HAYNES PUBLISHING GROUP P.L.C.

Annual Report & Accounts 2018

ABOUT HAYNES

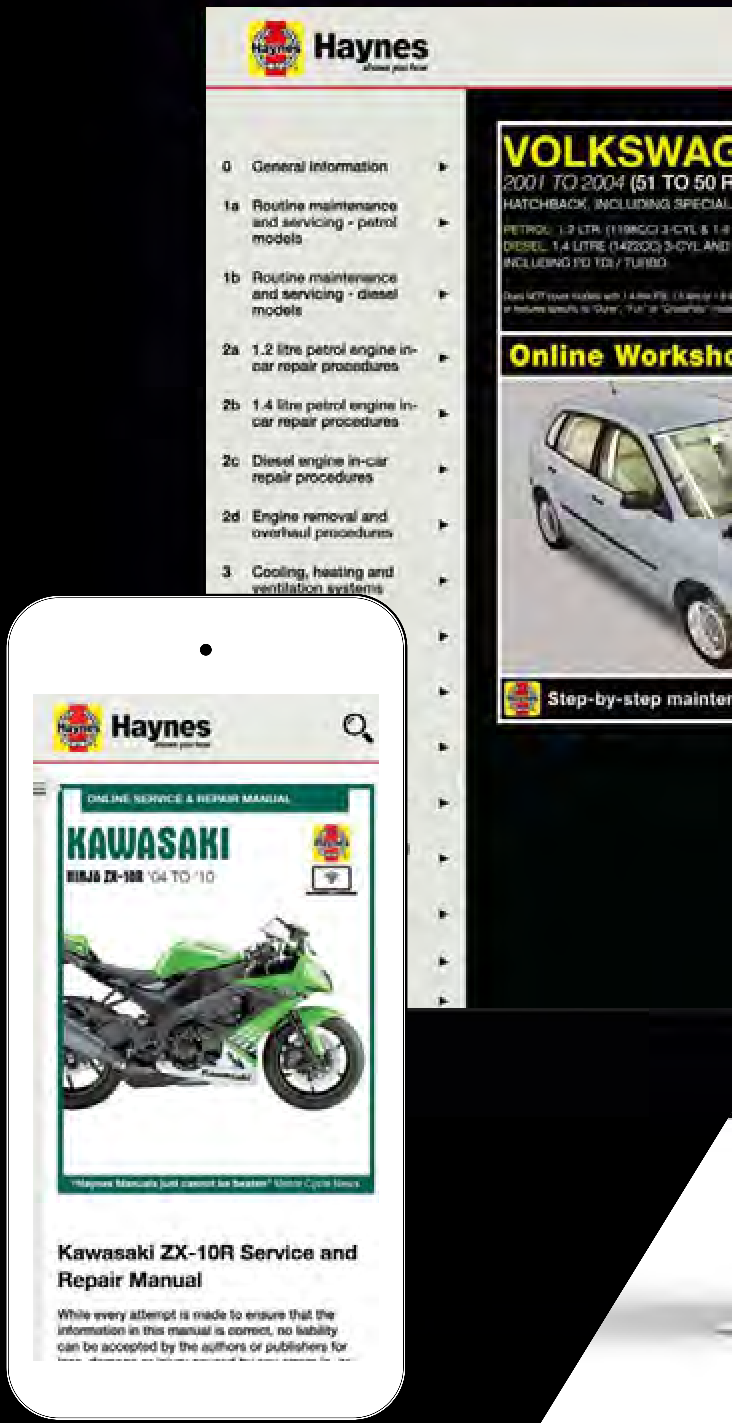
Haynes Publishing Group P.L.C. (“the Group”) creator and supplier of practical information and data solutions to motorists, enthusiasts and professional mechanics in print and digital formats.

Our consumer content is delivered via both print and digital channels throughout the world. Through our Haynes, Chilton and Clymer brands, the Group is the worldwide market leader in automotive and motorcycle repair manual sales.

HaynesPro is a leading supplier of technical information to the automotive aftermarket. Through the acquisition of the E3 Technical business, the Group has expanded its technical offering to include high quality Vehicle Registration Mark (VRM) look-up capability and a UK help desk facility. Content is delivered entirely digitally on a subscription basis to over 60,000 workstations in over 27 languages across Europe.

OATS have developed a world leading comprehensive equipment and lubricants database that supports customers from across the lubricants marketing and supply chain.

The Group also publishes an extensive range of practical and DIY titles covering a wide variety of subjects, as well as a range of light entertainment manuals styled on the iconic Haynes Manual.

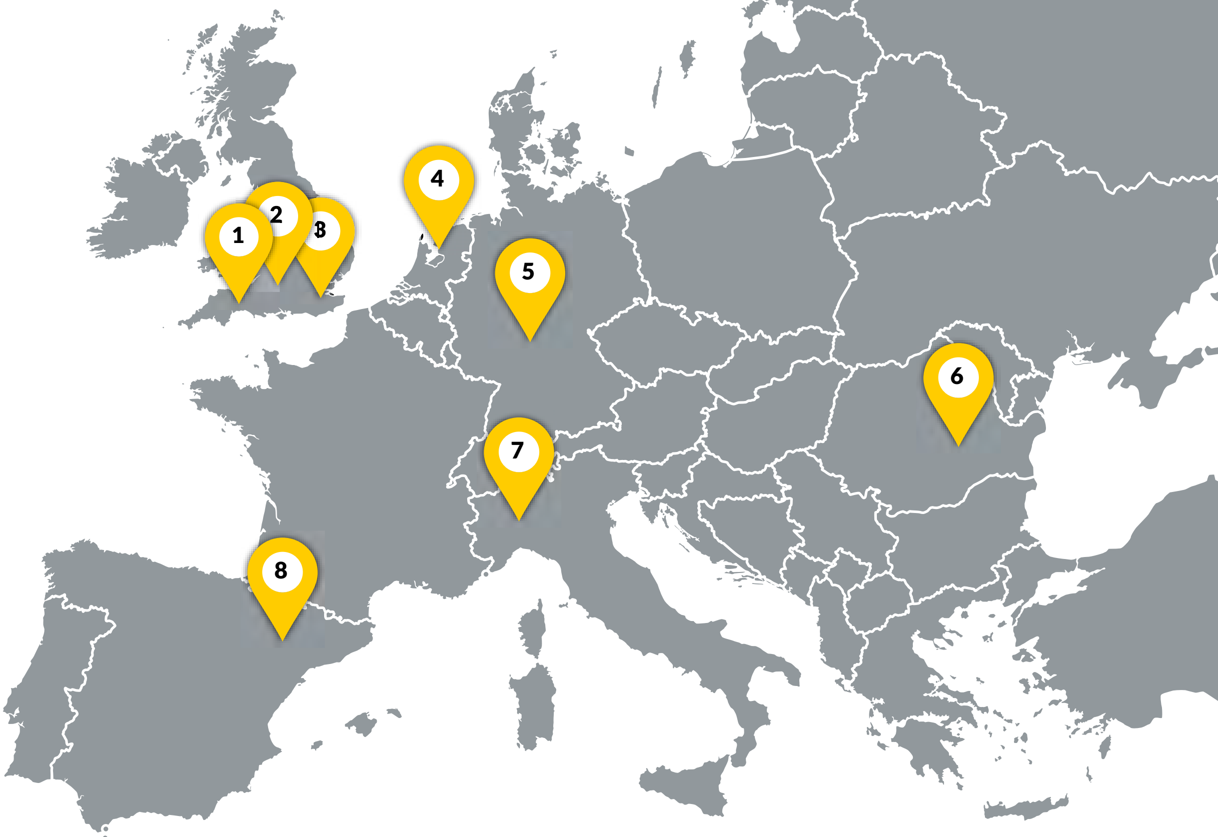


HaynesPro® OATS CHILTON CLYMER® MANUALS


Keyword search
VW Polo Owners Workshop Manual
While every attempt is made to ensure that the information in this manual is correct, no liability can be accepted by the authors or publishers for loss, damage or injury caused by any errors in, or omissions from, the information given.
Quick links to common DIY jobs
Weekly checks
Lubricants, fluids and tyre pressures
Engine oil and filter renewal - petrol models
Pollen filter element renewal
Air filter element renewal - petrol models
Spark plug renewal
Brake (and clutch) fluid renewal
Coolant renewal
Chevrolet Silverado
GMC Sierra
1500 Models - 2014 thru 2016
2500/3500 Models - 2015 and 2016
Gasoline engines Includes 2015 and 2016 Chevrolet Suburban and Tahoe, GMC Yukon, Yukon XL, and Cadillac Escalade
Haynes
24068

CONTENTS

WHERE WE OPERATE



1 CORPORATE HEADQUARTERS
HAYNES PUBLISHING GROUP P.L.C.
Sparkford, Yeovil,
Somerset
BA22 7JJ
England
T:+44 (0)1963 440635
W: www.haynes.com

2 OATS LTD
100 Delta Business Park
Great Western Way
Swindon
SN5 7XP
T: +44 (0) 1793 616138
E: sales@oats.co.uk
W: www.oats.co.uk

3 HAYNESPRO (UK) LTD
Whatman House
St Leonard's Road, Allington
Maidstone, Kent, ME16 0LS
T: +44 (0)333 320 8636
E: info@haynespro.com

4 HAYNESPRO B.V.
Flankement 6,
3831 SM Leusden
The Netherlands
Telephone: +31 (30) 603 6270
E: info@haynespro.com
W: www.haynespro.com

5 HAYNESPRO GMBH
Stammheimerstraße 10
Kornwestheim D-70806
Germany
E: info@haynespro.com

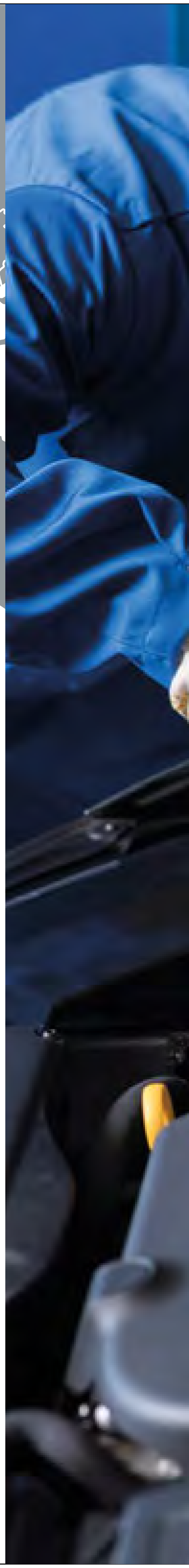
6 HAYNESPRO S.R.L.
str. Ritoride Nr.5
Sector 5, cod postal 050204
Bucuresti, Romania
E: info@haynespro.com

7 HAYNESPRO SRL
Strada Palera 97
Moncalieri
Torino
I-10024 Italy
E: info@haynespro.com

8 HAYNESPRO IBÉRICA
13, altillo 4a
E025006
Lleida
Spain
E: info@haynespro.com

9 HAYNES NORTH AMERICA INC
859 Lawrence Drive
Newbury Park
CA 91320
USA
T:+1 (805) 498-6703
E: sales@haynes.com
W: www.haynes.com

10 HAYNES AUSTRALIA PTY LTD.
Unit 8, 17 Willfox Street
Condell Park
NSW 2200
Australia
T: + 61 2 8713 1400
E: sales@haynes.com.au
W: www.haynes.com.au



BUSINESS HIGHLIGHTS

1

Acquisition of the E3 Technical business for **£4.7 million** expanding technical data offering to include high quality vehicle registration mark look-up and a UK help desk facility.

2

Development investment increased to **£8.4 million**, up 6% (2017: £7.9 million) in sourcing new global content, developing delivery platforms and commissioning and publishing new Haynes Manuals.

3

OATS secure first new global contract under Haynes Group ownership leveraging combined data offering with HaynesPro.

4

Diversification of Practical Lifestyle range through addition of 'Bluffers Guides'.

Bluffer's®

5

Investment in staff with introduction of new Long-Term Incentive Plan and Group wide employee bonus scheme

6

Re-structuring of Australian operation to focus on consumer manuals and professional automotive product lines.

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2018

REVENUE

£33.8m
+13%

2018	£33.8m
2017	£29.8m

ADJUSTED PROFIT BEFORE TAX[1]

£2.9m
+12%

2018	£2.9m
2017	£2.6m

EBITDA

£12.9m
+24%

2018	£12.9m
2017	£10.4m

ADJUSTED OPERATING PROFIT[1]

£3.5m
+9%

2018	£3.5m
2017	£3.2m

OPERATING CASH FLOW

£10.1m
+2%

2018	£10.1m
2017	£9.9m

ADJUSTED BASIC EARNINGS PER SHARE [1]

13.2p
+40%

2018	13.2p
2017	9.4p

NET CASH[2]

£2.5m

2018	£2.5m
2017	£3.7m

TOTAL DIVIDEND DECLARED

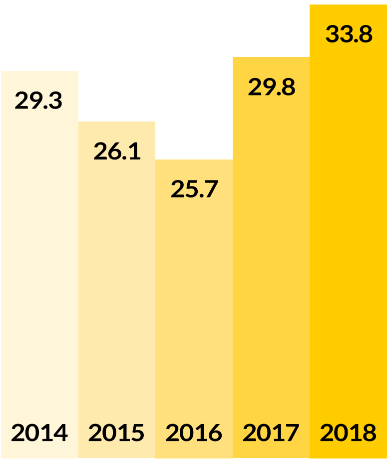
7.5p

2018	7.5p
2017	7.5p

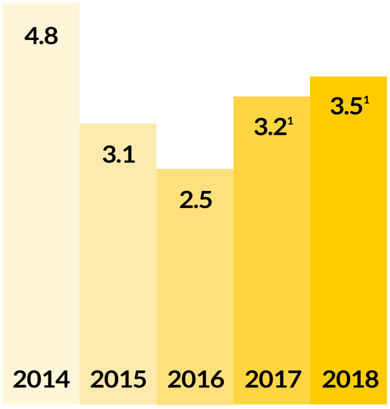
Notes to the Financial Highlights;
[1] Adjusted to exclude £0.7 million of exceptional gains (2017: £0.03 million). The table on page 18 details the 2018 adjusted and reported numbers.
[2] Net cash defined as cash at bank net of bank overdrafts and bank loans.

FIVE YEAR SUMMARY OF KEY FINANCIAL PERFORMANCE

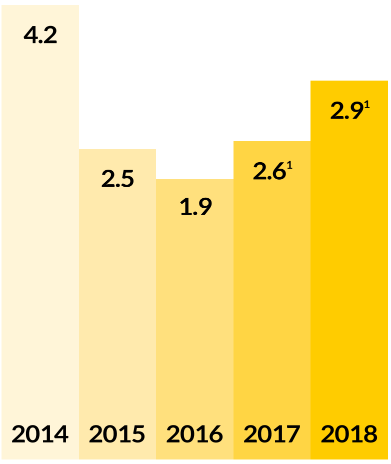
31 MAY
TURNOVER £m



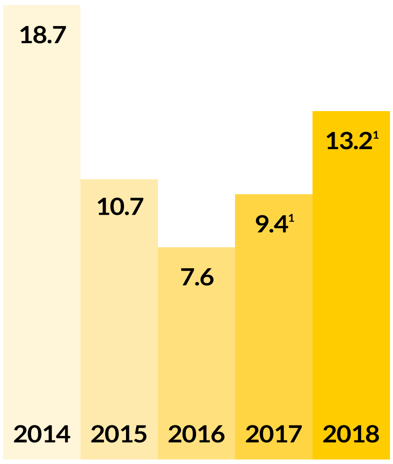
31 MAY
ADJUSTED OPERATING PROFIT £m



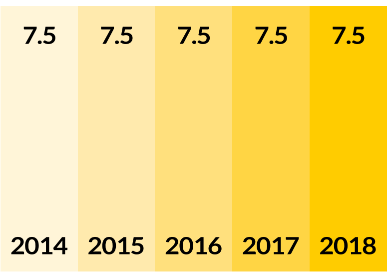
31 MAY
ADJUSTED PROFIT BEFORE TAX £m



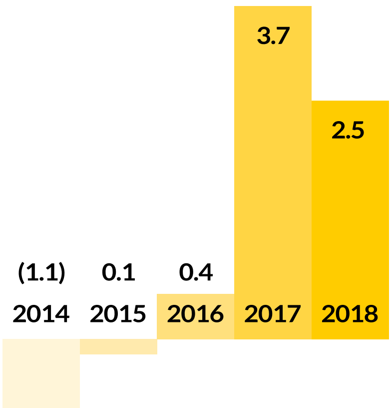
31 MAY
ADJUSTED BASIC EARNINGS PER SHARE pence



31 MAY
DIVIDENDS PER SHARE pence



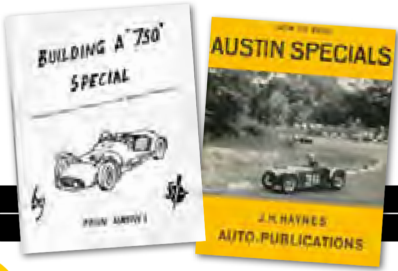
31 MAY
NET FUNDS/ DEBT £m



GROUP BACKGROUND & DEVELOPMENT

1956

John Haynes wrote his first Haynes manual on the Austin 7 Special.



1960

The Haynes Group was formed and following organic expansion into the US in 1974, France in 1993, Sweden in 1996 and Australia in 1997, the Haynes Group was truly established as a global business.

2008

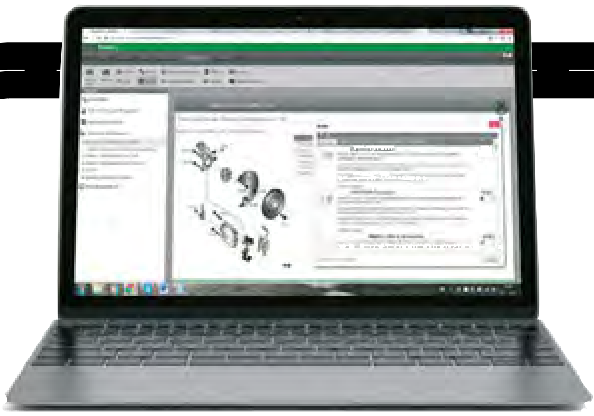
The Group acquired Vivid Holding BV, a Netherlands based group supplying technical data to the professional automotive aftermarket. Vivid's database had been developed using market leading digital technology and was available in 19 European languages. The synergistic skill sets possessed by Vivid were a key factor in the decision to acquire the business and helped accelerate the Group's entry into the professional automotive aftermarket.

2011

The Haynes Group produced its first electronic version of the iconic Haynes manual. The online manual included all the information contained in a printed manual but, through the benefits of an electronic platform, also included audio and video clips, colour pictures and diagrams, hyperlinks and word search capability.

2014

The Group acquired the Clymer and Intertec manuals business in the US. Distribution in the UK was outsourced.



2015

Trading during the first six months of the financial year was dominated by inventory reduction programmes by the Group's key retail customers in the US, UK and Australia. In February 2015, the Group acquired Teon Media Limited, owners of an online platform delivering digital repair information on over 700 vehicle makes and models. New product development and expansion of existing data coverage helped HaynesPro secure new contract gains, most notably in Scandinavia. In September 2014, HaynesPro launched their new touch interface for use on tablets and smart phones which became available on desktop PC's and laptops during 2015/16 and in May 2015, HaynesPro opened a new office in Germany taking its total number of European offices to seven.

2016

Group revenue ended the financial year down 2% as stronger trading from the Group's professional operations in Europe are offset by weaker trading from its consumer businesses in the US and Australia. Following completion of a global operational, cost and structure review announced in September 2016, the Board confirms group wide production and US distribution will be outsourced leading to the closure of the Nashville production and distribution facilities. Eric Oakley and Dan Benhardus retire from the business on 31 May 2016. E Bell is appointed new Group Executive Chairman with J HC Haynes and J Bunkum confirmed as the new CEO and CFO respectively. The Board also announces new roles for J Yates-Round as MD of Consumer Publishing and A Kwarts as CTO.

2001

The Group acquired Chilton Manuals, its major rival in the US and this was followed in 2002 by the acquisition of the Gregory's manual business in Australia.

2003

The Board embarked on a period of restructuring and re-focusing the business onto its core profitable operations, with loss making or non-core operations either sold or closed. In 2006/7 the UK Garage Equipment business was sold; the loss-making French operation was closed and the Group disposed of its loss making historical publisher Sutton Publishing.

2012

Vivid was rebranded as HaynesPro, strengthening its links to the Haynes Group and providing the Group with a clear identity for future expansion plans into new geographical markets for its professional product ranges.

2017

Successful implementation of the Group's operational cost and structure programme announced in 2015/16 with US distribution and US production outsourced by the half year. In December 2016, the Group acquires OATS Limited, a global lubricants database business based in Swindon, UK. Overall group revenue rose 16% boosted by strong revenue growth from the Group's professional products business in Europe, higher sales of practical lifestyle titles in the UK, six months of trading from the new OATS business and the benefit of favourable exchange rate movements when translating the results of its US, Australian and European operations. Steve Daykin and Nina Wright appointed as Non-Executive Directors assuming the Chairs of the Audit and Remuneration and Nomination Committees respectively.

2018

Headline revenue grows by 13% through a combination of underlying trading and incremental revenue from the OATS and E3 Technical acquisitions acquired in December 2016 and September 2017 respectively. The E3 Technical acquisition has allowed the Group to take control of its professional UK distribution channel and expand its technical offering to include high quality Vehicle Registration Mark (VRM) look-up capability. HaynesPro double the size of their Leusden head office leasehold premises. The transformation of the Group continues with the restructuring of the Australian business to focus on automotive content through both traditional print and professional channels. P van der Galiën and R Barker are promoted to the Group Board as MD Haynes Professional and Group Finance Director respectively.

GROUP STRATEGY

THE PRINCIPAL GOALS OF THE GROUP ARE:

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

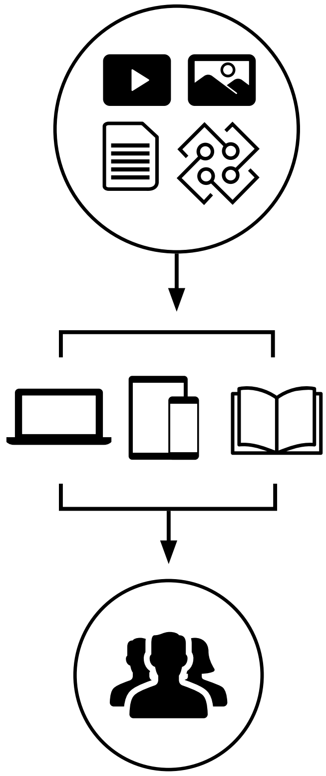
MOTORISTS

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

AFTERMARKET

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

To grow the business through a combination of internal product development, geographical expansion and through strategic acquisitions which can provide synergistic efficiencies for our data production processes or which will expand or open new revenue and profit enhancing opportunities for the Haynes Group.



PROFESSIONAL BRANDS

HaynesPro®

OATS

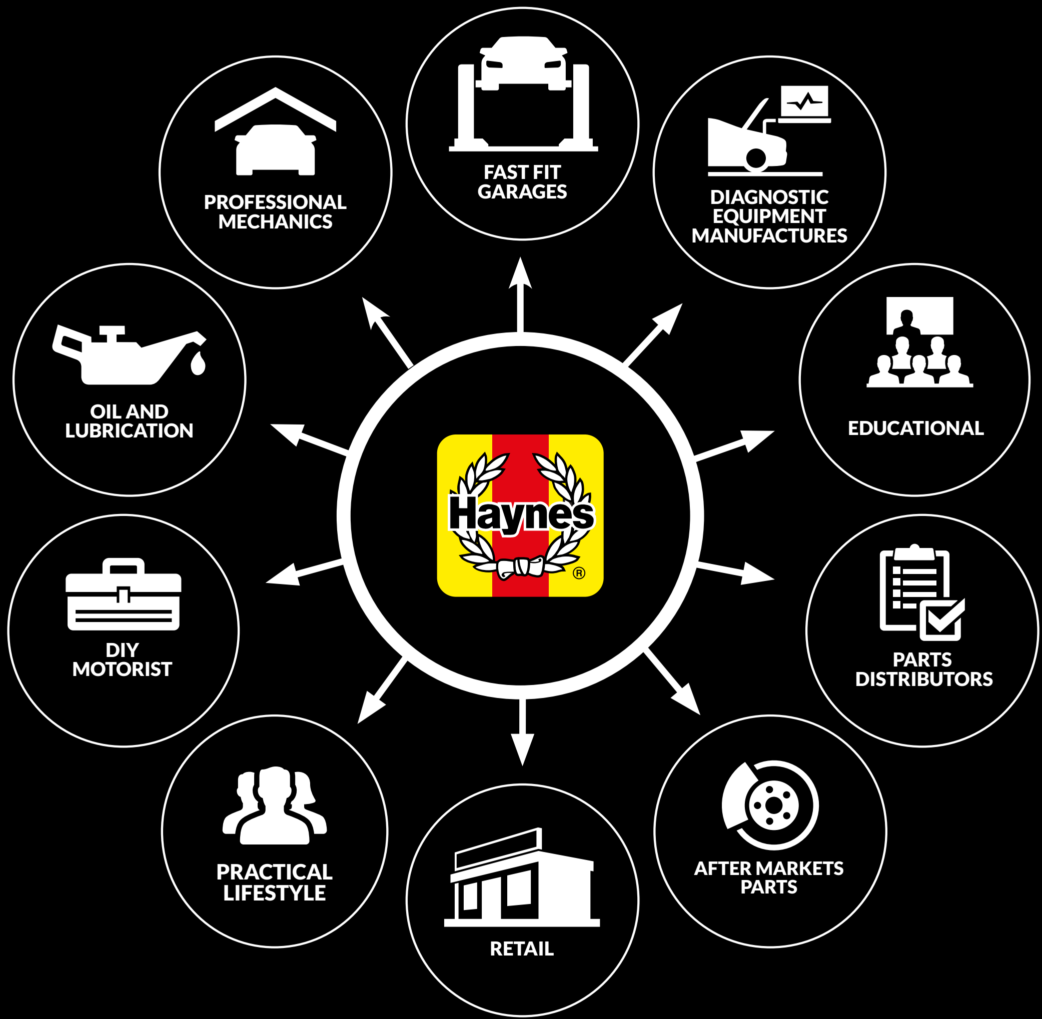
CONSUMER BRANDS

Haynes®

CLYMER® MANUALS

CHILTON

WHO WE HELP



THE HAYNES APPROACH

The success of the Haynes business is underpinned by an attention to detail and a passionate dedication to providing independent and trustworthy instructional advice.

