HAYNES PUBLISHING GROUP P.L.C.

Interim Report and Accounts

for the 6 months ended 30 November 2016

Contents

Financial and Business Highlights	**1**
Interim Statement	**2**
Independent Review Report	**8**
Consolidated Income Statement	**10**
Consolidated Statement of Comprehensive Income	**11**
Consolidated Balance Sheet	**12**
Consolidated Statement of Changes in Equity	**13**
Consolidated Cash Flow Statement	**14**
Notes to the Interim Report and Accounts	**15**

BUSINESS AND FINANCIAL HIGHLIGHTS

	26 weeks to 30 Nov 2016	26 weeks to 30 Nov 2015	Change YoY (year-on-year)
Group revenue	£14.0m	£12.2m	15%
Like-for-like Group revenue (excluding the impact of exchange)	£12.3m	£12.2m	1%
EBITDA	£4.1m	£3.4m	21%
Group operating profit	£0.8m	£0.6m	33%
Group profit before tax	£0.5m	£0.3m	67%
Basic earnings per share	2.1p	1.2p	75%
Interim dividend	3.5p	3.5p	
Net cash/(debt) *	£0.6m	(£0.5m)	£1.1m

* In addition the Group holds 1.2 million ordinary shares held in treasury.

- Digital products 36% of overall Group revenue (2016: £5.1 million), an increase of 50% YoY (2015: £3.4 million)
- UK revenue growth up 17% YoY, “Haynes Explains” manuals helping increase sales of non-automotive titles by 47%
- Strong HaynesPro growth helped increase European local currency revenue by 25% YoY
- North America & Australian local currency revenue down 20% YoY
- Outsourcing of Group production and US distribution successfully completed
- HaynesPro’s second generation electronics diagnostic solution ‘VESA Mk II’ successfully launched at the Automechanika trade show in Germany
- The Group invested £3.3 million in new content, platforms and services development for its professional & consumer product ranges
- Net cash generated from operating activities (after tax) of £3.8 million (2015: £3.0 million)
- Post period end, Haynes acquired OATS Limited, a leading global comprehensive equipment and lubricants database, for £2.4 million on 14 December 2016

INTERIM STATEMENT

Business overview

Haynes' transformation is proceeding apace and we are pleased to report that our restructuring programme is progressing according to plan. The outsourcing of Group production and US distribution fulfilment is now complete, the decommissioning of the redundant plant and equipment in our Nashville facility is underway and the two empty properties are being marketed for sale.

Our commitment to provide independent, accurate and practical information remains paramount and we continue to focus on delivering the highest quality content through print and digital channels. The clarity of our business model enables us to supply this information to all elements of the automotive service and parts industry.

Trading during the first six months of the financial year has been encouraging, if somewhat mixed. Another excellent performance from HaynesPro in Europe and a strong UK non-automotive publishing programme helped boost the performance of our UK and European business. In North America and Australia, the high inventory levels and slow stock turns for our print manuals with key retailers has impacted the performance of both these operations in recent years and this was a key driver for the restructuring programme announced in 2015/16. Following the restructuring, we have significantly reduced the cost base of these operations and through the new sales and marketing initiatives we are undertaking, we are starting to make headway in these markets. Nevertheless, sales in both these territories continued to track behind last year during the six month period.

In June, we evaluated the potential impact of the UK vote to leave the EU on the Group. As a multi-national group with significant parts of our business based in Europe and the US, our main exposure is linked to the movement in exchange rates. We have benefited from the fall in Sterling that followed the vote to leave the EU and are well placed to take further advantage of the increased competitiveness in Sterling going forward.

Financial review

Boosted by the higher sales of our professional products range in Europe and positive exchange rate movements, Group revenue ended the six-month period 15% ahead of last year at £14.0 million (2015: £12.2 million). Excluding foreign exchange rate movements, Group revenue was 1% ahead of last year.

In the UK and Europe, revenue ended the six month period 34% ahead of last year. New customer gains in HaynesPro in the first half of calendar year 2016 and expanding relationships with existing customers, particularly in Northern Europe, helped increase European local currency revenue by 25% over the prior period. In the UK, strong sales of our non-automotive titles, most notably in the run up to Christmas, helped to lift revenue in this part of the business by 17% against the prior year.

