JH Haynes was a Trustee.

[2] Shares held in family trusts in which JH Haynes or JH Haynes and JHC Haynes are or were trustees and which the beneficiaries comprise the sons or grandchildren of JH Haynes.

[3] Includes 326,375 shares owned by Mrs AC Haynes.

[4] Due to their family relationship, JH Haynes and JHC Haynes were connected parties in accordance with Sc 253 of the Companies Act 2006.

[5] At 31 May 2019, the shares of JH Haynes are held in his estate and controlled by its executors, pending grant of probate and the distribution of assets.

3.6 LTIP awards granted during the financial year and awards held by Executive Directors

The Company's LTIP rewards the creation of shareholder value over the longer term and performance is measured over a three year period using a combination of Earnings Per Share (EPS) growth and Return on Average Capital Employed (ROACE). Details of the awards granted in the year are set out below:

Director	**Shares awarded**	**Face value of award[1]**	**Number of shares vesting for minimum performance**	**Number of shares vesting for maximum performance[2]**	**End of performance period and vesting date**
JHC Haynes	20,000	£45,000	-	20,000	31 May 2021
J Bunkum	20,000	£45,000	-	20,000	31 May 2021
J Yates-Round	20,000	£45,000	-	20,000	31 May 2021
A Kwarts	20,000	£45,000	-	20,000	31 May 2021
P van der Galiën	20,000	£45,000	-	20,000	31 May 2021
R Barker	20,000	£45,000	-	20,000	31 May 2021
Total	**120,000**	**£270,000**	-	**120,000**	

[1] The share price used to determine the number of shares under the award was £2.25 being the share price at the grant date.

[2] The two equally weighted performance measures are:

a. Earnings per share – EPS growth must be at least 5% for 25% vesting, increasing on a straight-line basis to 50% vesting for 10% and above.

b. Return on Average Capital Employed – ROACE - If adjusted ROACE as at 31 May 2021 is more than or equal to adjusted ROACE as at 31 May 2018, 50% of the option will be Released on the Release Date. If adjusted ROACE as at 31 May 2021 is less than adjusted ROACE as at 31 May 2018, 50% of the option will lapse at the Release Date.

Director	**Awards held at 1 June 2018[1]**	**Awards granted in the year[2]**	**Awards held at 31 May 2019**
JHC Haynes	20,000	20,000	40,000
J Bunkum	20,000	20,000	40,000
J Yates-Round	20,000	20,000	40,000
A Kwarts	20,000	20,000	40,000
P van der Galiën	20,000	20,000	40,000
R Barker	8,667	20,000	28,667
Total	**108,667**	**120,000**	**228,667**

[1] Shares held at 31 May 2018 relate to awards granted with the performance period 1 June 2017 to 31 May 2020 and the share price was £1.93 at the grant date.

[2] Refer to the table above for details of this year's awards under the LTIP.

3.7 Total shareholder return graph

The listed shares of Haynes Publishing Group P.L.C. are held within the FTSE Fledging Index of the London Stock Exchange. The following graph compares the return over a ten year period from an initial holding of £100 in the shares of the Company (with dividends reinvested) to the return that would have been received over the same period from investing in a hypothetical holding of £100 in shares of companies on the similar FTSE Fledgling index and FTSE Small Cap Index.

3.8 Remuneration of the Chief Executive over the 10 year period from 1 June 2009 to 31 May 2019

The table below sets out the total remuneration and percentage of annual bonus as a percentage of the total that could have been earned of the Chief Executive Officer for the past ten years. Each year the information in the table will increase by a further year until ten years of comparative history is shown.

Year ending (31 May)	Total remuneration £000	Annual bonus payment against maximum opportunity %
2010	711	100%
2011	809	100%
2012	804	100%
2013	783	100%
2014	755	100%
2015	809	100%
2016	1,040	100%
2017	266	100%
2018	279	100%
2019	289	100%

Notes :

1. 2010 – 2016 remuneration relates to the period when E Oakley was Group Chief Executive Officer until his retirement on 31 May 2016. During this period, the annual bonus was contractual and based on a fixed percentage of the Group' net profits. Accordingly, there is no difference between the amount earned and the maximum amount that would be payable. The remuneration of E Oakley during this period was paid in US Dollars and translated to Sterling at the average exchange rate for the financial year.
2. 2017 – 2019 remuneration relates to the period JHC Haynes was Group Chief Executive Officer.
3. Total remuneration is calculated on the same basis as the shown in the Directors' Remuneration Table

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE
continued

3.9 Percentage change in remuneration of the Chief Executive and Group employees

The table below sets out the percentage movement in the Chief Executive's salary, benefits and bonus in the current and preceding financial years as well as providing comparative figures against the change for the Group's UK employees over a similar time period.

	Chief Executive % change from 2018	Average for UK employees [1] % change from 2018
Salary	2%	2%
Benefits	45%[2]	24%
Bonus	10%	19%

[1] For practicable purposes, the employees of J.H.Haynes & Co. Ltd has been selected as a comparable measure for the above table as the business has a broad range of employees and is not deemed to be materially different from the other parts of the Group.

[2] Benefit increase solely relates to changes to the taxation of benefits as the benefits are the same as the previous year.

3.10 Relative importance of spend on pay

The table below sets out the actual expenditure on employees remuneration for the financial years ending 31 May 2019 and 2018 relative to the equity dividends paid by the Company over the same period :

	2019 £000	2018 £000	% change
Wages and salaries (note 6) [1]	14,797	12,158	22%
Dividends (note 11)	1,134	1,133	-

[1] Included within the 2019 staff costs is a one-off expense for £1,160,000 relating to GMP Equalisation.

3.11 Statement of voting at general meeting

At the annual general meeting held on 8 November 2018, an ordinary resolution was placed before shareholders in relation to Directors' remuneration. The resolution was advisory and was to approve the Directors' remuneration report for the financial year ended 31 May 2018. The resolution was passed on a show of hands with 100% of the votes cast in favour of the resolution.

3.12 Directors service contracts

The notice periods of the Executive Directors are as shown below :

Director	Date of contract	Notice period
E Bell	23 May 2016	12 months
JHC Haynes	15 February 2002	12 months
J Bunkum	7 June 2016	12 months
J Yates-Round	2 September 2010	12 months
A Kwarts	12 October 2010	6 months[1]
P van der Galiën	1 February 2018	6 months[1]
R Barker	1 February 2018	12 months
H Wolff	18 July 2019	12 months

[1] In line with legislation in the Netherlands, A Kwarts and P van der Galiën are only required to give 6 months notice to the Company in turn for receiving 12 months notice by the Company.

The Directors' service contracts are not of a fixed term, but will continue until terminated by either party.

Non-Executive Directors do not hold service contracts and are appointed at the will of the Board usually for a fixed period of two years. During the year, both Non-Executives contracts were renewed for a further two years.

On behalf of the Board.

Nina Wright
Chair of the Remuneration Committee
18 September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES PUBLISHING GROUP P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Haynes Publishing Group P.L.C.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report & Accounts 2019 (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 May 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 June 2018 to 31 May 2019.

Our audit approach - overview

Materiality

- Overall Group materiality: £360,000 (2018: £340,000), based on 1% of total revenue.
- Overall Parent Company materiality: £175,000 (2018: £190,000), based on 1% of total assets.

Audit scope

- The UK audit team performed an audit of the complete financial information of the four main operating units in the UK (J.H.Haynes & Co. Ltd and HaynesPro (UK) Ltd), US (Haynes North America Inc) and the Netherlands (HaynesPro BV) and Haynes Publishing Group P.L.C.
- Taken together, these entities account for 83% of Group revenue and in excess of 85% of the total Group profit before tax.
- Specific audit procedures were also performed by the UK audit team on certain other balances and transactions at the remaining reporting units.

Key audit matters

- Assumptions used to determine pension liabilities (Group and Parent).
- Capitalisation of product development costs and associated impairment (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to Companies Act 2006 and the Listing Rules. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the group engagement team and/or component auditors included:

- review of the financial statement disclosures to underlying supporting documentation;
- review of correspondence with the regulators;
- review of correspondence with legal advisors; and
- enquiries of management and review of significant component auditors' work.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters ("KAM")

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Assumptions used to determine pension liabilities (Group and Parent Company) We focused on this area because of the magnitude of the defined benefit pension deficit of £23.8m and the material judgements involved in determining the actuarial assumptions for both the UK and US schemes which are set out in note 22. The net pension deficit is subject to the Directors' judgements regarding the selection of appropriate actuarial assumptions based on the nature of the schemes, including the discount rate, inflation rate and mortality rate, being the assumptions to which the deficit is most sensitive. A change in each of these assumptions by 0.25% can cause a material change in the value of the underlying pension deficit (as highlighted on page 85). The Directors employed independent actuaries in both the UK and US to assist them with the valuation of the deficit.	We used our actuarial experts to assess the methodology adopted by the Directors and their actuaries to determine the net pension deficit. We concluded that the requirements of IAS 19 'Employee benefits' had been applied appropriately for 2019. We also used our actuarial experts to assess the reasonableness of the key actuarial assumptions selected, by comparing these to our own independent benchmark ranges based on our assessment of current market conditions and available actuarial data. We noted that the discount rate, inflation rate and mortality rate were within our acceptable range. We also assessed the actuary's valuations by obtaining supporting evidence for each of the key inputs into the overall pension deficit calculation including independently agreeing membership census data to pension scheme records and agreeing the scheme asset values to independent sources, noting no exceptions. We also assessed the actuary's calculation of the GMP equalisation charge, concluding the methodology used to calculate it was appropriate and that it was within our acceptable range.
Capitalisation of product development costs and associated impairment (Group) We focussed on this area because of the magnitude of capitalised product development expenditure of £22.1m and the risk that amounts may not be recoverable. This risk is set out in the critical accounting judgments on page 64 and the amounts capitalised are included in note 13 and occurs in both the production of manuals and the development of technical data.	We tested a sample of capitalised product development costs against the criteria set out in IAS38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits. We assessed each of the categories of capitalised cost for indicators of impairment, such as level of sales. As a result of our work we determined that no impairment was required. We have reviewed the methodology of the capitalisation for the editorial content, i.e. Manuals in the UK & US, as well as the technical content capitalised in Europe. We have also examined payroll records which form part of the capitalised balance and ensured that the amounts capitalised have been appropriately identified as relating to the intangible balance.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES PUBLISHING GROUP P.L.C.

continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Alongside the statutory audit of the Parent Entity Haynes Publishing Group P.L.C, we identified four significant components. These being J.H.Haynes & Co Ltd (UK) Ltd, Haynes North America Inc. (USA), HaynesPro (UK) Ltd (UK) and HaynesPro BV (Netherlands). The Group team, based in the UK, performed the audit of Haynes Publishing Group P.L.C., J.H.Haynes & Co Ltd, Haynes North America Inc. and Haynes Pro (UK) Ltd. The audit of HaynesPro BV was performed by a PwC member firm based in the Netherlands. Detailed instructions were issued and discussed with the component audit team. The Group audit team was actively involved in directing the audit strategy of the HaynesPro BV audit team and a senior member of the Group audit team visited local management and the auditors during the audit fieldwork. The Group audit team reviewed in detail the findings of work performed by the HaynesPro BV audit team and considered the impact of these upon the Group audit opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£360,000 (2018: £340,000).	£175,000 (2018: £190,000).
How we determined it	1% of total revenue.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	The Parent Entity is primarily a holding company, therefore total assets is deemed the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £175,000 and £325,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £18,000 (Group audit) (2018: £17,000) and £9,000 (Parent Company audit) (2018: £9,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' Statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' Statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 May 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. *(CA06)*

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 20 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 20 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 47, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on page 34 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYNES PUBLISHING GROUP P.L.C.

continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 47, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 12 December 2017 to audit the financial statements for the year ended 31 May 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 May 2018 to 31 May 2019.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
18 September 2019

