

# HAYNES PUBLISHING GROUP P.L.C.

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 November 2009

Haynes Publishing Group P.L.C. is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals. Every Haynes manual is based on a complete vehicle strip-down and rebuild in our workshops, so that the instructions to our customers are inherently practical and easy to follow.

Through its Dutch subsidiary Vivid Holding BV, the Haynes Group is a leading European supplier of digital technical information to the motor trade, thereby broadening the Group's business to include professional as well as DIY mechanics and enthusiasts.

The Haynes Group also publishes many other DIY titles as well as an extensive array of books about motor sport, vehicles and general transport.

### Financial Highlights

- Revenue of £16.0m (2008: £16.4m)
- Like for like revenue, excluding external UK print sales, of £16.0m (2008: £15.0m)
- Operating profit of £3.0m (2008: £2.6m)
- Profit before tax of £2.8m (2008: £2.5m)
- Basic earnings per share of 11.7 pence (2008: 10.6 pence)
- Net funds of £2.4m (2008: net debt of £1.4m)
- Interim dividend declared of 6.2 pence per share (2008: 4.0 pence) *to bring greater parity between the interim and final dividend payments.*

### Enquiries :

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### Cautionary Statement :

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

## INTERIM STATEMENT

### Business overview

We are pleased to report a solid trading performance from the Haynes Group during the first six months of our current year, with like for like revenue (excluding revenue from the UK print operation sold in February 2009) up 6%, pre-tax profits ahead by 9% and net cash balances £3.7 million higher than a year ago.

When we updated the market with our first quarter's trading in October, we reported that like for like sales (excluding revenue from the UK print operation) were in line with the prior year, with stronger sales in the UK and Europe being offset by weaker sales in the US, where trading conditions on the whole remained challenging. During the second quarter, sales in both our major geographical markets have performed ahead of last year. In the US, second quarter sales were 15% ahead of the prior year but were not quite sufficient to make up the shortfall from the first quarter, ending the six month period 6% down on the comparable period. However, the impact of a stronger US Dollar meant that when translated into Sterling, reportable revenue was ahead by 3%. In the UK and Europe, sales in the three areas of automotive, general publishing and licensing all ended the period ahead of the prior year.

The weakness of Sterling against both the US Dollar and the Euro during the period benefited the Group, with the impact on Group revenue and pre-tax profit being £1.0 million and £0.2 million respectively. Whilst the underlying results are closer to last year, it is, nevertheless, encouraging that despite the current economic climate, the measures taken to restructure and reposition the Group over the last few years, particularly in the UK, are starting to provide positive benefits for the Group.

### Financial review

#### *Income statement*

Total revenue for the period was £16.0 million (2008: £16.4 million). However, on a like for like basis, (excluding revenue from the UK print business) revenue was ahead of last year by £0.9 million or 6%. Following the sale of the loss making UK print operation, margins in the UK business have improved increasing the overall Group gross margin to 64.1% (2008: 60.7%). As reported at the year-end, during the second half of last year the accounting treatment for Vivid software development costs was brought into line with Group policy and IAS 38 'Intangible Assets'. As a result, the prior year figures in this interim report have been restated; increasing gross profit and pre-tax profit by £0.5 million and £0.8 million respectively. Further details are contained in note 1 of this statement. During the period, management has continued its tight control of overheads and despite the inclusion of an additional £0.1 million of non-recurring restructuring costs, overheads ended the period in line with last year. However, the extent of the improvement is somewhat masked by Sterling's weakness during the period as had exchange rates remained constant, the reduction in overheads would have been £0.4 million or 5%. After taking account of the above factors, Group operating profit ended the period up 15% at £3.0 million (2008: £2.6 million).

With net finance costs of £0.2 million (2008: £0.1 million) the Group's pre-tax profit ended the six month period at £2.8 million (2008: £2.5 million). The higher pre-tax profit coupled with a lower effective tax rate of 30.4% (2008: 31.1%) has enhanced basic earnings per share at 11.7p (2008: 10.6p).

#### *Balance sheet and cash flow*

Expenditure on property, plant and equipment during the period of £0.3 million was more in line with the Group's normal level of expenditure following the high spend in the last couple of years on freehold property and new production equipment.

During the six months to 30 November 2009 the Group's IAS 19 pension scheme deficit increased by £4.7 million to £15.1 million (31 May 2009: £10.4 million). The increase in the deficit is primarily driven by lower market yields on UK gilts and corporate bonds which have led to a lowering of the discount rate used to calculate the liability of the UK Scheme from 6.6% at the end of May to 5.4% and resulting in an increase in the defined benefit obligation of £6.9 million. This increase has been partially mitigated by an improvement in the equity markets, which increased the UK plan's assets by £1.6 million over the same period.