With close to 60 years of experience in this market sector, we have deeply embedded processes, inbuilt expertise and procedure driven efficiencies which help to give Haynes its unique identity.

Our Haynes Manuals are based on a complete vehicle strip-down and rebuild in one of our workshops, so that the written and photographic instructions for our end users are inherently practical and easy to follow.

For our professional product ranges the data collection process is different but the uncompromising Haynes approach to detail remains unchanged.

The technical and maintenance data produced by HaynesPro is of necessity based on the Original Equipment Manufacturers (OEM's) information and servicing schedules. Under European regulations independent garages are legally entitled to carry out normal maintenance and repairs during a vehicle's warranty period, without invalidating the warranty conditions, provided such work is carried out in accordance with the OEM's servicing schedules.

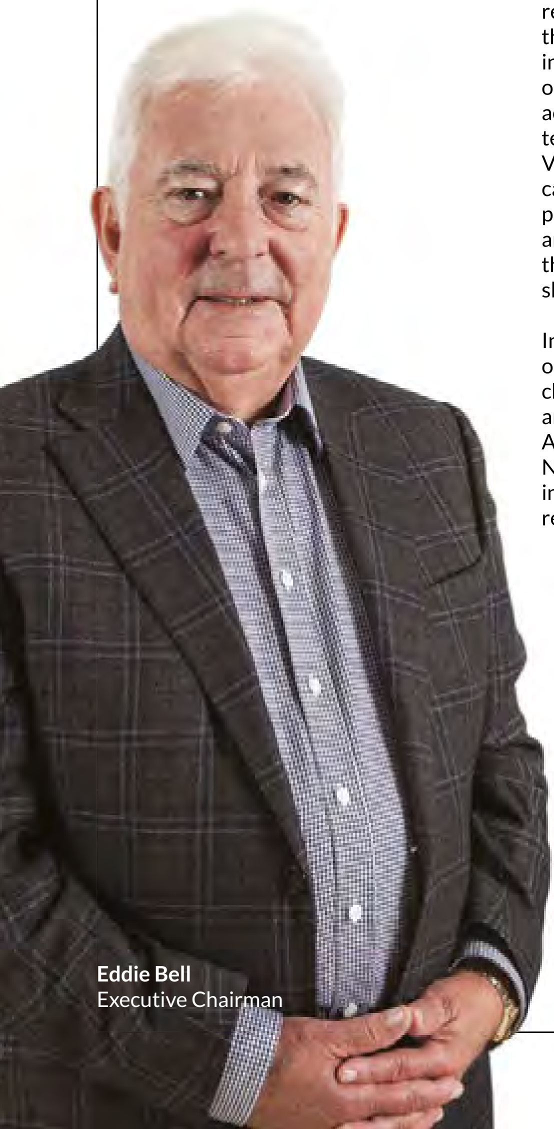
It is therefore essential that the same level of detail also applies to our range of professional products to ensure the technical data is clear, concise, accurate and conforming to the relevant OEM's instructions. Using our in-house digital expertise and knowledge of vehicle electronics we are also able to offer our data to automotive parts manufacturers for use in their diagnostic product ranges.

Whilst there are areas of our business model which are common to other companies and groups, it is the sum of the parts which differentiates Haynes from these other businesses and defines the Haynes Group as the business it is today.

Our methodology of unique step by step content creation, our publication of technical information to both motorists and the automotive aftermarket, the growing proportion of digital subscription/contract revenue, our international network of offices and our in-house IT, product development and language translation skills all form part of the unique Haynes evolving business model.

CHAIRMAN'S STATEMENT

"Our unique breadth of content and data combined with our specialist automotive technological knowhow allows us to supply our partners with high quality, innovative and commercial solutions to improve work flow and business efficiency"



Eddie Bell
Executive Chairman

This has been another strong year for the Group as we continue to build, develop and expand our global automotive content, data and solutions business.

In Europe, our professional automotive and lubricant data businesses have delivered solid growth over the last 12 months. A high quality and innovative product range coupled with technically skilled and experienced teams has helped to win new business and expand relationships with existing customers. Through the acquisition of the E3 Technical business in September 2017, we have taken control of our HaynesPro UK distribution channel. The acquisition has also expanded the Group's technical offering to include high quality Vehicle Registration Mark (VRM) look-up capability. In our UK consumer markets, our practical lifestyle titles have performed well and the addition of the 'Bluffers Guides' to the Haynes range of titles during the year should help support this momentum.

In the US, we continue to face headwinds in our consumer print manuals in our key retail channels. The cost saving initiatives reported and implemented in prior years in North America have helped to shelter profits this year. Nevertheless, the development of new growth initiatives in this important market for the Group remains a key priority.

FINANCIAL HIGHLIGHTS

Group revenue increased by 13% to £33.8 million (2017: £29.8 million) supported by the acquisition of E3 Technical and a full year of trading from OATS. Like-for-like, excluding acquisitions and impact of exchange, Group revenue was ahead 3% year-on-year.

The growth in professional digital revenues helped increase adjusted profit before tax, exceptional items and acquired intangible amortisation by 12% to £2.9 million (2017: £2.6 million).

EXCEPTIONAL ITEMS

The Group profit before tax has been impacted by items which due to their significance and one-off nature have been treated as adjusting items in our financial statements. The major items include a gain on disposal of £2.6 million following the sale of the final freehold property at our former print and distribution facility in Nashville, USA; restructuring costs of £1.0 million, primarily in the US and Australia, as we continue to focus our operations and a write-down of £0.5 million in the carrying value of the Sparkford freehold property.

In December 2017, the US Senate enacted a reduction in the US federal tax rate from 35% to 21% which required our US business to re-measure the value of its deferred tax assets and liabilities and has led to an increase in the Group tax expense of £0.8 million. Due the size and one-off nature of this charge, it has correspondingly been treated as an adjusting item.

DIVIDEND

The Board is recommending an unchanged final dividend for the year of 4.0 pence which, together with the interim dividend paid in April 2018, maintains the total dividend for the year at 7.5 pence (2017: 7.5 pence). Subject to approval by shareholders, the final dividend will be paid on 15 November 2018 to shareholders on the register at the close of business on 26 October 2018 (with an ex-dividend date of 25 October 2018).

BOARD

On 1 February 2018, I was pleased to welcome Peter van der Galiën and Richard Barker to the Group Board. Peter, who is resident in the Netherlands, assumed overall responsibility for the Group's professional operations having been a key driving force behind the growth in HaynesPro, since taking on the role of HaynesPro Managing Director in April 2016. Richard, who was our UK & European Finance Director and Group Company Secretary has taken on the role of Group Finance Director, following the promotion of James Bunkum (formerly Chief Financial Officer) to Chief Operating Officer. Jeremy Yates-Round, who has been on the Board since 2010, was also promoted to Managing Director, Haynes Consumer.

In June 2018, Jim Nicholson who joined the Board in June 2017 and was Senior Vice President of Haynes North America Inc. stepped down from his roles in the Group to pursue new opportunities. Jim had been with the Haynes Group for over 25 years and on behalf of the Board I would like to thank him for his long service to the Haynes Group and wish him well for the future.

GROUP EMPLOYEES

This is an exciting time to be involved with the Group. We have a clear strategic focus and through the retention and recruitment of talented and enthusiastic employees I am confident we will deliver on our key objectives. In March this year, the Board held their first Group Board meeting outside of the UK, when we visited the HaynesPro head offices in Leusden, the Netherlands. The visit allowed the Board to meet and thank the Leusden based employees personally for their valuable contribution to the Group and on behalf of the Board I would like to extend gratitude to all our worldwide employees for their hard work and dedication over the past 12 months.

OUTLOOK

I opened my Chairman's statement commenting that this had been another strong year for Haynes as we build the Group into a leading global automotive content, data and solutions business. Our unique breadth of content and data combined with our specialist automotive technological knowhow allows us to supply our partners with high quality, innovative and commercial solutions to improve work flow and business efficiency.

Through a programme of continuing investment in people, content and platforms we can help to ensure that the Haynes Group remains well placed to take advantage of the growth opportunities which lie ahead.

Eddie Bell
Executive Chairman
19 September 2018

300m

HaynesPro has over 50 million unique repair time positions, covering over 300 million repair time jobs

98%

European lubricants data coverage of the current European car-parc

1,246

Total amount of automotive print titles available

27

HaynesPro added 4 language packs (Lithuanian, Latvian, Estonian and Croatian) in 2017 and are now covering 27 languages

CHIEF EXECUTIVE'S REVIEW

"Through new innovation and enhancements to the products and solutions we provide our customers, I believe we are well placed to develop our business and continue to deliver revenue and profit growth"

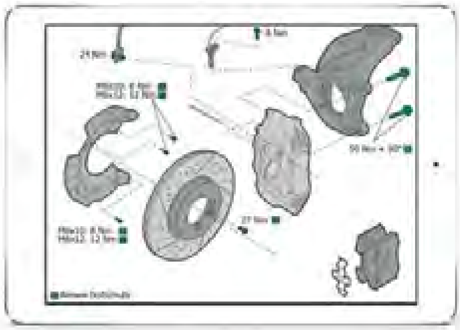
J Haynes
Chief Executive Officer

Over the past 12 months we have made further progress in positioning Haynes as a leading global supplier of automotive content, data and solutions. The symbiotic relationships we have with many of our customers allows us to develop collaborative partnerships which build over time. We are committed to these relationships and will continue to invest in people, content, data and technology to ensure we offer our partners products which deliver reliable accurate data, value adding solutions and work flow and cost efficiencies.

In 2017/18 we invested a further £8.4 million (2017: £7.9 million) in sourcing new global content, developing delivery platforms and commissioning and publishing new Haynes Manuals. This substantial investment demonstrates our commitment to our customers which today include international oil companies, multinational parts distributors and diagnostic equipment manufacturers, fast-fit outlets, major retail stores, fleet operators and garage chains.

We live in a world where vehicle electrical systems and advanced in-car technologies are the norm and specialised electronics knowledge has become an essential requirement for workshop technicians. Haynes have been and remain innovators in this area and it is no coincidence that HaynesPro's electronics module "VESA", with its 3.5 million component links, sits at the heart of our professional offering. VESA enables workshops to improve workflow efficiency, reducing diagnostic times and helping independent operators to be competitive. In addition, the technology that drives VESA can be embedded into diagnostic tools. This has been an important area of growth for the HaynesPro business and in 2017/18 resulted in a further two major global diagnostic tool manufacturers integrating VESA Mk II into their new generation diagnostic tools.

The integration of our data capturing, storage and delivery processes allows us to offer customers information that is unique, complete and highly valuable. Our partnerships are built on trust, integrity and the delivery of innovative and relevant propositions, helping to elevate



Haynes from the status of valued supplier to trusted partner. The mix of automotive and IT knowledge means we are well placed to offer our partners valued added consultancy services. This was demonstrated when the HaynesPro technology team successfully launched the second phase of a major website and data overhaul for a global OE parts supplier.

The E3 Technical business, acquired from Solera Holdings Inc. in September 2017, continues to deliver high quality and accurate data via real time web services. Rebranded HaynesPro UK, the business not only accelerates and broadens our foothold in the UK automotive service, maintenance and repair markets, but also provides the Group with a complementary vehicle look-up service. The integration of the people, and their skills and knowledge within this business is progressing to plan.

The benefits of the data and skillsets that have been added through the E3 Technical and acquisitions, have already been a key driver in winning new customers and helped to secure significant contract renewals.

In consumer markets, sales of our automotive print manuals continue to face challenges. Over the past three years we have been working closely with our key retail partners to manage excess inventory levels and improve the stock turn of our manuals in-store. During this same timeframe we have experienced a growth in sales to customers who sell online. The growth in free to view content is a challenge for both our bricks and mortar and online retail partners alike. Whilst we acknowledge that some of this information can be helpful, we are also very cognisant that elements of this information are often inaccurate and, in some instances, dangerously so. To help address these issues we are increasing the number of videos within our online manuals to provide motorists with reliable, accurate, trustworthy and easy to use repair and service information. It is interesting to note that sales of online manuals via our US website, now exceed those of print manuals. During our third quarter we launched our new 'Haynes Manuals AllAccess' product which enables B2B partners to access all our online consumer manuals. This product will initially be aimed at the education, library and independent workshop markets but over time we also see potential for this product across a broader spectrum of distribution channels.

Our practical lifestyle range of manuals had another year of solid sales growth, ending the 12-month period 6% ahead of the prior year. This success is a reflection of the continued ability of our team to create entertaining and inherently informative and useful manuals covering all manner of subjects. New titles included Robot Wars, Tabletop Gaming, the Soviet T-34 Tank and Upgrading Your Kitchen. Of particular note was the successful conclusion of a deal with Disney to publish a further four 'Star Wars' manuals over the next few years. Previous titles in this range have sold well in both the UK and US.

FIRST QUARTER TRADING

Overall Group revenue during the first quarter of 2018/19 was tracking 6% ahead of the prior year. Like-for-like revenue (excluding exchange rate movements and incremental revenue from the E3 Technical acquisition) was in line with the prior year. At a segmental level, both the UK & Europe and North America & Australia segments were performing in line or ahead of expectations through the first 13 weeks of 2018/19.

PEOPLE

After a period of restructuring, rationalisation and re-organisation it is pleasing to report that our business growth, as well as future commercial opportunities, have resulted in the Group growing its employee base.

In addition to our colleagues added through the recent acquisitions of OATS and E3 Technical, we have also recruited additional staff in our data and technology teams in the Netherlands and Romania and our consumer digital teams in the UK and US.

In the Netherlands, we have doubled the capacity of our European headquarters of HaynesPro Netherlands and now occupy the whole of our leasehold building in Leusden. In February 2018, the staff of HaynesPro UK moved into new leasehold premises in Maidstone, Kent. During 2018/19 we are once again planning to increase employee numbers to support the growth areas of our business.

The sourcing of new content and data creation will be the primary areas of focus for the business over the next 12 months. The mix of automotive and technology skillsets possessed by our people together with our rich breadth of content is helping to provide the Haynes Group with new growth opportunities. I would like to thank everyone at Haynes for their valuable contribution, and I look forward to driving the Group's future success together.

OUTLOOK AND FUTURE DEVELOPMENTS

The automotive industry has been continuously evolving over the last 130 years and it is no different today. Whether this comes in the form of the advancements in electric vehicles, the development of driverless vehicle technology or the introduction of new legislation to regulate and oversee the flow of information from manufacturers to the independent workshop mechanic, the automotive sector landscape continues to change.

The aftermarket sector is also changing and in the last two years, nine of HaynesPro's top twenty customers have experienced a change in ownership.

Mindful of these developments and opportunities, the Haynes Group remains focused on delivering the technical information, data solutions and commercial insights our customers need today, and in the future. We are increasingly working with partners who operate in global markets and need suppliers who can deliver data in territories across the world. Over the next 12 months we will increase our investment to expand the coverage of our worldwide datasets.

The Group will be adding resource to develop new products utilising our aggregated global content. As Haynes expands its geographic horizons and develops new commercial opportunities through leveraging and combining our global datasets, we need to ensure that the way we collect, store, catalogue and link our content is standardised where possible. This will provide workflow and cost efficiency and enable future investment and innovation.

We have a strong balance sheet, identified opportunities for growth and a clear sense of direction. Through new innovation and enhancements to the products and solutions we provide our customers, I believe we are well placed to develop our business and continue to deliver revenue and profit growth.

J Haynes
Chief Executive Officer
19 September 2018

904
Total amount of automotive manuals online

20m
HaynesPro servers deal with well over 20 million data transactions on an average working day

60k
Subscribers to the HaynesPro professional data

300
OATS client websites we manage, serving B2B and B2C markets

CHIEF OPERATING OFFICER REVIEW

"HaynesPro data is used by over 60,000 users throughout Europe and contains comprehensive multilingual automotive OEM based data for cars, light commercial vehicles and heavy trucks"

James Bunkum
Chief Operating Officer

The improvement in the Group's top line performance during the year, up 13% at £33.8 million (2017: £29.8 million), has come from a combination of a full year of trading from OATS (2017: 5 months), the acquisition of E3 Technical in September 2017, another strong year of growth from HaynesPro in Europe and improved year-on-year sales in our UK and Australian businesses.

NORTH AMERICA AND AUSTRALIA

Since implementing the major Operational and Cost Restructuring (OCR) programme in the US in 2015/16, we have significantly reduced the cost base of our Haynes North American ("HNA") operations and improved the financial platform of the business. At the revenue line we still face challenges, with year-on-year sales of our automotive print manuals down 2% and a slow take-up of our in-store online manual retail card programme. We also continue to face pressure over retail pricing of our manuals and in-store range availability. Despite these challenges we are starting to make progress in our online presence. Sales of print manuals through the haynes.com website have shown healthy year-on-year increases with sales of our Haynes titles up 7%, Chilton titles up 24% and Clymer titles up 34%, while sales of our online manuals ended the year 13% ahead of 2016/17.

Our US editorial databases hold a rich pool of content covering vehicles and motorcycles which includes an extensive archive of instructional photos, written procedures and a growing database of step-by-step videos. Local management are currently evaluating new growth opportunities arising from this content as we look to transition the Haynes Group into a multi-media content and data solutions business. The print manual remains an important part of our product offering, a situation we do not foresee changing soon. Nevertheless, we recognise the data that we hold can be reformatted and potentially combined with other datasets to create new revenue opportunities and this is very much the focus of the management going forward.

In June 2018, the head of our HNA operations stood down from the Haynes Group and this part of our business is being managed on an interim basis by Jeremy Yates-Round, Managing Director of the Group's consumer operations. Jeremy is working closely with local US management to evaluate the growth opportunities in the US market and to assist the Board in recruiting a replacement leader for the business.

In Australia, new range reviews were secured with our two largest retail customers during the 2017/18 which has helped to ensure that our latest and most popular titles are available to purchase in-store in over 600 retail outlets. The range reviews were an important factor in helping sales of our Australian print manuals end the year 8% ahead of the prior year.

In the second half of 2017/18 we initiated a restructuring programme in our Australian operation re-focusing the business on our consumer manuals and professional automotive product lines. As part of this restructuring we exited some small third-party distribution agreements and third-party digital print service arrangements. The Australian operation has been loss making in recent years and although relatively small, through the actions taken during 2017/18 and the implementation of new growth initiatives in this territory, management are confident that this part of the Haynes Group can return to profit in the near future.

During the second quarter of 2017/18 we launched a new Australian website as part of the Haynes global website rollout programme. Whilst small in absolute terms, the revenue generated through the website more than doubled during the year and early into 2018/19 we continue to see website sales out-perform the prior year.

UK AND EUROPE

In the UK, following a similar trend experienced in prior years, weaker ordering by our key high street retail customers left revenue for our automotive print manuals 3% down on the prior year, whilst revenue from our online retailers ended the year 5% up. Over the past 12 months, we have enjoyed particularly strong growth in our export markets where a weaker pound has helped to improve the competitive pricing position of our manuals outside of the UK.

4m

HaynesPro servers in the Netherlands deal with 4 million data transactions per hour, during peak working hours

1855

Total amount of video jobs covered

3.5m

HaynesPro have over 3.5 million component links in VESA MKII and Comfort Wiring Diagrams

15m

Over 15 million vehicle registration lookups are performed on the HaynesPro servers a month

As we reported at the half year, sales of our practical lifestyle manuals performed strongly during the first six months of the year boosted by our new title publishing programme and strong sales of our 'Haynes Explains' parody titles. During the second six months, challenging conditions for our high street retailers led to higher than expected returns but overall, revenue from our practical lifestyle titles still ended the year 6% ahead of the prior period. Like the US and Australia, sales of our print and online manuals through haynes.com website have performed well during the year, with print manual revenue ending the year up 33% and digital manual sales up 28%. Whilst in monetary terms the revenue impact is still low, we are encouraged by the improving performance of our channels connecting us directly to the consumer.

This was the first full 12 months of trading in OATS, our lubricants and data solutions business, which we acquired in December 2016. Towards the end of the financial year, OATS secured its first new global oil contract under Haynes Group ownership. This was a major gain for the OATS team and reflects the significant time and financial investment in growing their global lubricants datasets and the benefits of a combined data offering with HaynesPro. During the year, OATS recruited a new US sales consultant to support the growing market for lubricants data in in the US. Indeed, OATS are now the leading supplier of lubricants data to the North American agricultural sector and in excess of 30% of total OATS revenue now originates in the US.

HaynesPro, our professional automotive data and solutions business headquartered in the Netherlands, had another strong 12 months of trading. The acquisition of E3 Technical in September 2017 saw HaynesPro taking on all E3 Technical's direct and indirect business from Carweb Ltd, a subsidiary of Solera Holdings Inc. This includes: Repair and Maintenance Information; Vehicle Registration Mark (VRM) look-up software and associated helpdesks. The acquisition deepens HaynesPro's relationships with UK automotive professionals and through the acquired support desk and VRM services, has allowed HaynesPro to enhance the services to its UK partners and customers. HaynesPro data is used by over 60,000 users throughout Europe and contains comprehensive multilingual automotive OEM based data for cars, light commercial vehicles and heavy trucks. The multilingual aspect of WorkshopData™ has been an important factor in the success of the HaynesPro business and during the year four new languages were added and the data is now available in 27 different languages.

James Bunkum
Chief Operating Officer
19 September 2018

FINANCE REVIEW

"The Group's net cash generated from operations before tax for the year was up 20% at **£11.6 million** (2017: £9.7 million) which represented 331% of adjusted Group operating profit (2017: 303%)"

Richard Barker
Group Finance Director

The 2018 financial year represents the 52 weeks to 31 May 2018 ("the financial year") and the comparative period represents the 52 weeks to 31 May 2017 ("prior year").

GROUP REVENUE

	2018 £m	2017 £m	Movement %
Total Group revenue	**33.8**	29.8	**+13%**

Overall Group revenue ended the year up 13% against last year at £33.8 million (2017: £29.8 million) through a combination of underlying growth in our professional product ranges and practical lifestyle titles and incremental revenue from acquisitions.

This is the first set of Group results to include a full 12 months of OATS revenue, which added £1.4 million of incremental revenue in comparison to 2016/17 and 8 months of the E3 Technical business, which added an incremental £1.9 million of revenue to the Group.

Sterling strengthened against the US and Australian dollars leading to average exchange rates of $1.35 (2017: $1.28) and A$1.74 (2017: A$1.70) respectively, whilst sterling weakened against the euro, driving a lower average exchange rate of €1.13 (2017: €1.17). The net effect of these movements reduced Group revenue by £0.1 million leaving like-for-like Group revenue up 14% at £33.9 million in constant currency.

Boosted by the performance from the professional product ranges and acquisitions, revenue from the Group's digital products ended the year up 42% or £5.0 million in monetary terms at £16.9 million (2017: £11.9 million) and now represents 50% of total Group revenue (2017: 40%).

ADJUSTED GROSS MARGIN

		2018[1]	2017[1]	Movement %
Adjusted gross profit	£m	**20.1**	18.1	**+11%**
Adjusted gross margin	%	**59.5**	60.7	**(1.2bps)**

[1] Excluding adjusting items. Reported gross profit was £20.1 million (2017:£16.8 million) with a gross margin of 59.5% (2017: 56.4%).

