# HAYNES PUBLISHING GROUP P.L.C.

## Interim Report and Accounts

for the 6 months ended 30 November 2018

## Contents

# Haynes Publishing Group P.L.C.

*Interim Report and Accounts for the 6 months ended 30 November 2018*

## BUSINESS AND FINANCIAL HIGHLIGHTS

| | Adjusted 26 weeks to 30 Nov 2018 | Restated[1] Adjusted 26 weeks to 30 Nov 2017 | Change YoY (Year-on-Year) | Statutory[6] 26 weeks to 30 Nov 2018 |
|---|---|---|---|---|
| Group revenue[1] | £18.3m | £17.1m | +7% | £18.3m |
| EBITDA[2] | £6.3m | £5.5m | +15% | £6.3m |
| Group operating profit[2] | £1.9m | £1.6m | +19% | £0.5m |
| Group profit before tax[2] | £1.6m | £1.3m | +23% | £0.2m |
| Basic earnings per share[2] | 8.2p | 6.2p | +32% | 0.3p |
| Interim dividend | 3.5p | 3.5p | - | 3.5p |
| Operating cash flow before tax[3] | £5.7m | £6.2m | (8%) | £5.7m |
| Net cash/(debt)[4,5] | £2.6m | (£0.3m) | +£2.9m | £2.6m |

- Headline revenue growth up 7% on last year at £18.3 million (2017: £17.1 million as restated).
- YoY digital revenue up 23% at £9.7 million (2017: £7.9 million as restated) representing 53% of overall Group revenue (2017: 46%).
- Higher revenues have driven adjusted EBITDA up 15% to £6.3 million (2017: £5.5 million as restated).
- UK & European revenue up 15% YoY; segmental operating profit up 32% at £2.5 million (2017: £1.9 million as restated).
- Like-for-like North America & Australian revenue down 4% YoY; segmental operating profit held at £0.4 million (2017: £0.4 million).
- £4.4 million investment in new content, datasets and delivery platforms, up 7% (2017: £4.1 million).
- UK defined benefit scheme closed to future accrual on 30 November 2018.

### Notes to the financial highlights

1 Prior year comparatives have been restated as the Group has adopted IFRS 15 'Revenue from Contracts with Customers'. The impact of the restatement has been to increase prior year reported revenue and profit before tax by £0.2 million. Note 1 of this interim report contains full details of the restatement.
2 Adjusted to exclude £1.5 million of adjusting items (2017: £0.2 million) which primarily relates to equalising Guaranteed Minimum Pensions (GMP's) in the UK defined benefit scheme. Note 4 of this interim report contains full details of the adjusting items.
3 Operating cash flows down 8% at £5.7 million (2017: £6.2 million) due to timing of previously reported one-off cash outflows including restructuring in the North American and Australian businesses.
4 Net cash defined as cash at bank net of overdrafts and loans.
5 The Company has 1.2 million ordinary shares held in treasury.
6 The Statutory figures for the 26 weeks to 30 November 2017 are included within the Consolidated Income Statement.

## INTERIM STATEMENT

### Business overview

Over the last three years the Group has evolved significantly. As a global team, we are working together to use our unique content and industry data, in combination with our specialist automotive technological knowhow and IT skills, to supply our customers with accurate, reliable and innovative solutions. The recent financial success achieved by the Group is a reflection of our employees' dedication to this clear objective, and I thank everyone in the Group for their contribution.

During the last six months the Group has invested £4.4 million (2017: £4.1 million) which has been capitalised to expand our global content, datasets and delivery platforms. This investment is funded using cash generated from the Group's operating activities, and management believes that our ongoing investment programme is sustainable.

This investment is facilitating the growth in the services and solutions Haynes provides to its customers, and increasing the proportion of revenue we derive from our digital product ranges. In the six months to November 2018 the proportion of revenue we derive from our digital channels, much of which is contractual and recurring, has increased to 53% (£9.7 million), an increase on the 46% (2017: £7.9 million as restated) we reported this time last year.

### Operational review

*UK & Europe*

Segmental revenue from the UK and European operations ended the six-month period up 15% at £12.9 million (2017: £11.2 million as restated). The increase has been driven by the continued growth in the Group's professional operations. HaynesPro revenue was up 28%, which included an additional four months' revenue from the E3 Technical business acquired on 30 September 2017. Excluding this incremental revenue, like-for-like HaynesPro revenue was up 10%.

A key focus has been to develop and harness the synergies and multi-layered solution opportunities within our European businesses. Product innovation linked to our accurate and comprehensive data sets has been a key factor in serving our customers. We're looking to complement this growth through geographical expansion. During the period HaynesPro also launched a beta version of their highly successful European WorkshopData module for the Australian market.

OATS, our global lubricants business, has delivered revenues in line with the prior period, as it continues to expand its international datasets to support our customers. Towards the end of the period we welcomed a new Managing Director, Mike Skypala, to the OATS business. Mike will play a key role in helping the executive management team deliver on the potential that resides in this important part of the Group.

A strong performance from our automotive titles lifted revenue by 4% in the UK consumer business. This was, however, offset by lower revenue from our practical lifestyle titles which resulted in overall revenue ending the six-month period 2% down on the prior year. Although presently relatively small in value, the revenue from our UK consumer digital products has again delivered strong growth, up 104% over the same period last year.

