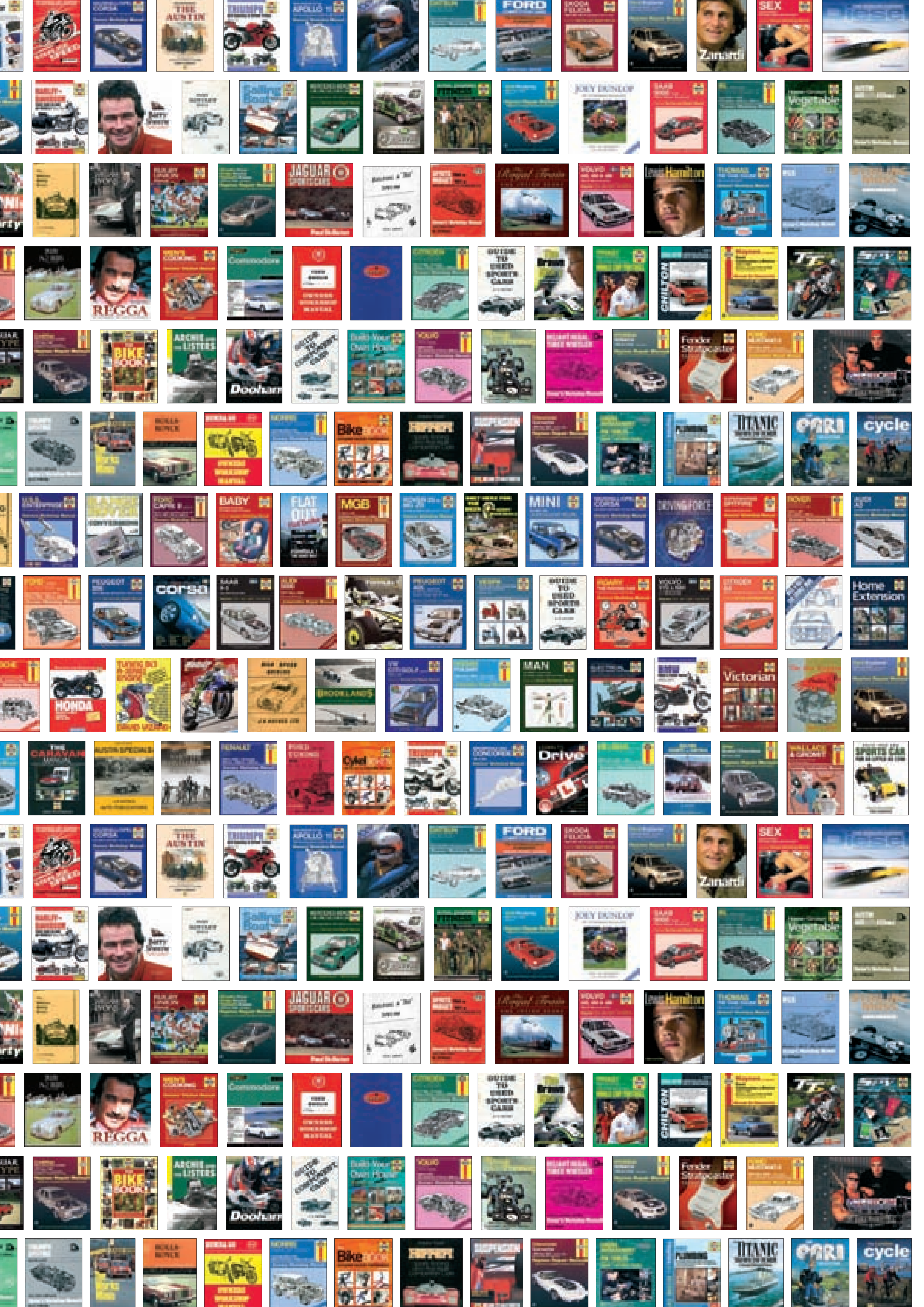
Haynes Publishing Group P.L.C.

ANNUAL REPORT 2010

Haynes Celebrating 50 Years

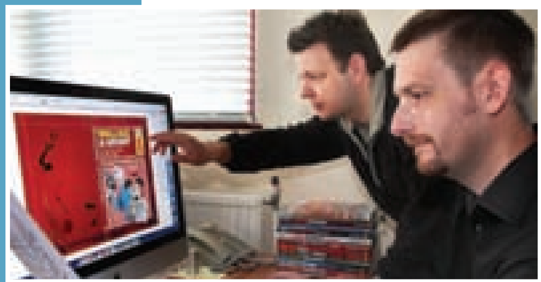
Report & Accounts **for the year ending May 2010**


FORD
SKODA FELICIA
SEX
Zanardi
THE AUSTIN
APOLLO 11
JOEY DUNLOP
Vegetable
JAGUAR SPORTS CARS
Lewis Hamilton
REGGA
Commodore
GUIDE TO USED SPORTS CARS
CHILTON
THE BIKE BOOK
ARCHIE & THE LISTERS
Dooha
Fender Stratocaster
TITANIC
cycle
Bike BOOK
BABY
FLAT OUT
MGB
MINI
DRIVING FORCE
corsa
Home Extension
HONDA
BROOKLANDS
Victorian
MAN
THE CARAVAN MANUAL
AUSTIN SPECIALS
Cykel
Drive


MINI
FORD
SEX
Zanardi
AYRTON SENNA
JORY DUNLOP
JAGUAR SPORTS CARS
Fogarty
Lewis Hamilton
REGGA
Commodore
BIKE BOOK
Doohan
Fender Stratocaster
TITANIC
BABY
MGB
corsa
HONDA
BROOKLANDS
Victorian
Drive

Haynes Worldwide Offices

Head Office



Haynes Publishing Group P.L.C.
Sparkford, Yeovil, Somerset BA22 7JJ, England
Telephone: **01963 440635**
Fax: **01963 440825**
E-mail: **info@haynes.co.uk**
Website: **www.haynes.co.uk/investor**
International Telephone: **+44 1963 440635**
Fax: **+44 1963 440825**

Sales Contact Information
Telephone: **01963 442030**
Fax: **01963 440001**
E-mail: **sales@haynes.co.uk**
Online Sales: **www.haynes.co.uk**

UK and European Offices

Haynes Publishing
Sparkford, Yeovil, Somerset BA22 7JJ, England
Telephone: **01963 442030**
Fax: **01963 440001**
E-mail: **sales@haynes.co.uk**
Website: **www.haynes.co.uk**

Haynes Publishing Nordiska AB
Box 1504, 751 45 Uppsala, Sweden
Telephone: **+46 18 124016**
Fax: **+46 18 102803**
E-mail: **haynes.nordiska@telia.com**
Website: **www.haynes.se**

Vivid Automotive Data & Media B.V.
Koningsweg 29a
NL – 3762 EA SOEST, Holland
Telephone: **+31 (35) 603 6270**
Fax: **+31 (35) 602 7597**
E-mail: **info@vivid-europe.com**
Website: **www.vivid.nl**

American and Australian Offices

Haynes Manuals Inc.
861 Lawrence Drive, Newbury Park
CA 91320, United States of America
Telephone: **(805) 498-6703**
Fax: **(805) 498-2867**
E-mail: **sales@haynes.com**
Website: **www.haynes.com**

Haynes Manuals Inc.
63 Fairford Road, Padstow NSW 2211, Australia
Telephone: **61 2 8713 1400**
Fax: **61 2 9708 3070**
E-mail: **sales@haynes.com.au**
Website: **www.haynes.com**

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 is a leading European supplier of digital technical information to the motor trade, thereby broadening the Group's business to include professional as well as DIY mechanics and enthusiasts.

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

Corporate Headquarters
Haynes Publishing Group P.L.C.
Sparkford, Yeovil, Somerset BA22 7JJ England
Telephone: **01963 440635 (International: +44 1963 440635)**
Fax: **01963 440825 (International: +44 1963 440825)**

Financial Highlights for the Year Ended 31 May 2010

- Group revenue of £33.3 million
  (2009: £35.3 million)

- Group operating profit of £7.7 million
  (2009: £7.6 million)

- Group pre-tax profit of £7.2 million
  (2009: £7.1 million)

- North America & Australia segmental operating profits of £4.0 million ($6.4 million)
  (2009: £4.4 million, $7.2 million) [1]

- UK and Europe segmental operating profits of £2.2 million
  (2009: £2.2 million) [1]

