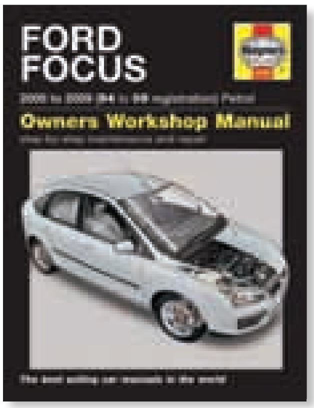
Haynes Publishing Group P.L.C.

ANNUAL REPORT 2009

Report & Accounts **for the year ending May 2009**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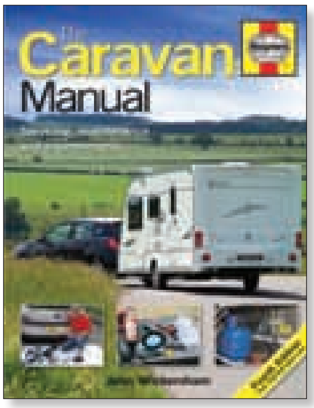
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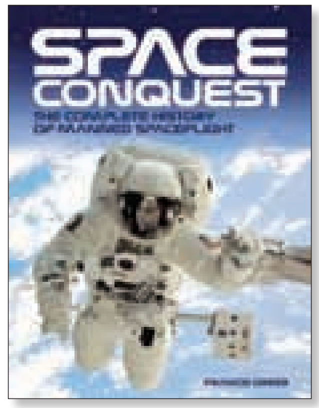
pop & rock

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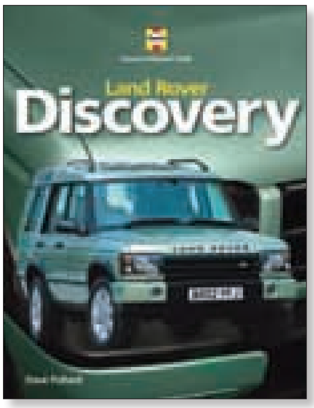
OF MANNED SPACEFLIGHT

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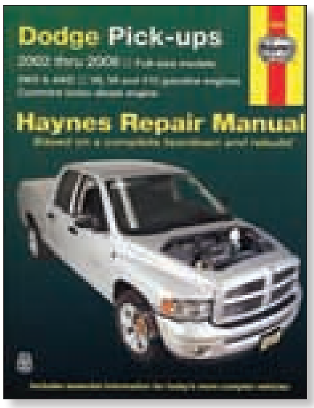
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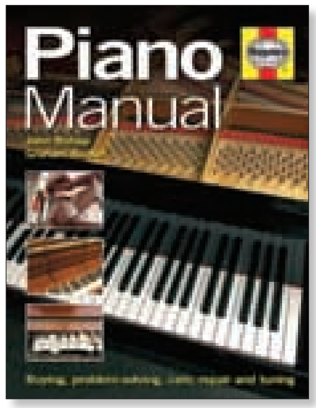
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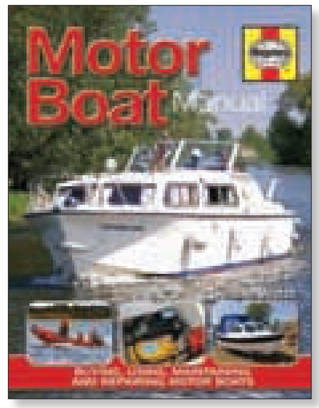
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Manual

Adventure
Riding Techniques

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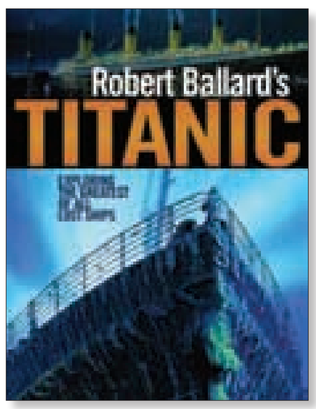
ROGER SMITH

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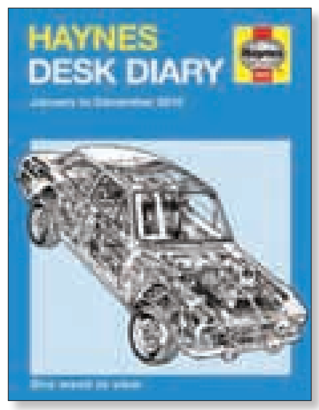
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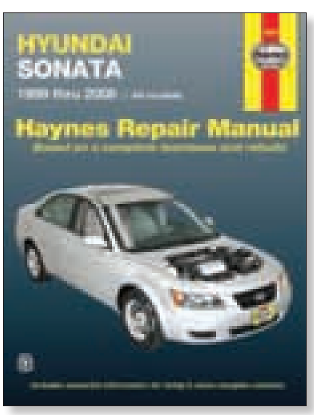
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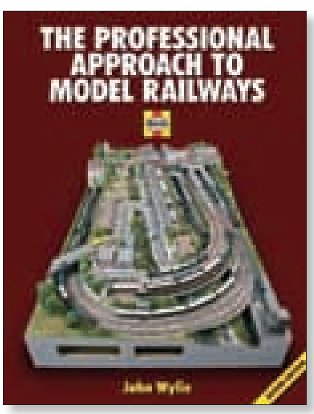
SONATA
Haynes Repair Manual

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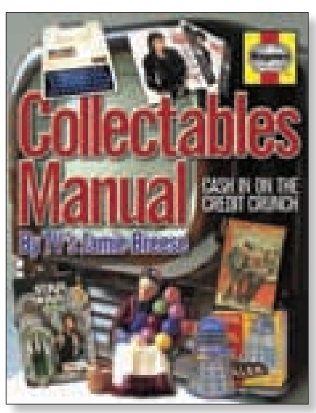
MODEL RAILWAYS
John Wylie

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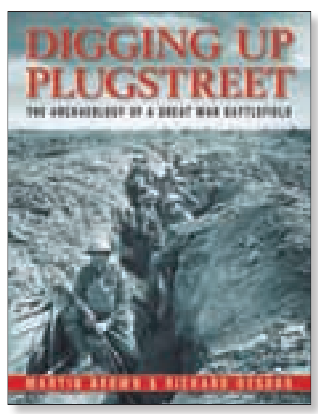
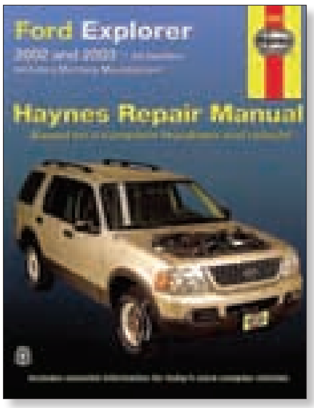
Manual
CASH IN ON THE
CREDIT CRUNCH

DIGGING UP
PLUGSTREET


SUZUKI
GSF650 Bandit & GSX650F
GSF1250 Bandit

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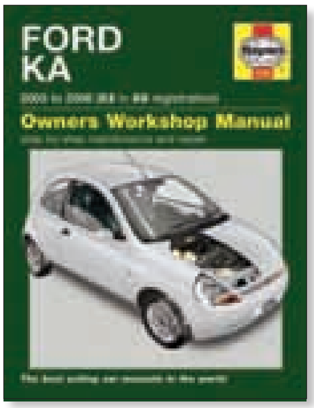
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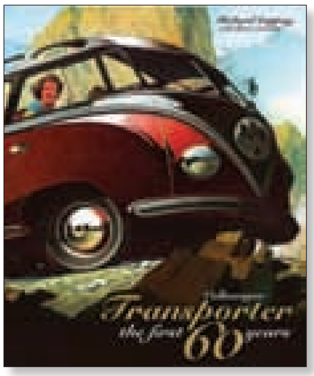
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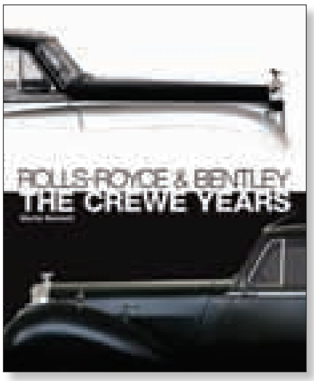
the first 60 years

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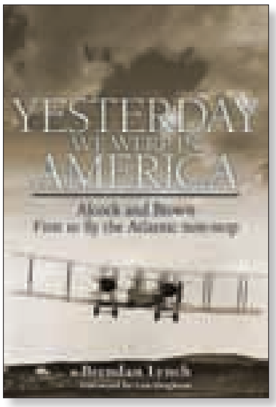
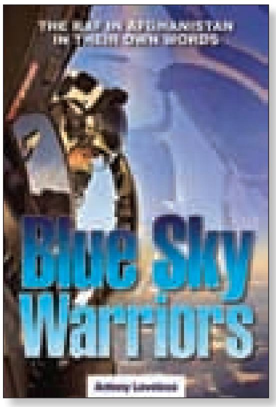
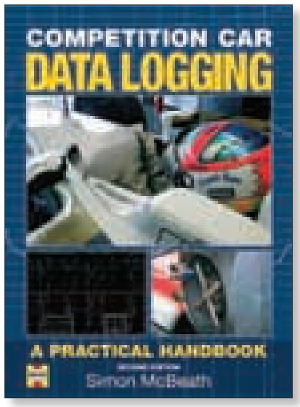
THE CREWE YEARS

YESTERDAY
WE WERE IN
AMERICA
Alcock and Brown
First to fly the Atlantic non-stop
Brendan Lynch

THE RAF IN AFGHANISTAN
IN THEIR OWN WORDS
Blue Sky
Warriors

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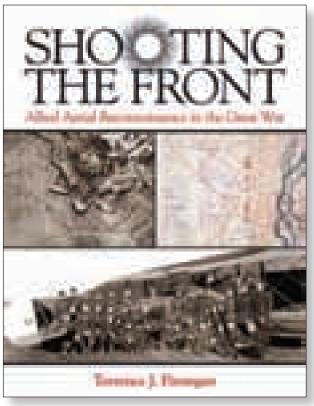
DATA LOGGING
A PRACTICAL HANDBOOK
Simon McBeath

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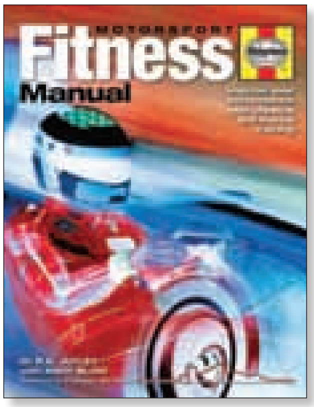
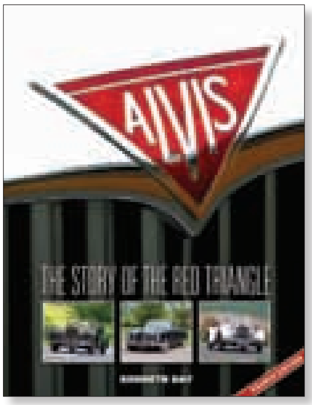
THE FRONT
Terrence J. Finnegan

MOTORSPORT
Fitness
Manual

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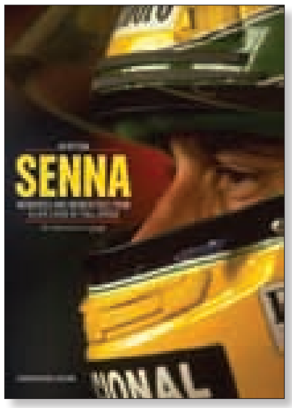
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The
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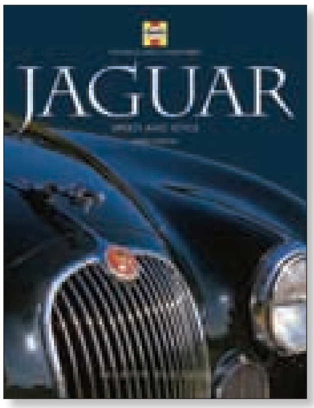
Bike Book

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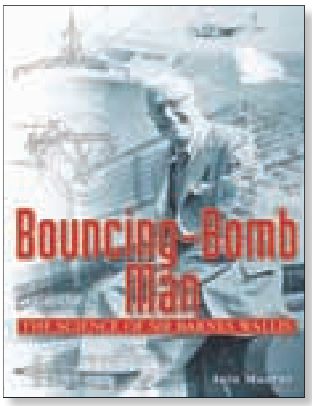
Bouncing-Bomb
Man

The
Driving
Games
Manual

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 its Dutch subsidiary Vivid Holding BV, 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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Financial Highlights for the year ended 31 May 2009

- Group revenue of £35.3 million
  (2008: £31.1 million)

- Group operating profit of £7.6 million
  (2008: £7.0 million)

- Group pre-tax profit of £7.1 million
  (2008: £7.1 million)

- North America & Australia segmental operating profits of £5.1 million ($8.4 million)
  (2008: £5.5 million, $11.0 million)

- UK and Europe segmental operating profits on continuing operations of £2.2 million
  (2008: £1.3 million)

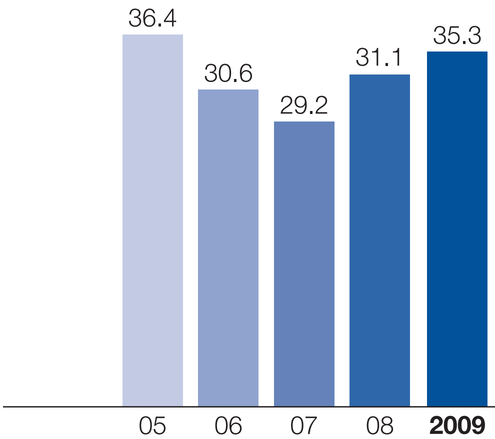
- Basic earnings per share of 29.4 pence
  (2008: 30.8 pence)

- Net funds of £1.4 million
  (2008: £0.2 million)

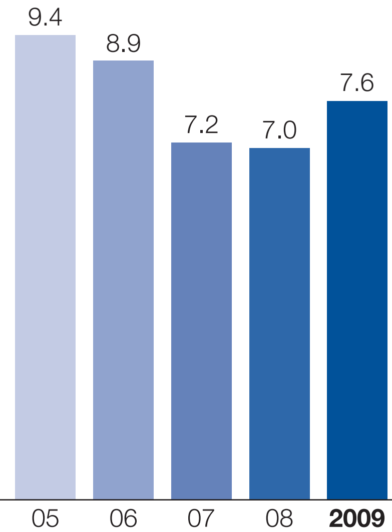
- Total dividend per share for the year of 15.5 pence
  (2008: 15.5 pence)