The volatility of the IAS 19 valuation to changes in the principal assumptions has a significant impact on our reported net assets. Nevertheless, management continues to work closely with the Scheme's actuaries and investment advisors using the triennial valuations in the UK and annual actuarial calculations in the US to ensure the level of funding for the two Schemes is compliant with local legislation and is appropriate, bearing in mind the longer-term nature of a retirement benefit scheme.

The Group benefits from strong cash generation which is a key driver for the growth of the business going forward. During the six month period, the net cash inflow before tax generated from operations was £4.8 million (2008: £2.3 million) which represented 161% of Group operating profit and shows a clear progression over the past 12 months with the percentages in May 2009 and November 2008 being 123% and 88% respectively. The improvement in the Group's net cash position over the same period last year demonstrates the Group's ability to turn profit into cash, even during the difficult economic conditions experienced over the last 12 months.

### **Interim dividend**

Following the pay down of borrowings to fund the acquisitions in Australia and Holland made in 2007/8, the Board feels it is appropriate to return to the Group's underlying policy of a more evenly spread interim and final dividend payment. As a consequence the Board is declaring an interim dividend of 6.2 pence per share (2008: 4.0 pence) which when combined with a smaller final dividend than the previous year will bring greater parity between the interim and final dividend payments. The payment of the interim dividend will be made on 30 March 2010 to shareholders on the register at the close of business on 12 March 2010, the shares being declared ex-dividend on 10 March 2010.

### **Operational review**

#### *North America and Australia*

Trading during the six month period has remained difficult as key US customers continue to run inventory levels at historically low levels. Although sales in the second quarter were 15% ahead of the same period last year, sales in local currency for the six months as a whole, ended the period 6% down on last year. However, the stronger US Dollar meant that when translated into Sterling reportable revenue increased by an additional £0.8 million ending the period at £8.5 million, 4% ahead of last year (2008: £8.2 million).

In Australia, recessionary pressures do not appear to have hit as hard as in some other parts of the globe where the Group does business. Accordingly, sales ended the period 8% ahead of the prior year. Late into the second quarter a new general manager with a strong automotive and publishing background was recruited into the Australian business and will strengthen our team in this region going forward.

In local currency, segmental profit in the North American & Australian business was 3% down on the prior period. However, after translation to Sterling, segmental profit ended the period up 7% at £1.5 million (2008: £1.4 million).

#### *UK and Europe*

In the UK, sales of our automotive manuals during the first quarter tracked in line with last year but picked up nicely during the second quarter, ending the six months 9% ahead of the prior year. Similarly, sales in our Haynes Book division have performed strongly, running ahead of last year in both the first and second quarters and ending the period 18% ahead of the comparable period. What is particularly pleasing is the range and breadth of titles emanating from this division which is best illustrated by some of the titles appearing in our top 10 sellers list. Our top selling title during the period was 'Stirling Moss All My Races' by Alan Henry published to coincide with Sir Stirling Moss's 80<sup>th</sup> Birthday which together with 'The Brawn Story: The man and the team that turned Formula 1 upside down' by Christopher Hilton and 'Jenson Button: A World Champions Story' by Alan Henry represents our more traditional motoring genre. However, also appearing in the list are newer and less traditional titles such as 'Apollo 11', 'Thomas the Tank Engine Manual' and 'Jackson Unveiled' a title published through our association with the Daily Mirror, each of which are helping to widen the appeal of our books to a larger demographic audience. Elsewhere in the UK, the revenue from Licensing continues to grow very nicely ending the period 38% ahead of last year. In addition some of the licensing partnerships have led to unique new publishing opportunities.

In Holland, sales from Vivid in local currency were in line with the previous year. However, with the benefit of a stronger Euro, reportable revenue, when translated into Sterling ended the period 9% ahead of the prior year.

As a result of the above factors UK & European external segmental revenue ended the six month period at £7.5 million (2008: £8.2 million) down 9%. On a like for like basis, excluding UK print sales, revenue was up 10%. Whilst the UK & Europe benefited from the improvement to margins following the disposal of the UK print business it also incurred higher restructuring costs of £0.1 million and a higher amortisation charge on the Vivid development costs of £0.2 million. As a result, UK & European segmental profit ended the period in line with last year at £0.9 million (2008: £0.9 million).

### **Future outlook**

Despite the strong trading performance of the first six months we remain cognisant that economic conditions in our major markets continue to be extremely challenging. This is particularly so in the US, where there is still no indication that the major retailers are prepared to rebuild inventories to more realistic levels. Whilst in the UK, we are aware that despite strong sales in the run up to Christmas, the general publishing markets are awash with heavily discounted merchandise and our third quarter is a period of the year characterised by heavy returns. Therefore, there is a need to remain diligent in our efforts to control costs and to maintain a tight rein over our working capital.

