

HAYNES PUBLISHING GROUP P.L.C.

INTERIM RESULTS FOR THE 6 MONTHS ENDED

30 November 2017

Haynes Publishing Group P.L.C. ("Haynes" or "the Group"), creator and supplier of practical information and data solutions to drivers, enthusiasts and professional mechanics in print and digital formats, today announces its results for the 6 months ended 30 November 2017.

Business and Financial Highlights

	26 weeks to 30 Nov 2017	26 weeks to 30 Nov 2016	Change YoY (Year-on-Year)
Group revenue	£16.9m	£14.0m	+21%
Adjusted EBITDA ¹	£5.3m	£4.1m	+29%
Adjusted operating profit ¹	£1.5m	£0.8m	+88%
Adjusted profit before tax ¹	£1.1m	£0.5m	+120%
Adjusted basic earnings per share ¹	5.3p	2.1p	+151%
Interim dividend	3.5p	3.5p	-
Net cash/(debt) ^{2,3}	(£0.3m)	£0.6m	(£0.9m)
Operating cash flow	£6.0m	£3.8m	+58%

- Highly synergistic acquisition of the E3 Technical business, a leading UK supplier of vehicle registration look-up and helpdesk services, for £4.72 million.
- Like-for-like Group revenue, excluding acquisitions and exchange rate movements, up 8% to £15.2 million (2016: £14.0 million).
- Adjusted EBITDA up 29% to £5.3 million (2016: £4.1 million) with £6.0 million (2016: £3.8 million) converted into operating cash flow, representing a conversion ratio of 113%.
- Revenue from the Group's digital product ranges of £7.7 million (2016: £5.1 million), a YoY increase of 51%, now representing 46% of total Group revenue (2016: 36%).
- UK & European revenue up 34% YoY; segmental operating profit before interest up 55% at £1.7 million (2016: £1.1 million).
- North America & Australian revenue up 2% YoY; segmental operating profit before interest of £0.4 million (2016: loss of £0.2 million).
- Like-for-like YoY increase in new product development excluding acquisitions of 2%. Total new product development up 24% at £4.1 million (2016: £3.3 million).
- Practical lifestyle publishing programme strengthened following addition of worldwide publishing rights to the Bluffer's Guides.
- Sale of US freehold property, post period end, for \$5.4 million (£4.0 million).

Eddie Bell, Chairman of Haynes Group, commented:

"I am pleased to report that this is the third consecutive set of results where Haynes has demonstrated strong underlying revenue and profit growth since we implemented our global operational, cost and structure review in 2015/16.

"These interim results confirm that Haynes is making clear progress in its turnaround and is on its way to becoming an integrated multi-media content provider. Our UK and US operations have returned to profit during the first half of 2017/18, HaynesPro has once again delivered double digit growth in Europe and I am encouraged to see the contribution that our recent acquisitions, OATS and E3 Technical, have made to the Group. I would like to thank all of our staff for the commitment they have shown to growing our business."

"I am delighted to congratulate James Bunkum on his promotion to Chief Operating Officer and Jeremy Yates-Round on his promotion to Managing Director of Haynes Consumer. I welcome Peter van der Galiën and Richard Barker onto the Board. These new appointments will strengthen our board and our executive team and help to deliver long-term growth for the Haynes Group."

Notes to the Financial Highlights:

1. Adjusted to exclude £0.2 million of exceptional costs (2016: nil). Reported EBITDA of £5.1 million, reported operating profit of £1.3 million, reported profit before tax of £1.0 million and reported basic earnings per share of 4.3 pence.
2. Net cash defined as cash at bank net of overdrafts and loans.
3. The Company has 1.2 million ordinary shares held in treasury.

Enquiries :

Haynes Publishing Group P.L.C. +44 1963 442009
Eddie Bell, Chairman
J Haynes, Chief Executive Officer

Investor Contact: Panmure Gordon (UK) Limited +44 20 7886 2500
Karri Vuori
Erik Anderson

Media Contact: New Century Media +44 20 7930 8033
Richard Hill

Cautionary Statement :

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

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

INTERIM STATEMENT

Business overview

Through a combination of restructuring, re-organising and investing in new content and delivery platforms, the Group has been placed on a stronger operational and financial foothold and is transitioning towards becoming an integrated content business.

46% of Group revenues are now digital and Haynes is committed to growing its data business in both its professional and consumer markets. In particular, recent acquisitions have added to the breadth of the Group's automotive repair and maintenance content. Following the acquisition of OATS in December 2016, Haynes now has lubricant data covering 98% of the European car market. Moreover, the acquisition of the E3 Technical business widens the Group's professional offering to include vehicle registration look-up and customer helpdesk services covering the UK automotive aftermarket adding to both the breadth and quality of our digital professional and consumer products.

