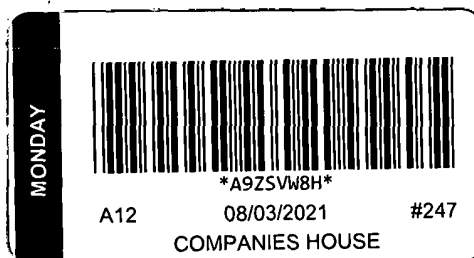


Haynes Group Limited

Annual report and consolidated financial statements

For the period ended 3 April 2020

Registered No. 00659701



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Directors and professional advisers

Directors

C Czajka (appointed, 3 April 2020)
E Dolan (appointed, 3 April 2020)
JT Bunkum
RS Barker

Secretary

RS Barker

Registered office

Sparkford
Somerset
BA22 7JJ

Independent Auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

Solicitors

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Bankers

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

Strategic report

The directors present their Strategic Report on the Haynes Group Limited ("the Group") for the 10 month period ended 3 April 2020. The Group financial statements have been prepared and approved by the directors in accordance with International 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.

With effect from 8 April 2020, the name of the Company was changed from Haynes Publishing Group P.L.C. to Haynes Publishing Group Limited. On the same day the Company was re-registered from a Public Company to Private Company limited by shares.

Acquisition by Infopro Digital (Holdco) Ltd

On 3 April 2020, Infopro Digital (Holdco) Ltd acquired the entire share capital of the Company, through a Scheme of Arrangement, which concluded the formal sale process announced by the Company on 15 November 2019.

Business review

The results for the period are set out on page 13.

The results of the Group show turnover of £31.5m (2019: 36.2m), adjusted earnings before exceptional items, interest, tax, depreciation and amortisation ("EBITDA") of £12.7m (2019: £12.8m).

During the period the Group incurred non-recurring adjusting items of £14.1m. The Group also sold its Treasury shares as part of the sale generating proceeds of £8.6m which is recognised directly in reserves. The adjusting items relate to the following: £11.4m related to the successful sale of the Group (net £2.8m if the sale of the Treasury shares are excluded), £2.3m related to amortisation of intangibles and £0.4m related to restructuring in the Group's Consumer Division.

The Group reports adjusted pre-tax profit of £2.5m (2019: £3.6m) and after the inclusion of the above adjusting items a pre-tax loss of £11.7m (2019: profit: £1.9m).

The company's net asset position has decreased by £2.3m to £20.7m as at 3 April 2020, as the profits generated during the period were more than offset by the one-off transaction costs incurred.

The net IAS 19 pensions deficit on the Group's two defined benefit retirement schemes as at 3 April 2020 reduced by £1.0m to £22.8m (2019: £23.8m).

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 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. The company's main key performance indicators (KPIs) are the trends in turnover and EBITDA:

Turnover

Delivering sustainable revenue growth is a key measure for the business.

Reported turnover for the period was £31.5m (2019: £36.2m). Solutions across the Professional segment continue to drive organic revenue growth, increasing market share with year-on-year (like-for like) revenue up 4%.

Earnings before exceptional items, interest, tax, depreciation, impairment and amortisation ("EBITDA")

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 exceptional items and before the charge for tangible asset depreciation and intangible asset amortisation. Adjusted EBITDA is therefore an important indicator of underlying profit and cash generation.

EBITDA for the period was £12.7m (2019: £12.8m). The Group's pro-rated adjusted EBITDA increased by 19% over the period reflecting the stronger sales from the Group's professional product ranges in Europe.

Strategic report - continued

Principle risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Risk taking is inherent for the company in pursuing growth opportunities, whether these are found in new sectors or markets, through developing new products or through delivering cost savings and restructuring programmes. There is a chance this could lead to unsuccessful investments or inadequate changes which could give rise to negative results or loss of key staff. Therefore, the company encourages responsible risk-taking which balances risk and reward within the company's strategy. Risk is monitored by senior management within the company, with all higher risk projects periodically reviewed by the board.

The key business risks affecting the company are set out below:

Regulation risk – Changes to regulations around the provision of technical data or the cost of licensing the data could necessitate changes to the production processes of the Group or increase competition in the market.

Risk mitigation – The Group actively monitors 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. Management closely monitor the cost of licensing the data to ensure it is calculated in line with the spirit of legislation.

Operational risk – arises from failed internal processes, people, technology or systems. The company continuously reviews and seeks to improve business systems and processes to reduce the risk that they might fail or are inadequate to meet the business needs.

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.

Risk mitigation – 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.

Being a data and content business, the Group continually faces the risk of publishing inaccurate information despite the Haynes brand being built on a reputation of publishing technically accurate information in a trusted and easy to understand format.

Risk mitigation – The Group takes the necessary steps to minimise this risk through embedding a process driven methodology into its editorial systems to capture its technical data as well as relying on the skill and expertise of the staff and the level of quality control applied throughout the process. As a responsible business, the Group has appropriate global insurance to cover product indemnity and multimedia liability.

Market & Competition risk – Reducing DIY activity on cars & motorcycles in the Group's geographic markets and increased availability of free online information.

Risk mitigation – Management are focussed on broadening the Group's revenue generating base, opening up new geographic sales territories and developing new delivery platforms to deliver the Group's content through a variety of multi-media formats.

Financial risks – The principal financial risks faced by the company are currency, liquidity and credit risks.

The company maintains foreign currency bank accounts to limit recognised losses on currency exchange rate movements but also actively seeks to minimise its exposure to significant movements in foreign currency exchange rates by matching, as far as possible, the costs of the business against the turnover of the business in the same currencies.

The company is exposed to the risk of financial failure of a customer. The selection of a wrong customer could lead to negative results and cash issues. Where appropriate new customers are credit checked through an independent agency and any customers identified as having a poor credit rating are required to make payment in advance of the Group performing their obligations.

The Group operates two defined benefit pension schemes, one in the UK and one in the US. The schemes carry an inherent risk that the funding position deteriorates leading to increased company contributions which could adversely impact 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. In 2015, both the US plan and UK scheme were closed to new entrants and in 2018, the UK scheme closed to future accrual.

Strategic report - continued

Ability to attract and retain key talent

An inability to retain key individuals, inadequate succession planning or inability to recruit people with the right experience and skills could adversely impact the company's results. It could lead to the loss of knowledge, decreased efficiency or a demotivated workforce with increased costs. To mitigate these issues the company places great value in the culture, its employees, and their involvement in the business. The company undertakes performance reviews twice a year ensuring its employees focus on personal development where desired. The Group also runs a number of incentive schemes linked to personal, division and company results that are appropriately designed to retain key individuals.

Intellectual property risk

Along with its employees, the company's main asset is its intellectual property and the company relies on intellectual property laws, registered trademarks where appropriate, and third-party non-disclosure agreements to protect its rights. To the extent that the company's products are protected by intellectual property rights, litigation is sometimes necessary to protect such rights.

Brexit

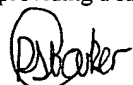
Shortly after the vote to leave, management prepared an internal impact assessment. The Group is exposed to fluctuations in the value of sterling, in particular; i) a proportion of sales are made outside the UK, predominantly in Euro's and US dollars; and ii) the contract for the Group's external production is priced in US Dollars but paid in. 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.

The Directors assessment of risk posed by Brexit remains unchanged. The Group generates 62% of its revenue through its digital products and technical data solutions and through the sale of publishing rights and brand licensing arrangements where the Group has flexibility over where these services can be provided. The remaining 38% is generated through the sale of printed products globally, of which 2% relates to sales into Europe from the UK. Our printed product is not perishable and therefore any delays in the supply chain will only impact on the timing of inventory to and from our distributor. The Group has relationships with short-run printers both within and outside the UK which management are confident will allow the Group to manage any Brexit related disruption to supply arrangements in the short-term.

The financial statements were signed shortly after a trade deal was agreed between the UK and European Union. At the time of signing the Directors had not assessed the impact of the trade deal in full however they do not believe it would have a material effect on the Group.

Covid-19

Towards the end of the period, the Covid-19 pandemic was starting to impact the Group at both an operational and financial level. The Group quickly established dedicated response teams to help oversee a transition from office to home working in all territories with minimal disruption. Demand in the worst affected regions dropped through April and May however management are pleased to report that the impact was only temporary, with trading in the quarter ending August 2020 being ahead of expectations. The financial impact from Covid will be reported in the period subsequent to these statements. The Board and Senior management of the Group would like to thank all of our employees for the way they have and continue to manage this difficult situation. The safety of our employees is paramount and management will closely evaluate governmental guidance in all our territories to ensure business operations continue as normal whilst providing a safe working environment for all our staff.



On behalf of the Board,

RS Barker

Director

24 February 2021

Directors' report

The directors present their report and the audited consolidated financial statements for Haynes Group Limited ("the Company") for the period ended 3 April 2020. The directors have elected to prepare the numbers for the period to 3 April 2020, this date being within 7 days of the accounting reference date; 9 April 2020. Reference to the previous reporting period was for the year ending 31 May 2019. These financial statements also represent the consolidated financial statements of the Company and its subsidiaries ("the Group").

Principal activities and Business Strategy

The Company's principal activities are those of a holding company. Through the activities of its subsidiary undertakings the Group is a leading supplier of content, data and innovative workflow solutions for the automotive industry and motorists. For the Automotive Aftermarket, our goal is to supply integrated data products and solutions, through innovation and partnership. For motorists, our goal is to provide inherently trustworthy, practical and useful information to empower our end-users to understand, maintain and repair.

Future developments

The acquisition of the Group represents an opportunity for Infopro Digital to become a leading global information services provider in the automotive industry by combining its own automotive division with that of the Haynes Group and leveraging both companies' datasets, customer bases and existing international operations. The combination of the two Groups will create a compelling product portfolio in the market for their own respective partners and customers seeking international software, data and insight solutions.