During the second half we will consolidate the printing of our UK Haynes Book division titles into our US print facility in Nashville and whilst this will not have a significant impact on the UK margins in the coming year, it will provide synergistic benefits to both parts of the business going forward.

The major restructuring and repositioning of the Group over the last few years means that the business is well placed to deliver profit growth and take advantage of future growth opportunities as and when they arise. Likewise, our strong and improving cash position will allow the Group to act upon such opportunities in a judicious but timely manner.

### **Responsibility statement**

Pages 17 and 18 of the Annual Report 2009 provide details of the serving Board Directors and there have been no changes during the six months to 30 November 2009. The Report also provides a statement of the Directors' responsibilities on page 34. A copy of the Annual Report 2009 can be found on the Haynes website [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

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

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

**J H Haynes, OBE**  
**Chairman of the Board**

27 January 2010

## Consolidated Income Statement (unaudited)

	6 months to 30 Nov 2009 £'000	Restated 30 Nov 2008 £'000	Year ended 31 May 2009 £'000
<b>Continuing operations</b>			
<b>Revenue</b> (note 2)	<b>15,951</b>	<b>16,378</b>	<b>35,335</b>
Cost of sales	(5,731)	(6,432)	(13,378)
<b>Gross profit</b>	<b>10,220</b>	<b>9,946</b>	<b>21,957</b>
Other operating income	126	26	101
Distribution costs	(3,848)	(4,005)	(8,622)
Administrative expenses	(3,501)	(3,319)	(5,861)
<b>Operating profit</b>	<b>2,997</b>	<b>2,648</b>	<b>7,575</b>
Finance income (note 4)	539	680	1,123
Finance costs (note 5)	(783)	(811)	(1,642)
<b>Profit before taxation</b>	<b>2,753</b>	<b>2,517</b>	<b>7,056</b>
Taxation (note 6)	(838)	(783)	(2,267)
<b>Profit for the period</b>	<b>1,915</b>	<b>1,734</b>	<b>4,789</b>
Attributable to:			
Equity Shareholders	1,909	1,731	4,810
Non-controlling interests	6	3	(21)
	<b>1,915</b>	<b>1,734</b>	<b>4,789</b>
<b>Earnings per 20p share – pence</b> (note 7)			
Earnings per share			
- Basic	11.7	10.6	29.4
- Diluted	11.7	10.6	29.4

## Consolidated Statement of Comprehensive Income and Expense (unaudited)

	6 months to		Year ended
		Restated	
	30 Nov 2009	30 Nov 2008	31 May 2009
	£000	£000	£000
<b>Profit for the period</b>	<b>1,915</b>	<b>1,734</b>	<b>4,789</b>
Exchange differences on translation of foreign operations	282	4,561	4,634
Actuarial gains/(losses) on retirement benefit obligation			
- UK Scheme	(5,325)	2,176	(1,627)
- US Scheme	572	(1,811)	(1,594)
Deferred tax on retirement benefit obligation			
- UK Scheme	1,491	(609)	455
- US Scheme	(229)	724	637
<b>Other comprehensive (expense)/income for the period</b>	<b>(3,209)</b>	<b>5,041</b>	<b>2,505</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(1,294)</b>	<b>6,775</b>	<b>7,294</b>
Attributable to:			
Equity holders of the Company	(1,300)	6,772	7,315
Non-controlling interests	6	3	(21)
	<b>(1,294)</b>	<b>6,775</b>	<b>7,294</b>

## Consolidated Balance Sheet (unaudited)

	30 Nov 2009 £'000	Restated 30 Nov 2008 £'000	31 May 2009 £'000
<b>Non-current assets</b>			
Property, plant and equipment (note 12)	9,721	8,096	9,831
Intangible assets (note 13)	15,821	14,086	14,979
Deferred tax assets	5,225	3,115	3,996
	<b>30,767</b>	<b>25,297</b>	<b>28,806</b>
<b>Current assets</b>			
Inventories	12,551	13,170	12,523
Trade and other receivables	10,653	13,893	11,765
Cash and cash equivalents	3,301	766	3,029
Total current assets	26,505	27,829	27,317
Assets classified as held for sale	-	489	-
	<b>26,505</b>	<b>28,318</b>	<b>27,317</b>
<b>Total assets</b>	<b>57,272</b>	<b>53,615</b>	<b>56,123</b>
<b>Current liabilities</b>			
Trade and other payables	(4,651)	(5,280)	(4,446)
Tax liabilities	(71)	(237)	(122)
Bank overdrafts	(941)	(2,147)	(1,659)
<b>Total current liabilities</b>	<b>(5,663)</b>	<b>(7,664)</b>	<b>(6,227)</b>
<b>Non-current liabilities</b>			
Other creditors	-	(87)	-
Deferred tax liabilities	(2,870)	(1,680)	(2,691)
Retirement benefit obligation (note 10)	(15,098)	(7,244)	(10,390)
<b>Total non-current liabilities</b>	<b>(17,968)</b>	<b>(9,011)</b>	<b>(13,081)</b>
<b>Total liabilities</b>	<b>(23,631)</b>	<b>(16,675)</b>	<b>(19,308)</b>
<b>Net assets</b>	<b>33,641</b>	<b>36,940</b>	<b>36,815</b>
<b>Equity</b>			
Share capital	3,270	3,270	3,270
Share premium	638	638	638
Retained earnings	25,866	29,512	29,328
Foreign currency translation reserve	3,858	3,503	3,576
<b>Capital and reserves attributable to equity shareholders</b>	<b>33,632</b>	<b>36,923</b>	<b>36,812</b>
Equity attributable to non-controlling interests	9	17	3
<b>Total equity</b>	<b>33,641</b>	<b>36,940</b>	<b>36,815</b>