The higher segmental revenue helped increase UK and European operating profit before interest by 32% to £2.5 million (2017: £1.9 million as restated).

*North America and Australia*

On a like-for-like basis revenue from our North America and Australia operations ended the six-month period down 4%. Following management's decision to exit from our low margin Australian print business, reported revenue from the segment was down 8% to £5.4 million (2017: £5.9 million).

Local US revenue ended the six-month period down 5%, primarily due to lower sales of our print manuals sold through bricks and mortar retailers.

In January 2019, we were delighted to appoint Harvey Wolff as the new Senior Vice President of Haynes North America. Harvey was the Vice President of Sales for Haynes North America until 2010 and has a strong sales and marketing background, with knowledge and experience in the North American automotive aftermarket and the oil service industry.

Our Australian team has been working closely with their European colleagues to bring to market the new Australian HaynesPro WorkshopData module. Local management have also successfully transitioned to a single brand of print manual which will help focus our sales and marketing activity on the Haynes brand.

Excluding the revenue from third party printing and distribution services, which were discontinued at the end of the first quarter, underlying like-for-like Australian revenue was up 4%. The removal of low margin print and distribution services in Australia resulted in local currency revenue ending the period 26% down on the prior year.

The impact of the lower segmental revenue was offset by ongoing savings in the cost base of the North American operation and a refocusing on core activities in our Australian business, which left overall segmental operating profit before interest in line with the previous year at £0.4 million (2017: £0.4 million).

**Interim dividend**

The Board is declaring an unchanged interim dividend of 3.5 pence per share. The interim dividend will be paid on 17 April 2019 to shareholders on the register at the close of business on 22 March 2019 (with an ex-dividend date of 21 March 2019).

**Future outlook**

As the proportion of digital revenue the Group derives from its contracted professional channels increases, the seasonality within the business, which has traditionally led to a higher mix of second half revenue and profitability, is reduced. At this time, the Board is confident that the Group is trading in line with market expectations for the full year.

The Group has a clear vision and business strategy to become a leading global automotive data, content and solutions provider, driven by our growing dynamic and innovative employee base around the world.

The Haynes business model is based on our passion and dedication to providing innovative automotive content and data solutions to our customers. The platforms which disseminate our content help to ensure we remain a trusted supplier to our commercial customers, and an independent and reliable source of information to motorists. The Group is free of debt, with strong cash generation allowing us to grow the business through ongoing internal product development, geographical expansion and where the opportunity arises, strategic acquisition.

**J Haynes**
Chief Executive Officer
23 January 2019

## FINANCIAL REVIEW

**Overall Group revenue** ended the six-month period to 30 November 2018 up 7% against the prior year at £18.3 million (2017: £17.1 million as restated) through a combination of underlying organic growth and incremental revenue from acquisitions. The impact of foreign exchange during the period was negligible as the average Euro rate ended the period in line with last year at €1.12 whilst a slight weakening in Sterling against the US Dollar left the average exchange rate at $1.30 (2017: $1.32). Like-for-like, excluding incremental revenue from acquisitions, the discontinued Australian third-party print services and currency exchange, overall Group revenue increased by 2%.

**Overall Group gross profit** increased by 6% to £10.9 million (2017: 10.3 million as restated). The Group's gross margin decreased by 0.9 percentage points to 59.7% (60.6% as restated), due to the mix of sales and a higher amortisation charge as the Group continues to invest in new content, data and delivery platforms. At 59.7% the margin was slightly ahead of the last full year margin (31 May 2018: 59.5%).

**Group overheads** increased by 3% during the period to £9.0 million (2017: £8.7 million). Excluding the additional four months of E3 Technical and currency movements, like-for-like overheads were tracking 1% down on the previous period.

**Adjusting items** include £1.2 million relating to our UK pension scheme actuaries best estimate of the impact of guaranteed minimum pension ("GMP") equalisation. On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that Schemes should equalise pension benefits for men and women in relation to GMP. The judgement has implications for many defined benefit schemes, including our UK scheme. At this time, having taken advice from our actuary, the Directors feel an expense of £1.2 million best reflects the estimate of the impact of this ruling on our reported UK pension liabilities. Adjusting items also include £0.3 million of acquired amortisation.

**Adjusted Group operating profit before tax** was up 19% to £1.9 million (2017: £1.6 million as restated) boosted by the higher Group revenue. Reported Group operating profit was £0.5 million (2017: £1.5 million as restated).

**Net finance costs** ended the period in line with the prior year at £0.3 million (2017: £0.3 million).

**Adjusted Group profit before tax** ended the period up 23% at £1.6 million (2017: £1.3 million as restated). Reported Group profit before tax was £0.2 million (2017: £1.1 million as restated).

**The Group's effective tax rate** for the period was 25% (2017: 29% as restated) with the reduction primarily due to the reduction in the headline rate of US federal tax enacted in December 2017.

**Adjusted earnings per share** increased to 8.2 pence (2017: 6.2 pence as restated) reflecting a combination of the underlying profit growth and reduction in the Group's effective tax rate. Reported earnings per share were 0.3 pence (2017: 5.3 pence as restated).

## Balance sheet and cash flow

**Expenditure on product development** increased during the six months to 30 November 2018 as the Group invested £4.4 million in new content, platforms and services for its professional and consumer product ranges (2017: £4.1 million) and £0.2 million on tangible fixed assets (2017: £0.4 million).