Directors

The directors who held office during the period and to the date of this report were as follows:

C Czajka (appointed, 3 April 2020)	E Bell (resigned, 3 April 2020)	A Kwarts (resigned, 3 April 2020)
E Dolan (appointed, 3 April 2020)	JHC Haynes (resigned, 3 April 2020)	H Wolff (resigned, 3 April 2020)
JT Bunkum	J Yates-Round (resigned, 3 April 2020)	S. Daykin (resigned, 3 April 2020)
RS Barker	P van der Galiën (resigned, 3 April 2020)	N Wright (resigned, 3 April 2020)

Results and dividend

The loss for the period, after taxation, amounted to £10.2m (2019: profit £1.4m). During the period, the Company paid no interim dividend and the directors are not recommending the payment of a final dividend for the period ended 3 April 2020. As a result of the above there were no dividends paid for the period (2019: £1.1m).

Directors' and officers' indemnity insurance

The Company purchases and maintains insurance for the directors and officers of the Company when undertaking duties in accordance with Sc's 233 and 234 of the Companies Act 2006.

Political donations

During the period the Group did not make any political donations in the UK or outside of the UK (2019: £nil).

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 have 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.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

Companies Act 2006 s172 and Stakeholder Engagement

The directors consider, both individually and collectively, that in the decisions taken during the financial period they have satisfied the requirements of s172(1) of the Companies Act 2006 in acting in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole, and in doing so having regard to the stakeholders and matters outlined in s 172(1).

Long term strategy and vision

The board is responsible for establishing the headline strategies and long-term vision of the Group and ensuring these are communicated and aligned across the business. In setting the long-term strategies and vision for the business, the board also had regard for the key stakeholder groups and matters outlined below.

Employees

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. 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.

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 Company run a staff incentive scheme where awards are benchmarked against specific business and personal objectives of each staff member.

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 meet at regular intervals and any incidents, and if appropriate, corrective actions, are reported to the Board. Employee health and wellbeing is taken very seriously and consequently the company offers a range of benefits and services to staff to support their mental and physical health.

Shareholders

The Company was listed until its sale at the end of the period. As such the Directors considered that clear and timely communication of information to Shareholders as an important part of their function. Previous announcements would include a Chairman's Statement and Strategic Report to provide a summary of the Group's trading performance and future outlook.

Periodically, the Company's corporate brokers would arrange briefings for Shareholders or their representatives with the Group's management following the Group's interim and final announcements. The Chief Executive would update the Board with any significant discussions/feedback with Shareholders at each Board meeting.

Until the sale of the Company, the Chairman was in a good position to ensure that the views of major Shareholders are communicated to the Board as a whole. The Annual General Meeting was an ideal opportunity to communicate with both institutional and private investors alike and confirms its compliance with all the provisions of the Corporate Governance Code relating to the constructive use of Annual General Meetings.

Now as part of the wider Infopro Digital Group, the board has a keen interest in understanding ultimate shareholder objectives and where feasible reflects these when developing its long-term strategic plans.

Other stakeholders

Customers - the company recognises that engagement through listening, understanding and responding to customers is critical to long-term success. The Directors engage with customers through regular meetings, engagement at tradeshows, dedicated account management and customer satisfaction interviews.

Suppliers - Engagement with supply chain partners takes many forms across the Group including, but not limited to, conferences, tradeshows and regular meetings with dedicated relationship managers. The company seeks to maintain and develop strong, open, collaborative and positive relationships with partners across the supply chain. The board recognises the significance of cashflow and fair and prompt payment to supply chain partners and sets policies, procedures and contract terms accordingly.

Other major stakeholder groups include Pension Trustees of the UK's Retirement Benefit Scheme, company's insurers, bankers, advisors, auditors and tax authorities in the territories in which the Group operate. With all these stakeholder groups, the Directors maintain regular, open and collaborative dialogue which they believe is essential to fostering strong relationships and ensuring that all parties are kept informed and listened to. Pension Trustees, insurers

Companies Act 2006 s172 and Stakeholder Engagement - continued

and banks are provided with regular company updates and are invited to meetings at least annually to receive updates on current performance, forecasts and objectives.

Communities and environment

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 and disadvantaged groups 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 three locations this period, 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.

Business conduct

The Haynes Brand has been built over 60 years and the Group is inherently known for providing practical and trustworthy advice. The strategic plans considered by the board are designed to ensure that the Group maintains high standards of business conduct which continue to enhance the brands reputation.

The approval of changes to strategies and policies considered most significant in maintaining the highest standards of business conduct are matters reserved for the board. The Board is responsible for maintaining procedures and policies including but not limited to anti-bribery and corruption policies, whistleblowing, terms of reference for board members, modern slavery statement and finance standards. Health & safety is delegated to individual business units with regular reports made to the Board.

On behalf of the Board



RS Barker
Director

Sparkford
Near Yeovil
Somerset
BA22 7JJ

24 February 2021

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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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 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 financial statements, 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 Group Limited

Report on the audit of the financial statements

Opinion - In our opinion:

- Haynes Group Limited'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 3 April 2020 and of the group's loss and cash flows for the 10 month period (the "period") then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 3 April 2020; the consolidated income statement and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statements of changes in equity for the 10 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Haynes Group Limited - continued

Report on the audit of the financial statements

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 3 April 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Directors' Report.

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 are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Colin Bates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

24 February 2021

Haynes Group Limited

Company No. 00659701

3 April 2020

Consolidated income statement
for the period ended 3 April 2020

		10 month period ended 3 April 2020			Year ended 31 May 2019		
		Adjusted	Adjusting items (note 5)	Statutory	Adjusted	Adjusting items (note 5)	Statutory
		£000	£000	£000	£000	£000	£000
Continuing operations							
Note 2	Revenue	31,534	-	31,534	36,197	-	36,197
	Cost of sales	(13,977)	(1,822)	(15,799)	(13,744)	-	(13,744)
	Gross profit	17,557	(1,822)	15,735	22,453	-	22,453
	Other income	45	-	45	54	-	54
	Distribution costs	(6,802)	-	(6,802)	(8,261)	-	(8,261)
	Administrative expenses	(7,794)	(12,327)	(20,121)	(10,047)	(1,760)	(11,807)
Note 4	Operating profit/(loss)	3,006	(14,149)	(11,143)	4,199	(1,760)	2,439
Note 8	Finance income	10	-	10	3	-	3
Note 9	Finance costs	(58)	-	(58)	(43)	-	(43)
Note 23	Other finance costs – retirement benefits	(488)	-	(488)	(531)	-	(531)
	Profit/(loss) before taxation	2,470	(14,149)	(11,679)	3,628	(1,760)	1,868
Note 10	Taxation	(1,286)	2,803	1,517	(749)	299	(450)
	Profit/(loss) for the period	1,184	(11,346)	(10,162)	2,879	(1,461)	1,418
Note 12	Earnings per 20p share	Pence		Pence	Pence		Pence
	Earnings per share from continuing operations						
	- Basic	7.8		(67.0)	19.0		9.4
	- Diluted	7.2		(62.1)	18.7		9.2

Consolidated statement of comprehensive income
for the period ended 3 April 2020

		10 month period ended 3 April 2020	Year ended 31 May 2019
	Notes	£000	£000
(Loss)/profit for the period		(10,162)	1,418
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/(losses) on retirement benefit obligation			
- UK Scheme	23	460	(4,420)
- US Scheme	23	158	138
•Deferred tax on retirement benefit obligation			
- UK Scheme	23	(87)	751
- US Scheme	23	(37)	(31)
Deferred tax arising on change in corporation tax rate	23	452	-
		<u>946</u>	<u>(3,562)</u>
<i>Items that will or may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>8</u>	<u>528</u>
Total other comprehensive income/(expense)		954	(3,034)
Total comprehensive expense for the financial period		<u>(9,208)</u>	<u>(1,616)</u>

Consolidated statement of financial position
at 3 April 2020

	Note	As at 3 April 2020 £000	As at 31 May 2019 £000
Non-current assets			
Intangible assets	14	29,471	33,502
Property, plant and equipment	13	3,178	1,378
Deferred tax assets	15	7,767	6,301
		<u>40,416</u>	<u>41,181</u>
Current assets			
Inventories	16	2,589	2,599
Trade and other receivables	17	17,890	9,296
Tax recoverable		842	79
Cash and cash equivalents	18	5,730	4,871
		<u>27,051</u>	<u>16,845</u>
Assets held for sale	13	2,483	2,135
Total current assets		<u>29,534</u>	<u>18,980</u>
Total assets		<u>69,950</u>	<u>60,161</u>
Current liabilities			
Trade and other payables	20	(21,443)	(10,257)
Borrowings	19	(657)	-
Total current liabilities		<u>(22,100)</u>	<u>(10,257)</u>
Non-current liabilities			
Deferred tax liabilities	15	(3,026)	(3,026)
Borrowings	19	(1,260)	-
Retirement benefit obligation	23	(22,830)	(23,845)
Total non-current liabilities		<u>(27,116)</u>	<u>(26,871)</u>
Total liabilities		<u>(49,216)</u>	<u>(37,128)</u>
Net assets		<u>20,734</u>	<u>23,033</u>
Capital and reserves			
Called up share capital	25	3,270	3,270
Share premium account		6,817	638
Treasury shares		-	(2,425)
Retained earnings		2,388	13,299
Foreign currency translation reserve		8,259	8,251
Total equity		<u>20,734</u>	<u>23,033</u>

The financial statements on pages 13 to 47 were approved by the Board of Directors and authorised for issue on 24 February 2021 and were signed on its behalf by:



RS Barker
Director

Consolidated statement of changes in equity
for the period ended 3 April 2020

	Share capital	Share Premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2018	3,270	638	(2,447)	7,723	16,388	25,572
Profit for the period	-	-	-	-	1,418	1,418
<i>Other comprehensive income/(expense):</i>						
Currency translation adjustments	-	-	-	528	-	528
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(3,562)	(3,562)
Total other comprehensive expense	-	-	-	528	(3,562)	(3,034)
Total comprehensive income/(expense)	-	-	-	528	(2,144)	(1,616)
Performance share plan	-	-	-	-	189	189
Dividends (note 11)	-	-	-	-	(1,134)	(1,134)
Sale of treasury shares	-	-	22	-	-	22
Balance at 31 May 2019	3,270	638	(2,425)	8,251	13,299	23,033
Loss for the period	-	-	-	-	(10,162)	(10,162)
<i>Other comprehensive income/(expense):</i>						
Currency translation adjustments	-	-	-	8	-	8
Actuarial gains on defined benefit plans (net of tax)	-	-	-	-	946	946
Total other comprehensive income	-	-	-	8	946	954
Total comprehensive income/(expense)	-	-	-	8	(9,216)	(9,208)
Fair value adjustment of share-based payments	-	-	-	-	(1,090)	(1,090)
Dividends (note 11)	-	-	-	-	(605)	(605)
Sale of treasury shares	-	6,179	2,425	-	-	8,604
Balance at 3 April 2020	3,270	6,817	-	8,259	2,388	20,734