## Consolidated Cash Flow Statement (unaudited)

	6 months to	Year ended	
	30 Nov 2009	Restated	31 May 2009
	£'000	£'000	£'000
<b>Cash flows from operating activities - continuing</b>			
Profit after tax	1,915	1,734	4,789
<b>Adjusted for :</b>			
Income tax expense	838	783	2,267
Interest payable and similar charges	7	74	116
Interest receivable	(13)	(18)	(38)
Interest charges on pension liabilities less expected returns on pension assets	250	75	441
Operating profit	2,997	2,648	7,575
Depreciation on property, plant and equipment	473	383	864
Amortisation of intangible assets	366	100	418
IAS 19 pensions current service cost net of contributions paid	(236)	17	(407)
(Gain)/loss on disposal of property, plant and equipment	(2)	(3)	139
	<b>3,598</b>	<b>3,145</b>	<b>8,589</b>
<b>Changes in working capital :</b>			
(Increase)/decrease in inventories	(91)	(634)	(300)
Decrease/(increase) in receivables	1,132	(144)	1,918
Increase/(decrease) in payables	181	(33)	(917)
<b>Net cash generated from operations</b>	<b>4,820</b>	<b>2,334</b>	<b>9,290</b>
Tax paid	(722)	(1,189)	(2,024)
<b>Net cash from operating activities</b>	<b>4,098</b>	<b>1,145</b>	<b>7,266</b>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment	3	7	416
Purchases of property, plant and equipment	(287)	(288)	(2,354)
Expenditure on development costs	(999)	(854)	(1,939)
Acquisition costs :			
– Deferred consideration	-	-	(81)
Interest received	13	18	38
<b>Net cash used in investing activities</b>	<b>(1,270)</b>	<b>(1,117)</b>	<b>(3,920)</b>
<b>Financing activities</b>			
Dividends paid	(1,880)	(1,717)	(2,371)
Interest paid	(11)	(44)	(112)
Cash received from non-controlling interests	-	-	10
<b>Net cash used in financing activities</b>	<b>(1,891)</b>	<b>(1,761)</b>	<b>(2,473)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>937</b>	<b>(1,733)</b>	<b>873</b>
Cash and cash equivalents at beginning of year	1,370	196	196
Effect of foreign exchange rate changes	53	156	301
<b>Cash and cash equivalents at end of period</b>	<b>2,360</b>	<b>(1,381)</b>	<b>1,370</b>



