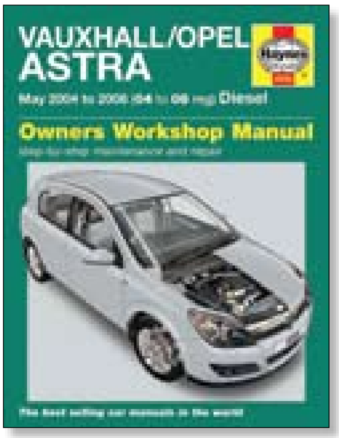
Haynes Publishing Group P.L.C.

ANNUAL REPORT 2008

Report & Accounts **for the year ending May 2008**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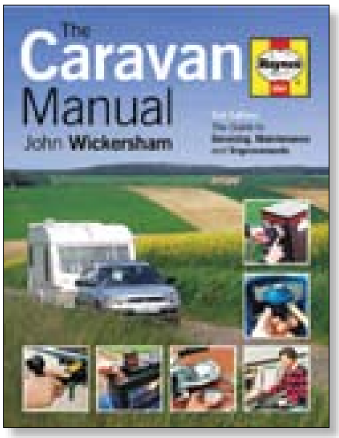
ASTRA
Diesel
Owners Workshop Manual
The best selling car manuals in the world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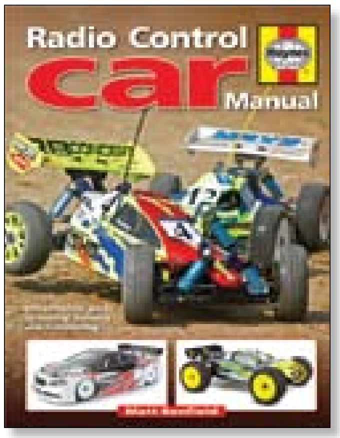
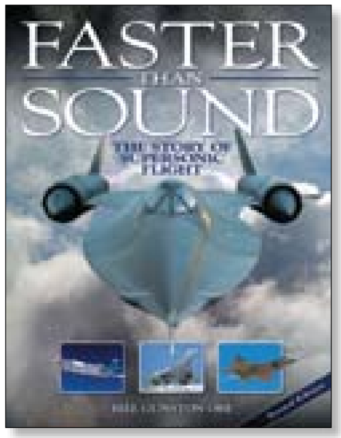
Manual
John Wickersham


Radio Control
car
Manual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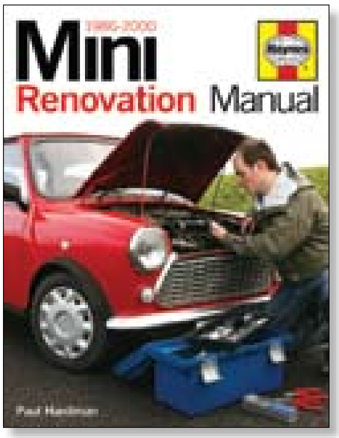
THAN
SOUND
THE STORY OF
SUPERSONIC
FLIGHT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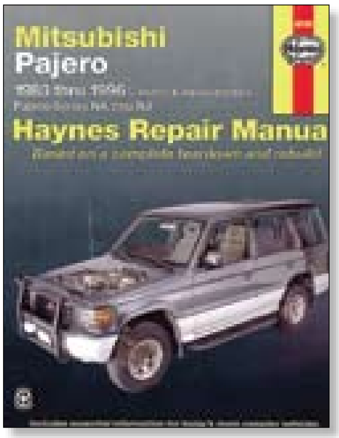
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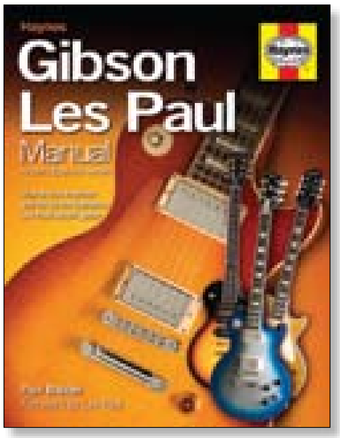
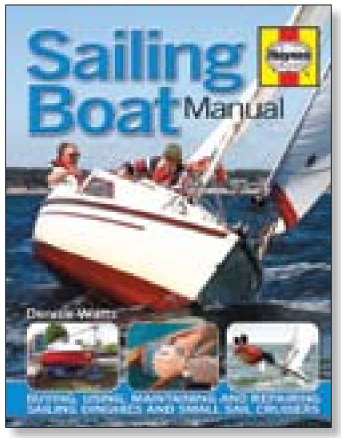
Pajero
Haynes Repair Manua


Gibson
Les Paul
Manual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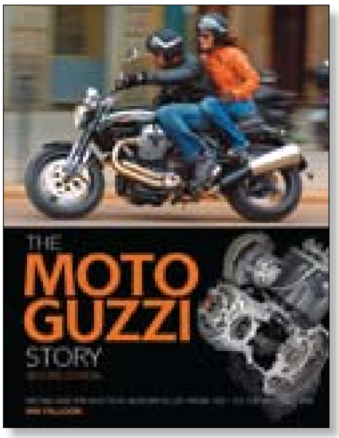
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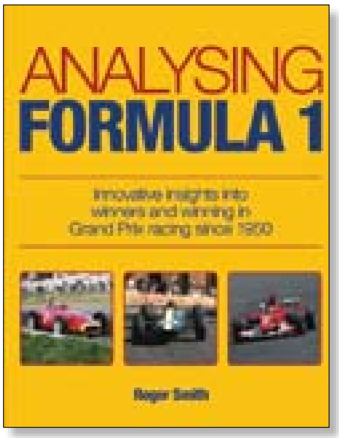
GUZZI
STORY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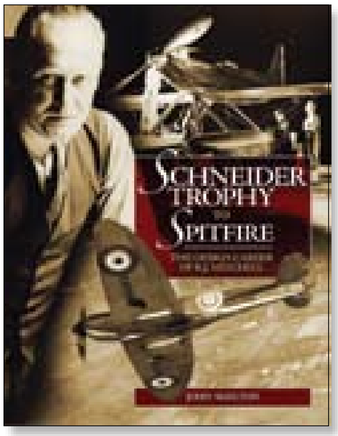
Roger Smith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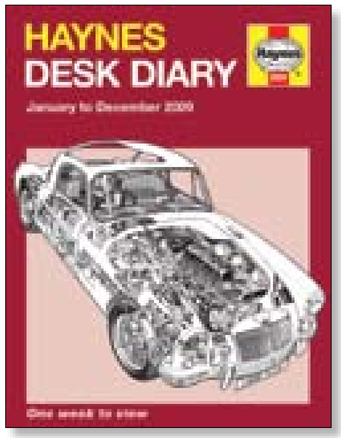
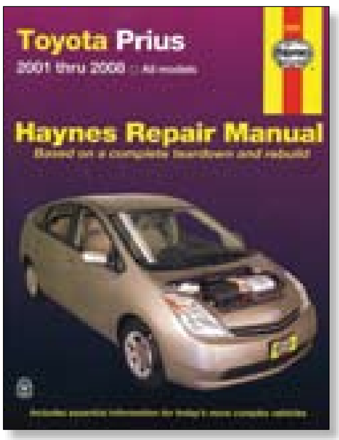
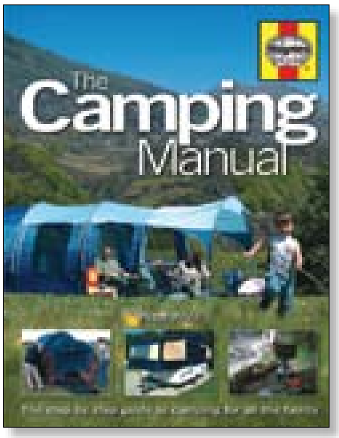
SPITFIRE


HAYNES
DESK DIARY
One week to view


Toyota Prius
Haynes Repair Manual
Based on a complete teardown and rebuild


The
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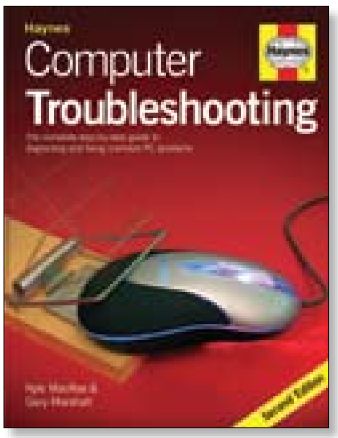
Manual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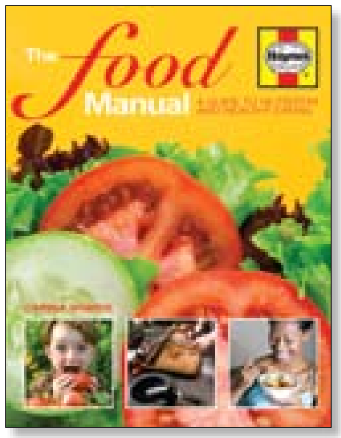
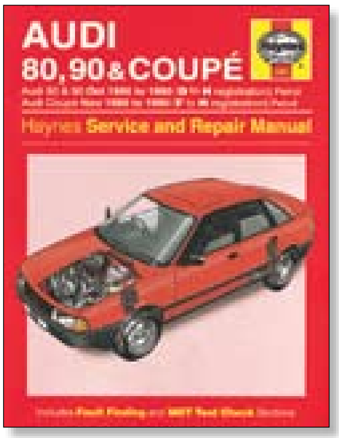
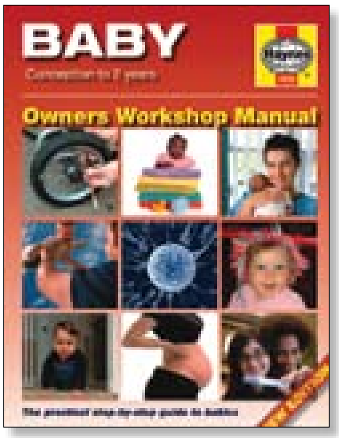
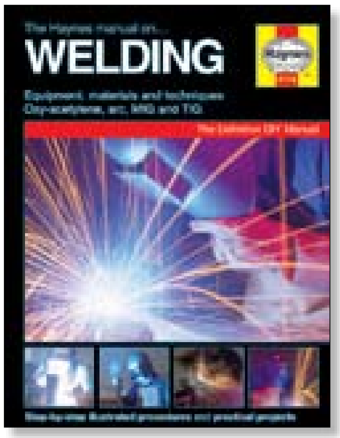

The
food
Manual


AUDI
80,90&COUPÉ
Haynes Service and Repair Manual

SUZUKI
GS500 Twin
'89 to '02

BABY
Owners Workshop Manual

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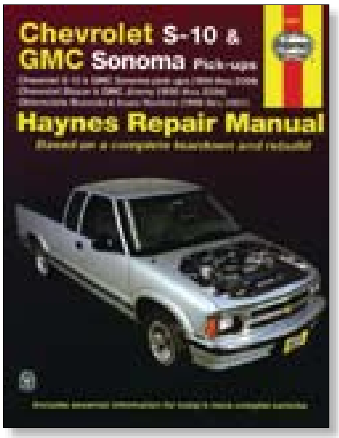
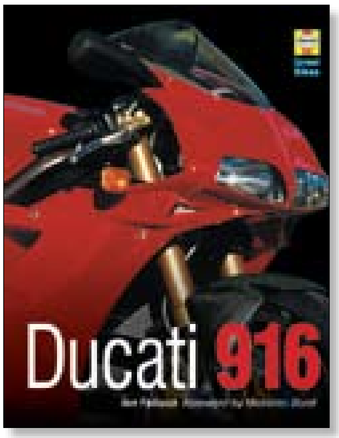
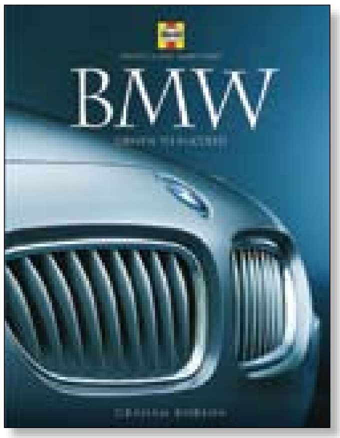

Chevrolet S-10 &
GMC Sonoma Pick-ups
Haynes Repair Manual

Ducati 916

NEW
MINI
performance manual

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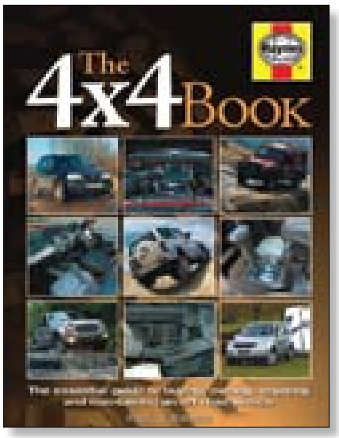
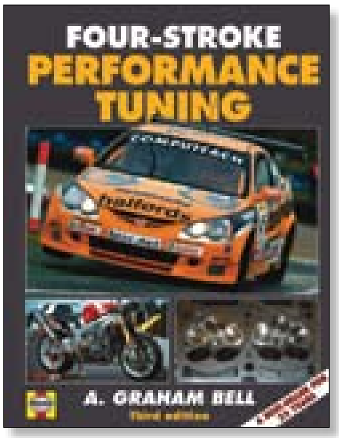
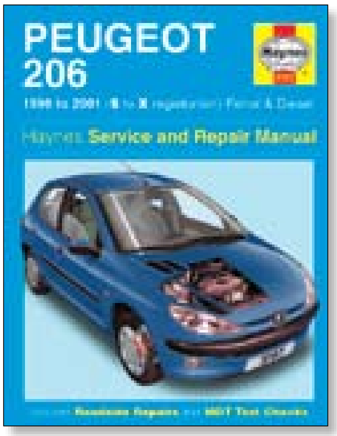

The
4x4 Book

FOUR-STROKE
PERFORMANCE
TUNING
A. GRAHAM BELL
Third edition

PEUGEOT
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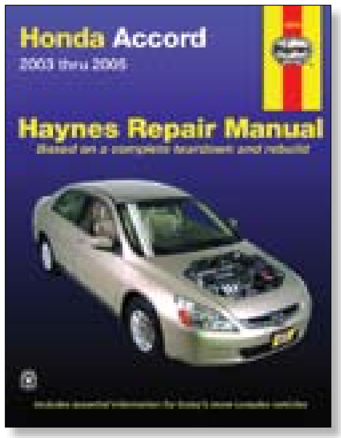
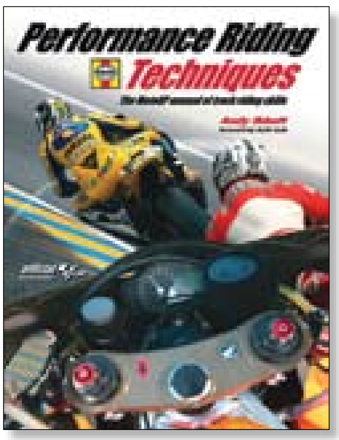
Haynes Service and Repair Manual

Honda Accord
2003 thru 2005
Haynes Repair Manual

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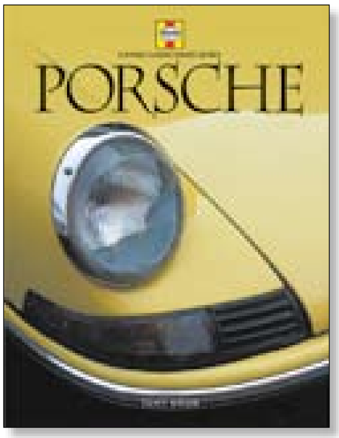
Techniques

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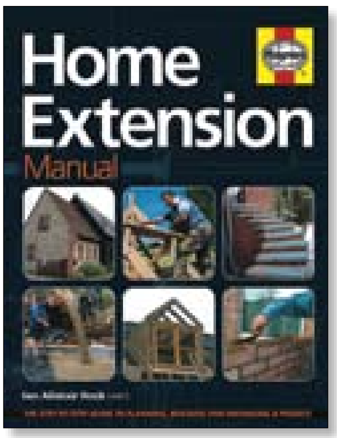
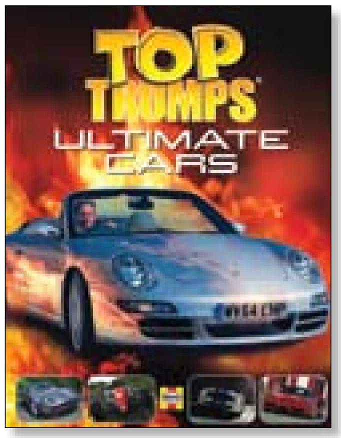

Home
Extension
Manual

TOP
TRUMPS
ULTIMATE
CARS

Haynes Worldwide

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Contents

Corporate Statement

Haynes Publishing Group P.L.C. is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals.

Every Haynes manual is based on a complete vehicle strip-down and rebuild in our workshops, so that the instructions to our customers are inherently practical and easy to follow.

Through the acquisition of Vivid Holding BV in February 2008, the Haynes Group has become a leading European supplier of digital technical information to the motor trade, thereby broadening the Group's business to include professional as well as DIY mechanics and enthusiasts.

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

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Fax: **01963 440825 (International: +44 1963 440825)**

Financial Highlights for the year ended 31 May 2008

- Group revenue from continuing operations of £31.1 million
  (2007: £29.2 million)

- Group operating profit on continuing operations of £7.0 million
  (2007: £7.2 million)

- Group pre-tax profit on continuing operations of £7.1 million
  (2007: £7.1 million)

- North America & Australia segmental operating profits of £5.5 million ($11.0 million)
  (2007: £5.9 million, $11.3 million)

- UK and Europe segmental operating profits on continuing operations of £1.3 million
  (2007: £1.1 million)

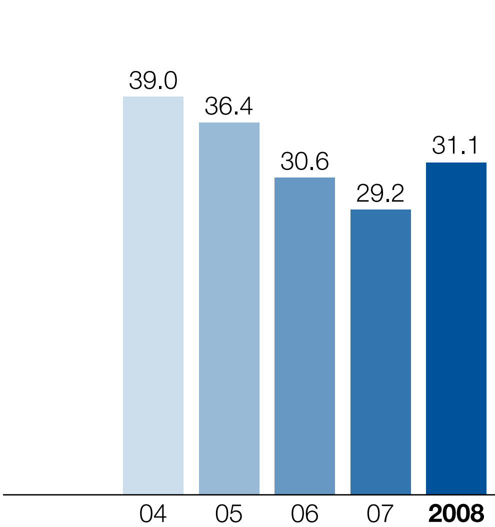
- Basic earnings per share from continuing operations of 30.8 pence
  (2007: 31.6 pence)

- Net funds of £0.2 million
  (2007: £6.5 million)

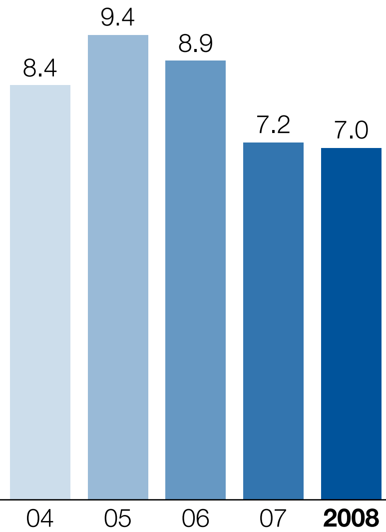
- Total dividend per share for the year of 15.5 pence
  (2007: 15.5 pence)

Five Year Summary of Key Financial Performance

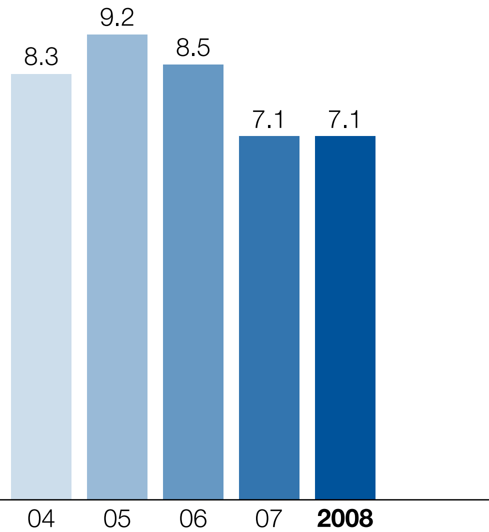
31 May
Turnover £ million [1][2]