Five Year Summary of Key Financial Performance

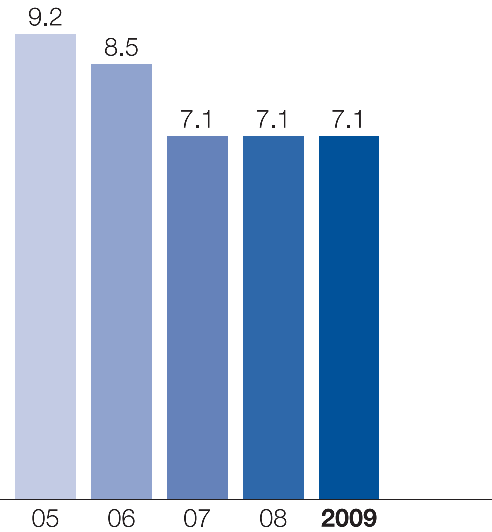
31 May
Turnover £ million[1]



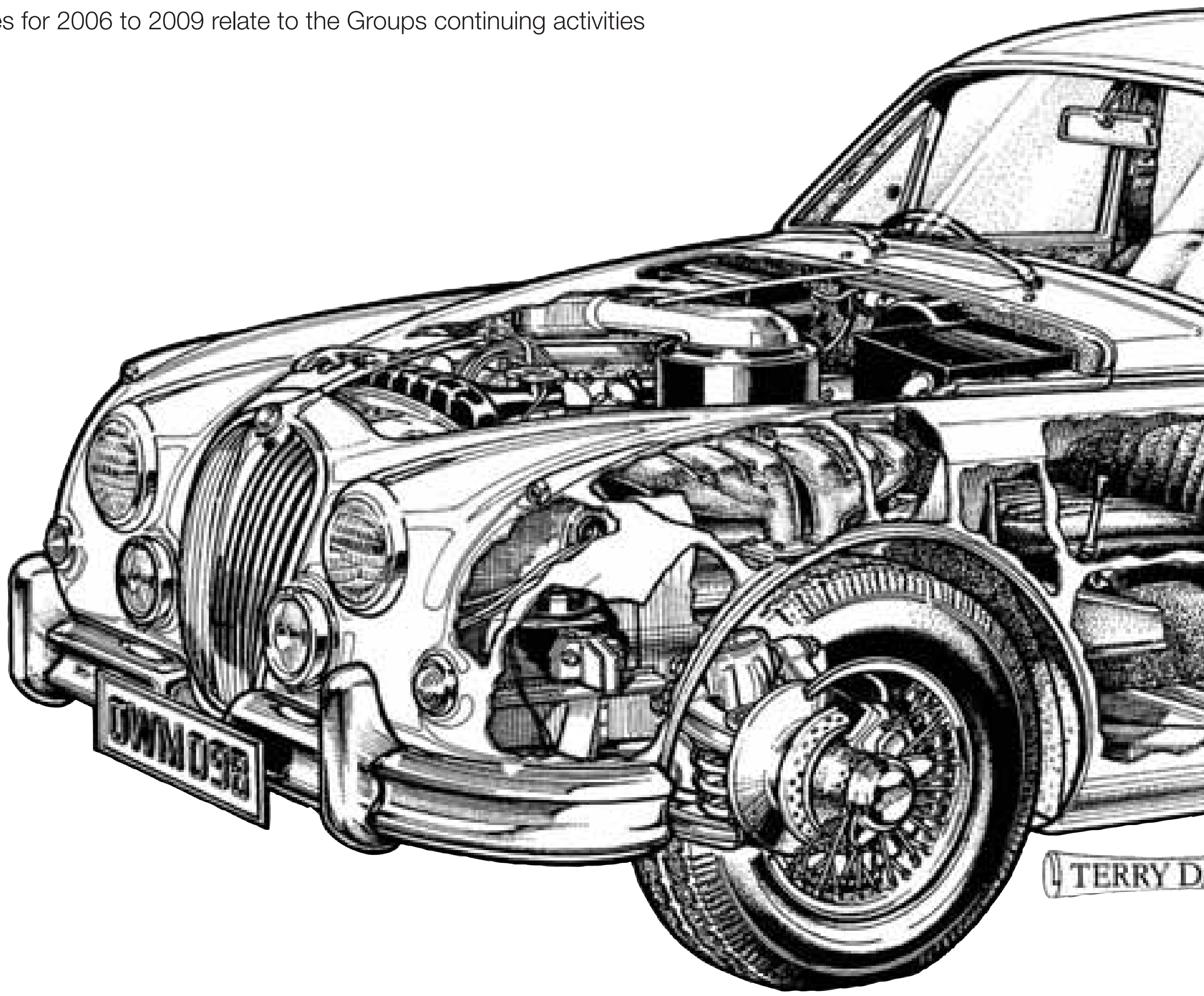
31 May
Operating profit £ million[1]



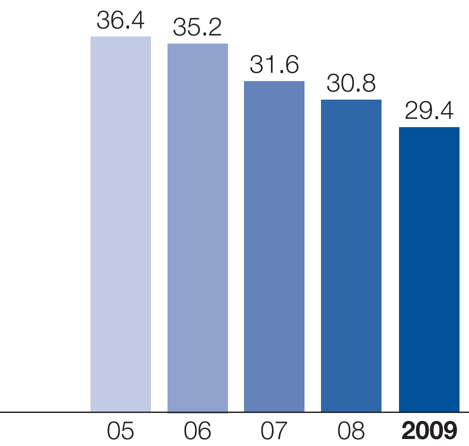
31 May
Profit before tax £ million[1]



[1] Figures for 2006 to 2009 relate to the Groups continuing activities

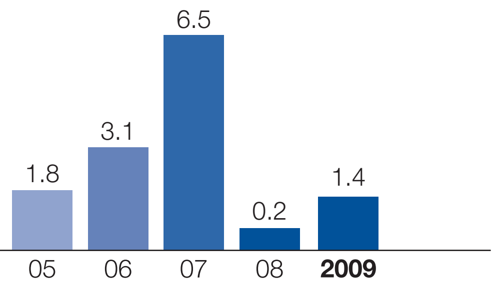


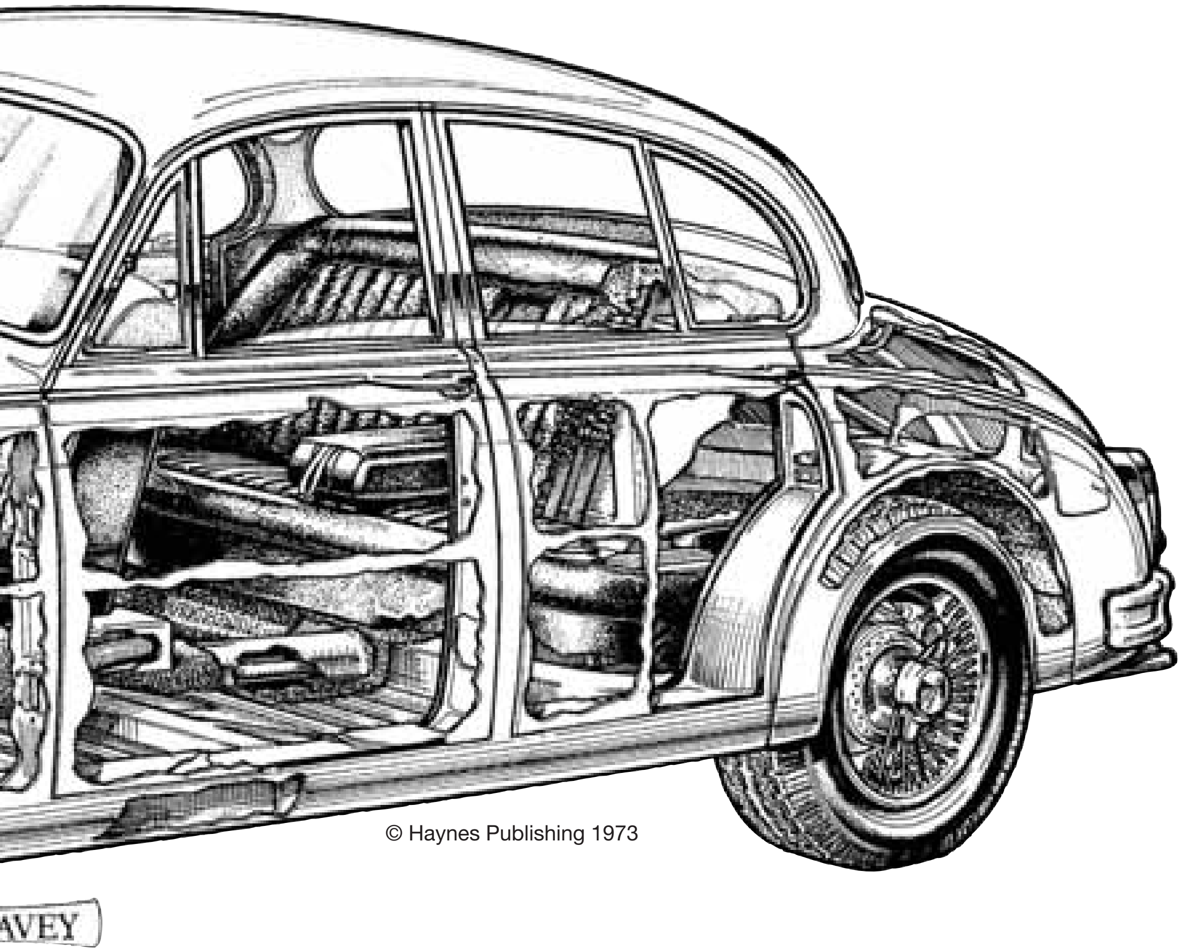
31 May
Basic earnings per share pence[1]



31 May
Dividends per share pence

31 May
Net funds £ million





Chairman's Statement

Chairman's Statement

The twelve months to 31 May 2009 have encompassed some of the most extraordinary global economic conditions in the Group's forty-nine year history. The crisis in the global financial markets towards the latter part of 2008 and the ensuing economic downturn have been well documented and have led to an extremely challenging business environment. Nevertheless, the benefits from our acquisitions last year and in particular, the acquisition of the Vivid Group, have helped the Haynes Group to increase revenue and maintain profits during this difficult period.

During the first six months of our financial year we experienced a year-on-year increase in revenue of 14% as the effect of the Vivid acquisition and a weaker Sterling against the US Dollar benefited the Group. Also during this period we felt the impact of lower replenishment of our core products as retailers reduced borrowings in response to the tightening credit markets and consumer sentiment moved from a spending to a saving mode. Trading during our third quarter followed a similar pattern although stronger trading in both our key geographical markets in the US and UK towards the end of the fourth quarter helped mitigate some of the shortfall experienced in the first three quarters.

Notwithstanding the challenging economic conditions, the Haynes Group continues to strengthen its financial position and generate strong cash flows. Last year the Group incurred expenditure of £7.0 million on two key strategic acquisitions (Vivid Holding BV and Bookworks Pty) and invested £2.0 million in tangible assets. This year, the US business has invested £1.8 million ($3.0 million) in a new binding line for its print facility in Nashville. In total this represents over £10.5 million of non-trading expenditure in less than 24 months and led to net borrowings of £1.4 million at the half year. Nevertheless, at that time, the Board was confident that the Group would return to a positive net cash position during the early part of our next financial year. Therefore, it is particularly satisfying to report that the Group is ahead of schedule in this regards, ending the financial year with surplus net cash of £1.4 million.

Results summary

Following the impact of a full year from Vivid which increased Group revenue by £3.2 million and a weaker Sterling against the US Dollar which increased Group revenue by £3.5 million, Group revenue ended the year at £35.3 million, 14% up on the prior year (2008: £31.1 million). However, the benefits of the higher revenue have been partially offset by the lower manual sales in the US and the UK as retailers continue to reduce inventory levels. The net impact of the above factors led to Group operating profit ending the year up 9% at £7.6 million (2008: £7.0 million).

With net bank interest payable of £0.1 million, following the financing of last year's acquisitions, higher capital expenditure in the US and Australia and a net finance charge of £0.4 million on the Group's pension scheme assets and liabilities, Group pre-tax profits ended the period in line with last year at £7.1 million (2008: £7.1 million).

The Group's effective tax rate for the year, on attributable profits, was 32% (2008: 29%), reflecting a change in mix of geographical profits and leading to a basic earnings per share of 29.4 pence (2008: 30.8 pence).

Structure

On 27 February 2009, the Group disposed of its UK printing operation to a local company, JF Print Limited, helping to secure the jobs of the 45 employees. The print operation, which made a loss of £0.6 million last year, was sold for £0.4 million. Following the disposal, the Group's remaining printing operations have been centralised in the US, where UK & European automotive manuals are already printed.

The above disposal forms part of a series of measures undertaken over the last few years to improve the efficiency of the UK and European operations.

Chairman's Statement (continued)

The Board

In January 2009, David Suter and Panton Corbett, two of our non-executive directors, retired after 19 and 16 years of service respectively. I would very much like to thank both David and Panton for their dedicated and loyal service to the Company and on behalf of my fellow directors wish them a very happy retirement.

Following the above retirements, Eddie Bell has been appointed the Senior Independent Director and also takes over the Chairmanship of the Remuneration and Nomination Committee, while Andrew Garner takes over as Chairman of the Audit Committee. We are indeed fortunate to have such experienced replacements and I wish both Eddie and Andrew success in their expanded roles.

Dividends

Following £7.0 million of cash outflow on acquisitions during 2008 and high capital expenditure programmes in both 2007/8 and the first half of 2008/9, the Group moved into a net debt position at the half year. At that time, despite the Board's optimism over the Group's future trading prospects, it was felt there was still a high degree of uncertainty in the market place which could impact on our second half trading and accordingly, the Board took a prudent approach, reducing the interim dividend to 4.0 pence (2008: 5.0 pence). Six months down the line the Group is able to report it is once again cash positive and our capital expenditure for the forthcoming year is anticipated to return to more normal levels. Despite recent improvements in stock markets around the world, we have yet to see any sustained improvement in trading conditions in our main markets. Nevertheless, we remain confident in the Group's ability to deliver future profit growth. For this reason, the Board is recommending a final dividend of 11.5 pence per share, which maintains the total dividend for the year in line with last year at 15.5 pence (2008: 15.5 pence). Subject to final approval by shareholders, the final dividend will be paid on 29 October 2009 to shareholders on the register at the close of business on 2 October 2009. The shares will be declared ex-dividend on 30 September 2009.

Staff

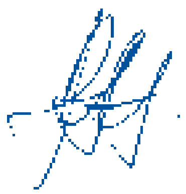
On behalf of the Board I would like to thank all our staff for their tireless efforts and commitment during the past 12 months. Unfortunately, current economic indicators point to the coming year being equally as challenging. However, the Board takes confidence that it has a dedicated and capable work force which is well placed to help grow the business and accept new challenges as they arise.

Future prospects

The addition last year of Vivid Holdings to the Haynes Group brought with it not just a business that was successful in its own right, but also the technical expertise to produce electronically delivered products. Clearly we see this additional capability not only producing growth in the Vivid business but the application of Vivid technology to the Haynes product offering should open up growth opportunities in the core Haynes business.