Consolidated statement of cash flows
for the period ended 3 April 2020

	10 month period ended 3 April 2020 £000	Year ended 31 May 2019 £000
Cash flows from operating activities		
(Loss)/profit after tax	(10,162)	1,418
Adjusted for :		
Income tax (credit)/expense	(1,517)	450
Interest payable and similar charges	58	43
Interest receivable	(10)	(3)
Retirement benefits finance costs	488	531
Operating (loss)/profit	(11,143)	2,439
Depreciation on property, plant and equipment	780	439
Amortisation of intangible assets	8,869	8,194
Adjusting items (note 5)	14,149	1,760
EBITDA before adjusting items	12,655	12,832
Performance share plan	-	189
IAS 19 pensions service costs net of contributions paid	(900)	(906)
Loss on disposal of property, plant and equipment	2	32
Operating cash flows before working capital movements	11,757	12,147
Decrease in inventories	16	560
Decrease in receivables	32	99
(Decrease)/Increase in payables	(1,759)	252
Movement in provisions	-	(340)
Net cash generated from operations	10,046	12,718
Tax paid	(398)	(258)
Net cash generated by operating activities	9,648	12,460
Investing activities		
Disposal proceeds on property, plant and equipment	-	22
Purchases of property, plant and equipment	(217)	(401)
Purchases of asset held for sale	(348)	-
Expenditure on product development	(7,163)	(8,657)
Interest received	10	3
Net cash used in investing activities	(7,718)	(9,033)
Financing activities		
Dividends paid	(605)	(1,134)
Interest paid	(59)	(43)
Payment of leasing liabilities	(451)	-
Proceeds from sale of treasury shares	-	22
Net cash used in financing activities	(1,115)	(1,155)
Net increase in cash and cash equivalents	815	2,272
Cash and cash equivalents at beginning of period/year	4,871	2,533
Effect of foreign exchange rate changes	44	66
Cash and cash equivalents at end of period/year (note 27)	5,730	4,871

Notes to the consolidated financial statements *(forming part of the financial statements)*

1 Accounting policies

Haynes Group Limited is a limited liability company incorporated and domiciled in Great Britain and registered in England and Wales. The registered office is Sparkford, Somerset, BA22 7JJ.

With effect from 8 April 2020, the name of the Company was changed from Haynes Publishing Group P.L.C. to Haynes Publishing Group Limited. With effect from 27 May 2020, the name of the Company was changed from Haynes Publishing Group Limited to Haynes Group Limited. The Consolidated Financial Statements of the Company for the Period ended 3 April 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below have been consistently applied to the periods 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 The Companies Act 2006 as applicable to companies using FRS 101 and can be found on pages 48 – 56 and the applicable accounting policies of the Parent Company are contained in note 31.

Statement of compliance

The Group financial statements have been prepared and approved by the directors in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006.

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, as well as being presented 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 period 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.

New accounting standards and interpretations adopted during the period

In the current financial period, 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 2019. With the exception of IFRS 16 outlined below, the application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

- IFRS 16 – Leases

The Group adopted IFRS 16 on 1 June 2019 which requires operating leases to be treated the same as finance leases with the exception of some 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 corresponding finance lease liabilities 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

Notes to the consolidated financial statements

(forming part of the financial statements)

1 Accounting policies (continued)

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 has been amended as the lease payments will be split into a principal and interest portion and presented as financing and operating cash flows respectively. The Group has applied the modified retrospective transition method, and consequently, comparative information is not restated.

Within opening balances as at 1 June 2019, the Group has recognised £1,997,000 of continuing right-of-use assets with the same corresponding continuing IFRS 16 lease liability recognised, representing the obligation to make lease payments. The Group has made no adjustments to reflect prepayments and rent free periods due to the nature of its leases.

The transition impact on the closing 2019 Consolidated Balance Sheet is shown in the table below:

Impact of IFRS 16 transition on 2019 Consolidated Balance Sheet	31 May 2019 £000	IFRS 16 Impact £000	1 June 2019 £000
Property, plant and equipment	1,378	1,997	3,375
Current borrowings	-	(590)	(590)
Non-current borrowings	-	(1,407)	(1,407)
Other	21,655	-	21,655
Net assets	23,033	-	23,033

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract. The Group has elected to use the following practical expedients allowed by the standard:

- the exclusion of initial direct costs from the measurement of the right-of-use asset;
- IFRS 16 has only been applied to contracts that were previously classified as operating leases; and
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value have continued to be expensed through the Consolidate Income Statement.

Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate will be used. The Group's incremental borrowing rate has been set at 2.25% being the interest rate on the Group's primary overdraft facility. 2.25% was within the range of 10 year government bond yields across the territories where the Group leases right of use assets.

For the period to 3 April 2020, the impact on profit before tax from continuing operations (before adjusting items) compared to the prior year is a reduction of £22,000 due to the front loading of interest costs.

The reconciliation from operating commitments disclosed under IAS 17 at 31 May 2019 to the lease liability recognised on the Consolidated Balance Sheet at 1 June 2019 is as follows:

	1 June 2019 £000
Operating lease commitment at 31 May 2019 as disclosed in the Group's 2019 Annual Report	2,506
Discounted using incremental borrowing rate at 1 June 2019	(294)
Deduction from practical expedient for leases with less than 12 months of lease term at transition	(109)
Deduction for changes in assumptions between IAS 17 and IFRS 16 disclosure	(106)
Lease liability recognised at 1 June 2019 under IFRS 16	1,997

New standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee ("IFRSIC") have issued further narrow scope amendments with an effective date falling after the date of these financial statements. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

Notes to the consolidated financial statements

(forming part of the financial statements)

1 Accounting policies (continued)

Adjusting items

Adjusting items are items of income and expense which, due to the nature, size and/or 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 measured based on the consideration specified in a contract with a customer and recognised by determining the performance obligations under contract. Where the Group has granted customers the right to use its Intellectual Property, revenue is recognised upon delivery of the data. Where the Group has granted customers the right to access its Intellectual Property, revenue is recognised over the period of the license due to the multiple performance obligations including delivery of data, subsequent updates and ongoing maintenance of the delivery platforms. When licenses are sold on the Group's behalf by third party distributors, revenue is estimated over the period in which these sales occur.

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.

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 period.

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):

	Period-end rate		Average rate	
	2020	2019	2020	2019
US dollar	1.25	1.26	1.27	1.30
Euro	1.13	1.13	1.14	1.14
Australian dollar	2.03	1.82	1.89	1.81

Notes to the consolidated financial statements (forming part of the financial statements)

1 Accounting policies (continued)

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
Right of use assets	-	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.

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

Haynes Group Limited
Company No. 00659701
3 April 2020

Notes to the consolidated financial statements *(forming part of the financial statements)*

1 Accounting policies (continued)

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.

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 Consolidated 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.

Notes to the consolidated financial statements *(forming part of the financial statements)*

1 Accounting policies (continued)

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.

Treasury shares

Shares in Haynes Group Limited 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 24. 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.

Contingent to the successful sale was a proposed incentive arrangement for senior management in lieu of the Long Term Incentive Plan (LTIP), where shares were awarded but will not vest in line with original expectations. The announcement, therefore, triggered a modification to the existing LTIP as well as a charge for the new incentive arrangement from this date, calculated as a cash-settled share-based payment to the date of a sale (3 April 2020). The fair value of the award is recognised as an employee expense with a corresponding increase in the liability on the Group's statement of financial position.

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

Notes to the consolidated financial statements

(forming part of the financial statements)

1 Accounting policies (continued)

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.

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.

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 14 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 13 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, mortality rates and an estimate for the impact of Guaranteed Minimum Pension (GMP) equalisation. Further details are contained in note 23 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 16 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.

Notes to the consolidated financial statements
(forming part of the financial statements)

1 Accounting policies (continued)

vii) 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 10 and 15.

2 Revenue

Revenue by geographical destination and non-current assets by geographical location on continuing operations	2020	2020	2019	2019
	External revenue	Non-current Assets ^[1]	External revenue	Non-current assets ^[1]
	£000	£000	£000	£000
United Kingdom	9,287	10,942	10,134	7,351
Rest of Europe	12,891	16,863	14,096	22,329
United States of America	8,136	4,282	10,248	4,731
Australasia	785	562	1,054	469
Rest of World	435	-	665	-
Total*	31,534	32,649	36,197	34,880

*Analysed as follows:

Revenue from sales of digital data through subscriptions, software licenses and development projects	19,273	20,218
Revenue from the sale of publishing rights and brand licensing arrangements	403	490
Total contracted revenue	19,676	20,708
Revenue from sales of printed products	11,858	15,489
Total consolidated revenue	31,534	36,197

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

3 Segment information

As reported in the Group's recent Annual Reports, management have been transforming the Haynes Group to become a leading global supplier of content, data and innovative workflow solutions for motorists and the automotive industry. As part of this strategic refocussing of the Group, the way the business is operated has been changing and last year management felt it was appropriate to re-align the way the Group reports its segments in line with IFRS 8 to reflect these changes. The segment reporting is consistent with the changes adopted in the previous year and summary of the segment reporting basis is included below:

The Group has two primary operating segments:

- Professional
- Consumer

The Professional segment has its headquarters in The Netherlands and has offices in the UK, Germany, Italy, Spain, France, Romania and the US, operating under the HaynesPro and OATS brands. HaynesPro provide technical data and intelligent workflow solutions for the automotive industry including parts distributors, parts manufacturers, diagnostic equipment manufacturers, fast fit & auto repair centres and fleet operators. In the UK, HaynesPro is an official DVLA licence holder providing number plate and vehicle registration look-up services for a range of organisations in the automotive sector where highly accurate and granular reporting are an essential work tool. OATS is a leading source of lubricant recommendations for the oil and lubes industry, with partners in over 90 countries including some of the world's major global petrochemical companies.