**The net IAS 19 pensions deficit** on the Group's two defined benefit retirement schemes as at 30 November 2018 was 3% higher at £19.3 million (31 May 2018: £18.7 million) largely due to the inclusion of the estimated impact for equalising GMP in the UK scheme. Partially offsetting the impact of GMP equalisation was a reduction in the scheme liabilities driven by a higher UK discount rate assumption. The combined assets of the schemes were £33.3 million (31 May 2018: £34.1 million) and the combined scheme liabilities were £52.6 million (31 May 2018: £52.8 million).

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

**Net cash generated from operations before tax** decreased during the six-month period to £5.7 million (2017: £6.2 million) notwithstanding EBITDA ending the period up 15% at £6.3 million (2017: £5.5 million as restated). This was primarily due to the net cash outflows of non-recurring adjusting items reported in prior periods.

**The Group's net cash** position on 30 November 2018 was £2.6 million (31 May 2018: £2.5 million). The Group still holds 1.2 million shares in treasury.

## RESPONSIBILITY STATEMENT

Pages 28 and 29 of the Annual Report 2018 provide details of the serving Executive and Non-Executive Directors. A statement of the Directors' responsibilities is contained on page 49 of the Annual Report 2018. A copy of the Annual Report 2018 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 (refer to note 15).

- 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.

By order of the Board

**Richard Barker**
Group Finance Director
23 January 2019

## 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 Report and Accounts of Haynes Publishing Group P.L.C. for the 6 month period ended 30 November 2018. 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 2018;
- 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 Report and Accounts 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 Report and Accounts, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report and Accounts 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 Report and Accounts 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.

### 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 Report and Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants
Bristol

23 January 2019

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.

## INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 NOVEMBER 2018

## Consolidated Income Statement

| | *Unaudited* 6 months to 30 Nov 2018 | | | *Unaudited* 6 months to 30 Nov 2017 | | |
|---|---|---|---|---|---|---|
| **Continuing operations** | Adjusted £000 | Adjusting items (note 4) £000 | Statutory £000 | Restated[1] Adjusted £000 | Adjusting items (note 4) £000 | Restated[1] Statutory £000 |
| **Revenue** (note 2) | **18,270** | **-** | **18,270** | **17,064** | **-** | **17,064** |
| Cost of sales | (7,367) | - | (7,367) | (6,725) | - | (6,725) |
| **Gross profit** | **10,903** | **-** | **10,903** | **10,339** | **-** | **10,339** |
| Other income | 23 | - | 23 | 5 | - | 5 |
| Distribution costs | (4,253) | - | (4,253) | (4,292) | - | (4,292) |
| Administrative expenses | (4,733) | (1,459) | (6,192) | (4,417) | (171) | (4,588) |
| **Operating profit/(loss)** | **1,940** | **(1,459)** | **481** | **1,635** | **(171)** | **1,464** |
| Finance income | 2 | - | 2 | 3 | - | 3 |
| Finance costs | (26) | - | (26) | (49) | - | (49) |
| Other finance costs – retirement benefits | (269) | - | (269) | (270) | - | (270) |
| **Profit/(loss) before taxation** | **1,647** | **(1,459)** | **188** | **1,319** | **(171)** | **1,148** |
| Taxation (note 5) | (412) | 263 | (149) | (380) | 31 | (349) |
| **Profit/(loss) for the period** | **1,235** | **(1,196)** | **39** | **939** | **(140)** | **799** |
| **Earnings per 20p share -** (note 6) | Pence | | Pence | Pence | | Pence |
| From continuing operations | | | | | | |
| - Basic | 8.2 | | 0.3 | 6.2 | | 5.3 |
| - Diluted | 8.0 | | 0.3 | 6.1 | | 5.2 |

[1]See Note 1 – Restatement of prior years

## Consolidated Statement of Comprehensive Income

| | *Unaudited* 6 months to 30 Nov 2018 £000 | *Unaudited* Restated[1] 6 months to 30 Nov 2017 £000 |
|---|---|---|
| **Profit for the period** | **39** | **799** |
| **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 | 777 | 1,644 |
| - US Scheme | (89) | (1,002) |
| Deferred tax on retirement benefit obligation | | |
| - UK Scheme | (133) | (279) |
| - US Scheme | 20 | 400 |
| | 575 | 763 |
| ***Items that will or may be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | 525 | (652) |
| **Other comprehensive income** | **1,100** | **111** |
| **Total comprehensive income** | **1,139** | **910** |