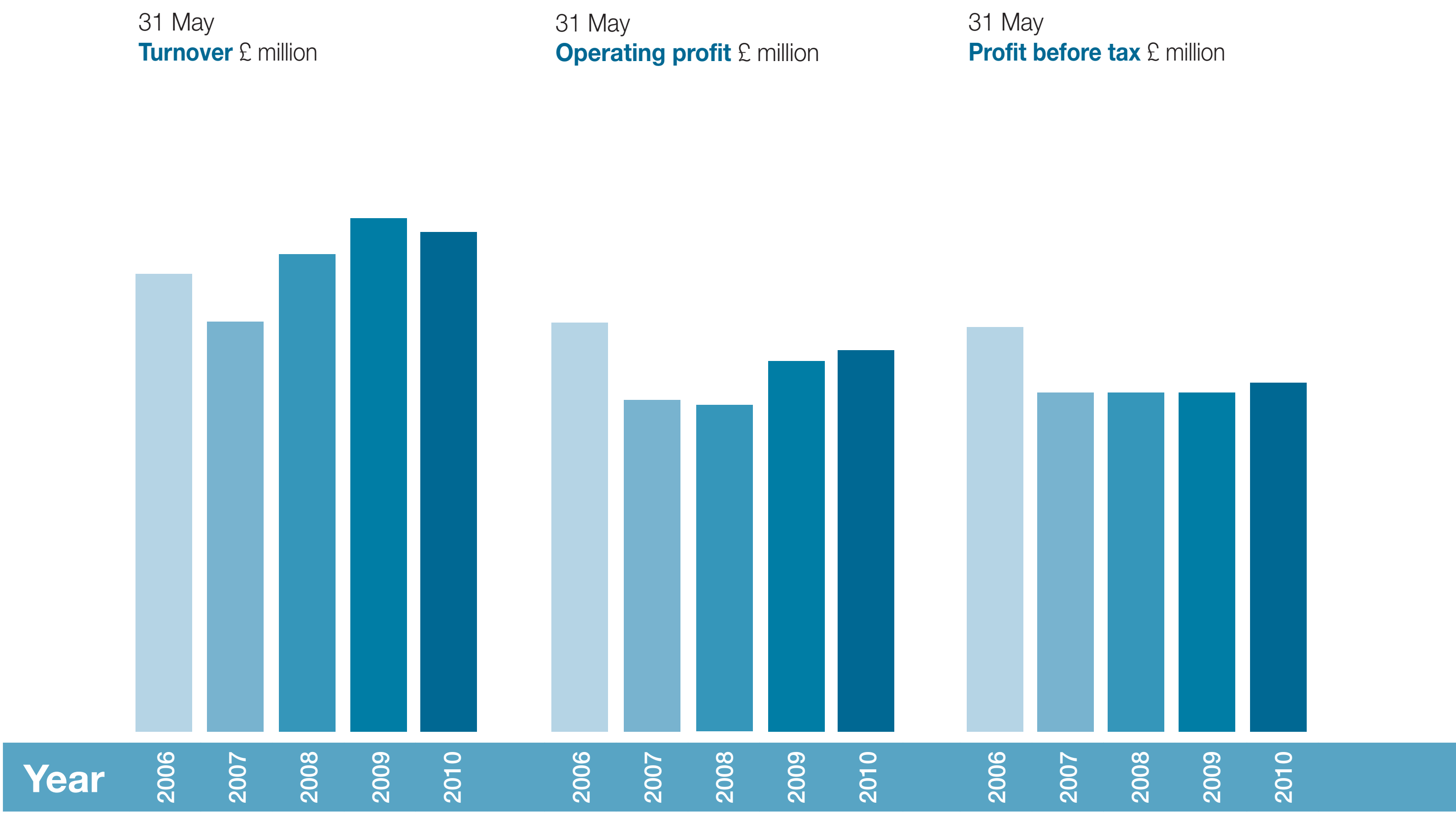
- Basic earnings per share of 28.6 pence
  (2009: 29.4 pence)

- Net funds of £3.8 million
  (2009: £1.4 million)

- Total dividend per share for the year of 15.5 pence
  (2009: 15.5 pence)

[1] Comparative figures for 2009 have been restated following the implementation of IFRS 8: Operating Segments.

FIVE YEAR SUMMARY
OF KEY FINANCIAL PERFORMANCE



Year	2006	2007	2008	2009	2010
Turnover £ million	30.6	29.2	31.1	35.3	33.3
Operating profit £ million	8.9	7.2	7.0	7.6	7.7
Profit before tax £ million	8.5	7.1	7.1	7.1	7.2

2006

The devastating hurricanes in the Gulf of Mexico in the autumn of 2005 led to higher fuel costs putting pressure on raw material prices and softening demand for the Group's products. Trading in the Group's French operation and at Sutton Publishing continued to disappoint leading to a strategic review of the Group's loss making operations. The first licensed products were launched during the year and 2006 was the Group's first year of reporting under the new International Financial Reporting Standards (IFRS's).

2007

Following the strategic review of underperforming areas of the business the Group closed its French operation in November 2006. This was followed by the disposal of Sutton Publishing in January 2007 for £3.0 million. The impact of the restructuring led to a one-off charge to the Income Statement of £2.9 million but net cash ended the year at £6.5 million. The impact of a weakened US Dollar against Sterling adversely affected reportable Group revenue and pre-tax profits by £1.5 million and £0.4 million respectively.

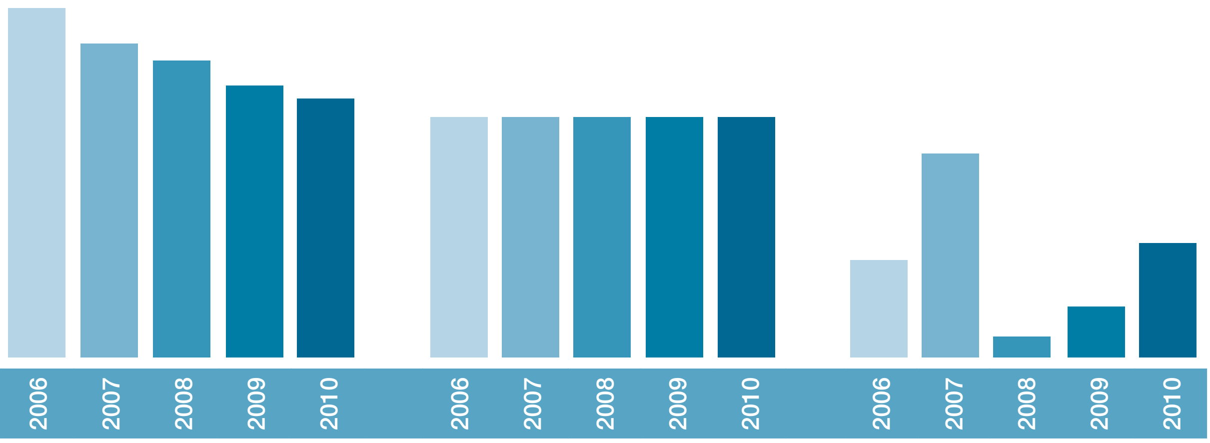
2008

At the beginning of the financial year the Group acquired the trade and assets of Bookworks Pty, the most prominent distributor of automotive repair information in Australia for £0.7 million. This was followed in February 2008 by the acquisition of Vivid Holding BV, a leading European supplier of digital technical information to the motor trade for £6.2 million. The acquisition of Vivid gave

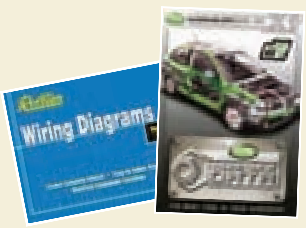
31 May
Basic earnings per share pence

31 May
Dividends per share pence

31 May
Net funds £ million



31 May	2006	2007	2008	2009	2010
Basic earnings per share pence	35.2	31.6	30.8	29.4	28.6
Dividends per share pence	15.5	15.5	15.5	15.5	15.5
Net funds £ million	3.1	6.5	0.2	1.4	3.8



the Group access to language translation, web development, DVD production and digital security expertise which would be strategically important in developing the Group's multi-media platforms going forward. The first signs of an economic downturn were felt in the US in August 2007.

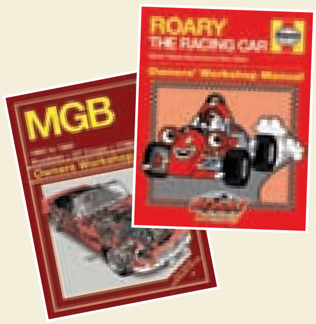
2009

In February 2009 the Group sold its loss making UK print operation for £0.4 million. Following the sale, the Group's printing operations were centralised in the US where a new binding line was purchased for £1.8 million. After acquisition costs in 2008 of £6.9 million and capital expenditure in 2008/09 of £4.4 million, the Group ended the year with net cash of £1.4 million. Vivid set up a new product

development subsidiary in Romania. A crisis in the World's financial markets led to a deepening global economic downturn impacting all areas of the Group.

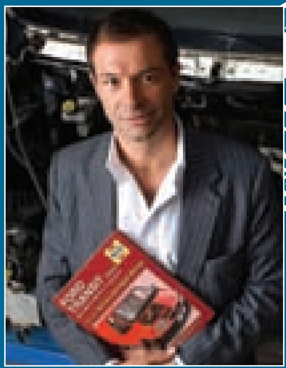
2010

At the start of the financial year the UK business implements a new fully integrated IT system at a cost of £0.4 million. Following the sale of the UK print business in 2009 all parts of the Haynes Group are profit making for the first time in 10 years. In the US, the introduction of a new digital press allows the Group to extend the life of titles by printing smaller quantities of titles on demand.



Global market conditions remain very weak but like- for-like sales in the UK, Scandinavia and Australia are ahead of the prior year. In May 2010 the Group celebrates its 50th Anniversary.

Chairman's Statement



"During the past twelve months, the Group has, once again, demonstrated an underlying financial stability with profits maintained, strong cash generation and a balance sheet free of gearing."

It was 50 years ago that the Founder Director, my father, John Haynes first came up with the simple but effective idea of stripping down a vehicle and recording the step-by-step processes in a highly visual photographic manner. The resulting manual was unlike anything else available in the market and enabled people to confidently work on and repair their cars. Today and over 150 million manuals later, the step-by-step approach and attention to detail remain firmly rooted as the core of our business and in large part explains why millions of consumers worldwide have come to trust the Haynes brand.