The Consumer segment which has headquarters in Sparkford, Somerset, has offices in the US and Australia and originates and delivers automotive repair and maintenance information to motorists and motoring enthusiasts in both a print and digital format. Through Haynes AllAccess, the businesses also supply a full range of online vehicle and motorcycle manuals to professional mechanics, automotive retailers, libraries and the education sector. The UK business also publishes a range of practical brand extension titles covering a wide variety of subjects styled on the iconic Haynes Manual as well as a range of light-hearted factual titles published under the Bluffers branding.

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3 Segment information (continued)

Analysis of operating segments	Professional 2020 £000	Consumer 2020 £000	Unallocated 2020 £000	Consolidated 2020 £000
<i>Segment revenue</i>				
Total segment revenue	18,737	13,399	-	32,136
Inter-segment sales ^[1]	(164)	(438)	-	(602)
Total external revenue	18,573	12,961	-	31,534
<i>Segment result</i>				
Adjusted EBITDA	12,811	4,478	(4,634)	12,655
Segment amortisation & depreciation	(6,499)	(2,583)	(567)	(9,649)
Adjusted operating profit/(loss)	6,312	1,895	(5,201)	3,006
Intra group licence fee	(1,530)	(686)	2,216	-
Adjusting items ^[2]	(5,428)	(1,111)	(7,610)	(14,149)
Net interest payable	(34)	(15)	-	(49)
Other finance costs – retirement benefits	-	(32)	(455)	(487)
Consolidated (loss)/profit before tax	(680)	51	(11,050)	(11,679)
Taxation ^[3]				1,517
Consolidated loss after tax				(10,162)
	Professional 2019 £000	Consumer 2019 £000	Unallocated 2019 £000	Consolidated 2019 £000
<i>Segment revenue</i>				
Total segment revenue	19,496	17,223	-	36,719
Inter-segment sales ^[1]	(43)	(479)	-	(522)
Total external revenue	19,453	16,744	-	36,197
<i>Segment result</i>				
Adjusted EBITDA	11,997	4,442	(3,607)	12,832
Segment amortisation & depreciation	(5,040)	(3,322)	(271)	(8,633)
Adjusted operating profit/(loss)	6,957	1,120	(3,878)	4,199
Intra group licence fee	(1,656)	(415)	2,071	-
Adjusting items ^[2]	(354)	-	(1,406)	(1,760)
Net interest payable	(7)	(22)	(11)	(40)
Other finance costs – retirement benefits	-	(48)	(483)	(531)
Consolidated profit/(loss) before tax	4,940	635	(3,707)	1,868
Taxation ^[3]				(450)
Consolidated profit after tax				1,418

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

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

[3] The credit/(charge) to taxation relates to the consolidated Group. Included within the credit/(charge) to taxation is a £226,000 credit (2019: £791,000 charge) which relates to the Professional segment and £231,000 credit (2019: £275,000 charge) which relates to the Consumer segment.

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3 Segment information (continued)

Segment assets and liabilities	Professional 2020 £000	Consumer 2020 £000	Eliminations 2020 £000	Consolidated 2020 £000		
Segment assets						
Property, plant and equipment	2,227	917	-	3,144		
Intangible assets	15,124	6,903	-	22,027		
Working capital assets	12,194	12,032	(2,322)	21,904		
Segment total assets	29,545	19,852	(2,322)	47,075		
Unallocated head office assets				26,589		
Unallocated head office eliminations				(3,714)		
Consolidated total assets				69,950		
Segment liabilities						
Segment total liabilities	10,217	2,714	6,411	19,342		
Unallocated head office liabilities				30,287		
Unallocated head office eliminations				(413)		
Consolidated total liabilities				49,216		
	2019 £000	2019 £000	2019 £000	2019 £000		
Segment assets						
Property, plant and equipment	850	528	-	1,378		
Intangible assets	17,979	7,541	-	25,520		
Working capital assets	7,921	11,147	(602)	18,466		
Segment total assets	26,750	19,216	(602)	45,364		
Unallocated head office assets				23,582		
Unallocated head office eliminations				(8,785)		
Consolidated total assets				60,161		
Segment liabilities						
Segment liabilities	10,178	8,577	(5,932)	12,823		
Unallocated head office liabilities				24,576		
Unallocated head office eliminations				(271)		
Consolidated total liabilities				37,128		
Other segment information	Professional 2020 £000	Consumer 2020 £000	Consolidated 2020 £000	Professional 2019 £000	Consumer 2019 £000	Consolidated 2019 £000
Segment additions to non-current assets	5,593	1,962	7,555	6,336	2,503	8,839
Unallocated additions to non-current assets			196			219
Total additions to non-current assets			7,751			9,058
Segment depreciation & amortisation	8,615	2,583	11,198	5,394	3,322	8,716
Unallocated depreciation & amortisation			771			517
Total depreciation & amortisation			11,969			9,233

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Notes to the consolidated financial statements
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4 Operating profit

Operating profit is arrived at after charging/(crediting) the following:	2020	2019
	£000	£000
Net foreign exchange (gains)/losses	57	(51)
Depreciation of property, plant and equipment (note 13)	780	439
Amortisation of intangible assets (note 14)	11,189	8,794
Loss on sale of property, plant and equipment	2	32
Cost of inventories recognised as an expense	3,203	3,886
Charges relating to leases (note 28)	530	811
Staff costs (net of wages capitalized and adjusting items)	10,299	10,063

Auditors' remuneration

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

	2020	2019
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	36	50
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	146	125
– Other services pursuant to legislation	13	12
	195	187

5 Adjusting items

	2020	2019
	£000	£000
Adjusting items included in cost of sales:		
– Accelerated amortisation from revision to Useful Economic Life (UEL)	1,822	-
Adjusting items included in administrative expenses:		
– Equalisation of Guaranteed Minimum Pension (GMP) benefits	-	1,160
– Acquired intangible amortisation charge	498	600
– Contingent costs associated with the formal sale process	11,414	-
– Restructuring costs	415	-
Total adjusting items effecting profit	14,149	1,760
Adjustment to tax	(2,803)	(299)
Total adjusting charge to income statement	11,346	1,461

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

On 15 November 2019, the Board announced it was embarking on a formal sale process to sell the entire issued share capital of Haynes Publishing Group P.L.C.. Contingent to the successful sale was a proposed incentive arrangement for senior management in lieu of the Long Term Incentive Plan (LTIP), where shares were awarded but will not vest in line with original expectations. The announcement, therefore, triggered a modification to the existing LTIP as well as a charge for the new incentive arrangement from this date, calculated as a cash-settled share-based payment to the date of a sale (3 April 2020). The liability at the period end in relation to the above, was £9.3 million, of which £8.2 million arose from a charge to the Consolidated Income Statement in the period (net of the reversal of LTIP charges previously booked to the Income Statement). Furthermore, contingent on a successful sale of the Group, exit packages were agreed with four members of the Board totalling £0.5 million (which are considered as compensation for loss of office) and the Group incurred transaction costs of £2.7 million relating to brokers, professional advisors and registrars.

The restructuring cost adjustment relates to employee exit costs and associated legal fees in connection to management of the Group's consumer automotive editorial team.

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Notes to the consolidated financial statements
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5 Adjusting items (continued)

Amortisation of acquired intangible assets is treated as an adjusting item to help provide stakeholders with additional information to assess the trading performance of the Group on a consistent basis. Furthermore, from 1 January 2020, management reduced the useful economic life of its internally generated professional product development costs and consumer digital platforms from five years to three years to better reflect current market conditions and practice. The additional amortisation as a result of this change has been recognised as an adjusting item to allow stakeholders to assess performance of the Group on a consistent basis.

6 Staff numbers and costs

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

	2020 number	2019 number
Production	229	202
Selling and distribution	55	43
Administration	44	60
	328	305

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	13,144	11,380
Employer's social security costs	1,089	1,502
Employer's pension costs - defined benefit scheme (note 23)	55	1,560
Employer's pension costs - defined contribution scheme	434	355
Total payroll costs excluding adjusting items	14,722	14,797
Termination benefits included within adjusting items	546	-
Share-based payments included within adjusting items (note 24)	8,180	-
Total staff costs	23,448	14,797

7 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments		
Salaries and other emoluments	1,654	1,665
Cash settled share-based payments contingent to sale of the Group	7,630	-
Pension contributions	129	339
Total executive emoluments	9,413	2,004
Details of highest paid director		
Salaries and emoluments	208	235
Cash settled share-based payments contingent to sale of the Group	1,279	-
Pension contributions	32	169
	1,519	404

The Directors' emoluments and key management personnel are considered the same for the current period and the previous year.

The highest paid director did not exercise any share options during the previous year. In the current period the highest paid director benefitted from the cash settled share-based payment as disclosed in note 5, although the payment was not received until after the period end.

Due to the UK retirement benefit scheme closing to future accrual on 30 November 2018, four of the directors who served during the period were deferred members of the scheme. The amount of pension entitlement accruing to the highest paid director of the Company as at 3 April 2020 was £60,000 (31 May 2019: £60,000).

Notes to the consolidated financial statements
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8 Finance income

	2020 £000	2019 £000
Interest receivable on bank deposits	10	3

9 Finance costs

	2020 £000	2019 £000
Interest payable on bank loans and overdrafts	58	43

10 Taxation

	2020 £000	2019 £000
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(a) Analysis of (credit)/charge in the period

Current tax:

– UK corporation tax on profits of the period	-	-
– Foreign tax	(364)	450
– Adjustments in respect of prior periods	5	28
	(359)	478

Deferred tax (note 15):

– Origination and reversal of temporary differences	(1,450)	(28)
– Adjustments relating to rate change	292	-

Total taxation in the Consolidated Income Statement	(1,517)	450
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The UK effective tax rate for the financial period ended 3 April 2020 was 19%. In March 2020, the UK government announced the headline rate of tax will remain at 19% from 1 April 2020 rather than reducing to the previously enacted rate of 17%.