In the US, the ongoing sales issues with the print manuals led to a 5% reduction in US revenue to £5.8 million (2015: £6.1 million). In local currency terms, US revenue ended the period 21% down on the prior year. In Australia, similar market conditions resulted in a local currency revenue decline of 16%.

The Group's gross profit was up 15% at £8.2 million (2015: £7.1 million) while the gross margin remained in line with last year at 58.6% (2015: 58.7%).

Following the implementation of the Group's operational, cost and structure review, operational overheads in the US and Australia have been reduced by 20% and 25% respectively. Nevertheless, the impact of the weaker Sterling against the Euro, US Dollar and Australian Dollar increased reported group overheads by £0.8 million and has meant reported group overheads ended the period 14% higher at £7.5 million (2015: £6.6 million).

Boosted by the higher revenue, Group operating profit ended the period up 33% at £0.8 million (2015: £0.6 million).

With net finance costs in line with the prior year at £0.3 million (2015: £0.3 million), Group profit before tax ended the period up 67% at £0.5 million (2015: £0.3 million). Like-for-like profit before tax, excluding the impact of foreign exchange, was up 12%. The Group's effective tax rate for the period was 34% (2015: 35%) and the Group's earnings per share increased to 2.1 pence (2015: 1.2 pence).

Operational review

North America & Australia

During the past six months, management have been implementing the recommendations of the operational, cost and structure review. Faced with declining sales in recent years through key retailers holding excess inventory and experiencing low turns on our manuals, the Group needed to re-align the structure and cost base of this part of the business. With this part of the restructuring now complete, the focus is now on implementing new sales and marketing initiatives which will help to address the display and pricing of the Group's manuals in store. Whilst local management are fully aware of the extent of the task to realign inventory levels and improve the range and display of our manuals in-store, they are nevertheless encouraged by the early signs of progress being made in this respect.

Overall North American and Australian revenue, in local currency, ended the six-month period down 20% at $7.5 million (2015: $9.4 million). After translation to Sterling, the revenue shortfall from this area of the business was 5% lower at £5.8 million (2015: £6.1 million). The reduction in revenue has led to a small segmental operating loss before interest of £0.3 million (2015: profit of £0.1 million).

UK & Europe

Overall UK and European revenue ended the six-month period up 34% at £8.2 million (2015: £6.1 million) or up 22% adjusted for exchange rate movements.

In the UK, sales of automotive and motorcycle repair manuals ended the first six months in line with last year while the non-automotive titles experienced strong demand in our second quarter. Sales of the new humorous 'Haynes Explains,' series performed particularly well and helped lift sales in this part of the UK business by 47% over the prior year. Overall, UK revenue ended the period 17% up on the prior year.

In Europe, the strong growth experienced by HaynesPro in recent years continued into the current financial year and helped increase local currency revenue from the Group's European business by 25%. Management are also encouraged by the positive feedback from the recently launched VESA Mk II electronics diagnostic solution at the Automechanika trade show in Germany. This market leading electronics solution is an important component of the HaynesPro product offering and a key driver for future growth in this part of our business.

Higher revenue in the UK and Europe, coupled with the exchange translation benefit from the Group's European businesses, has helped increase UK and European segmental operating profit before interest to £1.1 million (2015: £0.3 million).

Balance sheet and cash flow

During the six months to 30 November 2016, the Group invested £3.3 million in new content, platforms and services development for its professional & consumer product ranges (2015: £2.9 million) and £0.2 million on tangible fixed assets (2015: £0.2 million). In December 2016, after the period end, the Group completed on the sale of a freehold property in Australia for A$3.8 million (£2.2 million) giving rise to a profit on disposal of £0.9 million. £2.0 million of the proceeds have been used to reduce the UK overdraft.

As at 30 November 2016, the net IAS 19 deficit on the Group's two defined benefit retirement schemes increased by £5.9 million to £21.0 million (31 May 2016: £15.1 million). The increase was driven by a lower UK discount rate assumption on the back of falling UK bond yields.

In June 2016, the Group paid down the final £0.2 million of US borrowings, taken out in September 2013 to part fund the Clymer acquisition. As at 30 November 2016, net cash was up £1.1 million at £0.6 million (2015: net debt of £0.5 million). The Group still holds 1.2 million shares in treasury.