In monetary terms, overall adjusted gross profit ended the 12 month period up 11% at £20.1 million (2017: £18.1 million) with a gross margin of 59.5% (2017: 60.7%). The margin percentage has reduced in 2017/18 as this is the first year of expensing the Group's consumer digital development costs (£0.6 million) following the launch of the new consumer platforms at the beginning of the financial year.

ADJUSTED OPERATING PROFIT

		2018[1]	2017[1]	Movement %
Adjusted operating profit	£m	**3.5**	3.2	**+9%**
Adjusted operating margin	%	**10.4**	10.8	**(0.4bps)**

[1] Excluding adjusting items. Reported Group operating profit was £4.2 million (2017: £3.2 million) with a Group operating margin of 12.3% (2017: 10.9%)

Adjusted operating profit was 9% ahead of the prior year at £3.5 million (2017: £3.2 million). Following the acquisition of E3 Technical and a full year of OATS, adjusted overheads were up 12%. Excluding OATS, E3 Technical and the impact of currency movements, like-for-like overheads were up 4% against the prior year as the Group invested in new staff, new employee reward schemes and expanding the Group's leasehold facilities.

Group finance costs ended the year in line with the prior year at £0.6 million (2017: £0.6 million) and primarily relate to the interest charge on the pension schemes' liabilities net of interest on the pension schemes' assets.

ADJUSTED EARNINGS AND EARNINGS PER SHARE

	2018[1] £m	2017[1] £m	Movement %
Adjusted profit before tax	2.9	2.6	+12%
Adjusted taxation	(0.9)	(1.2)	+25%
Adjusted profit for the period	2.0	1.4	+43%
	Pence	Pence	
Adjusted basic EPS	13.2	9.4	+40%

[1] Excluding adjusting items. Reported profit before tax was £3.6 million (2017: £2.7 million), taxation was £2.1 million (2017: £1.3 million) and the reported profit for the period was £1.5 million (2017: £1.4 million). Reported earnings per share were 9.9 pence (2017: 9.1 pence).

Adjusted pre-tax profit ended the year up 12% at £2.9 million (2017: £2.6 million). The adjusted tax charge was £0.9 million (2017: £1.2 million) giving an effective tax rate of 31.2 % (2017: 46.0%). The lower effective tax rate is primarily driven by the reduction in the headline rate of federal tax in the US. Earnings per share increased to 13.2 pence (2017: 9.4 pence).

UK AND EUROPE SEGMENTAL REVIEW

	2018	2017	Movement
	£m	£m	%
Segmental revenue	22.7	17.8	+28%
Segmental operating profit before adjusting items and interest	4.8	2.7	+78%

Segmental revenue from UK and European operations ended the year up 28% at £22.7 million (2017: £17.8 million) which includes a full period of revenue from the OATS acquisition and 8 months of trading from the E3 Technical business which, in combination, contributed £3.3 million to revenue. Local currency European revenue was up 12% and UK consumer revenue was up 3% driven by another strong trading performance from the Group's practical lifestyle titles which ended the year up 6% and helped to offset the UK automotive manual revenue which ended the year down 3%. On a like-for-like basis, excluding the impact of exchange movements and incremental increases from acquisitions, UK and European revenue was up 7% at £19.0 million (2017: £17.8 million).

The impact of the stronger trading led UK and European segmental adjusted operating profit ending the year up 78% at £4.8 million (2017: £2.7 million). After adjustments and interest, segmental profit for the year was up 83% at £4.4 million (2017: £2.4 million).

NORTH AMERICA AND AUSTRALIA SEGMENTAL REVIEW

	2018	2017	Movement
	£m	£m	%
Segmental revenue	11.1	12.0	(8%)
Segmental operating profit before adjusting items and interest	0.4	0.6	(33%)

North American and Australian segmental revenue ended the year 8% down at £11.1 million (2017: £12.0 million). Local currency US revenue was down 5% due to the ongoing retail challenges we face with our print manuals in relation to pricing and in-store range availability. Australian local currency revenue was up 18%, boosted by range reviews with the two largest retail customers during the year and higher low margin third-party print services income. During the year, sterling strengthened against both the US and Australian dollars decreasing North American and Australian segmental revenue by £0.6 million. Like-for-like revenue, excluding the impact of exchange, ended the year down £0.3 million at £11.7 million (2017: £12.0 million).

The reduced US cost base helped to minimise the impact of the lower revenue on segmental adjusted operating profit which ended the year down 33% at £0.4 million (2017: £0.6 million). After adjustments and interest, segmental profit for the year was up 33% at £2.4 million (2017: £1.8 million).

ADJUSTING ITEMS

	2018	2017
	£m	£m
Write-down of intangible assets	-	(1.3)
Write-down of assets held for sale	(0.4)	-
Acquired intangible amortisation charge	(0.3)	-
Restructuring costs	(1.0)	(0.2)
Acquisition expenses	(0.2)	(0.1)
Gain on property disposals	2.6	1.6
Total adjusting items effecting profit before tax	0.7	-
Adjustments to tax	(1.2)	(0.1)
Total adjusting items	(0.5)	(0.1)

Following the sale of a freehold property in the US during the financial year, the Group realised a gain on disposal of £2.6 million which has been shown as an adjusting item in the Income Statement. Netting against this gain are restructuring costs in relation to the Australian operation, employee severance costs and past pension service costs of £1.0 million and an adjustment to the UK freehold property between its net book value and its recoverable amount of £0.4 million. Adjusting items also include the amortisation of acquired intangible assets of £0.3 million and the costs associated with the E3 Technical trade and asset acquisition of £0.2 million. The adjustment to tax is primarily due to the reduction in the US deferred tax assets following a reduction in the US federal tax rate from 35% to 21%.

FINANCE REVIEW

continued

BALANCE SHEET

	2018	Restated[1] 2017	Movement
£m	£m	£m	£m
Non-current assets	**40.5**	39.5	**+1.0**
Working capital	**1.8**	4.1	**(2.3)**
Net cash	**2.5**	3.7	**(1.2)**
Retirement benefit obligation	**(18.7)**	(23.8)	**+5.1**
Net other assets/(liabilities)	**(1.1)**	(2.8)	**+1.7**
Net assets	**25.0**	20.7	**+ 4.3**

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

During the year, the Group increased its investment in new product development by 6% to £8.4 million (2017: £7.9 million) which included £2.8 million on new consumer content, £0.3 million on new consumer digital platforms and £5.3 million in relation to the Group's professional product ranges. The Group also acquired the trade and assets of the E3 Technical business, which added £4.9m of intangible fixed assets in the form of knowhow, customer lists and goodwill. Netting against the above was a reclassification of a UK property to net other assets/(liabilities) following its transfer to Assets held for sale and an increase in product development amortisation.

In December 2017, the US operation sold a second Nashville freehold property for $5.1 million (2017: £3.8 million) generating a profit on disposal of £2.6 million.

Group working capital has decreased during the year due to the benefits of lower outsourced print prices, which has reduced inventory values on similar volumes and higher deferred revenue following the acquisition of E3 Technical and growth in revenue from our professional businesses.

Group net cash ended the year down £1.2 million at £2.5 million (2017: £3.7 million) as the £4.7 million trade and asset acquisition of E3 Technical was funded entirely from internal cash.

At 31 May 2018, the net deficit, as reported in accordance with IAS 19, on the Group's two defined benefit retirement schemes decreased by £5.1 million to £18.7 million (2017: £23.8 million) with the UK scheme deficit decreasing to £17.4 million (2017: £22.7 million) and the US deficit increasing to £1.3 million (2017: £1.1 million as restated - see note 1).

The combined total assets of the schemes were maintained at £34.1 million (2017: £34.1 million) while the total liabilities decreased to £52.8 million (2017: £57.9 million). The primary factor contributing to the lower liabilities was an increase in the UK discount rate from 2.40% to 2.85%.

CASH FLOW

	2018	2017
	£m	£m
Net cash generated from operations before tax	**11.6**	9.7
Tax paid / (received)	**(1.5)**	0.2
Investing activities	**(9.8)**	(5.7)
Financing activities	**(1.2)**	(1.4)
Net movement in cash during the year	**(0.9)**	2.8
Cash and cash equivalents at the beginning of the year	**3.7**	0.5
Effect of foreign exchange rates	**(0.3)**	0.4
Cash and cash equivalents at the end of the period	**2.5**	3.7

The Group's net cash generated from operations before tax for the year was up 20% at £11.6 million (2017: £9.7 million) which represented 331% of adjusted Group operating profit (2017: 303%).

Richard Barker
Group Finance Director
19 September 2018

SUMMARY FINANCIAL HIGHLIGHTS

	Adjusted 12 months to 31 May 2018	Adjusted 12 months to 31 May 2017	Change YoY (Year-on-Year)	Statutory 12 months to 31 May 2018	Statutory 12 months to 31 May 2017	Change YoY (Year-on-Year)
Group revenue	**£33.8m**	£29.8m	+13%	**£33.8m**	£29.8m	+13%
EBITDA	**£11.5m**	£10.4m	+11%	**£12.9m**	£10.4m	+24%
Group operating profit	**£3.5m**	£3.2m	+9%	**£4.2m**	£3.2m	+31%
Group profit before tax	**£2.9m**	£2.6m	+12%	**£3.6m**	£2.7m	+33%
Basic earnings per share	**13.2p**	9.4p	+40%	**9.9p**	9.1p	+9%
Total dividend	**7.5p**	7.5p	-	**7.5p**	7.5p	-
Net cash	**£2.5m**	£3.7m	(£1.2m)	**£2.5m**	£3.7m	(£1.2m)


Haynes
Haynes
FORD FIESTA
2013 TO JULY 2017 (62 TO 17 REG)
Online Workshop Manual
Step-by-step maintenance & repair
Ford Fiesta Owners Workshop Manual
Quick links to common DIY jobs
Keyword search
Castrol recommended

KEY PERFORMANCE INDICATORS

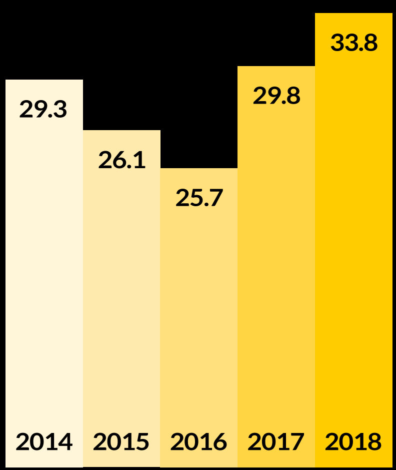
The Board regularly monitors and measures key performance within the business to ensure the underlying Group operations are performing in line with expectations. The information, which is largely embedded into the monthly reporting packs prepared for the Board members, enables

RATIONALE FOR MONITORING

A key Board objective is to deliver sustainable revenue growth.

COMMENTARY ON PERFORMANCE

The Strategic Report on pages 4 to 25 outlines the primary reasons for the increase in Group revenue during the year. Through HaynesPro, the Group's professional product ranges continue to perform well and grow market share with year-on-year local currency revenue up 12%. The acquisition of OATS Limited in December 2016 added £1.4 million of incremental revenue in 2017/18 and the E3 Technical acquisition added £1.9 million of incremental revenue to the Group. The above factors helped to offset the softer North American and Australian revenue which ended the year down 8%.



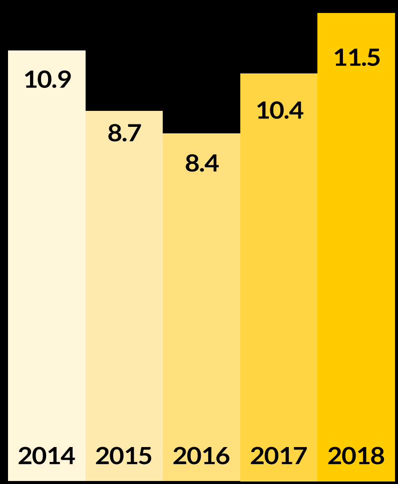
REVENUE GROWTH £m

RATIONALE FOR MONITORING

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

COMMENTARY ON PERFORMANCE

The Group's adjusted EBITDA increased by 11% during the year reflecting the stronger sales from the Group's professional product ranges in Europe, the additional contribution from the E3 Technical and OATS acquisition's and continued improved sales of UK practical lifestyle titles.



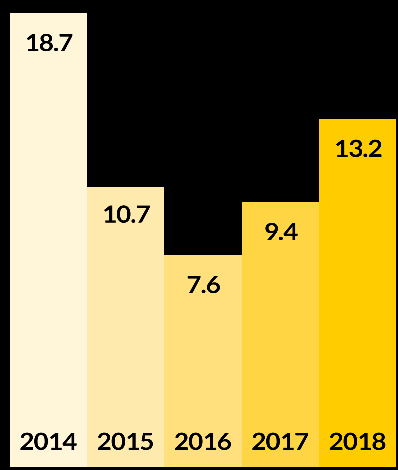
ADJUSTED EBITDA £m

RATIONALE FOR MONITORING

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

COMMENTARY ON PERFORMANCE

Basic earnings per share before adjusting items were up by 40% to 13.2 pence (2017: 9.4 pence) due to a combination of both growth in profits and a reduction in the Groups adjusted effective tax rate to 31.2% (2017: 46.0%). The effective rate reduction is driven by the cut to the headline rate of federal tax in the US from 35% to 21% in December 2016.



ADJUSTED BASIC EARNINGS PER SHARE p

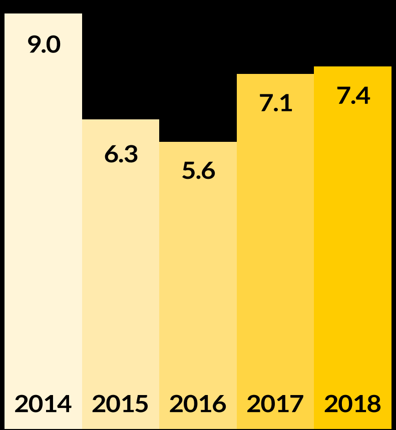
the Board to measure the success of the individual operating entities and the Group as a whole, in achieving its objectives for revenue and profit growth. Set out below are the key performance measures used by the Board:

RATIONALE FOR MONITORING

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

COMMENTARY ON PERFORMANCE

The Group is currently in a phase of significant investment including the continued development of its new consumer digital platforms and the development of new professional content databases and products. The improvement in the adjusted Group operating profit has resulted in an improved return on average capital employed of 7.4% (2017: 7.1%).



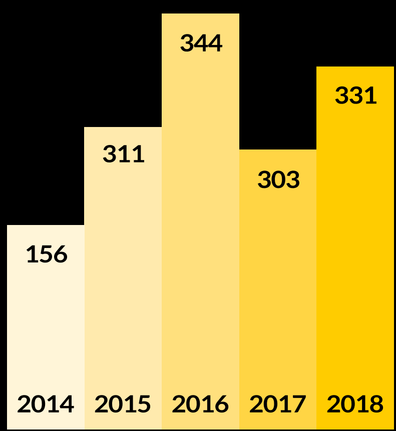
RETURN ON AVERAGE CAPITAL EMPLOYED %

RATIONALE FOR MONITORING

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

COMMENTARY ON PERFORMANCE

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



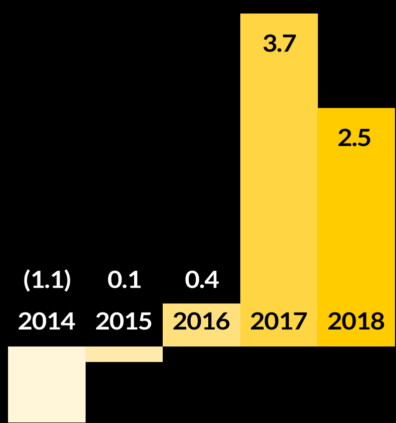
CASH GENERATION %

RATIONALE FOR MONITORING

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

COMMENTARY ON PERFORMANCE

During the year the Group acquired E3 Technical for a consideration of £4.7 million and invested £8.4 million in new product development (2017: £7.9 million). The higher cash outflows were partially offset by the proceeds from the disposal of tangible fixed assets of £3.8 million, primarily from the sale of a freehold property in the US.



NET FUNDS/(DEBT)*£m

*Net funds/(debt) defined as cash and cash equivalents net of bank loans.

PRINCIPAL RISKS

The Board has the primary responsibility for identifying the major business risks facing the Group and developing appropriate policies to manage those risks. These policies are used both by the directors and by senior management to determine the key control procedures for each area of risk identified by the Board and the degree of information required to safeguard the business and the assets used within it.

It is accepted that risk is itself prevalent in any commercial enterprise and in common with most businesses there are risks inherent in the Group's underlying operations which could impact on the Group's operating and financial performance. Thus, the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities. Nevertheless, it is the objective of the Board and Group staff to be prudent in the acceptance and control of a risk incurring activity rather than aiming to eliminate it entirely. Through its day to day management disciplines and monitoring of systems, the Group evaluates and mitigates unnecessary risks.

The table overleaf highlights the principal risks and uncertainties which the Board believes are presently most relevant to the Haynes Group. Wider scope risks such as macroeconomic conditions which impact all business but over which the Group has little or no control have not been included.

BREXIT

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

i) a proportion of sales are made outside the UK and are invoiced by the local businesses in euro's and US dollars; and

ii) the contract for the Group's external production is in US dollars.

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

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

VIABILITY STATEMENT

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

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

Having undertaken the detailed annual budgeting exercise for the financial year ended 31 May 2019 and prepared financial projections for the years ending 31 May 2020 and 2021, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period.

RISK	WHY THE BOARD THINK THIS IS IMPORTANT	HOW THE BOARD MITIGATE THE RISK
A failure in the Group's information technology systems prevents the business from functioning and/or fulfilling its contractual duties.	The business is dependent on its information technology systems to run its day-to-day operations and in the case of its digital delivery platforms to deliver the technical information to its end users.	IT representation on the Board through the Chief Technology Officer (CTO). The recruitment of technically competent staff and the appropriate level of investment in the Group's information technology infrastructure. Increasing use of the Cloud, monitoring security risks, up-to-date anti-virus software, maintaining adequate back-up procedures and regular testing and control reviews of the systems are key components of minimising the risk of system downtime.
Lack of investment in the core products and in developing new product initiatives.	In all our key markets it is vital that our content, coverage and platforms are kept up-to-date and relevant.	The Board ensures that the level of ongoing investment on product development is appropriate to maintain the Group's reputation and to retain its market leading positions in its respective market sectors.
The publication of inaccurate information.	The Haynes brand is built on a reputation of publishing technically accurate information in a trusted and easy to understand format.	Through the process driven methodology the Group adopts to capture its technical data; the skill and expertise of the staff and the level of quality control applied throughout the process, the Group takes the necessary steps to minimise this risk. As a responsible business the Group has appropriate global insurance to cover product indemnity and multimedia liability.
Reducing DIY activity on cars & motorcycles in the Group's geographic markets.	Revenue derived from the sale of printed service and repair manuals is down 5% from 2017.	The Board seek to mitigate this risk by : • Broadening the Group's revenue generating base. • By opening up new geographic sales territories. • By developing new delivery platforms to deliver the Group's content through a variety of multi-media formats.
Regulatory risk from changes affecting the Group's access to content or the availability of content.	Changes to regulations around the provision of technical data could necessitate changes to the production processes of the Group or increase competition in the market.	The Group actively monitor planned and actual changes to regulations in all territories in order to minimise disruption to the business. Key senior personnel are appointed to Associations and Bodies that regularly feedback on the drafting of future regulations in our key territories.
Judgemental valuation of assets and provisions from financial valuations.	Significant assets and provisions in the balance sheet depend on judgemental assumptions as explained in Note 1 to the financial statements.	Regularly monitoring of Group policies adopted with consistent and evidence-based approach to assumptions. Where valuations are undertaken internally they are subject to external review as part of the audit process.
Intellectual Property and Copyright.	Piracy of content in both a print and digital format as well as the lapsing of copyrights and trademarks held, impacting the financial performance of the Group.	The Group have an ongoing Trademark filing and registration strategy in place covering all Group marks in the appropriate classes and territories. Bi-annual meetings are held with the external trademark advisors. Internally the Group adopt robust anti-piracy policies on a territory and product basis that is regularly reviewed to update for changes in the market.
An over reliance on a single key customer.	The loss of a major customer could significantly impact on the financial performance of the Group and hamper the Board's objective of delivering sustainable revenue and profit growth.	The Group aims to establish strong and long-standing relationships with all its key customers. However, the Board recognises that a customer can be lost for a variety of reasons and therefore, by broadening the base of the business and developing new delivery platforms, the reliance on a single customer is reduced. In the current financial year there are no customers who represent more than 10% of Group revenue.
The loss of key executives and personnel.	The Group has key executives and employees who have worked in the business for a number of years and who have an in-depth knowledge of the Group, its processes and its culture.	Through the setting of competitive remuneration packages and fulfilling employment conditions the Group helps to mitigate the loss of a senior Board executive or key employee. In the case of Board executives, the responsibility for succession planning and the recruitment of new Board executives is overseen by the Remuneration and Nomination Committee. During 2017/18 a new Long Term Incentive Plan (LTIP) was established for executive and senior managers of the Group and a new group wide bonus scheme implemented for all group employees.
The funding position on the Group's two defined benefit schemes deteriorates.	A need to significantly increase contributions into the pension schemes could adversely affect the Group's ability to invest in the development of new delivery platforms, new product initiatives and to fund both internal and acquisitive growth.	The performance of both the US and UK pension schemes are monitored on a regular basis by the Company, the Trustees and the Scheme's professional advisers and the funding to the schemes reflects the ongoing investment requirements of the Group.

CORPORATE AND SOCIAL RESPONSIBILITY

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

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

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

The Group involves employees by providing them with information which concerns them, consults with them and considers their views when making decisions which affect their interests and generally discloses matters affecting the Group's performance through company briefings. The Group's full year and half year financial results are made available to all employees on the day of their announcement.

As an equal opportunities employer, the Board understands the importance of diversity throughout the business. The Group encourages the employment of under represented groups recognised in the Equality Act 2010 in line with business requirements.

ENVIRONMENT

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

This is the fifth year of reporting under the Greenhouse Gas (GHG) emissions reporting requirements. The table below provides details of the Group's GHG emissions data over the last five financial years.

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

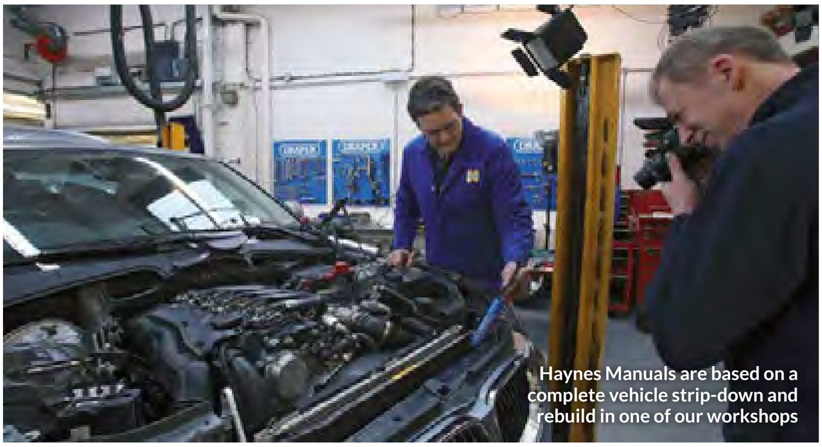
The financial year to 31 May 2014 represented our first year for reporting our GHG emissions and forms our base year for future reporting and for comparative purposes.

GHG emissions data (tonnes of CO2)	2018	2017	2016	2015	2014
Scope 1 emissions [1]	**265**	248	309	346	410
Scope 2 emissions [2]	**206**	969	1,564	1,571	1,754
Total Group emissions	**471**	1,217	1,873	1,917	2,164
Intensity ratio (per £m turnover) [3]	**13.9**	40.9	72.9	73.5	73.9

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

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

	31 May 2018			31 May 2017		
	Male	Female	Total	Male	Female	Total
Main Board Directors	**10**	**1**	**11**	8	1	9
Senior Managers	**9**	**0**	**9**	13	1	14
All employees	**183**	**68**	**251**	152	68	220
	202	**69**	**271**	173	70	243


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

HaynesPro expanded HQ in Leusden, NL


The Haynes Route 66 team ahead of their fundraising ride

HUMAN RIGHTS

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

COMMUNITY

Haynes recognises the important role businesses can play by supporting society and regularly makes donations to aid a range of charities. Recently, our focus has been on engaging with charitable causes to promote opportunities for young people to learn important life skills through practical application. We believe that hands-on learning can help young people gain an appreciation for, and improve attitudes towards, education by learning tangible technical skills which help build self-belief and self-esteem.

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

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

At the start of the year, staff from three subsidiaries of the UK & European operations donned their helmets and took to the roads raising funds for St. Margaret's Hospice. The 'Haynes Route 66' sponsored cycle spanned the 66 miles between Swindon based OATS and the Group's head office in Sparkford, Somerset.