Millions of motorists every year acknowledge that it is still possible to save considerable expense by performing maintenance and repair work on their vehicles using a Haynes Manual. There is no doubt that levels of DIY activity have once again increased in this very difficult environment, but so far the benefits have been offset by reduced car sales and inventory reductions by our customers. We do believe though that more motorists will turn to our manuals as they seek to save on the expense of running their cars and motorcycles.

I remain extremely confident that as a result of actions taken to-date and the continued prudent and strong leadership by the Haynes management team, the Group is well positioned to take advantage of the upturn when it finally arrives.



John H Haynes, OBE
Executive Chairman
23 September 2009

Group Chief Executive's Review

Business structure

The Haynes Group comprises two geographic operating units.

The European business, headquartered in Sparkford, Somerset has subsidiaries in The Netherlands, Italy, Spain, Romania and Sweden. Its core business remains the publication of DIY Repair Manuals for Cars and Motorcycles, but since the acquisition of Vivid it is also now one of the major suppliers of technical information to the professional sector of the automotive aftermarket around Europe. All Vivid products are produced and sold in electronic formats. The European business also 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. The Group is also able to announce that in an association with The Daily Mirror this business also now produces a range of high profile titles utilising the Mirror's photo archive on such topics as The Rolling Stones, The Beatles and Manchester United.

The North American business, headquartered near Los Angeles, California publishes DIY Repair Manuals for Cars and Motorcycles under the Haynes and Chilton brands, in both the English and Spanish languages. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands. The Australian business also publishes information for the professional market. Following the sale of the loss making UK Printing operation, it is anticipated that the North American business will be the producer of all Group printed product.

Business overview

The impact of the ongoing financial crisis was first felt in the Group's US operation in August 2007, when major retail customers began cutting reorder quantities to conserve cash. Six months later we were experiencing similar conditions in the UK and Australia. So far, despite a couple of false starts, we have yet to see any indication of real recovery. Historically, in recessionary cycles the Group has benefited from increased sales. Yet to-date, despite indications of higher consumer DIY activity, the more dominant factors have been the impact of sustained and very low inventory levels at retail and fewer motorists changing their cars, which is often the trigger point for a new manual purchase.

However, due to a combination of the effect of the acquisition of Vivid, including the capitalisation of the Vivid software development costs to bring in line with Group policy and International Accounting Standards, which increased profit by £1.7 million and favourable exchange rate movements, the Group is able to report revenues up 14%, operating profit up by 9% and pre tax profit in line with last year. We have also significantly improved the net cash position, even after allowing for the significant investments made in the last 18 months or so.

We remain confident that as the economy recovers in our major markets we will see a return to more normal levels of replenishment by our main customers and that as car sales return to higher levels more consumers will need to replace their trusted Haynes Manual.

As a result of the "early warning" we received in our US business, management was able to establish a plan of cash conservation and cost control measures early in the recessionary cycle. These measures included a review of our inventory levels and print run strategy, a review of working capital policies and a review of head count and overheads. The actions arising from these reviews have been, and continue to be, taken in a controlled and measured manner so as not to create instability in our businesses.

The sale of our UK print division in February 2009 was a key strategic move for the Group. The sale not only eliminates what was a loss making part of the business but in the process, helps to simplify the UK operations, allowing a greater focus on those areas of the business with higher margins. However, this does not signify a move away from printed material or from in-house printing. As a business, we recognise there is still a significant demand for our manuals in a printed format and we remain committed to our paper product. After a thorough

Group Chief Executive's Review (continued)

study conducted by management during the course of the year, we also remain confident in our ability to print in-house more cheaply than we can outsource printed material from overseas. Hence, the £1.8 million ($3.0 million) of expenditure incurred earlier in the year on a new and significantly faster binding line at our US print facility which has increased binding capacity and will provide significant printing efficiencies for the Group going forward as will the decision to add significantly to our digital printing capabilities in Nashville.

Our experience with the Vivid electronic product has been similar to the above experience in that many new projects were placed on hold as the crisis deepened. Once again though, management remain confident that we are well placed to resume more normal growth as the recovery begins.

Operating results overview

Certain factors which are outside our control have had a significant impact on our reported results for the year, the most notable being the weakening of the US Dollar against Sterling during the period. Having lived with exchange rates in excess of $1.95 for the whole of the previous financial year, we first started to see rates fall during September/October 2008, dropping below the $1.40 level in March of this year. However, the rate started to creep back up again towards the end of our fourth quarter, ending the financial year at $1.61. As a result our average rate for the 12 months ending 31 May fell from $2.01 last year to $1.64 this year, a swing of 18%, increasing the Group's reportable revenue by £3.5 million and pre-tax profits by £0.8 million.

Group revenue increased by 14% to £35.3 million (2008: £31.1 million) boosted by the inclusion of a first full year of Vivid and the beneficial impact of exchange rates. In North America and Australia, revenue in local currency, was down 10% due to the inventory reductions mentioned earlier. However, following the beneficial impact of exchange rates, segmental revenue was up 10% at £18.9 million (2008: £17.2 million). It was a similar position in the UK, where sales of our core Haynes Manuals were impacted by tighter inventory and working capital management by key retailers and a weaker general publishing sector, which was characterised by heavy discounting and higher returns. The segmental revenue for the UK and European operations includes a full year of trading from Vivid, against a three month period last year, adding an additional £3.2 million to revenue. As a result revenue in the UK & European operations ended the year 18% higher at £16.4 million (2008: £13.9 million).

Gross margins have been affected by a number of factors during the year. On a positive note and as previously mentioned, this is the first full year of reporting the results for Vivid which, as an established high tech software business, operates with a low asset base and good margins. Following the acquisition by Haynes, the accounting treatment for software development costs has been brought into line with Group policy and International Accounting Standards (IAS 38 'Intangible Assets') whereby the costs of both internal and external qualifying development expenditure are capitalised and amortised on a straight line basis over 5 years. Accordingly, the inclusion of Vivid for a full year added 340 basis points to the Group's gross margin.

Also, whilst the disposal of the loss making UK print operation late into our financial year has had only a limited impact on margins during the current year, we do expect a more noticeable benefit to accrue to the Group in future years. On the downside, the reduction in sales volumes of core Haynes Manuals in both the US and the UK coupled with consolidation in the supply chain of our principal raw material, increasing raw material costs, has had a negative impact on the Group's margins. The overall net impact has been to increase gross margin for the year to 62.1% (2008: 61.3%).

Trading overheads increased by £2.3 million in the course of the year, with the impact of exchange on the US numbers, inflating overhead costs by £1.4 million and the inclusion of Vivid for a full year adding £1.1 million of overhead cost. Overall, there has been a net decrease in the underlying overheads of £0.2 million.

The net impact of the above factors left Group operating profit up 9% at £7.6 million (2008: £7.0 million).

Group Chief Executive's Review (continued)

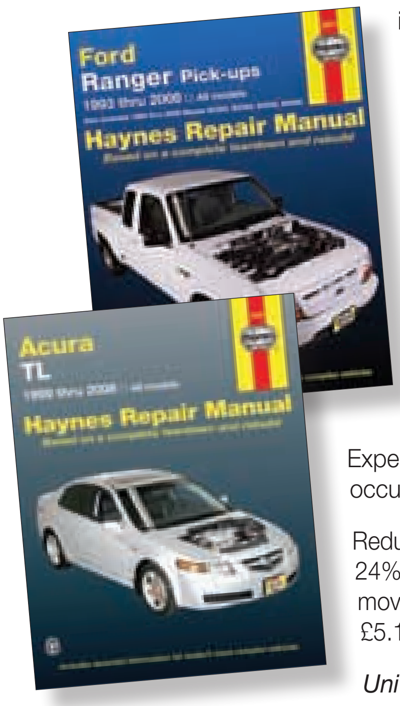
During the year, the impact of the global economic downturn led to a lower return on our pension scheme assets and a higher charge on our pension scheme liabilities; as a result the net finance cost arising from our two defined benefit schemes was £0.4 million. This coupled with net bank interest payable of £0.1 million, following last year's acquisitions and higher capital expenditure in the US and Australia led to a net finance cost of £0.5 million.

The net impact of the above is that pre-tax profits ended the year in line with last year at £7.1 million (2008: £7.1 million).

Segmental overview

North America and Australia

The pace of inventory reductions by retailers actually accelerated during the course of the year with the result that, in local currency, revenue from the North American and Australian operations fell by 10% to $31.0 million (2008: $34.6 million). Fortunately, we were able to offset some of this impact by increasing our selling prices at the end of last year.



The Chairman has already mentioned the fact that we have yet to see improvements in trading conditions with our main retail customers. There has been much discussion in recent weeks concerning the absence of the development of growth in top line revenue not only among retailers but also among a wide variety of companies across the United States. Our own experience remains that customers for our core product continue to be focussed on the reduction of inventories and maintaining them at very low levels. As an example, knowing that there would be a negative impact on their sales, one of our major customers recently took the decision to reduce on hand quantities in stores from two per title to one, clearly this had a significant impact on replenishment orders.

In the US, we have expanded our advertising and continue to focus on the fact that DIY can save money. We also teamed up with the Car Care Council to promote National Car Care month. We continue to promote the cost saving benefits of owning a Haynes manual.

Experience in Australia has been a virtual mirror image of that in the US except that it occurred somewhat later.

Reduced segmental operating profits for North America and Australia in local currency (down 24% at $8.4 million (2008: $11.0 million) were partially offset by positive exchange rate movements. As a result, reportable segmental operating profits ended the year 7% lower at £5.1 million (2008: £5.5 million).

United Kingdom and Europe

- Automotive

In the UK, similar inventory reduction programmes by retailers impacted sales of Haynes manuals although the effect of the customer de-stocking was partially offset by price increases in the second quarter. Overall sales revenue from Haynes Manuals ended the year 8% down on the prior year.

In Sweden, similar market conditions were compounded by the relocation of a major customer which led to the suspension of ordering for several months. As a result, sales in Sweden ended the year down 22% on the prior year.

On the electronic side of the business, Vivid released two new products during the year. Firstly, Vivid Workshop Organiser, a management tool to help garages organise and run their workshops more efficiently and secondly, the ground breaking Vivid Cars Electronic Data (also known as Vivid Electronics Smart Assistant). This new module allows independent workshops to diagnose and repair modern car electronics quickly and effectively by allowing mechanics to conduct an intelligent, step-by-step diagnosis using a vast database of smart diagrams containing only the components relevant to each stage of the diagnosis.

The initial feedback on this exciting new technology has been very positive and is a further example of the electronic expertise brought into the Group following the acquisition of Vivid.

Group Chief Executive’s Review (continued)

- General Publishing

Revenue in the Haynes Book division ended the year 8% down on the prior year, which is a credible performance given the difficult economic backdrop. The publishing sector has suffered from higher levels of returns and we were no exception, seeing returns from retailers increasing by 20% over the prior year. The market has also experienced unusually high volumes of heavily deep discounted stock, as publishers seek to reduce inventory levels and turn old idle stock into cash. Nevertheless, despite these difficult trading conditions we have seen strong sales of the new RAF titles, the Spitfire Manual and the Lancaster Manual, both of which finished in the divisions top 5 selling titles. Also, in March 2009, one of our titles Regga: The Extraordinary Two Lives of Clay Regazzoni by Christopher Hilton won the prestigious Best Biography at the British Sports Book Awards, sponsored by the Times. This is the first time one of our titles has won the prestigious award and with four of our other titles also nominated for other awards, this is a strong indicator as to the strength in depth of the divisions publishing programme. One of the titles nominated in the Best Illustrated Book category ‘When Football was Football’ was one of two titles published for the 2008 Christmas market in partnership with The Daily Mirror. Under the new arrangement, Haynes has a license to research the extensive picture library of The Daily Mirror to produce a series of highly illustrated titles using the photographic and written archives of the Daily Mirror. Further titles with a wide audience appeal are scheduled for the coming year.

The Haynes licensing programme has now firmly established itself as an integral part of the UK business. Whilst not large in revenue or contribution terms, this division brings to the Group extremely valuable exposure to markets and partners that it would not be easy to replicate with our more traditional products and is an extremely useful source of new product ideas and initiatives.

As a result of the above, coupled with a full year of Vivid reporting, UK & European segmental profits increased to £2.2 million (2008: £1.3 million).

Taxation

The charge to taxation on continuing operations for the year was £2.3 million (2008: £2.0 million) giving an effective tax rate of 32% (2008: 29%). The increase in the effective rate reflects the higher proportion of profits generated from overseas operations where the corporate tax rates are higher than in the UK.

Net debt, working capital and cash flows

Following the acquisition of Vivid Holding BV in February 2008 for a total cash consideration of £6.2 million, we started the year with net cash of £0.2 million. However, with a weak second quarter’s trading, coupled with the installation of the new binding line in the US, for a cost of £1.8 million ($3.0 million), we were reporting a net debt position of £1.4 million at the half year. Early in the recessionary cycle, management identified the pay down of the Group’s net debt as a key driver for the business and initiatives were put in place to help facilitate this. These initiatives together with stronger second half trading, albeit still behind last year, and the sale of our UK print operation at the end of our third quarter for £0.4 million resulted in the Group closing the year with a net cash position of a positive £1.4 million.

The conversion of profit into cash is a key factor for any business and during the year the cash generated before tax was £9.3 million (2008: £7.0 million) and represented 123% of Group operating profit (2008: 100%).

We continue to closely monitor and manage our working capital and introduced a number of measures during the year to reduce our physical inventory. This included a review of first print run sizes, initiatives to more quickly identify and clear down slow moving stocks and a review of our general publishing reprint strategy given the advances in digital short-run printing technology. Whilst we will not see the benefit from all of these initiatives immediately, management is confident that through the actions and decisions taken to-date, physical inventory levels can be reduced in the short to medium term. In fact, despite the additional stock from our new title programmes, inventory levels are already 0.3 million units lower than at this time last year. From a monetary perspective, the

Group Chief Executive's Review (continued)

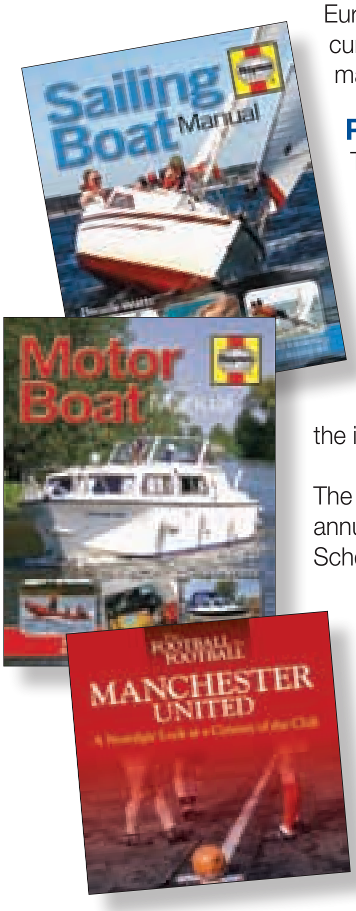
efforts we are making with regards working capital has been somewhat masked by the impact of exchange, which for inventories has increased the balance sheet value by £1.1 million and for trade receivables by £1.7 million.