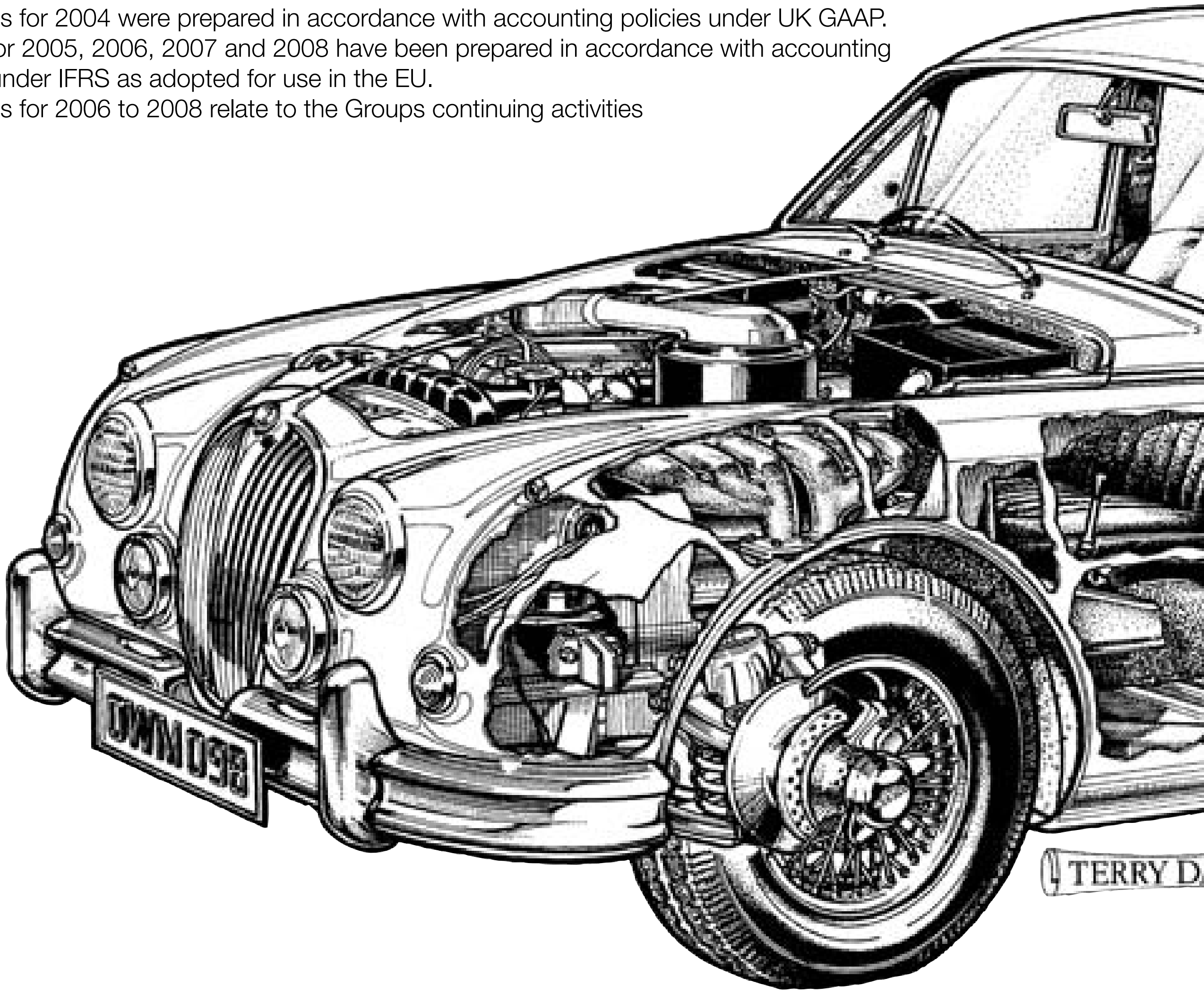
31 May
Operating profit £ million [1][2]



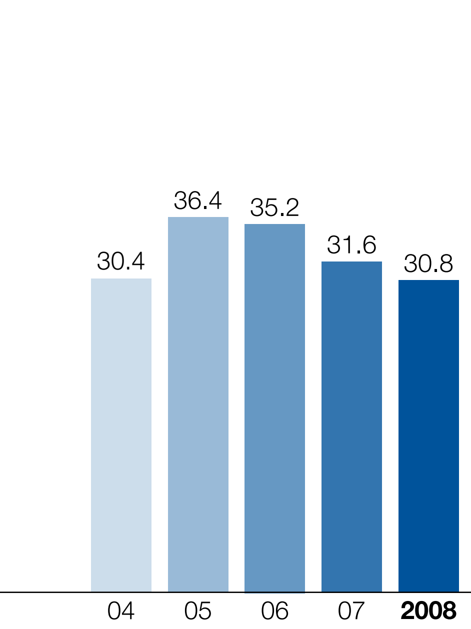
31 May
Profit before tax £ million [1][2]



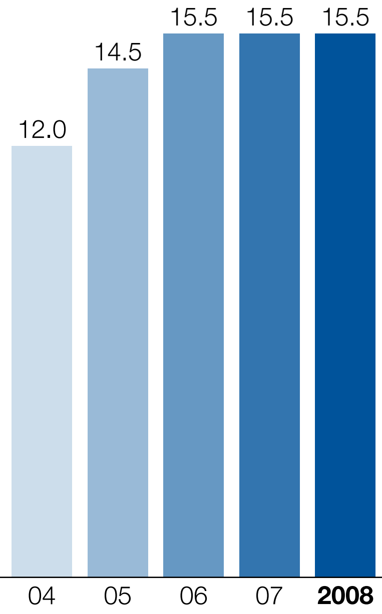
[1] Figures for 2004 were prepared in accordance with accounting policies under UK GAAP. Figures for 2005, 2006, 2007 and 2008 have been prepared in accordance with accounting policies under IFRS as adopted for use in the EU.
[2] Figures for 2006 to 2008 relate to the Groups continuing activities



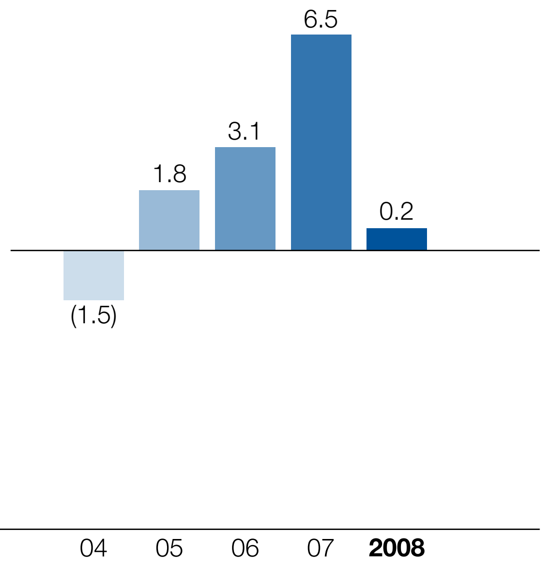
31 May
Basic earnings per share pence[1][2]

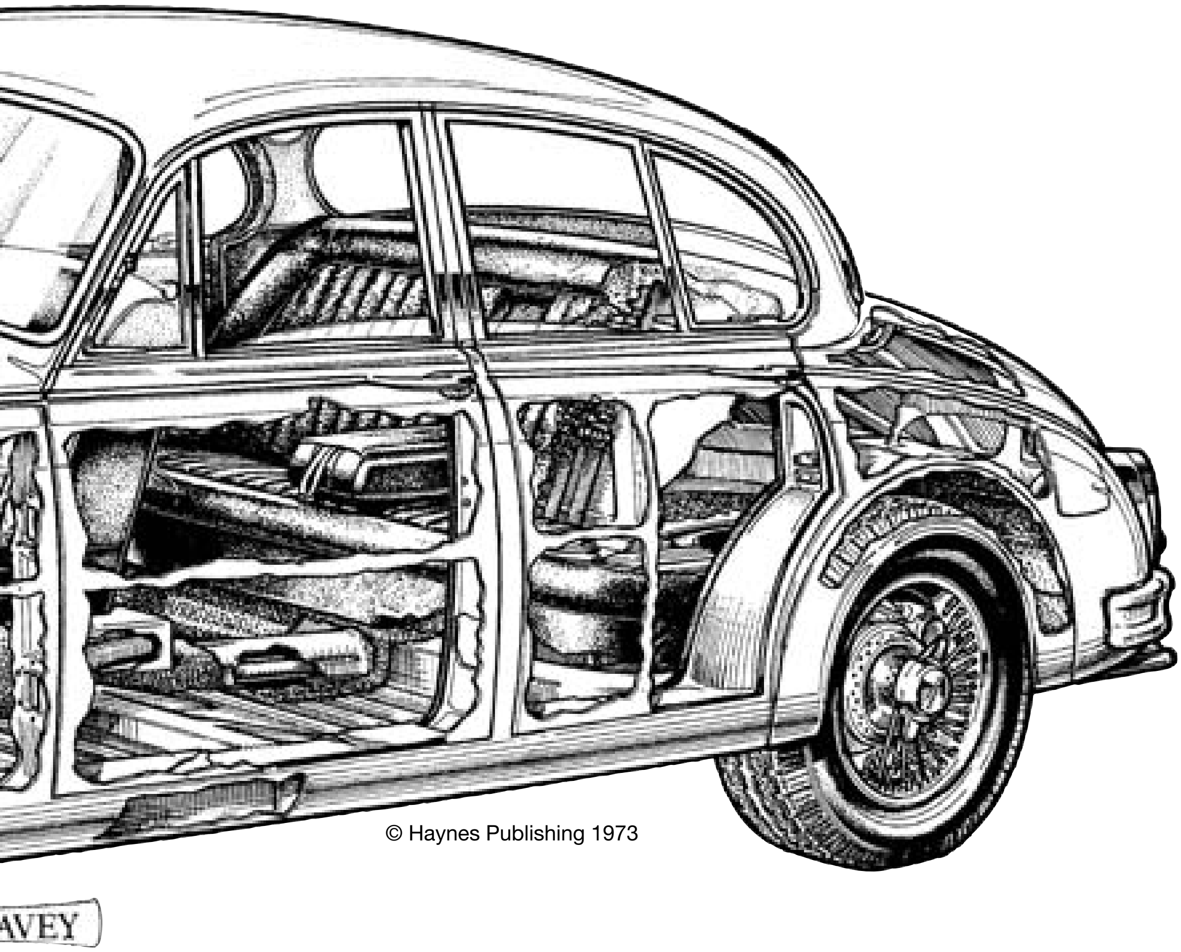


31 May
Dividends per share pence



31 May
Net funds £ million





Chairman's Statement

Chairman's Statement

Strategically, this has been an important year for the Haynes Group. The financial year began with the acquisition of the Bookworks businesses in Australia in June 2007. By the end of the second quarter we were able to report the successful integration of the Bookworks and Haynes Australian businesses into a single location based in Sydney. This was followed at the end of our third quarter by the acquisition of Vivid Holding BV.

The acquisition of the Vivid Group, Europe's leading supplier of digital technical information on repair, maintenance and diagnostics to workshops, allows the Haynes Group to establish a presence in the professional automotive market and is a very significant addition to the Haynes Group.

The above strategic acquisitions come during a period of heavily publicised economic downturn. The weakness of the US Dollar against Sterling has once again had a negative impact for the Group. During the year, the average US Dollar exchange rate against Sterling increased from \$1.93 to \$2.01, reducing the reported revenue by £0.7 million and pre-tax profits by £0.2 million. The increased cost of living, largely as a result of the higher fuel prices, continues to impact consumer spending in both our key geographical markets as well as impacting our cost base, placing pressure on margins. In light of these challenging market conditions it is satisfying to report that, as a result of prudent action by our senior management team, we have had a stronger second half year of trading. As a result the Group was able to recover the shortfall in profit experienced during the first half of the year.

Results summary

Group revenue from continuing operations was £31.1 million, 7% up on the prior year (2007: £29.2 million) driven by a full year contribution from the Australian acquisition and three months of trading from Vivid Holding BV, acquired at the end of our third quarter. Group operating profit from continuing operations was £7.0 million (2007: £7.2 million), down 3% impacted by certain one-off restructuring costs in the UK, a lower credit to the Income Statement following the performance of the pension schemes as measured by IAS 19 and the negative impact of the weakened US Dollar. However, with a positive net movement on the pension schemes assets/liabilities Group pre-tax profits ended the year in line with the prior year at £7.1 million (2007: £7.1 million). The Group's effective tax rate for the year, on attributable profits, was 29% (2007: 27%) leading to a basic earnings per share from continuing operations of 30.8 pence (2007: 31.6 pence).

Strategy & structure

In last year's report I communicated our central objective of creating a platform that would allow the Haynes businesses to grow and develop and firmly establish the Group as global industry experts for the supply of automotive and motorcycle repair, servicing and technical information.

Through the acquisition of Vivid Holding the Group has made a considerable leap forward in achieving this aim and work is currently underway to develop new product initiatives using the cutting edge Vivid digital platforms and the extensive Haynes automotive knowledge database. The Group will continue to take the tried, tested and trusted Haynes philosophy and apply it to other areas where our practical approach can add value. The launch of the Spitfire and Lancaster Manuals during the year, in partnership with the RAF, have been very well received and visibly demonstrate the diversity of the Haynes brand.

Chairman's Statement (continued)

The Board

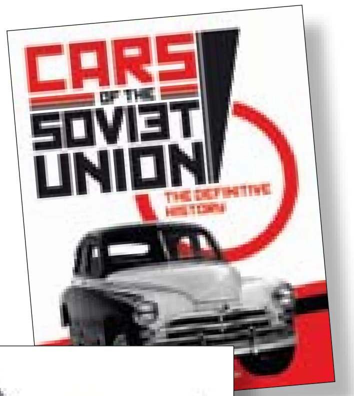
In May 2008, I was pleased to announce the appointment of my son J as Group Vice Chairman. J has had a seat at the main Board since March 2000 and as Managing Director of the UK & European operations has, working with the rest of the Executive Management team, played an important part in the restructuring and development of the UK & European businesses.

Dividends

In light of the difficult trading conditions and following the two acquisitions during the year, which were predominantly funded from internal cash, the interim dividend was reduced to 5.0p (2007: 5.5p). However, following a stronger second half performance and a confidence that the new enlarged Haynes Group is well placed to deliver earnings growth in the coming years the Board is recommending an increase in the final dividend to 10.5p per share, maintaining the total dividend for the year at 15.5p, the same level as last year (2007: 15.5p). Subject to final approval by shareholders, the final dividend will be paid on 30 October 2008 to shareholders on the register at the close of business on 3 October 2008. The shares will be declared ex-dividend on 1 October 2008.

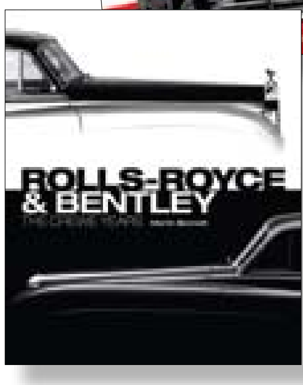
Corporate governance

The Board's governance framework is clearly defined and aims to support the vision and values of our business and to protect and enhance the interests of all our stakeholders. The Board actively monitors the assessment and mitigation of risk and ensures the Group has the correct health & safety procedures to protect all our employees. Further details are discussed in greater depth in the relevant sections of this Annual Report and Accounts.



Staff

On behalf of the Board I would like to thank our employees for their continued hard work and dedication during the year. I would also like to welcome our new employees in Bookworks Australia, and at Vivid in The Netherlands, Italy, Spain and Romania to the Haynes Group. The Group continues to re-position its businesses to make them leaner, more innovative and better equipped to deliver content aligned to the needs and wants of the end user. This process can sometimes be difficult for all concerned but I am confident that through this process we place the Group in a stronger position, both financially and operationally. This will undoubtedly benefit employees and our shareholders in the years to come.



Future prospects

I firmly believe the prospects for the Haynes Group are positive. It is undeniable that the world's economies are facing their most challenging future for many years. However, we have been here before and I am confident that through careful management we can once again steer the Group through these uncertain times. The restructuring undertaken over recent years, coupled with the new acquisitions during the year, places the Group in a strong position to move forward and improve on our results in the years to come.

John H Haynes, OBE
Executive Chairman
4 September 2008

Group Chief Executive's Review

Business structure and overview

The Haynes Group, founded by the Chairman John Haynes, OBE in 1960, has its operations divided into two primary geographical segments. Firstly, the UK and European businesses, which are serviced from headquarters in Sparkford, Somerset and secondly, the North American and Australia operation, which is also responsible for Latin America and the Pacific Rim and operates from headquarters near Los Angeles, California. The US business has its main production and principal distribution operations in Nashville, Tennessee. Each business segment has its own management structure and has full vehicle workshop and editorial resources, book manufacturing facilities and sales and distribution capabilities.

The success of the Haynes business over almost 50 years has been underpinned by an attention to detail and an uncompromising approach to independent and trustworthy instructional advice. This simple but important philosophy has been instrumental in the Group achieving its global market leading position. The fact that all Haynes Manuals are based on a complete vehicle strip-down and rebuild in one of our workshops, so that the written and photographic instructions for our customers is inherently practical and easy to follow, may still come as a surprise to some, but for those who know Haynes, this renowned attention to detail will be a familiar concept.

In addition to our extensive range of automotive and motorcycle repair manuals, the Group publishes a wide range of titles which are practical, instructional and easy to read and aimed at those with an interest in motoring and motor sport as well as other transport, aviation, military and general DIY related activities.

It would be unfair to our employees around the world not to acknowledge that the past financial year has been very difficult. With a start point in the USA in August last year, we have seen the current financial problems impact economies around the Globe. Their work has been made increasingly difficult as a result. I want to thank all of them for their continuing dedication and commitment.

In our Annual Report & Accounts last year I referred to a changing global market place. I mentioned how our market leading position throughout the English speaking world provides the Group with a unique opportunity to become a major world wide supplier for all automotive and motorcycle repair, servicing and technical information, to an overall market place that is growing and which is increasingly demanding content through multi-media channels. Therefore, the acquisition of the Vivid Group on 28 February 2008 for a cash consideration of €8.0 million (£6.0 million), funded mainly through internal cash but also with limited short-term borrowings, was a very important strategic move for the Group.

Formed in 1996, Vivid is a dynamic group of companies, still in their early growth phase. Nevertheless, Vivid's database, which has been developed using market leading digital technology and is available in 19 languages, has already established the business as market leaders in the supply of digital technical information to the professional automotive market in continental Europe. The synergistic skill sets possessed by Vivid were a key factor in our decision to acquire the business. Vivid's in-house skills covering language translation, web development, DVD production and copy protection security are all complementary to the way

Group Chief Executive's Review (continued)

in which Haynes is planning to develop its own product offerings going forward. This could open up the possibility of an internet based multi-language Haynes consumer product for markets that could not previously have supported the cost of a print based product. Being part of the Haynes Group, opens up the opportunity to take the Vivid product offering to new geographical markets such as the UK, USA and Australia where Haynes already has a strong presence whereas Vivid does not.

Earlier in the year the acquisition of Bookworks, the most prominent distributor of automotive repair information in Australia, further cemented our position as the leading supplier of automotive repair information to the automotive aftermarket in Australia.

Operating results overview

At the end of November, our half year, Group pre-tax profit was 8% down on the prior period and early third quarter trading remained difficult. Nevertheless, as mentioned in our third quarter Interim Management Statement, Management believed that there was a realistic possibility of improving on this position by the end of the financial year. I am therefore, pleased to report that the Group has been able to deliver an improved second half performance with Group pre-tax profits for the year of £7.1 million, matching the performance of the prior year (2007: £7.1 million). Our second half performance was achieved despite a higher charge to profit of £0.1 million for cost restructuring in the UK business and a higher charge against profit of £0.2 million arising from our IAS 19 pension scheme accounting in comparison to last year. Save for these two non-trading factors and the adverse impact of the US Dollar exchange rate against Sterling, which lowered pre-tax profits by £0.2 million, we would have been reporting a growth in pre-tax profits of 7%, in line with our growth in revenue, which, I believe, in the prevailing market conditions, would be seen as very satisfactory.

Group revenue during the period was up 7% to £31.1million (2007: £29.2 million) boosted by the new acquisitions during the year which, in aggregate, added £1.6 million to our top line. Exchange rate movements had a detrimental impact on our reportable revenue, with an average US Dollar exchange rate against Sterling 4% weaker than last year. Had we been reporting under constant exchange rates, Group revenue would have ended the year higher by £0.7 million.

In the US, trading conditions softened significantly during the second quarter and remained soft throughout the rest of the year. The problems in the financial markets coupled with the spiralling cost of fuel have significantly dampened consumer demand and we wait to see whether the recent fiscal stimulus provides a respite in the coming months. In the UK, like-for-like revenue performed well finishing the year 10% ahead of last year. It should, however, be noted that a significant proportion of this increase came from external printing services, where the margin is traditionally much lower than our core products. This said it was satisfying to see all three areas of the UK business Automotive, General Publishing and Licensing achieving revenue growth over the prior year. With the inclusion of three months of trading from Vivid Holding BV, revenue in the UK & Europe increased by 18% to £13.9 million (2007: £11.8 million).

Gross margins were impacted by a higher mix of low margin external printing services in the UK and lower volumes in 2008 in the USA, which resulted in the gross margin percentage ending the year lower at 61.3% (2007: 64.1%).

Group Chief Executive’s Review (continued)

Management continue to maintain a tight control over Group overheads. During the third quarter, the UK business restructured its promotional design, direct mail and web sales operation resulting in one off restructuring costs of £0.1 million. Also during the third quarter the role of the Group Company Secretary was combined with that of the UK & European Finance Director; both of these measures will bring cost benefits to the Group in the coming year.

Following a higher return on the Group’s pension scheme assets of £0.4 million, finance income increased to £1.5 million (2007: £1.1 million). Partially offsetting the higher finance income was a higher interest charge on the pension scheme’s liabilities of £0.2 million, which led to an increase in finance costs to £1.4 million (2007: £1.2 million).

The resulting net impact of the above meant that pre-tax profits ended the year in line with the prior year at £7.1million (2007: £7.1 million).

Segmental overview

North America and Australia

As a result of the acquisition of Bookworks in Australia local currency sales in North America and Australia ended the year 3% ahead of last year at $34.6 million (2007: $33.7 million). Despite stronger sales of automotive repair manuals during the important second half of the year, up 4% on the comparable period, sales were not quite able to offset the poor first half and ended the year down 2%. Sales of Motorcycle manuals performed well ending the year 14% ahead of the prior period.

In Australia the integration of the Haynes and Bookworks businesses was completed part way through the year and the combined business, operating from newly purchased premises in Sydney, contributed an additional $1.4 million (£0.7 million) of revenue during the first year.

Revenue from the new US website, whilst modest in Group terms, has already covered the cost of development and through the use of video presentations and a customer chat room allows the US business to communicate directly and more effectively with its end user.