J Haynes
Chief Executive Officer
19 September 2018


Haynes
NISSAN QASHQAI
2007 TO 2013 (56 TO 13 REG) PETROL & DIESEL
Online Workshop Manual
Step-by-step maintenance & repair
Nissan Qashqai Owners Workshop Manual

GROUP BOARD
DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS
The directors in office at the date of signing the financial statements were:

E Bell
JHC Haynes
JH Haynes OBE
JT Bunkum
J Yates-Round
A Kwarts •
P van der Galiën • (appointed 1 February 2018)
R Barker (appointed 1 February 2018)

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

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

GROUP COMPANY SECRETARY
R Barker

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

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

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

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

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

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

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

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

GROUP BOARD DIRECTOR BIOGRAPHIES
EXECUTIVE

Executive Chairman
EDDIE BELL (69)

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

Chief Executive Officer
J HAYNES (51)

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

Founder Director
JOHN HAYNES OBE (80)

John's biography is the history of Haynes Publishing. John founded the Company in 1960 and by expanding operations into Europe and the USA, was responsible for its growth and development into the international business that we see today. The Company was taken public in 1979. John remains its principal and majority shareholder and takes a very active interest in all aspects of the Group's publishing activities. In 1985 he founded and is the principal benefactor of the Haynes International Motor Museum. In 1995 he was awarded the OBE for services to publishing. On 1 June 2010, 50 years after founding the Haynes Group, John stepped down as Group Chairman but remains on the Board as Founder Director.

Chief Operating Officer
JAMES BUNKUM (53)

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

Managing Director Haynes Consumer
JEREMY YATES-ROUND (57)

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

Chief Technology Officer
ALEX KWARTS (63)

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

Managing Director Haynes Professional
PETER VAN DER GALIËN (51)

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

Group Finance Director
RICHARD BARKER (36)

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

NON-EXECUTIVE

Senior Independent Non-Executive Director
STEPHEN DAYKIN (61)

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

Independent Non-Executive Director
NINA WRIGHT (47)

Nina completed a BSC (Hons) Psychology Degree in Liverpool before undertaking a career in the media industry over 20 years ago. Cutting her teeth in sales at a specialist publisher, Nina has risen through the ranks and is now employed as a regional Managing Director at UBM Plc, a global b2b media company operating in over 30 countries in 70 vertical markets. Nina has significant experience in business turnaround through strategy creation and implementation, with notable expertise in digital and new technology including social media and engagement; content rich live events delivery; data & economic forecasting business growth; and developing a customer first business. Nina joined the board of Haynes as a Non-Executive Director on 1 August 2016. Nina Wright does not have a service contract with the Company.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group and Parent Company for the year ended 31 May 2018. The Strategic Report on pages 3 to 25 along with the Report of the Directors and the Corporate Governance Report on pages 32 to 35 (which forms part of the Report of the Directors) constitutes the management report as required under 4.1.5R of the Disclosure and Transparency Rules.

DIRECTORS

The names of the directors who served in office during the year and a brief biographical overview are set out on pages 28 to 29.

In accordance with the Articles of Association JHC Haynes, J Yates-Round and A Kwarts retire by rotation and, being eligible, offer themselves for re-election.

In accordance with the Articles of Association P van der Galiën and R Barker retire at the first AGM after appointment and, being eligible, offers themselves for re-election.

The interests of the directors in the ordinary share capital of the Company are shown on page 46. As at 19 August 2018 there had been no changes in the director's shareholdings notified to the Company.

At 31 May 2018, the beneficial shareholdings of the directors represented 56.1% of the total issued share capital. This represented 12.6% of the ordinary shares (which are listed on the London Stock Exchange) and 91.7% of the 'A' ordinary shares.

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

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of the directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts, and related legislation.

POWERS OF DIRECTORS

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all the powers of the Company. The powers of the directors are more specifically described in the Main Board terms of reference, a copy of which can be found at www.haynes.com/investor and are also discussed in the Corporate Governance Report on pages 32 to 35.

2018 ANNUAL GENERAL MEETING (AGM)

The AGM will be held on Thursday 8 November 2018 at the Haynes International Motor Museum, Sparkford, Somerset. The Notice of the Meeting along with an explanation of the proposed resolutions are set out in a separate circular which has been sent to shareholders along with the Annual Report 2018 and can be viewed on the Company's website.

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

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

CHANGE OF CONTROL

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

DIVIDENDS

The directors have recommended a final dividend for the year of 4.0 pence per share (2017: 4.0 pence) making a total dividend for the year of 7.5 pence (2017: 7.5 pence). Subject to shareholder approval at the forthcoming AGM, the final dividend will be payable on 15 November 2018.

SUBSTANTIAL SHAREHOLDINGS

As at 31 May 2018, in accordance with Disclosure and Transparency Rule DTR 5, the Company had been notified of the interest in 3% or more of the Company's issued ordinary 20p share capital (note 24) by the following :

	Ordinary Shares	% Class
Haynes International Motor Museum	630,000	10.3
Miton Group plc	626,105	10.2
CriSeren Investments Limited	533,666	8.6
Axa Framlington S.A.	437,000	7.2

Interests in the Company's issued Ordinary 'A' 20p share capital is fully disclosed on page 46 in the table of Directors' interests along with the interests of those directors who have shareholdings in the Company.

As at 19 August 2018, the Company had not received any notifications amending the above holdings or notifying of any new significant holdings of 3% or more in the Company's ordinary share capital.

SHARE CAPITAL AND RELATED MATTERS

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

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

As at 18 September 2018 (being the last business day prior to the approval of the Annual Report 2018) the Company's issued share capital consists of 9,000,000 'A' ordinary shares and 7,351,540 ordinary shares. As at 18 September 2018, the Company holds 1,229,054 ordinary shares in treasury which represents 16.7% of the ordinary share capital and 7.5% of the Company's total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares. Therefore, as at 18 September 2018, the total voting rights in the Company are 15,122,486 of which 6,122,486 are listed on the London Stock Exchange.

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

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

At the AGM held on 8 November 2017 special resolutions were passed renewing the directors' authority to make purchases of its own shares up to a maximum number of 1,500,000 shares; to allot further shares of the Company, having an aggregate nominal value of £1,090,102 which represents approximately one-third of the total ordinary share capital of the Company and; to renew the directors' authority to issue equity securities for cash otherwise than in proportion to existing holdings to a maximum aggregate nominal value of £163,515 which represents just under 5% of the total ordinary share capital of the Company. The authorities granted will expire at the conclusion of the 2018 AGM if not renewed.

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

The Company has chosen to disclose the following information in the Strategic Report on pages 3 to 25:

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

MATERIAL CONTRACTS

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

FINANCIAL INSTRUMENTS

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

GOING CONCERN

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

On behalf of the Board.

Richard Barker
Group Finance Director
19 September 2018

CORPORATE GOVERNANCE REPORT

Eddie Bell
Executive Chairman

On behalf of the Board, I am pleased to introduce the Group's Corporate Governance Report for 2018. The principles of corporate governance are designed to improve company performance by helping boards discharge their duties in the best interests of shareholders, whilst facilitating efficient and entrepreneurial management.

For our financial year ending 31 May 2018, Haynes Publishing Group P.L.C. reported under the UK Corporate Governance Code published in April 2016 ('the Code') as appended to the Listing Rules. The Code is not intended to be a rigid set of rules but rather a guide to the components of good governance which companies are expected to follow. The Code recognises that one set of provisions will not necessarily fit all companies and accordingly, there are certain provisions within the Code which do not apply to companies outside of the FTSE 350. There may also be areas of the Code where smaller companies judge the provisions to be disproportionate or less relevant to their particular circumstances and where good governance can be achieved by other means. In such instances, Boards are required to disclose the area of strict non-compliance in their Annual Report.

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

Eddie Bell
Executive Chairman
19 September 2018

Statement of compliance

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

Board of directors

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

- Following the resignation of Jim Nicholson on 15 June 2018, the Board comprises eight executive directors. The Board also comprises two Non-executive directors, both of whom are considered to be independent by the Board. Having two Non-executive directors ensures the Company are in compliance with recommendation B.1.2 of the Code, which requires smaller companies to have at least two independent Non-Executive directors. The biographies of the directors are set out on pages 28 and 29 of this Annual Report.

- The division of responsibility between the Group Executive Chairman and the Group Chief Executive is clear and understood and has been committed to writing and approved by the Board. The Executive Chairman is responsible for the leadership of the Board and ensuring its effectiveness along with the effectiveness of the individual directors, while the Chief Executive is responsible for the day to day running of the business.
- The present constitution of the Haynes Board provides a wide mix of skills and experience. The Board has a strong understanding of the global markets in which the Group's businesses operate from the hands-on experience of working in each subsidiary. The Nomination Committee is responsible for succession planning and recommending new appointments to the Board and will make such recommendations based on the skills, knowledge and experience of the existing directors as well as the overall diversity of the Board.
- The Non-Executive directors occasionally hold meetings informally without the Executive Directors present. Likewise, the Executive Chairman occasionally meets with the Non-Executive Directors without the Executive Directors present.
- The directors are able to take independent professional advice in the furtherance of their duties at the Group's expense and all directors have access to the advice and services of the Group Company Secretary.
- The Board has identified S Daykin as the senior independent director.
- The Board defines an independent director as one who has no relationship with any company within the Group or its management which may undermine independence, who is not dependent on the Group or its management for his or her primary source of income, who was not within the last five years a senior manager within the Group, and who does not participate in the Group's incentive bonus schemes or pension arrangements.
- The memberships of the Committees of the Board are indicated on page 27. Only the Chairman of the Committee and its members are entitled to be present at the meetings – but others may attend by invitation.
- Executive directors may be permitted to take a limited number of outside Non-Executive directorships in non-competing companies, subject to the approval of the Remuneration & Nomination Committee.
- The Board meets at regular intervals of approximately two months to determine and monitor corporate strategy, to review the trading and financial performance of the Group and to consider matters specifically reserved for its approval. The following table details the number of board and committee meetings held during the year and the attendance record of the individual directors :

	Full Board meetings	Short Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	**6**	**2**	**3**	**2**
E Bell	6	-	1[a]	-
JHC Haynes	6	1	-	1[c]
J Bunkum	6	2	2[b]	2[c]
J Yates-Round	6	2	-	-
A Kwarts	6	-	-	-
J Nicholson	6	-	-	-
P van der Galiën[1]	2	-	-	-
R Barker[1]	2	-	1[b]	1[c]
JH Haynes	5	-	-	-
S Daykin	6	1	3	2
N Wright	5	-	3	2

[1] P van der Galiën and R Barker were appointed to the Board on 1 February 2018.

[a] E Bell stepped down from the Audit and Remuneration & Nomination Committees on 8 November 2017.

[b] J Bunkum was invited to (and attended) the meetings on 13 September 2017 and 24 January 2018 during the year. R Barker was invited to (and attended) the meeting on 23 May 2018.

[c] JHC Haynes and J Bunkum were invited to (and attended) the Remuneration & Nomination Committee meeting 24 January 2018 and J Bunkum and R Barker were invited to (and attended) the meeting on 23 May 2018.

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

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

Information, professional development and evaluation

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

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

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

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

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

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

Directors' remuneration, contracts and nomination

- In accordance with the provisions of the Code, a Remuneration & Nomination Committee with its own terms of reference has been established by the Board. The Board's Report on Remuneration, which follows on pages 39 to 48, sets out details of the Group's policy on remuneration, the directors remuneration during the year and the work of the Remuneration & Nomination Committee. Page 40 contains the details of the only identified area of non-compliance with the code in that the remuneration of packages of senior management below Board level are reviewed by the executive director responsible for the respective business area and not the Remuneration Committee.
- The Remuneration & Nomination Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vets and scrutinises these proposals. The Committee's composition is explained in the Board's Report on Remuneration. Traditionally the Committee has been reliant upon its own energies and judgement in sourcing and evaluating candidates for vacancies on the Board. However, where deemed appropriate the Committee may use external search consultants to identify and evaluate suitable candidates to fill a Board position.
- All executive directors have rolling service contracts with the Company implemented as a matter of course and terminable with a notice term of one year or less, which in all cases may be served by either party (see page 48).
- The Non-Executive directors do not have service contracts with the Company but are usually appointed at the will of the Board for a fixed period of two years.

Dialogue with shareholders

- The directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's Statement and Strategic Report on pages 3 to 25 provide a summary of the Group's trading performance and future outlook. In addition to the publication of the Group's Annual Report, the Board issues an Interim Report at the end of January each year which provides a financial and narrative review of the first six months of the financial year. The Company's corporate brokers also arrange briefings for shareholders or their representatives with the Group's management following the Group's interim and final announcements.
- The Executive Chairman is in a good position to ensure that the views of major shareholders are communicated to the Board as a whole. Additionally, the Chief Executive updates the Board with any significant discussions/feedback with shareholders at each Board meeting.
- The Board views the Annual General Meeting as an ideal opportunity to communicate with both institutional and private investors alike and confirms its compliance with all the provisions of the Code relating to the constructive use of Annual General Meetings. This year's Annual General Meeting will be held on 8 November 2018 and all Board directors (including Committee Chairs) plan to be present and available to answer questions.

Accountability, audit, and going concern

It is the intention of the Board through this Annual Report, and other public reports and announcements, to present a balanced and understandable assessment of the Company's position and prospects. The directors have set out their responsibility for preparing the financial statements on page 49 of the financial statements.

Financial

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

Operational

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

Compliance

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

Risk management

- The Board has the primary responsibility for identifying the major business risks facing the Group and developing appropriate policies to manage those risks. These policies are used both by the directors and by senior management to determine the key control procedures for each area of risk identified by the Board and the degree of information required to safeguard the business and the assets used within it.
- It is accepted that risk is itself prevalent in any commercial enterprise and that it must be the objective of the Group's management and staff to be prudent in the acceptance and control of risk incurring activity, rather than aiming to eliminate it entirely. Thus the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities.
- Through its day to day management disciplines, face to face meetings, regular written reports and monitoring systems, the Group evaluates and mitigates unnecessary risks.
- In addition, there are a number of areas of the Group's business where it is necessary to accept a degree of risk in order to deliver revenue and profitability growth. The publication of automotive workshop manuals in both a print and online format and a range of titles covering non-automotive practical and DIY subject matters, including a range of light entertainment manuals styled on the iconic Haynes Manual, engenders commercial and publishing risk requiring close evaluation by editors and editorial committees with an in-depth knowledge of their subject and their markets.
- For the financial year ended 31 May 2018, the Board is satisfied that there was in place an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group as a whole. This process is formally structured by means of a written report which is presented annually by the Group Finance Director to the Board. In addition, through discussion with the heads of the various operating units, an update is provided to the Board by the Group Finance Director at the half year. Risks identified by this process are regularly reviewed by the Board and addressed jointly by the Group Chief Executive and directors drawing upon the skills of senior management as necessary. The Board monitors this process and is satisfied that, given the size of the Group, and the nature of its operations, this process is sufficient to meet its needs without unduly hampering entrepreneurial activity, and that (in accordance with the recommendation of the Audit Committee) a separate internal audit function is not required.

On behalf of the Board.

Richard Barker
Group Company Secretary
19 September 2018

REPORT OF THE AUDIT COMMITTEE

Members of the Committee:
Stephen Daykin (Chair), **Nina Wright**

As Chairman of the Audit Committee, I am pleased to present our report to shareholders in accordance with the UK Corporate Governance Code ("the Code") published in April 2016. The Committee oversees the Board's relationship with the Company's external auditors and monitors the Company's internal financial controls and external financial reporting to ensure that the financial and non-financial information presented to shareholders is a true, fair and balanced overview of the Company's and Group's performance.

Composition of the Audit Committee

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

At the same time, Nina Wright was appointed to the Group Board as Non-Executive Director and to the Audit Committee. Eddie Bell, the Group Executive Chairman who had remained on the Committee after my appointment, stood down from the Audit committee on 8 November 2017. The Group Finance Director attends the meetings of the Audit Committee by invitation, as do other Executive Board members if an agenda item decrees it appropriate.

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

Responsibilities of the Audit Committee

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

- To make recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors including their remuneration and terms of engagement and to keep under review the relationship with the external auditors, including their independence, objectivity and the effectiveness of their audit process.
- To review and challenge where necessary the integrity of the Company's financial statements and any formal announcements containing detailed commentary upon the Company's financial performance. The Committee also keeps under review the consistency of accounting policies both on a year-to-year basis and across the Group, including the significant accounting estimates and judgements made by management.
- To review the effectiveness of the Company's financial reporting and internal financial control policies and procedures for the identification, assessment and reporting of financial risk. This review includes an annual assessment of whether there is a need for an internal audit function.
- To keep under review the "Whistleblowing" arrangements across the Group to ensure that procedures are in place for staff to report fraud and similar matters.
- In certain circumstances, it is permitted by the Board for the auditors to supply non-audit services (such as the provision of tax advice or on specific projects where they can add value). The Committee monitors the application of this policy in order to safeguard the objectivity and independence of the external auditors.
- To investigate any matter within its terms of reference and where necessary to obtain external legal or other independent professional advice.

Main activities during the year

During the financial year ended 31 May 2018 the main activities of the Committee included the following :

- In line with the Committees' terms of reference and good corporate governance, the Committee oversaw a competitive tender process in which the service of the Group's auditors were reviewed. Following the review and after careful consideration, PricewaterhouseCoopers LLP were appointed as new Group Auditors.

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

Significant financial judgements

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

Specific to the period

- **Acquisition of E3 Technical.** Following the acquisition of the certain trade, assets and liabilities of E3 Technical from CarweB Limited in the UK on 30 September 2017, management had to make judgements based on their experience and knowledge to assess the fair values of the assets and liabilities acquired. The Committee has reviewed the key assumptions made by management and the disclosures included in the financial statements in compliance with IFRS 3 'Business Combinations' and has discussed with the auditors their audit procedures to assess the appropriateness of the fair values attributed by management to the assets and liabilities acquired.
- **Property Disposals – Adjusting items**. In December 2017, the Group disposed of its second and final freehold property in Nashville as management continued to implement the recommendations from the 2016 global operational, cost and structure review ("the review"). As this significant transaction is outside of the normal course of business the Committee has reviewed the disclosure of these items in the financial statements and has discussed the treatment adopted by management with the Group's auditors.
- **US Tax Reform.** An assessment of the transitional impact of the enacted US Tax Cuts and Jobs Act was disclosed in the Group interim statements. During the year-end audit the Group reviewed the key judgements underpinning the estimated financial impact on the Group tax assets, liabilities and corporate tax rate for the current year and potential tax implications on future years. PricewaterhouseCoopers LLP also concurred that management's assumptions, calculation methodology and treatment of transitional credits as adjusting items were acceptable.

Regular items

- **Impairment testing of intangible assets.** In line with IAS 36, the Group is required to test the carrying value of goodwill, at least annually, for impairment. As part of this review process, the recoverable amount of the asset is determined using value in use calculations, which require management to make key judgements and best estimates of such items as future sales growth, sales pricing and cost increases in order to predict future cash flows of the cash generating units (CGU's). Product development costs are also being capitalised in the CGU's, therefore these value in use calculations provide an additional layer of comfort on the assets' recoverability. Through discussions at Board meetings, the review of circulated Board papers and using its own knowledge of the market sectors where appropriate, the Committee has assessed the appropriateness of the key assumptions and judgements made by management and where appropriate challenged management on these assumptions. The Committee has also reviewed the approach adopted by the external auditors, including the extent to which they have challenged management on the procedures and processes undertaken during the year, to make sure their approach was robust and was designed to adequately challenge the underlying assumptions used by management in their various models and calculations.
- **Inventory provisions.** The Group reviews its finished goods inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimates of future sales activity by management is based on both historical experience and expected outcomes using their knowledge of the markets in which the Group operates. During the year, the Committee has discussed with management the appropriateness of the provisioning policy. The Committee has also reviewed the auditors approach for testing the ageing and saleability of the current inventory.
- **Accounting for pensions.** In determining the net pension expense and the defined benefit obligation of the Group's defined benefit pension schemes, a number of assumptions are required from management including the use of an appropriate discount rate, the levels of salary escalation and price inflation, the expected return on the schemes' investments and mortality rates. The Committee discussed with management how they had derived these assumptions including the extent to which qualified actuarial advice had been sought. The Committee also assessed the scope of work undertaken by the auditors, including the use of actuarial specialists to ensure the pension obligation has been correctly accounted for and disclosed in the financial statements.

REPORT OF THE AUDIT COMMITTEE
continued

Internal control and risk management

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

Internal audit

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

External audit

The Committee is responsible for making recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors, including their remuneration and terms of engagement. During the year under review, a significant part of the Committee's work was the oversight of a formal tender process for the Group's statutory audit contract in November 2017. Following this review PricewaterhouseCoopers LLP were appointed as the new Haynes Group Auditors and have held this position since December 2017. On behalf of the Board, I would like to thank our outgoing auditors, BDO LLP (BDO) for their services since they took office in 2003. I would also like to welcome PricewaterhouseCoopers LLP as our new Group auditors.

Throughout the year the Committee oversaw and helped facilitate a smooth transition from BDO. It was a key objective of the Committee to ensure that PricewaterhouseCoopers LLP became fully familiar with all aspects of the Group that were relevant to the external audit process as part of their audit planning. This enabled PricewaterhouseCoopers LLP to provide the Committee with a detailed audit plan for the 2018 financial year identifying their audit scope, planning materiality and their assessment of key risks. Looking forward, the Committee has recommended to the Board the re appointment of PricewaterhouseCoopers LLP for the 2019 financial year. The directors will be proposing the re-appointment of PricewaterhouseCoopers LLP at the AGM in November 2018. The Committee will continue to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the UK Corporate Governance Code and the reforms of the audit market by the UK Competition and Markets Authority and the European Union.

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

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

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

Stephen Daykin
Chair of the Audit Committee
19 September 2018

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

Members of the Committee:
Nina Wright (Chair), **Stephen Daykin**

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2018. The Committee is committed to evolving our remuneration arrangements through collaborative reviews to ensure they are always aligned with the overall strategy of the Group. In doing so the Committee considers the principles of Corporate Governance, as their foundation is based on the long-term sustainable success and values of a company.

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

1 – Chair of the Remuneration Committee – Annual Statement

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

The report comprises three sections as follows:

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

At the Group's 2017 Annual General Meeting (AGM), the Directors Remuneration Policy as set out on pages 40 to 43 was approved by our shareholders and in-line with the above guidance, unless the Committee wishes to make a change to the policy which would require shareholder approval, the existing policy remains in force for a further two years at which point it will once again be put before shareholders for approval as an ordinary resolution at our AGM.

The Annual Report on Remuneration sets out the payments made to directors during the financial year under review and along with this introductory statement will be subject to an advisory shareholder vote at the 2018 Annual General Meeting.

1.1 Remuneration Committee ("the Committee") composition

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

Eddie Bell, the Executive Chairman who was a member of the committee at the start of the year, stood down on 8 November 2017. In line with the provisions contained in D.2.1 of the Code, Eddie was considered independent on his appointment as Executive Chairman.

The Committee will invite Executives from the business to attend meetings to provide further insights about the business or where the business of such meetings would require Executives input to ensure the Committee has a holistic view on remuneration issues.

1.2 Responsibilities of the Committee

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

- To determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, the Executive Chairman of the Company, and the executive directors. The remuneration of non-executive directors is a matter for the executive members of the Board.

- To take into account all factors which it deems necessary to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE

continued

- Within the terms of the agreed policy, to determine the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments and share options and to determine targets for any performance related incentive schemes operated by the Company, seeking shareholder approval where appropriate.
- To determine the scope and nature of service agreements for the executive directors including termination payments and compensation for loss of office payments, taking into account the prevailing pension arrangements. In particular, the Committee shall endeavour to ensure that the contractual terms on termination and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- In determining such packages and arrangements, give due regard to the recommendations of the UK Corporate Governance Code 2016, the Listing Rules of the Financial Conduct Authority and current legislation.

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

1.3 Activities of the Committee in the current financial year

The main activities of the Committee which met twice during the financial year ended 31 May 2018 were as follows :

- **Salaries**
  The Committee approved a 2% increase for all executive directors effective from 1 June 2017 which was in line with the average increase given to group wide employees. Jim Nicholson was appointed to the Board on 1 June 2017 with an annual salary of $200,000.

  On 1 February 2018 the following changes occurred:
- James Bunkum was promoted to Chief Operating Officer with an annual salary of £175,000.
- Jeremy Yates-Round was promoted to Managing Director Haynes Consumer with an annual salary of £145,000.
- Peter van der Galiën was appointed to the Board as Managing Director Haynes Professional with an annual salary of €203,000.
- Richard Barker was appointed to the Board as Group Finance Director with an annual salary of £115,000.
- **Pension arrangements**
  On his appointment to the Board in February 2018 Richard Barker moved into the Main Board category of the Scheme which provides for retirement at the age of 61 (previously 66 as a subsidiary director).
- **Bonuses**
  The Committee approved an increase to Eddie Bell's bonus arrangement effective from 1 June 2017. Eddie is the only Executive Director not participating in the Long-Term Incentive Plan (LTIP) and in lieu of this the Committee approved an increase on the capped level of bonus from 20% to 60% of the executive's annual gross salary.