## Consolidated Statement of Changes in Equity (unaudited)

	Share capital £'000	Share premium £'000	Foreign exchange translation reserve £'000	Retained earnings £'000	Sub total £'000	Non-controlling interests £'000	Total £'000
<b>Current interim period :</b>							
Balance at 1 June 2009	3,270	638	3,576	29,328	36,812	3	36,815
Profit for the period	-	-	-	1,909	1,909	6	1,915
Currency translation adjustments	-	-	282	-	282	-	282
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	(3,491)	(3,491)	-	(3,491)
<b>Other comprehensive income/(expense) for the period</b>	-	-	<b>282</b>	<b>(3,491)</b>	<b>(3,209)</b>	-	<b>(3,209)</b>
<b>Total comprehensive income/(expense) for the period</b>	-	-	<b>282</b>	<b>(1,582)</b>	<b>(1,300)</b>	<b>6</b>	<b>(1,294)</b>
Dividends	-	-	-	(1,880)	(1,880)	-	(1,880)
<b>Balance at 30 November 2009</b>	<b>3,270</b>	<b>638</b>	<b>3,858</b>	<b>25,866</b>	<b>33,632</b>	<b>9</b>	<b>33,641</b>
<b>Prior interim period :</b>							
Balance at 1 June 2008	3,270	638	(1,058)	29,018	31,868	14	31,882
Profit for the period	-	-	-	1,731	1,731	3	1,734
Currency translation adjustments	-	-	4,561	-	4,561	-	4,561
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	480	480	-	480
<b>Other comprehensive income for the period</b>	-	-	<b>4,561</b>	<b>480</b>	<b>5,041</b>	-	<b>5,041</b>
<b>Total comprehensive income for the period</b>	-	-	<b>4,561</b>	<b>2,211</b>	<b>6,772</b>	<b>3</b>	<b>6,775</b>
Dividends	-	-	-	(1,717)	(1,717)	-	(1,717)
<b>Balance at 30 November 2008</b>	<b>3,270</b>	<b>638</b>	<b>3,503</b>	<b>29,512</b>	<b>36,923</b>	<b>17</b>	<b>36,940</b>
<b>Prior year :</b>							
Balance at 1 June 2008	3,270	638	(1,058)	29,018	31,868	14	31,882
Profit for the period	-	-	-	4,810	4,810	(21)	4,789
Currency translation adjustments	-	-	4,634	-	4,634	-	4,634
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	(2,129)	(2,129)	-	(2,129)
<b>Other comprehensive income/(expense) for the period</b>	-	-	<b>4,634</b>	<b>(2,129)</b>	<b>2,505</b>	-	<b>2,505</b>
<b>Total comprehensive income/(expense) for the period</b>	-	-	<b>4,634</b>	<b>2,681</b>	<b>7,315</b>	<b>(21)</b>	<b>7,294</b>
Dividends	-	-	-	(2,371)	(2,371)	-	(2,371)
Business combinations	-	-	-	-	-	10	10
<b>Balance at 31 May 2009</b>	<b>3,270</b>	<b>638</b>	<b>3,576</b>	<b>29,328</b>	<b>36,812</b>	<b>3</b>	<b>36,815</b>

## Notes to the Interim Results

### 1. Basis of accounting

The interim financial statements for the six months ended 30 November 2009 and 30 November 2008 and for the twelve months ended 31 May 2009 do not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 May 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for the year ended 31 May 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The 30 November 2009 statements were approved by the Board of Directors on 27 January 2010 and although not audited are subject to a review by our auditors.

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

The interim financial statements have been prepared in accordance with the accounting policies set out in the 2009 Annual Report and which the Group expect to follow in its next Annual Report. Note 1 on page 41 of the Annual Report 2009 includes details of the new standards and interpretations issued by the IASB and IFRIC which will apply to the Group for the first time in the current financial year. Apart from the adoption of IAS1 (revised) 'Presentation of Financial Statements' and IFRS 8 'Operating Segments', which are described in more detail below, the new standards and interpretations are not expected to have a material impact on the financial statements of the Group during the forthcoming financial year.

The adoption of IAS1 (revised) requires certain revised disclosures to the primary statements. In particular, the reconciliation of the movement in equity, which was formerly included as a note to the accounts, is now presented as a primary statement. In addition, the Group has chosen to adopt the two statement approach whereby the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income and Expense and is shown separately from the Consolidated Income Statement and apart from some small disclosure changes the new statement is similar in content to the previous information presented.

IFRS 8 replaces IAS14 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as they are managed within the business. The implementation of IFRS 8 has had no impact on the results or net assets of the Group but has resulted in certain revised disclosures. See note 3 for further details.

IAS 23 removes the option for companies to immediately expense borrowing costs that are directly attributable to a qualifying asset and requires such costs to be capitalised instead. The implementation of IAS 23 has not had a material impact on the Group.

As mentioned in our latest Annual Report, during the second half of the financial year ended 31 May 2009 the accounting treatment for Vivid software development costs was brought into line with Group policy and IAS 38 'Intangible Assets' whereby the costs of both internal and external qualifying development expenditure are capitalised and amortised on a straight line basis over 5 years. As a result of this adjustment the figures for November 2008, as shown in this report, have been restated so as to be directly comparable with the six month period ending 30 November 2009 and the 12 month period ended 31 May 2009. The impact of the adjustment in treatment on the 30 November 2008 numbers has been to increase pre-tax profit and intangible assets by £0.8m respectively. In addition, a deferred tax charge of £0.2 million has been made in the Consolidated Income Statement with a corresponding increase in the deferred tax liability.