Treasury management & procedures

The Group's funding policies are designed to reduce and minimise financial risk and ensure sufficient liquidity for the Group's future needs. The Group maintains a regular dialogue with its banking partners to ensure the Group has appropriate committed and uncommitted facilities to support the Group's commercial activities and growth strategy. Strict controls are maintained 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.

Foreign exchange

The Group's main currency exposure is derived from trading transactions between Group operating units and with our global customer base. Approximately 47% (2008: 48%) of the Group's revenue streams are generated in US Dollars, 32% (2008: 38%) in Sterling, 12% in Euro's (2008: 4%) with the balance coming from a mix of currencies across our operating entities. The increase in the Euro content reflected a full year of trading from Vivid. 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, a non-contributory defined benefit plan in the US and defined contribution scheme in The Netherlands.

As at 31 May 2009 the aggregate deficit on the two retirement benefit schemes was £10.4 million (2008: £6.8 million). The increase in the deficit is primarily due to the impact of the economic downturn on the market value of the asset portfolio, with actuarial shortfalls on the UK and US schemes during the year of £1.6 million and £1.6 million respectively. In addition, the impact of exchange added a further £0.3 million to the value of the deficit.

The Group funds its pension contributions based on actuarial valuations which are undertaken annually in the US and triennially in the UK, with the latest UK triennial valuation being for the Scheme year ended 30 June 2008.

Group outlook

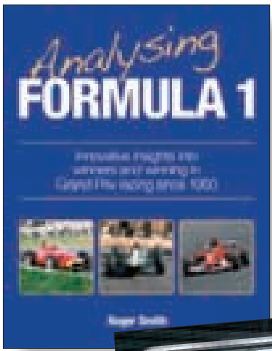
Trading conditions so far in the first quarter remain challenging in all our main markets. Nevertheless, overall Group revenue is in line with last year. The Group will release its first quarter interim management statement at the end of September, when we will be better placed to update stakeholders on the first quarters trading and market conditions in the lead up to our half year.

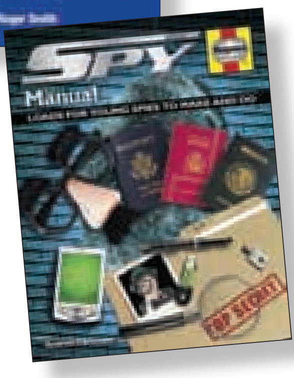
Over the past few years management have implemented significant changes within the Haynes Group.

These changes began with the disposal of loss making subsidiaries and the closure of divisions and departments which did not add value, and these moves continued during the past year with the sale of the UK Printing Operation (which lost £0.6 million last year) but also included acquisitions like Vivid, which not only broaden the base of the Group in the Automotive area, but also expand its area of core competence into the technologically driven arena.

We have also implemented new IT systems, especially in the UK, where we have replaced our 'abacus' with a state of the art system, giving management much better opportunities to access information that helps interpret and develop the business in a real time environment.
We have also added an award winning licensing program which, while not yet significant in overall terms, shows signs of contributing quite nicely to profitability, as well as expanding brand exposure to a very significant degree.

Group Chief Executive's Review (continued)





There have also been new initiatives in the general publishing area such as the addition of the Military and Aviation list and the new "MirrorPix" project with the Daily Mirror, which we believe offer very nice potential.

These moves have been made in a considered fashion, and structured in such a way as to expand the Group's opportunities for growth while at the same time limiting the disruption to an extremely competent team that has been developed over many years. I want to add my own compliments, to those the Chairman has made earlier, to a staff who have produced results which many companies could only dream of, and in conditions which none of us thought we would ever face.

Our plans are to utilise the Vivid technology on Haynes products, expanding opportunities into new web delivered products in other languages which could not have previously supported a printed product while at the same time enhancing the Vivid product in the professional arena by including complementary content from the Haynes product base. These programs are under way.

The upgrading of our Digital Printing Facility which is now taking place in Nashville will not only, over the course of time, enable us to reduce overall General Publishing inventory, it will also enable us to print much shorter runs and create additional sales opportunities as a result, by keeping titles in print which would otherwise have been discontinued.

We will continue with the development and implementation of these projects as well as the pursuit of profitable acquisition opportunities.

These moves are underpinned by the fundamental strength of our core business in DIY manuals for cars and motorcycles. Despite the lost sales in these areas in recent years we continue to believe that as long as cars are built, there will be a core of DIY enthusiasts who will prefer to do work on their vehicles themselves and save significant amounts of money. With a huge market share in English speaking territories, Haynes continues to lead the world in this area of our business. The Manual business also generates sufficient cash flow to support the initiatives mentioned previously.

A massively over leveraged society has been forced into very heavy de-leveraging in the past two years. There are commentators now, especially in the US, who are suggesting that inventory levels among retailers, which continue to fall, have reached levels so low as to be unsustainable. A return to more appropriate levels of inventory can only improve this core segment of our business.

While we continue to operate in a financial swamp, our business is fundamentally strong, and management is confident in its ability to fight off the alligators and continue to provide all of our investors superior value for their commitment to the business.

Eric Oakley
Group Chief Executive
23 September 2009

Group Board Directors and Advisers

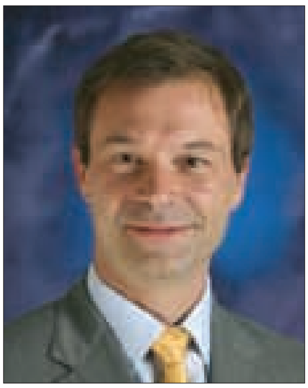
Executive Directors	J H Haynes* OBE (Chairman) E Oakley+ (Group Chief Executive) D Benhardus+ CPA J H C Haynes (Vice Chairman)
Non-Executive Directors	E Bell* (Chairman of Remuneration and Nomination Committee, and Senior Independent Director) A Garner* (Chairman of Audit Commitee) M E F Haynes* * Members 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	**Smith & Williamson Corporate Finance** Portwall Place, Portwall Lane, Bristol, BS1 6NA
Registrars	**Capita IRG PLC** Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Group Board
Executive Director Biographies

John Haynes (age 71). 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.

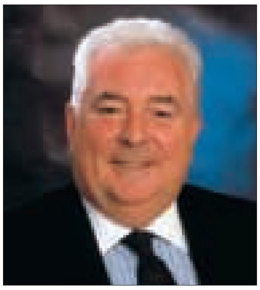
Eric Oakley (age 63). Eric spent his early years in North East England, and was educated at the University of Aston. He is resident in California. Eric joined Haynes North America, Inc. in 1980 after 16 years with Burmah-Castrol. He was appointed to the Main Board of Haynes Publishing Group in 1990. For the past 23 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 1 June 2002.

Dan Benhardus (age 63). 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 42). J joined the Board as a non-Executive Director on 25 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 28 January 2002 he was appointed an Executive Director of the Company and is presently Managing Director of its UK and European operations. On 2 June 2008 J was appointed Group Vice Chairman.

Group Board Non-Executive Director Biographies



Eddie Bell (age 60). 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. On 20 May 2009 Eddie was appointed the Company's Senior Independent Director. Eddie Bell does not have a service contract with the Company.

Andrew Garner (age 65). 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, Gallaher and was on the Board of the Royal Philharmonic Orchestra. Andrew Garner does not have a service contract with the Company.

Marc Haynes (age 41). Marc Haynes completed a BSC (Hons) Business Degree at Manchester before joining the Haynes International Motor Museum as its Business Development Manager. Having successfully established 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. Recently Marc established Bute Motorsport Ltd, which is the promoter of the highly successful GT Cup motor racing series. Marc Haynes 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 2009

- **Principal activity** Haynes Publishing Group P.L.C. is a holding company. The principal activity of the 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 its Dutch subsidiary, Vivid Holding BV, the Haynes Group is also 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 11.5p per ordinary share (12.8p 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 (2008: 15.5p; 17.2p with related tax credit). This dividend will be payable on 29 October 2009 to members on the register of shareholders at the close of business on 2 October 2009. The shares will be declared ex-dividend on 30 September 2009.

- **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 page 27. The Group's principal financial risks and uncertainties are outlined in note 18 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.

  The Business structure paragraphs of the Group Chief Executive's Review outline the operational and geographical structure of the Group. In common with many businesses of the Group's size and structure the Group has a broad base of customers and suppliers and correspondingly a number of valued contractual relationships. However, in the directors' view there is no single contract which is essential to the Group's business for the purpose of the business review disclosure requirements under Sc 417 of the Companies Act 2006.

- **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.
  E Oakley and JHC Haynes retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.
  E Bell being a Non-Executive Director and having served for more than nine years at the date of the next Annual General Meeting offers himself 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 12 August 2009. At 31 May 2009 the beneficial shareholdings of the Directors represented 64.7 per cent of the total issued share capital. This represented 21.4 per cent of the Ordinary shares (which are listed on the London Stock Exchange) and 100 per cent of the 'A' Ordinary shares.

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

Report of the Directors
(continued)

	Beneficial 'A' Ordinary No.	Connected A' Ordinary No.	31 May 2009 Beneficial Ordinary No.	Non-Beneficial Ordinary No	Connected Ordinary No.
Executive					
J H Haynes	9,000,000	–	796,075[3]	1,299,101[1] [2]	131,087[4]
E Oakley	–	–	43,304	–	–
D Benhardus	–	–	5,000	–	–
J H C Haynes	–	9,000,000[4]	710,141[2]	630,000[1]	816,122[4]
Non-Executive					
E Bell	–	–	1,000	–	–
A Garner	–	–	–	–	–
MEF Haynes	–	9,000,000[4]	699,767[2]	–	826,496[4]

	Beneficial 'A' Ordinary No.	Connected A' Ordinary No.	31 May 2008 Beneficial Ordinary No.	Non-Beneficial Ordinary No	Connected Ordinary No.
Executive					
J H Haynes	9,000,000	–	401,075[3]	1,299,101[1] [2]	131,087[4]
E Oakley	–	–	23,304	–	–
D Benhardus	–	–	–	–	
J H C Haynes	–	9,000,000[4]	710,141[2]	–	421,122[4]
Non-Executive					
E Bell	–	–	–	–	–
A Garner	–	–	–	630,000[1] [2	–
MEF Haynes	–	9,000,000[4]	699,767[2]	–	431,496[4]

[1] 630,000 shares are in respect of the Haynes International Motor Museum (a charitable trust) and are shares in which JH Haynes and JHC Haynes are interested as Trustees. JHC Haynes was appointed a Trustee during the year and A Garner resigned as a Trustee during the year.
[2] The balance of the ordinary shares comprised within the non-beneficial interest of J H Haynes are 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 326,075 shares owned by Mrs A C Haynes (2008: 306,075 shares).
[4] Due to their family relationship JH Haynes, JHC Haynes and MEF Haynes are connected parties in accordance with Sc 253 of the Companies Act 2006.

R P Corbett and D W Suter retired as directors on 28 January 2009 and did not hold any 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 22 to the consolidated financial statements.

- **Share capital and related matters** Details of the Authorised and Issued share capital are shown in Note 20 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.

Report of the Directors (continued)

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 23 October 2008:

(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 2009, 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.

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 2009 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
Haynes International Motor Museum	630,000	8.6
Axa Framlington S.A.	565,000	7.7
Guy Thomas	267,500	3.6

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

At 12 August 2009, there were no recorded changes in these holdings.

*See Note 20.

- **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 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 18 of the Notes to the Consolidated Financial Statements.

- **Donations** During the year Group donations to charitable organisations amounted to £9,016. There were no political donations in the year.

Report of the Directors (continued)

- **Environmental policy** The Board is committed to minimising the impact its operations have on the local environment. Following the disposal of the UK print facility in February 2009, the Group now only operates one printing facility, located in Nashville, Tennessee. 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.

- **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 eleventh 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 2009 the amount of trade creditors as shown in the balance sheet represents 10 days of average purchases for the Company and 29 days for the Group.

- **Audit information** Each of the Directors confirms 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 the information. The directors are not aware of any relevant audit information of which the auditors are unaware.

  A resolution to re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to determine their remuneration will be put to the forthcoming Annual General Meeting.

  By order of the Board.

James Bunkum
Group Company Secretary
23 September 2009

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 Reporting Council in June 2006 and appended to the Listing Rules 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 2009 the Board comprised of four Executive and three 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	7	4	1
J H Haynes	6		
E Oakley	6		
D Benhardus	6		
J H C Haynes	7		
R P Corbett [1]	4	3	1
D W Suter [1]	4	3	1
E Bell	5	4	1
A Garner [2]	4	1	
M E F Haynes [3]	5		

[1] RP Corbett and DW Suter retired as directors on 28 January 2009
[2] A Garner was appointed to the Audit Committee and the Remuneration & Nomination Committee on 28 January 2009
[3] MEF Haynes was appointed to the Remuneration & Nomination Committee on 20 May 2009

- 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.

Corporate Governance (continued)

- 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.
- Following the retirement of R P Corbett in January 2009, E Bell was appointed by the Board as the Senior Independent Director.
- The Board considers all of its current Non-Executive Directors to be independent excepting MEF Haynes, in view of his close family ties with other members of the Board and his significant interest in shares. During the year A Garner resigned as 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.
- 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.
- 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.

Corporate Governance (continued)

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, once a quarter, the Chief Executive updates the Board with any significant discussions/feedback from Shareholders.
- 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 21 October 2009 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 two 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 invited to attend all meetings of the Committee, albeit part of the meeting may be held without his presence, if deemed appropriate by the Committee.

- 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.

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.

Corporate Governance (continued)

- 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.
- 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 2009, 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 hampering 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 Acts and the applicable UK Listing Authority's Listing Rules.

2 Constitution of the Remuneration and Nomination Committee

In line with B.2.1 of the Combined Code, the Committee comprises two independent Non-Executive Directors, E Bell (Chairman of the Committee) and A Garner. JH Haynes (Executive Chairman) and MEF Haynes (Non-Executive Director) are also members of the Committee. Whilst JH 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 determining the emoluments of the Executive Directors, the Committee feel it is impractical to also 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 of the senior management are reviewed by the respective 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 augment their basic salary through a performance related bonus/incentive arrangement. 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:

	2009 £000	2008 £000
Salaries and taxable benefits	771	621
Performance related bonuses	364	334
	1,135	955
Non-Executive Directors' fees	102	110
Total emoluments	1,237	1,065
Pension contributions	316	205
	1,553	**1,270**

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 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 2008 was 10%. 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 JH Haynes is entitled to a fully expensed car in the US and to fuel expenses in the UK. JHC Haynes has opted to take an annual allowance in lieu of a company car and is entitled to receive fuel expenses.