  The other executive bonus arrangements have remained consistent throughout the year which caps the amount of bonus payable at 20% of the executive's annual gross salary. Further details of the arrangements are discussed in Sc2.1(i).
- **Benefits**
  On their appointment to the Board, Peter van der Galiën continued to receive a company car with private fuel and Richard Barker continued to receive a company car with private fuel and private medical cover for himself and his family.
- **Share options**
  The Company introduced a new Long-Term Incentive Plan (LTIP) which was approved by shareholders on 18 July 2017. Details of awards granted during the financial year under this plan are detailed page 46.

2 – Directors Remuneration Policy

The principal elements of executive directors' remuneration comprises a basic salary and fixed benefits, an annual bonus, the provision of a post-retirement pension and from 1 June 2017, participation in the Haynes Group Long Term Incentive Plan. Each of these elements is viewed with equal importance by the Committee, to ensure that the remuneration packages reflect not only the short term but also the longer-term goals of the Company and of the Group.

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

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

2.1 Directors remuneration policy table

Element of remuneration	Purpose and link to Company's strategy	How the element operates (including maximum opportunity)	Performance metrics where relevant
Base Salary	– To attract, motivate and retain executive directors of the right calibre to ensure the future growth and success of the Group.	– Salaries are set to reflect the individual responsibilities and role of the director. The Committee may at its discretion increase the base salary of a director where there is a change in a director's responsibility, personal progression in the role or to reflect the increased experience of the individual director. – Base salaries are reviewed annually with changes normally taking effect from 1 June. Base salaries of the directors located in the UK and Europe are paid monthly in arrears and for the US based directors are paid twice a month in arrears.	– When undertaking its annual review the Committee is mindful of the annual pay review process for employees elsewhere in the wider Group, comparable pay for like roles in similar sized businesses as well as the retail price index and similar indices of inflation.
Benefits	– To attract, motivate and retain executive directors by providing benefits which are commensurate with the role and responsibility of the director.	– The benefits available to the directors will take into account local market practice in the country where the director is based and will principally include the provision of a company car (including private fuel) or an alternative cash allowance, private medical cover for the director and their immediate family and income protection. There is no prescribed maximum but the Committee monitor the overall level of benefits to ensure the cost to the business is proportionate.	– Not performance related
Annual bonus	– To provide a reward scheme for executive directors which aligns the benefits to the directors with the interests of the stakeholders and which is transparent and administratively straightforward to operate.	– For the year to 31 May 2018 all executive bonuses are based on the performance of the overall Group. – The majority of the bonuses also include an element of personal performance. – All bonuses are capped at 20% of gross base salary, apart from the bonus for the Executive Chairman which is capped at 60%. – The Committee has the discretion to adjust the applicable percentages or target metrics where there is a change in a director's responsibility or where the development and/or increased experience of the individual director justify such an amendment.	– Refer to note (i) for details of the individual director's bonus arrangements.
Pension	– To offer a retirement package which helps to attract and retain directors of the right calibre to ensure the continued growth and success of the Group.	– The Committee may authorise the funding of a director's pension arrangement as appropriate. This could include participation in one of the Group's defined benefit pension schemes, contributions to a money purchase scheme and/or payment of a cash allowance as appropriate. Life assurance linked to the membership of a pension scheme may be available to the directors as appropriate. – Details of the pension arrangements for the specific directors (including maximum entitlements) are included in note (ii).	– Not performance related
Long Term Incentive Plan (LTIP)	– To help recruit, retain and motivate executive directors to achieve the Group's business objectives and closer align their interests to the Company's shareholders.	– From 1 June 2017, the LTIP permitted an annual grant of shares which vest subject to performance and continued employment. The LTIP awards are granted in accordance with the rules of the plan, which were approved by shareholders on 18 July 2017. A copy of the rules is available on request from the Company Secretary. – Under the rules of the LTIP, the maximum award is 100% of salary. In exceptional circumstances and at the discretion of the Committee the award can be increased to 300%. Details of the current award levels are set out in the Annual Report on Remuneration.	– Awards under the LTIP are currently subject to two performance conditions. Firstly, an earnings per share (EPS) performance measure and secondly, on return on average capital employed. Each performance condition is measured over three financial years. – The Committee has the discretion to amend the targets providing the new targets are no less challenging. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.
Non-Executive fees	– To support the recruitment of high quality and experienced Non-Executive directors.	– The fees for non-executive directors are determined by the Board and are set to reflect the time commitments and responsibilities associated with the role. – Incidental expenses are payable to non-executive directors as appropriate. – A basic annual fee for normal duties is paid monthly through the Company payroll. Supplementary fees may also be payable for additional duties at the discretion of the Board.	– Not performance related

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE
continued

2.1 Directors remuneration policy table (continued)

Notes to the Policy Table

i) Bonus arrangements
The bonus arrangements caps the level of bonus that can be earned in a year to 20% of an executive's gross base salary (apart from the Executive Chairman). The full 20% can be earned if the following conditions are met:

- An award of 5% of gross basic pay if the Group achieves 90% or more of budgeted net profit in the relevant financial year.
- An additional 10% of gross basic pay can be earned if the Group achieves 100% or more of budgeted net profit in the relevant financial year.
- A further award of 5% of gross basic pay can be earned if the executive meets their pre-determined performance objectives.

15% of the bonus arrangements in relation to the year ended 31 May 2018 are non-discretionary and form part of a director's contractual arrangement with the Company with no claw back or recovery provisions in place. In the event of termination for cause, the bonus element of remuneration is either not payable or payable only at the discretion of the Company.

The Executive Chairman's bonus is capped at 60% of gross salary and the full 60% can be earned if the following conditions are met:

- An award of 30% of gross basic pay if the Group achieves 90% or more of budgeted net profit in the relevant financial year.
- An additional 30% of gross basic pay can be earned if the Group achieves 100% or more of budgeted net profit in the relevant financial year.

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

- E Bell does not have any pension entitlements arising from his employment with the Group.
- JHC Haynes, J Yates-Round, J Bunkum and R Barker are members of the UK defined benefit pension scheme ('UK Scheme'). The target pension for the directors is currently seven-eighths of two-thirds of final pensionable salary at the age of 61 (two-thirds of final pensionable salary from age 60 pre 12 July 2011). Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service. Active members contribute 8% of their pensionable pay, as defined under the Scheme rules. Death in service benefits provide for a return of the individual's contributions made to the UK Scheme, a cash sum equal to 4 times pensionable salary and a widow or dependants pension equal to 50% of the target pension receivable at normal retirement age. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable.

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

  With effect from 1 June 2015, JHC Haynes and J Yates-Round ceased to be active members of the UK Scheme and from this date both directors became deferred members. In consideration of their cessation from active membership of the UK Scheme, JHC Haynes received an increase in annual gross salary of 20.4% and J Yates-Round received an increase in annual gross salary of 36.3%. Both directors continue to receive life assurance cover under the same terms as when they were active members of the UK Scheme.
- JH Haynes and J Nicholson were members of the US defined benefit pension plan ('US Plan'). The US Plan provides for a pension that vests in yearly increments reaching a maximum of 50% of final pensionable salary on attaining 7 or more years' service with the Company. The final pensionable salary is calculated in a consistent manner to the UK scheme. The retirement age for the non-contributory US Plan is 65. Death-in-service benefits provide for a widow or dependants pension equal to the actuarial equivalent of the accrued benefit at the date of death. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable. In both cases election may be made to receive a cash lump sum, or by instalments, the amounted vested (actuarial accrued benefit). Pensions do not increase during retirement. There are no provisions for early retirement under the US Plan rules but the vested actuarial accrued benefit may be taken in instalments, as a lump sum or left in the Plan until age 70 when, by law, they must be taken. As JH Haynes has reached the age of 65 he is no longer accruing benefits under the US plan.

  Additionally, in the US there is an employer savings plan (401K pension plan) available to all employees. Under the plan the Company contributes 1.6% of salary as well as matching one third of employee's deferrals up to a maximum of 6% of salary.
- A Kwarts and P van der Galiën are members of the HaynesPro Holding BV money purchase pension scheme which is governed by the employment laws in the Netherlands. Under the regulated scheme the employee contributes 3.5% of gross salary (including holiday pay) and the employer contributes the remaining amount to achieve the targeted return depending on variables for each employee. For the year under review the employer contributions were 5.5% and 3.5% of gross salary respectively.

2.2 Other remuneration policy considerations

Approach to recruitment

- The Board has determined that the role of the Nomination Committee will be combined with that of the Remuneration Committee. The Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vets and scrutinises these proposals. The Committee is mindful of the need to ensure orderly succession planning and to recommend new appointments to the Board based on merit and experience. The Committee may rely on its own energies and judgement in sourcing and evaluating candidates for vacancies for the Board or alternatively, to use external search consultants and open advertising if felt appropriate. During the year, the Committee recommended the appointment of Richard Barker and Peter van der Galiën to the Executive Board. Following approval by the Board, these appointments took effect from 1st February 2018.
- In the case of an external appointment the Committee reserves the right, in exceptional circumstances, to make payments outside of this policy. The right would only be exercised where the Committee believes to do so is in the best interests of the Company and where it would be impractical to seek specific approval from a general meeting beforehand. If such discretion is applied the relevant circumstances would be disclosed to shareholders in the next Annual Remuneration Report.
- In the case of internal appointments, any outstanding variable pay in respect of the prior role may at the Committees discretion be permitted to continue on its original terms or if appropriate adjusted to reflect the new appointment.

Comparison with wider Group employees and consultation with shareholders

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

Service contracts and loss of office payments

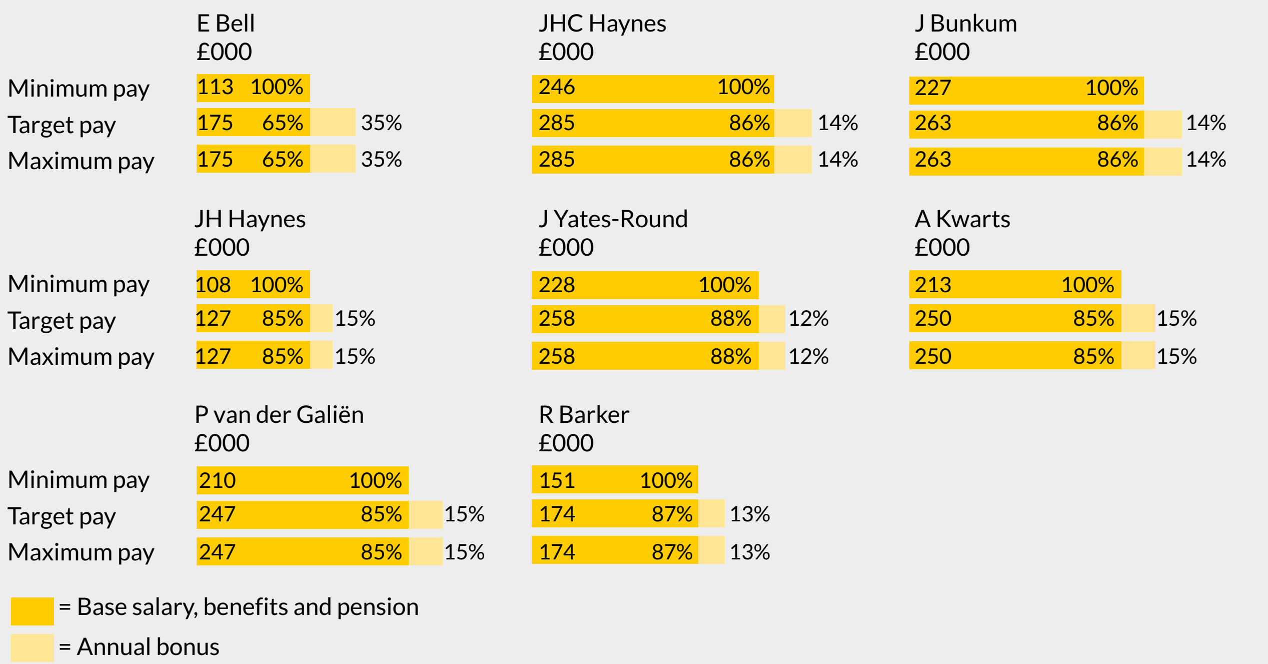
- In line with the guidance issued in the Code, the service contracts for all executive directors include a notice period of 12 months or less upon termination.

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

2.3 Application of remuneration policy

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

The executive directors' remuneration is all contractually based and apart from E Bell comprises a small discretionary element assessed on the executive's performance against pre-determined objectives. The bonus targets have been set at achieving expected levels and therefore, the target and maximum amounts payable in the charts below are the same.



Assumptions:
1. Based on policy to be applied for 2018/19.
2. Salaries are based on agreed amounts from 1 June 2018.
3. Taxable benefits and pensionable amounts are based on expected amounts for financial year ending 31 May 2018.
4. The directors' annual bonuses are calculated in line with the policy outlined in Sc 2.1.

3 – Annual Report on Remuneration

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

3.1 Directors' remuneration table

The table below sets out the total remuneration of the directors for the financial Year ended 31 May 2018.

	Salary/fees		Benefits[1]		Performance bonus[5]		Pension [6]		Loss of office [7]		Total Emoluments	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Executive												
E Bell	102	100	9	3	61	20	-	-	-	-	172	123
JHC Haynes	191	187	11	5	38	37	39	37	-	-	279	266
J Bunkum	160	150	15	17	32	30	199 [9]	37	-	-	406	234
J Yates-Round	137	131	22	20	27	26	50	47	-	-	236	224
A Kwarts [3]	189	179	19	14	35	32	11	10	-	-	254	235
P vd Galiën [2]/[3]	65	-	7	-	12	-	2	-	-	-	86	-
R Barker [2]	38	-	7	-	8	-	-	-	-	-	53	-
JH Haynes [4]	95	96	12	13	19	10	-	-	-	-	126	119
J Nicholson [4]	148	-	30	-	-	-	108	-	207 [7]	-	493	-
	1,125	843	132	72	232	155	409	131	207	-	2,105	1,201
Non-Executive												
S Daykin [8]	31	25	-	-	-	-	-	-	-	-	31	25
N Wright [8]	31	25	-	-	-	-	-	-	-	-	31	25
MEF Haynes	-	10	-	-	-	-	-	-	-	-	-	10
	62	60	-	-	-	-	-	-	-	-	62	60
Total	**1,187**	903	**132**	72	**232**	155	**409**	131	**207**	-	**2,167**	1,261

[1] The benefits relate to the provision of company cars, private fuel and private healthcare cover.
[2] The figures for P van der Galiën and R Barker cover the period from 1 February 2018 to 31 May 2018 following their appointment as Executive Directors.
[3] A Kwarts and P van der Galiën are paid in euros and the amounts have been converted to sterling at the average exchange rates for 2018 and 2017.
[4] J Nicholson and part of JH Haynes salaries are paid in dollars and the amounts have been converted to sterling at the average exchange rates for 2018 and 2017.
[5] The executive directors' annual bonus arrangements are set out in note 1 of Sc 2.1
[6] The directors' benefits arising from pension arrangements during the financial year are summarised in Sc 3.2 overleaf.
[7] Details regarding the loss of office payments during the year are summarised in Sc 3.4 overleaf.
[8] The comparative figures for S Daykin and N Wright cover the period from 1 August 2016 to 31 May 2017 following their appointments as a Non-Executive Directors.
[9] The pension input amount relating to J Bunkum reflects a one-off adjustment following his promotion to the Group Board in Jan 2016.

3.2 Directors pensions entitlements

The value of pension benefits to the directors arising under company related pension arrangements during the financial years ended 31 May 2018 and 2017 were as follows :

	Note	Normal pensionable age	Total accrued pension in the defined benefit scheme 31 May 2018 £000	Total accrued pension in the defined benefit scheme 31 May 2017 £000	Value of pension related benefits 31-May-18 Defined benefit scheme £000	31-May-18 Money purchase arrangements £000	31-May-18 Total £000	31-May-17 Defined benefit scheme £000	31-May-17 Money purchase arrangements £000	31-May-17 Total £000
JHC Haynes	UK	61	60	60	-	-	-	-	-	-
J Bunkum	UK	61	61	49	199 [5]	-	199	37	-	37
R Barker	UK	61	11	10[4]	-	-	-	-	-	-
J Yates-Round	UK	61	64	64	-	-	-	-	-	-
A Kwarts		67	-	-	-	11	11	-	10	10
P vd Galiën		67	-	-	-	2 [6]	2	-	-	-
JH Haynes	US	65	37	38	-	-	-	-	-	-
J Nicholson	US	65	58	53	103	5	108	-	-	-

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

1. Current and prior year amounts for the US defined benefit plan have been converted to sterling at the closing rate for the financial year. Amounts payable to the executive directors in relation to money purchase arrangements are converted at the average rate for the year.
2. The total accrued pension in the defined benefit scheme as at 31 May 2018 represents the amount that would be paid annually in retirement from normal pension age, based on the director's pensionable service to 31 May 2018.
3. The value of a director's benefits derived from the defined benefit scheme is based on the increase in accrued pension during the year and reflects an increase for UK Consumer Price Index (CPI) inflation.
4. R Barker's accrued pension benefit is as at 1 February 2018.
5. The pension input amount relating to J Bunkum reflects a one-off adjustment following his promotion to the Group Board in Jan 2016.
6. P van der Galiën money purchase arrangements are from 1 February 2018 following his promotion to the Group Board.

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

	31 May 2018 Increase in accrued pension arising from defined benefit schemes during the year[1] £000	31 May 2017 Increase in accrued pension arising from defined benefit schemes during the year [1] £000
J Bunkum	12	3
R Barker	1 [3]	-
JH Haynes	(1)	4
J Nicholson	5	-

Notes :

[1] The increase in accrued pension excludes any increase for inflation during the year.

[2] All amounts for the US defined benefit plan have been converted to sterling at the closing rate for the financial year.

[3] The increase for R Barker relates to the period from his appointment on 1 February 2018 to 31 May 2018.

3.3 Payments to past directors

No payments were made to past directors during the year

3.4 Payments for loss of office

J Nicholson stood down from the Board on 15 June 2018. Under the terms of his departure he was entitled to:

- $204,000 as payment in lieu of his salary for his notice period.
- $74,501 in respect of benefit entitlements during the notice period.

3.5 Directors' interests in shares of the Company

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

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

The directors who served during the year who had interests in the share capital of the Company as at 31 May 2017 (including the interests of connected parties) are as follows:

	Beneficial 'A' Ordinary No.	Non-Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive						
E Bell	-	-	-	-	-	3,000
JHC Haynes	-	450,000 [2]	8,550,000 [2][4]	710,141 [2]	163,500 [2]	632,575 [2][3][4]
JH Haynes	8,250,000	750,000 [2]	-	197,500	902,500 [1][2]	1,036,216 [2][3][4]
A Kwarts	-	-	-	15,000	-	-

Notes (relating to both 2018 and 2017 interests) :

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

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

[3] Includes 326,075 shares owned by Mrs AC Haynes.

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

3.6 LTIP awards granted during the financial year

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

Director	**Shares awarded**	**Face value of award[1]**	**Number of shares vesting for minimum performance**	**Number of shares vesting for maximum performance[2]**	**End of performance period and vesting date**
JHC Haynes	20,000	£38,600	-	20,000	31 May 2020
J Bunkum	20,000	£38,600	-	20,000	31 May 2020
J Yates-Round	20,000	£38,600	-	20,000	31 May 2020
A Kwarts	20,000	£38,600	-	20,000	31 May 2020
P vd Galiën	20,000	£38,600	-	20,000	31 May 2020
R Barker	8,667	£16,727	-	8,667	31 May 2020
J Nicholson[3]	20,000	£38,600	-	20,000	31 May 2020
Total	**128,667**	**231,600**	**-**	**128,667**	

Notes :

[1] The share price used to determine the number of shares under the award was £1.93 being the share price at the start of the performance period.

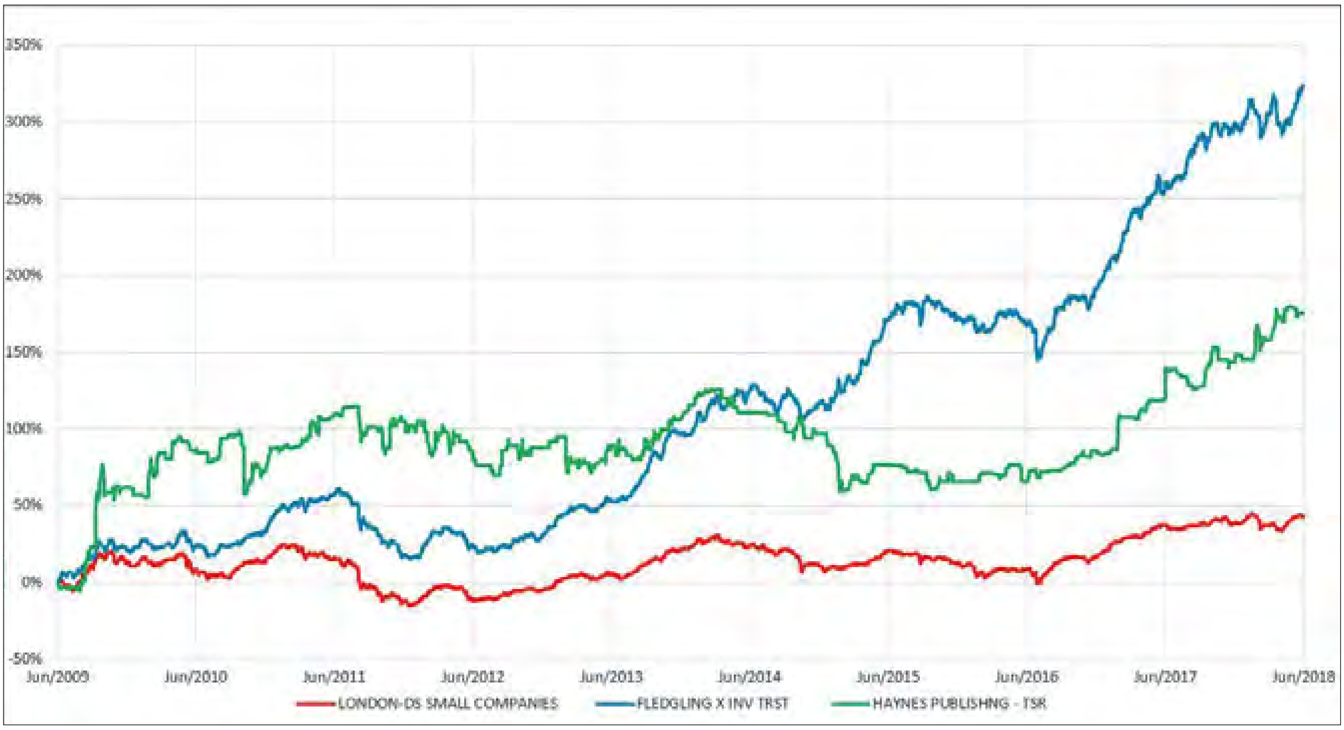
[2] The two equally weighted performance measures are:

a. Earnings per share – EPS growth must be at least 5% for 25% vesting, increasing on a straight-line basis to 50% vesting for 10% and above.
b. Return on Average Capital Employed – ROACE - If adjusted ROACE as at 31 May 2020 is more than or equal to adjusted ROACE as at 31 May 2017, 50% of the option will be Released on the Release Date. If adjusted ROACE as at 31 May 2020 is less than adjusted ROACE as at 31 May 2017, 50% of the option will lapse at the Release Date.

[3] The award for J Nicholson lapsed due to his resignation.

3.7 Total shareholder return graph

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



3.8 Remuneration of the Chief Executive over the 9 year period from 1 June 2009 to 31 May 2018

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

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

Notes:

1. 2010 – 2016 remuneration relates to the period when E Oakley was Group Chief Executive Officer until his retirement on 31 May 2016. During this period, the annual bonus was contractual and based on a fixed percentage of the Group' net profits. Accordingly, there is no difference between the amount earned and the maximum amount that would be payable. The remuneration of E Oakley during this period was paid in US Dollars and translated to Sterling at the average exchange rate for the financial year.
2. 2017 – 2018 remuneration relates to the period J Haynes was Group Chief Executive Officer.
3. Total remuneration is calculated on the same basis as the shown in the directors' remuneration table

REPORT OF THE REMUNERATION AND NOMINATION COMMITTEE
continued

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

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

	Chief Executive % change from 2017	Average for UK employees [1] % change from 2017
Salary	2%	2%
Benefits	120% [2]	15%
Bonus	2%	48%

Notes:

[1] For practicable purposes, the UK employee base excludes OATS and HaynesPro (UK) who were acquired part way through either the current or comparative financial year. This has been selected as a comparable measure for the above table as the UK has a broad range of employees and is not deemed to be materially different from the other parts of the Group.