## 2. Revenue

	6 months to		Year ended
	30 Nov	30 Nov	31 May
	2009	2008	2009
	£000	£000	£000
<b>Revenue by geographical destination on continuing operations :</b>			
United Kingdom	4,155	5,514	10,808
Rest of Europe	2,912	2,743	5,750
United States of America	7,194	6,705	15,756
Rest of World	1,690	1,416	3,021
<b>Total consolidated revenue *</b>	<b>15,951</b>	<b>16,378</b>	<b>35,335</b>

### \* Analysed as follows :

Sales of goods	13,555	12,819	27,866
Rendering of services	2,036	3,239	6,977
Royalties and license income	360	320	492
	<b>15,951</b>	<b>16,378</b>	<b>35,335</b>

## 3. Segmental analysis

From 1 June 2009 the Group has adopted IFRS 8 'Operating Segments' which replaces IAS 14 'Segmental Reporting'. IFRS 8 requires a company to report on operating segments on the same basis as that used by the chief operating decision maker to assess the performance of the business segments and to allocate resources accordingly. Prior to 1 June 2009, the Group had been presenting the principal segments on a geographical basis which is also the basis that financial and operational information is presented to the chief operating decision maker and therefore, the implementation of IFRS 8 has not significantly changed the way the Group reports its segmental information. However, under IFRS 8 the financial information contained in the segmental analysis is reported on the basis presented to the chief operating decision maker and reconciled to the financial information reported in the primary statements. Accordingly, the comparative information for the six months to 30 November 2008 and the 12 months to 31 May 2009 have been restated under the new requirements of IFRS 8. Further details as to the nature and quantification of the reconciling items can be found in the footnotes of the respective segmental disclosures.

For management purposes, the Group is organised into two geographical operating segments:

- UK and Europe
- North America and Australia

These geographical segments are the basis upon which the Group reports its financial information to the chief operating decision maker.

### 3. Segmental analysis (continued)

#### Analysis of geographic operating segments

<b>Revenue and results:</b>	UK & Europe 6 months to 30 Nov 2009 £'000	North America & Australia 6 months to 30 Nov 2009 £'000	Eliminations 6 months to 30 Nov 2009 £'000	Consolidated 6 months to 30 Nov 2009 £'000
<b>Revenue</b>				
External sales	7,493	8,458	-	15,951
Inter-segmental sales <sup>[1]</sup>	123	391	(514)	-
<b>Total revenue</b>	<b>7,616</b>	<b>8,849</b>	<b>(514)</b>	<b>15,951</b>
<b>Result</b>				
Segment operating profit	861	1,540		2,401
Unallocated head office income less expense				67
Interest received				13
Interest payable				(7)
<b>Segment profit before tax</b>				<b>2,474</b>
<b>Reconciliation to consolidated profit before tax <sup>[2]</sup> :</b>				
IAS 16 Property, Plant & Equipment				41
IAS 19 Employee Benefits				9
IFRS 3 Business Combinations				229
<b>Consolidated profit before tax</b>				<b>2,753</b>

<b>Segment assets:</b>	UK & Europe 30 Nov 2009 £'000	North America & Australia 30 Nov 2009 £'000	Eliminations 30 Nov 2009 £'000	Consolidated 30 Nov 2009 £'000
<b>Balance Sheet</b>				
Segmental assets	20,630	23,820	(580)	43,870
Unallocated head office assets				3,458
Unallocated head office eliminations				(846)
<b>Total segmental assets</b>				<b>46,482</b>
<b>Reconciliation to consolidated total assets <sup>[2]</sup> :</b>				
IAS 16 Property, Plant & Equipment				1,142
IAS 19 Employee Benefits				5,225
IAS 38 Intangible Assets				1,821
IFRS 3 Business Combinations				2,602
<b>Consolidated total assets</b>				<b>57,272</b>

<sup>[1]</sup> Inter-segmental sales are charged at the prevailing market rates.

<sup>[2]</sup> In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation. In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income and Expense are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet. In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised. In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill - under IAS 38 some of the goodwill is attributed to specific intangible assets.

### 3. Segmental analysis (continued)

#### Revenue and results:

	UK & Europe 6 months to 30 Nov 2008 £'000	North America & Australia 6 months to 30 Nov 2008 £'000	Eliminations 6 months to 30 Nov 2008 £'000	Consolidated 6 months to 30 Nov 2008 £'000
<b>Revenue</b>				
External sales	8,181	8,197	-	16,378
Inter-segmental sales <sup>[1]</sup>	88	410	(498)	-
<b>Total revenue</b>	<b>8,269</b>	<b>8,607</b>	<b>(498)</b>	<b>16,378</b>

#### Result

Segment operating profit	896	1,443		2,339
Unallocated head office income less expense				(36)
Interest received				18
Interest payable				(74)
<b>Segment profit before tax</b>				<b>2,247</b>

#### Reconciliation to consolidated profit before tax <sup>[2]</sup>:

IAS 16 Property, Plant & Equipment				45
IAS 19 Employee Benefits				17
IFRS 3 Business Combinations				208
<b>Consolidated profit before tax</b>				<b>2,517</b>

#### Segment assets:

	UK & Europe 30 Nov 2008 £'000	North America & Australia 30 Nov 2008 £'000	Eliminations 30 Nov 2008 £'000	Consolidated 30 Nov 2008 £'000
<b>Balance Sheet</b>				
Segmental assets	21,226	22,757	(852)	43,131
Unallocated head office assets				3,353
Unallocated head office eliminations				(680)
<b>Total segmental assets</b>				<b>45,804</b>

#### Reconciliation to consolidated total assets <sup>[2]</sup>:

IAS 16 Property, Plant & Equipment				1,037
IAS 19 Employee Benefits				3,115
IAS 38 Intangible Assets				1,938
IFRS 3 Business Combinations				1,721
<b>Consolidated total assets</b>				<b>53,615</b>

<sup>[1]</sup> Inter-segmental sales are charged at the prevailing market rates.