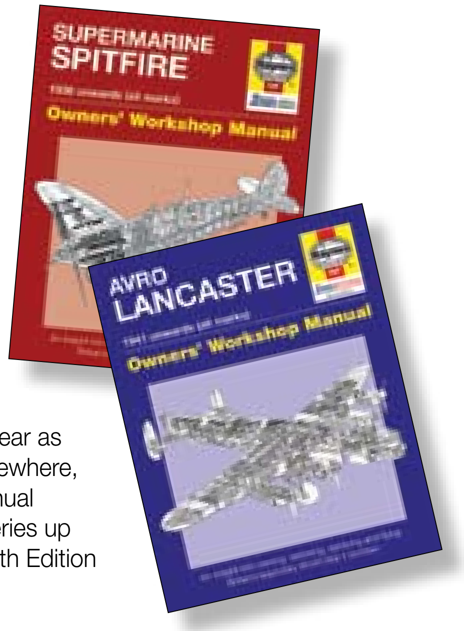
The net impact of the above factors left the North American and Australian operating profits, in local currency 5% ahead of the prior year at $10.2 million (2007: $9.7 million). However, after a lower credit to profit arising on the measurement of the US pension scheme under IAS 19, in comparison to last year, of £0.4 million and after the impact of a higher average exchange rate which adversely impacted profits by £0.2 million, US segmental profits in Sterling ended the year 7% lower at £5.5 million (2007: £5.9 million).

United Kingdom and Europe

- Automotive

Revenue from our core Haynes manuals performed strongly during the first six months, ending the period 9% ahead of the prior year. Sales slowed down during the second half of the year but nevertheless, still ended the year 1% ahead of the prior period. The UK also experienced revenue growth from foreign language Manual sales, up 8% and Motorcycle titles ahead by 5%. Volume sales of English language manuals to Scandinavia ended the year ahead by 16% helped by the recruitment of a new sales manager at the half year.

Group Chief Executive’s Review (continued)



- General Publishing

Sales of Haynes Book Division titles performed strongly during the second half of the year, finishing the second six months 21% ahead of the prior period. As a result, overall Haynes Book Division sales ended the year 8% ahead of last year. Sales of the Spitfire Manual, the legendary World War II Supermarine aircraft which provides a unique insight into the engineering and construction of this remarkable aeroplane and is based around the restoration of the Spitfire Mk XVI at RAF Coningsby, ended the year as the Division’s top selling title, selling over 20,000 copies to-date. Elsewhere, there were year-on-year sales increases in the Haynes Practical Manual series and Home & Computing series, both up 12% and the Bike series up 37% helped by a new release of the Haynes Bike Book, now in its 5th Edition and with lifetime sales in excess of 300,000 copies.

Sales through the licensing channel, whilst modest in Group terms, have tripled in the last 12 months and continue to gather momentum. Income from our licensed boys clothing range with Next, the high street retailer, continues to perform well with the range being extended to include boys’ nightwear and bedding. In autumn 2007 we launched the new Haynes combustion engine toy, which sold very well over the Christmas period and we are encouraged by the interest from new retail outlets for the coming year. All of these new product ranges provide Haynes with excellent exposure to a younger audience and help to ensure the message that DIY can be fun if learnt from an early age.

The net impact of the above factors led to an increase in UK & European like-for-like revenue of 10% to £13.0 million (2007: £11.8 million). After inclusion of three months of trading from the newly acquired Vivid Group, revenue increased to £13.9 million, an increase of 18%. UK & European segmental profits increased during the year to £1.3 million (2007: £1.1 million), an increase of 18%.

Taxation

The charge to taxation on continuing operations for the year was £2.0 million (2007: £1.9 million) giving an effective tax rate of 29% (2007: 27%). Last year’s effective rate being slightly lower than normal due to the availability of loss relief from the operations discontinued during the year.

Net debt and cash flows

The Group started the financial year under review with net funds of £6.5 million. During the year the Group made two acquisitions for a cash consideration of £6.6 million (excluding transaction costs) and purchased a new freehold property to accommodate the combined Australian operation for £0.9 million. Accordingly, to end the year with a small but nevertheless positive net funds position demonstrates the Group’s ability to generate strong cash flows which is a major benefit to the Group in its effort to grow the business.

During the year cash generated from continuing operations was £7.0 million (2007: £7.6 million) and represented 100% of Group operating profit from continuing operations (2007: 106%).

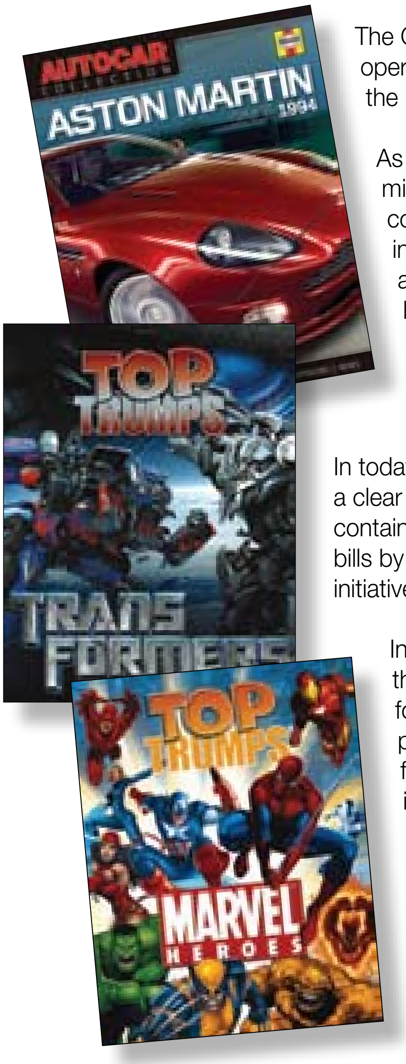
Group Chief Executive's Review (continued)

Treasury management & procedures

The Group's treasury policies are designed to reduce and minimise financial risk and ensure sufficient liquidity for the Group's future needs. The Group operates strict controls over all treasury transactions including dual signatories and appropriate authorisation limits. The Group's principal financial instruments comprise overdrafts, lease financing arrangements and cash. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. No trading in financial instruments is undertaken.

The Group's main currency exposure is derived from trading transactions between Group operating units and with our global customer base. Approximately 48% (2007: 57%) of our revenue streams are generated in US Dollars, 38% (2007: 36%) in sterling and the balance coming from a mix of currencies across our operating entities. Although the Group has this exposure to currencies it is able to offset part of the currency risk as much of the product for the European markets is manufactured in the US and invoiced in local currency.

Pensions



The Group has a number of different retirement programmes in the countries within which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK and a non-contributory defined benefit plan in the US.

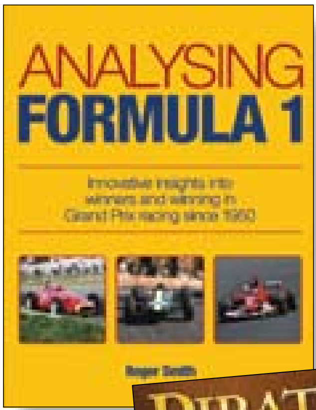
As at 31 May 2008 the aggregate deficit on the two retirement benefit schemes was £6.8 million (2007: £6.9 million). The lower deficit reflects a reduction in the present value of the combined schemes defined benefit obligations of £1.4 million, principally as a result of an increased discount rate assumption of 6.6% (2007: 5.6%) applied by the UK Scheme actuaries in line with International Accounting Standard 19. However, the gain on the lower liabilities was mostly offset by lower returns on the combined schemes assets of £1.3 million.

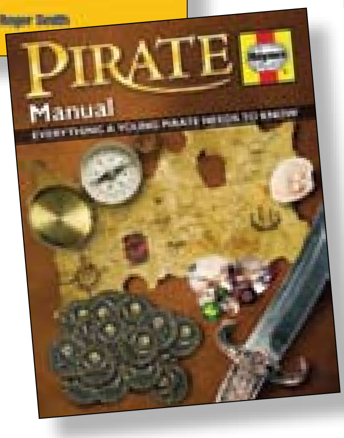
Group Outlook

In today's economic climate of rising fuel prices and higher cost of living expenses, there is a clear financial benefit to the consumer from using a Haynes Manual. Each Haynes manual contains tips for saving fuel as well as showing motorists how they can save money on garage bills by doing simple servicing and maintenance tasks themselves. Through our marketing initiatives and end user promotions we will continue to spread this message.

In the UK and Europe, management will continue their focus on efficiency. It is essential that the business is able to offer quality products, in a cost effective manner and in a format that our end user requires. Already the first Haynes foreign language title has been passed to Vivid for translation, saving on external translation costs, and Management from Haynes and Vivid will continue to explore new opportunities for both businesses including taking the first steps toward the creation of a Vivid sales presence in the UK. For Haynes this will involve looking at the platforms and channels for distributing our instructional, technical and repair information and for Vivid it will be further development of their digital technical information on repair, maintenance and diagnosis to the professional automotive aftermarket and expansion into new markets where currently they have limited or no presence.

Group Chief Executive's Review (continued)





In the Haynes Book Division, the new title programme for the coming year is the largest yet and should help the Division improve upon the sales growth of recent years. In the Haynes Licensing division the new partnership with iconic British jeans company Lee Cooper to produce a range of men's clothing for release in the autumn of 2008 should help further promote the Haynes brand and cement our association with some of the UK's leading brands.

In North America a new print advertising campaign began this month focussing on the opportunity to reduce motoring costs in difficult times by working with a Haynes Manual and we will be working with our customers to encourage them to support this message with their promotional activities. This will also be a part of our marketing effort in all operating companies. In Australia, the Haynes businesses can look forward to their first full year of trading as a combined business and attention will be given to developing both the automotive repair information and general publishing areas of the business. Work is also already underway to expand the Vivid data to include Australian vehicles. We are also in the early stages of researching the US market in relation to Vivid products. Considerable in–house research has already been undertaken and an ad hoc market research project will follow shortly to determine the requirements for US market entry.

Undoubtedly the macroeconomic environment that we face in financial year 2009 is going to be difficult in all our key markets, and with many twists and turns yet to be revealed. This is an area of obvious ongoing concern. However, the Haynes Group is financially strong and operationally well placed to take on these challenges. Over the past five years, the Group has been quietly repositioning itself. We continue to assess opportunities for geographic expansion of the Haynes core products into a few rapidly developing markets as well as other opportunities for positive investment. Through careful restructuring of its existing business coupled with a desire and capability to acquire new businesses, the Group is putting in place the platforms to make Haynes the supplier of first choice for 'Do–it–Yourself' and Professional Mechanics, throughout the World, for those who have a need for all automotive and motorcycle repair, servicing and technical information.

Eric Oakley
Group Chief Executive
4 September 2008

Group Board Directors and Advisers

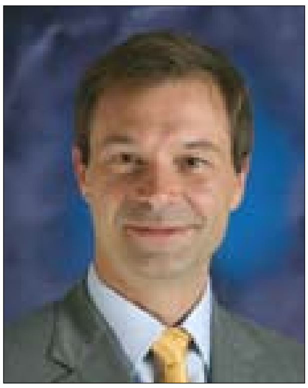
Executive Directors	J H Haynes* OBE (Chairman) E Oakley+ (Group Chief Executive) D Benhardus+ CPA J H C Haynes
Non-Executive Directors	D W Suter FCA* ■ (Chairman of Audit Committee) R P Corbett* ■ (Chairman of Remuneration and Nomination Committee, and Senior Independent Director) E Bell* ■ M E F Haynes A Garner * Members of Remuneration and Nomination Committee ■ Members of Audit Committee + US Resident
Group Company Secretary	J T Bunkum FCA
Registered Office	Sparkford, Yeovil, Somerset BA22 7JJ Company No. 659701
Auditors	**BDO Stoy Hayward LLP** Arcadia House, Maritime Walk, Ocean Village, Southampton SO14 3TL
Solicitors	**Osborne Clarke** 2 Temple Back East, Temple Quay, Bristol BS1 6EG **Batt, Sanders & Bennett** 17 Hendford, Yeovil, Somerset BA22 1UH
Principal UK Bankers	**Barclays Bank PLC** Corporate Banking Centre, Park House, Newbrick Road, Stoke Gifford, Bristol BS34 8TN
Principal US Bankers	**Union Bank of California** 445 S Figueroa Street, 10th Floor, Los Angeles, CA90071-1655, USA
Stockbrokers	**Blue Oar Securities PLC** 30 Old Broad Street, London EC2N 1HT
Registrars	**Capita IRG PLC** Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Group Board
Executive Director Biographies

John Haynes (age 70). John's biography is the history of Haynes Publishing. He founded the Company in 1960 and by expanding operations into Europe and the USA, was responsible for its growth and development into the international business that we see today. The Company was taken public in 1979. John remains its principal and majority shareholder and takes a very active interest in all aspects of the Group's publishing activities. In 1985 he founded and is the principal benefactor of the Haynes International Motor Museum. In 1995 he was awarded the OBE for services to publishing.

Eric Oakley (age 62). Eric spent his early years in North East England, and was educated at the University of Aston. He is resident in California. Eric joined Haynes North America, Inc. in 1980 after 16 years with Burmah-Castrol. He was appointed to the Main Board of Haynes Publishing Group in 1990. For the past 22 years Eric has been President of Haynes North America, Inc. during which period Haynes Manuals have become the largest selling Automotive Repair Manuals in the United States and Canada. He oversaw the establishment of Haynes' Australian operation, which has recently been further expanded.
Eric was appointed Group Chief Executive on 1st June 2002.

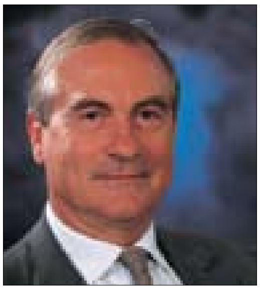
Dan Benhardus (age 62). Dan was appointed as Group Finance Director on 1 June 2002. He is resident in California and is a Certified Public Accountant. He started his career with Arthur Young and Co. (now part of Ernst & Young) before going into private industry where he gained experience in the construction, cable television and market research industries as an accounting and finance executive. In 1988 he joined Haynes North America, Inc. as the Vice President of Finance. He retains his responsibilities as the Chief Financial Officer and Senior Vice President of Haynes North America.



J Haynes (age 41). J joined the Board as a non-Executive Director on 25th March 2000, having completed a two year MBA at the London Business School. He was formerly a Director at Beeson Gregory, a specialist investment bank, before which he worked for 5 years as a Graduate Trainee with Haynes North America, Inc. On 28th January 2002 he was appointed an Executive Director of the Company and is presently Managing Director of its UK and European operations. On 2nd June 2008 J was appointed Group Vice Chairman.

Group Board Non-Executive Director Biographies

D W Suter (age 70). David Suter is a Chartered Accountant who joined the board in 1990 before which he was a partner in Baker Tilly. He was formerly a member of the Corporation of Yeovil College during which time he was Chairman of the Audit Committee. David Suter does not have a service contract with the Company.



R P Corbett (age 70). Panton Corbett was an executive director of Singer & Friedlander Limited from 1972 to 1998 and was responsible for the flotation of the Group on the London Stock Exchange in 1979. He was Chairman of the Alternative Investment Market of the London Stock Exchange (AIM) from its inception until 1998. He is a non-Executive director of South Staffordshire Water plc. Panton Corbett does not have a service contract with the Company.

E Bell (age 59). Eddie Bell has held a number of senior positions spanning 30 years in book publishing. Latterly he was the Executive Chairman and Publisher for Harper Collins UK and during his tenure was responsible for publishing the memoirs of both Mikhail Gorbachev and Lady Thatcher, and the autobiography of John Major. He is now a partner in Bell Lomax Moreton. Additionally, he holds several other non-Executive positions both within and outside the publishing industry which include Be Cogent Communications Ltd., and Management Diagnostics Ltd. Eddie Bell does not have a service contract with the Company.

M E F Haynes (age 40). Marc Haynes completed a BSC (Hons) Business Degree at Manchester before joining the Haynes International Motor Museum as its Business Development Manager. Marc has made a considerable contribution to the museum, having successfully completed a number of innovative commercial ventures. He is now its Managing Director. Marc is also a Director of Haynes Developments Limited which is a property development, management and investment company operating in the UK. Marc Haynes does not have a service contract with the Company.

A Garner (age 64). Andrew Garner is presently CEO of the Executive Search Consultancy, Garner plc. He has worked in executive search since 1983 and until 1997 was Chairman and Chief Executive of one of the world's foremost search firms, Boyden World Corporation. During that time Boyden's revenue more than doubled. Prior to this Andrew enjoyed a successful international business career, including senior positions with Mars, Brooke Bond and Gallaher. He is on the Board of the Royal Philharmonic Orchestra and is a trustee of the Haynes International Motor Museum. Andrew Garner does not have a service contract with the Company.

Report of the Directors

The Directors present their report and the financial statements of the Group for the year ended 31 May 2008.

- **Principal activity** Haynes Publishing Group P.L.C. is a holding company. The principal activity of Group companies is the printing and publishing of a range of service and repair manuals for the motor, home DIY, and transport enthusiast, together with a wide range of specialist books and general interest publications. Through the acquisition of Vivid Holding BV in February 2008, the Haynes Group has become a leading European supplier of digital technical information to the motor trade, thereby broadening the Group's business to include professional as well as DIY mechanics and enthusiasts.

- **Review of the business** A review of the business, together with comments on the key performance indicators and future development of the Group, is contained in the Chairman's Statement and the Group Chief Executive's Review on pages 8 to 15.

- **Financial results** The financial results for the year are set out in the consolidated income statement on page 37. The position at the end of the year is shown in the consolidated balance sheet on page 39.

- **Dividends** The Directors recommend a final dividend of 10.5p per ordinary share (11.7p with related tax credit) which, together with the interim dividend already paid, makes a total of 15.5p (17.2p with related tax credit) for the year (2007: 15.5p; 17.2p with related tax credit). This dividend will be payable on 30 October 2008 to members on the register of shareholders at the close of business on 3 October 2008. The shares will be declared ex-dividend on 1 October 2008.

- **Principal risks and uncertainties** The Board is primarily responsible for identifying and monitoring risk and the manner in which the Board manages this process is outlined in the Corporate Governance report on pages 26 and 27. The Group's principal financial risks and uncertainties are outlined in note 19 to the financial statements and the principal operational risks and uncertainties are discussed as part of the Group Chief Executive's Review on pages 10 to 15.

- **Directors** The Directors who served during the year and their interests in the ordinary share capital of the Company are shown on the following page.
  J H Haynes, D Benhardus and E Bell retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.
  R P Corbett and D W Suter as Non-Executive Directors having served for more than nine years both offer themselves for re-election in accordance with the provisions of the 2006 Combined Code.

  There have been no other changes in the Directors or their shareholdings shown below up to 8 August 2008.

  At 31 May 2008 the beneficial shareholdings of the Directors represented 62.1 per cent of the total issued share capital. This represented 15.7 per cent of the Ordinary shares (which are listed on the London Stock Exchange) and 100 per cent of the 'A' Ordinary shares.

Report of the Directors
(continued)

- **Directors' Interests in Shares** The Directors who served throughout the year and their interests in the share capital of the Company are as follows:

	31 May 2008			31 May 2007		
	Beneficial 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Beneficial 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.
Executive						
J H Haynes	9,000,000	401,075 [3]	1,229,101 [1][2]	9,000,000	401,075 [3]	1,229,101 [1][2]
E Oakley	–	23,304	–	–	23,304	–
D Benhardus	–	–	–	–	–	–
J H C Haynes	–	710,141 [2]	–	–	710,141 [2]	–
Non-Executive [4]						
M E F Haynes	–	699,767 [2]	–	–	699,720 [2]	–
A Garner	–	–	630,000 [1]	–	–	630,000 [1]

[1] 630,000 shares are in respect of the Haynes International Motor Museum (a charitable trust) and are shares in which J H Haynes and A Garner are interested as Trustees.
[2] The balance of the ordinary shares comprised within the non-beneficial interest of J H Haynes is held in a family trust in which J H C Haynes and M E F Haynes have a beneficial interest, and are therefore also reported as a beneficial interest of the latter.
[3] Includes 306,075 shares owned by Mrs A C Haynes.
[4] R P Corbett, D W Suter and E Bell did not hold shares in the Company at any time during the year.

Options to subscribe for ordinary shares under the terms of the Executive Share Option Scheme are described in the Board Report on Remuneration. Directors' interests in contracts with the Group companies are shown in Note 23 to the consolidated financial statements.

- **Share capital and related matters** Details of the Authorised and Issued share capital are shown in Note 21 to the consolidated financial statements.

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

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

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

  With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts, the Combined Code, and related legislation.

  The powers of the Directors are more specifically described in the Main Board Terms of Reference and the Statement of Corporate Governance (page 23). At the AGM on 18 October 2007:

  (i) the Company was authorised to make purchases of its own shares up to a maximum of 1,500,000. The authority remains unexercised and will expire at the conclusion of the AGM in 2008, if not reviewed, and

  (ii) the Directors were authorised to allot unissued shares under S.80 Companies Act 1985 up to £479,692 and under S.89 of the Companies Act 1985 up to £163,515.

Report of the Directors (continued)

The S.80 amount is the total of the authorised but as yet unissued share capital of the Company, and represents 14.67% of the issued share capital; the S.89 amount is 5% of the issued share capital.

Excepting general commercial and trading agreements which may contain provisions that take effect, alter or terminate, upon a change of control of the Company, the Directors are not aware of any significant such agreements to which the Company is a party. Furthermore the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation upon the receipt by the Company of a takeover bid.

- **Other shareholdings** At 31 May 2008 interests in 3% or more of the Company's issued Ordinary 20p share capital* had been notified to the Company by:

	Shares	% Class
Hunter Hall Investment Management Limited	2,302,567	31.3
Axa Framlington S.A.	700,000	9.5
Haynes International Motor Museum	630,000	8.6
Royce & Associates	419,000	5.7
Phoenix Asset Management Partners Ltd	403,675	5.5
Insight Investment	304,564	4.1

The interests of those Directors who have major shareholdings are detailed in the table of Directors' interests in shares on the previous page.

At 8 August 2008, there were no recorded changes in these holdings.

*See Note 21.

- **Treasury management** The Group's principal financial instruments, other than derivatives, comprise bank overdrafts, lease financing arrangements, cash and 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. No such transactions were undertaken during the current or preceding financial year. No trading in financial instruments is undertaken.

The Group's principal borrowings are in US dollars and pounds sterling, and at the year end were subject to floating rates of interest. Fixed interest rates and interest caps are regularly considered and, where felt commercially appropriate, would be adopted to manage the interest rate exposure.