Post balance sheet event – OATS Acquisition

On 14 December 2016, the Group acquired 100% of the issued share capital of OATS Limited ("OATS"), a company located in Swindon, UK. The consideration was £2.4 million, with £1.85 million payable on completion and £0.55 million of additional liabilities assumed as part of the transaction.

The OATS global lubricants database will enhance HaynesPro's digital data solutions to the professional automotive aftermarket in Europe, and, by leveraging the Group's European commercial network, Haynes expects to drive new business leads for OATS. This acquisition clearly demonstrates the Group's commitment to remaining a data focussed business that supports and provides solutions to the entire independent automotive repair industry.

Interim dividend

The Group is currently implementing the Group restructuring programme announced in 2015/16 and increasing its investment in new digital platforms for its professional and consumer businesses. Taking into consideration the Group's current cash requirements the Board feels it is appropriate to maintain the interim dividend at 3.5 pence per share. The interim dividend will be paid on 12 April 2017 to shareholders on the register at the close of business on 17 March 2017.

Future outlook

Early quarter three trading

Early trading in the third quarter of financial year 2016/17 has continued in line with the trends experienced during the first six months, with year-on-year revenue increases in the UK and Europe being offset by softer trading in the US and Australia.

Overall Group revenue is tracking 20% ahead of last year. Like-for-like Group revenue, excluding the impact of exchange rate movements and revenue from the recently acquired OATS Group, is 5% ahead of the same period in the prior year.

Immediate priorities

In the US and Australia, management will continue to address the sales decline of our print manuals. The Group's US and Australian teams are working closely with Haynes' retail sales partners to ensure consumers have access to a suitable range of competitively priced manuals.

Digital growth is key and Haynes is taking action to leverage its digital content in partnership with the Group's global retail and online partners. Through the improvements of its digital Online Manual range, Haynes is offering its partners a new way to help their customers maintain and repair their vehicles.

The Group will also launch its new digital offering, Haynes OnDemand, in time for the key Spring sales period. For the first time, drivers will be able to access vehicle and task specific video instructions that follow the trusted Haynes hands-on practical approach developed in the Group's manuals.

The Group will continue to expand its professional offering and the HaynesPro 'Comfort Wiring Diagram' database is on schedule for launch in early 2017. Along with the 'Repair Times' database launched in 2015/16, this new database will allow HaynesPro to offer its service partners enhanced coverage and quality data. The new databases will also provide the Group with cost savings and revenue enhancing opportunities.

Conclusion

In my Full Year Statement in September, I said that the Group's turnaround would not happen overnight but that the restructuring we had put in place would put the business on the right path. I am pleased that these interim results confirm this view, and that the steps that the Board has taken have put the Group on a more solid footing.

J Haynes
Chief Executive Officer
25 January 2017

Responsibility statement

Pages 24 and 25 of the Annual Report 2016 provide details of the serving Executive and Non-Executive Directors. The only change to the Board composition during the six month period to 30 November 2016 follows the bereavement of MEF Haynes, as announced to the markets on 19 October 2016. A statement of the Directors' responsibilities is contained on page 47 of the Annual Report 2016. A copy of the Annual Report 2016 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.

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

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2016 which comprises a consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants and Registered Auditors
Southampton
United Kingdom

25 January 2017

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

Consolidated Income Statement (unaudited)

	6 months to 30 Nov 2016	6 months to 30 Nov 2015	Year ended 31 May 2016		
			Before exceptional items	Exceptional items (note 4)	
	Total	Total			Total
Continuing operations	£000	£000	£000	£000	£000
Revenue (note 2)	**14,032**	**12,170**	**25,710**	**-**	**25,710**
Cost of sales	(5,812)	(5,021)	(10,201)	(1,716)	(11,917)
Gross profit	**8,220**	**7,149**	**15,509**	**(1,716)**	**13,793**
Other operating income	15	19	82	-	82
Distribution costs	(4,129)	(3,268)	(7,008)	(1,563)	(8,571)
Administrative expenses	(3,329)	(3,291)	(6,127)	(1,143)	(7,270)
Operating profit/(loss)	**777**	**609**	**2,456**	**(4,422)**	**(1,966)**
Finance income	2	3	8	-	8
Finance costs	(30)	(40)	(73)	-	(73)
Other finance costs – retirement benefits	(258)	(277)	(518)	-	(518)
Profit/(loss) before taxation	**491**	**295**	**1,873**	**(4,422)**	**(2,549)**
Taxation (note 5)	(167)	(103)	(723)	1,493	770
Profit/(loss) for the period	**324**	**192**	**1,150**	**(2,929)**	**(1,779)**
Attributable to:					
Equity holders of the Company	324	184	1,150	(2,929)	(1,779)
Non-controlling interests	-	8	-	-	-
	324	**192**	**1,150**	**(2,929)**	**(1,779)**
Earnings per 20p share - (note 6)	Pence	Pence	Pence		Pence
From continuing operations					
- Basic	2.1	1.2	7.6		(11.8)
- Diluted	2.1	1.2	7.6		(11.8)