[2] Increase reflects a full year of participation in company car scheme, prior year was for 6 months.

3.10 Relative importance of spend on pay

The table below sets out the actual expenditure on employees remuneration for the financial years ending 31 May 2018 and 2017 relative to the equity dividends paid by the Company over the same period :

	2018 £000	2017 £000	% change
Wages and salaries (note 6)	12,158	10,898	12%
Dividends (note 11)	1,133	1,133	-

3.11 Statement of voting at general meeting

At the annual general meeting held on 8 November 2017, an ordinary resolution was placed before shareholders in relation to directors' remuneration. The resolution was advisory and was to approve the directors' remuneration report for the financial year ended 31 May 2017. The resolution was passed on a show of hands with 100% of the votes cast in favour of the resolution.

3.12 Directors service contracts

The notice periods of the executive directors are as shown below :

Director	**Date of contract**	**Notice period**
E Bell	23 May 2016	3 months
JHC Haynes	15 February 2002	12 months
J Bunkum	7 June 2016	12 months
J Yates-Round	2 September 2010	12 months
A Kwarts	12 October 2010	6 months
P vd Galiën	1 February 2018	6 months
R Barker	1 February 2018	12 months
JH Haynes (UK)	29 September 1979	12 months
JH Haynes (US)	29 September 1979	6 months

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

Non-executive directors do not hold service contracts and are appointed at the will of the board usually for a fixed period of two years.

On behalf of the Board.

Nina Wright
Chair of the Remuneration Committee

19 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

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

Directors' confirmations

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Haynes Publishing Group P.L.C.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Balance Sheets as at 31 May 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the year from 1 June 2017 to 31 May 2018.

Our audit approach - overview

Materiality

- Overall group materiality: £340,000 based on 1% of total revenue.
- Overall parent company materiality: £190,000, based on 1% of total assets.

Audit scope

- The UK audit team performed an audit of the complete financial information of the three main operating units in the UK (J H Haynes), US (Haynes North America) and the Netherlands (HaynesPro BV) and Haynes Publishing Group P.L.C.
- Taken together, these entities account for 89% of Group revenue and in excess of 80% of the total Group profit before tax.
- Specific audit procedures were also performed by the UK audit team on certain other balances and transactions at the remaining reporting units.

Key audit matters

- Assumptions used to determine pension liabilities (Group and Parent Company).
- Capitalisation of product development costs and associated impairment (Group).
- E3 Technical purchase acquisition accounting (Group).

The scope of our audit

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

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006 and the Listing Rules. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management and review of significant component auditors' work. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters ("KAM")

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

Key audit matter	How our audit addressed the key audit matter
Assumptions used to determine pension liabilities (Group and Parent Company) We focused on this area because of the magnitude of the defined benefit pension deficit of £18.7 million and the material judgements involved in determining the actuarial assumptions for both the UK and US schemes which are set out in Note 22. The net pension deficit is subject to the Directors' judgements regarding the selection of appropriate actuarial assumptions based on the nature of the schemes, including the discount rate, inflation rate and mortality rate, being the assumptions to which the deficit is most sensitive A change in each of these assumptions by 0.25% can cause a material change in the value of the underlying pension deficit (as highlighted on page 87). The Directors employed independent actuaries in both the UK and US to assist them with the valuation of the deficit.	We used our actuarial experts to assess the methodology adopted by the Directors and their actuaries to determine the net pension deficit. We concluded that the requirements of IAS 19 'Employee benefits' had been applied for 2018 but that the US scheme's discount rate had not been calculated in line with IAS 19 for the prior year. Management have accordingly restated the 2017 and 2016 defined benefit liabilities. We also used our actuarial experts to assess the reasonableness of the key actuarial assumptions selected, by comparing these to our own independent benchmark ranges based on our assessment of current market conditions and available actuarial data. We noted that the discount rate, inflation rate and mortality rate were within our acceptable range. We also assessed the actuary's valuations by obtaining supporting evidence for each of the key inputs into the overall pension deficit calculation including independently agreeing membership census data to pension scheme records and agreeing the scheme asset values to independent sources, noting no exceptions.
Capitalisation of product development costs and associated impairment (Group) We focussed on this area because of the magnitude of capitalised product development expenditure of £21.3m and the risk that amounts may not be recoverable. This risk is set out in the critical accounting judgments on page 66 and the amounts capitalised are included in note 13 and occurs in both the production of manuals and the development of technical data.	We tested a sample of capitalised product development costs against the criteria set out in IAS38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits. We assessed each of the categories of capitalised cost for indicators of impairment, such as level of sales. As a result of our work we determined that no impairment was required.
E3 Technical purchase acquisition accounting (Group) On 30 September 2017, the Group acquired the trade and assets of E3 Technical for £4.72m. We focused on this area given the acquisition was a significant transaction outside the ordinary course of business and as management applied judgement in valuing the intangible assets acquired.	We evaluated whether the acquisition met the definition of a business combination in line with IFRS 3 and concluded that it did. We assessed the methodology adopted by the directors in calculating the fair value of each of the assets acquired. We used our valuations experts to assist us in making this assessment and concluded that the methods used were acceptable. We considered the forecasts and assumptions used by the directors in their calculations, concluding that they were reasonable. We obtained evidence of the purchase consideration and recalculated the goodwill resulting from the acquisition.

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

continued

How we tailored the audit scope

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

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

Materiality

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

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

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

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £190,000 and £308,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 May 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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

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

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

- The directors' confirmation on page 22 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 22 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions

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

- The statement given by the directors, on page 49, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on page 36 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

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

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

continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 12 December 2017 to audit the financial statements for the year ended 31 May 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 September 2018

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
Year ended 31 May 2018

		2018			2017		
	Continuing operations	Adjusted £000	Adjusting items (note 5) £000	Statutory £000	Adjusted £000	Adjusting items (note 5) £000	Statutory £000
Note 2	**Revenue**	**33,788**	**-**	**33,788**	**29,774**	-	**29,774**
	Cost of sales	(13,641)	-	(13,641)	(11,694)	(1,282)	(12,976)
	Gross profit	**20,147**	**-**	**20,147**	**18,080**	**(1,282)**	**16,798**
	Other income	17	-	17	31	-	31
	Distribution costs	(8,151)	(337)	(8,488)	(8,039)	(209)	(8,248)
	Administrative expenses	(8,511)	(1,591)	(10,102)	(6,864)	(88)	(6,952)
	Gain on disposal of property	-	2,588	2,588	-	1,608	1,608
Note 4	**Operating profit**	**3,502**	**660**	**4,162**	**3,208**	**29**	**3,237**
Note 7	Finance income	11	-	11	5	-	5
Note 8	Finance costs	(57)	-	(57)	(60)	-	(60)
Note 22	Other finance costs – retirement benefits	(554)	-	(554)	(518)	-	(518)
	Profit before taxation	**2,902**	**660**	**3,562**	**2,635**	**29**	**2,664**
Note 9	Taxation	(904)	(1,164)	(2,068)	(1,211)	(79)	(1,290)
	Profit/(loss) for the period	**1,998**	**(504)**	**1,494**	**1,424**	**(50)**	**1,374**
Note 10	**Earnings per 20p share**	Pence		Pence	Pence		Pence
	Earnings per share from continuing operations						
	– Basic	13.2		9.9	9.4		9.1
	– Diluted	13.1		9.8	9.4		9.1

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 May 2018

		2018 £000	2017 £000
	Profit for the period	**1,494**	**1,374**
	Other comprehensive income		
	Items that will not be reclassified to profit or loss in subsequent periods:		
	Actuarial gains/(losses) on retirement benefit obligation		
Note 22	- UK Scheme	5,718	(8,392)
Note 22	- US Scheme	(458)	451
	Deferred tax on retirement benefit obligation		
Note 22	- UK Scheme	(972)	1,427
Note 22	- US Scheme	103	(180)
Note 22	Deferred tax arising on change in corporation tax rate	(53)	(144)
		4,338	(6,838)
	Items that will or may be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translation of foreign operations	(530)	3,678
	Other comprehensive income/(expense)	**3,808**	**(3,160)**
	Total comprehensive income/(expense) for the financial period	**5,302**	**(1,786)**

CONSOLIDATED BALANCE SHEET

As at 31 May 2018

		2018 £000	Restated[1] 2017 £000	Restated[1] 2016 £000
	Non-current assets			
Note 12	Property, plant and equipment	1,525	4,011	8,434
Note 13	Intangible assets	33,244	27,696	22,381
Note 14	Deferred tax assets	5,693	7,839	7,366
	Total non-current assets	**40,462**	**39,546**	**38,181**
	Current assets			
Note 15	Inventories	3,084	3,965	4,614
Note 16	Trade and other receivables	8,484	7,806	7,499
	Tax recoverable	124	130	926
Note 17	Cash and cash equivalents	4,809	7,036	2,548
	Total current assets	**16,501**	**18,937**	**15,587**
Note 12	Assets held for sale	2,195	1,483	-
	Total current assets	**18,696**	**20,420**	**15,587**
	Total assets	**59,158**	**59.966**	**53,768**
	Current liabilities			
Note 19	Trade and other payables	(9,813)	(7,674)	(5,188)
Note 18	Borrowings	(2,276)	(3,331)	(2,163)
Note 20	Provisions	(332)	(1,164)	(3,656)
	Total current liabilities	**(12,421)**	**(12,169)**	**(11.007)**
	Non-current liabilities			
Note 14	Deferred tax liabilities	(3,038)	(3,287)	(3,255)
Note 22	Retirement benefit obligation	(18,712)	(23,778)	(15,855)
	Total non-current liabilities	**(21,750)**	**(27,065)**	**(19,110)**
	Total liabilities	**(34,171)**	**(39,234)**	**(30,117)**
	Net assets	**24,987**	**20,732**	**23,651**
	Equity			
Note 24	Share capital	3,270	3,270	3,270
Note 24	Share premium	638	638	638
Note 24	Treasury shares	(2,447)	(2,447)	(2,447)
Note 24	Retained earnings	15,803	11,018	17,615
Note 24	Foreign currency translation reserve	7,723	8,253	4,575
	Total equity	**24,987**	**20,732**	**23,651**

[1] See Note 1 – Restatement of prior years

The financial statements on pages 55-96 were approved by the board of directors and authorised for issue on 19 September 2018 and were signed on its behalf by:

E Bell
Director

JHC Haynes
Director

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2018

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2016	3,270	638	(2,447)	4,575	18,199	24,235
Prior year restatement[1]	-	-	-	-	(584)	(584)
Balance at 1 June 2016 restated[1]	3,270	638	(2,447)	4,575	17,615	23,651
Profit for the period	-	-	-	-	1,374	1,374
Other comprehensive income:						
Currency translation adjustments	-	-	-	3,678	-	3,678
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(6,838)	(6,838)
Total other comprehensive expense	-	-	-	3,678	(6,838)	(3,160)
Total comprehensive expense	-	-	-	3,678	(5,464)	(1,786)
Dividends (note 11)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2017 restated[1]	**3,270**	**638**	**(2,447)**	**8,253**	**11,018**	**20,732**
Profit for the period	-	-	-	-	1,494	1,494
Other comprehensive income:						
Currency translation adjustments	-	-	-	(530)	-	(530)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	4,338	4,338
Total other comprehensive income	-	-	-	(530)	4,338	3,808
Total comprehensive income	-	-	-	(530)	5,832	5,302
Performance share plan	-	-	-	-	86	86
Dividends (note 11)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2018	**3,270**	**638**	**(2,447)**	**7,723**	**15,803**	**24,987**

[1] See Note 1 – Restatement of prior years

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 May 2018

		2018	2017
	Cash flows from operating activities	£000	£000
	Profit after tax	1,494	1,374
	Adjusted for :		
Note 9	Income tax expense	2,068	1,290
Note 8	Interest payable and similar charges	57	60
Note 7	Interest receivable	(11)	(5)
Note 22	Retirement benefits finance costs	554	518
	Operating profit	**4,162**	**3,237**
Note 12	Depreciation on property, plant and equipment	504	782
Note 12	Impairment of assets held for sale	467	-
Note 13	Amortisation of intangible assets	7,779	6,421
Note 13	Impairment of intangible assets	-	1,249
	Performance share plan	86	-
	IAS 19 pensions current service cost net of contributions paid	(333)	(636)
Note 20	Movement in provisions	(832)	(2,492)
	Loss/(gain) on disposal of property, plant and equipment	125	(963)
	Gain on disposal of asset held for sale	(2,588)	-
		9,370	7,598
	Changes in working capital :		
	Decrease in inventories	793	1,111
	(Increase)/decrease in receivables	(753)	724
	Increase in payables	2,206	285
	Net cash generated from operations	**11,616**	**9,718**
	Tax (paid)/received	(1,479)	159
	Net cash generated by operating activities	**10,137**	**9,877**
	Investing activities		
	Acquisition – business combinations	-	(1,729)
	Acquisition – E3 Technical	(4,720)	-
	Disposal proceeds on property, plant and equipment	3,798	4,329
Note 12	Purchases of property, plant and equipment	(499)	(415)
Note 13	Expenditure on product development	(8,446)	(7,922)
Note 7	Interest received	11	5
	Net cash used in investing activities	**(9,856)**	**(5,732)**
	Financing activities		
	Repayment of borrowings	-	(177)
Note 11	Dividends paid	(1,133)	(1,133)
Note 8	Interest paid	(57)	(60)
	Net cash used in financing activities	**(1,190)**	**(1,370)**
Note 26	**Net (decrease)/increase in cash and cash equivalents**	**(909)**	**2,775**
	Cash and cash equivalents at beginning of year	3,705	540
	Effect of foreign exchange rate changes	(263)	390
Note 26	**Cash and cash equivalents at end of year**	**2,533**	**3,705**

FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 May 2018

1 Principal accounting policies

Haynes Publishing Group Public Limited Company (P.L.C.) (the "Company") is a public limited company incorporated and domiciled in England and is listed on the London Stock Exchange. The address of the registered office is given on page 27. The Consolidated Financial Statements of the Company for the Year ended 31 May 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below have been consistently applied to the years presented, unless otherwise stated and the disclosures in notes 1 to 30 all relate to the Group's financial statements. The Parent Company financial statements have been prepared in accordance with FRS 101 and can be found on pages 97 - 107 and the applicable accounting policies of the Parent Company are contained in notes 31 - 44.

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

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

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

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

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

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

Restatement of prior years
During the year, 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 both the 31 May 2016 and 31 May 2017 balance sheets. Accordingly, the Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and affected notes have been restated. The impact of this restatement on the 31 May 2016 and 31 May 2017 Consolidated Balance Sheets has been to increase the US defined benefit pension plan liability by £754,000 and to increase deferred tax assets by £170,000.

New accounting standards and interpretations adopted during the period
In the current financial year, the Group has applied a number of amendments to IFRS's issued by the IASB that are effective for accounting period's that begin on or after 1 January 2017:

- Amendments to IAS 7 – Presentation of financial statements on the disclosure initiative
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses
- Amendments to IFRS 12 – Annual improvements to IFRS standards 2014-2016 cycle

The application of these standards and amendments has not resulted in any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

1 Principal accounting policies (continued)

New standards and interpretations not yet adopted

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

IFRS 15 Revenue from contracts with customers (with an effective date of 1 January 2018) establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations when (or as) they are satisfied and the control of goods and services is transferred.

During the year, the Group performed a high-level assessment of the impact of IFRS 15 on the significant revenue streams, sourcing information from stakeholders in each sales cycle process. During the first half of the new financial year, further work targeting classification of revenue and selling and distribution costs and certain licence sales is ongoing, however the effect is not expected to be material.

The Group has adopted IFRS 15 on 1 June 2018, applying the cumulative effect method and the impact of the changes set out above are not expected to require any restatement of the May 2018 Consolidated Balance Sheet and Consolidated Income Statement (other than stated above).

IFRS 9 Financial Instruments (with an effective date of 1 January 2018) introduces new requirements for the classification and measurement of financial assets and financial liabilities and a new approach based on expected credit losses for recognising provisions. The Group will apply IFRS 9 from 1 June 2018 and after an initial high level assessment the directors are not anticipating a material impact on the Consolidated Financial Statements of the Group.

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 present as financing and operating cash flows respectively.

As at 31 May 2018, the Group had 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 consider adoption of IFRS 16 will have an impact on the Consolidated Financial Statements their assessment of which is still ongoing.

Adjusting items

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

Revenue recognition

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

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

Revenue from the sale of digital data through subscriptions, software licenses and development projects is recognised on a straight line basis over the period of the subscription or license, or in full upon completion of the development project. In all cases revenue is only recognised once the substantial obligations of the vendor have been fulfilled which primarily relate to the delivery of data and the ongoing maintenance of the delivery platforms. When licenses are sold on the Group's behalf by third party distributors, revenue is recognised as sales are generated in accordance with the terms with them.

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

1 Principal accounting policies (continued)

Research and development costs

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

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

Foreign currencies

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

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

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

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

	Year-end rate		Average rate	
	2018	2017	2018	2017
US dollar	1.33	1.29	1.35	1.28
Euro	1.14	1.15	1.13	1.17
Australian dollar	1.76	1.74	1.74	1.70

Property, plant and equipment

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

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

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

The estimated useful lives of assets are as follows:

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

Freehold land is not depreciated.

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

1 Principal accounting policies (continued)

Intangible assets and goodwill

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

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

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

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

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

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

The estimated useful lives of assets are as follows:

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

Impairment of non-current assets

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

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

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

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

1 Principal accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

1 Principal accounting policies (continued)

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

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

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

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

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

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

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

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

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

Leases
Where a Group Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the Consolidated Balance Sheet as property, plant and equipment and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Consolidated Income Statement and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental costs are charged to the Consolidated Income Statement on a straight line basis over the life of the lease.

1 Principal accounting policies (continued)

Critical accounting estimates and judgements

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

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

i) Impairment of intangible assets

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

ii) Impairment of property, plant and equipment

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

iii) Pensions and other post retirement benefits

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

iv) Inventory provisions

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

v) Origination amortisation

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

vi) Product development costs

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

vii) Provisions

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

viii) Deferred tax

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

2 Revenue

Revenue by geographical destination and non-current assets by geographical location on continuing operations	2018 External revenue £000	2018 Non-current assets [2] £000	2017 External revenue £000	Restated [1] 2017 Non-current assets [2] £000
United Kingdom	8,733	7,314	6,873	9,363
Rest of Europe	12,804	21,707	10,527	16,151
United States of America	10,145	5,178	10,490	5,559
Australasia	1,525	570	1,322	634
Rest of World	581	-	562	-
Total*	**33,788**	**34,769**	**29,774**	**31,707**

*Analysed as follows:				
Revenue from sales of printed products	16,366		17,533	
Revenue from sales of digital data through subscriptions, software licenses and development projects	16,946		11,853	
Revenue from the sale of publishing rights and brand licensing arrangements	476		388	
Total consolidated revenue	**33,788**		**29,774**	

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

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

3 Segment information

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

- UK and Europe
- North America and Australia

The UK and European business with headquarters in Sparkford, Somerset has subsidiaries in the 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 Ltd, 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.

For the year under review the above two operating segments were each organised and managed separately and treated as distinct operating and reportable segments in line with the provisions of IFRS 8. The identification of the two operating segments has been based on the reports reviewed by the chief operating decision maker, which form the basis for operational decision making.

3 Segment information (continued)

Analysis by operating segment	UK & Europe		North America & Australia		Consolidated	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Segmental revenue						
Total segmental revenue	22,873	18,129	11,358	12,543	34,231	30,672
Inter-segment sales [1]	(176)	(342)	(267)	(556)	(443)	(898)
Total external revenue	**22,697**	**17,787**	**11,091**	**11,987**	**33,788**	**29,774**
Segment result						
Underlying segment operating profit before adjusting items and interest	4,805	2,704	399	643	5,204	3,347
Adjusting items [2]	(368)	(213)	1,963	1,180	1,595	967
Interest receivable	9	2	1	3	10	5
Interest payable	(46)	(50)	-	(2)	(46)	(52)
Segment profit after adjusting items and interest	**4,400**	**2,443**	**2,363**	**1,824**	**6,763**	**4,267**
Unallocated head office income less expenses (including adjusting costs of £935,000 / 2017: £938,000)					(3,201)	(1,603)
Consolidated profit before tax					**3,562**	**2,664**
Taxation [3]					(2,068)	(1,290)
Consolidated profit after tax					**1,494**	**1,374**

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

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

[3] The charge to taxation relates to the consolidated Group. Included within the taxation charge is £752,000 (2017: £659,000) which relates to the UK & European operations and £1,501,000 (2017: £614,000) which relates to the North American & Australian operations.

3 Segment information (continued)

Segment assets and liabilities

	UK & Europe 2018 £000	North America & Australia 2018 £000	Eliminations 2018 £000	Consolidated 2018 £000
Segment assets				
Property, plant and equipment	926	595	-	1,521
Intangible assets	21,390	5,153	-	26,543
Working capital assets	9,858	7,488	(529)	16,817
Segment total assets	**32,174**	**13,236**	**(529)**	**44,881**
Unallocated head office assets [2]				24,790
Unallocated head office eliminations				(10,513)
Consolidated total assets				**59,158**
Segment liabilities				
Segment working capital liabilities	15,675	5,265	(7,325)	13,615
Unallocated head office liabilities [2]				21,002
Unallocated head office eliminations				(446)
Consolidated total liabilities				**34,171**

Segment assets and liabilities

	UK & Europe 2017 £000	Restated [1] North America & Australia 2017 £000	Eliminations 2017 £000	Restated [1] Consolidated 2017 £000
Segment assets				
Property, plant and equipment	715	1,087	-	1,802
Intangible assets	15,545	5,567	-	21,112
Working capital assets	9,396	12,728	(1,718)	20,406
Segment total assets	**25,656**	**19,382**	**(1,718)**	**43,320**
Unallocated head office assets [2]				21,074
Unallocated head office eliminations				(4,428)
Consolidated total assets				**59,966**
Segment liabilities				
Segment working capital liabilities	10,638	4,717	(1,254)	14,101
Unallocated head office liabilities [2]				26,734
Unallocated head office eliminations				(1,601)
Consolidated total liabilities				**39,234**

[1] See Note 1 – Restatement of prior years.
[2] 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 Segment information (continued)

Other segment information

	UK & Europe 2018 £000	North America & Australia 2018 £000	Consolidated 2018 £000	UK & Europe 2017 £000	North America & Australia 2017 £000	Consolidated 2017 £000
Segment additions to non-current assets	11,811	1,728	13,539	8,973	2,238	11,211
Unallocated additions to non-current assets			341			1
Total additions to non-current assets			**13,880**			**11,212**
Segment depreciation & amortisation/impairment	5,849	2,208	8,057	4,606	2,590	7,196
Unallocated depreciation & amortisation/impairment			226			7
Total depreciation & amortisation/impairment			**8,283**			**7,203**

4 Operating profit

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

	2018 £000	2017 £000
Net foreign exchange losses/(gains)	73	(14)
Depreciation of property, plant and equipment (note 12)	504	782
Amortisation of intangible assets (note 13)	7,779	6,421
Impairment of intangible assets (note 13)	-	1,249
Impairment of assets held for sale (note 12)	467	-
Loss/(profit) on sale of property, plant and equipment	125	(963)
Profit on sale of asset held for sale	(2,588)	-
Cost of inventories recognised as an expense	4,597	6,213
Operating lease rentals – Land and buildings	314	279
– Plant and equipment	249	195
Staff costs (net of wages capitalised)	8,194	6,789

Auditors' remuneration

The total fees payable by the Group to PricewaterhouseCoopers LLP (2017: BDO LLP) and their associates for work performed during the year in respect of audit, tax compliance and other services to the Group and its subsidiary companies are shown below:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	38	43
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	105	115
– Other services pursuant to legislation	12	12
– Tax services	-	70
Fee's payable in respect of the Group's pension plans:		
– Audit	-	5
	155	**245**

5 Adjusting items

	2018 £000	2017 £000
Adjusting costs included in cost of sales:		
– Write down of intangible assets	-	(1,282)
Adjusting gains included in gain on disposal of property:		
– Gain on sale of property	2,588	1,608
Adjusting items included in selling and distribution expenses:		
– Restructuring costs	(337)	(209)
Adjusting items included in administrative expenses:		
– Write down of assets held for sale	(467)	-
– Restructuring costs	(635)	-
– Acquisition expenses (note 30)	(171)	(88)
– Acquired intangible amortisation charge	(318)	-
Total adjusting gains effecting profit	**660**	**29**
Adjustment to tax	(1,164)	(79)
Total adjusting charge to income statement	**(504)**	**(50)**

The gain from the sale of property relates to the sale of a property in the US.

The adjusting items included in selling and distribution costs during the year relate to the implementation of a restructuring programme in Australia. The administration costs relate to employee severance packages and past service pension costs.

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

The 31 May 2018 acquisition expenses relate to the successful acquisition of the trade and assets of E3 Technical on 30 September 2017.