Whilst the technologies used to photograph, write, edit and print the manuals have changed since 1960, the authentic and established Haynes approach to writing one of our instructional manuals whether to maintain your car, to repair a computer, fix a Fender Stratocaster or to build your own house, remains the same.

During the past twelve months, the Group has, once again, demonstrated an underlying financial stability with profits maintained, strong cash generation and a balance sheet free of gearing. Following the structural changes and operational improvements which have been made under the leadership of Eric Oakley in recent years, the Group has a strong operating and financial platform from which to drive growth in the business, whether organically or through complimentary and value driven acquisitions. Today, the Haynes Group has a market leading presence in all major English speaking territories around the world, with the in-house capability to both technically and commercially develop new multi-language digital platforms for our products.

The business has truly come a long way since its inception in 1960 and it was a splendid moment for me in June this year when I took over the role of Group Chairman.

Results summary

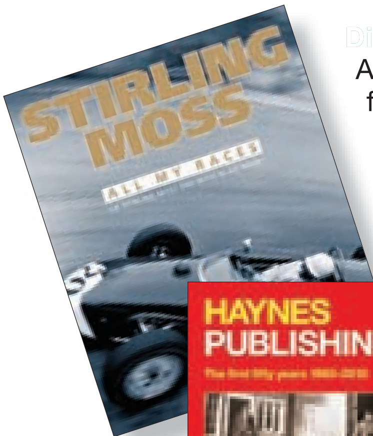
Group revenue, on a like-for-like basis, excluding £2.5 million of external print revenue received in 2009 from our UK Print business, which we sold in February 2009 and excluding £0.8 million of foreign exchange benefit in this year's figures, ended the 12 month period close to the previous year at £32.5 million (2009: £32.8 million). However, after taking account of the above movements, reportable Group revenue was down 6% at £33.3 million (2009: £35.3 million).

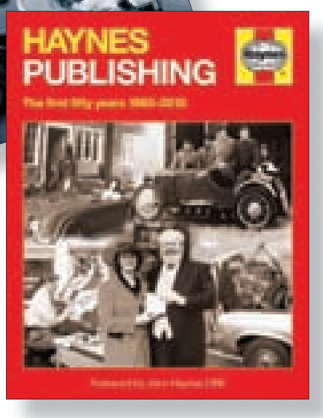
Whilst we have seen a reduction in revenue following the disposal of our UK print business, this was lower margin activity for the Group, and it has, therefore, not had a detrimental impact on Group profitability. Moreover, following the disposal, we have been able to focus our attention on the Group's higher margin businesses and coupled with a continuous drive for cost efficiencies we are able to report a small improvement in pre-tax profits of 1% to £7.2 million (2009: £7.1 million).

With an effective Group tax rate of 34.7% (2009: 32.1%) basic earnings per share were 28.6 pence (2009: 29.4 pence).

The Board

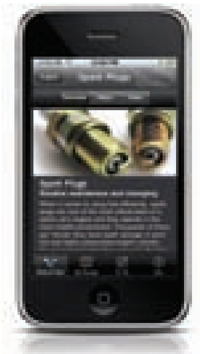
After 50 years at the helm, John Haynes OBE stepped down as Group Chairman on 1 June 2010, but remains on the Main Board as Founder Director. On behalf of my fellow Board Directors I would like to sincerely thank him for the stewardship, dedication and vision he demonstrated as Chairman over many years. Coinciding with my appointment as Group Chairman in June, I was delighted to welcome Jeremy Yates-Round onto the Board as the new Managing Director of the Haynes UK and European operations. Jeremy has been with the Group since 2000 and has a wealth of publishing experience gained both here in the UK and also in international markets.





Dividends

As reported at the half year, following the pay down of acquisition debt, the Group returned to its underlying policy of a more evenly spread interim and final dividend payment. The higher interim dividend of 6.2 pence (2009: 4.0 pence) is reflected in the Board's recommendation for a lower final dividend of 9.3 pence (2009: 11.5 pence) giving a total dividend for the year of 15.5 pence (2009: 15.5 pence).



Subject to the final approval by shareholders, the final dividend will be paid on 27 October 2010 to shareholders on the register at the close of business on 1 October 2010. The shares will be declared ex-dividend on 29 September 2010.

People

In this, my first year as Group Chairman, I would like to say a big thank you to all our employees worldwide. Recent years have seen significant changes to the structure of the Group as senior management has focused on creating long term value and identifying growth opportunities, a process which has resulted in a number of acquisitions and disposals. During this period of change it has been the continued dedication, hard work and commitment of our colleagues worldwide that has helped to drive the business forward. In what remain very challenging times their continued professionalism and enthusiasm has been a major contributing factor to the success of the Group over the last twelve months.

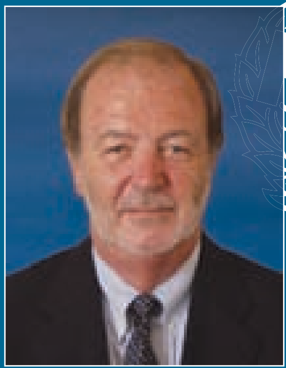
On behalf of the Founder Director I would also like to thank all past directors and employees who have each played their part in helping the Group accomplish all that has been achieved over the last 50 years.

Future Prospects

There is much uncertainty over the pace of the global economic recovery but I firmly believe the Group is well placed to tackle the challenges ahead and to seek actively and take advantage of new commercial opportunities as they arise. The principal objective is to build on the success of the last 50 years and I am confident we have the people across the entire Group who are eager to, and capable of, taking on these challenges, to drive the business forward and to deliver future growth.

J Haynes
Group Chairman
14 September 2010

Group Chief Executive's Review



> "The underlying business is performing well and whilst we are aware that we face challenges in the coming year, we are confident in the quality of our people to manage the business through this period and to take advantage of opportunities as they arise."

Business Overview

Over 50 years ago, when John Haynes wrote his first book on the Austin Seven, little could he have foreseen how the business would grow into the world's leading automotive publisher, with offices in three continents, books translated into more than 20 languages and sales in excess of 150 million units. The business has changed since those early days, but the values of hard work, integrity and simplicity remain very much at the heart of the modern day Haynes businesses.

Over the last 10 years, the Group has undergone some radical restructuring. Loss making UK & European operations have been sold or closed, internal operations restructured or outsourced, acquisition debt paid down and the focus of the business re-aligned. Through strategic acquisitions we have extended our geographical reach, realised financial synergies and acquired expertise in areas we consider to be fundamentally important to the future development and growth of our business.

The adoption of digital technology in our Nashville print facility has opened up new possibilities in book publishing and now allows the Group to extend the life of titles which, under traditional printing methods, would no longer be viable to hold in inventory.

Over the last few years we have made a strategic move to widen our range of practical and easy to follow, step-by-step format DIY titles. If today you want to grow your own vegetables, Haynes has a manual to show you how. If you are looking to get into shape, the Royal Marines Fitness Manual, the first title in our new publishing association with the Royal Marines could fit the bill. Alternatively, with more people keeping chickens than at any time since the Second World War, you may be one of the many people who could benefit from our Haynes Chicken Manual. Whilst the publication of automotive repair manuals remains very much the core of our global publishing business, the diversity of subject matters we now cover helps to demonstrate how we are also establishing Haynes as a leading publisher of more general DIY titles.

The structural changes to the business outlined above have been a major contributing factor in placing the Group on a stronger financial platform which, over the last twelve months, has enabled the Group to deliver another solid trading performance in what continue to be very challenging conditions.

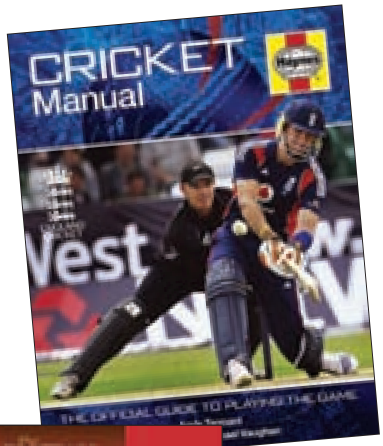
Operating results overview

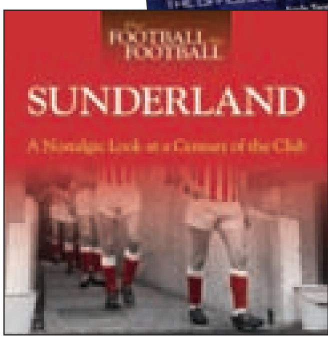
The soft trading conditions experienced by the Group in its major markets over the last 24 months have hampered the Group's ability to drive top-line revenue growth. Nevertheless, we did experience revenue improvements in some parts of the business during the year, particularly in the UK, Scandinavia and Australia.

In the important US market, revenue in local currency was 6% down against the prior year as re-ordering patterns from a small number of key customers continue to fall short of levels we would consider to be normal. Outside of this small group, the customer base is performing ahead of last year. As a Group we gained a benefit during the year from a weaker Sterling exchange rate against the US Dollar, ending the year with an average rate of \$1.58 (2009: \$1.64) giving a positive movement of 4% and increasing US revenue by £0.6 million. As a result, US revenue ended the year down 3% when reported in Sterling. In Australia, sales performed well, finishing the year 13% ahead of the prior period.

In the UK & Europe, the loss of the external print revenue meant that reportable UK & European revenue finished the year down 9%. However, on a like-for-like basis, revenue was ahead by 6% helped by strong manual sales growth in Scandinavia and strong sales in the UK's general publishing and licensing divisions. In Holland, Vivid sales finished the year 2% ahead of the prior period, which in the prevailing economic climate was a satisfactory outcome.