(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% (2019: 19.0%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before tax	(11,679)	1,868
Taxation calculated at the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	(2,219)	355
Affected by:		
Variance in overseas tax rates	(116)	116
Income/(expenses) not chargeable/deductible for tax	398	47
Adjustments relating to rate changes	292	-
Adjustments relating to prior years	128	(68)
Total tax (credit)/charge for the period/year reported in the Consolidated Income Statement	(1,517)	450
Effective tax rate	13.0%	24.1%

The effective rate of tax is lower than the standard rate of UK corporation tax due to the mix of profits taxed at higher rates than in the UK and non-recurring UK losses taxed at the lower UK rate. 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 £1,081,000 (2019: £968,000).

Notes to the consolidated financial statements
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11 Dividends

Dividends paid and proposed	2020 £000	2019 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the Year ended 31 May 2019 of 4.0p per share (2018: 4.0p per share)	605	605
Interim dividend for the Period ended 3 April 2020 of £nil (2019: 3.5p per share)	-	529
	605	1,134
Proposed final dividend for the Period ended 3 April 2020 of £nil (2019: 4.0p per share)	-	605

As at 31 May 2019 the Company held 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 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.

12 Earnings per share

Basic earnings per share is based on the profit for the period attributable to the owners of the Parent Company and the weighted average number of ordinary shares in issue during the period 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 3 April 2020 there were no outstanding options on the Company's 'Ordinary' shares (31 May 2019: 304,667). There are no outstanding options on the Company's 'A Ordinary' shares.

Information regarding the LTIP scheme can be found in note 24.

	Adjusted ^[1] 2020 £000	Statutory 2020 £000	Adjusted ^[1] 2019 £000	Statutory 2019 £000
Earnings:				
Profit/(loss) after tax attributable to equity holders of the Company - continuing operations	1,184	(10,162)	2,879	1,418
Number of shares:				
Weighted average number of shares for basic earnings per share ^[2] (note 25)	15,175,575	15,175,575	15,119,577	15,119,577
Adjusted weighted average for diluted earnings per share	16,351,540	16,351,540	15,424,244	15,424,244
Basic earnings per share (pence)	7.8	(67.0)	19.0	9.4
Diluted earnings per share (pence)	7.2	(62.1)	18.7	9.2

[1] See Note 5 – Adjusting items.

[2]. At 3 April 2020 the Company held no Ordinary Shares in treasury (2019: 1,229,054) due to the shares being sold as part of the sale of the Group. In the prior period, on 5 September 2018, the Company sold 10,946 Ordinary Shares held in treasury which have been weighted accordingly in the above calculation.

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13 Property, plant and equipment

Group	Freehold land and buildings £000	Short leasehold land and buildings £000	Right of use assets £000	Plant and equipment £000	Total £000
Cost					
At 1 June 2018	536	155	-	9,029	9,720
Additions	49	24	-	328	401
Disposals	-	-	-	(2,827)	(2,827)
Transfers	-	45	-	(222)	(177)
Exchange rate movements	(6)	7	-	122	123
At 31 May 2019	579	231	-	6,430	7,240
IFRS 16 transition adjustment	-	-	1,997	-	1,997
Additions	-	-	371	217	588
Transfers	-	-	-	2	2
Disposals	-	-	-	(9)	(9)
Exchange rate movements	(9)	2	-	7	-
At 3 April 2020	570	233	2,368	6,647	9,818
Accumulated Depreciation					
At 1 June 2018	78	148	-	7,969	8,195
Charge for the year	7	4	-	428	439
Disposals	-	-	-	(2,773)	(2,773)
Transfers	-	40	-	(142)	(102)
Exchange rate movements	(1)	6	-	98	103
At 31 May 2019	84	198	-	5,580	5,862
Charge for the period	14	2	473	291	780
Transfers	-	-	-	2	2
Disposals	-	-	-	(7)	(7)
Exchange rate movements	(1)	2	-	2	3
At 3 April 2020	97	202	473	5,868	6,640
Net book value					
At 3 April 2020	473	31	1,895	779	3,178
At 31 May 2019	495	33	-	850	1,378
At 1 June 2018	458	7	-	1,060	1,525

There were no assets financed through finance leases or hire purchase arrangements during the current period or prior year.

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

Assets held for sale

During the period ended 3 April 2020 the Group acquired the freehold land and buildings of the Old Creamery, Sparkford for £300,000 and recognised £48,000 transaction costs, increasing the net book value of assets held for sale to £2,483,000. On 17 December 2019, the Group exchanged contracts on the whole Sparkford site, including the Old Creamery for a sale price of £2,500,000. Completion is due to take place on or before 17 June 2021.

Notes to the consolidated financial statements
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14 Intangible assets

	Acquired goodwill	Acquired trademarks and domain names	Acquired know how	Acquired copyright	Acquired customer lists	Product development	Total
	£000	£000	£000	£000	£000	£000	£000
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
Year ended 31 May 2019							
Opening net book value	3,374	1,338	6,058	-	1,181	21,293	33,244
Additions	-	-	-	-	-	8,657	8,657
Transfers at cost	-	-	-	-	-	177	177
Exchange rate movements on cost	-	42	17	164	-	1,095	1,318
Amortisation charge for the period	-	(54)	(419)	-	(127)	(8,194)	(8,794)
Transfers depreciation	-	-	-	-	-	(102)	(102)
Exchange rate movements on amortisation	-	(35)	(1)	(164)	-	(798)	(998)
Closing net book value	3,374	1,291	5,655	-	1,054	22,128	33,502
At 31 May 2019							
Cost	3,374	2,045	6,289	3,246	1,265	73,037	89,256
Accumulated amortisation and impairment	-	(754)	(634)	(3,246)	(211)	(50,909)	(55,754)
Net book value	3,374	1,291	5,655	-	1,054	22,128	33,502
Period ended 3 April 2020							
Opening net book value	3,374	1,291	5,655	-	1,054	22,128	33,502
Additions	-	-	-	-	-	7,163	7,163
Exchange rate movements on cost	-	12	5	44	-	296	357
Amortisation charge for the period	-	(45)	(348)	-	(105)	(10,691)	(11,189)
Exchange rate movements on amortisation	-	(10)	(3)	(44)	-	(305)	(362)
Closing net book value	3,374	1,248	5,309	-	949	18,591	29,471
At 3 April 2020							
Cost	3,374	2,057	6,294	3,290	1,265	80,496	96,776
Accumulated amortisation and impairment	-	(809)	(985)	(3,290)	(316)	(61,905)	(67,305)
Net book value	3,374	1,248	5,309	-	949	18,591	29,471

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14 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. 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 and include a terminal value. 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	11%	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 3 April 2020.

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

	2020 £000	2019 £000
Unit:		
HaynesPro Holding BV	2,977	2,977
OATS Ltd	397	397
	3,374	3,374

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

	2020 £000	2019 £000
Cost of sales	10,691	8,194
Administration costs - adjusting items	498	600
	11,189	8,794

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15 Deferred tax assets and liabilities

	Property Plant and Equipment	Employee benefits	Short-term temporary differences	Intangible assets	Total	
	£000	£000	£000	£000	£000	
Asset/(liabilities) at 1 June 2018	21	3,252	1,167	(1,980)	2,460	
Transfer to Consolidated Income Statement	(21)	134	(370)	285	28	
Transfer to equity	-	720	-	-	720	
Exchange rate movements	(4)	15	70	(14)	67	
(Liabilities)/asset at 31 May 2019	(4)	4,121	867	(1,709)	3,275	
Transfer to Consolidated Income Statement	(6)	(75)	1,313	(74)	1,158	
Transfer to equity	-	328	-	-	328	
Exchange rate movements	1	4	(24)	(1)	(20)	
(Liabilities)/asset at 3 April 2020	(9)	4,378	2,156	(1,784)	4,741	
Analysed as:	2020	2020	2020	2019	2019	2019
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£000	£000	£000	£000	£000	£000
Property plant and equipment	16	(25)	(9)	37	(41)	(4)
Employee benefits	4,378	-	4,378	4,121	-	4,121
Short-term temporary differences	2,581	(425)	2,156	1,180	(313)	867
Intangible assets	792	(2,576)	(1,784)	963	(2,672)	(1,709)
	7,767	(3,026)	4,741	6,301	(3,026)	3,275

16 Inventories

	2020 £000	2019 £000
Raw materials	-	3
Work in progress	-	15
Finished goods	2,589	2,581
	2,589	2,599

The carrying value of inventory represents the cost of inventories less appropriate provisions. During the year there was a net charge of £nil (2019: £210,000) 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.

17 Trade and other receivables

	2020 £000	2019 £000
Amounts falling due within one year:		
Trade receivables	7,609	8,279
Less: Provision for impairment	(625)	(479)
Less: Customer allowances	(456)	(488)
	6,528	7,312
Other debtors, prepayments and accrued income	11,362	1,984
	17,890	9,296

Apart from prepayments of £0.3 million (2019: £0.3 million) all of the above relate to financial instruments classified as loans and receivables.

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17 Trade and other receivables (continued)

	2020 £000	2019 £000
Analysis of trade receivables:		
Not past due	5,039	5,876
Past due but not impaired	1,945	1,924
Impaired	625	479
	7,609	8,279

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 both not due and 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 2020 £000	Impaired 2020 £000	Past due but not impaired 2019 £000	Impaired 2019 £000
Not past due	-	8	-	37
Less than 30 days past due	222	11	1,152	70
30 to 90 days past due	1,358	50	637	53
Greater than 90 days past due	365	556	135	319
	1,945	625	1,924	479

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

	2020 £000	2019 £000
Balance at 1 June	479	299
Amounts charged to the Consolidated Income Statement	145	253
Amounts written-off as uncollectable	-	(77)
Exchange rate movement	1	4
Balance at the end of the period/year	625	479

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

	2020 £000	2019 £000
US dollars	2,559	2,232
Sterling	11,336	2,747
Euro	3,719	4,070
Australian dollars	276	247
	17,890	9,296

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.