<sup>[2]</sup> In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation. In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income and Expense are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet. In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised. In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill - under IAS 38 some of the goodwill is attributed to specific intangible assets.

### 3. Segmental analysis (continued)

#### Revenue and results:

	UK & Europe Year ended 31 May 2009 £'000	North America & Australia Year ended 31 May 2009 £'000	Eliminations Year ended 31 May 2009 £'000	Consolidated Year ended 31 May 2009 £'000
<b>Revenue</b>				
External sales	16,427	18,908	-	35,335
Inter-segmental sales <sup>[1]</sup>	182	804	(986)	-
<b>Total revenue</b>	<b>16,609</b>	<b>19,712</b>	<b>(986)</b>	<b>35,335</b>
<b>Result</b>				
Segment operating profit	2,230	4,413		6,643
Unallocated head office income less expense				(110)
Interest received				38
Interest payable				(116)
<b>Segment profit before tax</b>				<b>6,455</b>
<b>Reconciliation to consolidated profit before tax <sup>[2]</sup>:</b>				
IAS 16 Property, Plant & Equipment				15
IAS 19 Employee Benefits				129
IFRS 3 Business Combinations				457
<b>Consolidated profit before tax</b>				<b>7,056</b>

#### Segment assets:

	UK & Europe 31 May 2009 £'000	North America & Australia 31 May 2009 £'000	Eliminations 31 May 2009 £'000	Consolidated 31 May 2009 £'000
<b>Balance Sheet</b>				
Segmental assets	18,089	24,621	(990)	41,720
Unallocated head office assets				5,081
Unallocated head office eliminations				(1,444)
<b>Total segmental assets</b>				<b>45,357</b>
<b>Reconciliation to consolidated total assets <sup>[2]</sup>:</b>				
IAS 16 Property, Plant & Equipment				1,111
IAS 19 Employee Benefits				3,996
IAS 38 Intangible Assets				3,688
IFRS 3 Business Combinations				1,971
<b>Consolidated total assets</b>				<b>56,123</b>

<sup>[1]</sup> Inter-segmental sales are charged at the prevailing market rates.

<sup>[2]</sup> In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation. In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income and Expense are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet. In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised. In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill - under IAS 38 some of the goodwill is attributed to specific intangible assets.

#### 4. Finance income

	6 months to		Year ended
	30 Nov	30 Nov	31 May
	2009	2008	2009
	£000	£000	£000
Interest receivable on bank deposits	13	18	38
Expected return on pension scheme assets	526	662	1,085
	<b>539</b>	<b>680</b>	<b>1,123</b>

#### 5. Finance costs

	6 months to		Year ended
	30 Nov	30 Nov	31 May
	2009	2008	2009
	£000	£000	£000
Interest payable on bank loans and overdrafts	7	74	87
Other interest	-	-	29
Interest charge on pension scheme liabilities	776	737	1,526
	<b>783</b>	<b>811</b>	<b>1,642</b>

#### 6. Taxation

The effective tax charge for the six months ending 30 November 2009 is based on an estimate of a full year effective tax rate of 30.4% (2008: 31.1%).

#### 7. Earnings per share

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

	6 months to		Year ended
	30 Nov	30 Nov	31 May
	2009	2008	2009
	£000	£000	£000
<b>Earnings :</b>			
Profit after tax – continuing operations *	1,909	1,731	4,810
	No.	No.	No.
<b>Number of shares :</b>			
Weighted average number of shares	16,351,540	16,351,540	16,351,540

\* The profit after tax excludes a profit of £6,000 (2008: £3,000) attributable to non-controlling interests.

As at 30 November 2009, 31 May 2009 and 30 November 2008 there were no potentially dilutive shares in issue on either of the Company's two classes of shares. Accordingly, there is no difference between the weighted average number of shares used in the basic and diluted earnings per share calculation.