Following the disposal of the UK print business in February 2009, we gained the expected benefit to UK margins during the year, with the UK gross margin increasing to 49% (2009: 42%). This in turn helped improve the overall Group gross margin to 64.2% (2009: 62.1%). We continue to experience upward pressures on raw material costs. However, the move earlier this year to centralise our Group printing in the US means that we are able to benefit from improved economies of scale and greater production synergies which both go some way to help mitigate the increasing cost pressures we are facing.





Group Chief Executive's Review
(continued)

Overhead expenses were down £0.4 million, or 3%, helped by lower US advertising costs, as performance linked promotional expenditure was reduced following the revenue shortfall from the small group of key customers. Partially offsetting the lower US advertising costs was the impact of exchange rates, which increased US overheads in comparison to last year by £0.3 million, the first year of amortisation on the new UK computer system implemented in June 2009 adding £0.1 million of additional expense and one-off headcount restructuring costs in the UK business of £0.1 million. With other operating income increasing by £0.2 million, Group operating profit ended the year up 1% at £7.7 million (2009: £7.6 million).

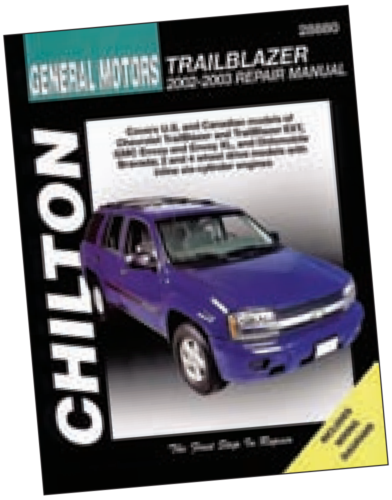
Net finance costs were in line with last year at £0.5 million leaving pre-tax profits also ahead of last year by 1% at £7.2 million (2009: £7.1 million).

Segmental overview

North America and Australia

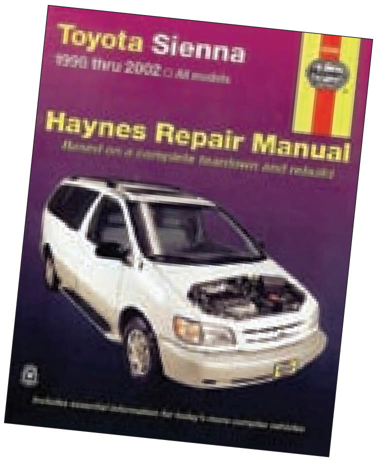
The performance of the North American business continues to be adversely impacted by sales from a small number of key customers where long standing inventory reduction programmes have and continue to affect re-ordering patterns. As a result, revenue in local currency was down 6% against the prior year at $29.1 million (£18.4 million) with the shortfall being largely attributable to these customers. With the remaining US customer base performing ahead of last year, the underlying performance of the business is somewhat masked by the above factor. Notwithstanding the reduction in US revenue during the year, this part of the business remains the major revenue and profit generator for the Group.

During the second half of the year, the Group centralised the manufacturing of all its printed material to the US's print facility in Nashville, Tennessee. This now allows the Group to take advantage from production synergies which will benefit both the US and European operations going forward.



In Australia, the new management team is making good progress with sales in the second six months 19% ahead of the prior year and ending the twelve month period 13% ahead of last year. With the expanded industry knowledge of the new management team, coupled with the financial synergies from printing the general publishing titles in the US, there is an opportunity to improve the performance of the Group's general publishing title sales in this market place.

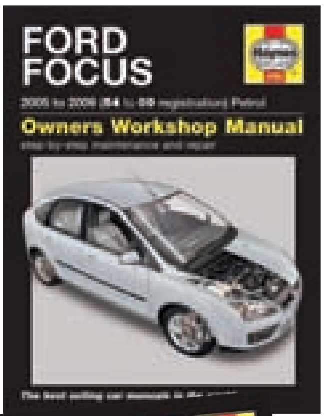
During the year, the Group reviewed the allocation of overheads to and from the operating segments and as a result of this review, costs of $0.4 million which had previously been treated as central costs have been retained in the North American and Australian business. This helps to explain the reduction in segmental operating profits of the North American and Australian business for the year which were down 11% at $6.4 million (2009: $7.2 million). However, with a stronger US Dollar against Sterling during the year, segmental operating profit when translated to Sterling was down 9% at £4.0 million (2009: £4.4 million).

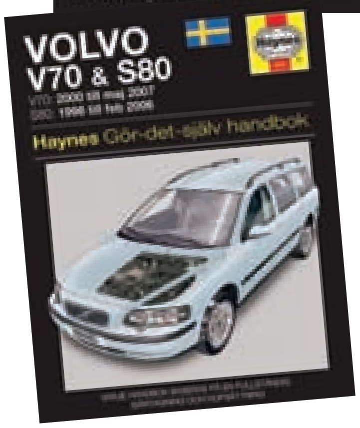


United Kingdom and Europe

Overall revenue in the UK & Europe ended the year 9% down on the prior period. However, on a like-for-like basis, excluding revenue from the UK print business sold last year, revenue was ahead of the prior year by 6% helped by year-on-year increases in sales of both the UK automotive and general publishing titles.

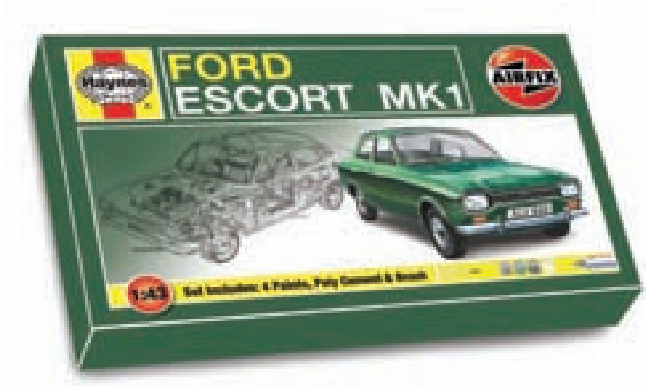
In Vivid, despite the difficult market conditions, revenue in local currency ended the year 2% ahead of the prior period. The Vivid business continued to invest in its own core digital applications during the year as well as supporting the Group in developing new digital platforms for the other Haynes businesses.





Through the activities of the UK Licensing division, the exposure of the Haynes brand continues to develop with recent licensing tie-ups including Hornby's well-known Airfix and Corgi brands and a compilation Fathers Day CD album with Sony.

During the year, UK & European operating costs were affected by the first year of amortisation on the new UK computer system of £0.1 million and one-off headcount restructuring costs of a similar amount. As a result, UK & European segmental profits ended the year in line with last year at £2.2 million (2009: £2.2 million).

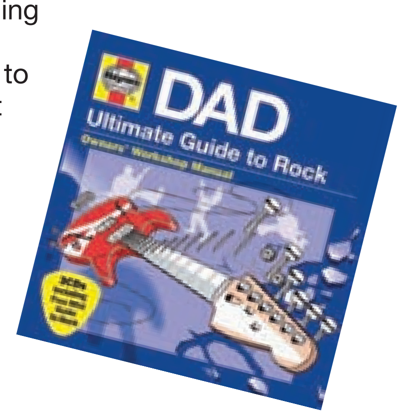


Taxation

The charge to taxation on continuing operations for the year was £2.5 million (2009: £2.3 million) giving an effective tax rate of 34.7% (2009: 32.1%).
In 2008/9, as part of a US fiscal stimulation package, the North American business benefited from accelerated first year capital allowances on the purchase of a new binding line which led to a lower overall Group tax charge. However, with capital expenditure during the current year back to more usual levels, the Group's tax charge in 2009/10 reflects our more normal geographical mix of profits.

Working capital and cash flows

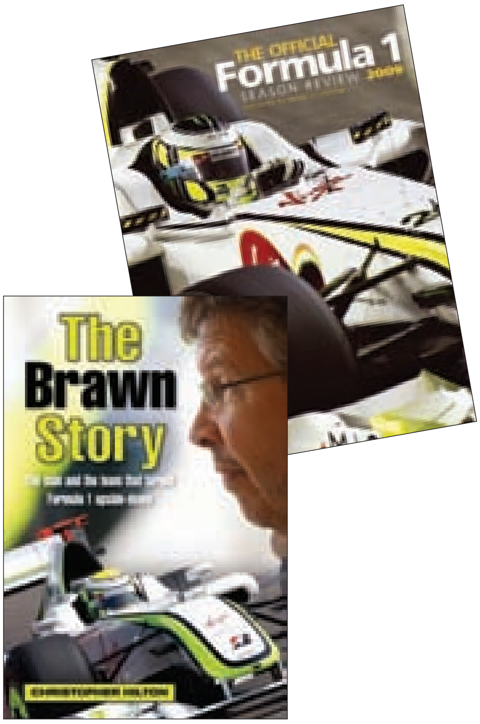
The conversion of profit into cash is a key ratio for the business and during the year the net cash generated from operations before tax was £10.2 million (2009: £9.3 million) and represented 133% of Group operating profit (2009: 123%).
The Group's strong cash generation is a key strength of the business and despite the difficult trading conditions we have been able to improve our net cash position.