The Group also continues to strengthen the range of its print titles and, in September 2017, we attained the worldwide print and digital publishing rights to the Bluffer's Guides, which will be re-launched in 2018 with a fresh look and new line-up.

Operational review

UK & Europe

In Europe, HaynesPro has experienced another strong six months of trading and, in September 2017, it successfully released the second phase of a major website and data overhaul for a major global automotive aftermarket parts supplier.

An important driver for HaynesPro's growth following the acquisition of OATS in December 2016 has been the expansion of the OATS lubricants data matching coverage. It was encouraging to see that, towards the end of the period, OATS won their first new global contract under Haynes ownership.

Meanwhile, in the UK, for the second year in a row, the Haynes Explains series has sold well in the run up to Christmas, with over 200,000 copies sold into retail since the beginning of September 2017. Haynes further secured another deal with Disney to publish the next four 'Star Wars' themed Haynes manuals. Since first publication, the Star Wars titles have sold over 250,000 copies internationally.

North America and Australia

Over the last six months, US management have been working with key retail customers on introducing new in-store programmes to improve the stock turn of print manuals. Alongside these programmes, and to coincide with the launch of the Haynes OnDemand platform in June 2017, management launched a range of sales and marketing initiatives to promote the growing range of consumer digital products.

In Australia, management recently implemented initiatives with retail partners to grow sales while addressing excess inventory and range availability issues. The outcome of these initiatives will become clearer by the end of the financial year.

Financial review

Overall Group revenue during the six-month period to 30 November 2017 increased by 21% to £16.9 million (2016: £14.0 million), boosted by a full period of revenue from the OATS acquisition in December 2016 and two months of trading from the newly acquired E3 Technical business which, in combination, contributed £1.6 million to Group revenue. The impact of foreign exchange rate movements increased half year revenues by £0.1 million. Like for like, excluding acquisitions and exchange rate movements, overall Group revenue increased by 8%.

In the UK and Europe, revenue was up 34% at £11.0 million (2016: £8.2 million) with like-for-like local currency revenue from HaynesPro up 15%. In the UK, revenue ended the period 8% ahead of last year with higher sales of practical lifestyle titles (up 24%) offsetting a softening in the sales of UK automotive print manuals which ended the period down 6%. The higher revenue in the UK and Europe has helped increase segmental operating profit before interest in the UK and European business by 55% to £1.7 million (2016: £1.1 million).

In North America and Australia local currency revenue ended the six-month period up 3% at \$7.7 million (2016: \$7.5 million). After translation to Sterling, the increase was 2%, yielding revenue for the period of £5.9 million (2016: £5.8 million). Segmental operating profit before interest in this part of the business returned to

profit over the first half of the year ending the period at £0.4 million (2016: loss of £0.2 million). The improved performance was driven, in part, by a higher mix of US consumer digital revenue.

Overall Group gross profit increased by 24% to £10.2 million (2016: £8.2 million). The Group's gross margin increased by 1.6 percentage points to 60.2% (2016: 58.6%), helped by higher revenue from our higher margin professional operations in Europe.

Group overheads increased by 16% during the period to £8.7 million (2016: £7.5 million). This rise was largely due to the first-time inclusion of OATS, two months of overheads from the E3 acquisition, increased marketing and trade show costs and the costs of the new Senior Executive long-term incentive plan. Like-for-like excluding acquisitions and exchange, the increase in overheads was 6%.

Exceptional costs of £0.2 million were incurred during the period in relation to professional fees on the E3 acquisition.

Adjusted Group operating profit before tax and exceptional items was up 88% to £1.5 million (2016: £0.8 million).

Net finance costs ended the period in line with the prior year at £0.3 million (2016: £0.3 million).

Adjusted Group profit before tax before exceptional items ended the period up 120% at £1.1 million (2016: £0.5 million).

The Group's effective tax rate for the period was 32% (2016: 34%).

Adjusted earnings per share before exceptional items increased to 5.3 pence (2016: 2.1 pence).

Balance sheet and cash flow

Expenditure on product development grew during the six months to 30 November 2017 by 24% to £4.1 million (2016: £3.3 million), marking the fifth consecutive year of increased investment in the Group's platforms and product ranges.

The remaining US freehold property in Nashville was sold on 15 December 2017 for \$5.35 million (£4.0 million), giving rise to an estimated profit on disposal of £2.6 million. As the sale did not occur until after 30 November 2017, it is not reflected in these interim results but will be included in the final year results to 31 May 2018.

The net IAS 19 pensions deficit on the Group's two defined benefit retirement schemes as at 30 November 2017 was 3% lower at £22.4 million (31 May 2017: £23.0 million). The combined assets of the schemes were £33.3 million (31 May 2017: £34.2 million) and the combined scheme liabilities were £55.7 million (31 May 2017: £57.2 million).