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
Year ended 31 May 2019

		2019			2018		
	Continuing operations	Adjusted £000	Adjusting items (note 5) £000	Statutory £000	Adjusted £000	Adjusting items (note 5) £000	Statutory £000
Note 2	**Revenue**	**36,197**	**-**	**36,197**	**33,788**	-	**33,788**
	Cost of sales	(13,744)	-	(13,744)	(13,641)	-	(13,641)
	Gross profit	**22,453**	**-**	**22,453**	**20,147**	-	**20,147**
	Other income	54	-	54	17	-	17
	Distribution costs	(8,261)	-	(8,261)	(8,151)	(337)	(8,488)
	Administrative expenses	(10,047)	(1,760)	(11,807)	(8,511)	(1,591)	(10,102)
	Gain on disposal of property	-	-	-	-	2,588	2,588
Note 4	**Operating profit/(loss)**	**4,199**	**(1,760)**	**2,439**	**3,502**	**660**	**4,162**
Note 7	Finance income	3	-	3	11	-	11
Note 8	Finance costs	(43)	-	(43)	(57)	-	(57)
Note 22	Other finance costs – retirement benefits	(531)	-	(531)	(554)	-	(554)
	Profit/(loss) before taxation	**3,628**	**(1,760)**	**1,868**	**2,902**	**660**	**3,562**
Note 9	Taxation	(749)	299	(450)	(904)	(1,164)	(2,068)
	Profit/(loss) for the period	**2,879**	**(1,461)**	**1,418**	**1,998**	**(504)**	**1,494**
Note 10	**Earnings per 20p share**	Pence		Pence	Pence		Pence
	Earnings per share from continuing operations						
	– Basic	19.0		9.4	13.2		9.9
	– Diluted	18.7		9.2	13.1		9.8

STRATEGIC REPORT | CORPORATE GOVERNANCE | GROUP FINANCIAL STATEMENTS | PARENT FINANCIAL STATEMENTS | SHAREHOLDER INFORMATION

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 May 2019

		2019 £000	2018 £000
	Profit for the period	**1,418**	**1,494**
	Other comprehensive (expense)/income		
	Items that will not be reclassified to profit or loss in subsequent periods:		
	Actuarial gains/(losses) on retirement benefit obligation		
Note 22	- UK Scheme	(4,420)	5,718
Note 22	- US Scheme	138	(458)
	Deferred tax on retirement benefit obligation		
Note 22	- UK Scheme	751	(972)
Note 22	- US Scheme	(31)	103
Note 22	Deferred tax arising on change in corporation tax rate	-	(53)
		(3,562)	4,338
	Items that will or may be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translation of foreign operations	528	(530)
	Other comprehensive (expense)/income	**(3,034)**	**3,808**
	Total comprehensive (expense)/income for the financial period	**(1,616)**	**5,302**

CONSOLIDATED BALANCE SHEET

As at 31 May 2019

		2019 £000	Restated[1] 2018 £000	Restated[1] 2017 £000
	Non-current assets			
Note 12	Property, plant and equipment	1,378	1,525	4,011
Note 13	Intangible assets	33,502	33,244	27,696
Note 14	Deferred tax assets	6,301	5,693	7,839
	Total non-current assets	**41,181**	**40,462**	**39,546**
	Current assets			
Note 15	Inventories	2,599	3,084	3,965
Note 16	Trade and other receivables	9,296	9,264	8,586
	Tax recoverable	79	124	130
Note 17	Cash and cash equivalents	4,871	4,809	7,036
		16,845	**17,281**	**19,717**
Note 12	Assets held for sale	2,135	2,195	1,483
	Total current assets	**18,980**	**19,476**	**21,200**
	Total assets	**60,161**	**59,938**	**60,746**
	Current liabilities			
Note 19	Trade and other payables	(10,257)	(9,813)	(7,674)
Note 18	Borrowings	-	(2,276)	(3,331)
Note 20	Provisions	-	(332)	(1,164)
	Total current liabilities	**(10,257)**	**(12,421)**	**(12,169)**
	Non-current liabilities			
Note 14	Deferred tax liabilities	(3,026)	(3,233)	(3,482)
Note 22	Retirement benefit obligation	(23,845)	(18,712)	(23,778)
	Total non-current liabilities	**(26,871)**	**(21,945)**	**(27,260)**
	Total liabilities	**(37,128)**	**(34,366)**	**(39,429)**
	Net assets	**23,033**	**25,572**	**21,317**
	Equity			
Note 24	Share capital	3,270	3,270	3,270
Note 24	Share premium	638	638	638
Note 24	Treasury shares	(2,425)	(2,447)	(2,447)
Note 24	Retained earnings	13,299	16,388	11,603
Note 24	Foreign currency translation reserve	8,251	7,723	8,253
	Total equity	**23,033**	**25,572**	**21,317**

[1] See Note 1 – Restatement of prior years arising from adoption of IFRS 15

The financial statements on pages 53-93 were approved by the Board of Directors and authorised for issue on 18 September 2019 and were signed on its behalf by:

E Bell
Director

JHC Haynes
Director

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2019

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2017	3,270	638	(2,447)	8,253	11,018	20,732
Prior year restatement[1]	-	-	-	-	585	585
Balance at 1 June 2017 restated[1]	3,270	638	(2,447)	8,253	11,603	21,317
Profit for the period	-	-	-	-	1,494	1,494
Other comprehensive income/(expense):						
Currency translation adjustments	-	-	-	(530)	-	(530)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	4,338	4,338
Total other comprehensive income/(expense)	-	-	-	(530)	4,338	3,808
Total comprehensive income/(expense)	-	-	-	(530)	5,832	5,302
Performance share plan	-	-	-	-	86	86
Dividends (note 11)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2018 restated[1]	3,270	638	(2,447)	7,723	16,388	25,572
Profit for the period	-	-	-	-	1,418	1,418
Other comprehensive income/(expense):						
Currency translation adjustments	-	-	-	528	-	528
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(3,562)	(3,562)
Total other comprehensive income/(expense)	-	-	-	528	(3,562)	(3,034)
Total comprehensive income/(expense)	-	-	-	528	(2,144)	(1,616)
Performance share plan	-	-	-	-	189	189
Dividends (note 11)	-	-	-	-	(1,134)	(1,134)
Sale of treasure shares	-	-	22	-	-	22
Balance at 31 May 2019	**3,270**	**638**	**(2,425)**	**8,251**	**13,299**	**23,033**

[1] See Note 1 – Restatement of prior years arising from adoption of IFRS 15

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 May 2019

Cash flows from operating activities	2019 £000	2018 £000
Profit after tax	1,418	1,494
Adjusted for :		
Income tax expense	450	2,068
Interest payable and similar charges	43	57
Interest receivable	(3)	(11)
Retirement benefits finance costs	531	554
Operating profit	**2,439**	**4,162**
Depreciation on property, plant and equipment	439	504
Amortisation of intangible assets	8,194	7,461
Adjusting items (note 5)	1,760	(660)
EBITDA before adjusting items	**12,832**	**11,467**
Performance share plan	189	86
IAS 19 pensions service costs net of contributions paid	(906)	(548)
Loss on disposal of property, plant and equipment	32	125
Operating cash flows before working capital movements	**12,147**	**11,130**
Decrease in inventories	560	793
Decrease/(increase) in receivables	99	(753)
Increase in payables	252	1,449
Movement in provisions	(340)	(832)
Net cash generated from operations	**12,718**	**11,787**
Tax paid	(258)	(1,479)
Net cash generated by operating activities	**12,460**	**10,308**
Investing activities		
Acquisition of E3 Technical	-	(4,891)
Disposal proceeds on property, plant and equipment	22	3,798
Purchases of property, plant and equipment	(401)	(499)
Expenditure on product development	(8,657)	(8,446)
Interest received	3	11
Net cash used in investing activities	**(9,033)**	**(10,027)**
Financing activities		
Dividends paid	(1,134)	(1,133)
Interest paid	(43)	(57)
Proceeds from sale of treasury shares	22	-
Net cash used in financing activities	**(1,155)**	**(1,190)**
Net increase/(decrease) in cash and cash equivalents	**2,272**	**(909)**
Cash and cash equivalents at beginning of year	2,533	3,705
Effect of foreign exchange rate changes	66	(263)
Cash and cash equivalents at end of year	**4,871**	**2,533**

1 Principal accounting policies

Haynes Publishing Group Public Limited Company (P.L.C.) (the "Company") is a public limited company incorporated and domiciled in England and is listed on the London Stock Exchange. The address of the registered office is given on page 25. The Consolidated Financial Statements of the Company for the Year ended 31 May 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below have been consistently applied to the years presented, unless otherwise stated and the disclosures in notes 1 to 30 all relate to the Group's financial statements. The Parent Company financial statements have been prepared in accordance with FRS 101 and can be found on pages 94-104 and the applicable accounting policies of the Parent Company are contained in note 31.

Statement of compliance

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS's) and IFRS Interpretations Committee ("IFRSIC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

The Group financial statements have been prepared on a going concern basis and on the historical cost basis except for the treatment of certain financial instruments, as well as being presented in sterling, with all values rounded to the nearest thousand pounds (£000) except as indicated otherwise.

Subsidiary audit exemptions

J.H. Haynes & Co. Ltd, OATS Ltd, OATS (America) Ltd, HaynesPro (UK) Ltd and J.H. Haynes (Overseas) Ltd are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006. E-Commerce Management Ltd, HaynesPro Commerce (UK) Ltd, Haynes Garages Ltd, Camway Autographics Ltd, G.T. Foulis & Co. Ltd, Oxford Illustrated Press Ltd, Patrick Stephens Ltd and Teon Media Ltd are exempt from the requirement to file audited accounts by virtue of Section 480 of the Companies Act 2006.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

New accounting standards and interpretations adopted during the period

In the current financial year, the Group has applied a number of amendments to IFRS's issued by the IASB that are effective for accounting period's that begin on or after 1 January 2018:

'IFRS 15 – Revenue from Contracts with Customers' establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue when (or as) performance obligations are satisfied and the control of goods and services is transferred.

During the year, the Directors completed the review outlined in the 2018 Annual Report and have adopted IFRS 15 from 1 June 2018, applying the full retrospective approach and restating the comparatives where necessary. Full details of the restatement can be found below.

The review focussed on the timing of recognition of revenue from some contracts where 'usage' of services was reported by customers to the Group either on a monthly or quarterly basis. Until this point, the Group had no visibility of the revenue. Prior to the adoption of IFRS 15, the Group recognised this revenue at the time it could be reliably measured, i.e. when it was reported to the Group, in line with 'IAS 18 – Revenue'. Under IFRS 15, the revenue from these particular contracts has been estimated and brought forward to be in line with when performance conditions are provided to customers and when they are deemed to have 'control', which under the standard is when they use the Group's Intellectual Property under contract for their benefit.

As a result of the review outlined above, the Group has updated its revenue recognition policy on revenue from the sale of digital data through subscriptions, software licenses and development projects to reflect when licences are sold on the Group's behalf by third party distributors, so that revenue will be estimated over the period in which these sales occur.

1 Principal accounting policies (continued)

'IFRS 9 – Financial Instruments' includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under IAS 39. For trade and other receivables, the Group has applied the simplified approach under the standard and assessed expected credit losses for the Group's receivables.

The Directors consider the transitional movement in the impairment allowance as a result of adopting this policy as immaterial and therefore there was no IFRS 9 impact on retained earnings at 1 June 2018.

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee ("IFRSIC") have issued the following standards, amendments and interpretations with an effective date falling after the date of these financial statements:

'IFRS 16 – Leases (with an effective date of periods beginning on or after 1 January 2019)' requires operating leases to be treated the same as finance leases except for short-term leases and leases of low value assets. This results in previously recognised operating leases being treated as right of use assets and the finance lease liability being recorded on the Consolidated Balance Sheet. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Under IFRS 16, the classification of cash flows will be amended as the lease payments will be split into a principal and interest portion and presented as financing and operating cash flows respectively.

As at 31 May 2019, the Group had total non-cancellable lease commitments of £2,506,000. Management have concluded that these arrangements meet the definition of a lease under IFRS 16 and hence the Group will recognise a right of use asset and lease liability, unless they meet the definition of a short-term or low value lease as permitted under the standard. Management also anticipates an increase in operating cash flows but a decrease in financing cash flows, as the associated expense is split between depreciation and interest. Notwithstanding the Group's level of non-cancellable lease commitments as detailed above, management considers the anticipated impact from the adoption of IFRS 16 will not have a material impact on the net assets although assets and liabilities will be grossed up for the net present value of the outstanding operating lease liabilities as at 1 June 2019.

Restatement of prior years

As explained above, during the year the Group has transitioned to IFRS 15 applying the full retrospective approach which requires the restatement of previous periods so that prior period revenue is reported in line with the current period. The impact of this restatement on the years ended 31 May 2018 and 31 May 2017 in the Consolidated Balance Sheet has been to increase other debtors by £780,000, increase deferred tax liabilities by £195,000 and increase equity reserves by the corresponding £585,000 which has also been adjusted in the Consolidated Statement of Changes in Equity. There is no impact on the Consolidated Income Statement in respect of the year 31 May 2018.