Consolidated Statement of Comprehensive Income (unaudited)

	6 months to 30 Nov 2016 £000	6 months to 30 Nov 2015 £000	Year ended 31 May 2016 £000
Profit/(loss) for the period	**324**	**192**	**(1,779)**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on retirement benefit obligation			
- UK Scheme	(4,233)	1,227	(727)
- US Scheme	(1,464)	(438)	36
Deferred tax on retirement benefit obligation			
- UK Scheme	720	(245)	131
- US Scheme	586	175	(14)
Deferred tax arising on change in UK Corporation tax rate	(143)	-	(268)
	(4,534)	719	(842)
Items that will or maybe reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	3,864	(25)	1,477
Other comprehensive income/(expense) recognised directly in equity	**(670)**	**694**	**635**
Total comprehensive income/(expense) for the financial period	**(346)**	**886**	**(1,144)**
Attributable to:			
Equity holders of the Company	(346)	878	(1,144)
Non-controlling interests	-	8	-
	(346)	**886**	**(1,144)**

Consolidated Balance Sheet (unaudited)

	30 Nov 2016	30 Nov 2015	31 May 2016
	£000	£000	£000
Non-current assets			
Property, plant and equipment (note 11)	8,854	8,833	8,434
Intangible assets (note 12)	24,783	20,465	22,381
Deferred tax assets	9,086	7,201	7,196
Total non-current assets	**42,723**	**36,499**	**38,011**
Current assets			
Inventories	4,908	4,565	4,614
Trade and other receivables	7,718	7,108	7,499
Tax recoverable	1,228	-	926
Cash and short-term deposits	3,538	2,355	2,548
Total current assets	**17,392**	**14,028**	**15,587**
Total assets	**60,115**	**50,527**	**53,598**
Current liabilities			
Trade and other payables	(5,283)	(3,861)	(5,188)
Current tax liabilities	(364)	(255)	-
Bank overdrafts and loans	(2,915)	(2,830)	(2,163)
Provisions	(3,678)	-	(3,656)
Total current liabilities	**(12,240)**	**(6,946)**	**(11,007)**
Non-current liabilities			
Deferred tax liabilities	(3,541)	(3,218)	(3,255)
Retirement benefit obligation (note 9)	(21,049)	(13,380)	(15,101)
Deferred consideration	-	(125)	-
Total non-current liabilities	**(24,590)**	**(16,723)**	**(18,356)**
Total liabilities	**(36,830)**	**(23,669)**	**(29,363)**
Net assets	**23,285**	**26,858**	**24,235**
Equity			
Share capital	3,270	3,270	3,270
Share premium	638	638	638
Treasury shares	(2,447)	(2,447)	(2,447)
Retained earnings	13,385	22,246	18,199
Foreign currency translation reserve	8,439	3,073	4,575
Capital and reserves attributable to equity shareholders	**23,285**	**26,780**	**24,235**
Equity attributable to non-controlling interests	-	78	-
Total equity	**23,285**	**26,858**	**24,235**

Consolidated Statement of Changes in Equity (unaudited)