Group Chief Executive's Review
(continued)

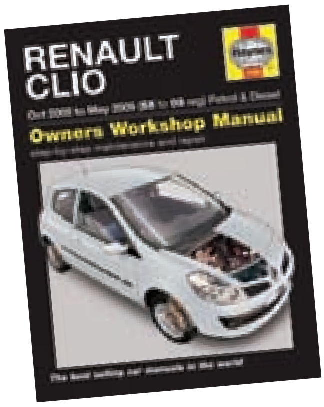
We started the year with net cash of £1.4 million and following expenditure on US production equipment of £0.8 million to accommodate the printing of the UK general publishing titles and expenditure on new customer display racking of £0.2 million, we ended the year with net cash of £3.8 million, clearing down the UK overdraft of £1.7 million in the process.

We continue to monitor closely our inventory levels and excluding the impact of exchange on the North American and Australian figures, which increased the year-end balances by £0.8 million, inventory levels ended the year 1% or £0.1 million down on the prior year. During the year the US business purchased a new digital press which now allows the Group to print shorter runs and is an important tool for management in controlling quantities of finished goods inventory.



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 2010, the aggregate deficit on the two retirement benefit schemes, as reported under International Accounting Standard 19, was £14.0 million (2009: £10.4 million) with an increased deficit in the UK Scheme of £4.7 million being partially offset by a reduction in the US Scheme deficit of £1.1 million. Whilst equity values have come under pressure in the UK in recent months reducing asset values, it is the reduction in the UK discount rate from 6.6% last year to 5.45% this year, increasing the Scheme's liabilities, which has been the major factor in increasing the UK Scheme deficit.

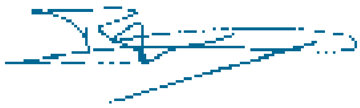
The Group funds its pension contributions based on actuarial valuations which are undertaken annually in the US and triennially in the UK, with the latest UK triennial valuation being for the Scheme year ended 30 June 2008. On 8 July 2010, the Pensions Minister informed Parliament that the index to be used to calculate the minimum increases in pensions would switch from the Retail Price Index ("RPI") to the Consumer Price Index ("CPI"). This was followed on 12 July 2010 by an announcement from the Department for Work and Pensions which indicated that this change could be retrospective, but draft legislation is currently awaited. In common with other companies who hold defined benefit pension schemes we are in the process of establishing what impact this change will have on the Haynes UK scheme. However, on current information available it seems more likely that this change will lower the reported deficit but this is dependent on the rates of CPI and RPI from time to time and the wording of legislation. We hope to be in a position to update on the impact of this change when we next report our results at the half year.

Group outlook

Over the years the Haynes Group has demonstrated it has a sustainable business model which has been reinforced once again during the difficult trading conditions experienced over the last twenty four months. The business is currently free of debt, with strong cash generation and a proven record in identifying, securing and managing acquisitions. The underlying business is performing well and whilst we are aware that we face challenges in the coming year, we are confident in the quality of our people to manage the business through this period and to take advantage of opportunities as they arise.

Over the coming months we will be looking to utilise the Group's geographical reach to maximise sales of our general publishing titles. We will also try to establish new distribution channels for the Group's core products and through innovative and commercial product development programmes seek to identify new product opportunities whether in printed or digital format.

Finally we will actively pursue acquisitive growth opportunities, where such opportunities will provide long term and sustainable benefits for the Group.



Eric Oakley
Group Chief Executive
14 September 2010

Group Board
Directors and Advisors

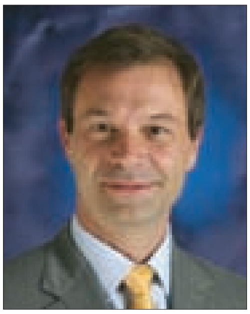
Executive Directors	JHC Haynes* (Chairman) E Oakley+ (Group Chief Executive) D Benhardus+ CPA J Yates-Round (appointed 1 June 2010) JH Haynes OBE (Founder Director)
Non-Executive Directors	E Bell* ■ (Chairman of Remuneration and Nomination Committee, and Senior Independent Director) A Garner* ■ (Chairman of Audit Committee) MEF Haynes*

* Members of Remuneration and Nomination Committee
■ Members of Audit Committee
\+ US Resident

Group Company Secretary	JT Bunkum FCA

Registered office	Sparkford, Yeovil, Somerset BA22 7JJ Company No. 659701
Auditors	**BDO 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



J Haynes (age 43). J joined the Board as a Non-Executive Director on 25 March 2000, having completed a two year MBA at the London Business School. J was formerly a Director at Beeson Gregory, a specialist investment bank, before which he worked for 5 years as a Graduate Trainee with Haynes North America, Inc. In January 2002, J was appointed Managing Director of the Group's UK and European operations and in June 2008 became Group Vice Chairman. On 1 June 2010 J was appointed Group Chairman.

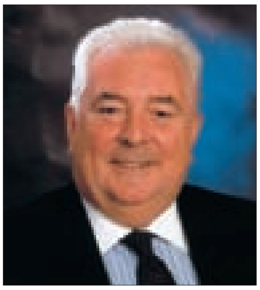
Eric Oakley (age 64). Eric spent his early years in North East England, and was educated at the University of Aston. He is resident in California. Eric joined Haynes North America, Inc. in 1980 after 16 years with Burmah-Castrol. He was appointed to the Main Board of Haynes Publishing Group in 1990. For the past 24 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 was further expanded in 2007. Eric was appointed Group Chief Executive on 1 June 2002.

Dan Benhardus (age 64). 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, Inc.

Jeremy Yates-Round (age 49). Jeremy has worked in publishing for close to 30 years, gaining a sales background with Hodder & Stoughton in both domestic and international markets. During the 1990's Jeremy moved into sales management with Collins becoming Deputy Managing Director of the Religious division. In 2001 Jeremy joined the Haynes Group as Sales and Marketing Director for the Haynes Book Division and in 2002 was appointed Managing Director of Sutton Publishing prior to its successful sale in 2007. Following the sale of Sutton Publishing, Jeremy took over as Sales and Marketing Director of the Haynes UK operations and on 1 June 2010 was appointed Managing Director of the Haynes UK and European operations.

John Haynes (age 72). 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. On 1 June 2010, 50 years after founding the Haynes Group, John stepped down as Group Chairman but remains on the Board as Founder Director.

Group Board
Non-Executive Director Biographies



Eddie Bell (age 61). 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 66). Andrew Garner is presently Chairman 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 42). 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. In 2008, 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 2010

- **Principal activity** Haynes Publishing Group P.L.C. is a holding company. The Haynes Group comprises two geographical business segments being UK & Europe and North America & Australia.

  The UK & European business has headquarters in Somerset, England and subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core business of the European operations is the publication of DIY Repair Manuals for Cars and Motorcycles. Through its Dutch operation Vivid, the European business is also a major supplier of technical information to the professional sector of the automotive aftermarket around Europe. All Vivid products are sold in a digital format. The European business also publishes a wide range of titles which are practical, instructional, easy to read and aimed at those with an interest in more general DIY related activities as well as motoring, motor sport, transport, aviation and military.

  The North American and Australian business has headquarters near Los Angeles, California and publishes DIY repair manuals for cars and motorcycles under the Haynes and Chilton brands, in both the English and Spanish languages. It 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 automotive market. Through its print facility in Nashville, Tennessee the North American business is also the central print facility for the Group's printed products.

- **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 38. The position at the end of the year is shown in the Consolidated Balance Sheet on page 40.

- **Dividends** The directors recommend a final dividend of 9.3p per ordinary share (10.3p 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 (2009: 15.5p; 17.2p with related tax credit). This dividend will be payable on 27 October 2010 to members on the register of shareholders at the close of business on 1 October 2010. The shares will be declared ex-dividend on 29 September 2010.

- **Principal risks and uncertainties** The Board is primarily responsible for identifying and monitoring risk and the manner in which the Board manages this process is outlined in the Corporate Governance report on pages 24 to 28. 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.

  Included within the principal activity section above is an outline of 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.

Report of the Directors (continued)

- **Directors** The directors who served during the year and their interests in the Ordinary share capital of the Company are shown below.

  D Benhardus and MEF 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 2008 Combined Code.

  J Yates-Round, having been appointed a director on 1 June 2010 offers himself for re-election at the first Annual General Meeting following his appointment, in accordance with the Articles of Association.

  There have been no other changes in the directors or their shareholdings shown below up to 13 August 2010.

  At 31 May 2010 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:

			31 May 2010		
	Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive					
JH Haynes	9,000,000	-	796,075 [3]	1,299,101 [1] [2]	131,087 [4]
E Oakley	-	-	43,304	-	-
D Benhardus	-	-	5,000	-	-
JHC 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]

			31 May 2009		
	Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive					
JH Haynes	9,000,000	-	796,075 [3]	1,299,101 [1] [2]	131,087 [4]
E Oakley	-	-	43,304	-	-
D Benhardus	-	-	5,000	-	-
JHC 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]

[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.
[2] The balance of the Ordinary shares comprised within the non-beneficial interest of JH Haynes are held in a family trust in which JHC Haynes and MEF 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 AC Haynes (2009: 326,075 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.

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 21 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.

  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 (pages 24 to 28). At the AGM on 21 October 2009:

  (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 2010, if not reviewed, and

  (ii) the directors were authorised to allot unissued shares under S.551 Companies Act 2006 up to £479,692 and under S.561 of the Companies Act 2006 up to £163,515.

  The S.551 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.561 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.