Adjusting items

Adjusting items are items of income and expense which, due to the nature, size and/or infrequency of the events giving rise to them, deserve separate presentation. These specific items are presented on the face of the Consolidated Income Statement to provide greater clarity and increased understanding of the impact these items have on the Group's financial performance. Subsequently, it also facilitates greater comparison of the Group's underlying results with prior periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods or services provided in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria also apply:

Revenue from the sale of printed product is recognised when the goods are despatched and the significant risks and rewards of ownership are passed to the customer and can be reliably measured.

Revenue from the sale of digital data through subscriptions, software licenses and development projects is measured based on the consideration specified in a contract with a customer and recognised by determining the performance obligations under contract. Where the Group has granted customers the right to use its Intellectual Property, revenue is recognised upon delivery of the data. Where the Group has granted customers the right to access its Intellectual Property, revenue is recognised over the period of the license due to the multiple performance obligations including delivery of data, subsequent updates and ongoing maintenance of the delivery platforms. When licenses are sold on the Group's behalf by third party distributors, revenue is estimated over the period in which these sales occur.

Revenue from the sale of publishing rights and brand licensing arrangements is recognised once the content has been delivered and the substantial obligations of the vendor have been fulfilled.

1 Principal accounting policies (continued)

Research and development costs

All research expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

Development expenditure is charged to the Consolidated Income Statement in the period in which it is incurred unless it relates to either the development of a new product or an enhancement to an existing product where the commercial viability of the product can be proven, the costs can be separately identified and measured reliably, the development is expected to bring future economic benefit to the Group and the Group has sufficient resources and intends to complete the development and to use or sell the asset. Any such capitalised development expenditure is amortised on a straight line basis so that it is expensed to the Consolidated Income Statement over the expected life of the product.

Foreign currencies

Transactions in foreign currencies are translated to sterling at the rate ruling on the date of the transaction. Exchange differences arising from the movement in rates between the date of transaction and the date of settlement are taken to the Consolidated Income Statement as they arise.

Assets (including goodwill) and liabilities of overseas subsidiaries are translated to sterling at the rate ruling on the balance sheet date. The results of that subsidiary are translated at an average rate of exchange for the year.

Exchange gains or losses arising on the translation of the opening net assets of an overseas subsidiary, together with exchange differences arising on the use of the average rate of exchange, are taken to reserves.

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

	Year-end rate		Average rate	
	2019	2018	2019	2018
US dollar	1.26	1.33	1.30	1.35
Euro	1.13	1.14	1.14	1.13
Australian dollar	1.82	1.76	1.81	1.74

Property, plant and equipment

Property, plant and equipment assets are held in the Consolidated Balance Sheet at cost (cost comprising the acquisition cost of the assets along with any other attributable costs at the date of acquisition).

Depreciation is provided to write off the cost of property, plant and equipment less any estimated current residual values, by equal instalments over their estimated useful lives. Residual values are based on commercial and industry experience and where appropriate using the services of professional surveyors.

While the estimated useful life of an asset is determined on acquisition, using best estimates, both residual values and estimated useful lives are monitored on an annual basis. Where the estimated current residual value is in excess of the net book value of the asset concerned, no depreciation is charged during the period.

The estimated useful lives of assets are as follows:

Freehold buildings	40 years
Short leasehold property	The period of the lease
Plant and equipment	3 years to 20 years

Freehold land is not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

1 Principal accounting policies (continued)

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on consolidation represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition and is included in the Consolidated Balance Sheet under the heading of intangible assets.

For acquisitions made prior to 1 June 2004, goodwill is recorded on the basis of its deemed cost which represented its carrying value at 1 June 2004 under UK GAAP.

The goodwill is allocated to cash generating units and reviewed for impairment at least annually. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit and loss on disposal. Costs relating to the acquisition, other than those costs associated with the issue of debt or equity securities, are expensed through the Consolidated Income Statement as incurred.

Where applicable, adjustments are made to bring the accounting policies of an acquired business into alignment with those of the Group. Any costs associated with reorganising or restructuring the business are charged directly to the Consolidated Income Statement. If at the balance sheet date the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally these values are used. Any adjustments to these values made within 12 months of the acquisition date are taken as adjustments to goodwill.

Intangible assets acquired separately are measured on initial recognition at cost. An intangible resource acquired in a business combination is only recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. An intangible asset with a finite life is amortised on a straight line basis so as to charge its cost which, in respect of an acquired intangible asset, represents its fair value at the acquisition date, to the Consolidated Income Statement over its expected useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at costs less any recognised impairment losses.

Product development is recognised separately as an intangible asset. Expenditure is only capitalised if costs can be measured reliably, if the product is technically and commercially feasible, if future economic benefits are probable and if the Group has sufficient resources to complete development and use the asset.

The estimated useful lives of assets are as follows:

Goodwill	Indefinite life
Trademarks	Maximum of 25 years
Product development	Maximum of 5 years
Know-how	Maximum of 15 years
Customer lists	Maximum of 10 years

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value might be impaired. In addition, intangible assets and goodwill with an indefinite or indeterminable life are subject to at least an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which will represent the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, an impairment review is undertaken in relation to the cash generating unit to which the asset belongs. The recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash generating unit to which it is allocated.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in estimates used to assess the asset's recoverable amount. The carrying amount of an asset shall not be increased above the amount that would have been determined had no loss been recognised in prior periods. Impairment losses recognised in relation to goodwill are not reversed.

Impairment losses when recognised are passed through the Consolidated Income Statement.

1 Principal accounting policies (continued)

Inventories

Stock and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct materials, other direct costs and labour together with an appropriate proportion of overheads.

Provision is made against slow moving and obsolete stock to ensure the value at which stock is held in the Consolidated Balance Sheet is reflective of anticipated future sales patterns. The period before a provision is made varies between product categories but in all cases does not exceed 5 years.

Taxation

The tax expense represents the aggregate of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Consolidated Income Statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Where there is no clear relationship between the pension expense recognised in the Consolidated Income Statement and the tax deductions received in the period on pension contributions paid, deferred tax movements during the period are first allocated to items recognised in the Consolidated Income Statement and then the remainder, if any, is allocated to items in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Balance Sheet.

Assets held for sale

Assets are classified as held for sale if; their carrying amount will be recovered principally through sale, rather than continuing use; they are available for immediate sale; and the sale is highly probable. On initial classification as held for sale, assets are re-measured at the lower of their carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on assets classified as held for sale.

Provisions

A provision is recognised in the Consolidated Balance Sheet when a Group entity has a legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision will be made by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pension and other post retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income. Past service costs are recognised immediately.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets.

1 Principal accounting policies (continued)

Treasury shares

Shares in Haynes Publishing Group P.L.C. held by the Company are classified as part of shareholders equity as treasury shares and are recognised at cost. The consideration received for the sale of shares held in treasury is also recognised in equity, with any difference between the proceeds from the sale of the shares and their original cost being taken directly to revenue reserves. No gain or loss is recognised in the Consolidated Statement of Comprehensive Income on the purchase, sale or cancellation of the treasury shares.

Share-based payment transactions

The Company grants awards of shares to its employees under the Haynes Publishing Group Long Term Incentive Plan (LTIP). These awards vest after a period of three years dependent upon performance conditions being met. Details of the grants are given in note 23. The fair value of the award is measured at grant date, using the Black-Scholes model. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of performance conditions not being met.

Dividends payable

The liability for final dividends is recorded when the dividends are approved by the Company's shareholders. For interim dividends, the liability is recorded when the dividends are paid.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets which include trade receivables and cash and cash equivalents are treated as loans and receivables and carried at amortised cost. Financial liabilities are carried at amortised cost.

Trade and other receivables

Trade receivables are recorded at original invoice amount less an allowance for estimated irrecoverable amounts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the Consolidated Balance Sheet and the cost of irrecoverable trade receivables is recognised in the Consolidated Income Statement immediately.

Customer allowances, which are earned by customers on reaching targeted levels of sales are netted against trade receivables on the Consolidated Balance Sheet.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value and carried at amortised cost.

Trade and other payables

Trade payables are not interest bearing and are recognised and carried at the original invoice amount.

Leases

Operating lease rental costs are charged to the Consolidated Income Statement on a straight line basis over the life of the lease.

1 Principal accounting policies (continued)

Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires the Group to make certain estimates and assumptions that have an impact on the application of the policies and the amounts reported in the Consolidated Financial Statements. Estimates and judgements are evaluated based on historical experiences and expected outcomes and are believed to be reasonable at the time such estimates and judgements are made, although, actual experience may vary from these estimates.

The estimates and assumptions which have the most significant bearing on the carrying value of assets or liabilities are explained below:

i) Impairment of intangible assets

In line with IAS 36, the Group is required to test the carrying value of goodwill at least annually for impairment. As part of this review process, the recoverable amount of the asset is determined using value in use calculations which requires estimates of future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 13 to the Consolidated Financial Statements.

ii) Impairment of property, plant and equipment

Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances during the year, a review will be undertaken of the recoverable amount of that asset based on value in use calculations which will involve estimates and assumptions to be made by management. Further details are contained in note 12 of the Consolidated Financial Statements.

iii) Pensions and other post retirement benefits

In determining the pension cost and the defined benefit obligation of the Group's defined benefit pension schemes a number of assumptions are used. These assumptions include an appropriate discount rate, the levels of salary escalation, price inflation, mortality rates and an estimate for the impact of Guaranteed Minimum Pension (GMP) equalisation. Further details are contained in note 22 to the Consolidated Financial Statements.

iv) Inventory provisions

The Group reviews its finished goods inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimates of future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the Group operates. Further details are contained in note 15 of the Consolidated Financial Statements.

v) Origination amortisation

The cost of editorially originating a new title is expensed to the Consolidated Income Statement over a period which management are confident the title will remain in publication. In all cases, this period is deemed not to exceed 5 years. The assessment of future sales activity is based upon estimates from management using both historical experience and expected outcomes based on knowledge of the markets in which the Group operates.

vi) Product development costs

The capitalisation and subsequent amortisation of development costs requires management to make certain judgements regarding the future commercial viability of the development activity and the businesses ability to devote the appropriate level of resources to complete the development project and sell or use the asset.

vii) Provisions

The prior year financial statements include provisions for sales return reserves in relation to the global operational, cost and structure review announced in 2015/16 which required management to make estimates on the final liability which would be incurred by the Group. These judgements were based on management's best estimates at the time and using third party support where available.

viii) Deferred tax

The Group's tax charge is based on the profit for the year and tax rates effective as at the balance sheet date. The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available. In the event that actual taxable profits are different, such differences may have an impact on the carrying value of deferred tax assets in future years. Further details are provided in notes 9 and 14.

2 Revenue

Revenue by geographical destination and non-current assets by geographical location on continuing operations	2019 External revenue £000	2019 Non-current assets [1] £000	2018 External revenue £000	2018 Non-current assets [1] £000
United Kingdom	10,134	7,351	8,733	7,314
Rest of Europe	14,096	22,329	12,804	21,707
United States of America	10,248	4,731	10,145	5,178
Australasia	1,054	469	1,525	570
Rest of World	665	-	581	-
Total*	**36,197**	**34,880**	**33,788**	**34,769**

*Analysed as follows:		
Revenue from sales of digital data through subscriptions, software licenses and development projects	20,218	16,946
Revenue from the sale of publishing rights and brand licensing arrangements	490	476
Total contracted revenue	**20,708**	**17,422**
Revenue from sales of printed products	15,489	16,366
Total consolidated revenue	**36,197**	**33,788**

[1] The analysis of non-current assets excludes deferred tax assets.

3 Segment information

As reported in the Group's recent Annual Reports, the Board have been transforming the Haynes Group to become a leading global supplier of content, data and innovative workflow solutions for motorists and the automotive industry. As part of this strategic refocussing of the Group, the way the Board manages the business has been changing and the Board feels it is now appropriate to re-align the way the Group reports its segments in line with IFRS 8 to reflect these changes.