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Sub total	Non-controlling interests	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Current interim period :								
Balance at 1 June 2016	3,270	638	(2,447)	4,575	18,199	24,235	-	24,235
Profit for the period	-	-	-	-	324	324	-	324
Other comprehensive income:								
Currency translation adjustments	-	-	-	3,864	-	3,864	-	3,864
Actuarial losses on defined benefit plans (net of tax)	-	-	-	-	(4,534)	(4,534)	-	(4,534)
Total other comprehensive income	**-**	**-**	**-**	**3,864**	**(4,534)**	**(670)**	**-**	**(670)**
Total comprehensive income	**-**	**-**	**-**	**3,864**	**(4,210)**	**(346)**	**-**	**(346)**
Dividends (note 7)	-	-	-	-	(604)	(604)	-	(604)
Balance at 30 November 2016	**3,270**	**638**	**(2,447)**	**8,439**	**13,385**	**23,285**	**-**	**23,285**
Prior interim period :								
Balance at 1 June 2015	3,270	638	(2,447)	3,098	21,947	26,506	70	26,576
Profit for the period	-	-	-	-	184	184	8	192
Other comprehensive income:								
Currency translation adjustments	-	-	-	(25)	-	(25)	-	(25)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	719	719	-	719
Total other comprehensive income	**-**	**-**	**-**	**(25)**	**719**	**694**	**-**	**694**
Total comprehensive income	**-**	**-**	**-**	**(25)**	**903**	**878**	**8**	**886**
Dividends (note 7)	-	-	-	-	(604)	(604)	-	(604)
Balance at 30 November 2015	**3,270**	**638**	**(2,447)**	**3,073**	**22,246**	**26,780**	**78**	**26,858**
Prior year :								
Balance at 1 June 2015	3,270	638	(2,447)	3,098	21,947	26,506	70	26,576
Loss for the period	-	-	-	-	(1,779)	(1,779)	-	(1,779)
Other comprehensive income:								
Currency translation adjustments	-	-	-	1,477	-	1,477	-	1,477
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(842)	(842)	-	(842)
Total other comprehensive income	**-**	**-**	**-**	**1,477**	**(842)**	**635**	**-**	**635**
Total comprehensive income	**-**	**-**	**-**	**1,477**	**(2,621)**	**(1,144)**	**-**	**(1,144)**
Dividends (note 7)	-	-	-	-	(1,133)	(1,133)	-	(1,133)
Increase in subsidiary shareholding	-	-	-	-	6	6	(70)	(64)
Balance at 31 May 2016	**3,270**	**638**	**(2,447)**	**4,575**	**18,199**	**24,235**	**-**	**24,235**

Consolidated Cash Flow Statement (unaudited)

	6 months to 30 Nov 2016	6 months to 30 Nov 2015	Year ended 31 May 2016
	£000	£000	£000
Cash flows from operating activities - continuing			
Profit/(loss) after tax	324	192	(1,779)
Adjusted for :			
Income tax expense	167	103	(770)
Interest payable and similar charges	30	40	73
Interest receivable	(2)	(3)	(8)
Retirement benefit finance cost	258	277	518
Operating profit/(loss)	777	609	(1,966)
Depreciation on property, plant and equipment	363	349	866
Amortisation of intangible assets	2,983	2,416	5,061
IAS 19 pensions current service cost net of contributions paid	(179)	(479)	(501)
Movement in provisions	(571)	-	3,656
Loss/(gain) on disposal of property, plant and equipment	68	2	(119)
	3,441	**2,897**	**6,997**
Changes in working capital :			
Decrease in inventories	262	99	149
Decrease in receivables	508	898	699
(Decrease)/increase in payables	(336)	(565)	604
Net cash generated from operations	**3,875**	**3,329**	**8,449**
Tax paid	(111)	(338)	(692)
Net cash generated by operating activities	**3,764**	**2,991**	**7,757**
Investing activities			
Acquisition costs – business combinations	-	-	(125)
Proceeds on disposal of property, plant and equipment	214	12	340
Purchases of property, plant and equipment	(164)	(164)	(264)
Expenditure on development costs	(3,346)	(2,880)	(6,389)
Increase in subsidiary undertaking	-	-	(64)
Interest received	2	3	8
Net cash used in investing activities	**(3,294)**	**(3,029)**	**(6,494)**
Financing activities			
Repayments of borrowings	(155)	(957)	(1,292)
Dividends paid	(604)	(604)	(1,133)
Interest paid	(30)	(40)	(73)
Net cash from financing activities	**(789)**	**(1,601)**	**(2,498)**
Net decrease in cash and cash equivalents	**(319)**	**(1,639)**	**(1,235)**
Cash and cash equivalents at beginning of year	540	1,547	1,547
Effect of foreign exchange rate changes	402	66	228
Cash and cash equivalents at end of period	**623**	**(26)**	**540**

Notes to the Interim Report and Accounts

1. Accounting policies - Basis of accounting

The interim financial statements for the six months ended 30 November 2016 and 30 November 2015 and for the twelve months ended 31 May 2016 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 2016 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 2016 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 2016 statements were approved by the Board of Directors on 25 January 2017 and although not audited are subject to a review by the Group's auditors.