Notes to the consolidated financial statements
(forming part of the financial statements)

18 Cash and cash equivalents

	2020	2019
	£000	£000
Cash and cash equivalents in the cash flow statement (note 27)	5,730	4,871

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

	2020	2019
	£000	£000
US dollars	2,414	1,927
Sterling	(883)	259
Euro	4,047	2,479
Australian dollars	53	108
Other currencies	99	98
	5,730	4,871

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.

19 Borrowings

	2020	2019
	£000	£000
Lease Liabilities – maturity analysis		
Less than one year	506	-
One to five years	1,465	-
More than five years	102	-
Total undiscounted lease liability	2,073	-
Interest cost associated with future periods	(156)	-
Lease liabilities included in statement of financial position	1,917	-
Current	657	-
Non-current	1,260	-

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

	Country / Currency	Rate	2020	2019
Bank overdrafts	UK - sterling	Bank of England base rate	2.19%	2.21%

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 (2019: £5.0 million) overdraft facility, together with guarantees from the UK trading companies. In the Netherlands, HaynesPro Holding BV has a €0.4 million (2019: €0.4 million) overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. As at 3 April 2020, the HaynesPro Holding BV facility was unutilised. In the US, Haynes North America Inc has a \$1.0 million (2019: \$1.0 million) revolving credit facility with Union Bank which is due for renewal in January 2021. As at 3 April 2020, the Haynes North America Inc facility was unutilised.

Notes to the consolidated financial statements
(forming part of the financial statements)

20 Trade and other payables

	2020 £000	2019 £000
Trade payables	2,133	2,169
Other taxes and social security costs	832	602
Other creditors, accruals and deferred income	18,308	7,314
Corporation tax	170	172
	21,443	10,257

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 £2.0 million (2019: £1.9 million) all other creditors and accruals relate to financial instruments carried at amortised cost.

The increase in other creditors, accruals and deferred income relate to Contingent costs associated with the formal sale process as disclosed in the adjusting items, note 5.

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

	2020 £000	2019 £000
Falling due within one year:		
US dollars	3,726	2,000
Sterling	11,353	4,586
Euro	5,815	3,038
Australian dollars	549	633
	21,443	10,257

21 Provisions

	Restructuring costs	
	2020 £000	2019 £000
At 1 June	-	332
Charge to the Consolidated Income Statement	-	-
Utilised in the year	-	(332)
At the end of the period/year	-	-

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.

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

Notes to the consolidated financial statements

(forming part of the financial statements)

22 Financial risk and treasury policy

The Group's principal financial instruments during the period 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 period 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 period 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 £0.1 million and £0.05 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 £0.4 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 period of €1.14 and \$1.27 and closing rates of €1.13 and \$1.25. 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 period.

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 17.

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 17) and amounted to £0.2 million (2019: £0.1 million) net of allowances for doubtful recovery.

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.

Notes to the consolidated financial statements
(forming part of the financial statements)

22 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 3 April 2020, the Group had a £5.0 million UK overdraft facility (31 May 2019: £5.0 million) which has no fixed renewal date and is due for review in December 2020, a €0.4 million overdraft facility in Europe (31 May 2019: €0.4 million) which has no fixed renewal date and is due for review in December 2019, and a \$1.0 million revolving loan facility in the US (31 May 2019: \$1.0 million) which has \$1.0 million undrawn as at 3 April 2020 and is due for renewal in January 2021.

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 3 April 2020, there were no bank overdrafts outstanding (31 May 2019: £nil). 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 17, 18, 19, 20 and 21 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

	2020	2019
Operating profit before adjusting items (£000)	3,006	4,199
Net finance costs (£000)	49	40
Interest cover (ratio)	<u>61</u>	<u>105</u>

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

	2020	2019
Net debt – excluding lease commitments (£000)	-	-
Total equity (£000)	20,734	23,033
Net gearing ratio (%)	<u>-</u>	<u>-</u>

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 18 and 19).

Notes to the consolidated financial statements
(forming part of the financial statements)

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

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 period end and as charged through the Consolidated Income Statement in the period are analysed below:

	2020 £000	2019 £000
Amounts recognised in the Income statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(55)	(350)
– Past service costs	-	-
– Past service costs – GMP equalisation	-	(1,160)
– Gain on curtailment	-	(50)
	(55)	(1,560)
– Scheme administration expenses	(184)	(293)
	(239)	(1,853)
Amounts included in other finance costs:		
– Interest income on pension scheme assets	733	1,034
– Interest charge on pension scheme liabilities	(1,221)	(1,565)
	(488)	(531)
Amount recognised in the Income statement	(727)	(2,384)

	2020 £000	2019 £000
Amounts recognised in the Statement of financial position		
Fair value of scheme assets	31,073	34,079
Present value of defined benefit obligation	(53,903)	(57,924)
Net deficit recognised in the Statement of financial position	(22,830)	(23,845)

Assumptions used to determine the defined benefit obligation	2020 % per annum	2019 % per annum
	UK	UK
Discount rate	2.20	2.45
Salary escalation	2.05	2.50
Rate of inflation	2.60	3.25
Increases to pensions in deferment	1.80	2.25
Pension increases on benefits up to 12 July 2011	2.60	3.10
Pension increases on benefits after 12 July 2011	1.95	2.15
	US	US
Discount rate	2.66	3.11
Salary escalation	2.00	2.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00

Notes to the consolidated financial statements
(forming part of the financial statements)

23 Retirement benefit obligation (continued)

The post retirement mortality assumptions for the UK Scheme for 2020 and 2019 are based on the S3NA year of birth tables with allowance for future improvements in mortality in line with CMI 2018 (2019: CMI 2018) projections with a long term rate of improvement of 1% per annum. The life expectancies underlying the valuation are as follows:

UK	2020		2019	
	Life expectancy at age 65		Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	22.0	24.4	21.9	24.3
45	23.0	25.5	22.9	25.4

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:

US	2020		2019	
	Life expectancy at age 65		Life expectancy at age 65	
Current age	Male	Female	Male	Female
65	20.0	20.0	20.0	20.0
45	20.0	20.0	20.0	20.0

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 £0.2m
	Decrease by 0.25%	Decrease of £0.2m
Inflation	Increase by 0.25%	Increase of £1.8m
	Decrease by 0.25%	Decrease of £1.7m
Life expectancy	Increase by 1 year	Increase of £1.9m
	Decrease by 1 year	Decrease of £1.9m

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 3 April 2020 were as follows:

Group investment linked policy	2020	2019
	UK	UK
	Value	Value
	£000	£000
– Equities	5,638	6,375
– Other bonds	6,647	6,581
– Cash	633	687
– Property	4,220	4,219
– Target return fund	8,127	8,674
	25,265	26,536
Secured pensions in payment	1,192	1,233
Assets at fair value	26,457	27,769
	US	US
	Value	Value
	£000	£000
Bonds (Assets at fair value)	4,616	6,310

Notes to the consolidated financial statements
(forming part of the financial statements)

23 Retirement benefit obligation (continued)

Reconciliation of funded status	UK	US	Total	UK	US	Total
	2020	2020	2020	2019	2019	2019
	£000	£000	£000	£000	£000	£000
Present value of defined benefit obligation	(48,096)	(5,807)	(53,903)	(50,368)	(7,556)	(57,924)
Assets at fair value	26,457	4,616	31,073	27,769	6,310	34,079
Net liability recognised in the Consolidated Balance Sheet	(21,639)	(1,191)	(22,830)	(22,599)	(1,246)	(23,845)
Amount recognised through the Consolidated Statement of Comprehensive Income	UK	US	Total	UK	US	Total
	2020	2020	2020	2019	2019	2019
	£000	£000	£000	£000	£000	£000
Actuarial gain/(loss) during the period/year	460	158	618	(4,420)	138	(4,282)
Deferred tax on actuarial (loss)/gain	(87)	(37)	(124)	751	(31)	720
Deferred tax arising on change in corporate tax rate	452	-	452	-	-	-
	825	121	946	(3,669)	107	(3,562)
Actual return on assets	UK	US	Total	UK	US	Total
	2020	2020	2020	2019	2019	2019
	£000	£000	£000	£000	£000	£000
Interest income on plan assets	571	162	733	776	258	1,034
Actuarial (loss)/gain on plan assets	(1,775)	(93)	(1,868)	(430)	(141)	(571)
	(1,204)	69	(1,135)	346	117	463

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £17.9m (2019: £18.5m). 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.

	Reconciliation of present value of defined obligation			Reconciliation of Fair value of scheme assets		
	UK	US	Total	UK	US	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2018	(44,426)	(8,388)	(52,814)	27,029	7,073	34,102
Current service cost	(164)	(186)	(350)	-	-	-
Gain on curtailment	(50)	-	(50)	-	-	-
Past service cost – GMP equalisation	(1,160)	-	(1,160)	-	-	-
Net interest (expense)/income	(1,259)	(306)	(1,565)	776	258	1,034
Employee contributions	(61)	-	(61)	61	-	61
Employer contributions	-	-	-	1,075	231	1,306
Actuarial gains/(losses)	(3,990)	279	(3,711)	(430)	(141)	(571)
Foreign currency exchange rate changes	-	(409)	(409)	-	343	343
Benefits paid	742	1,454	2,196	(742)	(1,454)	(2,196)
Balance at 31 May 2019	(50,368)	(7,556)	(57,924)	27,769	6,310	34,079
Current service cost	-	(55)	(55)	-	-	-
Net interest (expense)/income	(1,026)	(195)	(1,221)	571	162	733
Employer contributions	-	-	-	955	-	955
Actuarial gains/(losses)	2,235	251	2,486	(1,775)	(93)	(1,868)
Foreign currency exchange rate changes	-	(101)	(101)	-	86	86
Benefits paid	1,063	1,849	2,912	(1,063)	(1,849)	(2,912)
Balance at 3 April 2020	(48,096)	(5,807)	(53,903)	26,457	4,616	31,073

Notes to the consolidated financial statements
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23 Retirement benefit obligation (continued)

Reconciliation of change in funded status	2020			2019		
	UK £000	US £000	Total £000	UK £000	US £000	Total £000
Balance at 1 June	22,599	1,246	23,845	17,397	1,315	18,712
Total pension expense	455	88	543	1,857	234	2,091
Employer contributions	(955)	-	(955)	(1,075)	(231)	(1,306)
Foreign currency exchange rate changes	-	15	15	-	66	66
Actuarial gains/(losses)	(460)	(158)	(618)	4,420	(138)	4,282
Balance at the end of the period/year	21,639	1,191	22,830	22,599	1,246	23,845

History of experience adjustments	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Present value of defined benefit obligation	(53,903)	(57,924)	(52,814)	(57,941)	(47,287)
Fair value of scheme assets	31,073	34,079	34,102	34,163	31,432
Net deficit	(22,830)	(23,845)	(18,712)	(23,778)	(15,855)

Experience adjustments on:					
Scheme liabilities gain/(loss)	2,486	(3,711)	4,824	(9,736)	(477)
Scheme assets (loss)/gain	(1,868)	(571)	436	1,795	(967)

Expected contributions in the forthcoming year

Financial period beginning 4 April 2020

	UK £000	US £000	Total £000
Company contributions	1,169	-	1,169

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.