The segmental analysis for 2018/19 has been prepared in line with the new reporting basis and the comparative figures for 2017/18 have been restated accordingly. A summary of the new segmental reporting basis is included below:

The Group has two primary operating segments:

- Professional
- Consumer

The Professional segment has its headquarters in The Netherlands and has offices in the UK, Germany, Italy, Spain, France, Romania and the US, operating under the HaynesPro and OATS brands. HaynesPro provide technical data and intelligent workflow solutions for the automotive industry including parts distributors, parts manufacturers, diagnostic equipment manufacturers, fast fit & auto repair centres and fleet operators. In the UK, HaynesPro is an official DVLA licence holder providing number plate and vehicle registration look-up services for a range of organisations in the automotive sector where highly accurate and granular reporting are an essential work tool. OATS is a leading source of lubricant recommendations for the oil and lubes industry, with partners in over 90 countries including some of the world's major global petrochemical companies.

The Consumer segment which has headquarters in Sparkford, Somerset, has offices in the US and Australia and originates and delivers automotive repair and maintenance information to motorists and motoring enthusiasts in both a print and digital format. Through Haynes AllAccess, the businesses also supply a full range of online vehicle and motorcycle manuals to professional mechanics, automotive retailers, libraries and the education sector. The UK business also publishes a range of practical brand extension titles covering a wide variety of subjects styled on the iconic Haynes Manual as well as a range of light-hearted factual titles published under the Bluffers branding.

3 Segment information (continued)

Analysis of operating segments

	Professional 2019 £000	Consumer 2019 £000	Unallocated 2019 £000	Consolidated 2019 £000
Segment revenue				
Total segment revenue	19,496	17,223	-	36,719
Inter-segment sales [1]	(43)	(479)	-	(522)
Total external revenue	**19,453**	**16,744**	**-**	**36,197**
Segment result				
Adjusted EBITDA	**11,997**	**4,442**	**(3,607)**	**12,832**
Segment amortisation & depreciation	(5,040)	(3,322)	(271)	(8,633)
Adjusted operating profit/(loss)	**6,957**	**1,120**	**(3,878)**	**4,199**
Intra group licence fee	(1,656)	(415)	2,071	-
Adjusting items [2]	(354)	-	(1,406)	(1,760)
Net interest payable	(7)	(22)	(11)	(40)
Other finance costs – retirement benefits	-	(48)	(483)	(531)
Consolidated profit/(loss) before tax	**4,940**	**635**	**(3,707)**	**1,868**
Taxation [3]				(450)
Consolidated profit after tax				**1,418**

	Professional 2018 £000	Consumer 2018 £000	Unallocated 2018 £000	Consolidated 2018 £000
Segment revenue				
Total segment revenue	16,378	17,853	-	34,231
Inter-segment sales [1]	(39)	(404)	-	(443)
Total external revenue	**16,339**	**17,449**	**-**	**33,788**
Segment result				
Adjusted EBITDA	**10,193**	**4,922**	**(3,648)**	**11,467**
Segment amortisation & depreciation	(4,570)	(3,168)	(227)	(7,965)
Adjusted operating profit/(loss)	**5,623**	**1,754**	**(3,875)**	**3,502**
Intra group licence fee	(1,388)	(726)	2,114	-
Adjusting items [2]	(368)	1,963	(935)	660
Net interest payable	8	(44)	(10)	(46)
Other finance costs – retirement benefits	-	(13)	(541)	(554)
Consolidated profit/(loss) before tax	**3,875**	**2,934**	**(3,247)**	**3,562**
Taxation [3]				(2,068)
Consolidated profit after tax				**1,494**

[1] Inter-segment sales are charged at the prevailing market rates.

[2] Details of the adjusting items are shown in note 5.

[3] The charge to taxation relates to the consolidated Group. Included within the charge to taxation is £791,000 (2018: £255,000) which relates to the Professional segment and £275,000 (2018: £1,998,000) which relates to the Consumer segment.

3 Segment information (continued)

Segment assets and liabilities

	Professional 2019 £000	Consumer 2019 £000	Eliminations 2019 £000	Consolidated 2019 £000
Segment assets				
Property, plant and equipment	850	528	-	1,378
Intangible assets	17,979	7,541	-	25,520
Working capital assets	7,921	11,147	(602)	18,466
Segment total assets	**26,750**	**19,216**	**(602)**	**45,364**
Unallocated head office assets				23,582
Unallocated head office eliminations				(8,785)
Consolidated total assets				**60,161**
Segment liabilities				
Segment liabilities	10,178	8,577	(5,932)	12,823
Unallocated head office liabilities				24,576
Unallocated head office eliminations				(271)
Consolidated total liabilities				**37,128**

Segment assets and liabilities

	Professional 2018 £000	Consumer 2018 £000	Eliminations 2018 £000	Consolidated 2018 £000
Segment assets				
Property, plant and equipment	818	707	-	1,525
Intangible assets	16,988	8,002	-	24,990
Working capital assets	7,405	12,995	(529)	19,871
Segment total assets	**25,211**	**21,704**	**(529)**	**46,386**
Unallocated head office assets				23,917
Unallocated head office eliminations				(10,365)
Consolidated total assets				**59,938**
Segment liabilities				
Segment liabilities	12,458	9,177	(7,325)	14,310
Unallocated head office liabilities				20,502
Unallocated head office eliminations				(446)
Consolidated total liabilities				**34,366**

3 Segment information (continued)

Other segment information

	Professional 2019 £000	Consumer 2019 £000	Consolidated 2019 £000	Professional 2018 £000	Consumer 2018 £000	Consolidated 2018 £000
Segment additions to non-current assets	6,336	2,503	8,839	10,644	2,895	13,539
Unallocated additions to non-current assets			219			341
Total additions to non-current assets			**9,058**			**13,880**
Segment depreciation & amortisation	5,394	3,322	8,716	4,806	3,168	7,974
Unallocated depreciation & amortisation			517			309
Total depreciation & amortisation			**9,233**			**8,283**

4 Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	2019 £000	2018 £000
Net foreign exchange (gains)/losses	(51)	73
Depreciation of property, plant and equipment (note 12)	439	504
Amortisation of intangible assets (note 13)	8,794	7,779
Impairment of assets held for sale (note 12)	-	467
Loss on sale of property, plant and equipment	32	125
Profit on sale of asset held for sale	-	(2,588)
Cost of inventories recognised as an expense	3,886	4,597
Operating lease rentals – Land and buildings	404	314
– Plant and equipment	407	249
Staff costs (net of wages capitalised)	10,063	8,569

Auditors' remuneration

The total fees payable by the Group to PricewaterhouseCoopers LLP and their associates for work performed during the year in respect of audit, tax compliance and other services to the Group and its subsidiary companies are shown below:

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	50	38
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	125	105
– Other services pursuant to legislation	12	12
	187	**155**

5 Adjusting items

	2019 £000	2018 £000
Adjusting gains included in gain on disposal of property:		
– Gain on sale of property	-	2,588
Adjusting items included in selling and distribution expenses:		
– Restructuring costs	-	(337)
Adjusting items included in administrative expenses:		
– Equalisation of Guaranteed Minimum Pension (GMP) benefits	(1,160)	-
– Acquired intangible amortisation charge	(600)	(318)
– Write down of assets held for sale	-	(467)
– Restructuring costs	-	(635)
– Acquisition expenses (note 30)	-	(171)
Total adjusting items effecting profit	**(1,760)**	**660**
Adjustment to tax	299	(1,164)
Total adjusting charge to income statement	**(1,461)**	**(504)**

Adjusting items are those items which warrant separate disclosure by virtue of their scale and nature to enable a full understanding of the Group's financial performance.

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. The Group and the Scheme Trustees are yet to decide which approach they will use to equalise GMP as a range of options are available. While this announcement reflects the current best estimate of the impact on pension liabilities, this estimate reflects a number of assumptions and the information currently available. The current best estimate reflects an increase in liabilities of 2.7% and the directors have been advised the final impact could be in the potential range of 2.0% - 3.3% of liabilities.

Amortisation of acquired intangible assets is treated as an adjusting item to provide stakeholders with additional useful information to assess the trading performance of the Group on a consistent basis.

The gain from the sale of property in the prior year arose following the implementation of the global operational, cost and structure review undertaken and relates to the sale of a property in the US.

The restructuring costs adjustment to selling and distribution costs during the prior year relates to the implementation of the restructuring programme in the Australian operation whilst the adjustment to administration costs relates to one-off employee severance packages and past service pension costs.

The write down of assets held for sale in the prior year relates to a UK freehold property with the net book value being adjusted to its recoverable amount.

The prior year acquisition expenses relate to the successful acquisition of the trade and assets of E3 Technical on 30 September 2017.

The adjustment to tax relates to the tax effect on the adjusting profit items. In the prior year, it was also impacted by the reduction in the US deferred tax balances as a result of the cut in the federal tax rate from 35% to 21%.

6 Staff costs

Employees

The average number of employees (including directors) during the year, analysed by category, were as follows:

	2019 number	2018 number
Production	202	170
Selling and distribution	43	41
Administration	60	60
	305	**271**

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	11,380	9,806
Employer's social security costs	1,502	1,143
Employer's pension costs - defined benefit schemes	1,560	1,017
Employer's pension costs - defined contribution schemes	355	192
Excluding termination benefits	**14,797**	**12,158**
Termination benefits included within adjusting items	-	207
Total staff costs	**14,797**	**12,365**

Full details concerning directors' emoluments, pension entitlements and long term incentive schemes are shown in the Board Report on Remuneration on page 42.

7 Finance income

	2019 £000	2018 £000
Interest receivable on bank deposits	**3**	**11**

8 Finance costs

	2019 £000	2018 £000
Interest payable on bank loans and overdrafts	**43**	**57**

9 Taxation

	2019 £000	2018 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	-	-
– Foreign tax	450	1,415
– Adjustments in respect of prior periods	28	(3)
	478	**1,412**
Deferred tax (note 14):		
– Origination and reversal of temporary differences	(28)	656
Total taxation in the Consolidated Income Statement	**450**	**2,068**

The UK effective tax rate for the financial Year ended 31 May 2019 was 19%. In the Summer Budget 2015, the UK government announced legislation setting the main rate of corporation tax at 19% for the years beginning 1 April 2017, 2018 and 2019 and at 18% for the year beginning 1 April 2020. In March 2016, the government announced a further reduction to the main rate of corporation tax for the year starting 1 April 2020 to 17%.

(b) Reconciliation of effective tax rate

The tax assessed for the period differs from the UK standard rate of corporation tax for the period of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	1,868	3,562
Taxation calculated at the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	355	677
Affected by:		
Variance in overseas tax rates	116	622
Income/(expenses) not chargeable/deductible for tax	47	40
Adjustments relating to rate changes	-	780
Adjustments relating to prior years	(68)	(71)
Unrecognised temporary differences	-	20
Total tax charge for the year reported in the Consolidated Income Statement	**450**	**2,068**
Effective tax rate	24.1%	58.1%

The effective rate of tax is higher than the standard rate of UK corporation tax due to the mix of profits from overseas operations where the tax rates are higher than in the UK. There is an unrecognised deferred tax asset for temporary timing differences associated with the Group's UK entities. Had the asset been recognised it would have reduced the tax charge by £968,000 (2018: £970,000).

In December 2017, the US Senate substantively enacted the Tax Cuts and Jobs Act of 2017 (TCJA) which included, amongst other changes, a reduction in the federal tax rate in the US from 35% to 21%. In calculating the prior year US tax charge, a hybrid rate was used for the year at 28.5%. The US deferred tax balances were revalued at a rate of 22.5% as a combination of the federal and state tax rates substantively enacted at 31 May 2018.

10 Earnings per share

Basic earnings per share is based on the profit for the year attributable to the owners of the Parent Company and the weighted average number of ordinary shares in issue during the year excluding shares held to satisfy the Group's LTIP scheme and shares purchased by the Company and held in treasury.

Diluted earnings per share have been calculated by taking into account the weighted number of shares that would be issued if rights held under the LTIP scheme were exercised. Shares purchased by the Company and held in treasury have been excluded from the calculation.

As at 31 May 2019 there were 304,667 (2018: 149,667) outstanding options on the Company's 'Ordinary' shares.

There are no outstanding options on the Company's 'A Ordinary' shares.

Information regarding the LTIP scheme can be found in note 23.

	Adjusted [1] 2019 £000	Statutory 2019 £000	Adjusted [1] 2018 £000	Statutory 2018 £000
Earnings:				
Profit after tax attributable to equity holders of the Company - continuing operations	2,879	1,418	1,998	1,494
Number of shares:				
Weighted average number of shares for basic earnings per share [2] (note 24)	15,119,577	15,119,577	15,111,540	15,111,540
Adjusted weighted average for diluted earnings per share	15,424,244	15,424,244	15,261,207	15,261,207
Basic earnings per share (pence)	19.0	9.4	13.2	9.9
Diluted earnings per share (pence)	18.7	9.2	13.1	9.8

[1] See Note 5 – Adjusting items.