The net cash generated from operations before tax increased during the six-month period to £6.1 million (2016: £3.9 million).

The Group's net debt position on 30 November 2017 was £0.3 million (31 May 2017: net cash of £3.7 million) reflecting the acquisition of the E3 Technical business in September 2017 for £4.72 million financed through a combination of internal cash and an increase in the UK overdraft.

Interim dividend

Despite the encouraging results Haynes remains a company in turnaround, and given the content and platform investment requirements needed to grow the business, the Board feels it is appropriate to declare an unchanged interim dividend of 3.5 pence per share. The interim dividend will be paid on 11 April 2018 to shareholders on the register at the close of business on 16 March 2018 (with an ex-dividend date of 15 March 2018).

Group Auditors

In line with Board policy and good corporate governance, the services offered by the Group's auditors were competitively reviewed by the Audit Committee in November 2017. Following this review, PricewaterhouseCoopers LLP (PwC) were appointed as the new Haynes Group Auditors. On behalf of the Board, I would like to thank our outgoing auditors, BDO LLP for their services since they took office in 2003. I would also like to welcome PwC as our new Group auditors.

Board

I am pleased to announce that the following Board changes will take effect from 1 February 2018.

James Bunkum is promoted to Chief Operating Officer and will step down from his position as Chief Financial Officer.

Jeremy Yates-Round, currently Managing Director Consumer Publishing, will take on additional responsibility and oversee the commercial activities of the Group's consumer digital initiatives as Managing Director of Haynes Consumer.

Peter van der Galiën and Richard Barker will be appointed to the Board as Executive Directors.

Peter has been Managing Director of HaynesPro since 2016 and has played a key role in overseeing the growth in this part of the Group. Peter will now take on overall responsibility for the Group's professional operations.

Richard Barker will be promoted to the role of Group Finance Director. Richard is currently the Group's UK and European Finance Director. Richard will also retain his role as Group Company Secretary.

Future outlook

We are encouraged that in each part of our business, we are implementing new projects and initiatives to drive future revenue and profit growth.

We are committed to providing a broad range of practical content and solutions to end-users, whether drivers, hobbyists or professional mechanics. The re-positioning of Haynes requires significant investment in new products and platforms. We will continue to carefully manage our costs and cash flows during this turnaround to ensure we maintain focus on our end goal: the transition of the Group to being an integrated multi-media content and data solutions provider.

J Haynes
Chief Executive Officer

24 January 2018

Responsibility statement

Pages 22 and 23 of the Annual Report 2017 provide details of the serving Executive and Non-Executive Directors. A statement of the Directors' responsibilities is contained on page 45 of the Annual Report 2017. A copy of the Annual Report 2017 can be found on the Haynes website www.haynes.com/investor.

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

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

INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 NOVEMBER 2017

Consolidated Income Statement

	Unaudited			Unaudited	Audited		
	30 Nov 2017 Before Exceptional items £000	6 months to 30 Nov 2017 Exceptional Items (note 4) £000	30 Nov 2017 Total £000	6 months to 30 Nov 2016 Total £000	31 May 2017 Before exceptional items £000	Year ended 31 May 2017 Exceptional items (note 4) £000	31 May 2017 Total £000
Continuing operations							
Revenue (note 2)	16,882	-	16,882	14,032	29,774	-	29,774
Cost of sales	(6,725)	-	(6,725)	(5,812)	(11,694)	(1,282)	(12,976)
Gross profit	10,157	-	10,157	8,220	18,080	(1,282)	16,798
Other operating income	5	-	5	15	31	-	31
Distribution costs	(4,292)	-	(4,292)	(4,129)	(8,039)	(209)	(8,248)
Administrative expenses	(4,417)	(171)	(4,588)	(3,329)	(6,864)	(88)	(6,952)
Gain on disposal of property	-	-	-	-	-	1,608	1,608
Operating profit	1,453	(171)	1,282	777	3,208	29	3,237
Finance income	3	-	3	2	5	-	5
Finance costs	(49)	-	(49)	(30)	(60)	-	(60)
Other finance costs – retirement benefits	(270)	-	(270)	(258)	(518)	-	(518)
Profit before taxation	1,137	(171)	966	491	2,635	29	2,664
Taxation (note 5)	(340)	31	(309)	(167)	(1,211)	(79)	(1,290)
Profit for the period	797	(140)	657	324	1,424	(50)	1,374
Earnings per 20p share - (note 6)	Pence		Pence	Pence	Pence		Pence
From continuing operations							
- Basic	5.3		4.3	2.1	9.4		9.1
- Diluted	5.2		4.3	2.1	9.4		9.1