[1]See Note 1 – Restatement of prior years

## Consolidated Balance Sheet

| | *Unaudited* | *Unaudited* | *Audited* |
|---|---|---|---|
| | | Restated[1] | Restated[1] |
| | 30 Nov 2018 | 30 Nov 2017 | 31 May 2018 |
| | £000 | £000 | £000 |
| **Non-current assets** | | | |
| Property, plant and equipment (note 11) | 1,439 | 4,023 | 1,525 |
| Intangible assets (note 12) | 33,489 | 32,806 | 33,244 |
| Deferred tax assets | 5,852 | 7,800 | 5,693 |
| **Total non-current assets** | **40,780** | **44,629** | **40,462** |
| | | | |
| **Current assets** | | | |
| Inventories | 2,729 | 3,511 | 3,084 |
| Trade and other receivables | 9,940 | 8,712 | 9,264 |
| Tax recoverable | 441 | - | 124 |
| Cash and cash equivalents | 5,089 | 4,260 | 4,809 |
| | **18,199** | **16,483** | **17,281** |
| Assets held for sale (note 13) | 2,195 | 1,416 | 2,195 |
| **Total current assets** | **20,394** | **17,899** | **19,476** |
| **Total assets** | **61,174** | **62,528** | **59,938** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | (9,539) | (8,604) | (9,813) |
| Borrowings | (2,490) | (4,570) | (2,276) |
| Provisions | (261) | (885) | (332) |
| **Total current liabilities** | **(12,290)** | **(14,059)** | **(12,421)** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | (3,388) | (3,570) | (3,233) |
| Retirement benefit obligation (note 9) | (19,266) | (23,118) | (18,712) |
| **Total non-current liabilities** | **(22,654)** | **(26,688)** | **(21,945)** |
| | | | |
| **Total liabilities** | **(34,944)** | **(40,747)** | **(34,366)** |
| | | | |
| **Net assets** | **26,230** | **21,781** | **25,572** |
| | | | |
| **Equity** | | | |
| Share capital | 3,270 | 3,270 | 3,270 |
| Share premium | 638 | 638 | 638 |
| Treasury shares | (2,425) | (2,447) | (2,447) |
| Retained earnings | 16,499 | 12,719 | 16,388 |
| Foreign currency translation reserve | 8,248 | 7,601 | 7,723 |
| **Total equity** | **26,230** | **21,781** | **25,572** |

[1]See Note 1 – Restatement of prior years

## 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 2018 | 3,270 | 638 | (2,447) | 7,723 | 15,803 | 24,987 |
| Impact of adoption of IFRS 15[1] | - | - | - | - | 585 | 585 |
| Balance at 1 June 2018 (restated[1]) | 3,270 | 638 | (2,447) | 7,723 | 16,388 | 25,572 |
| Profit for the period | - | - | - | - | 39 | 39 |
| *Other comprehensive income:* | | | | | | |
| Currency translation adjustments | - | - | - | 525 | - | 525 |
| Actuarial gains/(losses) on defined benefit plans (net of tax) | - | - | - | - | 575 | 575 |
| **Total other comprehensive income** | **-** | **-** | **-** | **525** | **575** | **1,100** |
| **Total comprehensive income** | **-** | **-** | **-** | **525** | **614** | **1,139** |
| Performance share plan | - | - | - | - | 102 | 102 |
| Sale of treasury shares | - | - | 22 | - | - | 22 |
| Dividends (note 7) | - | - | - | - | (605) | (605) |
| **Balance at 30 November 2018** | **3,270** | **638** | **(2,425)** | **8,248** | **16,499** | **26,230** |

| | Share capital £000 | Share premium £000 | Treasury shares £000 | Foreign currency translation reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| *Unaudited* | | | | | | |
| **Prior interim period :** | | | | | | |
| Balance at 1 June 2017 | 3,270 | 638 | (2,447) | 8,253 | 11,602 | 21,316 |
| Prior year restatement[1] | - | - | - | - | (584) | (584) |
| Impact of adoption of IFRS 15[1] | - | - | - | - | 585 | 585 |
| Balance at 1 June 2017 (restated[1]) | 3,270 | 638 | (2,447) | 8,253 | 11,603 | 21,317 |
| Profit for the period (restated[1]) | - | - | - | - | 799 | 799 |
| *Other comprehensive income:* | | | | | | |
| 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) (restated[1])** | **-** | **-** | **-** | **(652)** | **1,562** | **910** |
| Performance share plan | - | - | - | - | 158 | 158 |
| Dividends (note 7) | - | - | - | - | (604) | (604) |
| **Balance at 30 November 2017 (restated[1])** | **3,270** | **638** | **(2,447)** | **7,601** | **12,719** | **21,781** |

[1]See Note 1 – Restatement of prior years

## Consolidated Cash Flow Statement

| | Unaudited<br>6 months to<br>30 Nov 2018<br>£000 | Unaudited<br>Restated[1]<br>6 months to<br>30 Nov 2017<br>£000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit after tax | 39 | 799 |
| ***Adjusted for :*** | | |
| Income tax expense | 149 | 349 |
| Interest payable and similar charges | 26 | 49 |
| Interest receivable | (2) | (3) |
| Retirement benefit finance cost | 269 | 270 |
| **Operating profit** | **481** | **1,464** |
| Depreciation on property, plant and equipment | 238 | 258 |
| Amortisation of non-acquired intangible assets | 4,156 | 3,620 |
| Adjusting items (note 4) | 1,459 | 171 |
| **EBITDA before adjusting items** | **6,334** | **5,513** |
| Performance share plan | 102 | 158 |
| IAS 19 pensions current service cost net of contributions paid | (245) | (254) |
| Loss on disposal of property, plant and equipment | 35 | 2 |
| **Operating cashflows before working capital movements** | **6,226** | **5,419** |
| ***Changes in working capital :*** | | |
| Decrease in inventories | 446 | 338 |
| Increase in receivables | (551) | (231) |
| (Decrease)/increase in payables | (370) | 947 |
| Movement in provisions | (84) | (234) |
| **Net cash generated from operations** | **5,667** | **6,239** |
| Tax paid | (516) | (79) |
| **Net cash generated by operating activities** | **5,151** | **6,160** |
| **Investing activities** | | |
| Prior year acquisition – business combinations | - | (4,891) |
| Disposal proceeds on property, plant and equipment | 3 | - |
| Purchases of property, plant and equipment | (162) | (356) |
| Expenditure on development costs included in intangible assets | (4,362) | (4,100) |
| Interest received | 2 | 3 |
| **Net cash used in investing activities** | **(4,519)** | **(9,344)** |
| **Financing activities** | | |
| Dividends paid | (605) | (604) |
| Interest paid | (26) | (49) |
| Proceeds from sale of treasury shares | 22 | - |
| **Net cash used in financing activities** | **(609)** | **(653)** |
| **Net increase/(decrease) in cash and cash equivalents** | **23** | **(3,837)** |
| Cash and cash equivalents at beginning of period | 2,533 | 3,705 |
| Effect of foreign exchange rate changes | 43 | (178) |
| **Cash and cash equivalents at end of period (note 8)** | **2,599** | **(310)** |