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

The adjustment to tax relates to the reduction in the US deferred tax balances as a result of the cut in the federal tax rate from 35% to 21% in December 2017 and the tax effect on the adjusting profit items.

The gain from the sale of properties in the prior year arose following the implementation of the global operational, cost and structure review undertaken during 2016 and relates to the sale of properties in the US and Australia.

The write down of intangible assets in the prior year relates to consumer digital platform costs which had previously been capitalised and now have been superseded.

The acquisition expenses (included within administrative expenses) and restructuring costs (included within selling and distribution expenses) in the prior year relate to the successful acquisition of OATS Limited in December 2016.

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

6 Staff costs

Employees

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

	2018 number	2017 number
Production	170	160
Selling and distribution	41	35
Administration	60	48
	271	**243**

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	9,806	8,873
Employer's social security costs	1,143	1,018
Employer's pension costs - defined benefit schemes (note 22)	1,017	879
Employer's pension costs - defined contribution schemes	192	128
Excluding termination benefits	**12,158**	**10,898**
Staff costs included within adjusting items	207	-
Total staff costs	**12,365**	**10,898**

Full details concerning directors' emoluments, pension entitlements and long term incentive schemes are shown in the Board Report on Remuneration on page 44.

7 Finance income

	2018 £000	2017 £000
Interest receivable on bank deposits	**11**	**5**

8 Finance costs

	2018 £000	2017 £000
Interest payable on bank loans and overdrafts	**57**	**60**

9 Taxation

	2018 £000	2017 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits/(losses) of the period	-	-
– Foreign tax	1,415	847
– Adjustments in respect of prior periods	(3)	32
	1,412	879
Deferred tax (note 14):		
– Origination and reversal of temporary differences	656	411
Total taxation in the Consolidated Income Statement	**2,068**	1,290

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

(b) Reconciliation of effective tax rate

The tax assessed for the period differs from the UK standard rate of corporation tax for the period of 19.0% (2017: 19.8%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	3,562	2,664
Taxation calculated at the standard rate of corporation tax in the UK of 19.0% (2017: 19.8%)	677	527
Affected by:		
Variance in overseas tax rates	622	524
Income/(expenses) not chargeable/deductible for tax	40	36
Adjustments relating to rate changes	780	(107)
Adjustments relating to prior years	(71)	(86)
Unrecognised temporary differences	20	396
Total tax charge for the year reported in the Consolidated Income Statement	**2,068**	1,290
Effective tax rate	58.1%	48.4%

The effective rate of tax is higher than the standard rate of UK corporation tax due to the mix of profits from overseas operations where the tax rates are higher than in the UK. There is an unrecognised deferred tax asset for temporary timing differences associated with the Group's UK entities. Had the asset been recognised it would have reduced the tax charge by £970,000 giving an overall effective tax rate of 30.8% for the year.

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

10 Earnings per share

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

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

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

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

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

	Adjusted [1] 2018 £000	Statutory 2018 £000	Adjusted [1] 2017 £000	Statutory 2017 £000
Earnings:				
Profit after tax attributable to equity holders of the Company - continuing operations	1,998	1,494	1,424	1,374
Number of shares:				
Weighted average number of shares for basic earnings per share [2] (note 24)	15,111,540	15,111,540	15,111,540	15,111,540
Adjusted weighted average for diluted earnings per share	15,261,207	15,261,207	15,111,540	15,111,540
Basic earnings per share (pence)	13.2	9.9	9.4	9.1
Diluted earnings per share (pence)	13.1	9.8	9.4	9.1

[1] See Note 5 – Adjusting items.

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

11 Dividends

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2017 of 4.0p per share (2016: 4.0p per share)	604	604
Interim dividend for the year ended 31 May 2018 of 3.5p per share (2017: 3.5p per share)	529	529
	1,133	1,133
Proposed final dividend for the year ended 31 May 2018 of 4.0p per share (2017: 4.0p per share)	604	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 8 November 2018 and has not been included as a liability in these financial statements.

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

12 Property, plant and equipment

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
At 31 May 2016				
Cost	7,677	644	17,832	26,153
Accumulated depreciation	(1,767)	(400)	(15,552)	(17,719)
Net book value	**5,910**	**244**	**2,280**	**8,434**
Year ended 31 May 2017				
Opening net book value	5,910	244	2,280	8,434
Additions	-	-	415	415
Additions through business combinations	-	-	6	6
Disposals at cost	(1,927)	(316)	(11,978)	(14,221)
Transfers at cost (including Assets held for sale)	(1,965)	-	-	(1,965)
Exchange rate movements on cost	512	81	1,871	2,464
Depreciation charge for the period	(147)	(10)	(625)	(782)
Disposals depreciation	363	248	10,244	10,855
Transfers depreciation (including Assets held for sale)	482	-	-	482
Exchange rate movements on depreciation	(84)	(49)	(1,544)	(1,677)
Closing net book value	**3,144**	**198**	**669**	**4,011**
At 31 May 2017				
Cost	4,297	409	8,146	12,852
Accumulated depreciation	(1,153)	(211)	(7,477)	(8,841)
Net book value	**3,144**	**198**	**669**	**4,011**
Year ended 31 May 2018				
Opening net book value	3,144	198	669	4,011
Additions	-	-	499	499
Disposals at cost	-	(170)	(195)	(365)
Transfers at cost (including Assets held for sale)	(3,755)	-	301	(3,454)
Exchange rate movements on cost	(6)	(84)	278	188
Depreciation charge for the period	(19)	(6)	(479)	(504)
Disposals depreciation	-	47	192	239
Transfers depreciation (including Assets held for sale)	1,093	-	(91)	1,002
Exchange rate movements on depreciation	1	22	(114)	(91)
Closing net book value	**458**	**7**	**1,060**	**1,525**
At 31 May 2018				
Cost	536	155	9,029	9,720
Accumulated depreciation	(78)	(148)	(7,969)	(8,195)
Net book value	**458**	**7**	**1,060**	**1,525**

In the prior year a freehold property in Nashville, US, was reclassified as an Asset held for sale. At the balance sheet date, the property had been sold. The total value held in Assets held for sale at 31 May 2018 is £nil (2017: 1,483,000).

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

Included within plant and equipment disposals at cost and disposals depreciation is an equal and opposite adjustment of £301,000 (2017: £398,000) to write down fully depreciated assets no longer held in the group. There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

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

13 Intangible assets

	Acquired goodwill £000	Acquired trademarks and domain names £000	Acquired know how £000	Acquired copyright £000	Acquired customer lists £000	Product development £000	Total £000
At 31 May 2016							
Cost	2,883	1,774	2,500	2,820	-	40,671	50,648
Accumulated amortisation and impairment	-	(591)	-	(2,820)	-	(24,856)	(28,267)
Net book value	**2,883**	**1,183**	**2,500**	**-**	**-**	**15,815**	**22,381**
Year ended 31 May 2017							
Opening net book value	2,883	1,183	2,500	-	-	15,815	22,381
Additions	-	-	-	-	-	7,922	7,922
Additions through business combinations	397	-	-	-	-	2,472	2,869
Exchange rate movements on cost	-	237	342	357	-	4,401	5,337
Asset write-down	(171)	-	-	-	-	(1,078)	(1,249)
Amortisation charge for the period	-	-	-	-	-	(6,421)	(6,421)
Exchange rate movements on amortisation	-	(75)	-	(357)	-	(2,711)	(3,143)
Closing net book value	**3,109**	**1,345**	**2,842**	**-**	**-**	**20,400**	**27,696**
At 31 May 2017							
Cost	3,109	2,011	2,842	3,176	-	54,356	65,494
Accumulated amortisation and impairment	-	(666)	-	(3,176)	-	(33,956)	(37,798)
Net book value	**3,109**	**1,345**	**2,842**	**-**	**-**	**20,400**	**27,696**
Year ended 31 May 2018							
Opening net book value	3,109	1,345	2,842	-	-	20,400	27,696
Additions	-	-	-	-	-	8,446	8,446
Additions through business combinations	264	-	3,406	-	1,265	-	4,935
Exchange rate movements on cost	-	(8)	24	(94)	-	(249)	(327)
Amortisation charge for the period	-	(18)	(216)	-	(84)	(7,461)	(7,779)
Exchange rate movements on amortisation	1	19	2	94	-	157	273
Closing net book value	**3,374**	**1,338**	**6,058**	**-**	**1,181**	**21,293**	**33,244**
At 31 May 2018							
Cost	3,374	2,003	6,272	3,082	1,265	62,586	78,582
Accumulated amortisation and impairment	-	(665)	(214)	(3,082)	(84)	(41,293)	(45,338)
Net book value	**3,374**	**1,338**	**6,058**	**-**	**1,181**	**21,293**	**33,244**

13 Intangible assets (continued)

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

The Group tests goodwill and intangible assets with indefinite or indeterminate useful lives for impairment annually, or more frequently if there are indications that their carrying values might be impaired. During 2016/17 the Group wrote down intangible assets, previously held in the J.H. Haynes & Co. Ltd CGU relating to consumer digital platform costs, where the platform has been superseded by newer technology. As at the balance sheet date, impairment tests have been undertaken on the HaynesPro Holding BV and the OATS Ltd CGU's, where goodwill is held. The reviews have been based on value in use calculations using the latest available financial information.

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

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

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

Management have performed a sensitivity analysis on the above two CGU's and are satisfied that there are no reasonably possible changes to the key assumptions that would cause the recoverable amount of the CGU to fall below its carrying value as at 31 May 2018.

During the year, the Group reviewed the indefinite useful lives assigned to the intangible assets in relation to trademarks, domain names and know how that relate to HaynesPro Holding BV in the Netherlands. Management concluded that market conditions had changed from the previous balance sheet date and subsequently revised its assessment of the useful lives from infinite to finite. As such the Group have amortised these assets from the date of the review in line with the policies as set out on page 63.

The carrying amount of intangible assets with an indefinite useful economic life as at 31 May 2017 was £4,187,000 and was all allocated to the CGU HaynesPro B.V..

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

	2018 £000	2017 £000
Unit:		
HaynesPro Holding BV	2,977	2,712
OATS Ltd	397	397
	3,374	**3,109**

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

	2018 £000	2017 £000
Cost of sales	7,461	6,421
Cost of sales - adjusting items	-	1,249
Administration costs - adjusting items	318	-
	7,779	**7,670**

14 Deferred tax assets and liabilities

	Property Plant and Equipment £000	Restated [1] Employee Benefits £000	Short-term temporary differences £000	Intangible assets £000	Restated [1] Total £000
Deferred tax asset / (liabilities) at 1 June 2016	(1,442)	3,050	3,028	(525)	4,111
Transfer to Consolidated Income Statement	615	(42)	(1,017)	33	(411)
Transfer to equity	-	1,103	-	-	1,103
Exchange rate movements	(25)	41	336	(200)	152
Acquisition of subsidiary	-	-	-	(403)	(403)
Deferred tax asset / (liabilities) at 31 May 2017	**(852)**	**4,152**	**2,347**	**(1,095)**	**4,552**
Transfer to Consolidated Income Statement	851	28	(879)	(656)	(656)
Transfer to equity	-	(922)	-	-	(922)
Exchange rate movements	22	(6)	(106)	(14)	(104)
Acquisition of subsidiary	-	-	-	(215)	(215)
Deferred tax asset / (liabilities) at 31 May 2018	**21**	**3,252**	**1,362**	**(1,980)**	**2,655**

Analysed as:	2018 Assets £000	2018 Liabilities £000	2018 Total £000	Restated [1] 2017 Assets £000	2017 Liabilities £000	Restated [1] 2017 Total £000
Property plant and equipment	167	(146)	21	-	(852)	(852)
Employee benefits	3,252	-	3,252	4,152	-	4,152
Short-term temporary differences	1,362	-	1,362	2,347	-	2,347
Intangible assets	912	(2,892)	(1,980)	1,340	(2,435)	(1,095)
	5,693	**(3,038)**	**2,655**	**7,839**	**(3,287)**	**4,552**

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

15 Inventories

	2018 £000	2017 £000
Raw materials	10	10
Work in progress	46	36
Finished goods	3,028	3,919
	3,084	**3,965**

The carrying value of inventory represents the cost of inventories less appropriate provisions. During the year there was a net charge of £409,000 (2017: £393,000) to the Consolidated Income Statement in relation to inventory provisions. The movement in the inventory provisions is included within cost of sales in the Consolidated Income Statement.

16 Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade receivables	8,328	7,750
Less: Provision for impairment	(299)	(357)
Less: Customer allowances	(589)	(629)
	7,440	**6,764**
Other debtors and prepayments	1,044	1,042
	8,484	**7,806**

Apart from prepayments of £0.4 million (2017: £0.5 million) all of the above relate to financial instruments classified as loans and receivables.

16 Trade and other receivables (continued)

	2018 £000	2017 £000
Analysis of trade receivables:		
Neither impaired nor past due	6,368	5,742
Past due but not impaired	1,661	1,651
Impaired	299	357
	8,328	**7,750**

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

The categorisation of 'Impaired' relates to overdue balances where the customer has ceased trading or management are doubtful of recovery and a provision has been made to cover the doubtful balance.

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

	Past due but not impaired 2018 £000	Impaired 2018 £000	Past due but not impaired 2017 £000	Impaired 2017 £000
Less than 30 days past due	635	40	756	26
30 to 90 days past due	627	112	569	138
Greater than 90 days past due	399	147	326	193
	1,661	**299**	**1,651**	**357**

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

	2018 £000	2017 £000
Balance at 1 June	357	199
Amounts charged to the Consolidated Income Statement	(53)	88
Amounts written-off as uncollectable	(1)	(84)
Amounts added through acquisition	-	129
Exchange rate movement	(4)	25
Balance at 31 May	**299**	**357**

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

	2018 £000	2017 £000
US dollars	2,477	3,065
Sterling	2,673	2,628
Euro	3,118	1,866
Australian dollars	216	245
Other currencies	-	2
	8,484	**7,806**

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

17 Cash and cash equivalents

	2018 £000	2017 £000
Cash and short-term deposits	4,809	7,036
Bank overdrafts (note 18)	(2,276)	(3,331)
Cash and cash equivalents in the cash flow statement (note 26)	**2,533**	**3,705**

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

	2018 £000	2017 £000
US dollars	2,120	4,236
Sterling	(1,573)	(3,122)
Euro	1,796	1,898
Australian dollars	157	626
Other currencies	33	67
	2,533	**3,705**

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

18 Borrowings

	2018 £000	2017 £000
Current		
Bank overdraft [1]	(2,276)	(3,331)
Total borrowings	**(2,276)**	**(3,331)**

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

	Country / Currency	Rate	2018	2017
Bank overdrafts	UK - sterling	Bank of England base rate	1.90%	1.75%

[1] In the UK, Barclays Bank PLC holds a debenture against the UK trading companies including a first legal charge over the UK freehold property in order to secure the £5.0 million (2017: £5.0 million) overdraft facility, together with guarantees from the UK and European trading companies. In the Netherlands, HaynesPro Holding has a €0.4 million (2017: €0.4 million) overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. As at 31 May 2018, the HaynesPro Holding facility was unutilised. In the US, Haynes North America has a $1.0 million (2017: $1.0 million) revolving credit facility with Union Bank which is due for renewal in October 2018. As at 31 May 2018, the Haynes North America facility was unutilised.

The bank overdraft of £2.3 million (2017: £3.3 million) is held in sterling.

19 Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade payables	1,742	1,676
Other taxes and social security costs	676	323
Other creditors, accruals and deferred income	7,395	5,675
	9,813	**7,674**

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

Apart from deferred income of £1.5 million (2017: £1.4 million) all other creditors and accruals relate to financial instruments carried at amortised cost.

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

	2018 £000	2017 £000
Falling due within one year:		
US dollars	1,639	1,372
Sterling	4,565	4,176
Euro	2,856	1,645
Australian dollars	753	451
Other currencies	-	30
	9,813	**7,674**

20 Provisions

	Restructuring costs	
	2018 £000	2017 £000
At 1 June 2017	1,164	3,656
Charge to the Consolidated Income Statement	-	-
Utilised in the year	(832)	(2,492)
At 31 May 2018	**332**	**1,164**

Restructuring costs

As part of the global operational, cost and structure review announced in September 2015 the Group expected to incur liabilities of £4.4 million which primarily related to workforce reductions, asset write-downs following the restructuring and/or closure of business operations in the US, Australia and Europe and a sales returns reserve. As at 31 May 2018 the amount of the provision remaining in relation to these costs was £0.3 million (2017: £1.2 million) which are expected to be utilised in the next 12 months.

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

21 Financial risk and treasury policy

The Group's principal financial instruments during the year comprised bank loans and overdrafts, cash and short-term deposits as well as other various items arising from its operations such as trade receivables and trade payables. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. From time to time the Group may enter into derivative transactions such as interest rate swaps or forward exchange contracts, the main purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and sources of finance. There were no such transactions entered into during the current or preceding financial years.

Foreign currency risk

The Group has investments in subsidiary operations outside of the UK and also buys and sells goods and services in currencies other than in the functional currencies of its subsidiary operations. In light of the above, the Group's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. The Group is able to take advantage of certain natural hedge flows within the business operations which helps to minimise the impact of the fluctuations in exchange but where appropriate will use forward rates to minimise the risk. There were no forward exchange contracts entered into during the current or preceding financial years. It is Group policy not to engage in any speculative trading in financial instruments.

Sensitivity analysis

The most significant foreign currency risk to the Group is in relation to the euro and the US dollar. Management estimate that if all other variables remained constant the impact on pre-tax profits/(losses) of a 5% increase in the value of the euro and US dollar against sterling would have been to reduce profits by £0.2 million and £0.2 million respectively, with a decrease of 5% having an equal and opposite effect. The impact on net assets of a 5% increase in the value of the euro and US dollar against sterling would be £0.6 million and £0.6 million respectively, with a decrease of 5% having an equal and opposite effect. These estimates have been based on an assessment of translating the euro and US dollar profits into sterling using the average exchange rates for the year of €1.13 and $1.35 and closing rates of €1.14 and $1.33. Apart from balances held in the functional currency of the various Group trading entities, there were no other significant balances held by the trading companies in other currencies which would give rise to a significant foreign exchange exposure at the end of the financial year.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, which are spread over a range of countries and customers, a factor which helps to dilute the concentration of risk. The risk associated with such trading is mitigated through credit control management procedures including the use of credit worthiness checks, the application of credit limits and the sale of goods subject to retention of title clauses. The UK business outsources its distribution which includes customer invoicing, cash collection and credit control. The external distributor invoices the customers of the UK business as its agent but the UK business retains the full credit risk associated with the sales. In light of this arrangement the UK business has a secondary risk in relation to the cash collected from its customers which has yet to be remitted to the UK business by the external distributor. A provision is made against such balances where there is an identifiable loss or event, which based on prior experience provides management with a significant doubt over the recovery of the balance. Due to the long established relationships with the majority of the Group's customers and the good standing of the UK distributor which is part of a large multinational publishing group, there is not deemed to be a credit quality issue in relation to the trade receivables balance. The amount of the total exposure is shown in note 16.

In addition to the above, the UK business has an exposure in relation to contractual advanced royalty payments to authors. However, due to the large number of authors there is no significant concentration of risk. The asset balance in relation to the author advances is held within other debtors and prepayments (refer to note 16) and amounted to £0.1 million net of allowances for doubtful recovery (2017: £0.2 million).

The credit risk on liquid funds is limited as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

21 Financial risk and treasury policy (continued)

Liquidity risk

The principal aim of the Group's liquidity management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and asset leasing. As at 31 May 2018 the Group had a £5.0 million UK overdraft facility (2017: £5.0 million) which has no fixed renewal date and is due for review in December 2018, a €0.4 million overdraft facility in Europe (2017: €0.4 million) which has no fixed renewal date and a $1.0 million revolving loan facility in the US (2017: $1.0 million) which has $1.0 million undrawn as at 31 May 2018 and is due for renewal in October 2018.

Interest rate risk

From time to time the Group companies have overdraft and loan facilities which are subject to variable rates of interest based on the respective bank's base rate. As at 31 May 2018 there were bank overdrafts outstanding of £2.3 million (2017: £3.3 million). Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis

As all of the Group's borrowings are subject to variable interest rates the Group has an exposure to a change in the market rates of interest. Management have not undertaken a sensitivity analysis on the impact of movement in the bank base rate as they deem it would have an immaterial effect on Group results due to a combination of the low level of borrowing at the year end and the low current base rates in the UK and US.

Fair value of financial assets and liabilities

There are no material differences between the carrying values and the fair values of the financial assets and liabilities as recorded in the Consolidated Balance Sheet. Details of the amounts of financial assets and liabilities held in foreign currencies can be found in notes 16, 17, 18, 19 and 20 to the Consolidated Financial Statements.

Capital management

The primary aim of the Group's capital management is to safeguard the Group's ability to continue as a going concern, to support its businesses and to maximise shareholder value. The Group monitors its capital structure and makes adjustments as and when it is deemed necessary and appropriate to do so using such methods as adjusting the dividend payment to shareholders or the issuing of new shares.

Interest cover

	2018	2017
Operating profit before adjusting items (£000)	3,502	3,208
Net finance costs (£000)	46	55
Interest cover (ratio)	76	58

Interest cover is calculated by taking the operating profit before adjusting items from the Consolidated Income Statement divided by net finance costs (defined as finance costs less finance income), where finance income is greater than the finance costs, net finance costs is shown as £nil.

Net gearing ratio	2018	Restated[1] 2017
Net debt (£000)	-	-
Total equity (£000)	24,987	20,732
Net gearing ratio (%)	-	-

The net gearing ratio comprises net debt divided by total equity (net debt being defined as cash and cash equivalents net of bank loans - see notes 17 and 18).

[1] See Note 1 – Restatement of prior years

22 Retirement benefit obligation

The Group operates a number of different retirement programmes in the countries within which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK (the UK Scheme) and a non-contributory defined benefit plan in the US (the US Plan). On 30 June 2015 both the UK Scheme and the US Plan were closed to new entrants.

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

	2018 £000	2017 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(802)	(879)
– Past service costs	(215)	-
	(1,017)	(879)
– Scheme administration expenses	(536)	(337)
	(1,553)	**(1,216)**
Amounts included in other finance costs:		
– Interest income on pension scheme assets	978	1,222
– Interest charge on pension scheme liabilities	(1,532)	(1,740)
	(554)	**(518)**
Amount recognised in the Consolidated Income Statement	**(2,107)**	**(1,734)**

	2018 £000	Restated[1] 2017 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	34,102	34,163
Present value of defined benefit obligation	(52,814)	(57,941)
Net deficit recognised in Consolidated Balance Sheet	**(18,712)**	**(23,778)**

[1] See Note 1 – Restatement of prior years

22 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2018 UK Scheme % per annum	2017 UK Scheme % per annum
Discount rate	2.85	2.40
Salary escalation	2.00	2.00
Rate of inflation	3.10	3.40
Increases to pensions in deferment	2.10	2.30
Pension increases on benefits up to 12 July 2011	3.00	3.30
Pension increases on benefits after 12 July 2011	2.10	2.20

	2018 US Plan % per annum	Restated[1] 2017 US Plan % per annum
Discount rate	3.56	3.56
Salary escalation	2.00	2.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00

The post retirement mortality assumptions for the UK Scheme for 2018 are based on the S2NA year of birth tables (2017: based on the S1NA year of birth tables), with allowance for future improvements in mortality in line with CMI 2017 (2017: CMI 2013) projections and with a long term rate of improvement of 1% per annum. The life expectancies underlying the valuation are as follows:

	2018 UK Scheme Life expectancy at age 65		2017 UK Scheme Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	22.0	24.0	22.2	24.6
45	23.1	25.2	23.6	26.1

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

	2018 US Plan Life expectancy at age 65		2017 US Plan Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	18.0	18.0	18.0	18.0
45	18.0	18.0	18.0	18.0

[1] See Note 1 – Restatement of prior years

22 Retirement benefit obligation (continued)

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

Assumption	Change in assumption	Approximate impact on scheme's liabilities
Discount rate	Increase by 0.25%	Decrease of £2.3m
	Decrease by 0.25%	Increase of £2.4m
Rate of salary increase	Increase by 0.25%	Increase of £0.3m
	Decrease by 0.25%	Decrease of £0.3m
Inflation	Increase by 0.25%	Increase of £1.3m
	Decrease by 0.25%	Decrease of £1.3m
Life expectancy	Increase by 1 year	Increase of £1.7m
	Decrease by 1 year	Decrease of £1.7m

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

Scheme assets and expected rate of returns

The assets and liabilities in the plans and the expected rates of return on investments as at 31 May 2018 were as follows:

	UK Scheme 2018 Value £000	UK Scheme 2017 Value £000
Group investment linked policy		
– Equities	6,297	5,870
– Other bonds	6,300	6,275
– Cash	268	138
– Property	4,099	3,765
– Target return fund	8,853	8,517
	25,817	24,565
Secured pensions in payment	1,212	1,400
Assets at fair value	**27,029**	**25,965**

	2018 US Plan Value £000	2017 US Plan Value £000
Group investment linked policy		
– Bonds	7,073	8,198
Assets at fair value	**7,073**	**8,198**

22 Retirement benefit obligation (continued)

Reconciliation of funded status	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000	UK Scheme 2017 £000	Restated[1] US Plan 2017 £000	Restated[1] Total 2017 £000
Present value of defined benefit obligation	(44,426)	(8,388)	(52,814)	(48,693)	(9,248)	(57,941)
Assets at fair value	27,029	7,073	34,102	25,965	8,198	34,163
Net liability recognised in the Consolidated Balance Sheet	**(17,397)**	**(1,315)**	**(18,712)**	**(22,728)**	**(1,050)**	**(23,778)**

	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000	UK Scheme 2017 £000	US Plan 2017 £000	Total 2017 £000
Amount recognised through the Consolidated Statement of Comprehensive Income						
Actuarial gain/(loss) during the year	5,718	(458)	5,260	(8,392)	451	(7,941)
Deferred tax on actuarial (loss)/gain	(972)	103	(869)	1,427	(180)	1,247
Deferred tax arising on change in corporate tax rate	-	(53)	(53)	(144)	-	(144)
	4,746	**(408)**	**4,338**	**(7,109)**	**271**	**(6,838)**

	UK Scheme 2018 £000	US Plan 2018 £000	Total 2018 £000	UK Scheme 2017 £000	US Plan 2017 £000	Total 2017 £000
Actual return on assets						
Interest income on plan assets	625	353	978	778	444	1,222
Actuarial gain/(loss) on plan assets	261	175	436	2,166	(371)	1,795
	886	**528**	**1,414**	**2,944**	**73**	**3,017**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £14.7 million (2017 restated: £19.5 million). The directors' are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses on an IFRS basis prior to 31 May 2003.