Report of the Directors (continued)

- **Other shareholdings** At 31 May 2010 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

  The interests of those directors who have major shareholdings are detailed in the table of Directors' interests in shares on page 20.

  At 13 August 2010, there were no recorded changes in these holdings.

  *See Note 20.

- **Treasury management** 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 during the year, other than derivatives comprised of 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 has been 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 during the year were in pounds sterling and 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.

- **Foreign exchange** The Group's main currency exposure is derived from trading transactions between Group operating units and with our global customer base. Approximately 50% (2009: 47%) of the Group's revenue streams are generated in US Dollars, 28% (2009: 32%) in Sterling, 13% in Euro's (2009: 12%) with the balance coming from a mix of currencies across our operating entities. Although the Group has an exposure to foreign currencies it is able to offset part of the currency risk as the printed product for the European markets is manufactured in the US and invoiced in local currency.

- **Donations** During the year Group donations to charitable organisations amounted to £9,796 (2009: £9,016). There were no political donations in the year.

- **Environmental policy** The Board is committed to minimising the impact its operations have on the local environment. 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.

- **Directors' and Officers' indemnity insurance** The Group purchases and maintains insurance for the directors and officers of the Parent Company including the trustees of the pension scheme when undertaking their duties in accordance with Sc 233 of the Companies Act 2006.

- **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.

- **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 2010 the amount of trade creditors as shown in the balance sheet represents 31 days of average purchases for the Company and 27 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 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
14 September 2010

Corporate Governance

Introduction

The principles of good corporate governance are designed to improve company performance by helping a board discharge its duties in the best interests of shareholders, whilst facilitating efficient and entrepreneurial management to deliver shareholder value over the longer term. Nevertheless, the Combined Code on Corporate Governance ('the Code') published in June 2008 and appended to the Listing Rules is not intended to be a rigid set of rules. Rather it is a guide to the components of good governance which companies are expected to follow. The Code recognises that one set of provisions will not necessarily fit all companies. Accordingly, there are certain provisions within the Code which do not apply to companies below the FTSE 350. There may also be areas of the Code where smaller companies judge the provisions to be disproportionate or less relevant to their particular circumstances and where good governance can be achieved by other means. Where companies decide this is the case, the areas of non-compliance with the Code need to be explained in the Annual Report.

This section of the Annual Report explains how the Board and its Committees discharge their duties and how the Board applies the principles of the Code. Also included in the sections below are details of those areas where the Company's governance differs from the strict provisions of the Code. The full text of the Code can be found on the FRC website at www.frc.org.uk.

Statement of compliance

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

- As at 31 May 2010 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. On 1 June 2010 J Yates-Round was appointed as an Executive Director increasing the number of Executive Directors to five.
- The Board meets at regular intervals of approximately two months to determine and monitor corporate strategy, to review the trading and financial performance of the Group and to consider matters specifically reserved for its approval. The following table details the number of board and committee meetings held during the year and the attendance record of the individual directors:

	Board meetings	Audit Committee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	6	3	1
JH Haynes	5		
E Oakley	6		
D Benhardus	6	3(a)	
JHC Haynes	6		
E Bell	5	3	1
MEF Haynes	5		
A Garner	5	3	1

(a) By invitation

- The division of responsibility between the Chairman and the Group Chief Executive is clear and understood, and will be committed to writing and approved by the Board during the course of the current financial year as required by provision A.2.1 of the Combined Code. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness and that of the individual directors while the Chief Executive is responsible for the day to day running of the business.
- The Non-Executive Directors occasionally hold meetings informally without the Executive Directors present. Likewise, the Chairman occasionally meets with the Non-Executive Directors without the Executive Directors present.
- The directors are able to take independent professional advice in the furtherance of their duties at the Group's expense and all directors have access to the advice and services of the Group Company Secretary.
- The Board has identified E Bell as the Senior Independent Director.
- The Board defines an Independent Director as one who has no relationship with any company within the Group or its management which may undermine independence 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 arrangements.
- 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. Notwithstanding these circumstances or relationships, the Board believes MEF Haynes to be independent in character and judgement.
- Membership of the Committees of the Board is indicated on page 16. At Committee meetings no-one except the Chairman of the Committee and its members is entitled to be present – but others may attend by invitation.
- Executive Directors may be permitted to take a limited number of outside Non-Executive Directorships in non-competing companies, subject to approval of the Remuneration and Nomination Committee.

Information, professional development and evaluation

All directors are provided with regular performance updates and full and timely access to information that enables them to make informed decisions on corporate and business issues. The Board receives monthly management accounts explaining performance against budget for each sector of the business, as well as risk management and business plans. The Executive Directors receive information on sales 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 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.

Corporate Governance (continued)

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

Directors remuneration, contracts and nomination

- In accordance with the provisions of the Combined Code, a Remuneration and Nomination Committee with its own terms of reference has been established by the Board. The Board's Report on Remuneration, which follows on pages 29 to 34, 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 in the past due to the high costs associated with such channels.
- 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 32 and 33).
- The Non-Executive Directors do not have service contracts with the Company but are usually appointed at the will of the Board for a fixed period of two years.

Dialogue with shareholders

- The directors consider that clear and timely communication of information to shareholders is an important part of their function. The Chairman's Statement and Group Chief Executive's Review 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 Group 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 13 October 2010 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 35 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, both of whom have 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 auditor's 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 and in between provides a quarterly update to shareholders and the market on trading performance.
- 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.

Corporate Governance (continued)

Compliance

- Effective health and safety and quality control procedures operate to meet or exceed the standards for approval set by external regulatory bodies. The systems are constantly being evolved and refined to reflect business advances, process changes, and quality issues.
- Litigation and claims by or against the Company 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 2010, 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 is formally structured by means of a written report which is reviewed annually by the Board. In addition, through discussion with the heads of the various operating units, an update is provided to the Board by the Group Finance Director at the half year. Risks identified by this process are regularly reviewed by the Board and addressed jointly by the Group Chief Executive and Directors drawing upon the skills of senior management as necessary. The Board monitors this process and is satisfied that, given the size of the Group, and the nature of its operations, this process is sufficient to meet its needs without unduly hampering entrepreneurial activity, and that (in accordance with the recommendation of the Audit Committee) a separate internal audit function is not required.

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 rules.

2 Constitution of the Remuneration and Nomination Committee

Throughout the financial year under review and in line with B.2.1 of the Combined Code, the Committee was comprised of two independent Non-Executive Directors, E Bell (Chairman of the Committee) and A Garner. JH Haynes (Executive Chairman) and MEF Haynes (Non-Executive Director) were also members of the Committee. Whilst JH Haynes was 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 were discussed by the Committee without his participation. On 1 June 2010, JH Haynes stepped down from his role as Group Chairman and also stepped down from his membership of the Remuneration Committee. On the same date, JHC Haynes was appointed Group Chairman and in his capacity as Group Chairman, was appointed a member of the Remuneration Committee.

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, the remuneration packages of senior management are reviewed by the respective Executive Director responsible for that 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:

	2010 £000	2009 £000
Salaries and taxable benefits	813	771
Performance related bonuses	356	364
	1,169	1,135
Non-Executive Directors' fees	71	102
Total emoluments	1,240	1,237
Pension contributions	297	316
	1,537	**1,553**

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 bonuses
- 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 the 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. When undertaking their annual review, the Committee is mindful of the annual pay review process for employees and employment conditions elsewhere within the Group as well as RPI and similar indices of inflation. Whilst these are important factors in determining the appropriate level of pay for the Executive Directors, they are not the only factors that it will consider when reaching its decision.

The standard increase in Executive Directors' base salaries at 1 June 2009 was 3%. However, as from 1 June 2009 the UK Company increased its contribution to the UK defined benefit scheme by 0.7% and in line with the other UK employees the annual salary increase for JHC Haynes was 2%. 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. The bonuses payable in respect of the financial year ended 31 May 2010 were as follows:

JH Haynes was entitled to 0.9% of the first £4.5 million of overall Group net profit, plus 1.5% thereafter. On 1 June 2010 JH Haynes stepped down as Group Chairman and from this date will be entitled to a bonus of 1% of Group overall net profit.

E Oakley was 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 again during the current financial year.

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 was entitled to 0.5% of overall Group net profit.

JHC Haynes was entitled to 1% of the net profit of the UK and European businesses and 0.6% of the first £4.5 million of the overall Group's net profit and 1% thereafter.

On 1 June 2010 JHC Haynes was appointed Group Chairman and from this date will be entitled to a bonus of 0.5% on the first £4.5 million of overall Group net profit and 1.5% thereafter.