Consolidated Statement of Comprehensive Income

	Unaudited	Unaudited	Audited
	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2016 £000	Year ended 31 May 2017 £000
Profit for the period	657	324	1,374
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on retirement benefit obligation			
- UK Scheme	1,644	(4,233)	(8,392)
- US Scheme	(1,002)	(1,464)	451
Deferred tax on retirement benefit obligation			
- UK Scheme	(279)	720	1,427
- US Scheme	400	586	(180)
Deferred tax arising on change in UK corporation tax rate	-	(143)	(144)
	763	(4,534)	(6,838)
<i>Items that will or maybe reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	(652)	3,864	3,678
Other comprehensive income/(expense) recognised directly in equity	111	(670)	(3,160)
Total comprehensive income/(expense) for the financial period	768	(346)	(1,786)

Consolidated Balance Sheet

	Unaudited	Unaudited	Audited
	30 Nov 2017	30 Nov 2016	31 May 2017
	£000	£000	£000
Non-current assets			
Property, plant and equipment (note 11)	4,023	8,854	4,011
Intangible assets (note 12)	32,806	24,783	27,696
Deferred tax assets	7,630	9,086	7,669
Total non-current assets	44,459	42,723	39,376
Current assets			
Inventories	3,511	4,908	3,965
Trade and other receivables	7,750	7,718	7,806
Tax recoverable	-	1,228	130
Cash and short-term deposits	4,260	3,538	7,036
Total current assets	15,521	17,392	18,937
Assets held for sale (note 13)	1,416	-	1,483
Total assets	61,396	60,115	59,796
Current liabilities			
Trade and other payables	(8,553)	(5,283)	(7,674)
Current tax liabilities	(51)	(364)	-
Borrowings	(4,570)	(2,915)	(3,331)
Provisions	(885)	(3,678)	(1,164)
Total current liabilities	(14,059)	(12,240)	(12,169)
Non-current liabilities			
Deferred tax liabilities	(3,335)	(3,541)	(3,287)
Retirement benefit obligation (note 9)	(22,364)	(21,049)	(23,024)
Total non-current liabilities	(25,699)	(24,590)	(26,311)
Total liabilities	(39,758)	(36,830)	(38,480)
Net assets	21,638	23,285	21,316
Equity			
Share capital	3,270	3,270	3,270
Share premium	638	638	638
Treasury shares	(2,447)	(2,447)	(2,447)
Retained earnings	12,576	13,385	11,602
Foreign currency translation reserve	7,601	8,439	8,253
Total equity	21,638	23,285	21,316

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Unaudited						
Current interim period :						
Balance at 1 June 2017	3,270	638	(2,447)	8,253	11,602	21,316
Profit for the period	-	-	-	-	657	657
<i>Other comprehensive income:</i>						
Currency translation adjustments	-	-	-	(652)	-	(652)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	763	763
Total other comprehensive income / (expense)	-	-	-	(652)	763	111
Total comprehensive income / (expense)	-	-	-	(652)	1,420	768
Performance share plan	-	-	-	-	158	158
Dividends (note 7)	-	-	-	-	(604)	(604)
Balance at 30 November 2017	3,270	638	(2,447)	7,601	12,576	21,638
Unaudited						
Prior interim period :						
Balance at 1 June 2016	3,270	638	(2,447)	4,575	18,199	24,235
Profit for the period	-	-	-	-	324	324
<i>Other comprehensive income:</i>						
Currency translation adjustments	-	-	-	3,864	-	3,864
Actuarial losses on defined benefit plans (net of tax)	-	-	-	-	(4,534)	(4,534)
Total other comprehensive income / (expense)	-	-	-	3,864	(4,534)	(670)
Total comprehensive income / (expense)	-	-	-	3,864	(4,210)	(346)
Dividends (note 7)	-	-	-	-	(604)	(604)
Balance at 30 November 2016	3,270	638	(2,447)	8,439	13,385	23,285
Audited						
Prior year :						
Balance at 1 June 2016	3,270	638	(2,447)	4,575	18,199	24,235
Profit for the period	-	-	-	-	1,374	1,374
<i>Other comprehensive income:</i>						
Currency translation adjustments	-	-	-	3,678	-	3,678
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(6,838)	(6,838)
Total other comprehensive income / (expense)	-	-	-	3,678	(6,838)	(3,160)
Total comprehensive income / (expense)	-	-	-	3,678	(5,464)	(1,786)
Dividends (note 7)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2017	3,270	638	(2,447)	8,253	11,602	21,316