[2] The total number of Ordinary Shares held in treasury at 31 May 2019 was 1,229,054 (2018: 1,240,000) which are not included in the calculation. On 5 September 2018, the Company sold 10,946 Ordinary Shares held in treasury which have been weighted accordingly in the above calculation.

11 Dividends

	2019 £000	2018 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the Year ended 31 May 2018 of 4.0p per share (2017: 4.0p per share)	605	604
Interim dividend for the Year ended 31 May 2019 of 3.5p per share (2018: 3.5p per share)	529	529
	1,134	1,133
Proposed final dividend for the Year ended 31 May 2019 of 4.0p per share (2018: 4.0p per share)	605	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 23 October 2019 and has not been included as a liability in these financial statements.

As at 31 May 2019, the Company held 1,229,054 (2018: 1,240,000) ordinary shares in treasury which represents 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% (2018: 7.6%) of the Company's total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive a dividend or other distribution of assets other than in relation to an issue of bonus shares.

12 Property, plant and equipment

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
At 31 May 2017				
Cost	4,297	409	8,146	12,852
Accumulated depreciation	(1,153)	(211)	(7,477)	(8,841)
Net book value	**3,144**	**198**	**669**	**4,011**
Year ended 31 May 2018				
Opening net book value	3,144	198	669	4,011
Additions	-	-	499	499
Disposals at cost	-	(170)	(195)	(365)
Transfers at cost (including Assets held for sale)	(3,755)	-	301	(3,454)
Exchange rate movements on cost	(6)	(84)	278	188
Depreciation charge for the period	(19)	(6)	(479)	(504)
Disposals depreciation	-	47	192	239
Transfers depreciation (including Assets held for sale)	1,093	-	(91)	1,002
Exchange rate movements on depreciation	1	22	(114)	(91)
Closing net book value	**458**	**7**	**1,060**	**1,525**
At 31 May 2018				
Cost	536	155	9,029	9,720
Accumulated depreciation	(78)	(148)	(7,969)	(8,195)
Net book value	**458**	**7**	**1,060**	**1,525**
Year ended 31 May 2019				
Opening net book value	458	7	1,060	1,525
Additions	49	24	328	401
Disposals at cost	-	-	(2,827)	(2,827)
Transfers at cost (including Assets held for sale)	-	45	(222)	(177)
Exchange rate movements on cost	(6)	7	122	123
Depreciation charge for the period	(7)	(4)	(428)	(439)
Disposals depreciation	-	-	2,773	2,773
Transfers depreciation (including Assets held for sale)	-	(40)	142	102
Exchange rate movements on depreciation	1	(6)	(98)	(103)
Closing net book value	**495**	**33**	**850**	**1,378**
At 31 May 2019				
Cost	579	231	6,430	7,240
Accumulated depreciation	(84)	(198)	(5,580)	(5,862)
Net book value	**495**	**33**	**850**	**1,378**

During the prior year, a freehold property in Sparkford, UK, was reclassified as an Asset held for sale, with £3,755,000 reclassified from freehold cost and £1,093,000 reclassified from freehold depreciation. Subsequently, an impairment of £467,000 was recognised, adjusting the asset's net book value as at 31 May 2018 to it's expected recoverable amount of £2,195,000. During the current year, expected costs to sell the asset of £60,000 have been recognised, reducing the expected recoverable amount to £2,135,000

There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

The Directors are not aware of any events or changes in circumstances during the year which would have a significant impact on the carrying value of the Group's property, plant and equipment as at the balance sheet date.

13 Intangible assets

	Acquired goodwill £000	Acquired trademarks and domain names £000	Acquired know how £000	Acquired copyright £000	Acquired customer lists £000	Product development £000	Total £000
At 31 May 2017							
Cost	3,109	2,011	2,842	3,176	-	54,356	65,494
Accumulated amortisation and impairment	-	(666)	-	(3,176)	-	(33,956)	(37,798)
Net book value	**3,109**	**1,345**	**2,842**	**-**	**-**	**20,400**	**27,696**
Year ended 31 May 2018							
Opening net book value	3,109	1,345	2,842	-	-	20,400	27,696
Additions	-	-	-	-	-	8,446	8,446
Additions through business combinations	264	-	3,406	-	1,265	-	4,935
Exchange rate movements on cost	-	(8)	24	(94)	-	(249)	(327)
Amortisation charge for the period	-	(18)	(216)	-	(84)	(7,461)	(7,779)
Exchange rate movements on amortisation	1	19	2	94	-	157	273
Closing net book value	**3,374**	**1,338**	**6,058**	**-**	**1,181**	**21,293**	**33,244**
At 31 May 2018							
Cost	3,374	2,003	6,272	3,082	1,265	62,586	78,582
Accumulated amortisation and impairment	-	(665)	(214)	(3,082)	(84)	(41,293)	(45,338)
Net book value	**3,374**	**1,338**	**6,058**	**-**	**1,181**	**21,293**	**33,244**
Year ended 31 May 2019							
Opening net book value	3,374	1,338	6,058	-	1,181	21,293	33,244
Additions	-	-	-	-	-	8,657	8,657
Transfers at cost	-	-	-	-	-	177	177
Exchange rate movements on cost	-	42	17	164	-	1,095	1,318
Amortisation charge for the period	-	(54)	(419)	-	(127)	(8,194)	(8,794)
Transfers depreciation	-	-	-	-	-	(102)	(102)
Exchange rate movements on amortisation	-	(35)	(1)	(164)	-	(798)	(998)
Closing net book value	**3,374**	**1,291**	**5,655**	**-**	**1,054**	**22,128**	**33,502**
At 31 May 2019							
Cost	3,374	2,045	6,289	3,246	1,265	73,037	89,256
Accumulated amortisation and impairment	-	(754)	(634)	(3,246)	(211)	(50,909)	(55,754)
Net book value	**3,374**	**1,291**	**5,655**	**-**	**1,054**	**22,128**	**33,502**

13 Intangible assets (continued)

Impairment tests for cash-generating units (CGU's) containing goodwill or assets with indefinite or indeterminate useful lives

The Group tests goodwill and intangible assets with indefinite or indeterminate useful lives for impairment annually, or more frequently if there are indications that their carrying values might be impaired. As at the balance sheet date, impairment tests have been undertaken on the HaynesPro Holding BV and the OATS Ltd CGU's, where goodwill is held. The reviews have been based on value in use calculations using the latest available financial information.

In order to assess whether impairment has occurred, the cash flows of the CGU's have been projected over a 5 year period, based on annual financial budgets and three year plans which have been reviewed by the Board and include a terminal value. The key assumptions used in these reviews are as follows :

	Pre-tax discount rate	5-year* growth rate	Long-term growth rate
Unit:			
HaynesPro Holding BV	11%	5%	2%
OATS Ltd	10%	5%	2%

*The expected growth rates over the five-year period have been based on three-year plans for the CGU's which have been reviewed by the Board and on the disclosed growth percentages for years four and five.

Management have performed a sensitivity analysis on the above two CGU's and are satisfied that there are no reasonably possible changes to the key assumptions that would cause the recoverable amount of the CGU to fall below its carrying value as at 31 May 2019.

The carrying amounts of goodwill have been allocated to the CGU's as follows:

	2019 £000	2018 £000
Unit:		
HaynesPro Holding BV	2,977	2,977
OATS Ltd	397	397
	3,374	3,374

The amortisation charge included in the Consolidated Income Statement for the year has been allocated as follows:

	2019 £000	2018 £000
Cost of sales	8,194	7,461
Administration costs - adjusting items	600	318
	8,794	7,779

14 Deferred tax assets and liabilities

	Property Plant and Equipment £000	Employee Benefits £000	Restated [1] Short-term temporary differences £000	Intangible assets £000	Restated [1] Total £000
Deferred tax asset/(liabilities) at 1 June 2017	(852)	4,152	2,347	(1,095)	4,552
Prior year restatement[1]	-	-	(195)	-	(195)
Restated deferred tax asset/(liabilities) at 1 June 2017	**(852)**	**4,152**	**2,152**	**(1,095)**	**4,357**
Transfer to Consolidated Income Statement	851	28	(879)	(656)	(656)
Transfer to equity	-	(922)	-	-	(922)
Exchange rate movements	22	(6)	(106)	(14)	(104)
Acquisition of subsidiary	-	-	-	(215)	(215)
Deferred tax asset/(liabilities) at 31 May 2018	**21**	**3,252**	**1,167**	**(1,980)**	**2,460**
Transfer to Consolidated Income Statement	(21)	134	(370)	285	28
Transfer to equity	-	720	-	-	720
Exchange rate movements	(4)	15	70	(14)	67
Deferred tax (liabilities)/asset at 31 May 2019	**(4)**	**4,121**	**867**	**(1,709)**	**3,275**

Analysed as:	2019 Assets £000	2019 Liabilities £000	2019 Total £000	2018 Assets £000	Restated [1] 2018 Liabilities £000	Restated [1] 2018 Total £000
Property plant and equipment	37	(41)	(4)	167	(146)	21
Employee benefits	4,121	-	4,121	3,252	-	3,252
Short-term temporary differences	1,180	(313)	867	1,362	(195)	1,167
Intangible assets	963	(2,672)	(1,709)	912	(2,892)	(1,980)
	6,301	**(3,026)**	**3,275**	**5,693**	**(3,233)**	**2,460**

[1] See Note 1 – Restatement of prior years.

15 Inventories

	2019 £000	2018 £000
Raw materials	3	10
Work in progress	15	46
Finished goods	2,581	3,028
	2,599	**3,084**

The carrying value of inventory represents the cost of inventories less appropriate provisions. The movement in the inventory provisions is included within cost of sales in the Consolidated Income Statement.

16 Trade and other receivables

Amounts falling due within one year:	2019 £000	Restated [1] 2018 £000
Trade receivables	8,279	8,328
Less: Provision for impairment	(479)	(299)
Less: Customer allowances	(488)	(589)
	7,312	**7,440**
Other debtors, prepayments and accrued income	1,984	1,824
	9,296	**9,264**

[1] See Note 1 – Restatement of prior years.

Apart from prepayments of £0.3 million (2018: £0.4 million) all of the above relate to financial instruments classified as loans and receivables.

16 Trade and other receivables (continued)

	2019 £000	2018 £000
Analysis of trade receivables:		
Not past due	5,876	6,368
Past due but not impaired	1,924	1,661
Impaired	479	299
	8,279	**8,328**

The categorisation of 'Past due but not impaired' relates to customers for whom there is no history of default and management are confident the overdue balance will be recovered in full.

The categorisation of 'Impaired' relates to both not due and overdue balances where the customer has ceased trading or management are doubtful of recovery and a provision has been made to cover the doubtful balance.

The ageing of the 'Past due but not impaired' and the 'Impaired' categories are shown in the table below:

	Past due but not impaired 2019 £000	Impaired 2019 £000	Past due but not impaired 2018 £000	Impaired 2018 £000
Not past due	-	37	-	-
Less than 30 days past due	1,152	70	635	40
30 to 90 days past due	637	53	627	112
Greater than 90 days past due	135	319	399	147
	1,924	**479**	**1,661**	**299**

The movement in the Group's provision for impairment of trade receivables was as follows:

	2019 £000	2018 £000
Balance at 1 June	299	357
Amounts charged/(credited) to the Consolidated Income Statement	253	(53)
Amounts written-off as uncollectable	(77)	(1)
Exchange rate movement	4	(4)
Balance at 31 May	**479**	**299**

The trade and other receivables shown above were held in the following currencies at the balance sheet date:

	2019 £000	Restated [1] 2018 £000
US dollars	2,232	2,477
Sterling	2,747	2,673
Euro	4,070	3,898
Australian dollars	247	216
	9,296	**9,264**

[1] See Note 1 – Restatement of prior years.