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 3 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

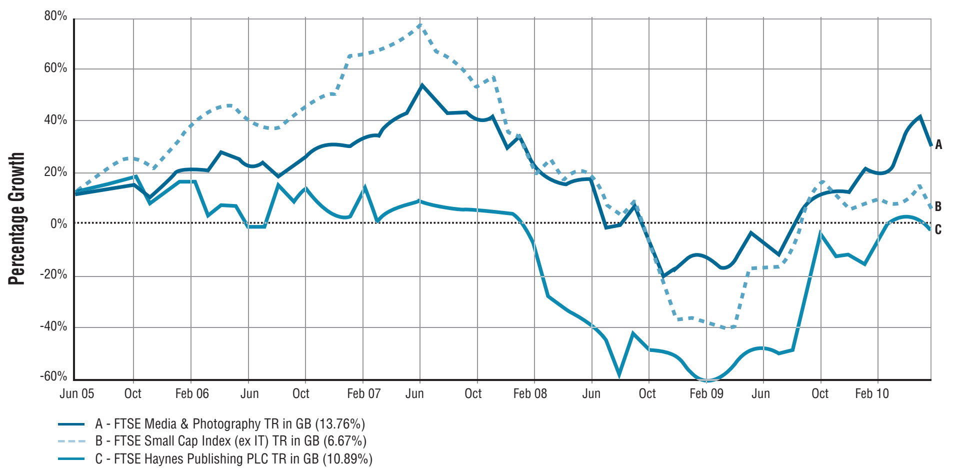
Members whose benefits are capped by legislation participate in additional money purchase arrangements. In the US a scheme has been set up based on the difference between the Company's actual contributions to the defined benefit scheme and those contributions which would have been paid without the legislative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

Board Report on Remuneration
(continued)

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

The pensionable cap in the US is $245,000 (£154,662). Under this arrangement the Company made contributions on behalf of E Oakley amounting to $79,541 (£50,212) and D Benhardus $19,939 (£12,587) 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 $8,820 (£5,568) and for D Benhardus $9,736 (£6,146). 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 and the FTSE Media & Photography index over the last 5 years. These indexes are chosen following discussion with the Company's stockbrokers, as being the indexes most representative of the performance of the shares of generally comparable companies.



5 Years from June 05 to May 10

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.

Director	Date of contract	Notice period
JH Haynes (UK)	29 November 1979	12 months
JH 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)
JHC 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 34) on directors' remuneration have been audited as required by the 2006 Companies Act.

7 Directors' remuneration for year ending 31 May 2010

The emoluments of the individual directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits [1] £000	Total Emoluments £000	2009 Total £000
Executive					
JH Haynes	166	86	12	264	284
E Oakley [2]	298	145	19	462	448
JHC Haynes	119	87	6	212	182
D Benhardus	178	38	15	231	221
	761	356	52	1,169	1,135
Non-Executive					
E Bell	28	-	-	28	28
A Garner	22	-	-	22	21
MEF Haynes	21	-	-	21	21
RP Corbett[3]	-	-	-	-	18
DW Suter[3]	-	-	-	-	14
	71	-	-	71	102
Total	**832**	**356**	**52**	**1,240**	**1,237**

[1] The benefits principally relate to the provision of company cars, fuel and healthcare.
[2] Mr E Oakley waived $7,291 (£4,603) of his bonus received in respect of the year ending 31 May 2009. A profit share contribution of $7,291 was then made by the Company into Mr E Oakley's '401K' pension plan in the US.
[3] RP Corbett and DW Suter retired as directors in January 2009.

Board Report on Remuneration
(continued)

8 Directors' accrued pension entitlements

	[Note]	Normal pensionable Age	Age	Years of pensionable service	Directors' contributions 2010 £000	Accrued benefit 2010 £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 2010 £000	Transfer value of accrued benefits 2009 £000	Increase in transfer value excluding Directors' contributions £000
JH Haynes	US	65	72	28	-	34	(1)	(14)	365	321	44
E Oakley	US,MP	65	63	28	-	78	6	61	870	709	161
D Benhardus	US,MP	65	63	22	-	76	6	70	860	693	167
JHC Haynes	UK	60	43	8	6	25	4	29	312	197	115

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 2009. The amounts in US Dollars were as follows:

	2010 $000	2009 $000
JH Haynes	530	518
E Oakley	1,264	1,144
D Benhardus	1,250	1,117

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.

From 1 October 2008, UK Government legislation requires the trustees to take responsibility for setting the assumptions which underlie 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 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
Group Company Secretary
14 September 2010

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 UK 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 UK 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 of 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 2010 which comprise the Consolidated Balance Sheet and Company Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company reconciliation of movement 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 Chapter 3 of Part 16 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 2010 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.

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.

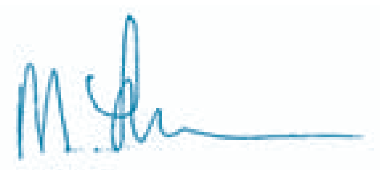
Matters on which we are required to report by exception

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 35, 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 LLP, Statutory Auditor
Southampton
United Kingdom
14 September 2010

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

Financial Statements

Consolidated Income Statement

Year ended 31 May 2010

		2010	2009
	Continuing operations	£000	£000
Note 2	**Revenue**	**33,310**	**35,335**
	Cost of sales	(11,910)	(13,378)
	Gross profit	**21,400**	**21,957**
	Other operating income	325	101
	Distribution costs	(7,926)	(8,622)
	Administrative expenses	(6,113)	(5,861)
Note 4	**Operating profit**	**7,686**	**7,575**
Note 6	Finance income	1,053	1,123
Note 7	Finance costs	(1,571)	(1,642)
	Profit before taxation from continuing operations	**7,168**	**7,056**
Note 8	Taxation	(2,486)	(2,267)
	Profit for the period from continuing operations	**4,682**	**4,789**
	Attributable to :		
	Equity holders of the Company	4,677	4,810
	Non-controlling interests	5	(21)
		4,682	**4,789**
Note 9	**Earnings per 20p share**	Pence	Pence
	Earnings per share from continuing operations		
	– Basic	28.6	29.4
	– Diluted	28.6	29.4

Consolidated Statement of Comprehensive Income

Year ended 31 May 2010

	2010 £000	2009 £000
Profit for the period	**4,682**	**4,789**
Other comprehensive income		
Exchange differences on translation of foreign operations	2,520	4,634
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	(4,535)	(1,627)
- US Scheme	1,003	(1,594)
Deferred tax on retirement benefit obligation		
- UK Scheme	1,270	455
- US Scheme	(401)	637
Other comprehensive income recognised directly in equity	**(143)**	**2,505**
Total comprehensive income for the financial period	**4,539**	**7,294**
Attributable to :		
Equity holders of the Company	4,534	7,315
Non-controlling interests	5	(21)
	4,539	**7,294**

Financial Statements

Consolidated Balance Sheet
At 31 May 2010

		2010 £000	2009 £000
	Non-current assets		
Note 11	Property, plant and equipment	10,725	9,831
Note 12	Intangible assets	16,537	14,979
Note 17	Deferred tax assets	5,424	3,996
	Total non-current assets	**32,686**	**28,806**
	Current assets		
Note 13	Inventories	13,193	12,523
Note 14	Trade and other receivables	10,651	11,765
Note 15	Cash and cash equivalents	3,842	3,029
	Total current assets	**27,686**	**27,317**
	Total assets	**60,372**	**56,123**
	Current liabilities		
Note 16	Trade and other payables	(4,288)	(4,446)
	Current tax liabilities	(254)	(122)
Note 15	Bank overdraft	-	(1,659)
	Total current liabilities	**(4,542)**	**(6,227)**
	Non-current liabilities		
Note 17	Deferred tax liabilities	(3,353)	(2,691)
Note 19	Retirement benefit obligation	(14,017)	(10,390)
	Total non-current liabilities	**(17,370)**	**(13,081)**
	Total liabilities	**(21,912)**	**(19,308)**
	Net assets	**38,460**	**36,815**
	Equity		
Note 20	Share capital	3,270	3,270
	Share premium	638	638
	Retained earnings	28,448	29,328
	Foreign currency translation reserve	6,096	3,576
	Capital and reserves attributable to equity shareholders	**38,452**	**36,812**
	Equity attributable to non-controlling interests	8	3
	Total equity	**38,460**	**36,815**

The financial statements were approved by the board of directors and authorised for issue on 14 September 2010 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Consolidated Statement of Changes in Equity

Year ended 31 May 2010

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Sub-total £000	Non-controlling interests £000	Total £000
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
Other comprehensive income:							
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 other comprehensive income	-	-	4,634	(2,129)	2,505	-	2,505
Total comprehensive income	-	-	4,634	2,681	7,315	(21)	7,294
Dividends (note 10)	-	-	-	(2,371)	(2,371)	-	(2,371)
Increase in non-controlling interests share capital/share premium	-	-	-	-	-	10	10
Balance at 1 June 2009	**3,270**	**638**	**3,576**	**29,328**	**36,812**	**3**	**36,815**
Profit for the period	-	-	-	4,677	4,677	5	4,682
Other comprehensive income:							
Currency translation adjustments	-	-	2,520	-	2,520	-	2,520
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	(2,663)	(2,663)	-	(2,663)
Total other comprehensive income	-	-	2,520	(2,663)	(143)	-	(143)
Total comprehensive income	-	-	2,520	2,014	4,534	5	4,539
Dividends (note 10)	-	-	-	(2,894)	(2,894)	-	(2,894)
Balance at 31 May 2010	**3,270**	**638**	**6,096**	**28,448**	**38,452**	**8**	**38,460**

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2010

Cash f ows from operating activities - continuing

		2010 £000	2009 £000
	Profit after tax	4,682	4,789
	Adjusted for :		
	Income tax expense	2,486	2,267
	Interest payable and similar charges	9	116
	Interest receivable	(29)	(38)
	Interest charges on pension liabilities less expected returns on pension assets	538	441
	Operating profit	7,686	7,575
	Depreciation on property, plant and equipment	1,014	864
	Amortisation of intangible assets	874	418
	IAS 19 pensions current service cost net of contributions paid	(693)	(407)
	(Gain)/loss on disposal of property, plant and equipment	(19)	139
		8,862	8,589
	Changes in working capital :		
	Decrease/(increase) in inventories	105	(300)
	Decrease in receivables	1,492	1,918
	Decrease in payables	(226)	(917)
	Net cash generated from operations	**10,233**	**9,290**
	Tax paid	(1,796)	(2,024)
	Net cash generated by operating activities	**8,437**	**7,266**
	Investing activities		
	Disposal proceeds on property, plant and equipment	29	416
	Purchases of property, plant and equipment	(1,158)	(2,354)
	Expenditure on development costs	(2,143)	(1,939)
	Acquisition costs:		
	- Deferred consideration	(84)	(81)
	Interest received	29	38
	Net cash used in investing activities	**(3,327)**	**(3,920)**
	Financing activities		
	Dividends paid	(2,894)	(2,371)
	Cash received from non-controlling interests	-	10
	Interest paid	(13)	(112)
	Net cash used in financing activities	**(2,907)**	**(2,473)**
Note 22	**Net increase in cash and cash equivalents**	**2,203**	**873**
	Cash and cash equivalents at beginning of year	1,370	196
	Effect of foreign exchange rate changes	269	301
Note 22	**Cash and cash equivalents at end of year**	**3,842**	**1,370**

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

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 2010 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below and the disclosures in notes 2 to 25 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 78 and the applicable accounting policies of the Parent Company are contained in notes 26 to 38.