24 Share based payments

The Group operated a Long-Term Incentive Plan (LTIP) scheme, a share-based incentive programme. The LTIP permitted an annual grant of shares at nil cost and the awards were made to the executive directors and senior employees. The vesting period was three years and was 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 7 years. None had vested by the period end.

Changes during the period:

- During the period 155,000 (2019: 161,000) share options were granted or were anticipated to be awarded at a fair value of £2.24 (2019: £2.25) each.
- Participants are not entitled to receive dividends or voting rights until awards have vested.
- All participants who had received shares under the LTIP waived their entitlements to shares granted in both the current and previous periods in lieu of a new incentive arrangement where shares awarded vested on 3 April 2020 as they were contingent on the sale of the Group.
- The announcement about the sale of the Group on 15 November 2019, triggered a modification to the existing LTIP as well as a charge for the new incentive arrangement from this date, calculated as a cash-settled share-based payment to the date of a sale (3 April 2020).
- The shares awarded under the new incentive arrangement totalled 1,229,054 and vested at £7.00 per share on 3 April 2020. The Group recognised this liability (£8,603,000) on its balance sheet at 3 April 2020 along with the social security liability the payment would attract (£713,000) giving a total payment due of £9,316,000.
- The accounting for the modification to the existing LTIP and new incentive arrangement is outlined in the table on the following page:

Notes to the consolidated financial statements
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24 Share based payments (continued)

	Income Statement £'000	Equity £'000	Liability £'000
LTIP liability at 1 June 2019		46	(46)
Revision of grant date of shares already awarded to 3 April 2020	428	(367)	(61)
Change fair value share price of shares already awarded to £4.25	-	1,457	(1,457)
Charge for existing awards since modification over new vesting period	565	-	(565)
Charge relating to existing LTIP participants for new incentive arrangement (excess over amount currently recognised for existing LTIP shares)	4,646	-	(4,646)
Charge relating to non-LTIP participants for new incentive arrangement	2,541	-	(2,541)
Amounts recognised in financial statements at 3 April 2020	8,180	1,136	(9,316)

The equity settled share-based payment expense included in the Consolidated Income Statement in the previous period was £222,000.

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

Performance period start date	Fair value per share	Normal vesting date	Number of shares at 1 June 2019	Number of shares awarded during the period	Number of shares vested and exercised during the period	Number of shares lapsed or waived during the period	Number of shares at 3 April 2020
1 June 2017 ^[1]	£1.925	31 May 2020	146,667	-	-	(146,667)	-
1 June 2018 ^[2]	£2.250	31 May 2021	158,000	-	-	(158,000)	-
1 June 2019 ^[3]	£2.240	31 May 2022	-	155,000	-	(155,000)	-
			304,667	155,000	-	(459,667)	-

[1] The shares with a performance start date of 1 June 2017 were granted on 30 November 2017.

[2] The shares with a performance start date of 1 June 2018 were granted on 26 July 2018.

[3] The shares with a performance start date of 1 June 2019 were granted on 19 July 2019.

25 Share capital and reserves

	2020 No.	2019 No.	2020 £000	2019 £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. On the final day of trading the share price closed at £6.85 (31 May 2019: £1.97), with a high of £7.00 (2019: £2.48) and a low of £1.97 (2019: £1.56) for the financial period.

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.

Notes to the consolidated financial statements (forming part of the financial statements)

25 Share capital and reserves (continued)

Treasury shares

As at 3 April 2020, the Company had sold all its Treasury Shares as part of the sale of the Group. At 31 May 2019, the Company held 1,229,054 ordinary shares in treasury which represented 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% of the Company's total share capital. The Company was not able to vote on the treasury shares and the treasury shares carried 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.

26 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

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

(1) In the prior period £200 was paid to Haynes Developments Limited, of which JHC Haynes is a director, for rent and service charges relating to Fulton Mews in London. No balance was outstanding at the previous year end.

(2) During the period, 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 £75,044 (2019: £78,584) to New Century Media Limited for financial PR services. As at 3 April 2020, the balance outstanding to New Century Media Limited was £9,010 (2019: £7,800).

(3) During the period Haynes North America Inc. paid \$11,760 to Daniel Wolff, son of H Wolff, in respect of software development work.

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

27 Analysis of the changes in cash and cash equivalents

	1 June 2019 £000	Cash flow £000	Exchange movements £000	3 April 2020 £000
Cash at bank and in hand	4,871	815	44	5,730

Notes to the consolidated financial statements
(forming part of the financial statements)

28 Leases

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

Amounts recognised in the Consolidated Income Statement:

Leases under IFRS16	2020
	£000
Interest on lease liabilities	50
Expenses relating to short-term leases and leases of low value assets	5
Depreciation of right of use assets	473
	<u>530</u>
 Operating leases under IAS 17	2019
	£000
Lease expense	<u>811</u>

Amounts recognised in statement of cash flows:

	2020
	£000
Total cash outflow for leases	<u>501</u>

29 Capital commitments

At 3 April 2020 and 31 May 2019, the Group had no capital commitments.

30 Immediate and ultimate parent company and controlling party

The immediate parent company is Infopro Digital (Holdco) Ltd, a company incorporated in Great Britain and registered in England.

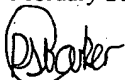
The ultimate parent company and controlling party is Infopro Digital Group B.V., a company incorporated and registered in the Netherlands.

Company statement of financial position
at 3 April 2020

	Note	As at 3 April 2020 £000	As at 31 May 2019 £000
Non-current assets			
Intangible assets	34	615	954
Property, plant and equipment	35	6	2
Investments in subsidiaries	36	9,391	9,486
Deferred tax assets	41	1,693	629
		<u>11,705</u>	<u>11,071</u>
Current assets			
Trade and other receivables	37	11,516	5,036
Cash and cash equivalents		-	626
		<u>11,516</u>	<u>5,662</u>
Assets held for sale	34	<u>2,217</u>	<u>1,869</u>
Total current assets		<u>13,733</u>	<u>7,531</u>
Total assets		<u>25,438</u>	<u>18,602</u>
Current liabilities			
Trade and other payables	38	(7,498)	(1,299)
Borrowings		(1,222)	-
		<u>(8,720)</u>	<u>(1,299)</u>
Total current liabilities		<u>(8,720)</u>	<u>(1,299)</u>
Non-current liabilities			
Deferred tax liabilities		-	(156)
Retirement benefit obligation	40	(2,575)	(2,689)
Total non-current liabilities		<u>(2,575)</u>	<u>(2,845)</u>
Total liabilities		<u>(11,295)</u>	<u>(4,144)</u>
Net assets		<u>14,143</u>	<u>14,458</u>
Capital and reserves			
Called up share capital	42	3,270	3,270
Share premium account		6,817	638
Treasury shares		-	(2,425)
Retained earnings		4,254	13,030
Foreign currency translation reserve		(198)	(55)
Total equity		<u>14,143</u>	<u>14,458</u>

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 loss dealt with in the Parent Company financial statements was £7.2 million (2019: £0.9 million profit) which includes dividends received from subsidiaries of £0.8 million (2019: £3.5 million).

The financial statements on pages 48 to 56 were approved by the Board of Directors and authorised for issue on 24 February 2021 and were signed on its behalf by:



RS Barker
Director

Company statement of changes in equity
for the period ended 3 April 2020

	Share capital	Share Premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2018	3,270	638	(2,447)	(11)	13,490	14,940
Profit for the period	-	-	-	-	906	906
<i>Other comprehensive expense:</i>						
Currency translation adjustments	-	-	-	(44)	-	(44)
Actuarial losses on defined benefit plans (net of tax)	-	-	-	-	(421)	(421)
Total other comprehensive expense	-	-	-	(44)	(421)	(465)
Total comprehensive income	-	-	-	(44)	485	441
Performance share plan	-	-	-	-	189	189
Dividends (note 33)	-	-	-	-	(1,134)	(1,134)
Sale of treasury shares	-	-	22	-	-	22
Balance at 31 May 2019	3,270	638	(2,425)	(55)	13,030	14,458
Loss for the period	-	-	-	-	(7,168)	(7,168)
<i>Other comprehensive income/(expense):</i>						
Currency translation adjustments	-	-	-	(143)	-	(143)
Actuarial gains on defined benefit plans (net of tax)	-	-	-	-	87	87
Total other comprehensive expense	-	-	-	(143)	87	(56)
Total comprehensive expense	-	-	-	(143)	(7,081)	(7,224)
Fair value adjustment of share-based payments	-	-	-	-	(1,090)	(1,090)
Dividends (note 33)	-	-	-	-	(605)	(605)
Sale of treasury shares	-	6,179	2,425	-	-	8,604
Balance at 3 April 2020	3,270	6,817	-	(198)	4,254	14,143

Notes to the Parent Company financial statements (continued)

31 Principal accounting policies

Haynes Group Limited is a limited company incorporated and domiciled in the United Kingdom. The principal activity of the Parent Company is that of a holding company.

Basis of accounting

The financial statements of the Parent Company, Haynes Group Limited, 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 periods ending 3 April 2020 and 31 May 2019. 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

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 capitalised 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: 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.