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.

The interim financial statements have been prepared on a consistent basis with the accounting policies set out in the Annual Report 2016 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 2016 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 and management do not believe that the new standards, amendments to standards or interpretations will have a material impact on the Group's financial statements for the financial year ended 31 May 2017. Management are currently assessing the impact of the new standards, interpretations and amendments which are effective for periods beginning after 1 June 2017 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 30 Nov 2016 £000	6 months to 30 Nov 2015 £000	Year ended 31 May 2016 £000
Revenue by geographical destination on continuing operations :			
United Kingdom	2,989	2,520	4,918
Rest of Europe	5,047	3,419	7,971
United States of America	5,010	5,088	11,021
Australia	773	758	1,093
Rest of World	213	385	707
Total consolidated revenue *	**14,032**	**12,170**	**25,710**
*** Analysed as follows :**			
Revenue from sales of printed products	8,831	8,672	17,575
Revenue from sales of digital data	5,089	3,401	7,945
Revenue from royalty and licensing arrangements	112	97	190
	14,032	**12,170**	**25,710**

3. Segmental analysis

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

- UK & Europe
- North America & 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. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands.

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

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

- In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
- In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
- In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
- In the segmental reporting the excess of the 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 2016	North America & Australia 6 months to 30 Nov 2016	Consolidated 6 months to 30 Nov 2016
	£000	£000	£000
Segmental revenue			
Total segmental revenue	8,448	6,346	14,794
Inter-segment sales	(239)	(523)	(762)
Total external revenue	**8,209**	**5,823**	**14,032**
Segment result			
Segment operating profit/(loss) before interest	1,085	(271)	814
Interest receivable	1	1	2
Interest payable	(29)	-	(29)
Segment profit/(loss) after and interest	**1,057**	**(270)**	**787**
Unallocated head office income less expenses			(381)
Segment profit before tax and adjustments			**406**
Reconciliation to consolidated profit before tax:			
IAS 16 Property, plant & equipment			24
IAS 19 Employee benefits			61
Consolidated profit before tax			**491**
Taxation			(167)
Consolidated profit after tax			**324**

	UK & Europe 30 Nov 2016	North America & Australia 30 Nov 2016	Eliminations 30 Nov 2016	Consolidated 30 Nov 2016
	£000	£000	£000	£000
Segment assets:				
Property, plant and equipment	746	4,838	-	5,584
Intangible assets	11,760	6,229	-	17,989
Working capital assets	7,168	10,906	(844)	17,230
Segment total assets	**19,674**	**21,973**	**(844)**	**40,803**
Unallocated head office assets and eliminations				12,161
				52,964
Reconciling items from internal reporting to consolidated total assets				7,151
Consolidated total assets				**60,115**
Segment liabilities:				
Working capital liabilities	7,286	7,921	(1,330)	13,877
Unallocated head office liabilities and eliminations				20,733
Reconciling items from internal reporting to consolidated total liabilities				2,220
Consolidated total liabilities				**36,830**

3. Segmental analysis (continued)

Revenue and results:

	UK & Europe 6 months to 30 Nov 2015	North America & Australia 6 months to 30 Nov 2015	Consolidated 6 months to 30 Nov 2015
	£000	£000	£000
Segmental revenue			
Total segmental revenue	6,235	6,965	13,200
Inter-segment sales	(143)	(887)	(1,030)
Total external revenue	**6,092**	**6,078**	**12,170**
Segment result			
Segment operating profit before interest	309	55	364
Interest receivable	-	3	3
Interest payable	(18)	(21)	(39)
Segment profit after exceptional items and interest	**291**	**37**	**328**
Unallocated head office income less expenses			(314)
Segment loss before tax and adjustments			**14**
Reconciliation to consolidated profit before tax:			
IAS 16 Property, plant & equipment			62
IAS 19 Employee benefits			219
Consolidated profit before tax			**295**
Taxation			(103)
Consolidated profit after tax			**192**