Consolidated Cash Flow Statement

	Unaudited	Unaudited	Audited
	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2016 £000	Year ended 31 May 2017 £000
Cash flows from operating activities - continuing			
Profit after tax	657	324	1,374
Adjusted for :			
Income tax expense	309	167	1,290
Interest payable and similar charges	49	30	60
Interest receivable	(3)	(2)	(5)
Retirement benefit finance cost	270	258	518
Operating profit	1,282	777	3,237
Depreciation on property, plant and equipment	258	363	782
Amortisation of intangible assets	3,620	2,983	6,421
Impairment of intangible assets	-	-	1,249
Performance share plan	158	-	-
IAS 19 pensions current service cost net of contributions paid	(254)	(179)	(636)
Movement in provisions	(234)	(571)	(2,492)
Loss/(gain) on disposal of property, plant and equipment	2	68	(963)
	4,832	3,441	7,598
Changes in working capital :			
Decrease in inventories	338	262	1,111
(Increase)/decrease in receivables	(49)	508	724
Increase/(decrease) in payables	947	(336)	285
Net cash generated from operations	6,068	3,875	9,718
Tax (paid)/received	(79)	(111)	159
Net cash generated by operating activities	5,989	3,764	9,877
Investing activities			
Acquisition – business combinations	(4,720)	-	(1,729)
Disposal proceeds on disposal of property, plant and equipment	-	214	4,329
Purchases of property, plant and equipment	(356)	(164)	(415)
Expenditure on development costs included in intangible assets	(4,100)	(3,346)	(7,922)
Interest received	3	2	5
Net cash used in investing activities	(9,173)	(3,294)	(5,732)
Financing activities			
Repayments of borrowings	-	(155)	(177)
Dividends paid	(604)	(604)	(1,133)
Interest paid	(49)	(30)	(60)
Net cash used in financing activities	(653)	(789)	(1,370)
Net (decrease)/increase in cash and cash equivalents	(3,837)	(319)	2,775
Cash and cash equivalents at beginning of period	3,705	540	540
Effect of foreign exchange rate changes	(178)	402	390
Cash and cash equivalents at end of period (note 8)	(310)	623	3,705

Notes to the Interim Results

1. Accounting policies - Basis of preparation

a) General information

The interim financial statements for the six months ended 30 November 2017 and 30 November 2016 and for the twelve months ended 31 May 2017 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 May 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 May 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. The 30 November 2017 statements were approved by the Board of Directors on 24 January 2018 and although not audited are subject to a review by the Group's auditors. These condensed interim financial statements have been reviewed, not audited.

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

b) Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 May 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

These interim financial statements have been prepared on the going concern basis, as the directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of this report. In forming this view the directors have considered the Group's recent trading performance and its future outlook, its cash flow forecasts for the next 12 months and any known financial commitments.

c) New standards and interpretations

The interim financial statements have been prepared on a consistent basis with the accounting policies set out in the Annual Report 2017 and should be read in conjunction with that Annual Report. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretations Committee (IFRIC) pronouncements as adopted by the European Union and the Annual Report 2017 provides details of other new standards, amendments and interpretations which come into effect for the first time during the current financial year. The new standards, amendments to standards and interpretations which apply to the Group for the first time in this financial year have been reviewed by management who do not believe that the new standards, amendments to standards or interpretations will have a material impact on the Group's financial statements for the financial year ended 31 May 2018. Management are currently assessing the impact of the new standards, interpretations and amendments which are effective for accounting periods beginning on or after 1 January 2018 and which have not been adopted early, including the following:

- IFRS 15 Revenue from contracts with customers (with an effective date of 1 January 2018)
- IFRS 16 Leases (with an effective date of 1 January 2019)
- IFRS 9 Financial instruments (with an effective date of 1 January 2018)

2. Revenue

	6 months to		Year ended
	30 Nov 2017	30 Nov 2016	31 May 2017
	£000	£000	£000
Revenue by geographical destination on continuing operations :			
United Kingdom	4,259	2,989	6,873
Rest of Europe	6,285	5,047	10,527
United States of America	5,201	5,010	10,490
Australasia	870	773	1,322
Rest of World	267	213	562
Total consolidated revenue *	16,882	14,032	29,774

* Analysed as follows :

Revenue from sales of printed products	8,907	8,831	17,533
Revenue from sales of digital data	7,742	5,089	11,853
Revenue from royalty and licensing arrangements	233	112	388
	16,882	14,032	29,774

3. Segmental analysis

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

- UK and Europe
- North America and Australia

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

The North American and Australian business with headquarters near Los Angeles, California publishes DIY repair manuals for cars and motorcycles in both a printed and digital format. The business publishes titles under the Haynes, Chilton, Clymer and Intertec brands. The operation in Sydney, Australia publishes similar products under both the Haynes and Gregory's brands.