The fair values of trade and other receivables are the same as the book values as the credit risk has been addressed as part of the impairment provisioning and, due to the short term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

17 Cash and cash equivalents

	2019 £000	2018 £000
Cash and short-term deposits	4,871	4,809
Bank overdrafts (note 18)	-	(2,276)
Cash and cash equivalents in the cash flow statement (note 26)	**4,871**	**2,533**

The cash and cash equivalents shown above were held in the following currencies as at the balance sheet date:

	2019 £000	2018 £000
US dollars	1,927	2,120
Sterling	259	(1,573)
Euro	2,479	1,796
Australian dollars	108	157
Other currencies	98	33
	4,871	**2,533**

Deposits are placed for periods varying between call and one month and attract floating rates of interest based upon the bank's cost of funds for the relevant currencies.

18 Borrowings

	2019 £000	2018 £000
Current		
Bank overdraft [1]	-	(2,276)
Total borrowings	**-**	**(2,276)**

The effective interest rates at the balance sheet date were as follows:

	Country / Currency	Rate	2019	2018
Bank overdrafts	UK - sterling	Bank of England base rate	2.21%	1.90%

[1] In the UK, Barclays Bank PLC holds a debenture against the UK trading companies including a first legal charge over the UK freehold property in order to secure the £5.0 million (2018: £5.0 million) overdraft facility, together with guarantees from the UK and European trading companies. In the Netherlands, HaynesPro Holding has a €0.4 million (2018: €0.4 million) overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. As at 31 May 2019, the HaynesPro Holding facility was unutilised. In the US, Haynes North America Inc has a $1.0 million (2018: $1.0 million) revolving credit facility with Union Bank which is due for renewal in January 2021. As at 31 May 2019, the Haynes North America Inc facility was unutilised.

The prior year bank overdraft of £2.3 million was held in sterling.

19 Trade and other payables

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade payables	2,169	1,742
Other taxes and social security costs	602	676
Other creditors, accruals and deferred income	7,314	7,395
Corporation tax	172	-
	10,257	**9,813**

The fair values of trade and other payables are the same as the book values due to the short term nature of the amounts payable and are not subject to other ongoing fluctuations in market rates.

Apart from deferred income of £1.9 million (2018: £1.5 million) all other creditors and accruals relate to financial instruments carried at amortised cost.

The amounts of trade and other payables shown above were held in the following currencies at the balance sheet date:

	2019 £000	2018 £000
Falling due within one year:		
US dollars	2,000	1,639
Sterling	4,586	4,565
Euro	3,038	2,856
Australian dollars	633	753
	10,257	**9,813**

20 Provisions

	Restructuring costs	
	2019 £000	2018 £000
At 1 June	332	1,164
Charge to the Consolidated Income Statement	-	-
Utilised in the year	(332)	(832)
At 31 May	**-**	**332**

Restructuring costs

As part of the global operational, cost and structure review announced in September 2015 the Group expected to incur liabilities of £4.4 million which primarily related to workforce reductions, asset write-downs following the restructuring and/or closure of business operations in the US, Australia and Europe and a sales returns reserve.

In relation to the provision shown above, the total balance was held in US dollars in both the current and prior year.

21 Financial risk and treasury policy

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.

21 Financial risk and treasury policy (continued)

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 adjusting 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
Net 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

22 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 (the UK Scheme) and a non-contributory defined benefit plan in the US (the US Plan). On 30 June 2015 both the UK Scheme and the US Plan were closed to new entrants. On 30 November 2018, the UK scheme closed to future accrual and all active members transferred to a new Group defined contribution plan.

The assets of all schemes are held independently of the Group and its subsidiaries. The total pension costs, relating to the retirement benefit obligation, for the Group as shown in the Consolidated Balance Sheet at the year end and as charged through the Consolidated Income Statement in the year are analysed below:

Amounts recognised in the Consolidated Income Statement	2019 £000	2018 £000
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(350)	(802)
– Past service costs	-	(215)
– Past service costs - GMP equalisation	(1,160)	-
– Gain on curtailment	(50)	-
	(1,560)	(1,017)
– Scheme administration expenses	(293)	(536)
	(1,853)	**(1,553)**
Amounts included in other finance costs:		
– Interest income on pension scheme assets	1,034	978
– Interest charge on pension scheme liabilities	(1,565)	(1,532)
	(531)	**(554)**
Amount recognised in the Consolidated Income Statement	**(2,384)**	**(2,107)**

Amounts recognised in the Consolidated Balance Sheet	2019 £000	2018 £000
Assets at fair value	34,079	34,102
Present value of defined benefit obligation	(57,924)	(52,814)
Net deficit recognised in Consolidated Balance Sheet	**(23,845)**	**(18,712)**

22 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2019 UK Scheme % per annum	2018 UK Scheme % per annum
Discount rate	2.45	2.85
Salary escalation	2.50	2.00
Rate of inflation	3.25	3.10
Increases to pensions in deferment	2.25	2.10
Pension increases on benefits up to 12 July 2011	3.10	3.00
Pension increases on benefits after 12 July 2011	2.15	2.10

	2019 US Plan % per annum	2018 US Plan % per annum
Discount rate	3.11	3.56
Salary escalation	2.00	2.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00

The post retirement mortality assumptions for the UK Scheme for 2019 are based on the S3NA year of birth tables (2018: based on the S2NA year of birth tables), with allowance for future improvements in mortality in line with CMI 2018 (2018: CMI 2017) projections and with a long term rate of improvement of 1% per annum. The life expectancies underlying the valuation are as follows:

	2019 UK Scheme Life expectancy at age 65		2018 UK Scheme Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	21.9	24.3	22.0	24.0
45	22.9	25.4	23.1	25.2

The post retirement mortality assumptions for the US Scheme are based on the "94 GAR post retirement" standard tables and the life expectancies underlying the valuation are as follows:

	2019 US Plan Life expectancy at age 65		2018 US Plan Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	20.0	20.0	18.0	18.0
45	20.0	20.0	18.0	18.0

22 Retirement benefit obligation (continued)

Sensitivity analysis of the principal assumptions used to measure the scheme's liabilities

Assumption	Change in assumption	Approximate impact on scheme's liabilities
Discount rate	Increase by 0.25%	Decrease of £2.1m
	Decrease by 0.25%	Increase of £2.2m
Rate of salary increase	Increase by 0.25%	Increase of £0.3m
	Decrease by 0.25%	Decrease of £0.1m
Inflation	Increase by 0.25%	Increase of £1.6m
	Decrease by 0.25%	Decrease of £1.5m
Life expectancy	Increase by 1 year	Increase of £2.0m
	Decrease by 1 year	Decrease of £1.9m

The above sensitivity analysis provides an approximate view of the potential effect on the assumptions (before deferred tax) assuming all other assumptions remain unchanged. The methodology adopted for the sensitivity analysis is consistent with that used to prepare the reported schemes liabilities.

Scheme assets and expected rate of returns

The assets and liabilities in the plans and the expected rates of return on investments as at 31 May 2019 were as follows:

	UK Scheme 2019 Value £000	UK Scheme 2018 Value £000
Group investment linked policy		
– Equities	6,375	6,297
– Other bonds	6,581	6,300
– Cash	687	268
– Property	4,219	4,099
– Target return fund	8,674	8,853
	26,536	**25,817**
Secured pensions in payment	1,233	1,212
Assets at fair value	**27,769**	**27,029**

	2019 US Plan Value £000	2018 US Plan Value £000
Group investment linked policy		
– Bonds	6,310	7,073
Assets at fair value	**6,310**	**7,073**

22 Retirement benefit obligation (continued)

Reconciliation of funded status	UK Scheme 2019 £000	US Plan 2019 £000	Total 2019 £000	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000
Present value of defined benefit obligation	(50,368)	(7,556)	(57,924)	(44,426)	(8,388)	(52,814)
Assets at fair value	27,769	6,310	34,079	27,029	7,073	34,102
Net liability recognised in the Consolidated Balance Sheet	**(22,599)**	**(1,246)**	**(23,845)**	**(17,397)**	**(1,315)**	**(18,712)**

Amount recognised through the Consolidated Statement of Comprehensive Income	UK Scheme 2019 £000	US Plan 2019 £000	Total 2019 £000	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000
Actuarial (loss)/gain during the year	(4,420)	138	(4,282)	5,718	(458)	5,260
Deferred tax on actuarial gain/(loss)	751	(31)	720	(972)	103	(869)
Deferred tax arising on change in corporate tax rate	-	-	-	-	(53)	(53)
	(3,669)	**107**	**(3,562)**	**4,746**	**(408)**	**4,338**

Actual return on assets	UK Scheme 2019 £000	US Plan 2019 £000	Total 2019 £000	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000
Interest income on plan assets	776	258	1,034	625	353	978
Actuarial (loss)/gain on plan assets	(430)	(141)	(571)	261	175	436
	346	**117**	**463**	**886**	**528**	**1,414**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £18.5 million (2018: £14.3 million). The directors' are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses on an IFRS basis prior to 31 May 2003.

22 Retirement benefit obligation (continued)

Reconciliation of present value of wholly funded defined benefit obligation (DBO)

	UK Scheme £000	US Plan £000	Total £000
Present value of DBO at 1 June 2017	48,693	9,248	57,941
Current service cost	388	414	802
Past service cost	215	-	215
Interest cost	1,166	366	1,532
Employee contributions	105	-	105
Actuarial (gains)/losses	(5,457)	633	(4,824)
Foreign currency exchange rate changes	-	(249)	(249)
Benefits	(684)	(2,024)	(2,708)
Present value of DBO at 31 May 2018	**44,426**	**8,388**	**52,814**
Current service cost	164	186	350
Past service cost	50	-	50
Past service cost - GMP equalisation	1,160	-	1,160
Interest cost	1,259	306	1,565
Employee contributions	61	-	61
Actuarial losses/(gains)	3,990	(279)	3,711
Foreign currency exchange rate changes	-	409	409
Benefits	(742)	(1,454)	(2,196)
Present value of DBO at 31 May 2019	**50,368**	**7,556**	**57,924**

Reconciliation of fair value of assets

	UK Scheme £000	US Plan £000	Total £000
Fair value of assets at 1 June 2017	25,965	8,198	34,163
Interest income on plan assets	625	353	978
Actuarial gains/(losses) on plan assets	261	175	436
Foreign currency exchange rate changes	-	(222)	(222)
Employer contributions	757	593	1,350
Employee contributions	105	-	105
Benefits	(684)	(2,024)	(2,708)
Fair value of assets at 31 May 2018	**27,029**	**7,073**	**34,102**
Interest income on plan assets	776	258	1,034
Actuarial gains/(losses) on plan assets	(430)	(141)	(571)
Foreign currency exchange rate changes	-	343	343
Employer contributions	1,075	231	1,306
Employee contributions	61	-	61
Benefits	(742)	(1,454)	(2,196)
Fair value of assets at 31 May 2019	**27,769**	**6,310**	**34,079**

22 Retirement benefit obligation (continued)

Reconciliation of change in funded status	UK Scheme £000	US Plan £000	Total £000
Defined benefit liability at 1 June 2017	22,728	1,050	23,778
Total pension expense	1,144	427	1,571
Employer contributions	(757)	(593)	(1,350)
Foreign currency exchange rate changes	-	(27)	(27)
Actuarial (gains)/losses	(5,718)	458	(5,260)
Defined benefit liability at 31 May 2018	**17,397**	**1,315**	**18,712**
Total pension expense	1,857	234	2,091
Employer contributions	(1,075)	(231)	(1,306)
Foreign currency exchange rate changes	-	66	66
Actuarial (gains)/losses	4,420	(138)	4,282
Defined benefit liability at 31 May 2019	**22,599**	**1,246**	**23,845**

History of experience adjustments		2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Present value of defined benefit obligation		(57,924)	(52,814)	(57,941)	(47,287)	(47,073)
Fair value of scheme assets		34,079	34,102	34,163	31,432	32,725
Net deficit		**(23,845)**	**(18,712)**	**(23,778)**	**(15,855)**	**(14,348)**
Experience adjustments on scheme liabilities						
Gain/(loss)	£000	(3,711)	4,824	(9,736)	(477)	(3,915)
Experience adjustments on scheme assets						
Gain/(loss)	£000	(571)	436	1,795	(967)	383

Expected contributions in the forthcoming year	Financial year beginning 1 June 2019 £000
Group contributions	
– UK Scheme	1,135
– US Plan	238
	1,373
Employee contributions	-
	1,373

In March 2012, the Company put in place a guarantee with the UK Scheme to cover an amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105 percent funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted at that date. In September 2015 the guarantee was increased to 110 percent.

23 Share Based Payments

The Group operates a Long-Term Incentive Plan (LTIP) scheme which is a share-based incentive programme, designed to recruit, retain and motivate executive directors and senior employees to achieve the Group's objectives over the longer term and closer align their interests to the Company's shareholders.