[1]See Note 1 – Restatement of prior years

## Notes to the Interim Report and Accounts

### 1. Accounting policies - Basis of preparation

*a) General information*

The interim financial statements for the six months ended 30 November 2018 and 30 November 2017 and for the twelve months ended 31 May 2018 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 2018 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 2018 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. These 30 November 2018 statements were approved by the Board of Directors on 23 January 2019 and although not audited are subject to a review by the Group's auditors.

This 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 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 2018, with the exception of IFRS 15 (as detailed below), Guaranteed Minimum Pension (note 4) and changes in estimates that are required in determining the provision for income taxes due to tax rate changes in the territories that the Group operates.

These interim financial statements have been prepared on a 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.

**1. Accounting policies - Basis of preparation (continued)**

*c) New standards and interpretations adopted in the current period*

The interim financial statements have been prepared on a consistent basis with the accounting policies set out in the Annual Report 2018 and should be read in conjunction with that Annual Report except for the adjustments of new accounting standards as discussed below. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union and the Annual Report 2018 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 with the exception of the standards detailed below, 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 2019. As a result of adopting the standards below, the Group has changed its accounting policies and, where applicable, made retrospective adjustments.

- IFRS 15 Revenue from Contracts with Customers

This is the first set of reported results where the Group has adopted IFRS 15, "Revenue from Contracts with Customers", which establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue when (or as) performance obligations are satisfied and the control of goods and services is transferred.

During the first six months of the current year, the Directors completed the review outlined in the 2018 Annual Report and have adopted IFRS 15 from 1 June 2018, applying the full retrospective approach and restating the comparatives where necessary. Full details of the restatement are contained in section (e) below.

The review focussed on the timing of recognition of revenue from some contracts in the professional business where 'usage' of services was reported by customers to the Group either on a monthly or quarterly basis and until this point, the Group had no visibility of the revenue. Until the adoption of IFRS 15, the Group recognised this revenue in line with IAS 18 "Revenue" at the time it could be reliably measured i.e. when it was reported to the Group. Under IFRS 15, the revenue from these particular contracts has been estimated and brought forward to be in line with when performance conditions are provided to customers and when they are deemed to have 'control' which under the standard is when they use the Group's Intellectual Property under contract for their benefit. The Group has updated its revenue recognition policy on revenue from the sale of digital data through subscriptions, software licences and development projects to reflect when licences are sold on the Group's behalf by third party distributors, revenue will be estimated over the period in which these sales occur.

Note 2 sets out the analysis of contracted revenues.

**1. Accounting policies - Basis of preparation (continued)**

*c) New standards and interpretations adopted in the current period (continued)*

- IFRS 9 Financial Instruments

The Group has adopted IFRS 9, "Financial Instruments", prospectively from 1 June 2018. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. There have been no significant changes to the classification and measurement of the Group's financial assets and liabilities as a result of IFRS 9.

IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under IAS 39. For trade and other receivables, the Group has applied the simplified approach under the standard and determined expected credit losses for the Group's receivables. The Directors consider the transitional movement in the impairment allowance as a result of adopting this policy as immaterial therefore there was no IFRS 9 impact on retained earnings at 1 June 2018.

*d) New standards and interpretations not adopted with an effective date after the period*

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 2019 and which have not been adopted early, including the following:

- IFRS 16 Leases (with an effective date of 1 January 2019)

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

As at 31 May 2018, the Group had total non-cancellable lease commitments of £2,448,000. An initial assessment indicates that these arrangements meet the definition of a lease under IFRS 16 and hence the Group will recognise a right of use asset and lease liability unless they meet the definitions of short-term or low value leases. Management therefore considers that the adoption of IFRS 16 will have an impact on the Consolidated Financial Statements but their assessment of which transition option to adopt is still ongoing.

**1. Accounting policies - Basis of preparation (continued)**

*e) Restatement of prior years*

*IFRS 15* - As explained in section (c) above, the Group has transitioned to IFRS 15 applying the full retrospective approach which requires the restatement of previous periods, so that prior period revenue is reported in line with the current period. The impact of this restatement in the period to 30 November 2017 has been to increase revenue by in the UK and European segment by £183,000 and also the tax charge by £40,000 in the Consolidated Income Statement. The impact on the Consolidated Balance Sheet as at 30 November 2017 has been to increase trade receivables by £963,000, increase deferred tax liabilities by £235,000 and increase equity reserves by £585,000 which has also been adjusted in the Consolidated Statement of Changes in Equity.