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:

JH Haynes is entitled to 1.2% of the first £4.5 million of the overall Group's net profit, plus 2.0% thereafter. From 1 June 2008 these percentages have reduced from 1.5 % and 2.5% respectively.

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.

JHC Haynes is entitled to 1% of the net profit of the UK and European businesses. From 1 June 2008 JHC Haynes is also entitled to 0.3% of the first £4.5 million of the overall Group's net profit, plus 0.5% thereafter.

Board Report on Remuneration
(continued)

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.

(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

JHC 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

JH 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)

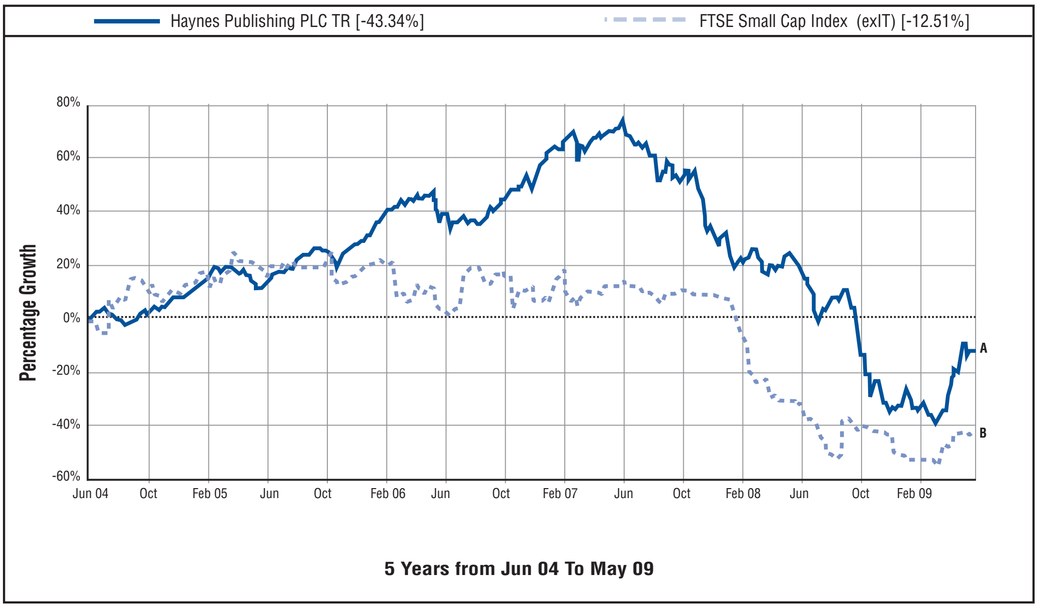
(b) Defined contribution ('Money Purchase') arrangements (continued)

The pensionable cap in the US is $230,000 (£140,449). Under this arrangement the Company made contributions on behalf of E Oakley amounting to $158,954 (£97,065) and D Benhardus $46,435 (£28,356) 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 $8,280 (£5,056) and for D Benhardus $8,653 (£5,284). 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 the 2006 Companies Act.

7 Directors' Remuneration for year ending 31 May 2009

The emoluments of the individual Directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits [1] £000	Total Emoluments £000	2008 Total £000
Executive					
J H Haynes	161	117	6	284	291
E Oakley [2]	280	150	18	448	359
J H C Haynes	117	59	6	182	132
D Benhardus	167	38	16	221	173
	725	364	46	1,135	955
Non-Executive					
R P Corbett	18	-	-	18	25
D W Suter	14	-	-	14	20
E Bell	28	-	-	28	26
M E F Haynes	21	-	-	21	19
A Garner	21	-	-	21	20
	102	-	-	102	110
Total	**827**	**364**	**46**	**1,237**	**1,065**

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

[2] Mr E Oakley waived $7,200 (£4,397) of his bonus received in respect of the year ending 31 May 2008. A profit share contribution of $7,200 was then made by the Company into Mr E Oakley's '401K' pension plan in the US.

Board Report on Remuneration (continued)

8 Directors' accrued pension entitlements

	[Note]	Normal pensionable Age	Age	Years of pensionable service	Directors' contributions 2009 £000	Accrued benefit 2009 £000	Increase in accrued benefit excluding inflation £000	Transfer value of the increase in accrued benefit (excluding inflation) less Directors' contributions £000	Transfer value of accrued benefits 2009 £000	Transfer value of accrued benefits 2008 £000	Increase in transfer value excluding Directors' contributions £000
J H Haynes	US	65	71	27	–	32	-	-	321	268	53
E Oakley	US,MP	65	63	27	–	65	4	47	709	510	199
D Benhardus	US,MP	65	63	21	–	63	5	54	693	491	202
J H C Haynes	UK	60	42	7	6	21	4	33	197	177	20

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 2008. The amounts in US Dollars were as follows:

	2009 $000	2008 $000
J H Haynes	518	529
E Oakley	1,144	1,008
D Benhardus	1,117	971

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.

With effect from 1 October 2008, new UK Government legislation requires the Trustees to take responsibility for setting the assumptions which underlies the calculation of voluntary transfers to be paid from the Plan, having first taken advice from the Scheme Actuary. Prior to this date the responsibility for setting the assumptions lay with the Scheme Actuary. Accordingly, the transfer values of the UK accrued pensions at the year-end have been calculated in accordance with this new requirement.

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

James Bunkum
Group Company Secretary
23 September 2009

Statement of Directors' Responsibilities

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

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for the financial year. The directors are required to prepare financial statements for the group in accordance with Article 4 of the IAS Regulation and have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

In preparing the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for preparing a directors' report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

Website Publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website. 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.

Directors' responsibility statement pursuant to DTR4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description or the principal risks and uncertainties that they face.

Independent Auditor's Report to the members of Haynes Publishing Group P.L.C.

We have audited the financial statements of Haynes Publishing Group P.L.C. for the year ended 31 May 2009 which comprise the Consolidated Balance Sheet and Parent Company Balance Sheet, the Consolidated Income Statement, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 May 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Independent Auditor’s Report to the members of Haynes Publishing Group P.L.C. (continued)

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

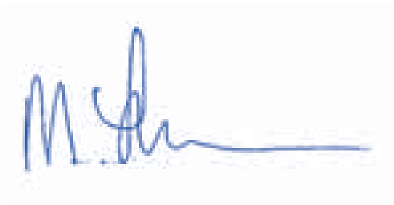
- the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors’ statement, set out on page 34, in relation to going concern; and
- the part of the corporate governance statement relating to the company’s compliance with the nine provisions of the 2006 Combined Code specified for our review.



Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO Stoy Hayward LLP, Statutory Auditor
Southampton
23 September 2009

Financial Statements

Consolidated Income Statement

Year ended 31 May 2009

		2009 £000	2008 £000
	Continuing operations		
Note 2	**Revenue**	**35,335**	**31,122**
	Cost of sales	(13,378)	(12,050)
	Gross profit	**21,957**	**19,072**
	Other operating income	101	75
	Distribution costs	(8,622)	(7,345)
	Administrative expenses	(5,861)	(4,835)
Note 4	**Operating profit**	**7,575**	**6,967**
Note 6	Finance income	1,123	1,518
Note 7	Finance costs	(1,642)	(1,400)
	Profit before taxation from continuing operations	**7,056**	**7,085**
Note 8	Taxation	(2,267)	(2,043)
	Profit for the period from continuing operations	**4,789**	**5,042**
	Attributable to:		
	Equity holders of the parent	4,810	5,041
	Minority interests	(21)	1
		4,789	**5,042**
Note 9	**Earnings per 20p share – pence**		
	Earnings per share from continuing and total operations		
	– Basic	29.4	30.8
	– Diluted	29.4	30.8

Financial Statements

Consolidated Statement of Recognised Income and Expense

Year ended 31 May 2009

	2009 £000	2008 £000
Exchange differences on translation of foreign operations	4,634	284
Actuarial (losses)/gains on retirement benefit obligation		
- UK Scheme	(1,627)	723
- US Scheme	(1,594)	(625)
Deferred tax on retirement benefit obligation		
- UK Scheme	455	(202)
- US Scheme	637	250
Net income recognised directly in equity	**2,505**	**430**
Profit for the financial period	4,789	5,042
Total recognised income for the financial period	**7,294**	**5,472**
Attributable to:		
Equity holders of the parent	7,315	5,471
Minority interests	(21)	1
	7,294	**5,472**

Financial Statements

Consolidated Balance Sheet

As at 31 May 2009

		2009 £000	2008 £000
	Non-current assets		
Note 11	Property, plant and equipment	9,831	8,240
Note 12	Intangible assets	14,979	11,688
Note 17	Deferred tax assets	3,996	2,566
		28,806	**22,494**
	Current assets		
Note 13	Inventories	12,523	11,114
Note 14	Trade and other receivables	11,765	11,733
Note 15	Cash and cash equivalents	3,029	2,506
	Total current assets	**27,317**	**25,353**
	Total assets	**56,123**	**47,847**
	Current liabilities		
Note 16	Trade and other payables	(4,446)	(4,832)
	Current tax liabilities	(122)	(570)
Note 15	Bank overdraft	(1,659)	(2,310)
	Total current liabilities	**(6,227)**	**(7,712)**
	Non-current liabilities		
Note 16	Other creditors	-	(67)
Note 17	Deferred tax liabilities	(2,691)	(1,392)
Note 19	Retirement benefit obligation	(10,390)	(6,794)
	Total non-current liabilities	**(13,081)**	**(8,253)**
	Total liabilities	**(19,308)**	**(15,965)**
	Net assets	**36,815**	**31,882**
	Equity		
Note 20	Share capital	3,270	3,270
Note 21	Share premium reserve	638	638
Note 21	Retained earnings	29,328	29,018
Note 21	Foreign currency translation reserve	3,576	(1,058)
	Equity attributable to equity holders of the parent	**36,812**	**31,868**
Note 21	Minority interests	3	14
	Total equity	**36,815**	**31,882**

The financial statements were approved by the board of directors and authorised for issue on 23 September 2009 and were signed on its behalf by:

J H Haynes OBE
Director

E Oakley
Director

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2009

Cash flows from operating activities - continuing

		2009 £000	2008 £000
	Profit after tax	4,789	5,042
	Adjusted for:		
	Income tax expense	2,267	2,043
	Interest payable and similar charges	116	34
	Interest receivable	(38)	(161)
	Interest charges on pension liabilities less expected returns on pension assets	441	9
	Operating profit	7,575	6,967
	Depreciation on property, plant and equipment	864	765
	Amortisation of intangible assets	418	43
	IAS 19 pensions current service cost net of contributions paid	(407)	(27)
	Excess of acquirer's interest in the net fair value of the indentifiable assets and liabilities over cost	-	(38)
	Loss/(gain) on disposal of property, plant and equipment	139	(90)
		8,589	**7,620**
	Changes in working capital:		
	(Increase)/decrease in inventories	(300)	236
	Decrease/(increase) in receivables	1,918	(604)
	Decrease in payables	(917)	(274)
	Net cash generated from operations	**9,290**	**6,978**
	Tax paid	(2,024)	(2,184)
	Net cash from operating activities	**7,266**	**4,794**
	Investing activities		
	Disposal proceeds on property, plant and equipment	416	111
	Purchases of property, plant and equipment	(2,354)	(1,997)
	Expenditure on development software	(1,939)	(57)
	Acquisition costs:		
	- Business combinations	-	(7,010)
	- Deferred consideration	(81)	(68)
	Interest received	38	161
	Net cash used in investing activities	**(3,920)**	**(8,860)**
	Financing activities		
	Dividends paid	(2,371)	(2,453)
	Cash received from minority interests	10	-
	Interest paid	(112)	(34)
	Net cash used in financing activities	**(2,473)**	**(2,487)**
Note 23	**Net increase/(decrease) in cash and cash equivalents**	**873**	**(6,553)**
	Cash and cash equivalents at begining of year	196	6,478
	Effect of foreign exchange rate changes	301	271
Note 23	**Cash and cash equivalents at end of period**	**1,370**	**196**

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

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 2009 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 26 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 71 and the applicable accounting policies of the parent company contained in notes 27 to 39.

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.

(a) New standards, amendments to standards or interpretations effective in 2008/9

During the financial year beginning 1 June 2008 the following new standards, amendments to standards or interpretations became effective for the first time. The adoption of these interpretations, standards or amendment to standards were either not relevant for the Group or have not led to any significant impact on the Group's financial statements.

IFRIC 11 - IFRS 2:	Group treasury share transactions
IFRIC 12:	Service concession arrangements
IFRIC 13:	Customer loyalty programmes
IFRIC 14:	The limit on a defined benefit asset, minimum funding requirements and their interaction
IAS 39 (amendment):	Financial instruments: recognition and measurement

(b) New standards, amendments to standards or interpretations not yet applied

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
IAS 27	Amendments to IAS 27 Consolidated and Separate Financial Statements	1 July 2009
IAS 32	Amendments to IAS 32 Financial Instruments: Presentation	1 January 2009
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement	1 July 2009

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

1 Principal accounting policies (continued)

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 17	Distribution of Non-Cash Assets to Owners*
IFRIC 18	Transfers of Assets from Customers

* 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 business combinations arising after 1 January 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.

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.

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.

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

1 Principal accounting policies (continued)

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.

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
Development costs	5 years

Research and development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

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

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.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

1 Principal accounting policies (continued)

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	
	2009	2008	2009	2008
US dollar	1.61	1.98	1.64	2.01
Euro	1.14	1.27	1.18	1.38
Swedish krona	12.22	11.87	12.11	12.85
Australian dollar	2.02	2.07	2.17	2.26

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.

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).

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

1 Principal accounting policies (continued)

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”. 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.

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.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

1 Principal accounting policies (continued)

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.

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. Financial assets are treated as loans and receivables and carried at amortised cost. Financial liabilities are 'other' liabilities which are carried at amortised cost.

Trade and other receivables

Trade receivables are recorded at fair value and carried at amortised cost.

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.

Customer allowances, which are earned by customers on reaching targeted levels of sales are netted against trade receivables in the balance sheet.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

1 Principal accounting policies (continued)

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 a provision is made to write-down the asset to its expected recoverable amount.

Bank borrowings

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

Trade payables

Trade payables are not interest bearing and are recorded at fair value and carried at amortised cost.

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.

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 12 to the consolidated financial statements.

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 11 of the consolidated financial statements).