	UK & Europe 30 Nov 2015	North America & Australia 30 Nov 2015	Eliminations 30 Nov 2015	Consolidated 30 Nov 2015
	£000	£000	£000	£000
Segment assets:				
Property, plant and equipment	675	4,692	-	5,367
Intangible assets	9,332	5,042	-	14,374
Working capital assets	5,871	8,970	(755)	14,086
Segment total assets	**15,878**	**18,704**	**(755)**	**33,827**
Unallocated head office assets and eliminations				11,438
				45,265
Reconciling items from internal reporting to consolidated total assets				5,262
Consolidated total assets				**50,527**
Segment liabilities:				
Working capital liabilities	6,538	3,009	(1,540)	8,007
Unallocated head office liabilities and eliminations				13,466
Reconciling items from internal reporting to consolidated total liabilities				2,196
Consolidated total liabilities				**23,669**

3. Segmental analysis (continued)

Revenue and results:	UK & Europe Year ended 31 May 2016 £000	North America & Australia Year ended 31 May 2016 £000	Consolidated Year ended 31 May 2016 £000
Segmental revenue			
Total segmental revenue	13,508	14,236	27,744
Inter-segment sales	(277)	(1,757)	(2,034)
Total external revenue	**13,231**	**12,479**	**25,710**
Segment result			
Underlying segment operating profit before exceptional items and interest	1,471	340	1,811
Exceptional items	(268)	(3,710)	(3,978)
Interest receivable	1	7	8
Interest payable	(38)	(30)	(68)
Segment profit/(loss) after exceptional items and interest	**1,166**	**(3,393)**	**(2,227)**
Unallocated head office income less expenses			(644)
Segment operating loss before tax and adjustments			**(2,871)**
Reconciliation to consolidated loss before tax:			
IAS 16 Property, plant & equipment			61
IAS 19 Employee benefits			261
Consolidated loss before tax			**(2,549)**
Taxation			770
Consolidated loss after tax			**(1,779)**

	UK & Europe 31 May 2016 £000	North America & Australia 31 May 2016 £000	Eliminations 31 May 2016 £000	Consolidated 31 May 2016 £000
Segment assets:				
Property, plant and equipment	694	4,570	-	5,264
Intangible assets	10,608	5,373	-	15,981
Working capital assets	6,324	10,360	(954)	15,730
Segment total assets	**17,626**	**20,303**	**(954)**	**36,975**
Unallocated head office assets and eliminations				11,227
				48,202
Reconciling items from internal reporting to consolidated total assets				5,396
Consolidated total assets				**53,598**
Segment liabilities:				
Working capital liabilities	6,344	6,358	(1,769)	10,933
Unallocated head office liabilities and eliminations				15,116
Reconciling items from internal reporting to consolidated total liabilities				3,314
Consolidated total liabilities				**29,363**

4. Exceptional items

	6 months to 30 Nov 2016	6 months to 30 Nov 2015	Year ended 31 May 2016
	£000	£000	£000
Exceptional costs included in cost of sales :			
- Restructuring costs	-	-	1,716
Exceptional costs included in selling and distribution expenses :			
- Restructuring costs	-	-	1,563
Exceptional costs included in administrative expenses :			
- Restructuring costs	-	-	1,143
	-	**-**	**4,422**

Exceptional items are those significant items which warrant separate disclosure by virtue of their scale and nature to enable a full understanding of the Groups 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 2017. The charge for taxation for the six months to 30 November 2016 of £167,000 (30 November 2015: £103,000 / 31 May 2016 a credit of £770,000) reflects the lower mix of US profits and trading losses in the UK business. 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.

6. Earnings per share

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

	6 months to 30 Nov 2016 £000	6 months to 30 Nov 2015 £000	Before exceptional items Year ended 31 May 2016 £000	After exceptional items Year ended 31 May 2016 £000
Earnings :				
Profit/(loss) after tax attributable to equity holders of the Company – continuing operations	324	184	1,150	(1,779)
	No.	No.	No.	No.
Number of shares :				
Weighted average number of shares [a]	15,111,540	15,111,540	15,111,540	15,111,540
Basic earnings/(loss) per share (pence)	2.1	1.2	7.6	(11.8)

[a] During the period the Company held 1,240,000 of its ordinary shares in treasury.