The above two operating segments are each organised and managed separately and are treated as distinct operating and reportable segments in line with the provisions of IFRS 8. The identification of the two operating segments is based on the reports reviewed by the chief operating decision maker, which form the basis for operational decision making. The segments reflect the geographical location and management of the operating units rather than the delivery channel through which the Group's content is delivered, as this is deemed to be more relevant for reporting purposes. Inter-segmental revenue is charged at the prevailing market rates in a manner similar to transactions with third parties.

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

- In the segmental reporting the excess of the consideration over net assets acquired on a business combination is shown as goodwill – under IAS 38 specific intangible assets are created and adjusted for deferred tax arising on acquisition.
- The unallocated head office assets primarily relate to freehold property, deferred tax assets and amounts owed by subsidiary undertakings. The unallocated head office liabilities primarily relate to the deficit on the UK's multi-employer defined benefit pension scheme and tax liabilities.

3. Segmental analysis (continued)

Analysis of geographic operating segments

Revenue and results:

	UK & Europe 6 months to 30 Nov 2017 £000	North America & Australia 6 months to 30 Nov 2017 £000	Consolidated 6 months to 30 Nov 2017 £000
Segmental revenue			
Total segmental revenue	11,109	5,965	17,074
Inter-segment revenue	(92)	(100)	(192)
Total external revenue	11,017	5,865	16,882
Segment result			
Segment operating profit before interest	1,710	422	2,132
Interest receivable	2	1	3
Interest payable	(38)	-	(38)
Segment profit after and interest	1,674	423	2,097
Unallocated head office income less expenses (including exceptional costs of £171,000)			(1,131)
Consolidated profit before tax			966
Taxation			(309)
Consolidated profit after tax			657

	UK & Europe 30 Nov 2017 £000	North America & Australia 30 Nov 2017 £000	Eliminations 30 Nov 2017 £000	Consolidated 30 Nov 2017 £000
Segment assets:				
Property, plant and equipment	890	465	-	1,355
Intangible assets	19,195	5,280	-	24,475
Working capital assets	7,942	9,112	(149)	16,905
Segment total assets	28,027	14,857	(149)	42,735
Unallocated head office assets and eliminations				18,661
Consolidated total assets				61,396

Segment liabilities:

Segment working capital liabilities	8,327	4,402	(500)	12,229
Unallocated head office liabilities and eliminations				27,529
Consolidated total liabilities				39,758

3. Segmental analysis (continued)

Revenue and results:

	UK & Europe 6 months to 30 Nov 2016 £000	North America & Australia 6 months to 30 Nov 2016 £000	Consolidated 6 months to 30 Nov 2016 £000
Segmental revenue			
Total segmental revenue	8,448	6,346	14,794
Inter-segment revenue	(239)	(523)	(762)
Total external revenue	8,209	5,823	14,032
Segment result			
Segment operating profit/(loss) before interest	1,118	(235)	883
Interest receivable	1	1	2
Interest payable	(29)	-	(29)
Segment profit/(loss) after exceptional items and interest	1,090	(234)	856
Unallocated head office income less expenses			(365)
Consolidated profit before tax			491
Taxation			(167)
Consolidated profit after tax			324

	UK & Europe 30 Nov 2016 £000	North America & Australia 30 Nov 2016 £000	Eliminations 30 Nov 2016 £000	Consolidated 30 Nov 2016 £000
Segment assets:				
Property, plant and equipment	774	5,408	-	6,182
Intangible assets	11,765	6,229	-	17,994
Working capital assets	7,168	10,906	(844)	17,230
Segment total assets	19,707	22,543	(844)	41,406
Unallocated head office assets and eliminations				18,709
Consolidated total assets				60,115

Segment liabilities:

Segment working capital liabilities	7,291	7,834	(1,330)	13,795
Unallocated head office liabilities and eliminations				23,035
Consolidated total liabilities				36,830

The above tables have been updated to allocate items previously classified as reconciling from internal reporting into the appropriate segment.

3. Segmental analysis (continued)

Revenue and results:

	UK & Europe Year ended 31 May 2017 £000	North America & Australia Year ended 31 May 2017 £000	Consolidated Year ended 31 May 2017 £000
Segmental revenue			
Total segmental revenue	18,129	12,543	30,672
Inter-segment revenue	(342)	(556)	(898)
Total external revenue	17,787	11,987	29,774
Segment result			
Underlying segment operating profit before exceptional items and interest	2,704	643	3,347
Exceptional items	(213)	1,285	1,072
Interest receivable	2	3	5
Interest payable	(50)	(2)	(52)
Segment profit after exceptional items and interest	2,443	1,929	4,372
Unallocated head office income less expenses (including exceptional costs of £1,043,000)			(1,708)
Consolidated profit before tax			2,664
Taxation			(1,290)
Consolidated profit after tax			1,374