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

1 Principal accounting policies (continued)

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 19 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 13 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.

vii) Development costs

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

2 Revenue

	2009 £000	2008 £000
Revenue by geographical destination on continuing operations		
United Kingdom	10,808	10,719
Rest of Europe	5,750	3,090
United States of America	15,756	14,322
Rest of World	3,021	2,991
Total consolidated revenue*	**35,335**	**31,122**

	2009 £000	2008 £000
*Analysed as follows:		
Sales of goods	27,866	27,001
Rendering of services	6,977	3,730
Royalities and license income	492	391
Total consolidated revenue	**35,335**	**31,122**

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Notes to the Consolidated Financial Statements

Year ended 31 May 2009

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 and sale of automotive repair manuals and electronic data 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 2009

	UK & Europe 2009 £000	North America & Australia 2009 £000	Eliminations 2009 £000	Consolidated 2009 £000
Revenue				
External sales	16,427	18,908	–	35,335
Inter-segment sales	182	804	(986)	-
Total revenue	**16,609**	**19,712**	**(986)**	**35,335**

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

	UK & Europe 2009 £000	North America & Australia 2009 £000	Eliminations 2009 £000	Consolidated 2009 £000
Result				
Segment operating profit	2,195	5,144	–	7,339
Unallocated head office income less expenses				236
Finance income				1,123
Finance costs				(1,642)
Consolidated profit before tax				**7,056**
Taxation				(2,267)
Profit for the period from continuing operations				**4,789**

	UK & Europe 2009 £000	North America & Australia 2009 £000	Eliminations 2009 £000	Consolidated 2009 £000
Balance sheet				
Segment assets	21,751	27,321	(990)	48,082
Segment liabilities	(4,438)	(5,124)	2,275	(7,287)
Segment net assets	**17,313**	**22,197**	**1,285**	**40,795**
Unallocated head office assets [1]				9,485
Unallocated head office liabilities [1]				(12,180)
Unallocated head office eliminations				(1,285)
Consolidated net assets				**36,815**

[1] The unallocated head office assets primarily relate to freehold property of £2.9 million (2008: £2.9 million), deferred tax assets of £3.8 million (2008: £2.6 million) and amounts owed by subsidiary undertakings of £1.4 million (2008: £0.9 million) The unallocated head office liabilities primarily relate to the plan deficit on the UK's multi-employer defined benefit scheme of £7.0 million (2008: £5.4 million) and tax liabilities of £0.5 million (2008: £0.6 million).

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

3 Segment information (continued)

	Capital Additions 2009 £000	Depreciation 2009 £000
Other segment information		
UK and Europe - Continuing	270	249
North America & Australia	2,084	600
	2,354	**849**
Unallocated head office	–	15
Consolidated total	**2,354**	**864**

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.

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] see page 49				7,477
Unallocated head office liabilities [1] see page 49				(10,347)
Unallocated head office eliminations				(807)
Consolidated net assets				**31,882**

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Year ended 31 May 2009

3 Segment information (continued)

Other segment information	Capital Additions 2008 £000	Depreciation 2008 £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**

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:

	2009 £000	2008 £000
Automotive	29,262	24,879
General book publishing	6,073	6,243
	35,335	**31,122**

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 2009 £000	Additions to property, plant and equipment 2009 £000	Carrying amount of segment assets 2008 £000	Additions to property, plant and equipment 2008 £000
Automotive	43,612	2,354	36,164	2,228
General book publishing	4,470	-	5,137	-
	48,082	**2,354**	**41,301**	**2,228**

4 Operating profit

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

	2009 £000	2008 £000
Net foreign exchange losses/(gains)	21	(26)
Depreciation of property, plant and equipment	864	765
Amortisation of intangible assets	418	43
Loss/(profit) on sale of property, plant & equipment	139	(90)
Cost of inventories recognised as an expense	10,671	9,834
Operating lease rentals – Land and buildings	212	190
– Plant and equipment	198	197
Staff costs (see note 5)	10,764	9,239

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

4 Operating profit (continued)

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:

	2009 £000	2008 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:	33	36
Fees payable to the Company's auditor and its associates for other services		
– The audit of the Company's subsidiaries pursuant to legislation	76	65
– Other services pursuant to legislation	11	8
– Transaction support services	4	47
– Tax services	62	54
Fee's payable in respect of the Group's pension plans – Audit	5	5
	191	**215**

5 Staff costs

Employees:

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

	Total 2009 number	Total 2008 number
Production	158	152
Selling and distribution	59	62
Administration	54	58
	271	**272**

The aggregate payroll costs of these persons were as follows:

	Total 2009 £000	Total 2008 £000
Wages and salaries	8,603	7,411
Employer's social security costs	810	610
Employer's pension costs - defined benefit schemes (note 19)	1,192	1,095
Employer's pension costs - defined contribution schemes	159	123
	10,764	**9,239**

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

	2009 £000	2008 £000
Finance income can be analysed as follows:		
Interest receivable on bank deposits	38	161
Expected return on pension scheme assets (note 19)	1,085	1,357
	1,123	**1,518**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

7 Finance costs

	2009 £000	2008 £000
Finance costs can be analysed as follows:		
Interest payable on bank loans and overdrafts	87	34
Other Interest	29	-
Interest charge on pension scheme liabilities (note 19)	1,526	1,366
	1,642	**1,400**

8 Taxation

	2009 £000	2008 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	1,337	2,140
– Foreign tax	1,058	2,141
– Double tax relief	(1,227)	(1,856)
– Adjustments in respect of prior periods	65	(595)
	1,233	**1,830**
Deferred tax (note 17):		
– Origination and reversal of temporary differences	1,034	213
Total taxation in the Consolidated Income Statement	**2,267**	**2,043**

(b) Reconciliation of effective tax rate

The tax assessed for the period differs from the UK standard rate of corporation tax for the period of 28% (2008: 29.7%). The differences are explained below:

	2009 £000	2008 £000
Profit on ordinary activities before tax	7,056	7,085
Taxation calculated at the standard rate of corporation tax in the UK of 28% (2008: 29.7%)	1,976	2,102
Affected by:		
Variance in overseas tax rates	404	631
Income/expenses not chargeable/deductible for tax	(178)	(95)
Adjustments relating to prior years	65	(595)
Total tax charge for the year reported in the Consolidated Income Statement	**2,267**	**2,043**
Effective tax rate	32%	29%

The effective tax rate is higher than the standard rate of UK tax due to the impact of the mix of profits from overseas operations where the tax rates differ from the UK.

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 2009 was £21.0 million (2008: £20.1 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 2009

9 Earnings per share

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

	2009 £000	2008 £000
Earnings:		
Profit after tax - continuing operations*	4,810	5,041
Profit after tax - all operations*	4,810	5,041
Number of shares:		
Weighted average number of shares (note 20)	16,351,540	16,351,540

* Figure has been adjusted to exclude a loss of £21,000 (2008: profit of £1,000) attributable to minority interests

As at 31 May 2009 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.

10 Dividends

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2008 of 10.5p per share (2007: 10.0p per share)	1,717	1,635
Interim dividend for the year ended 31 May 2009 of 4.0p per share (2008: 5.0p per share)	654	818
	2,371	**2,453**
Proposed final dividend for the year ended 31 May 2009 of 11.5p per share	1,880	1,717

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 21 October 2009 and has not been included as a liability in these financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

11 Property, plant and equipment

	Land and buildings			
	Freehold	Short leasehold	Plant and equipment	Total
The Group	£000	£000	£000	£000
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 1 June 2008	6,464	430	16,562	23,456
Additions	-	102	2,252	2,354
Exchange rate movements	570	69	1,327	1,966
Disposals	(2)	-	(4,983)	(4,985)
Cost at 31 May 2009	**7,032**	**601**	**15,158**	**22,791**
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)
Amortisation at 1 June 2008	1,369	287	13,560	15,216
Exchange rate movements	73	41	1,197	1,311
Charge for the year	28	16	820	864
Disposals	(1)	-	(4,430)	(4,431)
Accumulated depreciation at 31 May 2009	**1,469**	**344**	**11,147**	**12,960**
Net book value at 31 May 2009	**5,563**	**257**	**4,011**	**9,831**
Net book value at 31 May 2008	5,095	143	3,002	8,240
Net book value at 31 May 2007	3,959	116	2,688	6,763

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

The Directors' are not aware of any events or changes in circumstances during the year which would have 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 2009

12 Intangible assets

	Goodwill £000	Trademarks and domain names £000	Know how £000	Internally generated software development costs £000	Other intangibles £000	Total £000
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 1 June 2008	7,021	1,209	2,491	890	120	11,731
Fair value adjustment*	54	–	–	–	–	54
Exchange rate movements	984	182	373	231	26	1,796
Additions	–	–	–	1,939	–	1,939
Cost at 31 May 2009	**8,059**	**1,391**	**2,864**	**3,060**	**146**	**15,520**
Amortisation at 1 June 2007	–	–	–	–	–	–
Exchange rate movements	–	–	–	–	–	–
Amortisation charge for the period	–	–	–	43	–	43
Amortisation at 1 June 2008	–	–	–	43	–	43
Exchange rate movements	–	–	–	80	–	80
Amortisation charge for the period	–	–	–	418	–	418
Cost at 31 May 2009	**-**	**-**	**-**	**541**	**-**	**541**
Carrying value as at 31 May 2009	**8,059**	**1,391**	**2,864**	**2,519**	**146**	**14,979**
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

* The fair value adjustment to goodwill of £54,000 relates to non-recoverable sales ledger balances in Vivid Holding BV and was made within the first 12 months from the date of acquisition.

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 and Vivid Holding BV have been set at 2%, sales pricing and changes in direct costs which have been based on historical performance and predicted future outcomes.

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

12 Intangible assets (continued)

The rate used to discount the forecast cash flows in both CGU's was 16%. 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 (2008: £nil).

The intangible assets in relation to trademarks & domain names and know how are assigned indefinite useful lives and relate to Vivid Holding BV in Holland and Bookworks Pty Ltd in Australia. Both Vivid and Bookworks 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.

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.

The carrying amount of goodwill has been allocated as follows:

	2009 £000	2008 £000
Unit:		
Haynes North America (HNA)	5,347	4,362
Vivid Holding BV (Vivid)	2,712	2,659
	8,059	**7,021**

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

	2009 £000	2008 £000
Unit:		
Haynes North America	174	144
Vivid Holding BV	6,746	4,523
	6,920	**4,667**

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

	2009 £000	2008 £000
Cost of sales	418	-
Administrative expenses	-	43
	418	**43**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

13 Inventories

	2009 £000	2008 £000
Raw materials	472	613
Work in progress	1,701	1,266
Finished goods	10,350	9,235
	12,523	**11,114**

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net charge of £112,000 (2008: £97,000) 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 £5.3 million (2008: £4.7 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.

14 Trade and other receivables

	2009 £000	2008 £000
Amounts falling due within one year:		
Trade receivables	11,815	12,032
Less: Provision for impairment	(181)	(238)
Less: Customer allowances	(1,234)	(876)
	10,400	**10,918**
Taxation recoverable	341	-
Other debtors and prepayments	1,024	815
	11,765	**11,733**

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.

	2009 £000	2008 £000
Analysis of trade receivables:		
Neither impaired nor past due	10,011	9,716
Past due but not impaired	1,623	2,078
Impaired	181	238
	11,815	**12,032**

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.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

14 Trade and other receivables (continued)

The ageing of these two categories is shown in the table below:

	Past due but not impaired 2009 £000	Impaired 2009 £000	Past due but not impaired 2008 £000	Impaired 2008 £000
Less than 30 days past due	1,073	72	1,604	72
30 to 90 days past due	391	3	13	12
Greater than 90 days past due	159	106	461	154
	1,623	**181**	**2,078**	**238**

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

	2009 £000	2008 £000
Balance at 1 June	238	202
Amounts charged to the Consolidated Income Statement	14	73
Amounts written-off as uncollectible	(104)	(37)
Exchange rate movement	33	-
Balance at 31 May	**181**	**238**

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

	2009 £000	2008 £000
US dollars	6,861	6,232
Sterling	3,638	3,668
Euro	889	1,407
Australian dollars	373	423
Other currencies	4	3
	11,765	**11,733**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

15 Cash and cash equivalents (net funds)

	2009 £000	2008 £000
Cash at bank and in hand	3,029	2,506
Bank overdrafts	(1,659)	(2,310)
Cash and cash equivalents in the cash flow statement (note 23)	**1,370**	**196**

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 3.9% (2008: 6.3%). In Holland Vivid Holding has a € 0.4 million overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. The facilty is presently unutilised.

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

	2009 £000	2008 £000
US dollars	1,052	1,214
Sterling	(894)	(1,769)
Australian dollars	662	529
Euro	508	139
Other currencies	42	83
	1,370	**196**

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.

16 Trade and other payables

	2009 £000	2008 £000
Amounts falling due within one year:		
Trade payables	1,199	1,619
Other taxes and social security costs	159	216
Other creditors and accruals	3,088	2,997
	4,446	**4,832**
Amounts falling due after more than one year:		
Deferred consideration	**-**	**67**

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:

	2009 £000	2008 £000
Falling due within one year:		
US dollars	1,434	1,141
Sterling	2,021	2,290
Euro	869	1,296
Australian dollars	102	87
Other currencies	20	18
	4,446	**4,832**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

16 Trade and other payables (continued)

Amounts falling due after more than one year:

	2009 £000	2008 £000
US dollars	**-**	**67**

17 Deferred tax assets and liabilities

	2009 Assets £000	2009 Liabilities £000	2009 Net total £000	2008 Assets £000	2008 Liabilities £000	2008 Net total £000
Property, plant & equipment	-	(1,470)	(1,470)	–	(315)	(315)
Employee benefits	3,248	-	3,248	2,069	-	2,069
Short-term temporary differences	748	-	748	497	-	497
Intangible assets	-	(1,221)	(1,221)	-	(1,077)	(1,077)
Net deferred tax asset/(liability)	**3,996**	**(2,691)**	**1,305**	**2,566**	**(1,392)**	**1,174**

	2009 £000	2008 £000
Balance at 1 June	(1,174)	(2,418)
Transfer to Consolidated Income Statement	1,034	213
Transfer to equity	(1,094)	(48)
Exchange rate movement	(71)	52
Acquisition of subsidiary	-	1,027
Balance at 31 May	**(1,305)**	**(1,174)**

18 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 percent 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 $1.64.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

18 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 14.

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 14) and amounted to £0.3 million net of allowances for doubtful recovery (2008: £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 2009 the Group had a £2.5 million UK overdraft facility (2008: £2.5 million) which is due for renewal in October 2009, a €0.4 million overdraft in Europe (2008: €0.4 million) which has no fixed renewal date and a $11.0 million loan facility in the US (2008: $11.0 million) which is due for renewal in April 2010.