As at 30 November 2016, 31 May 2016 and 30 November 2015 there were no outstanding options on either of the Company's two classes of shares and there is no difference between the earnings used in the basic and diluted earnings per share calculation.

7. Dividends

	6 months to 30 Nov 2016 £000	6 months to 30 Nov 2015 £000	Year ended 31 May 2016 £000
Amounts recognised as distributions to equity holders :			
Final dividend of 4.0p per share (2015: 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 (2015: 3.5p) amounting to £528,904 (2015: £528,904) on 12 April 2017 to shareholders on the register at the close of business on 17 March 2017. Accordingly, this dividend is not recognised in the interim accounts.

8. Analysis of the changes in net funds

	As at 1 June 2016	Cashflow	Exchange movements	As at 30 Nov 2016
	£000	£000	£000	£000
Cash at bank and in hand	2,548	588	402	3,538
Bank overdrafts	(2,008)	(907)	-	(2,915)
	540	**(319)**	**402**	**623**

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 2016. This valuation has been updated by the Scheme's actuaries on an approximate basis for the six month period ending 30 November 2016.

The movements in the retirement benefit obligation were as follows:

	6 months to 30 Nov 2016	6 months to 30 Nov 2015	Year ended 31 May 2016
	£000	£000	£000
Retirement benefit obligation at beginning of period	(15,101)	(14,348)	(14,348)
Movement in the period :			
- Total expenses charged in the income statement	(600)	(604)	(1,662)
- Contributions paid	520	806	1,645
- Actuarial (losses)/gains taken directly to reserves	(5,697)	789	(691)
- Foreign currency exchange rates	(171)	(23)	(45)
Retirement benefit obligation at end of period	**(21,049)**	**(13,380)**	**(15,101)**

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 2016	30 Nov 2015	31 May 2016	30 Nov 2016	30 Nov 2015	31 May 2016
US dollar	1.25	1.50	1.45	1.29	1.54	1.49
Euro	1.18	1.42	1.31	1.17	1.40	1.35
Australian dollar	1.69	2.08	2.01	1.71	2.12	2.04

11. Property, plant and equipment

	Total
	£000
Net book value at 1 June 2015	9,027
Exchange rate movements	5
Additions	164
Disposals	(14)
Depreciation	(349)
Net book value at 30 November 2015	**8,833**

	£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**

The Group had no capital expenditure which had been contracted but had not been provided for as at 30 November 2016 (2015: £nil).

12. Intangible assets

	Total
	£000
Carrying value at 1 June 2015	20,165
Exchange rate movements	(164)
Additions	2,880
Amortisation	(2,416)
Carrying value at 30 November 2015	**20,465**
	£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**

13. Post balance sheet event

On 14 December 2016, the Haynes Group acquired 100% of the issued share capital of OATS Limited ("OATS"), a company located in Swindon, UK. The consideration was £2.4 million, with £1.85 million payable on completion and £0.55 million of additional liabilities assumed as part of the transaction. OATS have developed a world leading comprehensive equipment and lubricants database that supports customers from across the lubricants marketing and supply chain, ranging from original equipment manufacturers, oil companies and lubricant distributors to end-users such as workshops, motor parts resellers and garages.

Due to the proximity of the acquisition to the date the interim financial statements were authorised for issue by the Board, it has not been possible to provide a qualitative description of the factors which make up goodwill or the fair value for each major class of assets acquired and liabilities assumed at the date of acquisition. Full disclosure of the items required under IFRS 3 will be included in the 2017 Annual Report.

14. Related party transactions

During the six months to 30 November 2016 there were no material related party transactions or material changes to the arrangements with related parties, as reported in the Annual Report 2016.

15. Principal risks and uncertainties

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

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

The Board considers that the above, along with the principal risks and uncertainties which were discussed at more length in the Annual Report 2016 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 20)
- The processes adopted by the Board to identify and monitor risk (page 33)
- The Group's principal financial risks and uncertainties (pages 80 – 82)

A copy of the Annual Report 2016 can be found on the Group's corporate website www.haynes.com/investor.

16. Other information

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

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