Further details of the Group's Treasury Management policies and financial instruments can be found in Note 19 of the Notes to the Consolidated Financial Statements.

- **Donations** During the year Group donations to charitable organisations amounted to £15,282. There were no political donations in the year.

- **Environmental policy** The Board is committed to minimising the impact its operations have on the local environment. The Group operates two printing facilities, one in the UK and one in the US, and it is Group policy to ensure that both national and local environmental laws and guidelines are adhered to in full. The Board ensures that key management are tasked with the responsibility to oversee the Group's activities which impact the environment and to report back to the Board with any recommendations they may have regarding environmental policy.

- **Disabled persons** The Group encourages the employment of disabled persons whenever practicable. The Group policy is to ensure that disabled employees and those who may become disabled benefit from training and career development in common with other employees.

Report of the Directors (continued)

- **Employees, and health & safety** 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.

  During the year J H Haynes & Co Ltd gained the British Safety Council International Safety Award for safety standards for the tenth consecutive year. The award is made to companies who have lower than average accident rates, good safety policies and safety plans and a clear commitment to health and safety at the highest board level. Companies must detail their health and safety advisors' (and officers') qualifications and provide details of significant advances in health and safety for the year.

- **Policy on payment of suppliers** The Group operates in various locations throughout the world. It is not Group policy to follow any specified code or standard on payment practice but the payment policies adopted reflect the terms negotiated with individual suppliers as well as the custom and practice of the locality. It is the Company's intention to continue to apply the Group policy in the forthcoming year. At 31 May 2008 the amount of trade creditors as shown in the balance sheet represents 25 days of average purchases for the Company and 42 days for the Group.

- **Auditors** In accordance with S.489 of the Companies Act 2006, a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

- **Audit information** Each of the Directors confirm that they have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

  By order of the Board.

James Bunkum

James Bunkum
Group Company Secretary
4 September 2008

Corporate Governance

Statement of compliance

The Board of Haynes Publishing Group P.L.C. recognises the importance of high standards of Corporate Governance. Accordingly, it has considered the principles and provisions of the Combined Code on Corporate Governance (the Combined Code) issued by the Financial Services Authority in June 2006 and will continue to manage its affairs in line with the principles where it is in the interests of the business, and of shareholders, to do so. Other than where expressly stated, the company has complied with the principles, supporting principles and provisions of the Combined Code throughout the year under review.

Board of directors

During the year the Board reviewed its Terms of Reference which lay precise emphasis upon its responsibility for the overall management and strategic direction of the Group. The Board aims to encourage entrepreneurial endeavour within a framework of prudent planning and control. The Board appraises and approves major financing, investment and contractual decisions in excess of defined thresholds. All members of the Board are cognisant of their duty to act collectively and objectively in the best interests of the Company. Non-Executive Directors are members of the Audit Committee and the Remuneration and Nomination Committee, and are responsible for their activities. The Non-Executive Directors are intrinsically involved in scrutinising and monitoring the performance of management, and assessing the processes for the control of financial and other risks. The Terms of Reference for the Committees may be viewed on **www.haynes.co.uk/investors.**

- As at 31 May 2008 the Board comprised of four Executive and five Non-Executive Directors. The biographies of the Directors are set out on pages 17 and 18 of this report and accounts.
- The Board meets at regular intervals of approximately two months to determine and monitor corporate strategy, to review the trading and financial performance of the Group and to consider matters specifically reserved for its approval. The following table details the number of board and committee meetings held during the year and the attendance record of the individual directors:

	Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	6	2	1
J H Haynes	6		1
E Oakley	6		
D Benhardus	6		
J H C Haynes	6		
R P Corbett	5	2	1
D W Suter	5	2	1
E Bell	5	2	1
M E F Haynes	6		
A Garner	3		

- The division of responsibility between the Chairman and the Group Chief Executive is clear and understood, and will be committed to writing in due course as required by provision A.2.1 of the Combined Code. The former is responsible for the leadership of the Board and ensuring its effectiveness and that of the individual Directors, and the Chief Executive's duty is to run the business.

- The Non-Executive Directors occasionally hold meetings informally without the Executive Directors present. Likewise, the Chairman occasionally meets with the Non-Executive Directors without the Executive Directors present.

- The Directors are able to take independent professional advice in the furtherance of their duties at the Group's expense and all Directors have access to the advice and services of the Group Company Secretary.

- The Board considers all of its current Non-Executive Directors to be independent excepting M E F Haynes, in view of his close family ties with other members of the Board and his significant interest in shares.

The Board defines an independent Director as one who has no relationship with any company within the Group or its management which may undermine independence and who is not dependent on the Group or its management for his or her primary source of income, and was not within the last five years a senior manager within the Group, and does not participate in the Group's incentive bonus schemes or pension schemes.

The Senior Independent Director is R P Corbett. Both he and D W Suter have served on the Board for more than nine years. A Garner is a trustee of the Haynes International Motor Museum Charitable Trust. Notwithstanding these circumstances or relationships, the Board believes these Directors are independent in character and judgement.

- Membership of the Committees of the Board is indicated on page 16. At Committee meetings no-one except the Chairman of the Committee and its members is entitled to be present – but others may attend by invitation.
- Executive Directors may be permitted to take a limited number of outside Non-Executive Directorships in non-competing companies, subject to approval of the Remuneration and Nomination Committee.

Information, professional development and evaluation

All Directors are provided with regular performance updates, and full and timely access to information that enables them to make informed decisions on corporate and business issues. The Board receives monthly Management Accounts explaining performance against budget for each sector of the business, as well as risk management and business plans. The Executive Directors receive information on sales and margin for the individual businesses within the Group on a weekly basis, and for the major businesses such information can be accessed daily.

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

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

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

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

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

Directors remuneration, contracts and nomination

- In accordance with the provisions of the Combined Code, a Remuneration and Nomination Committee with its own terms of reference has been established by the Board. The Board's Report on Remuneration, which follows on pages 28 to 33, sets out details of the Group's policy on remuneration, Directors remuneration, and the work of the Remuneration and Nomination Committee. This includes an indication and explanation of those areas of non adherence to the provisions of the Combined Code.
- The Remuneration and Nomination Committee is responsible for succession planning and recommending to the Board the appointment of new Directors. The Board formally vets and scrutinises these proposals. The Committee's composition is explained in the Board's Report on Remuneration. Traditionally the Committee has been reliant upon its own energies

and judgement in sourcing and evaluating candidates for vacancies on the Board. External search consultants and open advertising have not been preferred methods where the expense has been unwarranted and could not be justified.

- All Executive Directors have rolling service contracts with the Company terminable on either one or two years notice, which in all cases may be served by either party. For recent appointments a one year term of notice has been implemented as a matter of course (see pages 31 and 32).
- The Non-Executive Directors do not have service contracts with the Company but are usually appointed at the will of the Board for a fixed period of two years.

Dialogue with shareholders

- The Directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's and Group Chief Executive's reviews on pages 8 to 15 provide a summary of the Group's trading performance and future outlook. In addition to the publication, twice a year, of the Group's financial results, there will often be briefings for Shareholders or their representatives – especially following the Group's interim and preliminary final announcements.
- The Chairman is in a good position to ensure that the views of major Shareholders are communicated to the Board as a whole. Additionally, the Chief Executive provides the Board with a report addressing any matters of concern to Shareholders once a quarter.
- The Board views the Annual General Meeting as an ideal opportunity to communicate with both institutional and private investors alike and confirms its compliance with all the provisions of the Combined Code relating to the constructive use of Annual General Meetings. This year's Annual General Meeting will be held on 23 October 2008 and all Board Directors (including Committee chairmen) plan to be present and available to answer questions.

Accountability, audit, and Audit Committee

It is the intention of the Board through this report and accounts, and other public reports and announcements, to present a balanced and understandable assessment of the Company's position and prospects. The Directors have set out their responsibility for preparing the accounts on page 34 of the financial statements.

- An Audit Committee with approved written terms of reference has been established by the Board comprising three of the Non-Executive Directors, at least one of whom has recent and relevant financial experience. During the year the Committee kept under review the effectiveness of the Company's financial control policies and procedures for assessing and reporting financial risk.
- The Audit Committee is responsible for making recommendations to the Board in relation to the appointment and remuneration of the external auditors. Consequently the Committee is responsible for monitoring the auditors performance, cost effectiveness, independence and objectivity - which it has done throughout the year.
- The Committee is authorised to investigate any matter within its terms of reference and where necessary to obtain external legal or other independent professional advice.
- The Committee meets with the Group's external auditors at least twice a year to discuss the Group's framework of controls, Group reporting and other relevant matters. At the conclusion of each annual audit, the Audit Committee receives and considers a report from the Group's auditors setting out any material findings from their audit of the individual Group companies, and reports to the Board as necessary. The Group Finance Director is also invited to attend all meetings.
- The Committee keeps under review the "Whistleblowing" arrangements across the Group to ensure that procedures are in place for staff to report fraud and similar matters.
- In certain circumstances it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or on specific projects where they can add value). The Committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

Corporate Governance (continued)

Internal controls

By means of the systems and processes outlined below, the Board maintains a sound system of internal control to safeguard its assets and the investment of shareholders. The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. At least annually, the Board conducts a review of the effectiveness of these internal controls, as described below, and takes the necessary action to remedy any significant failings or weaknesses which may be identified by its review.

Financial

- A comprehensive budgeting system is in place with annual budgets requiring approval by the Directors. The results of the trading companies within the Group are reported monthly and compared to plan. The Group reports its financial results to shareholders on a 6 monthly basis.
- Authority limits exist across the Group defining revenue expenditure and the Group has clearly prescribed guidelines for capital expenditure which include detailed appraisal and review, levels of authority and due diligence requirements when businesses or assets are being acquired.
- A report on the Group's cash flow and treasury position is received by the Directors at every Board meeting.
- In addition (to the extent required to form a statutory audit opinion) the Group's financial systems are subject to annual review by the Group's external auditors and reportable weaknesses, if any, identified during this annual review process are discussed with the Audit Committee.

Operational

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

Compliance

- Effective health and safety and quality control procedures operate to meet or exceed the standards for approval set by external regulatory bodies.
- The quality control system used is in accordance with ISO 9000 guidelines, and is constantly being evolved and refined to reflect business advances, process changes, and quality issues.
- Litigation and claims by or against the Company are controlled by Senior Management, with the assistance of external counsel as required. The Directors are kept informed and are able to stay abreast of events.

Risk management

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

Corporate Governance (continued)

- It is accepted that risk is itself prevalent in any commercial enterprise and that it must be the objective of the Group's management and staff to be prudent in the acceptance and control of risk incurring activity, rather than aiming to eliminate it entirely. Thus the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities.
- Through day to day management disciplines, face to face meetings, regular written reports, and monitoring systems, the Group evaluates and mitigates unnecessary risks.
- In addition, there are a number of areas of the Group's business where it is necessary to take risks in order to strive for satisfactory profitability and returns to shareholders. The publication both of workshop manuals and books of special and general interest engenders commercial and publishing risk requiring close evaluation by editors and editorial committees with an in-depth knowledge of their subject and their markets.
- For the financial year ended 31 May 2008, the Board has satisfied itself that there was in place an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group as a whole. This process has been formally structured by means of documentary reporting directly to the Board in accordance with the guidance provided by the Turnbull Committee, both in the UK & Europe and US. Risks identified by this process are regularly reviewed by the Board and addressed jointly by the Group Chief Executive and Directors drawing upon the skills of senior management as necessary. The Board monitors this process and is satisfied that, given the size of the Group, and the nature of its operations, this process is sufficient to meet its needs without unduly fettering entrepreneurial activity, and that (in accordance with the recommendation of the Audit Committee) a separate internal audit function is not required.

Going concern

- After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Board Report on Remuneration

1 Best practice

This report to shareholders provides information on the remuneration of all Directors of the Haynes Publishing Group P.L.C. and the criteria by which that remuneration has been determined. It has been prepared in accordance with the requirements of The Companies Act 1985 and the applicable UK Listing Authority's Listing Rules.

2 Constitution of the Remuneration and Nomination Committee

The Committee comprises three independent Non-Executive Directors, R P Corbett (Chairman of the Committee), D W Suter, E Bell and the Executive Chairman J H Haynes. Whilst J H Haynes is not independent of management, as required by B.2.1 of the Combined Code, in considering the composition of the Committee, the Board gave full consideration to the other provisions of the Combined Code and in particular, B.2 which states that Remuneration Committees should consult with the Chairman and/or the Group Chief Executive about their proposals relating to the remuneration of the other Executive Directors. Having considered the Committee's terms of reference, the constitution of the Group Board and the frequency of meetings, the Board felt it practical to include the Chairman as a member of the Committee. Any changes affecting his remuneration are discussed by the Committee without his participation.

3 Policy on directors' remuneration

The Committee is responsible for determining the emoluments of the Executive Directors of the Group. The Committee frames its decisions to ensure that the Group's Executive Directors are appropriately rewarded for their contributions to the Group whilst reflecting their scale of responsibility and performance. Through monitoring the market place and the occasional use of external advisers the Committee seeks to offer remuneration packages which not only reflect current market conditions but are also commensurate with attracting, retaining and motivating Directors of quality to ensure the continued growth and success of the Group. During the year under review the committee has not used the services of external advisers.

In this, the Committee is mindful of the need to use external comparables with caution and to be sensitive to pay and employment conditions elsewhere in the Group. However it is impractical for the Committee also to monitor in detail the remuneration of senior management below board level as required by B.2.2 of the Code and therefore, their remuneration packages are reviewed by the Executive Director responsible for their particular business unit.

It is the Committee's policy to ensure that there is a strong link between the level of Executive Directors' remuneration and the performance both of the Group and its individual trading companies. Thus each Executive Director can significantly augment a relatively modest basic salary through the performance related bonus/incentive arrangements. The Committee has considered the appointment of permanent external consultants; however given the combined experience resting in the Committee members and bearing in mind the considerable costs of appointing permanent consultants, it is thought preferable that such an appointment should not be made.

4 Directors' remuneration

(i) Total emoluments

(a) The total emoluments of the Directors of the Company were as follows:

	2008 £000	2007 £000
Salaries and taxable benefits	621	623
Performance related bonuses	334	337
	955	960
Non-Executive Directors' fees	110	99
Total emoluments	1,065	1,059
Pension contributions	205	208
	1,270	**1,267**

Board Report on Remuneration (continued)

(b) The following categories comprise the principal elements of Executive Directors' remuneration at present:

- Basic salaries, and fixed benefits
- Annual bonus
- Pensions

Each of these elements is viewed with equal importance by the Committee so as to ensure that the remuneration packages reflect not only the short term but also the longer term goals of the Company and of the Group. Consequently, although contrary to Schedule A, item 6 of the Combined Code Provisions, the Committee believes that, as the performance bonus is an integral part of the Executive Directors' remuneration package and as it is and always has been for many years part of their employment contracts, it is proper for this amount to form part of the Directors' pensionable salary. Pensionable salary is defined under the UK pension scheme rules as the amount declared to the Inland Revenue on an individual's P60.

Each element of remuneration payable to Executive Directors is discussed in more detail below and tabulated later in this Report.

Non-Executive Directors receive a fee for their services, and the reimbursement of incidental expenses. No other payments are made.

(ii) Basic salary and benefits

Basic salaries for all Executive Directors are reviewed annually by the Committee. The Committee regards the RPI and similar indices of inflation as important but not the sole factor that it will consider when reaching its decision.

The standard increase in Executive Directors' base salaries at 1 June 2007 was 3%. In addition each Executive Director is entitled to holiday in accordance with the Company's policy for full time employees.

E Oakley and D Benhardus are provided with a fully expensed car and J H Haynes is entitled to a fully expensed car in the US and to the services of a chauffeur and fuel expenses in the UK. J H C Haynes is entitled to fuel expenses only.

All Executive Directors receive long term disability insurance and travel insurance, together with health cover for themselves and their immediate families.

(iii) Annual bonus

An annual bonus is paid to each Director based on the performance of the overall Group or of a substantial component of the Group as follows:

J H Haynes is entitled to 1.5% of the first £4.5 million of the overall Group's net profit, plus 2.5% thereafter.

E Oakley is entitled to the following proportion of overall Group net profit: 1.5% of the first £4.5 million, 2.5% between £4.5 million and £7.5 million, and 3.5% over £7.5 million. This arrangement was last subject to review on 1 December 2007 and will be reviewed every two years.

Additionally, E Oakley is entitled to a one time discretionary bonus at an amount to be decided by the Chairman in consultation with the Committee in the event that the Group disposes of one of the Group's businesses at a gain entirely attributable to the performance of that business.

D Benhardus is entitled to 0.5% of overall Group net profit.

J H C Haynes is entitled to 1% of the net profit of the UK and European businesses.

For the purposes of the above the 'net profit' of the Group is before tax and excluding profits of a capital nature and before deductions of bonuses payable to other Executive Directors. 'Net profit' of the UK and European businesses is calculated on the same basis, and before the deduction of Group costs.

Board Report on Remuneration (continued)

(iv) Share option scheme

The Company has approval to operate an Executive share option scheme. No such options are in existence at the present time.

(v) Pension policy

Each of the Executive Directors has been and continues to be contractually entitled to final salary or money purchase related pension benefits as described below.

(a) Defined benefit schemes

The UK scheme

J H C Haynes is a member of the UK scheme.

The target pension for this director is currently two-thirds of final pensionable salary at the age of 60. Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service. The Director contributes 5% of his pensionable pay, as defined under the Scheme rules. Death in service benefits provide for a return of the individual's contributions made to the scheme, a cash sum equal to 4 times pensionable salary and a widow or dependants pension equal to 50% of the target pension receivable at normal retirement age. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable.

Pensions increase annually during retirement by the lower of 5% or the percentage rise in the Retail Price Index.

With the approval of the Pension Scheme Trustees and the Employer, members may retire from the age of 55 on an actuarially reduced pension based on the shorter working life and after taking into account the cost of earlier payments.

The US plan

J H Haynes, E Oakley and D Benhardus are members of the US Plan. The US Plan provides for a pension that vests in yearly increments reaching a maximum of 50% of final pensionable salary on attaining 7 or more years service with the Company. The final pensionable salary is calculated in a consistent manner to the UK scheme.

The retirement age for the non-contributory US Plan is 65.

Death in service benefits provide for a widow or dependants pension equal to the Actuarial Equivalent of the Accrued Benefit at the date of death. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable. In both cases election may be made to receive a cash lump sum, or by instalments, the amounted vested (Actuarial Accrued Benefit).

Pensions do not increase during retirement.

There are no provisions for early retirement under the US Plan rules but the vested Actuarial Accrued Benefit may be taken in instalments, as a lump sum or left in the Plan until age 70 when, by law, they must be taken.

(b) Defined contribution ('Money Purchase') arrangements

Members whose benefits are capped by legislation participate in additional money purchase arrangements. In the US a scheme has been set up based on the difference between the Company's actual contributions to the defined benefit scheme and those contributions which would have been paid without the legislative cap.

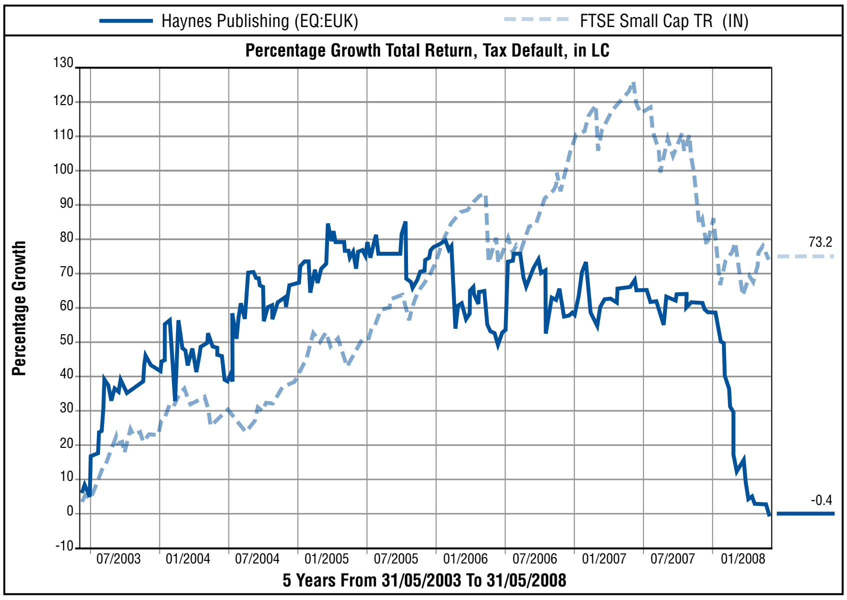
Board Report on Remuneration
(continued)

(b) Defined contribution ('Money Purchase') arrangements (Continued)

The pensionable cap in the US is $225,000 (£111,940). Under this arrangement the Company made contributions on behalf of E Oakley amounting to $164,236 (£81,709) and D Benhardus $51,718 (£25,730) during the year. Additionally, in the US there is an Employer Savings Plan (401K pension plan) available to all employees. Under the plan the Company contributes 1.6% of salary as well as matching one third of employees' deferrals up to a maximum of 6% of salary. During the year, the contributions for E Oakley amounted to $8,100 (£4,030) and for D Benhardus $8,209 (£4,084). In the UK, there is an additional AVC facility for members of the UK Scheme.

5 Performance graph

The following graph compares the total return on the Company's shares with that of the 'FTSE Small Cap' index over the last 5 years. This index was chosen following discussion with the Company's stockbrokers, as being the index most representative of the performance of the shares of generally comparable companies.



6 Service contracts

The Committee is mindful of the unique characteristics of the Company; its vertical integration as both publisher and printer, its product range, its geographical spread, and its shareholder base. The Company's competitive position must be of paramount concern. The service contracts for Executive Directors in the UK include a notice period of 12 months or less upon termination. Directors who are US based are employed 'at will' and there is no notice provision. However to ensure reasonable parity with the UK based Directors a "notional" notice period applies to the calculation of their entitlements upon termination.