The impact of this restatement in the years ended 31 May 2018 and 31 May 2017 in the Consolidated Balance Sheet has been to increase trade receivables by £780,000, increase deferred tax liabilities by £195,000 and increase equity reserves by the corresponding £585,000 which has also been adjusted in the Consolidated Statement of Changes in Equity. There is no impact on the Consolidated Income Statement.

*US Pension Plan* - In the financial statements for the year ended 31 May 2018, the methodology for calculating the discount rate on the US defined benefit pension plan was amended to use an appropriate yield curve basis as prescribed under IAS 19. The impact of this change has been to increase the US retirement benefit obligation by £754,000 in the 31 May 2017 Consolidated Balance Sheet. Accordingly, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and affected notes have been restated. The impact of this restatement on 31 May 2017 Consolidated Balance Sheet has been to increase the US defined benefit pension plan liability by £754,000 and to increase deferred tax assets by £170,000 with the net effect of £584,000 decreasing equity reserves in the Consolidated Statement of Changes in Equity.

## 2. Revenue

| | 6 months to 30 Nov 2018 £000 | Restated[1] 6 months to 30 Nov 2017 £000 |
|---|---|---|
| **Revenue by geographical destination on continuing operations :** | | |
| United Kingdom | 5,626 | 4,337 |
| Rest of Europe | 6,589 | 6,389 |
| United States of America | 5,200 | 5,201 |
| Australasia | 616 | 870 |
| Rest of World | 239 | 267 |
| **Total consolidated revenue *** | **18,270** | **17,064** |
| | | |
| *** Analysed as follows :** | | |
| Revenue from sales of digital data | 9,726 | 7,925 |
| Revenue from royalty and licensing arrangements | 200 | 233 |
| Total contracted revenue | 9,926 | 8,158 |
| Revenue from sales of printed products | 8,344 | 8,906 |
| | **18,270** | **17,064** |

[1]See Note 1 – Restatement of prior years

**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 UK, Netherlands, Italy, Spain, Romania and Germany. Its core business is the publication and supply of automotive repair and technical information to the DIY and professional automotive aftermarkets in both a print and digital format. Through OATS, the UK and European business also supplies lubricants data to European and global oil companies.

The North American and Australian business with headquarters near Los Angeles, California publishes DIY repair manuals for cars and motorcycles in both a print and digital format. The business publishes titles under the Haynes, Chilton and Clymer brands, in both English and Spanish. On 1 June 2017, the Australian branch operation based in Sydney, incorporated as a separate legal entity (Haynes Australia Pty Limited) and became a 100% subsidiary of Haynes Publishing Group P.L.C. The Australian company publishes print manuals under both the Haynes and Gregory's brands.

The two operating segments above 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 upon 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 estimate of contracted revenue included under IFRS 15 "Revenue from Contracts with Customers" relating to the period is included in the appropriate segment. No estimate is included in the internal reports reviewed by the chief operating decision maker.
- The unallocated head office assets primarily relate to freehold property, intangible assets, 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 2018 | North America & Australia 6 months to 30 Nov 2018 | Consolidated 6 months to 30 Nov 2018 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Segmental revenue** | | | |
| Total segmental revenue | 13,007 | 5,511 | 18,518 |
| Inter-segment revenue | (122) | (126) | (248) |
| **Total external revenue** | **12,885** | **5,385** | **18,270** |
| **Segment result** | | | |
| Segment operating profit before adjusting items and interest | 2,460 | 412 | 2,872 |
| Adjusting items | (177) | - | (177) |
| Interest receivable | 1 | - | 1 |
| Interest payable | (13) | - | (13) |
| **Segment profit after adjusting items and interest** | **2,271** | **412** | **2,683** |
| Unallocated head office income less expenses (including adjusting items of £1,282,000) | | | (2,495) |
| **Consolidated profit before tax** | | | **188** |
| Taxation | | | (149) |
| **Consolidated profit after tax** | | | **39** |

| | UK & Europe 30 Nov 2018 | North America & Australia 30 Nov 2018 | Eliminations 30 Nov 2018 | Consolidated 30 Nov 2018 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Segment assets:*** | | | | |
| Property, plant and equipment | 962 | 475 | - | 1,437 |
| Intangible assets | 20,197 | 5,125 | - | 25,322 |
| Working capital assets | 10,734 | 7,631 | (363) | 18,002 |
| **Segment total assets** | **31,893** | **13,231** | **(363)** | **44,761** |
| Unallocated head office assets and eliminations | | | | 16,413 |
| **Consolidated total assets** | | | | **61,174** |
| ***Segment liabilities:*** | | | | |
| Segment working capital liabilities | 12,835 | 3,741 | (5,764) | 10,812 |
| Unallocated head office liabilities and eliminations | | | | 24,132 |
| **Consolidated total liabilities** | | | | **34,944** |