## 8. Dividends

	6 months to		Year ended
	30 Nov	30 Nov	31 May
	2009	2008	2009
	£000	£000	£000
<b>Amounts recognised as distributions to equity holders :</b>			
Final dividend of 11.5p per share (2008: 10.5p)	1,880	1,717	1,717
Interim dividend of 4.0p per share	-	-	654
	<b>1,880</b>	<b>1,717</b>	<b>2,371</b>

An interim dividend of 6.2p per share (2008: 4.0p) amounting to £1,013,795 (2008: £654,062) has been declared during the period but has not been reflected in the interim accounts. The payment of the interim dividend will be made on 30 March 2010 to shareholders on the register at the close of business on 12 March 2010. The shares will be declared ex-dividend on 10 March 2010.

## 9. Analysis of the changes in net funds

	As at		Exchange	As at
	1 June	Cashflow	movements	30 Nov
	2009	£'000	£'000	2009
	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,029	219	53	3,301
Bank overdrafts	(1,659)	718	-	(941)
	<b>1,370</b>	<b>937</b>	<b>53</b>	<b>2,360</b>

## 10. Retirement benefit obligation

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

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

The last full IAS 19 actuarial valuation was carried out by a qualified independent actuary as at 31 May 2009 and this valuation has been updated by the Scheme's actuaries on an approximate basis to 30 November 2009.



## 10. Retirement benefit obligation (continued)

The movements in the retirement benefit obligation were as follows :-

	6 months to		Year ended
	30 Nov 2009 £000	30 Nov 2008 £000	31 May 2009 £000
Retirement benefit obligation at beginning of period	(10,390)	(6,794)	(6,794)
Movement in the period :			
- Total expenses charged in the income statement	(732)	(620)	(1,482)
- Contributions paid	718	528	1,447
- Actuarial gains/(losses) taken directly to reserves	(4,753)	365	(3,221)
- Foreign currency exchange rates	59	(723)	(340)
<b>Retirement benefit obligation at end of period</b>	<b>(15,098)</b>	<b>(7,244)</b>	<b>(10,390)</b>

## 11. Exchange rates

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

	Period end rate			Average rate		
	30 Nov 2009	30 Nov 2008	31 May 2009	30 Nov 2009	30 Nov 2008	31 May 2009
US dollar	1.64	1.53	1.61	1.64	1.80	1.64
Euro	1.09	1.21	1.14	1.13	1.25	1.18
Swedish krona	11.47	12.43	12.22	11.76	12.15	12.11
Australian dollar	1.79	2.36	2.02	1.91	2.22	2.17

## 12. Property, plant and equipment

	Total £'000
Net book value at 1 June 2008	8,240
Exchange rate movements	444
Additions	288
Disposals	(4)
Depreciation and amortisation	(383)
Fixed assets included in assets reclassified for resale	(489)
<b>Net book value at 30 November 2008</b>	<b>8,096</b>
	£'000
Net book value at 1 June 2009	9,831
Exchange rate movements	77
Additions	287
Disposals	(1)
Depreciation and amortisation	(473)
<b>Net book value at 30 November 2009</b>	<b>9,721</b>

As at 30 November 2009 the Group had capital expenditure, contracted but not provided for of £533,000 (2008: £1,062,000).

### 13. Intangible assets

	Total £'000
Carrying value at 1 June 2008	11,688
Exchange rate movements	1,644
Additions	854
Amortisation	(100)
<b>Carrying value at 30 November 2008</b>	<b>14,086</b>
	£'000
Carrying value at 1 June 2009	14,979
Exchange rate movements	209
Additions	999
Amortisation	(366)
<b>Carrying value at 30 November 2009</b>	<b>15,821</b>

### 14. Related party transactions

During the six months to 30 November 2009 there were no material new related party transactions or material changes to the related party transactions as reported in the Annual Report 2009.

### 15. Principal risks and uncertainties

The principal risks and uncertainties facing the Group were discussed in the Annual Report 2009 under the following headings and page references:

- The processes adopted by the Board to identify and monitor risk (page 27)
- The Group's principal financial risks and uncertainties (pages 61 – 63)
- The Group's principal operational risks and uncertainties (pages 10 – 15)

A copy of the Annual Report 2009 can be found on the Group's website [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

The Board considers that along with the risks and uncertainties outlined in the Interim Statement these remain the principal risks and uncertainties which face the Group during the second half of the current financial year.

### 16. Other information

A copy of this half-year report will be distributed to all shareholders and will also be available to members of the public from the Company's registered office at Sparkford, Near Yeovil, Somerset BA22 7JJ. A copy of the interim report will also be available on the UK website at [www.haynes.co.uk/investor](http://www.haynes.co.uk/investor).

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

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2009 which comprises a consolidated income statement, consolidated statement of comprehensive income and expense, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and related notes.

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

## **Directors' responsibilities**

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

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

## **Our responsibility**

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

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

## **Scope of review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

*BDO LLP  
Chartered Accountants and Registered Auditors  
Southampton  
United Kingdom  
27 January 2010*

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