If the Company terminates without notice or at short notice, the individual is entitled to the contractual entitlements and benefits which would have accrued within the notice period. With the Company's consent these may be "rolled up" into a single payment at the point of termination.

In the event of termination for cause, the bonus element of remuneration is either not payable or payable only at the discretion of the Company.

Board Report on Remuneration (continued)

Director	Date of contract	Notice period
J H Haynes (UK)	29 November 1979	12 months
J H Haynes (US)	29 November 1979	6 months
E Oakley	30 May 2002	None (24 months notional)
D Benhardus	31 May 2002	None (12 months notional)
J H C Haynes	15 February 2002	12 months

E Oakley's original service contract was renegotiated upon his appointment as Group Chief Executive on 1 June 2002. The Committee is well aware of the advice provided in the Combined Code at B.1.6 concerning the length of the notice period, and in agreement with it, thus all but one of the Directors have notice periods no longer than 12 months. In the exceptional case the Committee believes that it is not presently in the interests of the shareholders to negotiate an amendment.

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

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

Section 4(i)(a) and 4(v)(b) along with the following disclosures (up to and including page 33) on Directors' remuneration have been audited as required by Part 3 of Schedule 7A of the Companies Act 1985.

7 Directors' Remuneration for year ending 31 May 2008

The emoluments of the individual Directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits [1] £000	Total Emoluments £000	2007 Total £000
Executive					
J H Haynes	143	139	9	291	291
E Oakley [2]	209	139	11	359	366
J H C Haynes	107	19	6	132	128
D Benhardus	124	37	12	173	175
	583	334	38	955	960
Non-Executive					
R P Corbett	25	–	–	25	24
D W Suter	20	–	–	20	20
E Bell	26	–	–	26	20
M E F Haynes	19	–	–	19	16
A Garner	20	–	–	20	19
	110	–	–	110	99
Total	**693**	**334**	**38**	**1,065**	**1,059**

[1] The benefits principally relate to the provision of company cars, fuel and healthcare.

[2] Mr E Oakley waived $7,040 (£3,502) of his bonus received in respect of the year ending 31 May 2007. A profit share contribution of $7,040 was then made by the Company into Mr E Oakley's '401K' pension plan in the USA.

Board Report on Remuneration
(continued)

8 Directors' accrued pension entitlements

	[Note]	Normal pensionable Age	Age	Years of pensionable service	Directors' contributions 2008 £000	Accrued benefit 2008 £000	Increase in accrued benefit including inflation £000	Transfer value of the increase in accrued benefit (excluding inflation) less Directors' contributions £000	Transfer value of accrued benefits 2008 £000	Transfer value of accrued benefits 2007 £000	(Decrease)/ increase in transfer value excluding Directors' contributions £000
J H Haynes	US	65	70	26	–	26	3	3	268	245	23
E Oakley	US,MP	65	61	26	–	50	4	4	510	437	73
D Benhardus	US,MP	65	61	20	–	48	4	4	491	415	76
J H C Haynes	UK	60	41	6	6	17	4	3	177	115	62

US Member of the US Plan

All current year amounts for the US plan have been converted to sterling at the closing rate for the financial year. The prior year transfer values of accrued benefits have been stated at the exchange rate ruling at 31 May 2007. The amounts in US Dollars were as follows:

	2008 $000	2007 $000
J H Haynes	529	484
E Oakley	1,008	864
D Benhardus	971	820

UK Member of the UK Scheme.

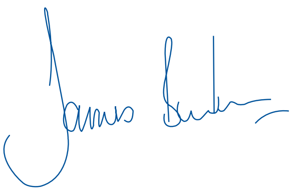
MP Also participates in a defined contribution ('Money Purchase') arrangement (see above).

The accrued benefit shown is that which would be paid annually on retirement age based on service to the end of the year.

On 9 May 2007 the UK Scheme adopted a Reduced Scheme Transfer Value in accordance with the recommendations of the Scheme Actuary. This was in force at 31 May 2008.

Details of the Committee's policy on pensions and the pension arrangements themselves are provided earlier in this Report.

On behalf of the Board.



James Bunkum
Group Company Secretary
4 September 2008

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Board Report on Remuneration which comply with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors to the members of Haynes Publishing Group P.L.C.

We have audited the group and parent company financial statements (the 'financial statements') of Haynes Publishing Group P.L.C. for the year ended 31 May 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Board Report on Remuneration that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Board Report on Remuneration in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements and the part of the Board Report on Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. Additionally, we report to you whether, the information given in the Report of the Directors is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Group Chief Executive's Review, the Report of the Directors, the Corporate Governance Statement and the unaudited part of the Board Report on Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Report of the Independent Auditors to the members of Haynes Publishing Group P.L.C.

(continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Board Report on Remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Board Report on Remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Board Report on Remuneration to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 May 2008 and of its profit for the year then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 May 2008; and
- the parent company financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

BDO Stoy Hayward llp

BDO Stoy Hayward LLP
Chartered Accountants, Registered Auditors
Southampton
4 September 2008

Financial Statements

Consolidated Income Statement

Year ended 31 May 2008

		2008 £000	2007 £000
	Continuing operations		
Note 2	**Revenue**	**31,122**	**29,202**
	Cost of sales	(12,050)	(10,498)
	Gross profit	**19,072**	**18,704**
	Other operating income	75	53
	Distribution costs	(7,345)	(7,437)
	Administrative expenses	(4,835)	(4,169)
Note 4	**Operating profit**	**6,967**	**7,151**
Note 6	Finance income	1,518	1,104
Note 7	Finance costs	(1,400)	(1,174)
	Profit before taxation	**7,085**	**7,081**
Note 8	Taxation	(2,043)	(1,913)
	Profit for the period from continuing operations	**5,042**	**5,168**
	Discontinued operations		
Note 9	Loss for the period from discontinued operations	–	(2,946)
	Profit for the period	**5,042**	**2,222**
	Attributable to:		
	Equity holders of the parent	5,041	2,222
	Minority interests	1	–
		5,042	**2,222**
Note 10	**Earnings per 20p share – pence**		
	Earnings per share from continuing operations		
	– Basic	30.8	31.6
	– Diluted	30.8	31.6
	Earnings per share from continuing and discontinued operations		
	– Basic	30.8	13.6
	– Diluted	30.8	13.6
	Loss per share from discontinued operations		
	– Basic	–	(18.0)
	– Diluted	–	(18.0)

Financial Statements

Consolidated Statement of Recognised Income and Expense

Year ended 31 May 2008

	2008 £000	2007 £000
Exchange differences on translation of foreign operations	284	(940)
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	723	474
- US Scheme	(625)	919
Deferred tax on retirement benefit obligation		
- UK Scheme	(202)	(142)
- US Scheme	250	(368)
Net income/(expense) recognised directly in equity	**430**	**(57)**
Profit for the financial period	5,042	2,222
Total recognised income for the financial period	**5,472**	**2,165**
Attributable to:		
Equity holders of the parent	5,471	2,165
Minority interests	1	-
	5,472	**2,165**

Financial Statements

Consolidated Balance Sheet

As at 31 May 2008

		2008 £000	2007 £000
	Non-current assets		
Note 12	Property, plant and equipment	8,240	6,763
Note 13	Intangible assets	11,688	4,359
Note 18	Deferred tax assets	2,566	2,802
		22,494	**13,924**
	Current assets		
Note 14	Inventories	11,114	10,810
Note 15	Trade and other receivables	11,733	9,801
Note 16	Cash and cash equivalents	2,506	6,478
	Total current assets	**25,353**	**27,089**
	Total assets	**47,847**	**41,013**
	Current liabilities		
Note 17	Trade and other payables	(4,832)	(3,857)
	Current tax liabilities	(570)	(879)
Note 16	Bank overdraft	(2,310)	–
	Total current liabilities	**(7,712)**	**(4,736)**
	Non-current liabilities		
Note 17	Other creditors	(67)	(135)
Note 18	Deferred tax liabilities	(1,392)	(384)
Note 20	Retirement benefit obligation	(6,794)	(6,909)
	Total non-current liabilities	**(8,253)**	**(7,428)**
	Total liabilities	**(15,965)**	**(12,164)**
	Net assets	**31,882**	**28,849**
	Equity		
Note 21	Share capital	3,270	3,270
Note 22	Share premium reserve	638	638
Note 22	Retained earnings	29,018	26,283
Note 22	Foreign currency translation reserve	(1,058)	(1,342)
	Equity attributable to equity holders of the parent	**31,868**	**28,849**
Note 22	Minority interests	14	–
	Total equity	**31,882**	**28,849**

The financial statements were approved by the board of directors and authorised for issue on 4 September 2008 and were signed on its behalf by:

J H Haynes OBE
E Oakley
Directors

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2008

		2008 £000	2007 £000
	Net cash generated from operating activities		
Note 24	- Continuing operations	6,978	7,557
Note 24	- Discontinued operations	–	(583)
	Cash generated by operations	6,978	6,974
	Tax paid	(2,184)	(2,505)
	Interest received	161	161
	Interest paid	(34)	(29)
	Net cash generated from operating activities	**4,921**	**4,601**
	Investing activities		
	Disposal of subsidiary	–	2,780
	Closure of operation	–	(141)
	Disposal proceeds on property, plant and equipment	111	–
	Purchases of property, plant and equipment	(1,997)	(500)
	Expenditure on purchased software	(57)	–
Note 25	Acquisition costs:		
	- Business combinations	(7,010)	–
	- Deferred consideration	(68)	(208)
	Net cash used in investing activities	**(9,021)**	**1,931**
	Financing activities		
	Dividends paid	(2,453)	(2,534)
	Net cash used in financing activities	**(2,453)**	**(2,534)**
Note 26	**Net (decrease)/increase in cash and cash equivalents**	**(6,553)**	**3,998**
	Cash and cash equivalents at begining of year	6,478	3,077
	Effect of foreign exchange rate changes	271	(597)
Note 26	**Cash and cash equivalents at end of period**	**196**	**6,478**

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies

Haynes Publishing Group P.L.C. (the "Company") is a company domiciled in the United Kingdom. The address of the registered office is given on page 16. The consolidated financial statements of the Company for the year ended 31 May 2008 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below in note 1 and the disclosures in notes 2 to 29 all relate to the Group's financial statements. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. The parent company balance sheet can be found on page 74 and the applicable accounting policies of the parent company contained in notes 30 to 42.

During the current financial year, the Group has adopted IFRS 7 'Financial Instruments: Disclosures' which is effective for accounting periods beginning on or after 1 January 2007 along with the associated amendments to IAS 1 'Presentation of Financial Statements'. The main impact of IFRS 7 and the changes to IAS 1 has been to expand the disclosures regarding the Group's financial instruments and management of capital. Also during the year four interpretations issued by the International Financial Reporting Interpretations Committee have come into force. They are IFRIC 7 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment'. The adoption of these Interpretations has not led to any significant changes in the Group's accounting policies.

Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and as such comply with Article 4 of the EU IAS Regulation.

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

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the fair value of consideration below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement at the date of acquisition.

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from the Company shareholders equity.

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

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies (continued)

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on consolidation represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition and is included in the 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.

If the acquisition consideration is less than the net fair value of the identifiable assets, liabilities and contingent liabilities acquired the gain is recognised immediately in the consolidated income statement.

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 or indeterminate life is not amortised but is tested at least annually for impairment and carried at costs less any recognised impairment losses.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight line basis so as to charge the cost of the software to the income statement over its expected useful life within the business.

The estimated useful lives of assets are as follows:

Trademarks, domain names, copyright, know-how	Indeterminite life
Goodwill	Indefinite life
Purchased software	5 years

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

1 Principal accounting policies (continued)

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 goods 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 services is recognised when the service has been supplied and the risks and rewards associated with the supply have been passed to the customer.

Revenue from the sale of licenses under a fixed term and price contract is recognised on a straight line basis over the period of the contract. Revenue from the sale of an individual non-refundable license is recognised once the license has been delivered and the substantial obligations of the vendor have been fulfilled.

Foreign currencies

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

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

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

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

	Year-end rate		Average rate	
	2008	2007	2008	2007
US dollar	1.98	1.98	2.01	1.93
Euro	1.27	1.47	1.38	1.48
Swedish krona	11.87	13.67	12.85	13.61
Australian dollar	2.07	2.39	2.26	2.47

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, the 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.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

1 Principal accounting policies (continued)

Impairment of non-current assets (continued)

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.

Property, plant and equipment

Property, plant and equipment are held in the balance sheet at cost (cost comprising the acquisition cost of the asset 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 on 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 land	Nil
Freehold buildings	40 years
Leasehold property	The period of the lease
Plant and equipment	3 years to 20 years

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.

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.

The cost of editorially originating a new title (i.e. the costs of writing, photographing and editing a title) are expensed to the Consolidated Income Statement to match against the corresponding revenue from such titles, over a period not exceeding 5 years. Provision is made against slow moving and obsolete stock to ensure the value at which stock is held in the balance sheet is reflective of anticipated future sales patterns. The period before a provision is made varies between product categories but for general publishing related titles does not exceed 2 years and for technical motoring titles does not exceed 5 years.

Leases

Where a Group Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease" and initially measured at fair value or, if lower, the present value of the minimum lease payments. The asset is recorded in the balance sheet as property, plant and equipment and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the consolidated income statement, and the capital element which reduces the outstanding obligation for future instalments.
All other leases are accounted for as "operating leases" and the rental charges are charged to the consolidated income statement on a straight line basis over the life of the lease.

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies (continued)

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.

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 income statement and presented in the statement of recognised income and expense. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

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.

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.

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 balance sheet. For the purposes of the Group Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

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 receivables. The amount of the provision is recognised in the income statement. The cost of unrecoverable trade receivables is recognised in the income statement immediately.

Where an advance is paid to an author, ahead of a title's publication, the advance is held as an asset on the balance sheet and is classified within other debtors. Once the title has been published, royalties earned against the title will be offset against the author's advance until the advance asset has been cleared. Where it is deemed unlikely that future sales activity will clear the outstanding royalty advance provision is made to write-down the asset to its expected recoverable amount.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Trade payables

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

Provisions

A provision is recognised in the 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 that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

New standards and interpretations

The IASB and IFRIC have issued the following standards and interpretations with an effective date falling after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS 2	Amendment to IFRS 2 Share Based Payment: Vesting Conditions and Cancellations *	1 January 2009
IFRS 3	Revised IFRS 3 Business Combinations *	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment to IAS 1: Presentation of Financial Statements: A Revised Presentation *	1 January 2009
IAS 23	Amendments to IAS 23 Borrowing Costs *	1 January 2009

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies (continued)

New standards and interpretations (continued)

IAS 27	Amendments to IAS 27 Consolidated and Separate Financial Statements *	1 July 2009
	Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation *	1 January 2009
	Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate *	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer loyalty Programmes*	1 July 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction *	1 January 2008
IFRIC 15	Agreements for the Construction of Real Estate*	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation*	1 October 2008

* Not yet adopted for use in the European Union

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The Directors do not anticipate that the adoption of the above Standards and Interpretations will have a material impact on the financial statements of the Group in the period of initial application.

The revision to IFRS 3 will apply to new business combinations arising after 1 June 2010. The revised standard will require companies to recognise subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be required to be recognised immediately in the consolidated income statement.

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 and intangible assets with indefinite or indeterminate lives, at least annually, for impairment. As part of this review process, the recoverable amount of the asset is determined using value in use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. Further details are contained in note 13 to the consolidated financial statements.

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

1 Principal accounting policies (continued)

Critical accounting estimates and judgements (continued)

ii) Depreciation of property, plant and equipment

Depreciation is provided in the consolidated financial statements so as to write-down the respective assets to their residual values over their estimated useful lives and as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown above in the policy note for depreciation.

iii) 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 (refer to note 12 of the consolidated financial statements).

iv) 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 and price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 20 to the consolidated financial statements.

v) 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 (refer to note 14 of the consolidated financial statements).

vi) Origination amortisation

The cost of editorially originating a new title is expensed to the Consolidated Income Statement to match against the corresponding revenue from such titles, over a period not exceeding 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.

2 Revenue

	2008 £000	2007 £000
Revenue by geographical destination on continuing operations		
United Kingdom	10,719	9,510
Rest of Europe	3,090	2,054
United States of America	14,322	15,213
Rest of World	2,991	2,425
Total consolidated revenue*	**31,122**	**29,202**

* Apart from £3.7 million of turnover which was derived from the rendering of services and £0.4 million of revenue which was derived from royalties, all other revenue was derived from the sale of goods.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

3 Segment information

For management purposes, the Group is currently organised into two operating segments. These operating segments are the basis on which the Group reports its primary segment information.

The principal activities of the two primary segments are as follows:

– The origination, production and sale of automotive repair manuals in the UK and Europe.
– The origination, production and sale of automotive repair manuals in North America and Australia.

Primary format – by geographical location

Financial year ending 31 May 2008

	UK & Europe 2008 £000	North America & Australia 2008 £000	Eliminations 2008 £000	Consolidated 2008 £000
Revenue				
External sales	13,912	17,210	–	31,122
Inter-segment sales	236	706	(942)	–
Total revenue	**14,148**	**17,916**	**(942)**	**31,122**

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

	UK & Europe 2008 £000	North America & Australia 2008 £000	Eliminations 2008 £000	Consolidated 2008 £000
Result				
Segment operating profit	1,258	5,469	–	6,727
Unallocated head office income less expenses				240
Finance income				1,518
Finance costs				(1,400)
Consolidated profit before tax				**7,085**
Taxation				(2,043)
Profit for the period from continuing operations				**5,042**

	UK & Europe 2008 £000	North America & Australia 2008 £000	Eliminations 2008 £000	Consolidated 2008 £000
Balance sheet				
Segment assets	19,943	22,197	(839)	41,301
Segment liabilities	(4,860)	(2,528)	1,646	(5,742)
Segment net assets	**15,083**	**19,669**	**807**	**35,559**
Unallocated head office assets [1]				7,477
Unallocated head office liabilities [1]				(10,347)
Unallocated head office eliminations				(807)
Consolidated net assets				**31,882**

[1] The unallocated head office assets primarily relate to freehold property of £2.7 million (2007: £2.8 million), deferred tax assets of £2.6 million (2007: £2.8 million) and amounts owed by subsidiary undertakings of £0.9 million (2007: £2.0 million). The unallocated head office liabilities primarily relate to the plan deficit on the UK's multi-employer defined benefit scheme of £5.4 million (2007: £6.1 million) and tax liabilities of £0.6 million (2007: £0.9 million).

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

3 Segment information (continued)

Other segment information	Capital Additions £000	Depreciation £000
UK and Europe - Continuing	270	285
North America & Australia	1,958	461
	2,228	**746**
Unallocated head office	1	19
Consolidated total	**2,229**	**765**

Financial year ending 31 May 2007

	UK & Europe 2007 £000	North America & Australia 2007 £000	Discontinued Operations 2007 £000	Eliminations/ Reclassification of Discontinued Operations 2007 £000	Consolidated 2007 £000
External sales	11,755	17,447	2,600	(2,600)	29,202
Inter-segment sales	231	849	890	(1,970)	–
Total revenue	**11,986**	**18,296**	**3,490**	**(4,570)**	**29,202**

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

Result					
Segment operating profit	1,086	5,865	(100)	100	6,951
Unallocated head office income less expenses					200
Finance income					1,104
Finance costs					(1,174)
Consolidated profit before tax					**7,081**
Taxation					(1,913)
Profit for the period from continuing operations					**5,168**
Loss for the period from discontinued operations					(2,946)
Profit for the period					**2,222**

	UK & Europe 2007 £000	North America & Australia 2007 £000	Eliminations/ Reclassification of Discontinued Operations 2007 £000	Consolidated 2007 £000
Balance sheet				
Segment assets	12,756	22,341	(605)	34,492
Segment liabilities	(4,536)	(2,107)	2,494	(4,149)
Segment net assets	**8,220**	**20,234**	**1,889**	**30,343**
Unallocated head office assets [1] see page 51				8,535
Unallocated head office liabilities [1] see page 51				(8,140)
Unallocated head office eliminations				(1,889)
Consolidated net assets				**28,849**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

3 Segment information (continued)

Other segment information	Capital Additions £000	Depreciation £000
UK and Europe - Continuing	314	323
UK and Europe - Discontinued	–	22
North America & Australia	184	402
	498	747
Unallocated head office	2	10
Consolidated total	**500**	**757**

Secondary format – by business segment

Although the primary reporting focus of the Group is based on the geographical location of the operating units, there are two distinct business segments within the Group as follows:

– The origination and sale of automotive repair manuals

– The origination and sale of general publishing titles

The sales to external customers in each of the two segments is shown below:

	2008 £000	2007 £000
Automotive repair manuals	24,879	23,747
General book publishing	6,243	5,455
	31,122	**29,202**

Shown below is an analysis of the carrying amount of segment assets along with the additions to property, plant and equipment in relation to the two business segments:

	Carrying amount of segment assets 2008 £000	Additions to property, plant and equipment 2008 £000	Carrying amount of segment assets 2007 £000	Additions to property, plant and equipment 2007 £000
Automotive repair manuals	36,164	2,228	26,660	423
General book publishing	5,137	–	7,832	75
	41,301	**2,228**	**34,492**	**498**

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

4 Operating profit

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

	2008 £000	2007 £000
Net foreign exchange (gains)/losses	(26)	75
Depreciation of property, plant and equipment	765	757
(Profit)/loss on sale of property, plant & equipment	(91)	–
Cost of inventories recognised as an expense	9,834	10,029
Operating lease rentals – Land and buildings	190	173
– Plant and equipment	197	194
Staff costs (see note 5)	9,239	9,324

Auditors remuneration

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

	2008 £000	2007 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:	76	53
Fees payable to the Company's auditor and its associates for other services		
– The audit of the Company's subsidiaries pursuant to legislation	25	25
– Other services pursuant to legislation	8	8
– Transaction support services	47	3
– Tax services	54	44
Fee's payable in respect of the Group's pension plans		
– Audit	5	5
	215	**138**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

5 Staff costs

Employees:

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

	Continuing operations 2008 number	Total 2008 number	Continuing operations 2007 number	Discontinued operations 2007 number	Total 2007 number
Production	152	152	128	25	**153**
Selling and distribution	62	62	54	23	**77**
Administration	58	58	52	1	**53**
	272	**272**	**234**	**49**	**283**

The aggregate payroll costs of these persons were as follows:

	Continuing operations 2008 £000	Total 2008 £000	Continuing operations 2007 £000	Discontinued operations 2007 £000	Total 2007 £000
Wages and salaries	7,411	7,411	7,528	742	**8,270**
Employer's social security costs	610	610	577	96	**673**
Employer's pension costs defined benefit schemes (note 20)	1,095	1,095	1,103	–	**1,103**
Employer's pension costs defined contribution schemes	123	123	116	27	**143**
	9,239	**9,239**	**9,324**	**865**	**10,189**

Full details concerning Directors' emoluments, pension entitlements and long term incentive schemes are shown in notes 7 and 8 of the Board Report on Remuneration.