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.

Notes to the company financial statements *(continued)*

31 Principal accounting policies *(continued)*

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.

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 24. 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.

Contingent to the successful sale was a proposed incentive arrangement for senior management in lieu of the Long Term Incentive Plan (LTIP), where shares were awarded but will not vest in line with original expectations. The announcement, therefore, triggered a modification to the existing LTIP as well as a charge for the new incentive arrangement from this date, calculated as a cash-settled share-based payment to the date of a sale (3 April 2020). The fair value of the award is recognised as an employee expense with a corresponding increase in the liability on the Group's statement of financial position.

Notes to the company financial statements (continued)

31 Principal accounting policies (continued)

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.

Critical accounting estimates and judgements

The Group policies on critical accounting estimates and judgements, as detailed on page 24, are consistently applied in the Parent Company's financial statements.

32 (Loss)/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 loss dealt with in the Parent Company financial statements was £7.2 million (2019: £0.9 million profit) which includes dividends received from subsidiaries of £0.8 million (2019: £3.5 million).

	Employees		Remuneration of Directors	
	2020	2019	2020	2019
	£000	£000	£000	£000
Aggregate remuneration:				
Wages and salaries	1,655	1,632	1,016	1,102
Other social security costs	191	210		
Other pension costs	115	46	91	112
	1,961	1,888	1,107	1,214
Average monthly Employee numbers	10	13	7	7

2 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. On 3 April 2020, following the successful sale of the Group, 8 of the Directors resigned their office of which 4 left employment of the Company with termination costs of £498,000. On the same date two new directors were appointed.

The details of the highest paid director is the same as disclosed in note 7 of these financial statements.

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 £36,000 (2019: £50,000). Fees paid to PricewaterhouseCoopers LLP by the Parent Company for non-audit services was £13,000 (2019: £12,000).

Haynes Group Limited

Company No. 00659701

3 April 2020

Notes to the company financial statements (continued)

33 Dividends

Dividends paid and proposed	2020 £000	2019 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the Year ended 31 May 2019 of 4.0p per share (2018: 4.0p per share)	605	605
Interim dividend for the Period ended 3 April 2020 of £nil (2019: 3.5p per share)	-	529
	605	1,134
Proposed final dividend for the Period ended 3 April 2020 of £nil (2019: 4.0p per share)	-	605

As at 31 May 2019 the Company held 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 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 Intangible assets

Cost	£000	Accumulated Amortisation	£000	Net book value	£000
At 1 June 2018	1,222	At 1 June 2018	(218)	At 1 June 2018	1,004
Additions	218	Charge for the year	(268)		
At 31 May 2019	1,440	At 31 May 2019	(486)	At 31 May 2019	954
Additions	196	Charge for the period	(535)		
At 3 April 2020	1,636	At 3 April 2020	(1,021)	At 3 April 2020	615

35 Property, plant and equipment

Cost	£000	Accumulated Depreciation	£000	Net book value	£000
At 1 June 2018	75	At 1 June 2018	(71)	At 1 June 2018	4
Additions	-	Charge for the year	(2)		
Disposals	-	Disposals	-		
At 31 May 2019	75	At 31 May 2019	(73)	At 31 May 2019	2
Additions	6	Charge for the period	(2)		
Disposals	-	Disposals	-		
At 3 April 2020	81	At 3 April 2020	(75)	At 3 April 2020	6

There were no assets financed through finance leases or hire purchase arrangements during the current period or prior year.

During the period ended 3 April 2020 the Group acquired the freehold land and buildings of the Old Creamery, Sparkford for £300,000 and recognised £48,000 transaction costs, increasing the net book value of assets held for sale to £2,483,000. On 17 December 2019, the Group exchanged contracts on the whole Sparkford site, including the Old Creamery for a sale price of £2,500,000. Completion is due to take place on or before 17 June 2021.

36 Investments in subsidiaries

Parent company

	2020 £000	2019 £000
Cost and carrying value 1 June	9,486	9,424
Additions	-	62
Reversal of LTIP investments in subsidiary undertakings	(95)	-
	9,391	9,486

As at 3 April 2020, the subsidiary undertakings are listed on the following page. Unless stated otherwise the registered office is shown on page 3 of these financial statements. All subsidiaries are wholly owned, within the Group and all with period-ends of 31 May except where noted on the following page.

Haynes Group Limited
Company No. 00659701
3 April 2020

Notes to the company financial statements (continued)

36 Investments in subsidiaries (continued)

Company name	Country of incorporation, registration and operation
J.H. Haynes & Co. Ltd (Publisher and Printer) ^[2]	United Kingdom
J.H. Haynes (Overseas) Ltd (Holding Company) ^[2]	United Kingdom
Haynes North America Inc. (Publisher) ^[1] 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 Holding BV (Holding) Flankement 6, 3831 SM, Leusden	The Netherlands
HaynesPro BV (Data production, IT development and sales) ^[1] Flankement 6, 3831 SM, Leusden	The Netherlands
HaynesPro (UK) Ltd (Data Production) ^{[1][2]}	United Kingdom
HaynesPro Espana SL (Sales) ^[1] 13, altillo 4a, E025006, Lleida	Spain
HaynesPro srl (Sales) ^[1] Strada Palera 97, Moncalieri, Torino I-10024	Italy
HaynesPro Data srl (Data production and IT development) ^[1] str. Ritoride Nr.5, Sector 5, cod postal 050204, Bucuresti	Romania
HaynesPro GmbH (Sales) ^[1] Stammheimerstraße 10, Kornwestheim, D-70806	Germany
OATS Ltd (Data production, IT development and sales) ^[2]	United Kingdom
OATS (America) Ltd (Sales) ^{[1][2]}	United Kingdom
OATS LLC (Sales) ^[1] 859 Lawrence Drive, Newbury Park, CA 91320, USA	USA

As at 3 April 2020, there were the following dormant subsidiary undertakings, all wholly owned within the Group: Camway Autographics Ltd^[3], Haynes Garages Ltd^{[1][3]}, G.T. Foulis & Co. Ltd^[3], Oxford Illustrated Press Ltd^[3], Patrick Stephens Ltd^[3], E-Commerce Management.Ltd^{[1][3]}, HaynesPro Commerce (UK) Ltd^{[1][3]} and Teon Media Ltd^[3].

^[1] Shares of those subsidiaries marked with an asterisk are held by subsidiary undertakings. All other shares are held by the Company.

^[2] Following the sale all entities within the Group are transitioning to a December year-end. The UK entities could not change from May 2019 directly to December 2020 due to UK law therefore these entities for this year only have a period end of 9 April 2020 with numbers made up to 3 April 2020.

^[3] The entities were dissolved in October 2020.

37 Trade and other receivables

Amounts falling due within one year:	2020	2019
	£000	£000
Amounts owed by subsidiary undertakings	2,694	4,997
Other debtors and prepayments	8,822	39
	11,516	5,036

The amount included as owed by subsidiary undertakings is a net figure made up from £5,057,000 (2019: £6,518,000) owed and a provision of £2,363,000 (2019: £1,521,000). The provision relates to past deficit payments made by the Company on behalf of a subsidiary which it does not expect to recover.

The increase in other debtors and prepayments relates to the sale Company sale of its shares held in Treasury. The proceeds for which were received shortly after the year-end.

Notes to the company financial statements (continued)

38 Trade and other payables

Amounts falling due within one year:	2020	2019
	£000	£000
Trade payables	414	132
Amounts owed by subsidiary undertakings	-	271
Other taxes and social security costs	12	16
Other creditors and accruals	7,072	880
	7,498	1,299

The increase in other creditors, accruals and deferred income relate to Contingent costs of the parent company associated with the formal sale process as disclosed in the adjusting items, note 5, of these financial statements.

39 Financial risk management, objectives and policies

Note 22 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 23 of the consolidated financial statements.

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

	2020	2019
	£000	£000
Present value of defined benefit obligation	(5,723)	(5,994)
Fair value of scheme assets	3,148	3,305
	(2,575)	(2,689)

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 2018	(5,287)	3,217
Current service cost	(19)	-
Past service cost	(144)	-
Net interest (expense)/income	(150)	92
Employee contributions	(7)	7
Employer contributions	-	128
Actuarial loss	(475)	(51)
Benefits paid	88	(88)
Balance at 31 May 2019	(5,994)	3,305
Net interest (expense)/income	(122)	68
Employer contributions	-	113
Actuarial loss	266	(211)
Benefits paid	127	(127)
Balance at 3 April 2020	(5,723)	3,148

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

Notes to the company financial statements (continued)

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 2018	(156)	352	-	196
Transfer to Income Statement	-	-	172	172
Transfer to equity	-	105	-	105
Deferred tax (liabilities)/asset at 31 May 2019	(156)	457	172	473
Transfer to Income Statement	156	-	1,032	1,188
Transfer to equity	-	32	-	32
Deferred tax asset at 3 April 2020	-	489	1,204	1,693

42 Share capital and reserves

	2020 No.	2019 No.	2020 £000	2019 £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. On the final day of trading the share price closed at £6.85 (31 May 2019: £1.97), with a high of £7.00 (2019: £2.48) and a low of £1.97 (2019: £1.56) for the financial period.

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.

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.

Treasury shares

As at 3 April 2020, the Company had sold all its Treasury Shares as part of the sale of the Group. At 31 May 2019, the Company held 1,229,054 ordinary shares in treasury which represented 16.7% (2018: 16.9%) of the ordinary share capital and 7.5% of the Company's total share capital. The Company was not able to vote on the treasury shares and the treasury shares carried no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

Notes to the company financial statements (continued)

43 Related party transactions

(1) In the prior period £200 was paid to Haynes Developments Limited, of which JHC Haynes is a director, for rent and service charges relating to Fulton Mews in London. No balance was outstanding at the previous year end.

(2) During the period, 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 £75,044 (2019: £78,584) to New Century Media Limited for financial PR services. As at 3 April 2020, the balance outstanding to New Century Media Limited was £9,010 (2019: £7,800).

44 Contingencies

Details of the UK banking arrangements are contained in note 19 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 September 2015, the Parent Company increased its 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 110 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.