The LTIP permits an annual grant of shares at nil cost and the awards are made to the executive directors and senior employees. The vesting period is three years and are subject to continued employment as well as two performance conditions, an EPS performance measure and a return on average capital employed. Once vested, the options remain exercisable for a period 7 years. None had vested by the year end.

During the year, 161,000 (2018: 169,667) share options were granted at a fair value of £2.25 (2018: £1.93) each. No shares were exercisable at the end of both the current and prior years.

Participants are not entitled to receive dividends or voting rights until awards have vested.

Details of the share options outstanding during the year are as follows:

Performance period start date	Fair value per share	Normal vesting date	Number of shares at 1 June 2018	Number of shares awarded during the year	Number of shares vested and exercised during the year	Number of shares lapsed during the year	Number of shares at 31 May 2019
1 June 2017[1]	£1.925	31 May 2020	149,667	-	-	(3,000)	146,667
1 June 2018[2]	£2.250	31 May 2021	-	161,000	-	(3,000)	158,000
			149,667	**161,000**	**-**	**(6,000)**	**304,667**

[1] The shares with a performance start date of 1 June 2017 were granted on 30 November 2017.

[2] The shares with a performance start date of 1 June 2018 were granted on 26 July 2018.

Analysis of charge to the Consolidated Income Statement

The equity settled share-based payment expense included in the Consolidated Income Statement was £222,000 (2018: £99,000).

24 Share capital and reserves

	2019 No.	2018 No.	2019 £000	2018 £000
Allotted, called up and fully paid:				
‘A’ Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is £1.25 and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes £0.42. At 31 May 2019 the share price was £1.97 (2018: £2.32), with a high of £2.48 (2018: £2.43) and a low of £1.56 (2018: £1.73) for the financial year.

Both the ‘A’ ordinary shares and the ordinary shares carry equal voting rights of one vote per share where a matter is decided other than on a show of hands. Both classes of share rank ‘pari passu’ (including any distribution by way of dividend and on a return of capital), save that a transfer of ‘A’ ordinary shares will not be permitted by the directors other than to a member of the holder’s immediate family or to family settlements. The holders of ‘A’ ordinary shares may convert such shares into ordinary shares at the rate of one ordinary share for each ‘A’ ordinary share, subject to the further provisions of the Articles of Association and the Companies Acts.

Share premium
The share premium reserve represents the difference between the issue price and the nominal value of shares issued.

Treasury shares
As at 31 May 2019, the Company held 1,229,054 ordinary shares in treasury (2018: 1,240,000) which represents 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% (2018: 7.6%) of the Company’s total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

Retained earnings
The retained earnings reserve represents the cumulative net gains and losses recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, as well as an adjustment to equity in respect of the share performance plan.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of overseas operations.

25 Related party transactions

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

26 Analysis of the changes in cash and cash equivalents

	As at 1 June 2018 £000	Cash flow £000	Exchange movements £000	As at 31 May 2019 £000
Cash at bank and in hand	4,809	(4)	66	4,871
Bank overdrafts	(2,276)	2,276	-	-
	2,533	**2,272**	**66**	**4,871**

27 Operating leases

As at 31 May 2019, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Commitments under non-cancellable operating leases	2019 £000	2018 £000
Land and buildings:		
Due within one year	430	371
Due in the second to fifth years	1,193	1,243
Due in five years onwards	177	313
	1,800	**1,927**
Plant and equipment:		
Due within one year	285	197
Due in the second to fifth years	410	324
Due in five years onwards	11	-
	706	**521**
	2,506	**2,448**

28 Capital commitments

At 31 May 2019 and 31 May 2018, the Group had no capital commitments.

29 Ultimate controlling party

Until his passing in February 2019, the ultimate controlling party was JH Haynes who held majority voting rights by virtue of his 55.9% beneficial interest in the Ordinary shares of the Company. At 31 May 2019, these voting rights were controlled by the executors of the JH Haynes estate, pending the grant of probate and the distribution of assets.

30 Acquisition – prior year

On 30 September 2017, Haynes Publishing Group P.L.C. acquired the E3 Technical business from Carweb, a UK subsidiary of Solera Holdings Inc. for a cash consideration of £4.72 million. The E3 Technical business consists of repair and maintenance information ("RMI"), vehicle registration mark look-up ("VRM") and associated helpdesk services. The transaction included the acquisition of certain customer contracts, and the transfer of employees from Carweb. Immediately after acquisition, Haynes Publishing Group P.L.C. assigned the assets acquired to its wholly owned subsidiary, HaynesPro (UK) Limited. The table below shows the fair values of the assets and liabilities arising on the acquisition:

	Carrying value £000	Fair value £000	Recognised on acquisition £000
Intangible assets	-	4,671	4,671
Trade receivables	390	-	390
Other payables	(390)	-	(390)
Deferred tax liability	-	(215)	(215)
Fair value of net assets	-	**4,456**	**4,456**
Goodwill arising on acquisition [1]			264
Total consideration			**4,720**

Cash consideration	4,720
Total consideration	**4,720**

The net cash outflows arising on the acquisition were as follows :

Cash consideration	4,720
Costs of acquisition (included in cash flows from operating activities) [2]	171
Net cash outflow	**4,891**

[1] Intangible assets amounting to £264,000 could not be individually separated and reliably measured and accordingly, have been included as goodwill (the costs are deductible for income tax purposes). The goodwill assets include the E3 Technical business standing in its particular market place and anticipated synergies following is acquisition by the Haynes Group.

[2] The costs of acquisition of £171,000 were expensed as incurred in the period and have been included as an adjusting item within administrative expenses (note 5).

FINANCIAL STATEMENTS
PARENT COMPANY BALANCE SHEET
As at 31 May 2019

		2019 £000	2018 £000
	Non-current assets		
Note 34	Property, plant and equipment	2	4
Note 35	Intangible assets	954	1,004
Note 36	Investments	9,486	9,424
Note 41	Deferred tax assets	629	352
		11,071	**10,784**
	Current assets		
Note 37	Trade and other receivables	5,036	6,780
	Cash and cash equivalents	626	-
		5,662	**6,780**
Note 34	Assets held for sale	1,869	1,929
	Total current assets	**7,531**	**8,709**
	Total assets	**18,602**	**19,493**
	Liabilities:		
	Current liabilities		
Note 38	Trade and other payables	(1,299)	(1,574)
	Bank loans and overdrafts	-	(753)
	Total current liabilities	**(1,299)**	**(2,327)**
	Non-current liabilities		
Note 40	Retirement benefit obligation	(2,689)	(2,070)
Note 41	Deferred tax liabilities	(156)	(156)
	Total non-current liabilities	**(2,845)**	**(2,226)**
	Total liabilities	**(4,144)**	**(4,553)**
	Net assets	**14,458**	**14,940**
	Equity:		
Note 42	Share capital	3,270	3,270
	Share premium	638	638
	Treasury shares	(2,425)	(2,447)
	Foreign currency translation reserve	(55)	(11)
	Retained earnings	13,030	13,490
	Shareholders' funds	**14,458**	**14,940**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the Company is not presented as part of these financial statements. The profit dealt with in the Parent Company financial statements was £0.9 million (2018: £7.7 million) which includes dividends received from subsidiaries of £3.5 million (2018: £10.0 million).

The financial statements on pages 94-104 were approved by the Board of Directors and authorised for issue on 18 September 2019 and were signed on its behalf by :

E Bell
Director

JHC Haynes
Director

FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 May 2019

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2017	3,270	638	(2,447)	-	6,221	7,682
Profit for the period	-	-	-	-	7,744	7,744
Other comprehensive (expense)/income:						
Currency translation adjustments	-	-	-	(11)	-	(11)
Actuarial gains on defined benefit plan (net of tax)	-	-	-	-	572	572
Total other comprehensive income/(expense)	-	-	-	(11)	572	561
Total comprehensive income/(expense)	-	-	-	(11)	8,316	8,305
Performance share plan	-	-	-	-	86	86
Dividends payable (note 33)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2018	**3,270**	**638**	**(2,447)**	**(11)**	**13,490**	**14,940**
Profit for the period	-	-	-	-	906	906
Other comprehensive (expense)/income:						
Currency translation adjustments	-	-	-	(44)	-	(44)
Actuarial losses on defined benefit plan (net of tax)	-	-	-	-	(421)	(421)
Total other comprehensive income/(expense)	-	-	-	(44)	(421)	(465)
Total comprehensive income/(expense)	-	-	-	(44)	485	441
Performance share plan	-	-	-	-	189	189
Dividends payable (note 33)	-	-	-	-	(1,134)	(1,134)
Sale of treasury shares	-	-	22	-	-	22
Balance at 31 May 2019	**3,270**	**638**	**(2,425)**	**(55)**	**13,030**	**14,458**

31 Principal accounting policies

Haynes Publishing Group P.L.C. is a public limited company incorporated and domiciled in England and is listed on the London Stock Exchange. The principal activity of the Parent Company is that of a holding company.

Basis of accounting

The financial statements of the Parent Company, Haynes Publishing Group P.L.C., have been prepared on a going concern basis, under the historical cost convention, in accordance with the provisions of Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework' and the Companies Act 2006.

As the Parent Company meets the definition of a qualifying entity under FRS 101, the Parent Company has taken advantage of the following disclosure exemptions:

- To prepare a Cash Flow Statement and related notes.
- To provide comparative period reconciliations for share capital and tangible assets.
- To provide disclosures in relation to the Parent Company's capital management.
- To disclose the effect of new accounting standards not yet adopted.
- To provide related party disclosures in connection with wholly owned subsidiaries.
- To provide disclosures in respect of compensation to key employees.

Unless stated separately, the following significant accounting policies have been applied consistently in the financial statements for the financial years ending 31 May 2019 and 31 May 2018. The same policies were applied to the opening Balance Sheet as at 1 June 2014 in line with the transitional provisions of FRS 101.

Research and development costs

All research expenditure is charged to the Income Statement in the period in which it is incurred.

Development expenditure is charged to the Income Statement in the period in which it is incurred unless it relates to either the development of a new product or an enhancement to an existing product. Such development expenditure is capitalised and amortised in line with product development treatment explained above.

Foreign currencies

Transactions in foreign currencies are translated to sterling at the rate ruling on the date of the transaction. Exchange differences arising from the movement in rates between the date of transaction and the date of settlement are taken to the Income Statement as they arise.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Property, plant and equipment

Property, plant and equipment assets are held in the Balance Sheet at cost (cost comprising the acquisition cost of the assets plus any other attributable costs at the time of acquisition). Depreciation is provided to write-off the cost of property, plant and equipment less any estimated current residual values, by equal instalments over their economic useful lives. Residual values are based on commercial and industry experience and where appropriate using the services of professional surveyors.

Where the estimated useful life of an asset is determined on acquisition, using best estimates, both residual values and estimated useful lives are monitored on an annual basis. Where the estimated current residual value is in excess of the net book value of the asset concerned, no depreciation is charged during the period.

The estimated useful lives of the assets are as follows:

Plant and equipment	3 years to 10 years

The gain or loss on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Income Statement.

31 Principal accounting policies (continued)

Intangible Assets
Product development is recognised separately as an intangible asset. Expenditure is only capitalised if costs can be measured reliably, if the product is technically and commercially feasible, if future economic benefits are probable and if the Group has sufficient resources to complete development and use the asset. Product development costs are expensed to the Income Statement on a straight line basis for a maximum period of no more than 5 years.

Investments
Investments in subsidiaries are held at historical cost less any provision for impairment.

Taxation
The tax expense represents the aggregate of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Where there is no clear relationship between the pension expense recognised in the Income Statement and the tax deductions received in the period on pension contributions paid, deferred tax movements during the period are first allocated to items recognised in the Income Statement and then the remainder, if any, is allocated to items in other comprehensive income.

Assets held for sale
Assets are classified as held for sale if; their carrying amount will be recovered principally through sale, rather than continuing use; they are available for immediate sale; and the sale is highly probable.

On initial classification as held for sale, assets are re-measured at the lower of their carrying amount and fair value less costs to sell.

No amortisation or depreciation is charged on assets classified as held for sale.

Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and recorded in the Statement of Comprehensive Income. Past service costs are recognised immediately.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

31 Principal accounting policies (continued)

Treasury shares

Shares in Haynes Publishing Group P.L.C. held by the Parent Company are classified as part of shareholders equity as treasury shares and are recognised at cost. The consideration received for the sale of shares held in treasury is also recognised in equity, with any difference between the proceeds from the sale of the shares and their original cost being taken directly to revenue reserves. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale or cancellation of the treasury shares.