[1] See Note 1 – Restatement of prior years

22 Retirement benefit obligation (continued)

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

	UK Scheme £000	Restated[1] US Plan £000	Restated[1] Total £000
Present value of DBO at 1 June 2016	37,127	10,160	47,287
Current service cost	230	649	879
Interest cost	1,258	482	1,740
Employee contributions	103	-	103
Actuarial losses/(gains)	10,558	(822)	9,736
Foreign currency exchange rate changes	-	1,215	1,215
Benefits	(583)	(2,436)	(3,019)
Present value of DBO at 31 May 2017	**48,693**	**9,248**	**57,941**
Current service cost	388	414	802
Past service cost	215	-	215
Interest cost	1,166	366	1,532
Employee contributions	105	-	105
Actuarial (gains)/losses	(5,457)	361	(5,096)
Foreign currency exchange rate changes	-	(249)	(249)
Benefits	(684)	(1,752)	(2,436)
Present value of DBO at 31 May 2018	**44,426**	**8,388**	**52,814**

Reconciliation of fair value of assets

	UK Scheme £000	US Plan £000	Total £000
Fair value of assets at 1 June 2016	22,770	8,662	31,432
Interest income on plan assets	778	444	1,222
Actuarial gains/(losses) on plan assets	2,166	(371)	1,795
Foreign currency exchange rate changes	-	1,115	1,115
Employer contributions	731	784	1,515
Employee contributions	103	-	103
Benefits	(583)	(2,436)	(3,019)
Fair value of assets at 31 May 2017	**25,965**	**8,198**	**34,163**
Interest income on plan assets	625	353	978
Actuarial gains/(losses) on plan assets	261	(97)	164
Foreign currency exchange rate changes	-	(222)	(222)
Employer contributions	757	593	1,350
Employee contributions	105	-	105
Benefits	(684)	(1,752)	(2,436)
Fair value of assets at 31 May 2018	**27,029**	**7,073**	**34,102**

[1] See Note 1 – Restatement of prior years

22 Retirement benefit obligation (continued)

Reconciliation of change in funded status

	UK Scheme £000	Restated[1] US Plan £000	Restated[1] Total £000
Defined benefit liability at 1 June 2016	14,357	1,498	15,855
Total pension expense	710	687	1,397
Employer contributions	(731)	(784)	(1,515)
Foreign currency exchange rate changes	-	100	100
Actuarial losses/(gains)	8,392	(451)	7,941
Defined benefit liability at 31 May 2017	**22,728**	**1,050**	**23,778**
Total pension expense	1,144	427	1,571
Employer contributions	(757)	(593)	(1,350)
Foreign currency exchange rate changes	-	(27)	(27)
Actuarial (gains)/losses	(5,718)	458	(5,260)
Defined benefit liability at 31 May 2018	**17,397**	**1,315**	**18,712**

History of experience adjustments

		2018 £000	Restated[1] 2017 £000	Restated[1] 2016 £000	2015 £000	2014 £000
Present value of defined benefit obligation		(52,814)	(57,941)	(47,287)	(47,073)	(40,858)
Fair value of scheme assets		34,102	34,163	31,432	32,725	29,613
Net deficit		**(18,712)**	**(23,778)**	**(15,855)**	**(14,348)**	**(11,245)**
Experience adjustments on scheme liabilities						
Gain/(loss)	£000	4,824	(9,736)	(477)	(3,915)	(661)
Experience adjustments on scheme assets						
Gain/(loss)	£000	436	1,795	(967)	383	225

Expected contributions in the forthcoming year

	Financial year beginning 1 June 2018 £000
Group contributions	
– UK Scheme	785
– US Plan	602
	1,387
Employee contributions	105
	1,492

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

[1] See Note 1 – Restatement of prior years

23 Share Based Payments

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

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

During the year, 169,667 share options were granted at a fair value of £1.93 each under the Black Scholes method. None were exercised as at 31 May 2018.

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

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

	2018 £
Outstanding at beginning of the year	-
Granted during the year	169,667
Forfeited during the year	(20,000)
Outstanding at the end of the year	**149,667**

Analysis of charge to the Consolidated Income Statement
The equity settled share-based payment expense included in the Consolidated Income Statement was £99,000 (2017: £nil).

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

24 Share capital and reserves

	2018 No.	2017 No.	2018 £000	2017 £000
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is £1.25 and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes £0.42. At 31 May 2018 the share price was £2.32 (2017: £1.64), with a high of £2.43 (2017: £1.65) and a low of £1.73 (2017: £0.99) for the financial year.

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

Share premium

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

Treasury shares

As at 31 May 2018, the Company holds 1,240,000 ordinary shares in treasury (2017: 1,240,000) which represents 16.9% of the ordinary share capital and 7.6% of the Company's total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

Retained earnings

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

Foreign currency translation reserve

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

25 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its directors. A list of all the Group's subsidiaries is shown in note 36.

Transactions with related parties

The interests of the directors in the ordinary share capital of the Company as at 31 May 2018 are shown in the Board Report on Remuneration on page 46 as required by the FCA's Disclosure Transparency rules.

During the year, the directors had declarable interests in contracts with the Company and its subsidiary undertakings as shown below.

(1) A lease dated 28 August 1979 between John H Haynes Developments Inc, (a company registered in California and controlled by JH Haynes) and Haynes North America Inc. of the premises situated at 859 and 861 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001, runs for a period of 5 years from that date. The tenancy on premises 859 Lawrence Drive is presently held over pending renewal and the annual rent for the Year ended 31 May 2018 was $103,607 (2017: $103,607) or £76,848 (2017: £81,260) at the average exchange rate for the year. The tenancy on premises 861 Lawrence Drive was terminated on 28 February 2017 and the amount paid to Haynes Developments for the Year ended 31 May 2018 was $nil (2017: $77,705) or £nil (2017: £60,952) at the average exchange rate for the year.

(2) During the year, The Haynes Motor Museum Limited, (of which JH Haynes and Mrs AC Haynes are directors) which is jointly owned by the Haynes International Motor Museum Charitable Trust and JH Haynes and Mrs AC Haynes (spouse of JH Haynes), undertook the following transactions with the Group:

	Transactions 2018 £000	Balance at 31 May 2018 £000	Transactions 2017 £000	Balance at 31 May 2017 £000
Supply of conference facilities and garage workshop services	4	-	5	-
Purchase of books and manuals and storage rental	10	1	13	1

JH Haynes is a Trustee of the Charitable Trust.

(3) During the year, £500 (2017: £1,200) was paid to Haynes Developments Limited, of which JH Haynes and Mrs AC Haynes are directors, for rent and service charges relating to Fulton Mews in London. As at 31 May 2018, the balance outstanding to Haynes Developments Limited was £nil (2017: £240).

(4) During the year, the Company engaged the services of New Century Media Limited to undertake financial PR on behalf of the Company. Mr E Bell is a non-executive director of New Century Media Limited. During the period the Company paid £85,502 (2017: £78,243) to New Century Media Limited for financial PR services. As at 31 May 2018 the balance outstanding to New Century Media Limited was £7,800 (2017: £nil).

Except as stated above, no directors were materially interested in contracts with the Company or any of its subsidiary undertakings.

Key management emoluments

The remuneration of the directors, who are the key management personnel of the Group is set out below in aggregate for each of the categories specified within IAS 24 'Related Party Disclosures'. Further information regarding the directors' individual remuneration packages is provided in the audited part of the Board Report on Remuneration on pages 39 to 48.

	2018 £000	2017 £000
Short term employee benefits	1,847	1,214
Post employment benefits	320	47
	2,167	**1,261**
Employer's social security costs	142	127
	2,309	**1,388**

26 Analysis of the changes in cash and cash equivalents

	As at 1 June 2017 £000	Cash flow £000	Exchange movements £000	As at 31 May 2018 £000
Cash at bank and in hand	7,036	(1,964)	(263)	4,809
Bank overdrafts	(3,331)	1,055	-	(2,276)
	3,705	**(909)**	**(263)**	**2,533**

27 Operating leases

As at 31 May 2018 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Commitments under non-cancellable operating leases	2018 £000	2017 £000
Land and buildings:		
Due within one year	371	113
Due in the second to fifth years	1,243	216
Due in five years onwards	313	-
	1,927	329
Plant and equipment:		
Due within one year	197	142
Due in the second to fifth years	324	248
	521	390
	2,448	719

28 Capital commitments

At 31 May 2018 the Group had no capital commitments (2017: £nil).

29 Ultimate controlling party

The ultimate controlling party is JH Haynes who has majority voting rights by virtue of his 55.9% beneficial interest in the Ordinary shares of the Company.

30 Acquisition

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

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

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

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

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

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

During the eight month period since acquisition, the E3 Technical business contributed £1.9 million of incremental revenue to the Group. If the acquisition had been made at the start of the financial period the revenue from the acquired business would have been £2.8 million. During the period since acquisition, the E3 Technical business operated under a Transitional Services Arrangement utilising shared overhead and IT services and as such it is not practical to quantify the associated profit contribution during this period.

30 Acquisition (continued) – prior year

On 15 December 2016, Haynes Publishing Group P.L.C. acquired 100% of the share capital of OATS Ltd ("OATS"), a UK based private limited business for a total consideration of £2.4 million. OATS is a niche technology business that provides information and productivity solutions for the lubricants sector of the oil industry. OATS has developed a world leading comprehensive equipment and lubricants database that supports customers from across the lubricants marketing and supply chain. OATS' customers have access to an unrivalled source of information about lubricants that enables them to recommend the most appropriate oil to their end users. The acquisition of OATS complements Haynes' professional offering by providing HaynesPro customers with comprehensive information on lubricants as part of its technical database.

	Carrying value £000	Fair value £000	Recognised on acquisition £000
Assets acquired			
Property, plant and equipment	6	-	6
Intangible assets [1]	233	2,239	2,472
Trade and other receivables	351	-	351
Taxation recoverable	163	-	163
Cash at bank and in hand	241	-	241
Trade and other payables [2]	(791)	(36)	(827)
Deferred tax arising on acquisition of intangible assets	-	(403)	(403)
Fair value of net assets	203	1,800	2,003
Goodwill arising on acquisition [3]			397
Total consideration			**2,400**

Cash consideration	1,845
Liabilities assumed on acquisition	555
Total consideration	**2,400**

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

Cash consideration	1,845
Liabilities assumed on acquisition	555
Costs of acquisition (included in cash flows from operating activities) [4]	88
Net cash outflow	**2,488**

[1] Prior to completion, the intangible asset valuation was based on the external cost of translations and a multiple of subscription revenue. Applying a multiple of subscription revenue is not a compliant methodology under IAS 38 Intangible Assets and therefore, the intangible asset was revalued at the carrying value of the external cost of translations only. A fair value adjustment of £2,239,000 was applied to the OATS Limited intangible asset to bring the valuation methodology into line with IAS 38 and to accord with Haynes group policy on development costs.

[2] Other payables has been increased by £36,000 to reflect a fair value adjustment to the property lease. Prior to acquisition, the lease was expensed on a cash paid basis however, in line with IAS 21 the expense has been re-calculated over the entire length of the lease on a straight-line basis.

[3] Intangible assets amounting to £397,000 could not be individually separated and reliably measured and accordingly, have been included as goodwill (the costs are deductible for income tax purposes). The goodwill assets include OATS standing in its particular market place and anticipated synergies following its acquisition by the Haynes Group.

[4] The acquisition costs of £88,000 were expensed as incurred and were included as an adjusting item within administrative expenses (note 5).

FINANCIAL STATEMENTS
PARENT COMPANY BALANCE SHEET
As at 31 May 2018

		2018 £000	2017 £000
	Non-current assets		
Note 34	Property, plant and equipment	4	1,936
Note 35	Intangible assets	1,004	887
Note 36	Investments	9,424	9,401
Note 41	Deferred tax assets	352	506
		10,784	**12,730**
	Current assets		
Note 37	Trade and other receivables	6,780	574
	Total current assets	**6.780**	**574**
Note 34	Assets held for sale	1,929	-
	Total assets	**19,493**	**13,304**
	Liabilities:		
	Current liabilities		
Note 38	Trade and other payables	(1,574)	(2,421)
	Bank loans and overdrafts	(753)	(159)
	Total current liabilities	**(2,327)**	**(2,580)**
	Non-current liabilities		
Note 40	Retirement benefit obligation	(2,070)	(2,705)
Note 41	Deferred tax liabilities	(156)	(337)
	Total non-current liabilities	**(2,226)**	**(3,042)**
	Total liabilities	**(4,553)**	**(5,622)**
	Net assets	**14,940**	**7,682**
	Equity:		
Note 42	Share capital	3,270	3,270
	Share premium	638	638
	Treasury shares	(2,447)	(2,447)
	Retained earnings	13,490	6,221
	Foreign currency translation reserve	(11)	-
	Shareholders' funds	**14,940**	**7,682**

As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit dealt with in the Parent Company financial statements was £7.7 million (2017: £1.9 million) which includes dividends received from subsidiaries of £10.0 million (2017: £3.6 million).

The financial statements on pages 97-107 were approved by the board of directors and authorised for issue on 19 September 2018 and were signed on its behalf by :

E Bell
Director

JHC Haynes
Director

FINANCIAL STATEMENTS
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2018

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2016	3,270	638	(2,447)	-	6,271	7,732
Profit for the period	-	-	-	-	1,930	1,930
Other comprehensive expense:						
Actuarial losses on defined benefit plan (net of tax)	-	-	-	-	(847)	(847)
Total comprehensive income	-	-	-	-	1,083	1,083
Dividends payable (note 33)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2017	**3,270**	**638**	**(2,447)**	**-**	**6,221**	**7,682**
Profit for the period	-	-	-	-	7,744	7,744
Other comprehensive (expense)/income:						
Currency translation adjustments	-	-	-	(11)	-	(11)
Actuarial gains on defined benefit plan (net of tax)	-	-	-	-	572	572
Total other comprehensive income	-	-	-	(11)	572	561
Total comprehensive income	-	-	-	(11)	8,316	8,305
Performance share plan	-	-	-	-	86	86
Dividends payable (note 33)	-	-	-	-	(1,133)	(1,133)
Balance at 31 May 2018	**3,270**	**638**	**(2,447)**	**(11)**	**13,490**	**14,940**

31 Principal accounting policies

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

Basis of accounting

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

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

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

Unless stated separately, the following significant accounting policies have been applied consistently in the financial statements for the financial years ending 31 May 2018 and 31 May 2017. The same policies were applied to the opening balance sheet as at 1 June 2014 in line with the transitional provisions of FRS 101.

Research and development costs

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

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

Foreign currencies

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

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

Property, plant and equipment

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

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

The estimated useful lives of the assets are as follows:

Freehold land	Nil
Freehold buildings	40 years
Leasehold property	The period of the lease
Plant and equipment	3 years to 10 years

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

31 Principal accounting policies (continued)

Intangible Assets

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

Investments

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

Taxation

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

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

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

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

Assets held for sale

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

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

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

Retirement benefits

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

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

31 Principal accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Critical accounting estimates and judgements
The Group policies on critical accounting estimates and judgements, as detailed on page 66, are consistently applied in the Parent Company's financial statements.

32 Profit of the parent company

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

The profit dealt with in the Parent Company financial statements was £7.7 million (2017: £1.9 million) which includes dividends received from subsidiaries of £10.0 million (2017: £3.6 million).

Employees	2018 £000	2017 £000
Aggregate remuneration of employees:		
Wages and salaries	1,598	1,122
Employer's social security costs	188	128
Employer's pension costs	43	17
	1,829	1,267
Employee numbers	12	9

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

Full details concerning the director's emoluments, pension entitlements and long-term incentive schemes are shown in the Board Report on Remuneration on page 44.

Auditors' remuneration

The fees payable by the Parent Company to PricewaterhouseCoopers LLP for work performed in respect of the audit of the Parent Company was £40,000. Fees paid to PricewaterhouseCoopers LLP by the Parent Company for non-audit services was £17,000. Fees paid to BDO LLP during the prior year were £42,515 and £16,600 for audit and non-audit services respectively.

33 Dividends

Dividends paid and proposed	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2017 of 4.0p per share (2016: 4.0p per share)	604	604
Interim dividend for the Year ended 31 May 2018 of 3.5p per share (2017: 3.5p per share)	529	529
	1,133	1,133
Proposed final dividend for the Year ended 31 May 2018 of 4.0p per share (2017: 4.0p per share)	604	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 8 November 2018 and has not been included as a liability in these financial statements.

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

34 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost at 1 June 2017	3,755	72	3,827
Additions	-	3	3
Transfers	(3,755)	-	(3,755)
Cost at 31 May 2018	**-**	**75**	**75**
Accumulated depreciation at 1 June 2017	1,821	70	1,891
Charge for year	5	1	6
Transfers	(1,826)	-	(1,826)
Accumulated depreciation at 31 May 2018	**-**	**71**	**71**
Net book value at 31 May 2018	**-**	**4**	**4**
Net book value at 31 May 2017	1,934	2	1,936

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,313,000 (2017: £3,313,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

A freehold property in Sparkford, UK, has been reclassified as an Asset held for sale, with £3,755,000 reclassified from freehold cost and £1,826,000 reclassified from freehold depreciation. The total net book value of Assets held for sale at 31 May 2018 is £1,929,000 (2017: £nil), the lower of its carrying value and its fair value.

35 Intangible assets

	Product development £000
Cost at 1 June 2017	887
Additions	335
Cost at 31 May 2018	**1,222**
Accumulated amortisation at 1 June 2017	-
Charge for year	218
Accumulated amortisation at 31 May 2018	**218**
Net book value at 31 May 2018	**1,004**
Net book value at 31 May 2017	887

36 Investments

Parent Company	Shares in subsidiary undertakings £000
Cost and carrying value at 1 June 2017	9,401
Additions	33
Impairment	(10)
Cost and carrying value at 31 May 2018	9,424

As at 31 May 2018 there were the following subsidiary undertakings. Unless stated otherwise the registered office is shown on page 27 of these financial statements. All subsidiaries are wholly owned, within the Group and all with financial year-ends of 31 May:

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

As at 31 May 2018, there were the following dormant subsidiary undertakings, all wholly owned within the Group: Camway Autographics Ltd, *Haynes Garages Ltd, G.T. Foulis & Co. Ltd, Oxford Illustrated Press Ltd, Patrick Stephens Ltd, *E-Commerce Management Ltd, *HaynesPro Commerce (UK) Ltd and Teon Media Ltd.

Haynes Publishing Nordiska AB (Sweden), a dormant subsidiary undertaking, was liquidated during the year.

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

37 Trade and other receivables

Amounts falling due within one year:	2018 £000	2017 £000
Amounts owed by subsidiary undertakings	6,638	532
Other debtors and prepayments	142	42
	6,780	**574**

38 Trade and other payables

Amounts falling due within one year:	2018 £000	2017 £000
Trade creditors	138	56
Amounts owed to subsidiary companies	446	1,601
Other taxes and social security costs	15	9
Other creditors and accruals	975	755
	1,574	**2,421**

39 Financial risk management, objectives and policies

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

These policies also apply to the Parent Company.

40 Retirement benefit obligation

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

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

	2018 £000	2017 £000
Present value of defined benefit obligation	(5,287)	(5,794)
Fair value of scheme assets	3,217	3,089
	(2,070)	**(2,705)**

40 Retirement benefit obligation (continued)

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

	Present value of defined obligation £000	Fair value of scheme assets £000
Balance at 1 June 2016	(4,418)	2,709
Current service cost	(27)	-
Net interest (expense)/income	(150)	93
Employee contributions	(12)	12
Employer contributions	-	87
Actuarial (losses)/gains	(1,257)	258
Benefits paid	70	(70)
Balance at 31 May 2017	**(5,794)**	**3,089**
Current service cost	(46)	-
Past service cost	(26)	-
Net interest (expense)/income	(139)	75
Employee contributions	(12)	12
Employer contributions	-	91
Actuarial gains	649	31
Benefits paid	81	(81)
Balance at 31 May 2018	**(5,287)**	**3,217**

41 Deferred tax assets and liabilities

	Property Plant and Equipment £000	Employee Benefits £000	Short-term temporary differences £000	Total £000
Deferred tax (liabilities)/asset at 1 June 2016	(346)	307	46	7
Transfer to Income Statement	9	-	-	9
Transfer to equity	-	153	-	153
Deferred tax (liabilities)/asset at 31 May 2017	**(337)**	**460**	**46**	**169**
Transfer to Income Statement	181	-	(46)	135
Transfer to equity	-	(108)	-	(108)
Deferred tax (liabilities)/asset at 31 May 2018	**(156)**	**352**	**-**	**196**

	2018 Assets £000	2018 Liabilities £000	2018 Total £000	2017 Assets £000	2017 Liabilities £000	2017 Total £000
Property Plant and Equipment	-	(156)	(156)	-	(337)	(337)
Employee Benefits	352	-	352	460	-	460
Short-term temporary differences	-	-	-	46	-	46
	352	**(156)**	**196**	**506**	**(337)**	**169**

42 Share capital and reserves

	2018 No	2017 No	2018 £000	2017 £000
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is £1.25 and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes £0.42. At 31 May 2018 the share price was £2.32 (2017: £1.64), with a high of £2.43 (2017: £1.65) and a low of £1.73 (2017: £0.99) for the financial year.

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

Treasury shares

As at 31 May 2018, the Parent Company holds 1,240,000 ordinary shares in treasury (2017: 1,240,000) which represents 16.9% of the ordinary share capital and 7.6% of the Parent Company's total share capital. The Parent Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

Retained earnings

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

43 Related party transactions

(1) During the year, £500 (2017: £1,200) was paid to Haynes Developments Limited, of which JH Haynes and Mrs AC Haynes are directors, for rent and service charges relating to Fulton Mews in London. As at 31 May 2018, the balance outstanding to Haynes Developments Limited was £nil (2017: £240).

(2) During the year, the Parent Company engaged the services of New Century Media Limited to undertake financial PR on behalf of the Company. Mr E Bell is a non-executive director of New Century Media Limited. During the year, the Parent Company paid £85,502 (2017: £78,243) to New Century Media Limited for financial PR services. As at 31 May 2018, the balance outstanding to New Century Media Limited was £7,800 (2017: £nil).

(3) During the year, £nil (2017: £1,226) was paid to The Haynes Motor Museum Limited (of which JH Haynes and Mrs AC Haynes are directors), which is jointly owned by the Haynes International Motor Museum Charitable Trust and JH Haynes and Mrs AC Haynes (spouse of JH Haynes), for the supply of conference facilities. No balance was outstanding at the year end in both the current and prior year.

JH Haynes is a Trustee of the Charitable Trust.

44 Contingencies

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

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

FINANCIAL CALENDAR & SHAREHOLDER INFORMATION

Calendar for financial year ended 31 May 2019

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

Analysis of shareholders as at 31 May 2018

Type of shareholder	Number of shareholders	Total shareholdings
Commercial and industrial companies	19	15,513
Directors beneficial / connected / non-beneficial	9	10,617,832
Nominee companies	48	1,763,171
Private holders	290	1,395,816
Investment trusts and funds	4	674,607
Charities	3	644,601
Shares held in treasury	1	1,240,000
	374	**16,351,540**

Share registrars

Website: **www.linkassetservices.com**

Investors

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