## 3. Segmental analysis (continued)

| ***Revenue and results:*** | Restated[1] UK & Europe 6 months to 30 Nov 2017 £000 | North America & Australia 6 months to 30 Nov 2017 £000 | Restated[1] Consolidated 6 months to 30 Nov 2017 £000 |
|---|---|---|---|
| **Segmental revenue** | | | |
| Total segmental revenue | 11,291 | 5,965 | 17,256 |
| Inter-segment revenue | (92) | (100) | (192) |
| **Total external revenue** | **11,199** | **5,865** | **17,064** |
| **Segment result** | | | |
| Segment operating profit before interest | 1,892 | 422 | 2,314 |
| Interest receivable | 2 | 1 | 3 |
| Interest payable | (38) | - | (38) |
| **Segment profit after interest** | **1,856** | **423** | **2,279** |
| Unallocated head office income less expenses (including adjusting items of £171,000) | | | (1,131) |
| **Consolidated profit before tax** | | | **1,148** |
| Taxation | | | (349) |
| **Consolidated profit after tax** | | | **799** |

| | Restated[1] UK & Europe 30 Nov 2017 £000 | Restated[1] North America & Australia 30 Nov 2017 £000 | Eliminations 30 Nov 2017 £000 | Restated[1] 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 | 8,905 | 9,112 | (149) | 17,868 |
| **Segment total assets** | **28,990** | **14,857** | **(149)** | **43,698** |
| Unallocated head office assets and eliminations | | | | 18,830 |
| **Consolidated total assets** | | | | **62,528** |
| ***Segment liabilities:*** | | | | |
| Segment working capital liabilities | 8,327 | 5,156 | (500) | 12,983 |
| Unallocated head office liabilities and eliminations | | | | 27,764 |
| **Consolidated total liabilities** | | | | **40,747** |

[1]See Note 1 – Restatement of prior years

## 3. Segmental analysis (continued)

| *Revenue and results:* | UK & Europe Year ended 31 May 2018 £000 | North America & Australia Year ended 31 May 2018 £000 | Consolidated Year ended 31 May 2018 £000 |
|---|---|---|---|
| **Segmental revenue** | | | |
| Total segmental revenue | 22,873 | 11,358 | 34,231 |
| Inter-segment revenue | (176) | (267) | (443) |
| **Total external revenue** | **22,697** | **11,091** | **33,788** |
| **Segment result** | | | |
| Underlying segment operating profit before adjusting items and interest | 4,805 | 399 | 5,204 |
| Adjusting items | (368) | 1,963 | 1,595 |
| Interest receivable | 9 | 1 | 10 |
| Interest payable | (46) | - | (46) |
| **Segment profit after adjusting items and interest** | **4,400** | **2,363** | **6,763** |
| Unallocated head office income less expenses (including adjusting items of £935,000) | | | (3,201) |
| **Consolidated profit before tax** | | | **3,562** |
| Taxation | | | (2,068) |
| **Consolidated profit after tax** | | | **1,494** |

| | Restated[1] UK & Europe 31 May 2018 £000 | North America & Australia 31 May 2018 £000 | Eliminations 31 May 2018 £000 | Restated[1] Consolidated 31 May 2018 £000 |
|---|---|---|---|---|
| ***Segment assets:*** | | | | |
| Property, plant and equipment | 926 | 595 | - | 1,521 |
| Intangible assets | 21,390 | 5,153 | - | 26,543 |
| Working capital assets | 10,638 | 7,488 | (529) | 17,597 |
| **Segment total assets** | **32,954** | **13,236** | **(529)** | **45,661** |
| Unallocated head office assets and eliminations | | | | 14,277 |
| **Consolidated total assets** | | | | **59,938** |
| ***Segment liabilities:*** | | | | |
| Segment working capital liabilities | 15,675 | 5,265 | (7,325) | 13,615 |
| Unallocated head office liabilities and eliminations | | | | 20,751 |
| **Consolidated total liabilities** | | | | **34,366** |

[1]See Note 1 – Restatement of prior years

### 4. Adjusting items

| | 6 months to 30 Nov 2018 £000 | 6 months to 30 Nov 2017 £000 |
|---|---|---|
| Adjusting items included in administrative expenses : | | |
| - Acquisition expenses | - | 171 |
| - Acquired intangible amortisation charge | 299 | - |
| - Equalisation of Guaranteed Minimum Pension (GMP) benefits | 1,160 | - |
| | **1,459** | **171** |

Adjusting 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.

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. The judgement was made one month prior to the Group's balance sheet date of 30 November 2018 and accordingly, the Directors have had limited time to consider the full implications of the judgement. The Company and the Scheme Trustees are yet to decide which approach they will use to equalise GMP as a range of options are available. While the financial statements reflect the current best estimate of the impact on pension liabilities, that estimate reflects a number of assumptions and the information currently available. The current best estimate reflects an increase in liabilities of 2.7% and the Directors have been advised the final impact could be in the potential range of 2.0% - 3.3% of liabilities.