	UK & Europe 31 May 2017 £000	North America & Australia 31 May 2017 £000	Eliminations 31 May 2017 £000	Consolidated 31 May 2017 £000
Segment assets:				
Property, plant and equipment	715	1,087	-	1,802
Intangible assets	13,945	5,567	-	19,512
Working capital assets	9,388	12,440	(1,718)	20,110
Segment total assets	24,048	19,094	(1,718)	41,424
Unallocated head office assets and eliminations				18,372
Consolidated total assets				59,796

Segment liabilities:

Segment working capital liabilities	9,312	3,430	(1,254)	11,488
Unallocated head office liabilities and eliminations				26,992
Consolidated total liabilities				38,480

The above tables have been updated to allocate items previously classified as reconciling from internal reporting into the appropriate segment.

4. Exceptional items

	6 months to 30 Nov 2017 £000	30 Nov 2016 £000	Year ended 31 May 2017 £000
Exceptional items included in cost of sales :			
- Write down of intangible assets	-	-	1,282
Exceptional items included in selling and distribution expenses :			
- Restructuring costs	-	-	209
Exceptional items included in administrative expenses :			
- Acquisition expenses	171	-	88
Exceptional items included in gain on disposal of property:			
- Gain on sale of property	-	-	(1,608)
	171	-	(29)

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

5. Taxation

The tax charge in the Consolidated Income Statement is calculated using the tax rates which each of the Group's operating entities expects to adopt for the financial year ended 31 May 2018. The Group continues to expect its effective corporation tax rate to be higher than the standard UK rate due to the trading profits it generates in overseas subsidiaries where the tax rates are higher than the UK.

The deferred tax asset relates to obligations under the defined benefit pension scheme and other temporary differences. The elements of the asset will be recovered in the UK and USA respectively.

On 22 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%. As the announcement was not made until after the Balance Sheet date the Haynes North America Inc, deferred tax assets and liabilities have been valued using the federal tax rate in force as at 30 November 2017. Management estimate the impact of the change would have reduced the US deferred tax assets and deferred tax liabilities held on the balances held at 30 November 2017 by £1.3 million and £0.1 million respectively. An adjustment to reflect this tax change on the deferred tax balances will be made in the full year results to 31 May 2018.

6. Earnings per share

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

	Before exceptional items	After exceptional items		Before exceptional items	After exceptional items
	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2016 £000	Year ended 31 May 2017 £000	Year ended 31 May 2017 £000
Earnings :					
Profit after tax attributable to equity holders of the Company – continuing operations	797	657	324	1,424	1,374
Number of shares	No.	No.	No.	No.	No.
Weighted average for basic earnings per share ^[a]	15,111,540	15,111,540	15,111,540	15,111,540	15,111,540
Adjusted weighted average for diluted earnings per share ^[a]	15,272,540	15,272,540	15,111,540	15,111,540	15,111,540
Basic earnings per share (pence)	5.3	4.3	2.1	9.4	9.1
Diluted earnings per share (pence)	5.2	4.3	2.1	9.4	9.1

^[a] During the period the Company held 1,240,000 of its ordinary shares in treasury and have not been included in the calculation.

As at 30 November 2017, there were outstanding options on the Company's Ordinary shares. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares, such as share options granted to directors and employees.

As at 31 May 2017 and 30 November 2016 there were no outstanding options on either of the Company's two classes of shares and there was no difference between the earnings used in the basic and diluted earnings per share calculation.

7. Dividends

	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2016 £000	Year ended 31 May 2017 £000
Amounts recognised as distributions to equity holders :			
Final dividend of 4.0p per share (2016: 4.0p)	604	604	604
Interim dividend of 3.5p per share	-	-	529
	604	604	1,133

The directors have decided to pay an interim dividend of 3.5p per share (2016: 3.5p) amounting to £528,904 (2016: £528,904) on 11 April 2018 to shareholders on the register at the close of business on 16 March 2018. Accordingly, this dividend is not recognised in the interim accounts.

8. Analysis of the changes in cash and cash equivalents

	As at 1 June 2017 £000	Cash flow £000	Exchange movements £000	As at 30 Nov 2017 £000
Cash at bank and in hand	7,036	(2,598)	(178)	4,260
Bank overdrafts	(3,331)	(1,239)	-	(4,570)
	<u>3,705</u>	<u>(3,837)</u>	<u>(178)</u>	<u>(310)</u>

9. Retirement benefit obligation

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

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

The last full IAS 19 actuarial valuation was carried out by a qualified independent actuary as at 31 May 2017. This valuation has been updated by the scheme's actuaries on an approximate basis for the six month period ending 30 November 2017.