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 2009 there were no bank loans outstanding (2008: £nil) and bank overdrafts outstanding of £1.7 million (2008: £2.3 million) Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis

As all of the Group's borrowings are subject to variable interest rates the Group 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 14, 15 and 16 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 2009

18 Financial risk and treasury policy (continued)

	2009	2008
Interest cover		
Operating profit (£'000)	7,575	6,967
Net finance costs (£'000)	519	118
Interest cover (ratio)	15	59

Interest cover is the operating profit from the Consolidated Income Statement divided by net finance costs

	2009	2008
Gearing ratio		
Net debt (£'000)	-	-
Total equity (£'000)	36,815	31,882
Gearing ratio (%)	-	-

The gearing ratio comprises net debt divided by total equity (net debt being defined as cash and cash equivalents - see note 15)

19 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).

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:

	2009 £000	2008 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(1,192)	(1,095)
– Gain on curtailment	151	-
Amounts included in finance income:		
– Expected return on pension scheme assets	1,085	1,357
Amounts included in finance costs:		
– Interest charge on pension scheme liabilities	(1,526)	(1,366)
Amount recognised in the Consolidated Income Statement	**(1,482)**	**(1,104)**

	2009 £000	2008 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	14,970	16,616
Present value of deferred benefit obligation	(25,360)	(23,410)
Net deficit recognised in Consolidated Balance Sheet	**(10,390)**	**(6,794)**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

19 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2009 UK Scheme % per Annum	2008 UK Scheme % per Annum
Discount rate	6.6	6.6
Salary escalation	3.8	4.4
Price inflation	3.3	3.9
Pension increases	3.1	3.4
Expected return on invested assets	6.7	7.5
Expected return on insurance annuity contracts	6.6	6.6

	2009 US Plan % per Annum	2008 US Plan % per Annum
Discount rate	5.0	5.0
Salary escalation	3.0	3.0
Price inflation	2.0	2.0
Pension increases	2.0	2.0
Expected return on invested assets	2.0	8.0

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:

	2009 Years	2008 Years
Current pensioners (at age 65) - Male	22.02	21.88
Current pensioners (at age 65) - Females	24.91	24.78
Future pensioners (at age 65) - Males	23.10	23.01
Future pensioners (at age 65) - Females	25.90	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 2009 were as follows:

	2009 UK Scheme Rate of return %	2009 UK Scheme Value £000	2008 UK Scheme Rate of return %	2008 UK Scheme Value £000
Group Investment Linked Policy				
– Equities	7.2	5,988	8.0	7,004
– Fixed interest/gilts	4.2	341	5.0	361
– Other bonds	6.6	970	6.6	828
– Cash	1.0	618	5.0	599
– Property	7.2	1,908	8.0	2,789
	6.7	9,825	7.8	11,581
Secured pensions in payment	6.6	1,308	6.6	1,454
Assets at fair value		**11,133**		**13,035**

Financial Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

19 Retirement benefit obligation (continued)

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 2009 were as follows:

	2009 US Plan Rate of Return %	2009 US Plan Value £000	2008 US Plan Rate of Return %	2008 US Plan Value £000
Group Investment Linked Policy				
- US equities	8.0	-	8.0	3,581
- Bonds	2.0	3,666	-	-
- Other	1.0	171	-	-
Assets at fair value		**3,837**		**3,581**

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 2009 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate.

	UK Scheme 2009 £000	US Plan 2009 £000	Total 2009 £000	UK Scheme 2008 £000	US Plan 2008 £000	Total 2008 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(18,135)	(7,225)	(25,360)	(18,439)	(4,971)	(23,410)
Assets at fair value	11,133	3,837	14,970	13,035	3,581	16,616
Net liability recognised in the balance sheet	**(7,002)**	**(3,388)**	**(10,390)**	**(5,404)**	**(1,390)**	**(6,794)**
Amount recognised through the consolidated statement of recognised income and expense						
Actuarial gain/(loss) during the year	1,627	1,594	3,221	723	(625)	98
Deferred tax on actuarial gain/(loss)	(455)	(637)	(1,092)	(202)	250	48
	1,172	**957**	**2,129**	**521**	**(375)**	**146**
Actual return on assets						
Expected return on plan assets	998	87	1,085	989	368	1,357
Actuarial gain/(loss) on plan assets	(3,443)	(1,294)	(4,737)	(1,822)	(1,043)	(2,865)
	(2,445)	**(1,207)**	**(3,652)**	**(833)**	**(675)**	**(1,508)**

Reconciliation of present value of wholly funded defined benefit obligation (DBO)	UK Scheme £000	US Plan £000	Total £000
Present value of DBO at 1 June 2007	19,420	5,379	24,799
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 1 June 2008	**18,439**	**4,971**	**23,410**

Notes to the Consolidated Financial Statements
Year ended 31 May 2009

19 Retirement benefit obligation (continued)

Reconciliation of present value of defined benefit obligation (DBO)

	UK Scheme £000	US Plan £000	Total £000
Current Service Cost	669	523	1,192
Interest Cost	1,226	300	1,526
Employee contributions	162	-	162
Expenses Included in Service Cost	(92)	(8)	(100)
Gain on Curtailment	(151)	-	(151)
Actuarial (gains)/losses	(1,815)	300	(1,515)
Foreign currency exchange rate changes	-	1,139	1,139
Benefits	(303)	-	(303)
Present value of DBO at 31 May 2009	**18,135**	**7,225**	**25,360**

Reconciliation of fair value of assets	UK Scheme £000	US Plan £000	Total £000
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 1 June 2008	**13,035**	**3,581**	**16,616**
Expected return on plan assets	998	87	1,085
Actuarial gain/(loss) on plan assets	(3,443)	(1,294)	(4,737)
Foreign currency exchange rate changes	-	799	799
Employer contributions	775	672	1,447
Employee contributions	162	-	162
Admin expenses	(91)	(8)	(99)
Benefits	(303)	-	(303)
Fair value of assets at 31 May 2009	**11,133**	**3,837**	**14,970**

Reconciliation of change in funded status	UK Scheme £000	US Plan £000	Total £000
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 1 June 2008	**5,404**	**1,390**	**6,794**
Total pension expense	746	736	1,482
Employer contributions	(775)	(672)	(1,447)
Impact of foreign currency exchange rates	-	340	340
Actuarial (gain)/losses	1,627	1,594	3,221
Defined benefit liability at 31 May 2009	**7,002**	**3,388**	**10,390**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

19 Retirement benefit obligation (continued)

History of experience adjustments

		2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligation		(25,360)	(23,410)	(24,799)	(23,434)	(22,038)
Fair value of scheme assets		14,970	16,616	17,890	14,917	12,600
Deficit in the scheme		**(10,390)**	**(6,794)**	**(6,909)**	**(8,517)**	**(9,438)**
Experience adjustments on scheme liabilities						
Amount	£000	1,515	2,962	309	500	(4,077)
Experience adjustments on scheme assets						
Amount	£000	(4,737)	(2,865)	1,084	548	382

Expected contributions in the forthcoming year

	Financial year beginning 1 June 2009 £000
Group contributions	
– UK scheme	632
– US plan	558
	1,190
Employee contributions	110
	1,300

20 Share capital

	2009 No.	2008 No.	2009 £000	2008 £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 2009 the share price was 148p (2008: 188p), with a high of 193p (2008: 334p) and a low of 117p (2008: 188p) 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 2009

21 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 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 10)	–	–	–	(2,453)	(2,453)	–	(2,453)
Business Combinations	–	–	–	–	–	14	14
Balance at 1 June 2008	**3,270**	**638**	**(1,058)**	**29,018**	**31,868**	**14**	**31,882**
Profit for the period	–	–	–	4,810	4,810	(21)	4,789
Currency translation adjustments	–	–	4,634	–	4,634	–	4,634
Actuarial gains/(losses) on defined benefit plans (net of tax)	–	–	–	(2,129)	(2,129)	–	(2,129)
Total recognised income and expense	–	–	4,634	2,681	7,315	(21)	7,294
Dividends (note 10)	–	–	–	(2,371)	(2,371)	–	(2,371)
Increase in Minority share capital/share premium	–	–	–	–	–	10	10
Balance at 31 May 2009	**3,270**	**638**	**3,576**	**29,328**	**36,812**	**3**	**36,815**

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.

22 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its directors. A list of all the Group’s subsidiaries is shown in note 31.

Transactions with related parties

The interests of the directors in the ordinary share capital of the Company as at 31 May 2009 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 as shown below.

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

22 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 2009 was $207,214 (2008: $207,214) or £126,535 (2008: £102,834) at the average exchange rate for the year. MEF 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 JH Haynes is a trustee, and JHC Haynes and MEFHaynes 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 (2008: £65,544).

(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 2009 £000	Balance at 31 May 2009 £000	Transactions 2008 £000	Balance at 31 May 2008 £000
Sponsorship	–	–	25	–
Supply of conference facilities	5	–	4	1
Purchase of books and manuals	23	5	24	6

JH Haynes and JHC Haynes 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 MEF Haynes are directors, sub-leased 600sq ft of office premises on the main Sparkford site. The annual rent for the year ended 31 May 2009 was £3,688 plus service charge (2008: £2,120).

(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 2009 the balance outstanding to Haynes Developments Ltd was £785 (2008: £787).

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.

	2009 £000	2008 £000
Short term employee benefits	1,237	1,065
Post employment benefits	316	205
	1,553	**1,270**

Notes to the Consolidated Financial Statements

Year ended 31 May 2009

23 Analysis of the changes in net funds

	As at 1 June 2008	Cash flow	Exchange movements	As at 31 May 2009
	£000	£000	£000	£000
Cash at bank and in hand	2,506	222	301	3,029
Bank overdrafts	(2,310)	651	-	(1,659)
	196	**873**	**301**	**1,370**

24 Operating leases

As at 31 May 2009 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 £000	2008 £000
Commitments under non-cancellable operating leases		
Land and buildings:		
Due within one year	120	100
Due in the second to fifth years	435	306
Due after five years	115	171
	670	**577**
Plant and equipment:		
Due within one year	147	139
Due in the second to fifth years	214	190
Due after five years	-	2
	361	**331**
	1,031	**908**

25 Capital commitments

At 31 May 2009 the Group had the following capital commitments for which no provision has been included in the financial statements:

	2009 £000	2008 £000
Contracted	87	5

26 Ultimate controlling party

The ultimate controlling party is J H Haynes who has majority voting rights by virtue his 59.9% beneficial interest in the ordinary shares of the Company.

Financial Statements

Company Balance Sheet

As at 31 May 2009

		2009 £000	2008 £000
	Fixed assets		
Note 30	Tangible assets	2,607	2,704
Note 31	Investments in subsidiary undertakings	7,106	7,106
		9,713	9,810
	Current assets		
Note 32	Debtors	1,307	835
	Cash at bank and in hand	77	1
		1,384	836
Note 33	**Creditors:** amounts falling due within one year	(2,356)	(2,967)
	Net current assets	(972)	(2,131)
	Total assets less current liabilities	**8,741**	**7,679**
Note 35	Provisions for liabilities	(392)	(168)
	Net assets	**8,349**	**7,511**
	Capital and reserves		
Note 36	Called up share capital	3,270	3,270
Note 37	Share premium account	638	638
Note 37	Profit and loss account	4,441	3,603
	Shareholders' funds	**8,349**	**7,511**

The financial statements were approved by the board of directors and authorised for issue on 23 September 2009 and were signed on its behalf by:

J H Haynes OBE
Director

E Oakley
Director

Notes to the Company Accounts

Year ended 31 May 2009

27 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 except for the treatment of certain financial instruments 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 19 to the Consolidated Accounts.

Notes to the Company Accounts

Year ended 31 May 2009

27 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.

28 Profit of the Parent Company

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

The profit dealt with in the Company accounts was £3.2 million (2008: £4.6 million) which includes dividends received from subsidiaries of £3.5 million (2008: £4.5 million).

Employees

Aggregate remuneration of employees	2009 £000	2008 £000
Wages and salaries	986	973
Employer's social security costs	65	63
Employer's pension costs	17	23
	1,068	**1,059**

	2009 No	2008 No
Average number of employees (all administration)	8	11

Full details concerning the Directors' 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 £32,650 (2008: £35,600). 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.

Notes to the Company Accounts

Year ended 31 May 2009

29 Dividends

Dividends paid and proposed	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2008 of 10.5p per share (2007: 10.0p per share)	1,717	1,635
Interim dividend for the year ended 31 May 2009 of 4.0p per share (2008: 5.0p per share)	654	818
	2,371	**2,453**
Proposed final dividend for the year ended 31 May 2009 of 11.5p per share	1,880	1,717

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 21 October 2009 and has not been included as a liability in these financial statements.

30 Tangible fixed assets

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2008 and 31 May 2009	**4,003**	**97**	**103**	**4,203**
Accumulated depreciation at 1 June 2008	1,333	72	94	1,499
Charge for year	92	4	1	97
Accumulated depreciation at 31 May 2009	**1,425**	**76**	**95**	**1,596**
Net book value at 31 May 2009	**2,578**	**21**	**8**	**2,607**
Net book value at 31 May 2008	2,670	25	9	2,704

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2008: £3,613,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

31 Investment in subsidiary undertakings

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
The Company			
Cost and carrying value at 1 June 2008 and 31 May 2009	7,106	–	**7,106**

Notes to the Company Accounts

Year ended 31 May 2009

31 Investment in subsidiary undertakings (continued)

As at 31 May 2009 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 Holding 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 2009, 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.

[1] Through Vivid Automotive Data & Media BV the Group has a 60% interest in the equity of Vivid Italia srl. During the year the share capital of Vivid Italia srl was increased by 1,550 shares.

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

32 Debtors

	2009 £000	2008 £000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	1,277	764
Taxation recoverable	–	45
Other debtors and prepayments	30	26
	1,307	**835**

33 Creditors

	2009 £000	2008 £000
Amounts falling due within one year:		
Trade creditors	11	19
Amounts owed to subsidiary companies	146	111
Bank overdraft	1,659	2,248
Corporate taxes	5	-
Other taxes and social security costs	2	3
Other creditors and accruals	533	586
	2,356	**2,967**

Details of the security held against the bank overdraft are detailed in note 15 to the Consolidated Financial Statements.

Notes to the Company Accounts

Year ended 31 May 2009

34 Financial risk management, objectives and policies

Note 18 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 2009 the Company had financial assets totalling £77,000 (2008: £1,000) of which £75,000 was held in Euro's (2008: £1,000), £nil was held in Sterling (2008: £nil) and £2,000 was held in US dollars (2008: £nil).

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.

35 Provisions for liabilities

	2009 £000	2008 £000
Deferred taxation:		
Balance at 1 June	168	177
Transfer to profit and loss account	224	(9)
Balance at 31 May	**392**	**168**
Being:		
Accelerated capital allowances	403	180
Other short-term timing differences	(11)	(12)
Provision for deferred tax	**392**	**168**
Analysed in the Balance Sheet as follows:		
Provision for liabilities	**392**	**168**

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

36 Share capital

	2009 No.	2008 No.	2009 £000	2008 £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**

Notes to the Company Accounts

Year ended 31 May 2009

36 Share capital (continued)

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 2009 the share price was 148p (2008: 188p), with a high of 193.0p (2008: 334p) and a low of 117p (2008: 188p) 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.