6 Finance income

	2008 £000	2007 £000
Finance income can be analysed as follows:		
Interest receivable on bank deposits	161	161
Expected return on pension scheme assets (note 20)	1,357	943
	1,518	**1,104**

7 Finance costs

	2008 £000	2007 £000
Finance costs can be analysed as follows:		
Interest payable on bank loans and overdrafts	34	29
Interest charge on pension scheme liabilities (note 20)	1,366	1,170
	1,400	**1,199**
Less: Amounts included in profit from discontinued operations	–	(25)
	1,400	**1,174**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

8 Taxation

	2008 £000	2007 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	2,140	1,105
– Foreign tax	2,141	2,042
– Double tax relief	(1,856)	(965)
– Adjustments in respect of prior periods	(595)	(283)
	1,830	**1,899**
Deferred tax (note 18):		
– Origination and reversal of timing differences	213	14
Total taxation in the Consolidated Income Statement	**2,043**	**1,913**

(b) Reconciliation of effective tax rate

In April 2008 the rate of UK corporation tax changed from 30% to 28% giving an effective rate of 29.7% for our financial year ended 31 May 2008. Included in the deferred tax charge above is an amount of £0.1 million arising from the change in the UK tax rate. The tax assessed for the period differs from the standard rate of corporation tax for the period of 29.7% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	7,085	7,081
Taxation calculated at the standard rate of corporation tax in the UK of 29.7% (2007: 30%)	2,102	2,124
Affected by:		
Variance in overseas tax rates	631	615
Income/expenses not chargeable/deductible for tax	(95)	(637)
Other differences	–	94
Adjustments relating to prior years	(595)	(283)
Total tax charge for the year reported in the Consolidated Income Statement	**2,043**	**1,913**
Effective tax rate	29%	27%

The lower effective tax rate in the prior year arose due to certain tax deductions in relation to the discontinued operations.

There is an unrecognised deferred tax liability for temporary differences associated with the Company's investments in its subsidiaries. However, in line with paragraph 40 of IAS 12, no liability has been recognised in respect of these differences as the Company controls the dividend policies of its subsidiaries and as such is in a position to control the timing of the reversal of these differences and it is probable that such differences will not reverse in the foreseeable future. The cumulative unremitted reserves of overseas subsidiaries as at 31 May 2008 was £20.1 million (2007: £20.8 million). However, it is not practical to calculate the tax that would be due if these amounts were remitted due to the availability of foreign tax credits.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

9 Discontinued operations

On 24 November 2006 the Group announced the closure of its French operation, Editions Haynes SARL and this was followed on 24 January 2007 by the sale of Sutton Publishing Limited for a consideration of £3.0 million in cash.

The results of the discontinued operations which have been included in the Consolidated Income Statement, were as follows:

	2008 £000	2007 £000
Revenue	–	2,600
Cost of sales	–	(1,533)
Gross profit	**–**	**1,067**
Distribution costs	–	(891)
Administrative expenses	–	(276)
Operating loss	**–**	**(100)**
Finance costs	–	(25)
Loss before taxation	**–**	**(125)**
Taxation	–	–
Loss for the period	**–**	**(125)**
Costs of terminating French operation	–	(533)
Loss on disposal of Sutton Publishing (including disposal costs)	–	(2,288)
Loss for the period from discontinued operations	**–**	**(2,946)**

10 Earnings per share

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

	2008 £000	2007 £000
Earnings:		
Profit after tax - continuing operations*	5,041	5,168
Profit after tax - discontinued operations	–	(2,946)
Profit after tax - all operations*	5,041	2,222
Number of shares:		
Weighted average number of shares (note 21)	16,351,540	16,351,540

* Figure has been adjusted to exclude £1,000 (2007: £nil) attributable to minority interests.

As at 31 May 2008 there were no outstanding options on either of the Company's two classes of shares and there is no difference between the earnings used in the basic and diluted earnings per share calculation.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

11 Dividends

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2007 of 10p per share (2006: 10.0p per share)	1,635	1,635
Interim dividend for the year ended 31 May 2008 of 5.0p per share (2007: 5.5p per share)	818	899
	2,453	2,534
Proposed final dividend for the year ended 31 May 2008 of 10.5p per share	1,717	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 23 October 2008 and has not been included as a liability in these financial statements.

12 Property, plant and equipment

	Land and buildings Freehold £000	Land and buildings Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2006	5,396	413	16,468	22,277
Additions	–	–	500	500
Exchange rate movements	(78)	(15)	(377)	(470)
Disposals	–	–	(494)	(494)
Cost at 1 June 2007	5,318	398	16,097	21,813
Additions through business combinations	–	–	232	232
Additions	1,136	32	829	1,997
Exchange rate movements	20	1	52	73
Disposals	(10)	(1)	(648)	(659)
Cost at 31 May 2008	**6,464**	**430**	**16,562**	**23,456**
Amortisation at 1 June 2006	1,375	283	13,410	15,068
Exchange rate movements	(19)	(10)	(303)	(332)
Charge for the year	3	9	745	757
Disposals	–	–	(443)	(443)
Amortisation at 1 June 2007	1,359	282	13,409	15,050
Exchange rate movements	–	–	39	39
Charge for the year	10	6	749	765
Disposals	–	(1)	(637)	(638)
Accumulated depreciation at 31 May 2008	**1,369**	**287**	**13,560**	**15,216**
Net book value 31 May 2008	**5,095**	**143**	**3,002**	**8,240**
Net book value at 31 May 2007	3,959	116	2,688	6,763
Net book value at 31 May 2006	4,021	130	3,058	7,209

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

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

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

13 Intangible assets

	Goodwill £000	Trademarks and domain names £000	Know how £000	Purchased software £000	Other intangibles £000	Total £000
Cost at 1 June 2006	6,055	–	–	–	–	6,055
Exchange rate movements	(249)	–	–	–	–	(249)
Disposal of subsidiary	(1,447)	–	–	–	–	(1,447)
Cost at 1 June 2007	4,359	–	–	–	–	4,359
Additions through business combinations	2,659	1,209	2,491	811	122	7,292
Exchange rate movements	3	–	–	24	(2)	25
Additions	–	–	–	55	–	55
Cost at 31 May 2008	**7,021**	**1,209**	**2,491**	**890**	**120**	**11,731**
Amortisation at 1 June 2006 and 1 June 2007	–	–	–	–	–	–
Exchange rate movements	–	–	–	–	–	–
Amortisation charge for the period	–	–	–	43	–	43
Amortisation at 31 May 2008	**–**	**–**	**–**	**43**	**–**	**43**
Carrying value as at 31 May 2008	**7,021**	**1,209**	**2,491**	**847**	**120**	**11,688**
Carrying value as at 31 May 2007	4,359	–	–	–	–	4,359
Carrying value as at 31 May 2006	6,055	–	–	–	–	6,055

Impairment tests for cash-generating assets containing goodwill

The Group tests intangible assets and goodwill 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 an impairment test has been undertaken on the cash generating units shown below, based on value in use calculations and using the latest available financial information.

The impairment reviews have been based on financial budgets which have been prepared by management and approved by the Board. The key assumptions used in the budgets relate to sales growth which for Haynes North America has been set at 3% and for Vivid Holding BV 5.7%, sales pricing and changes in direct costs which have been based on historical performance and predicted future outcomes. The rate used to discount the forecast cash flows in both CGU's was 18%. Based on the impairment reviews undertaken in relation to both the Haynes North American and Vivid Holding BV CGU's, the cash flows over the next 5 year period, are expected to exceed the carrying value of the goodwill and intangible assets with indefinite or indeterminate lives and as such there are no indications of impairment at the balance sheet date (2007: £nil).

In assessing the value in use of the CGU's, management have considered the potential impact of reasonably possible changes in the main assumptions used and believe that there are no such changes that would cause the carrying value of the units to exceed their recoverable amount.

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

13 Intangible assets (continued)

The carrying amount of goodwill has been allocated as follows:

	2008 £000	2007 £000
Unit:		
Haynes North America (HNA)	4,362	4,359
Vivid Holding BV (Vivid)	2,659	–
	7,021	**4,359**

The additions to goodwill during the year arose following the acquisition by Haynes Publishing Group P.L.C. of Vivid Holding BV, on 28 February 2008.

The carrying amount of intangible assets have been allocated as follows:

	2008 £000	2007 £000
Unit:		
Haynes North America	144	–
Vivid Holdings BV	4,523	–
	4,667	**–**

The additions to the Haynes North America Inc intangible assets arose following the acquisition of the trade and certain assets/liabilities of Bookworks Pty Ltd in Australia and relate to trade marks and copyright which have been assigned an indefinite useful life and as such are not amortised. The intangible assets in relation to Vivid Holding BV relate to trademarks, domain addresses and know how which have been assigned indefinite or indeterminate useful lives and as such not amortised and software development costs which are capitalised and amortised on a straight line basis over 5 years. Both Bookworks and Vivid have strong reputations in their respective market places. Bookworks is the leading distributor of technical automotive publications in Australia while Vivid manages a unique multilingual database of repair and maintenance data on all current European and Asian cars, light commercial vehicles and trucks. The carrying value for assets with an indefinite life are tested annually for impairment.

The amortisation charge for the period is included in the Consolidated Income Statement as follows:

	2008 £000	2007 £000
Administrative expenses	43	-

14 Inventories

	2008 £000	2007 £000
Raw materials	613	635
Work in progress	1,266	1,257
Finished goods	9,235	8,918
	11,114	**10,810**

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net charge of £97,000 (2007: net credit of £219,000) to the Consolidated Income Statement in relation to the inventory provisions. The movement in the inventory provisions are included within cost of sales in the consolidated income statement.

Included within finished goods stock is £4.7 million (2007: £4.2 million) of editorial origination costs in relation to the production of the core automotive and motorcycle repair manuals which is amortised to the Consolidated Income Statement over a period not exceeding 5 years. Editorial origination costs in relation to the general interest titles are amalgamated with the cost of printing the title and are therefore, not separately identifiable but are expensed to the Consolidated Income Statement over the first print run of a new title.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

15 Trade and other receivables

	2008 £000	2007 £000
Amounts falling due within one year:		
Trade receivables	12,032	9,803
Less: Provision for impairment	(238)	(202)
Less: Customer allowances	(876)	(856)
	10,918	**8,745**
Taxation recoverable	–	14
Other debtors and prepayments	815	1,042
	11,733	**9,801**

As the above trade and other receivables have a remaining life of one year or less, the notional amount is deemed to reflect fair value.

	2008 £000	2007 £000
Analysis of trade receivables:		
Neither impaired nor past due	9,716	8,208
Past due but not impaired	2,078	1,393
Impaired	238	202
	12,032	**9,803**

The categorisation of 'Past due but not impaired' relates to a number of customers for whom there is no history of default and management are confident the overdue balance will be recovered in full. The categorisation of 'impaired' relates to overdue balances where the customer has ceased trading or management are doubtful of recovery and a provision has been made to cover the doubtful balance. The ageing of these two categories is shown in the table below:

	Past due but not impaired 2008 £000	Impaired 2008 £000	Past due but not impaired 2007 £000	Impaired 2007 £000
Less than 30 days past due	1,604	72	1,081	–
30 to 90 days past due	13	12	114	–
Greater than 90 days past due	461	154	198	202
	2,078	**238**	**1,393**	**202**

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

	2008 £000	2007 £000
Balance at 1 June	202	161
Amounts charged to the consolidated income statement	73	82
Amounts written-off as uncollectible	(37)	(41)
Balance at 31 May	**238**	**202**

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

	2008 £000	2007 £000
US dollars	6,232	6,322
Sterling	3,668	3,161
Euro	1,407	–
Australian dollars	423	315
Other currencies	3	3
	11,733	**9,801**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

16 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	2,506	6,478
Bank overdrafts	(2,310)	–
Cash and cash equivalents in the cash flow statement (note 26)	**196**	**6,478**

In the UK, Barclays Bank PLC holds a debenture against the UK trading companies including a first legal charge over the UK freehold properties in order to secure the £2.5 million overdraft facility, together with guarantees from the UK and European trading companies. The overdraft attracts interest based on the bank's base rate and during the year the weighted average rate was 6.3% (2007: 5.0%). In Holland Vivid Holding has a €0.4 million overdraft facility which is unsecured and attracts interest based on the bank's base rate and during the period since its acquisition by Haynes Publishing Group P.L.C. was 6.95%.

As the above cash and cash equivalents have a remaining life of one year or less, the notional amount is deemed to reflect fair value.

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

	2008 £000	2007 £000
US dollars	1,214	3,333
Sterling	(1,769)	2,329
Australian dollars	529	646
Euro	139	–
Other currencies	83	170
	196	**6,478**

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.

17 Trade and other payables

	2008 £000	2007 £000
Amounts falling due within one year:		
Trade payables	1,619	1,362
Other taxes and social security costs	216	134
Other creditors and accruals	2,997	2,361
	4,832	**3,857**
Amounts falling due after more than one year:		
Deferred consideration	**67**	**135**

As the majority of the above trade and other payables have a remaining life of one year or less, the notional amount is deemed to reflect fair value.

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

	2008 £000	2007 £000
Falling due within one year:		
US dollars	1,141	1,175
Sterling	2,290	2,652
Euro	1,296	–
Australian dollars	87	17
Other currencies	18	13
	4,832	**3,857**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

17 Trade and other payables (continued)

Amounts falling due after more than one year:

	2008 £000	2007 £000
US dollars	**67**	**135**

18 Deferred tax assets and liabilities

	2008 Assets £000	2008 Liabilities £000	2008 Net total £000	2007 Assets £000	2007 Liabilities £000	2007 Net total £000
Property, plant & equipment	–	(315)	(315)	–	(384)	(384)
Employee benefits	2,069	–	2,069	2,151	–	2,151
Provisions	497	–	497	651	–	651
Intangible assets	–	(1,077)	(1,077)	–	–	–
Net deferred tax asset/(liability)	**2,566**	**(1,392)**	**1,174**	**2,802**	**(384)**	**2,418**

	2008 £000	2007 £000
Balance at 1 June	(2,418)	(3,010)
Transfer to Consolidated Income Statement	213	14
Transfer to equity	(48)	510
Exchange rate movement	52	68
Acquisition of subsidiary	1,027	–
Balance at 31 May	**(1,174)**	**(2,418)**

19 Financial risk and treasury policy

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

Foreign currency risk

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

Sensitivity analysis

The most significant foreign currency risk to the Group is in relation to the US Dollar. Management estimate that if all other variables remained constant the impact on pre-tax profits of a 5% increase in the value of the US Dollar against Sterling would have been to reduce profits by £0.2 million with a decrease of 5% having an equal and opposite effect. This estimate has been based on an assessment of translating the US dollar profits into Sterling using the average rate for the year of $2.01

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

19 Financial risk and treasury policy (continued)

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. 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 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 15.

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 15) and amounted to £0.3 million net of allowances for doubtful recovery (2007: £0.3 million).

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

Liquidity risk

The principal aim of the Group's liquidity management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and asset leasing. As at 31 May 2008 the Group had a £2.5 million UK overdraft facility which is due for renewal in October 2008, a €400,000 overdraft in Europe which has no fixed renewal date and a $11.0 million loan facility in the US which is due for renewal in April 2009.

Interest rate risk

The Group companies have overdraft and loan facilities which are subject to variable rates of interest based on the respective bank's base rate. As at 31 May 2008 there were no bank loans outstanding (2007: £nil) and bank overdrafts outstanding of £2.3 million (2007: £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 does have an exposure to a change in the market rates of interest. Management estimate that if all other variables remained constant and if the overdraft balances as at the end of the financial year had been outstanding for the entire financial year, the impact of a 1% increase in the bank base rate would have been to decrease pre-tax profits by less than £0.1 million with a decrease of 1 % having an equal and opposite effect.

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 15, 16 and 17 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 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.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

19 Financial risk and treasury policy (continued)

	2008	2007
Interest cover		
Operating profit (£'000)	6,967	7,151
Net finance costs (£'000)	118	70
Interest cover (ratio)	59	102

Interest cover is the operating profit from the consolidated income statement divided by net finance costs

	2008	2007
Gearing ratio		
Net debt (£'000)	–	–
Total equity (£'000)	31,882	28,849
Gearing ratio (%)	–	–

The gearing ratio comprises net debt divided by total equity (net debt being defined as cash and cash equivalents - see note 16)

20 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). A contributory money purchase scheme in the UK (the Suttons scheme) was operated for part of the year.

The assets of all schemes are held independently of the Group and its subsidiaries. The total pension costs for the Group as shown in the balance sheet at the year end and as charged through the income statement in the year are analysed below:

	2008 £000	2007 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(1,095)	(1,103)
Amounts included in finance income:		
– Expected return on pension scheme assets	1,357	943
Amounts included in finance costs:		
– Interest charge on pension scheme liabilities	(1,366)	(1,170)
Amount recognised in the Consolidated Income Statement	**(1,104)**	**(1,330)**

	2008 £000	2007 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	16,616	17,890
Present value of deferred benefit obligation	(23,410)	(24,799)
Net deficit recognised in Consolidated Balance Sheet	**(6,794)**	**(6,909)**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

20 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2008 UK Scheme % per Annum	2007 UK Scheme % per Annum
Discount rate	6.6	5.6
Salary escalation	4.4	3.8
Price inflation	3.9	3.3
Pension increases	3.4	2.9
Expected return on invested assets	7.5	7.6
Expected return on insurance annuity contracts	6.6	5.6

	2008 US Plan % per Annum	2007 US Plan % per Annum
Discount rate	5.0	5.0
Salary escalation	3.0	3.5
Price inflation	2.0	2.0
Pension increases	2.0	2.0
Expected return on invested assets	8.0	6.1

The post retirement mortality assumptions are based on the "PMA/PFA 92 mc" standard tables and the life expectancies underlying the valuation are as follows:

	2008 Years	2007 Years
Current pensioners (at age 65) - Male	21.88	21.88
Current pensioners (at age 65) - Females	24.78	24.78
Future pensioners (at age 65) - Males	23.01	23.01
Future pensioners (at age 65) - Females	25.83	25.83

Scheme assets and expected rate of returns

The assets and liabilities in the plans and the expected rates of return on investments as at 31 May 2008 were as follows:

	2008 UK Scheme		2007 UK Scheme	
	Rate of return %	Value £000	Rate of return %	Value £000
Group Investment Linked Policy				
– Equities	8.0	7,004	8.1	7,215
– Fixed interest/gilts	5.0	361	5.1	406
– Other bonds	6.6	828	5.6	338
– Cash	5.0	599	5.1	499
– Property	8.0	2,789	8.1	3,468
	7.8	11,581	7.8	11,926
Secured pensions in payment	6.6	1,454	5.6	1,365
Assets at fair value		**13,035**		**13,291**

Notes to the Consolidated Financial Statements
Year ended 31 May 2008

20 Retirement benefit obligation (continued)

	2008 US Plan Rate of return %	2008 US Plan Value £000	2007 US Plan Rate of return %	2007 US Plan Value £000
Group Investment Linked Policy				
– US equities	8.0	3,581	8.2	4,460
– Other	–	–	1.0	139
Assets at fair value	**8.0**	**3,581**	**6.1**	**4,599**

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes. The individual return assumptions for each class of asset are based on market conditions as at 31 May 2008 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate.