The movements in the retirement benefit obligation were as follows:

	6 months to 30 Nov 2017 £000	6 months to 30 Nov 2016 £000	Year ended 31 May 2017 £000
Retirement benefit obligation at beginning of period	(23,024)	(15,101)	(15,101)
Movement in the period :			
- Total expenses charged in the income statement	(677)	(600)	(1,397)
- Contributions paid	661	520	1,515
- Actuarial (losses)/gains taken directly to reserves	642	(5,697)	(7,941)
- Foreign currency exchange rates	34	(171)	(100)
Retirement benefit obligation at end of period	<u>(22,364)</u>	<u>(21,049)</u>	<u>(23,024)</u>

10. Exchange rates

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

	Period end rate			Average rate		
	30 Nov 2017	30 Nov 2016	31 May 2017	30 Nov 2017	30 Nov 2016	31 May 2017
US dollar	1.35	1.25	1.29	1.32	1.29	1.28
Euro	1.13	1.18	1.15	1.12	1.17	1.17
Australian dollar	1.78	1.69	1.74	1.70	1.71	1.70

11. Property, plant and equipment

	Total £000
Net book value at 1 June 2016	8,434
Exchange rate movements	901
Additions	164
Disposals	(282)
Depreciation	(363)
Net book value at 30 November 2016	8,854
	£000
Net book value at 1 June 2017	4,011
Exchange rate movements	(84)
Additions	356
Disposals	(2)
Depreciation	(258)
Net book value at 30 November 2017	4,023

The Group had no capital expenditure which had been contracted but had not been provided for as at 30 November 2017 (2016: £nil).

12. Intangible assets

	Total £000
Carrying value at 1 June 2016	22,381
Exchange rate movements	2,039
Additions	3,346
Amortisation	(2,983)
Carrying value at 30 November 2016	24,783
	£000
Carrying value at 1 June 2017	27,696
Exchange rate movements	(90)
Additions	4,100
Additions through business combinations (note 14)	4,720
Amortisation	(3,620)
Carrying value at 30 November 2017	32,806

13. Asset held for sale

A freehold property in Nashville, US has been reclassified as an Asset held for sale. At the Balance Sheet date the property was under offer and was subsequently sold on 15 December 2017 for a gross cash consideration of \$5.35 million (£4.0 million) with a subsequent estimated tax charge of \$1.6 million (£1.2 million). The disposal will generate an estimated pre-tax profit on sale of \$3.5 million (£2.6 million).

14. Acquisition

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. The fair values are provisional pending the completion of the fair value exercise in respect of each class of asset which will be finalised during the second half of the financial year :

	Recognised on acquisition £'000
Assets Acquired	
Intangible assets	4,720
Trade receivables	390
Other payables	(390)
Fair value of net assets and 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) ^A	171
Net cash outflow	4,891

^A The costs of acquisition of £171,000 were expensed as incurred in the period and have been included as an exceptional item within administrative expenses (note 4).

During the two month period since acquisition, the E3 Technical business contributed £0.5 million of revenue and £0.2 million of profit before tax. If the acquisition had been made at the start of the financial period the revenue from the acquired business would have been £1.5 million. However, as prior to the acquisition the E3 Technical business was an integral part of the wider Carweb business utilising shared overhead services, it is not practical to quantify the associated profit contribution during this period.

15. Related party transactions

During the six months to 30 November 2017 there were no material related party transactions or material changes to the arrangements with related parties as reported in the Annual Report 2017.

16. Principal risks and uncertainties

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

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

The Board considers that the above, along with the principal risks and uncertainties which were discussed at more length in the Annual Report 2017 under the following headings and page references, continue to be the major risks and uncertainties facing the Group :

- The Group's principal operational risks and uncertainties (page 18)
- The processes adopted by the Board to identify and monitor risk (page 31)
- The Group's principal financial risks and uncertainties (pages 78 – 80)

A copy of the Annual Report 2017 can be found on the Group's corporate website www.haynes.com/investor.

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

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

Report on the Interim Financial Statements

Our conclusion

We have reviewed Haynes Publishing Group P.L.C.'s Interim Financial Statements (the "Interim Financial Statements") in the interim results of Haynes Publishing Group P.L.C. for the 6 month period ended 30 November 2017. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The Interim Financial Statements comprise:

- the Consolidated Balance Sheet as at 30 November 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The Interim Financial Statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the Interim Financial Statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the Interim Financial Statements and the review

Our responsibilities and those of the directors

The interim results, including the Interim Financial Statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the Interim Financial Statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

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

Responsibilities for the interim financial statements and the review (continued)

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
24 January 2018

- a) The maintenance and integrity of the Haynes Publishing Group P.L.C. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Financial Statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.