37 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 June 2007	3,270	638	1,456	5,364
Profit for the period	–	–	4,600	4,600
Dividends (note 29)	–	–	(2,453)	(2,453)
Balance at 1 June 2008	**3,270**	**638**	**3,603**	**7,511**
Profit for the period	–	–	3,209	3,209
Dividends (note 29)	–	–	(2,371)	(2,371)
Balance at 31 May 2009	**3,270**	**638**	**4,441**	**8,349**

38 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 19 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 £16,000 (2008: £23,000).

Notes to the Company Accounts

Year ended 31 May 2009

39 Leases

Annual operating lease commitments:	2009 £000	2008 £000
Land and buildings:		
Leases expiring after five years	65	65
Plant and equipment:		
Leases expiring in less than 1 year	-	-
Leases expiring between 2 and 5 years	2	1
	2	1
	67	**66**

Financial Calendar and Analysis of Shareholders

Calendar for Financial Year ended 31 May 2010

Interim Statement	January
Interim dividend paid	March
Company year-end	31 May
Announcenment of annual results and proposed final dividend	August
Annual General Meeting	October
Final dividend paid	October

Analysis of Shareholders as at 31 May 2009

Type of Shareholder	**Number of Shareholders**	**Total shareholdings**
Commercial and industrial companies	26	701,734
Directors beneficial holdings	6	10,575,567
Nominee companies	114	4,680,387
Private holders	232	362,852
Investment trusts and funds	2	31,000
	380	16,351,540

Share Registrars

Website: **www.capitaregistrars.com**

Investors

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


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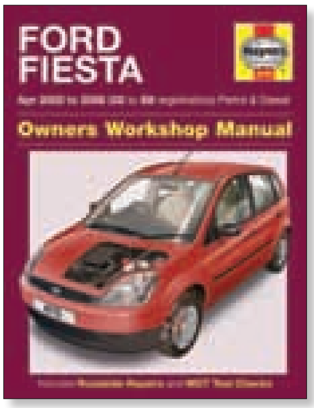
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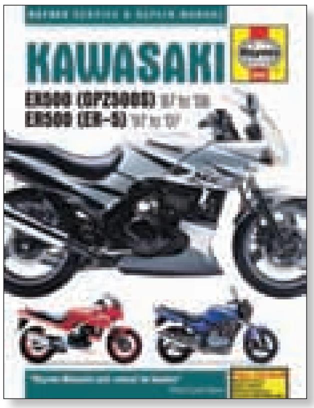
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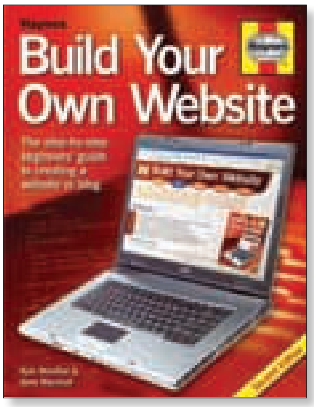
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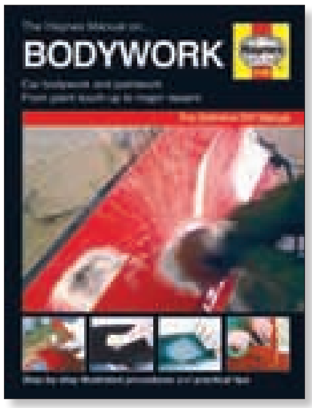
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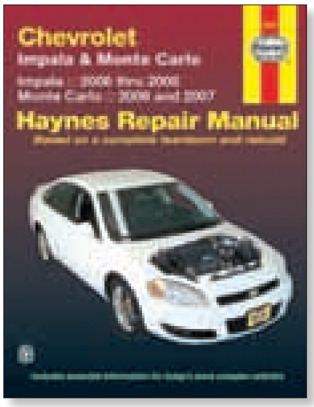
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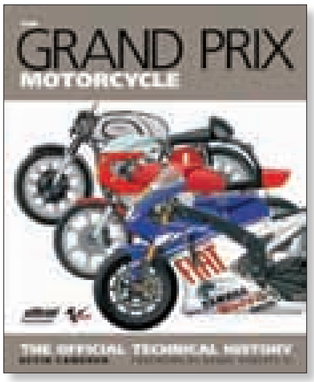
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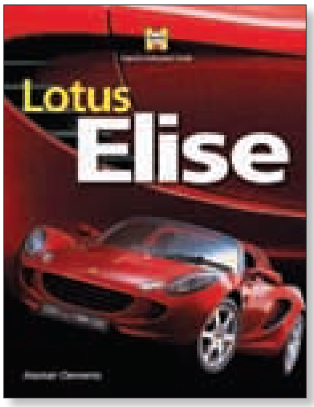
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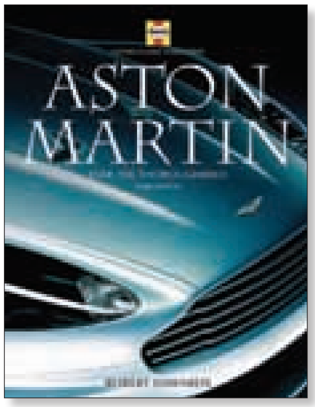
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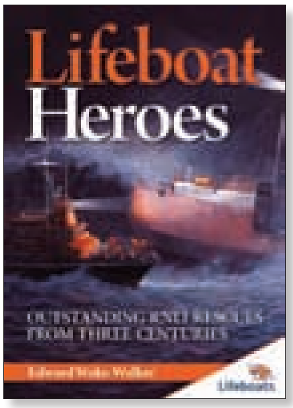
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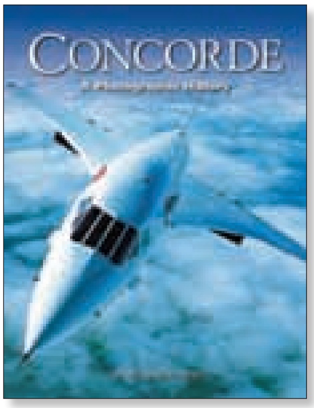
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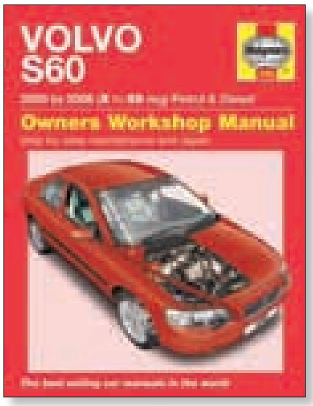
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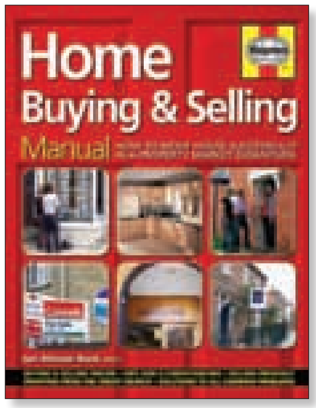
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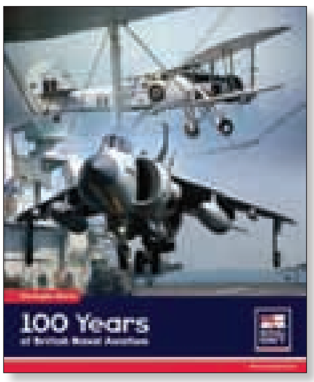
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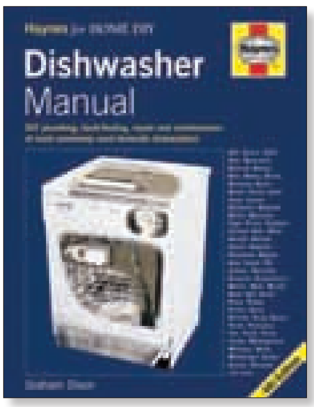
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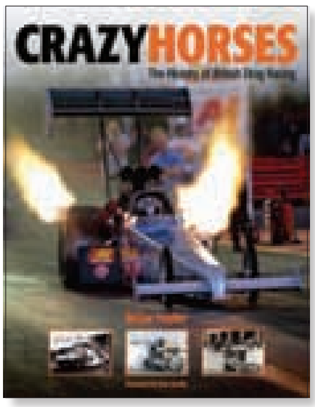
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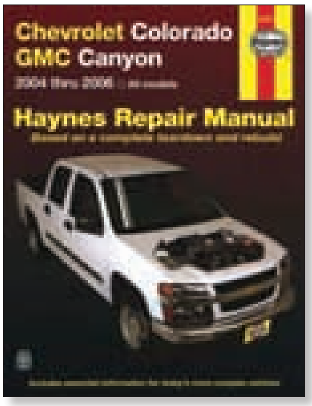
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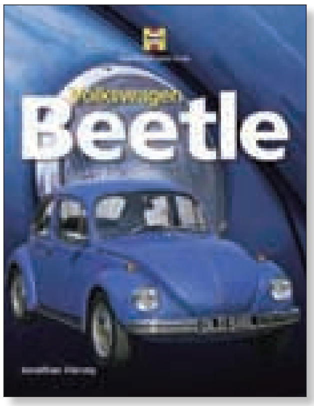
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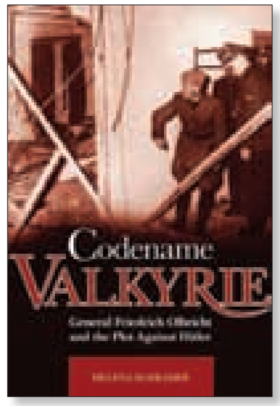
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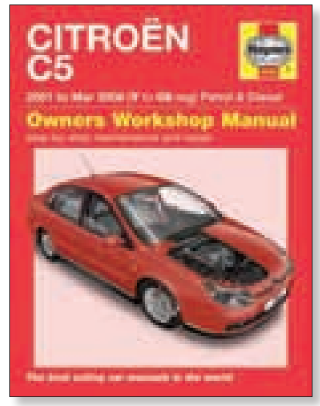
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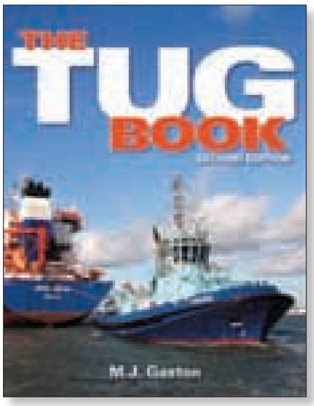
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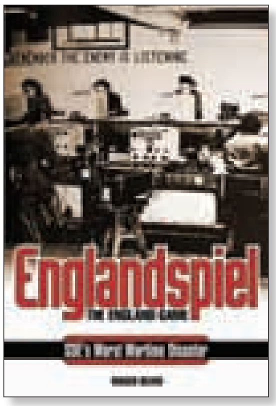
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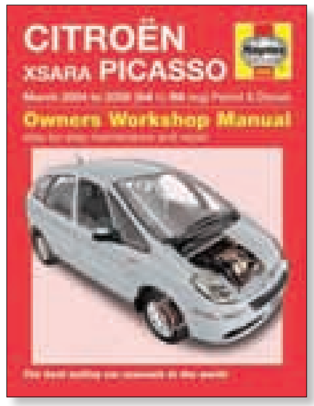
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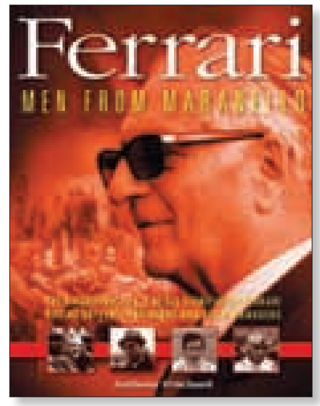
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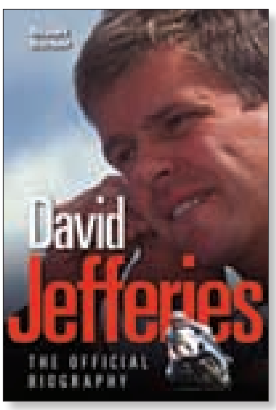
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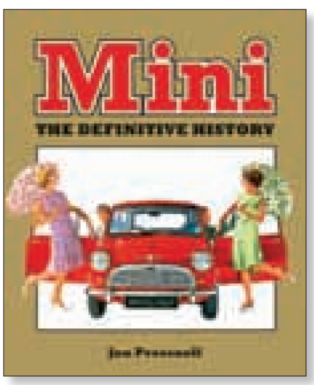
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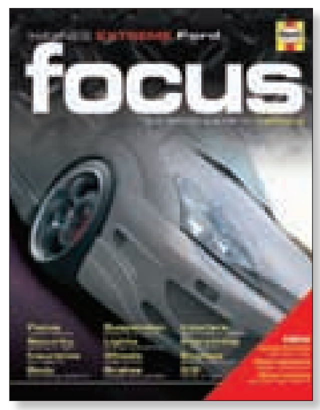
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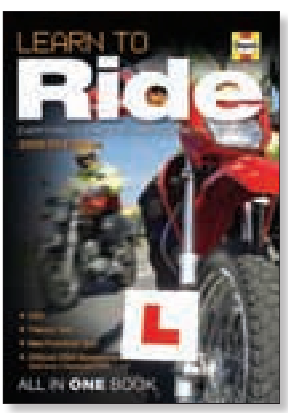
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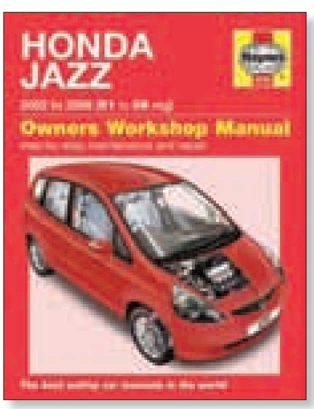
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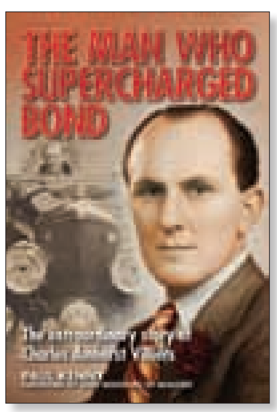
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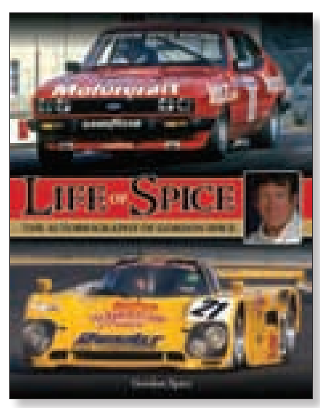
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