	UK Scheme 2008 £000	US Plan 2008 £000	Total 2008 £000	UK Scheme 2007 £000	US Plan 2007 £000	Total 2007 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(18,439)	(4,971)	(23,410)	(19,420)	(5,379)	(24,799)
Assets at fair value	13,035	3,581	16,616	13,291	4,599	17,890
Net liability recognised in the balance sheet	**(5,404)**	**(1,390)**	**(6,794)**	**(6,129)**	**(780)**	**(6,909)**
Amount recognised through the consolidated statement of recognised income and expense						
Actuarial gain/(loss) during the year	723	(625)	98	474	919	1,393
Deferred tax on actuarial gain/(loss)	(202)	250	48	(142)	(368)	(510)
	521	**(375)**	**146**	**332**	**551**	**883**
Actual return on assets						
Expected return on plan assets	989	368	1,357	660	283	943
Actual gain/(loss) on plan assets	(1,822)	(1,043)	(2,865)	723	361	1,084
	(833)	**(675)**	**(1,508)**	**1,383**	**644**	**2,027**

Reconciliation of present value of defined benefit obligation (DBO)

	UK Scheme £000	US Plan £000	Total £000
Present value of DBO at 1 June 2006	17,658	5,776	23,434
Current Service Cost	626	477	1,103
Interest Cost	897	273	1,170
Employee contributions	177	–	177
Actuarial (gains)/losses	249	(558)	(309)
Foreign currency exchange rate changes	–	(312)	(312)
Benefits	(187)	(277)	(464)
Present value of DBO at 1 June 2007	**19,420**	**5,379**	**24,799**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

20 Retirement benefit obligation (continued)

	UK Scheme £000	US Plan £000	Total £000
Current Service Cost	613	482	1,095
Interest Cost	1,097	269	1,366
Employee contributions	170	–	170
Actuarial (gains)/losses	(2,545)	(417)	(2,962)
Foreign currency exchange rate changes	–	4	4
Benefits	(316)	(746)	(1,062)
Present value of DBO at 31 May 2008	**18,439**	**4,971**	**23,410**

Reconciliation of fair value of assets	UK Scheme £000	US Plan £000	Total £000
Fair value of assets at 1 June 2006	11,179	3,738	14,917
Expected return on plan assets	660	283	943
Actuarial gain/(loss) on plan assets	723	361	1,084
Foreign currency exchange rate changes	–	(201)	(201)
Employer contributions	740	695	1,435
Employee contributions	176	–	176
Benefits	(187)	(277)	(464)
Fair value of assets at 1 June 2007	**13,291**	**4,599**	**17,890**
Expected return on plan assets	989	368	1,357
Actuarial gain/(loss) on plan assets	(1,822)	(1,043)	(2,865)
Foreign currency exchange rate changes	–	4	4
Employer contributions	723	399	1,122
Employee contributions	170	–	170
Benefits	(316)	(746)	(1,062)
Fair value of assets at 31 May 2008	**13,035**	**3,581**	**16,616**

Reconciliation of change in funded status	UK Scheme £000	US Plan £000	Total £000
Defined benefit liability at 1 June 2006	6,479	2,038	8,517
Total pension expense	864	467	1,331
Employer contributions	(740)	(695)	(1,435)
Impact of foreign currency exchange rates	–	(111)	(111)
Actuarial (gain)/losses	(474)	(919)	(1,393)
Defined benefit liability at 1 June 2007	**6,129**	**780**	**6,909**
Total pension expense	721	383	1,104
Employer contributions	(723)	(399)	(1,122)
Impact of foreign currency exchange rates	–	1	1
Actuarial (gain)/losses	(723)	625	(98)
Defined benefit liability at 31 May 2008	**5,404**	**1,390**	**6,794**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

20 Retirement benefit obligation (continued)

History of experience adjustments

		2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of defined benefit obligation		(23,410)	(24,799)	(23,434)	(22,038)	(16,274)
Fair value of scheme assets		16,616	17,890	14,917	12,600	10,542
Deficit in the scheme		**(6,794)**	**(6,909)**	**(8,517)**	**(9,438)**	**(5,732)**
Experience adjustments on scheme liabilities						
Amount	£000	2,962	309	500	(4,077)	390
Experience adjustments on scheme assets						
Amount	£000	(2,865)	1,084	548	382	364

Expected contributions in the forthcoming year

Expected contributions in the forthcoming year	Financial year beginning 1 June 2008 £000
Group contributions	
– UK scheme	796
– US plan	411
	1,207
Employee contributions	177
	1,384

21 Share capital

	2008 No.	2007 No.	2008 £000	2007 £000
Authorised:				
‘A’ Ordinary shares of 20p	10,000,000	10,000,000	2,000	2,000
Ordinary shares of 20p	8,750,000	8,750,000	1,750	1,750
	18,750,000	**18,750,000**	**3,750**	**3,750**
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 125p and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes 41.67p. At 31 May 2008 the share price was 187.5p (2007: 332p), with a high of 334.0p (2007: 365p) and a low of 187.5p (2007: 308p) for the financial year.

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

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

22 Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Minority interests £000	Total £000
Balance at 1 June 2006	3,270	638	(402)	25,712	29,218	–	29,218
Profit for the period	–	–	–	2,222	2,222	–	2,222
Currency translation adjustments	–	–	(940)	–	(940)	–	(940)
Actuarial gains/(losses) on defined benefit plans (net of tax)	–	–	–	883	883	–	883
Total recognised income and expense			(940)	3,105	2,165	–	2,165
Dividends (note 11)	–	–	–	(2,534)	(2,534)	–	(2,534)
Balance at 1 June 2007	**3,270**	**638**	**(1,342)**	**26,283**	**28,849**	–	**28,849**
Profit for the period	–	–	–	5,042	5,042	–	5,042
Currency translation adjustments	–	–	284	–	284	–	284
Actuarial gains/(losses) on defined benefit plans (net of tax)	–	–	–	146	146	–	146
Total recognised income and expense			284	5,188	5,472	–	5,472
Dividends (note 11)	–	–	–	(2,453)	(2,453)	–	(2,453)
Business combinations					–	14	14
Balance at 31 May 2008	**3,270**	**638**	**(1,058)**	**29,018**	**31,868**	**14**	**31,882**

The share capital represents the Ordinary and ‘A’ Ordinary shares of the Company issued at par which carry a right to participate in the distribution of dividends.

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

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

The retained earnings reserve represents the cumulative net gains and losses recognised in the Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense.

23 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 on page 78. Transactions between two subsidiaries for the sale and purchase of goods or services and between the parent company and its subsidiaries for management charges and license fees are priced on an arms length basis.

Transactions with related parties

The interests of the directors in the ordinary share capital of the Company as at 31 May 2008 are shown in the Directors’ Report on page 20 as required by the FSA’s Disclosure Transparency rules.

During the year directors had declarable interests in contracts with the Company and its subsidiary undertakings shown below. In every case, the transaction was undertaken on an ‘arms length’ basis at open market rates:

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

23 Related party transactions (continued)

(1) A lease dated 28 August 1979 between John H Haynes Developments Inc., (a company registered in California and controlled by Mr J H Haynes) and Haynes North America Inc. of the premises situated at 859 and 861 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001, runs for a period of 5 years from that date, and is presently held over pending renewal. The annual rent for the year ended 31 May 2008 was $207,214 (2007: $207,214) or £102,834 (2007: £107,393) at the average exchange rate for the year. M E F Haynes is a Vice President of John H Haynes Developments Inc.

(2) A lease dated 20 December 1993 between the Haynes Family Trust (of which J H Haynes is a trustee, and J H C Haynes and M E F Haynes are beneficiaries) and the Company of premises known as the "Sparkford Creamery" in Somerset for a term of 21 years at an annual rent, subject to revision every 3 years and presently £65,544 (2007: £37,100).

(3) During the year The Haynes Motor Museum Limited, (of which J H Haynes and M E F Haynes are directors) which is jointly owned by the Haynes International Motor Museum Charitable Trust and J H Haynes and Mrs A C Haynes undertook the following transactions with the Group:

	Transactions 2008 £000	Balance at 31 May 2008 £000	Transactions 2007 £000	Balance at 31 May 2007 £000
Supply of garage services	–	–	2	–
Sponsorship	25	–	–	–
Supply of conference facilities	4	1	4	1
Purchase of books and manuals	24	6	20	5

J H Haynes and A Garner are Trustees of the Charitable Trust

(4) On 22 July 2005 Haynes Developments Ltd, which is a company controlled by J H Haynes and Mrs A C Haynes, and of which J H Haynes and M E F Haynes are directors, extended its sublease of 600sq ft of office premises on the main Sparkford site at a rent of £2,120 per annum (2007: £2,120) plus service charge, for a period of 3 years.

(5) A tenancy of No 12 Ivel Gardens, Ilchester, owned by Mrs A C Haynes and let to the Company (at a monthly rental of £490 plus outgoings) with Haynes Developments Ltd acting as agent for the lessor. As at 31 May 2008 the balance outstanding to Haynes Developments Ltd was £787 (2007: £783).

(6) In September 2007 the Company was a co-sponsor of the World Motor Museum Forum which was hosted by the Haynes International Motor Museum. This was a high profile international event that provided the Group with networking and promotional opportunities.

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

Key management emoluments

The remuneration of the directors, who are the key management personnel of the Group is set out below in aggregate for each of the categories specified within IAS 24 'Related Party Disclosures'. Further information regarding the directors' individual remuneration packages is provided in the audited part of the Board Report on Remuneration on pages 28 to 33.

	2008 £000	2007 £000
Short term employee benefits	1,065	1,059
Post employment benefits	205	208
	1,270	**1,267**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

24 Analysis of cash flows given in the Cash Flow Statement

	2008 £000	2007 £000
Cash flows from operating activities - continuing		
Profit after tax	5,042	5,168
Adjusted for:		
Income tax expense	2,043	1,913
Interest payable and similar charges	34	4
Interest receivable	(161)	(161)
IAS 19 pensions current service cost net of contributions paid	9	227
Operating profit	6,967	7,151
Depreciation on property, plant and equipment	765	735
Amortisation of intangible assests	43	–
Funding of pension and past retirement benefits	(27)	(332)
Excess of acquirer's interest in the net fair value of the identifiable assets and liabilities over cost	(38)	–
Gain/(loss) on disposal of property, plant and equipment	(90)	–
	7,620	**7,554**
Changes in working capital:		
Decrease/(increase) in inventories	236	(215)
(Increase)/decrease in receivables	(604)	526
Decrease in payables	(274)	(308)
	6,978	**7,557**
Cash flows from operating activities - discontinued		
Profit after tax	–	(2,946)
Adjusted for:		
Interest payable and similar charges	–	25
Loss on disposal of subsidiary	–	2,288
Closure of operation	–	533
Operating loss	–	(100)
Depreciation on property, plant and equiptment	–	22
Gain/(loss) on disposal of property, plant and equiptment	–	–
	–	**(78)**
Changes in working capital:		
Increase in inventories	–	(235)
Increase in receivables	–	(280)
Increase in payables	–	10
	–	**(583)**

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

25 Acquisitions and disposals

Acquisitions

On 5 June 2007, the Board announced the acquisition of certain assets and liabilities including finished goods inventory, work in progress, intellectual property and equipment from Bookworks Pty Ltd, Rellim Pty Ltd, Motordata Pty Ltd and Stan H Earle Pty Ltd all private Australian companies in the book origination, printing and distribution business. The total consideration for the acquisition was £0.7 million (A$1.5 million) after taking into account the costs of aquisition.

Given the proximity of the acquisition to the date of the publication of the Consolidated Financial Statements for the year ended 31 May 2007 it was not possible to determine the fair values of any intangible assets arising on the acquisition. Accordingly, provisional fair values were noted in those Consolidated Financial Statements. Following a review undertaken post acquisition intangible assets of £144,000 (A$334,000) have been identified in relation to the trademarks (£26,000) and copyrights (£118,000) held by the Bookworks companies.

The table below shows the fair values arising on the acquisition:

	Carrying value £'000	Recognised on acquisition £'000
Assets acquired		
Property, plant and equiptment	75	105
Intangible assets (note 13)	–	144
Inventories	504	540
Other creditors	(40)	(40)
Deferred tax arising on recognition of intangible assets	–	(49)
Fair value of net assets	539	700
Excess of acquirer's interest in the net fair value of the identifiable assets and liabilities over cost		(38)
Total consideration		**662**
Consideration		606
Costs associated with the acquisition		56
Total consideration		**662**
The cash outflow on acquisition was as follows:		
Cash paid		(662)
Net cash outflow		**(662)**

In August 2007 new premises in Sydney, Australia were acquired for a consideration of A$2.3 million (£1.0 million) exclusive of taxes, which has enabled the Group's Australian businesses to be combined and operate from one location. As a result of the amalgamation during the period it is impracticable to determine the amount of profit for the period, which would have been derived solely from the newly acquired business as required by Paragraph 67(i) of IFRS 3 'Business Combinations'.

Paragraph 70 (a) and (b) of IFRS 3 requires an acquirer to disclose the Group revenue and Group profit attributable to equity holders of the parent, as if the acquisition had been effected at the beginning of the financial period. However, as the acquisition of the Bookworks businesses was completed at the beginning of the financial period there is no difference between the basis as required under IFRS 3 above and that shown in the Consolidated Income Statement.

The excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over cost of £38,000 has been included within other operating income in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

25 Acquisitions and disposals (continued)

On 28 February 2008, the Group acquired 100% of the issued share capital of Vivid Holding BV, a company based in Soest, Holland with subsidiaries in Holland, the UK, Italy and Spain (the Vivid group). The Vivid group specialise in the supply of digital technical information on repair, maintenance and diagnostics to independent garages and workshops. The total cash consideration was £6.2 million (€8.2 million) after taking into account the costs of aquisition.

The provisional fair values of the identifiable assets and liabilities at the relevant dates of acquisition are as follows:

	Carrying value £'000	Recognised on acquisition £'000
Assets acquired		
Property, plant and equipment	127	127
Intangible assets (note 13)	811	4,480
Trade & other receivables	1,328	1,328
Cash & cash equivalents	102	102
Bank overdrafts	(215)	(215)
Trade & other payables	(1,219)	(1,219)
Deferred tax	-	(1,027)
	934	3,576
Goodwill arising on acquisition		2,659
Total consideration		**6,235**
Consideration		6,049
Costs associated with the acquisition		186
Total consideration		**6,235**
The cash outflow on acquisition was as follows:		
Cash and cash equivalents acquired		(113)
Cash paid		(6,235)
Net cash outflow		**(6,348)**

From the date of acquisition the Vivid group contributed £0.2 million to the Group's profit before tax as shown in the Consolidated Income Statement. The combined revenue and profit before tax of the Group, assuming the Vivid group had been acquired by the Group at the start of the financial year, would have been £33.7 million and £7.4 million respectively.

Included in the £2.7 million of goodwill recognised above are certain intangible assets that could not be individually separated and reliably measured due to their nature. These items include the expected value of synergies and the assembled work force.

Deferred consideration

Analysis of net cash outlflow

	2008 £000	2007 £000
Deferred consideration in relation to the Chilton acquisition [1]	68	208

[1] The payments during the year relate to deferred consideration arising on the acquisition in January 2001 of certain assest and intellectual property of Chilton Manuals from WG Nichols in the USA. The remaining balance due on the deferred consideration is included within Trade and other payables.

Notes to the Consolidated Financial Statements

Year ended 31 May 2008

26 Analysis of the changes in net funds

	As at 1 June 2007 £000	Cash flow £000	Exchange movements £000	As at 31 May 2008 £000
Cash at bank and in hand	6,478	(4,243)	271	2,506
Bank overdrafts	–	(2,310)	–	(2,310)
	6,478	**(6,553)**	**271**	**196**

27 Operating leases

As at 31 May 2008 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £000	2007 £000
Commitments under non-cancellable operating leases		
Land and buildings:		
Due within one year	100	40
Due in the second to fifth years	306	148
Due after five years	171	74
	577	**262**
Plant and equipment:		
Due within one year	139	159
Due in the second to fifth years	190	150
Due after five years	2	–
	331	**309**
	908	**571**

28 Capital commitments

At 31 May 2008 the Group had the following capital commitments for which no provision has been included in the financial statements:

	2008 £000	2007 £000
Contracted	5	5

29 Ultimate controlling party

The ultimate controlling party is J H Haynes who has majority voting rights by virtue of his 57.5% beneficial interest in the ordinary shares of the Company.

Financial Statements

Company Balance Sheet

As at 31 May 2008

		2008 £000	2007 £000
	Fixed assets		
Note 33	Tangible assets	2,704	2,813
Note 34	Investments in subsidiary undertakings	7,106	871
		9,810	3,684
	Current assets		
Note 35	Debtors	835	1,891
	Cash at bank and in hand	1	721
		836	2,612
Note 36	**Creditors:** amounts falling due within one year	(2,967)	(755)
	Net current assets	(2,131)	1,857
	Total assets less current liabilities	**7,679**	**5,541**
Note 38	Provisions for liabilities	(168)	(177)
	Net assets	**7,511**	**5,364**
	Capital and reserves		
Note 39	Called up share capital	3,270	3,270
Note 40	Share premium account	638	638
Note 40	Profit and loss account	3,603	1,456
	Shareholders' funds	**7,511**	**5,364**

The financial statements were approved by the board of directors and authorised for issue on 4 September 2008 and were signed on its behalf by:

J H Haynes OBE
E Oakley
Directors

Notes to the Company Accounts

Year ended 31 May 2008

30 Principal Accounting Policies

Basis of accounting

The financial statements of the parent company, Haynes Publishing Group P.L.C. have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The Company has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with subsidiaries wholly owned by the Group.

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 profit and loss account as they arise. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Depreciation

Depreciation is provided to write off the cost of tangible fixed assets less any estimated residual values, by equal instalments over their estimated useful lives as follows:

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

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted tax basis at the tax rates that are expected to apply in the periods in which the timing differences will reverse.

Leases

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

Retirement benefits

The Company participates in a multi-employer defined benefit pension scheme based on final pensionable pay where the assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, in accordance with FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Details of the UK Scheme are shown in Note 20 to the Consolidated Accounts.

Notes to the Company Accounts

Year ended 31 May 2008

30 Principal Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value.

Investments

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

31 Profit of the Parent Company

As permitted by Section 230 of the Companies Act 1985, the Income Statement of the Company is not presented as part of these financial statements.

The profit dealt with in the Company accounts was £4.6 million (2007: loss of £1.3 million) which includes dividends received from subsidiaries of £4.5 million (2007:£2.5 million).

Employees

Aggregate remuneration of employees	2008 £000	2007 £000
Wages and salaries	973	933
Employer's social security costs	63	52
Employer's pension costs	23	28
	1,059	**1,013**

	2008 No	2007 No
Average number of employees (all administration)	11	12

Full details concerning the Director's emoluments, pension entitlements and long-term incentive schemes are shown in notes 7 and 8 of the Board Report an Remuneration.

Auditor's remuneration

The fees payable by the Company to BDO Stoy Hayward LLP for work performed in respect of the audit of the Company was £25,000 (2007: £21,000). Fees paid to BDO Stoy Hayward LLP by the Company for non-audit services are not reported in these accounts as the information is disclosed in note 4 of the Consolidated Financial Statements.

32 Dividends

Dividends paid and proposed	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2007 of 10p per share (2006: 10.0p per share)	1,635	1,635
Interim dividend for the year ended 31 May 2008 of 5.0p per share (2007: 5.5p per share)	818	899
	2,453	**2,534**
Proposed final dividend for the year ended 31 May 2008 of 10.5p per share	1,717	1,635

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 23 October 2008 and has not been included as a liability in these financial statements.

Notes to the Company Accounts

Year ended 31 May 2008

33 Tangible fixed assets

	Land and buildings Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2007	4,012	97	102	4,211
Additions	–	–	1	1
Disposals	(9)	–	–	(9)
Cost at 31 May 2008	**4,003**	**97**	**103**	**4,203**
Accumulated depreciation at 1 June 2007	1,241	67	90	1,398
Charge for year	92	5	4	101
Accumulated depreciation at 31 May 2008	**1,333**	**72**	**94**	**1,499**
Net book value at 31 May 2008	**2,670**	**25**	**9**	**2,704**
Net book value at 31 May 2007	2,771	30	12	2,813

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2007: £3,613,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

34 Investment in subsidiary undertakings

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
The Company			
Cost			
Cost at 1 June 2007	1,065	1,666	2,731
Additions	6,235	–	6,235
Disposal	(194)	(1,666)	(1,860)
Cost at 31 May 2008	**7,106**	**–**	**7,106**
Provision for impairment			
Impairment at 1 June 2007	194	1,666	1,860
Impairment in year	–	–	–
Disposal	(194)	(1,666)	(1,860)
Impairment at 31 May 2008	**–**	**–**	**–**
Carrying value at 31 May 2008	**7,106**	**–**	**7,106**
Carrying value at 31 May 2007	871	–	871

The disposal during the year relates to the liquidation of the French subsidiary Editions Haynes.

Notes to the Company Accounts

Year ended 31 May 2008

34 Investment in subsidiary undertakings (continued)

As at 31 May 2008 there were the following principal subsidiary undertakings. Except as indicated all subsidiaries are all wholly owned, within the Group and all with financial year-ends of 31 May:

	Country of incorporation, registration and operation
J H Haynes & Co Ltd (Publisher and Printer)	United Kingdom
J H Haynes (Overseas) Ltd (Holding Company)	United Kingdom
Haynes North America, Inc (Publisher)*	USA
Haynes Manuals, Inc (Book Distributor)*	USA
Odcombe Press LP (Printer)*	USA
Haynes Publishing Nordiska AB (Sales and Marketing)	Sweden
Vivid Holdings BV (Holding)	Holland
Vivid Automotive Data & Media BV (Sales)*	Holland
Vivid Automotive Data (UK) Ltd (Data Production)*	United Kingdom
Vivid Automotive Data Espana SL (Sales)*	Spain
Vivid Italia srl (Sales)*[1]	Italy

As at 31 May 2008, there were the following dormant subsidiary undertakings, all wholly owned within the Group: Camway Autographics Ltd, *Haynes Garages Ltd, GT Foulis & Co Ltd, Oxford Illustrated Press Ltd, Patrick Stephens Ltd, *Camelot Inc, *Odcombe Press (Nashville) Inc, *E-Commerce Management Ltd, *Vivid Automotive Data Publishing Ltd and *Partsdoc Holding BV.

Editions Haynes SARL, a wholly owed French subsidiary, was in liquidation as at 31st May 2008.

[1] Through Vivid Automotive Data & Media BV the Group has a 60% interest in the equity of Vivid Italia srl.

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

35 Debtors

	2008 £000	2007 £000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	764	1,845
Taxation recoverable	45	–
Other debtors and prepayments	26	46
	835	**1,891**

36 Creditors

	2008 £000	2007 £000
Amounts falling due within one year:		
Trade creditors	19	21
Amounts owed to subsidiary companies	111	111
Bank overdraft	2,248	–
Corporate taxes	–	21
Other taxes and social security costs	3	4
Other creditors and accruals	586	598
	2,967	**755**

Notes to the Company Accounts

Year ended 31 May 2008

37 Financial risk management, objectives and policies

Note 19 to the Consolidated Financial Statements provides details of the Group's financial risk management, objectives and policies. These policies also apply to the company.

Financial assets

As at 31 May 2008 the Company had financial assets totalling £1,000 (2007:£721,000) of which £1,000 was held in Euro's (2007:£nil), £nil was held in Sterling (2007:£720,000) and £nil was held in US dollars (2007: £1,000).

Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of the financial assets and liabilities.