### 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 2019. 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:-

| | Adjusted 6 months to 30 Nov 2018 £000 | Statutory 6 months to 30 Nov 2018 £000 | Restated[1] Adjusted 6 months to 30 Nov 2017 £000 | Restated[1] Statutory 6 months to 30 Nov 2017 £000 |
|---|---|---|---|---|
| **Earnings :** | | | | |
| Profit after tax attributable to equity holders of the Company – continuing operations | 1,235 | 39 | 939 | 799 |
| **Number of shares :** | No. | No. | No. | No. |
| Weighted average for basic earnings per share [a] | 15,116,684 | 15,116,684 | 15,111,540 | 15,111,540 |
| Adjusted weighted average for diluted earnings per share [a] | 15,427,351 | 15,427,351 | 15,272,540 | 15,272,540 |
| Basic earnings per share (pence) | 8.2 | 0.3 | 6.2 | 5.3 |
| Diluted earnings per share (pence) | 8.0 | 0.3 | 6.1 | 5.2 |

[a] At the beginning of the period, the Company held 1,240,000 (2017: 1,240,000) of its ordinary shares in treasury which are not included in the calculation. On 5 September 2018, the Company sold 10,946 ordinary shares held in treasury which have been weighted accordingly in the above calculation. The total number of ordinary shares held in treasury at 30 November 2018 was 1,229,054.

[1]See Note 1 – Restatement of prior years

As at 30 November 2018 and 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.

### 7. Dividends

| | 6 months to 30 Nov 2018 £000 | 6 months to 30 Nov 2017 £000 |
|---|---|---|
| **Amounts recognised as distributions to equity holders :** | | |
| Final dividend of 4.0p per share (2017: 4.0p) | 605 | 604 |
| | **605** | **604** |

The Directors have decided to pay an interim dividend of 3.5p per share (2017: 3.5p) amounting to £529,287 (2017: £528,904) on 17 April 2019 to shareholders on the register at the close of business on 22 March 2019. Accordingly, this dividend is not recognised in the interim accounts.

### 8. Analysis of the changes in cash and cash equivalents

| | As at 1 June 2018 £000 | Cashflow £000 | Exchange movements £000 | As at 30 Nov 2018 £000 |
|---|---|---|---|---|
| Cash at bank and in hand | 4,809 | 237 | 43 | 5,089 |
| Bank overdrafts | (2,276) | (214) | - | (2,490) |
| | **2,533** | **23** | **43** | **2,599** |

### 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 2018. This valuation has been updated by the scheme's actuaries on an approximate basis for the six month period ending 30 November 2018.

The movements in the retirement benefit obligation were as follows:

| | 6 months to 30 Nov 2018 £000 | Restated[1] 6 months to 30 Nov 2017 £000 |
|---|---|---|
| Retirement benefit obligation at beginning of period | (18,712) | (23,778) |
| Movement in the period : | | |
| - Total expenses charged in the income statement | (576) | (677) |
| - Equalisation of Guaranteed Minimum Pension benefits | (1,160) | - |
| - Contributions paid | 551 | 661 |
| - Actuarial gains taken directly to reserves | 688 | 642 |
| - Foreign currency exchange rates | (57) | 34 |
| **Retirement benefit obligation at end of period** | **(19,266)** | **(23,118)** |

[1]See Note 1 – Restatement of prior years

### 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 2018 | 30 Nov 2017 | 31 May 2018 | 30 Nov 2018 | 30 Nov 2017 | 31 May 2018 |
| US dollar | 1.28 | 1.35 | 1.33 | 1.30 | 1.32 | 1.35 |
| Euro | 1.13 | 1.13 | 1.14 | 1.12 | 1.12 | 1.13 |
| Australian dollar | 1.75 | 1.78 | 1.76 | 1.78 | 1.70 | 1.74 |

### 11. Property, plant and equipment

| | Total |
|---|---|
| | £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** |

| | £000 |
|---|---|
| Net book value at 1 June 2018 | 1,525 |
| Exchange rate movements | 27 |
| Additions | 162 |
| Disposals | (37) |
| Depreciation | (238) |
| **Net book value at 30 November 2018** | **1,439** |

The Group had no capital expenditure which had been contracted but had not been provided for as at 30 November 2018 (2017: £nil).

## 12. Intangible assets

| | Total |
|---|---|
| | £000 |
| Carrying value at 1 June 2017 | 27,696 |
| Exchange rate movements | (90) |
| Additions | 4,100 |
| Additions through business combinations | 4,720 |
| Amortisation | (3,620) |
| **Carrying value at 30 November 2017** | **32,806** |

| | £000 |
|---|---|
| Carrying value at 1 June 2018 | 33,244 |
| Exchange rate movements | 338 |
| Additions | 4,362 |
| Amortisation of acquired intangible assets | (299) |
| Amortisation of other intangible assets | (4,156) |
| **Carrying value at 30 November 2018** | **33,489** |

## 13. Asset held for sale

As at 31 May 2018, the freehold land and buildings in Sparkford, UK, were reclassified as an asset held for sale. The Directors have concluded that it is still appropriate to classify the freehold land and buildings property as an asset held for sale at 30 November 2018.

During the prior period to 30 November 2017, a freehold property in Nashville, US, was reclassified as an asset held for sale. At 30 November 2017, the property was under offer and was subsequently sold on 15 December 2017.

## 14. Related party transactions

During the six months to 30 November 2018 there were no material related party transactions or material changes to the arrangements with related parties as reported in the Annual Report 2018.

**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 :

- Both Brexit and the wider UK and Global economic outlook, 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 2018 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 (pages 22 - 23)
- The processes adopted by the Board to identify and monitor risk (page 35)
- The Group's principal financial risks and uncertainties (pages 83 – 84)

A copy of the Annual Report 2018 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.

**Haynes Publishing Group P.L.C.**

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