Share-based payment transactions

The Parent Company grants awards of shares to its employees under the Haynes Publishing Group Long Term Incentive Plan (LTIP). These awards vest after a period of three years dependent upon performance conditions being met. Details of the grants are given in note 23. The fair value of the award is measured at grant date using the Black-Scholes model. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of performance conditions not being met.

Dividends payable

The liability for final dividends is recorded when the dividends are approved by the Parent Company's shareholders. For interim dividends, the liability is recorded when the dividends are paid.

Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Parent Company becomes a party to the contractual provisions of the instrument. Financial assets which include trade receivables and cash and cash equivalents are treated as loans and receivables and carried at amortised cost.

Trade and other receivables

Trade receivables are recorded at original invoice amount less an allowance for estimated irrecoverable amounts.

A provision for impairment of trade receivables is established when there is objective evidence that the Parent Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the Balance Sheet and the cost of irrecoverable trade receivables is recognised in the Income Statement immediately.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value and carried at amortised cost.

Trade payables

Trade payables are not interest bearing and are recognised and carried at the original invoice amount.

Leases

Operating lease rentals costs are charged to the profit and loss account on a straight line basis over the life of the lease.

Critical accounting estimates and judgements

The Group policies on critical accounting estimates and judgements, as detailed on page 64, are consistently applied in the Parent Company's financial statements.

32 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements.

The profit dealt with in the Parent Company financial statements was £0.9 million (2018: £7.7 million) which includes dividends received from subsidiaries of £3.5 million (2018: £10.0 million).

Employees	2019 £000	2018 £000
Aggregate remuneration of employees:		
Wages and salaries	1,632	1,598
Employer's social security costs	210	188
Employer's pension costs	46	43
	1,888	**1,829**
Employee numbers	13	12

Two Directors are employed by a subsidiary company based in the Netherlands and another Director was employed by a subsidiary company based in the United States of America. These Directors are remunerated by the respective subsidiary companies only.

Full details concerning the Director's emoluments, pension entitlements and long-term incentive schemes are shown in the Board Report on Remuneration on page 42.

Auditors' remuneration

The fees payable by the Parent Company to PricewaterhouseCoopers LLP for work performed in respect of the audit of the Parent Company was £50,000 (2018: £42,000). Fees paid to PricewaterhouseCoopers LLP by the Parent Company for non-audit services was £12,000 (2018: £17,000).

33 Dividends

Dividends paid and proposed	2019 £000	2018 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the Year ended 31 May 2018 of 4.0p per share (2017: 4.0p per share)	605	604
Interim dividend for the Year ended 31 May 2019 of 3.5p per share (2018: 3.5p per share)	529	529
	1,134	**1,133**
Proposed final dividend for the Year ended 31 May 2019 of 4.0p per share (2018: 4.0p per share)	605	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 23 October 2019 and has not been included as a liability in these financial statements.

As at 31 May 2019 the Parent Company held 1,229,054 (2018: 1,240,000) ordinary shares in treasury which represents 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% (2018: 7.6%) of the Parent Company's total share capital. The Parent Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

34 Property, plant and equipment

	Plant and equipment £000
Cost at 1 June 2018 and 31 May 2019	75
Accumulated depreciation at 1 June 2018	71
Charge for year	2
Accumulated depreciation at 31 May 2019	**73**
Net book value at 31 May 2019	**2**
Net book value at 31 May 2018	4

There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

During the prior year, a freehold property in Sparkford, UK, was reclassified as an Asset held for sale, with £3,755,000 reclassified from freehold cost and £1,826,000 reclassified from freehold depreciation. During the year, expected costs to sell the asset of £60,000 have been recognised, reducing the expected recoverable amount to £1,869,000 (2018: £1,929,000), the lower of its carrying value and its fair value.

35 Intangible assets

	Product development £000
Cost at 1 June 2018	1,222
Additions	218
Cost at 31 May 2019	**1,440**
Accumulated amortisation at 1 June 2018	218
Charge for year	268
Accumulated amortisation at 31 May 2019	**486**
Net book value at 31 May 2019	**954**
Net book value at 31 May 2018	1,004

36 Investments

Parent Company	Shares in subsidiary undertakings 2019 £000	2018 £000
Cost and carrying value at 1 June	9,424	9,401
Additions	62	33
Impairment	-	(10)
Cost and carrying value at 31 May	9,486	9,424

As at 31 May 2019, there were the following subsidiary undertakings. Unless stated otherwise the registered office is shown on page 25 of these financial statements. All subsidiaries are wholly owned, within the Group and all with financial year-ends of 31 May:

	Country of incorporation, registration and operation
J.H. Haynes & Co. Ltd (Publisher and Printer)	United Kingdom
J.H. Haynes (Overseas) Ltd (Holding Company)	United Kingdom
Haynes North America Inc. (Publisher)* *859 Lawrence Drive, Newbury Park, CA 91320, USA*	USA
Haynes Australia Pty Ltd *Unit 8, 17 Willfox Street, Condell Park, NSW 2200, Australia*	Australia
HaynesPro Holdings BV (Holding) *Flankement 6, 3831 SM, Leusden*	The Netherlands
HaynesPro BV (Data production, IT development and sales)* *Flankement 6, 3831 SM, Leusden*	The Netherlands
HaynesPro (UK) Ltd (Data Production)*	United Kingdom
HaynesPro Espana SL (Sales)* *13, altillo 4a, E025006, Lleida*	Spain
HaynesPro srl (Sales)* *Strada Palera 97, Moncalieri, Torino I-10024*	Italy
HaynesPro Data srl (Data production and IT development)* *str. Ritoride Nr.5, Sector 5, cod postal 050204, Bucuresti*	Romania
HaynesPro GmbH (Sales)* *Stammheimerstraße 10, Kornwestheim, D-70806*	Germany
OATS Ltd (Data production, IT development and sales)	United Kingdom
OATS (America) Ltd (Sales)*	United Kingdom
OATS LLC (Sales)* *859 Lawrence Drive, Newbury Park, CA 91320, USA*	USA

As at 31 May 2019, there were the following dormant subsidiary undertakings, all wholly owned within the Group: Camway Autographics Ltd, *Haynes Garages Ltd, G.T. Foulis & Co. Ltd, Oxford Illustrated Press Ltd, Patrick Stephens Ltd, *E-Commerce Management Ltd, *HaynesPro Commerce (UK) Ltd and Teon Media Ltd.

* Shares of those subsidiaries marked with an asterisk are held by subsidiary undertakings. All other shares are held by the Company.

37 Trade and other receivables

Amounts falling due within one year:	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	4,997	6,638
Other debtors and prepayments	39	142
	5,036	**6,780**

The amount included as owed by subsidiary undertakings is a net figure made up from £6,518,000 (2018: £7,243,000) owed and a provision of £1,521,000 (2018: £605,000). The provision relates to past deficit payments made by the Company on behalf of a subsidiary which it does not expect to recover.

38 Trade and other payables

Amounts falling due within one year:	2019 £000	2018 £000
Trade creditors	132	138
Amounts owed to subsidiary companies	271	446
Other taxes and social security costs	16	15
Other creditors and accruals	880	975
	1,299	**1,574**

39 Financial risk management, objectives and policies

Note 21 to the Consolidated Financial Statements provides details of the Group's financial risk management, objectives and policies.

These policies also apply to the Parent Company.

40 Retirement benefit obligation

The retirement benefit obligation recorded in the Balance Sheet represents the share of net liabilities relating to current or past employees of the Parent Company who are either active, deferred or retired members of the UK Scheme. Full details of the UK Scheme are contained in note 22 of the consolidated financial statements.

The net obligation as shown in the Balance Sheet is analysed as follows:

	2019 £000	2018 £000
Present value of defined benefit obligation	(5,994)	(5,287)
Fair value of scheme assets	3,305	3,217
	(2,689)	**(2,070)**

40 Retirement benefit obligation (continued)

The changes in the present value of the net defined obligation are as follows:

	Present value of defined obligation £000	Fair value of scheme assets £000
Balance at 1 June 2017	(5,794)	3,089
Current service cost	(46)	-
Past service cost	(26)	-
Net interest (expense)/income	(139)	75
Employee contributions	(12)	12
Employer contributions	-	91
Actuarial gains	649	31
Benefits paid	81	(81)
Balance at 31 May 2018	**(5,287)**	**3,217**
Current service cost	(19)	-
Past service cost	(144)	-
Net interest (expense)/income	(150)	92
Employee contributions	(7)	7
Employer contributions	-	128
Actuarial gains	(475)	(51)
Benefits paid	88	(88)
Balance at 31 May 2019	**(5,994)**	**3,305**

On 30 November 2018, the scheme closed to future accrual and all active members transferred to a new Group defined contribution plan.

41 Deferred tax assets and liabilities

	Property Plant and Equipment £000	Employee Benefits £000	Short-term temporary differences £000	Total £000
Deferred tax (liabilities)/asset at 1 June 2017	(337)	460	46	169
Transfer to Income Statement	181	-	(46)	135
Transfer to equity	-	(108)	-	(108)
Deferred tax (liabilities)/asset at 31 May 2018	**(156)**	**352**	-	**196**
Transfer to Income Statement	-	-	172	172
Transfer to equity	-	105	-	105
Deferred tax (liabilities)/asset at 31 May 2019	**(156)**	**457**	**172**	**473**

	2019 Assets £000	2019 Liabilities £000	2019 Total £000	2018 Assets £000	2018 Liabilities £000	2018 Total £000
Property Plant and Equipment	-	(156)	(156)	-	(156)	(156)
Employee Benefits	457	-	457	352	-	352
Short-term temporary differences	172	-	172	-	-	-
	629	**(156)**	**473**	**352**	**(156)**	**196**

42 Share capital and reserves

	2019 No	2018 No	2019 £000	2018 £000
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is £1.25 and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes £0.42. At 31 May 2019 the share price was £1.97 (2018: £2.32), with a high of £2.48 (2018: £2.43) and a low of £1.56 (2018: £1.73) for the financial year.

Both the 'A' Ordinary shares and the Ordinary shares carry equal voting rights of one vote per share where a matter is decided other than on a show of hands. Both classes of share rank 'pari passu' (including any distribution by way of dividend and on a return of capital), save that a transfer of 'A' Ordinary shares will not be permitted by the directors other than to a member of the holder's immediate family or to family settlements. The holders of 'A' Ordinary shares may convert such shares into Ordinary shares at the rate of one Ordinary share for each 'A' Ordinary , subject to the further provisions of the Articles of Association and the Companies Acts.

Treasury shares

As at 31 May 2019, the Parent Company holds 1,229,054 ordinary shares in treasury (2018: 1,240,000) which represents 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% (2018: 7.6%) of the Parent Company's total share capital. The Parent Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

Retained earnings

The retained earnings reserve represents the cumulative net gains and losses recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, as well as an adjustment to equity in respect of the share performance plan.

43 Related party transactions

(1) 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. As at 31 May 2019 and 31 May 2018, no balance was outstanding

(2) During the year, the Parent 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 Parent 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).

44 Contingencies

Details of the UK banking arrangements are contained in note 18 to the Consolidated Financial Statements. The performance guarantees and indemnities have been entered into in the normal course of business and a liability would only arise if one of the parties to the Group arrangement failed to fulfil its obligations.

In March 2012, the Parent Company put in place a guarantee with the UK Pension Scheme to cover an amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105 percent funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted at that date. In September 2015 the guarantee was increased to 110 per cent.

FINANCIAL CALENDAR & SHAREHOLDER INFORMATION

Calendar for financial year ended 31 May 2020

Interim statement	January
Interim dividend paid	April
Company year-end	31 May
Announcement of annual results and proposed final dividend	September
Annual General Meeting	October
Final dividend paid	November

Analysis of shareholders as at 31 May 2019

Type of shareholder	Number of shareholders	Total shareholdings
Directors beneficial / connected / non-beneficial	5	10,552,766
Nominee companies	44	2,269,026
Private holders	90	759,870
Investment trusts and funds	9	910,824
Charity	1	630,000
Shares held in treasury	1	1,229,054
	150	**16,351,540**

Share registrars

Website: **www.linkassetservices.com**

Investors

Company website: **www.haynes.com/investor**
Share price: **www.londonstockexchange.com (code: hyns)**

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