38 Provisions for liabilities

	2008 £000	2007 £000
Deferred taxation:		
Balance at 1 June	177	174
Transfer to profit and loss account	(9)	3
Balance at 31 May	**168**	**177**
Being:		
Accelerated capital allowances	180	191
Other short-term timing differences	(12)	(14)
Provision for deferred tax	**168**	**177**
Analysed in the Balance Sheet as follows:		
Provision for liabilities and charges	**168**	**177**

The deferred tax provision arises as a result of timing differences between the treatment of certain items for tax and accounting purposes.

39 Share capital

	2008 No.	2007 No.	2008 £000	2007 £000
Authorised:				
'A' Ordinary shares of 20p	10,000,000	10,000,000	2,000	2,000
Ordinary shares of 20p	8,750,000	8,750,000	1,750	1,750
	18,750,000	**18,750,000**	**3,750**	**3,750**
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 125p and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes 41.67p. At 31 May 2008 the share price was 187.5p (2007: 332p), with a high of 334.0p (2007: 365p) and a low of 187.5p (2007: 308p) for the financial year.

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

Notes to the Company Accounts

Year ended 31 May 2008

40 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 June 2006	3,270	638	5,286	9,194
Loss for the period	–	–	(1,296)	(1,296)
Dividends (note 32)	–	–	(2,534)	(2,534)
Balance at 1 June 2007	**3,270**	**638**	**1,456**	**5,364**
Profit for the period	–	–	4,600	4,600
Dividends (note 32)	–	–	(2,453)	(2,453)
Balance at 31 May 2008	**3,270**	**638**	**3,603**	**7,511**

41 Retirement benefits

The Company is a member of a larger UK group wide pension scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a reasonable and consistent basis, the Company is permitted under FRS 17 'Retirement Benefits' to account for the scheme as if it were a defined contribution scheme. Details of the UK Scheme are detailed in note 20 to the Consolidated Financial Statements and whilst reported under IAS 19 are not in the Directors opinion significantly different to the FRS 17 values.

The contributions paid by the Company into the scheme during the year amounted to £23,000 (2007: £28,000).

42 Leases

Annual operating lease commitments:

	2008 £000	2007 £000
Land and Buildings:		
Leases expiring after five years	65	37
Plant and equipment:		
Leases expiring in less than 1 year	–	8
Leases expiring between 2 and 5 years	1	1
	1	9
	66	**46**

Financial Calendar and Analysis of Shareholders

Financial Calendar

Company year end	31 May
Announcement of annual results and proposed final dividend	September
Financial statements and report posted	September
Annual General Meeting	October
Final dividend paid	October
Interim Statement	January
Interim dividend paid	April

Analysis of Shareholders as at 31 May 2008

Type of Shareholder	Number of Shareholders	Total shareholdings
Commercial and industrial companies	27	695,515
Directors beneficial holdings	5	10,154,567
Nominee companies	98	5,199,305
Private holders	216	301,153
Investment trusts and funds	1	1,000
	347	16,351,540

Share Registrars

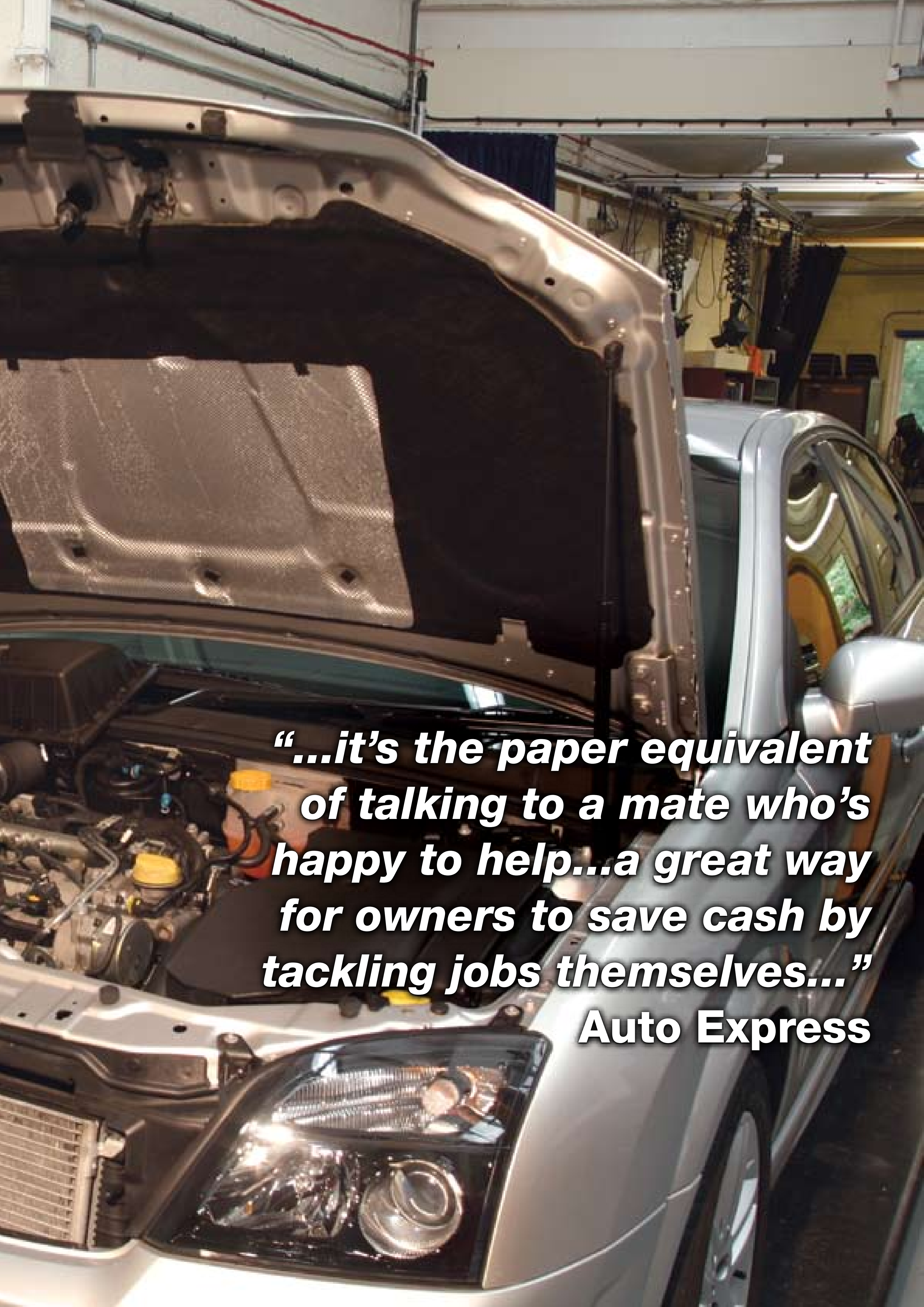
Website: **www.capitaregistrars.com**

Investors

Company website: **www.haynes.co.uk/investor**

Share price: **www.londonstockexchange.com (code: hyns)**


Haynes
GB
HAYNE



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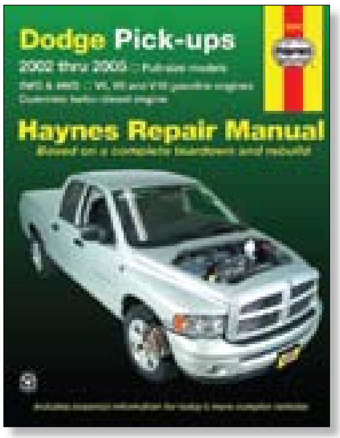
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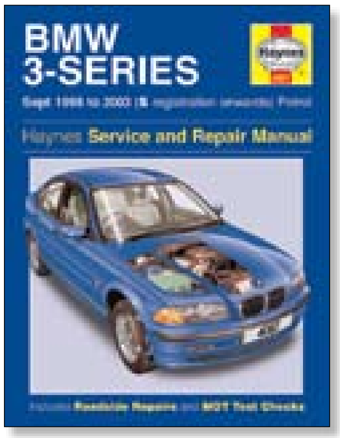
2002 thru 2005
Haynes Repair Manual
Based on a complete teardown and rebuild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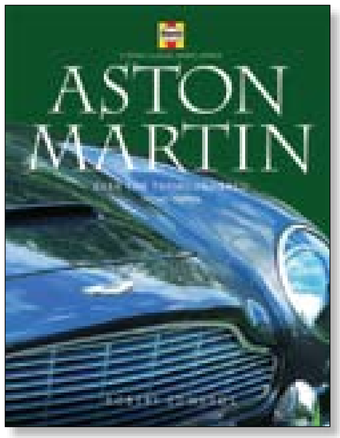
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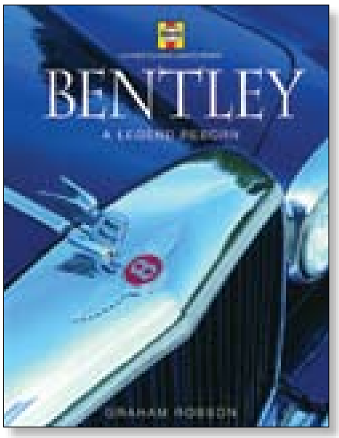
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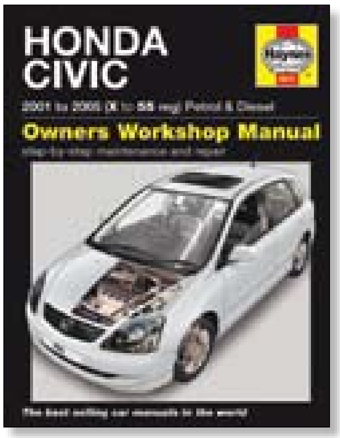
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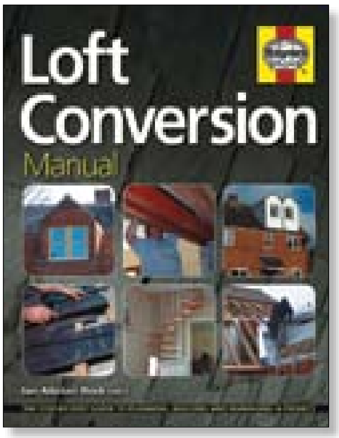
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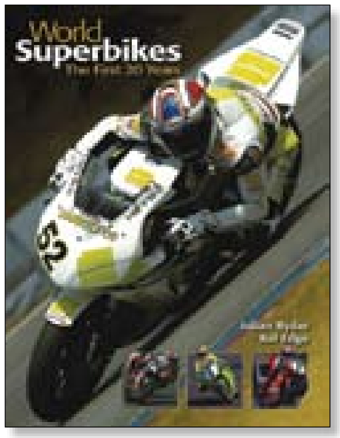
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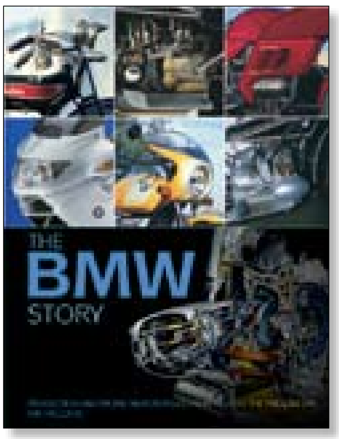
The First 20 Years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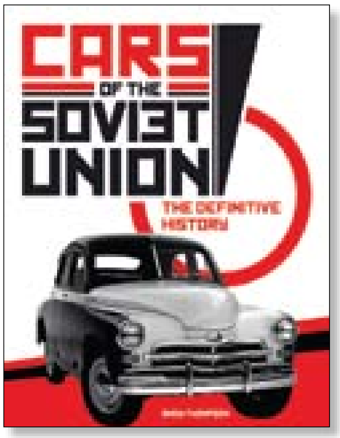
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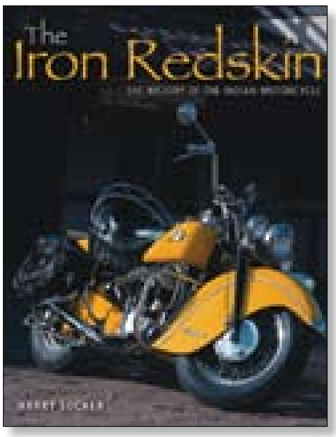
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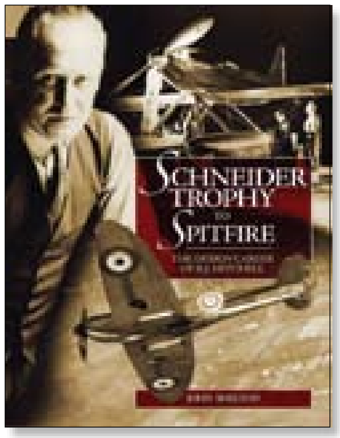
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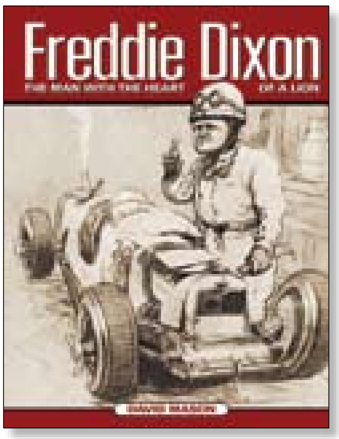
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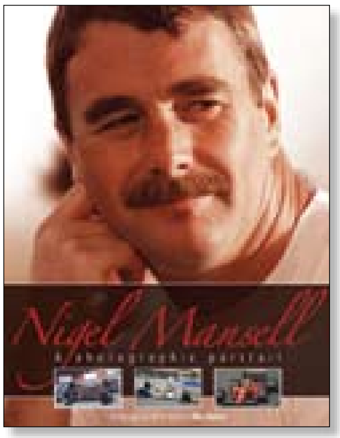
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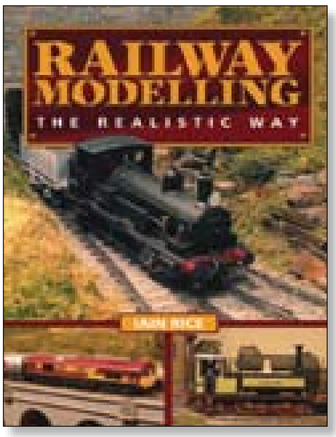
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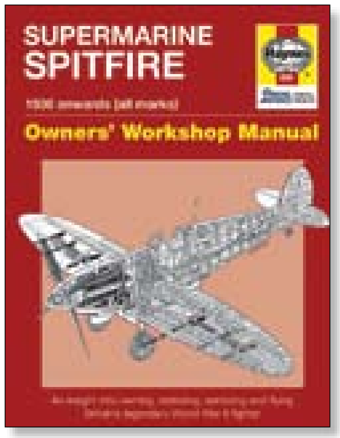
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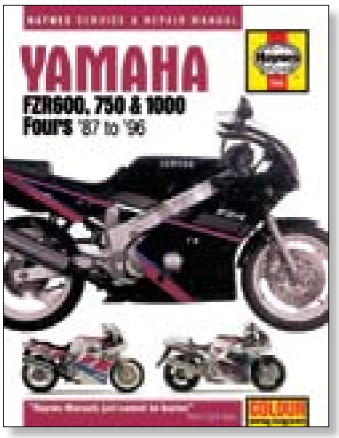
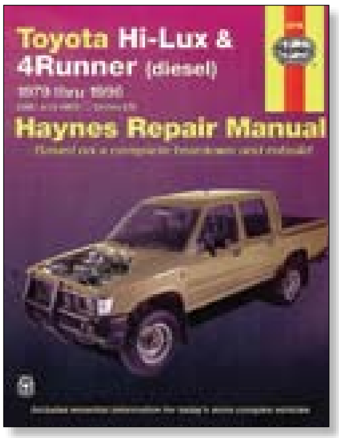

YAMAHA
FZR600, 750 & 1000
Fours '87 to '96


Toyota Hi-Lux &
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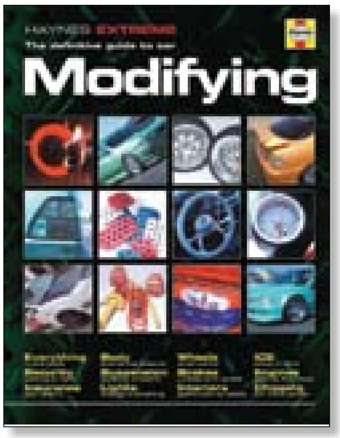
1979 thru 1996
Haynes Repair Manual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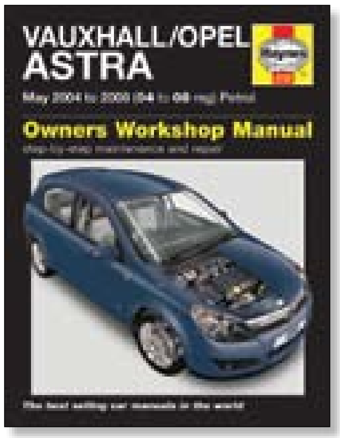
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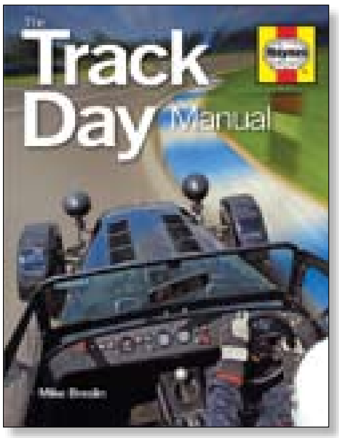
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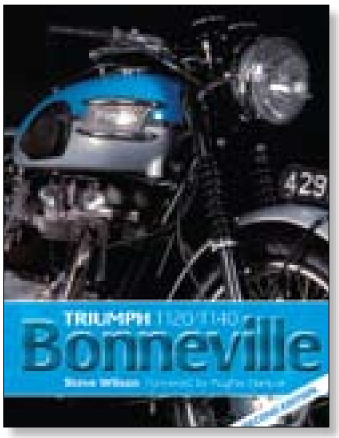
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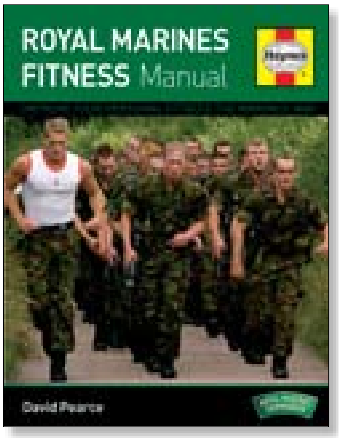
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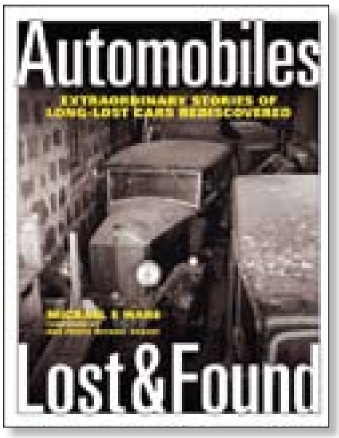
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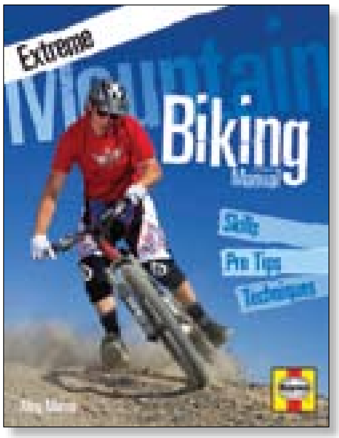
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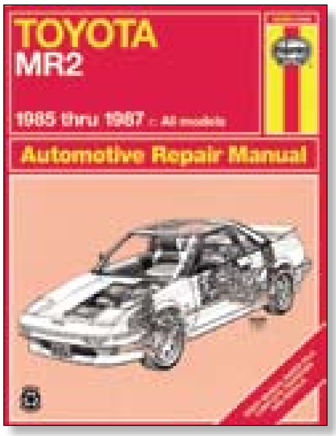
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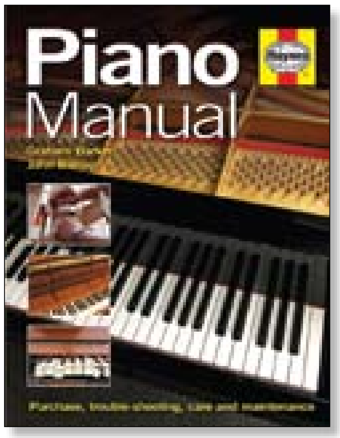
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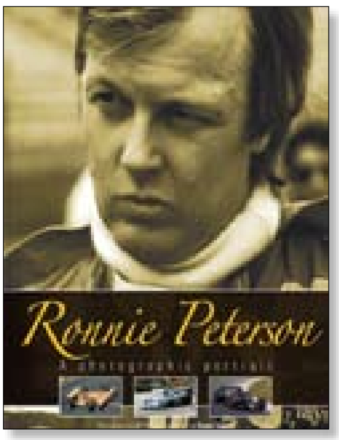
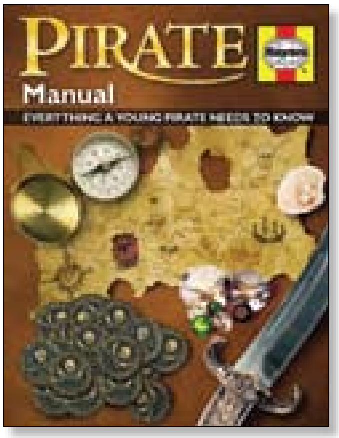

Ronnie Peterson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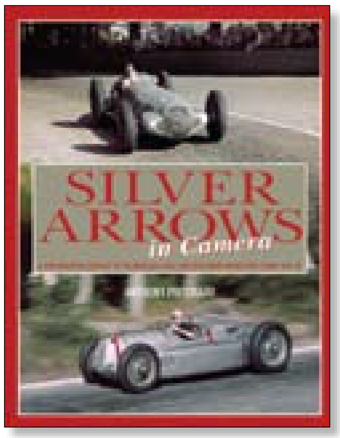
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