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 the Companies Act 2006 applicable to companies reporting under IFRS.

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 2009/10

During the financial year beginning 1 June 2009 the following new standards, amendments to standards or interpretations became effective for the first time.

IFRS 7: Financial instruments - Disclosures (amendment): The amended standard requires additional disclosures in respect of the fair value of financial instruments and liquidity risk. The amendment is mandatory for accounting periods beginning on or after 1 January 2009, but comparatives are not required in the first year of application.

IFRS 8: Operating segments: This new standard replaces IAS 14 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting. The implementation of IFRS 8 has had no impact on the results or net assets of the Group but has resulted in certain revised disclosures. See note 3 for further details.

IAS 1 (revised): Presentation of financial instruments: The adoption of IAS 1 (revised) requires certain revised disclosures to the primary statements. In particular, the reconciliation of the movement in equity, which was formerly included as a note to the Consolidated Financial Statements, is now presented as a primary statement. In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income. Also, as part of the changes minority interests are now referred to as non-controlling interests. Apart from some small disclosure changes the new statements are similar in content to the previous information presented.

IFRS 2 'Share-based payment', IAS 23 'Borrowing costs', IAS 32 'Financial Instruments: Presentation' and IAS 39 'Financial Instruments: Recognition & Measurement' became effective during the financial year ended 31 May 2010 but did not have a material impact on the Group.

Financial Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2010

1 Principal accounting policies (continued)

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

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, amendments 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):	Group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (amendment):	Business combinations	1 July 2009
IFRS 5 (amendment):	Measurement of non-current assets (or disposal groups) classified as held-for-sale	1 January 2010
IFRS 9:	Financial instruments	1 January 2013 *
IAS 1 (amendment):	Presentation of financial statements	1 January 2010
IAS 24 (revised):	Related party disclosures	1 January 2010
IAS 27 (amendment):	Consolidated and separate financial statements	1 July 2009
IAS 38 (amendment):	Intangible assets	1 July 2009

International Financial Reporting Interpretations Committee

IFRIC 14 (amendment): Payments of a minimum funding requirement	1 January 2011
IFRIC 17: Distribution of non-cash assets to owners	1 July 2009
IFRIC 19: Extinguishing financial liabilities with equity instruments	1 July 2010 *

* Not yet adopted for use in the European Union

The above standards, amendments 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.

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.

Non-controlling 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.

1 Principal accounting policies (continued)

Intangible assets and goodwill

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

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

The goodwill is allocated to cash generating units and reviewed for impairment at least annually. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

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 cost 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

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

1 Principal accounting policies (continued)

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 dispatched and the significant risks and rewards of ownership are passed to the customer and can be reliably measured.

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

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

Foreign currencies

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

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

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

1 Principal accounting policies (continued)

Foreign currencies (continued)

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	
	2010	2009	2010	2009
US dollar	1.45	1.61	1.58	1.64
Euro	1.18	1.14	1.13	1.18
Swedish krona	11.38	12.22	11.51	12.11
Australian dollar	1.73	2.02	1.81	2.17

Impairment of non-current assets

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

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

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

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

Property, plant and equipment

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

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

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

The estimated useful lives of assets are as follows:

Freehold land	Nil
Freehold buildings	40 years
Leasehold property	The period of the lease
Plant and equipment	3 years to 20 years

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

Financial Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2010

1 Principal accounting policies (continued)

Inventories

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

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.

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

Pension and other post retirement benefits

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

1 Principal accounting policies (continued)

Pension and other post retirement benefits (continued)

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.

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 which include trade receivables and cash and cash equivalents are treated as loans and receivables and carried at amortised cost.

Trade and other receivables

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

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

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

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 at amortised cost.

Trade payables

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

Provisions

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

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 Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2010

1 Principal accounting policies (continued)

Critical accounting estimates and judgements

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

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

i) Impairment of intangible assets

In line with IAS 36 the Group is required to test the carrying value of goodwill 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).

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.

1 **Principal accounting policies (continued)**

Critical accounting estimates and judgements (continued)

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**

Revenue and non-current assets by geographical destination on continuing operations	2010 External revenue £000	2010 Non-current assets [1] £000	2009 External revenue £000	2009 Non-current assets [1] £000
United Kingdom	9,140	3,088	10,808	3,757
Rest of Europe	6,077	10,531	5,750	9,604
United States of America	14,698	11,962	15,756	10,138
Australia	1,959	1,681	1,722	1,311
Rest of World	1,436	-	1,299	-
Total consolidated revenue*	**33,310**	**27,262**	**35,335**	**24,810**

*Analysed as follows:	2010 £000	2009 £000
Revenue from sales of printed products	28,125	28,358
Revenue from sales of digital data	4,392	3,973
Revenue from royalty and licensing arrangements	793	492
Revenue from sale of third party printing services	-	2,512
Total consolidated revenue	**33,310**	**35,335**

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

3 **Segment information**

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

– UK and Europe
– North America and Australia

The UK and European business with headquarters in Sparkford, Somerset has subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. Its core business is the publication and supply of automotive repair and technical information to the professional automotive and DIY aftermarkets.

The North American and Australian business with headquarters 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 above two operating segments are each organised and managed separately and are treated as distinct operating and reportable segments in line with the provisions of IFRS 8. The identification of the two operating segments is based on the reports reviewed by the chief operating decision maker, which form the basis for operational decision making.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

3 Segment information (continued)

Analysis by operating segment	UK & Europe		North America & Australia		Consolidated	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Segmental revenue						
Total segmental revenue	15,256	16,609	19,533	19,712	34,789	36,321
Inter-segment sales [1]	(328)	(182)	(1,151)	(804)	(1,479)	(986)
Total external revenue [2]	**14,928**	**16,427**	**18,382**	**18,908**	**33,310**	**35,335**
Segment result						
Segment operating profit before interest	2,185	2,230	4,010	4,413	6,195	6,643
Interest receivable	9	24	20	13	29	37
Interest payable	(2)	(24)	-	(36)	(2)	(60)
Segment profit after interest	**2,192**	**2,230**	**4,030**	**4,390**	**6,222**	**6,620**
Unallocated head office income less expenses					376	(165)
Segment profit before tax and adjustments					**6,598**	**6,455**
Reconciliation to consolidated profit before tax :						
IAS 16 Property, plant & equipment [3]					48	15
IAS 19 Employee benefits [4]					50	129
IFRS 3 Business combinations [5]					472	457
Consolidated profit before tax					**7,168**	**7,056**
Taxation [6]					(2,486)	(2,267)
Consolidated profit after tax					**4,682**	**4,789**

[1] Inter-segment sales are charged at the prevailing market rates.
[2] Included within the overall revenue figures is revenue of £4.6 million (2009: £5.9 million) which relates to a customer of the North American and Australian segment.
[3] In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
[4] In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
[5] In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
[6] The charge to taxation relates to the consolidated Group. Included within the taxation charge is £156,000 (2009: £184,000) which relates to the UK & European operations and £1,637,000 (2009: £1,753,000) which relates to the North American & Australian operations.

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2010 £000	North America & Australia 2010 £000	Eliminations 2010 £000	Consolidated 2010 £000
Segment assets:				
Property, plant and equipment	671	6,429	-	7,100
Intangible assets	3,639	2,921	-	6,560
Working capital assets	11,113	17,539	(1,103)	27,549
Segment total assets	**15,423**	**26,889**	**(1,103)**	**41,209**
Unallocated head office assets [5]				11,477
Unallocated head office eliminations				(2,422)
				50,264
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,219
IAS 19 Employee benefits [2]				4,211
IAS 38 Intangible assets [3]				1,523
IFRS 3 Business combinations [4]				3,155
Consolidated total assets				**60,372**
Segment liabilities:				
Segment working capital liabilities	3,478	4,473	(1,447)	6,504
Unallocated head office liabilities [5]				12,481
Unallocated head office eliminations				(321)
				18,664
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				(105)
Deferred tax				3,353
Consolidated total liabilities				**21,912**

[1] In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
[2] In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
[3] In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill - under IAS 38 specific intangible assets are created and adjusted for deferred tax arising on acquisition.
[4] In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
[5] The unallocated head office assets primarily relate to freehold property, deferred tax assets and amounts owed by subsidiary undertakings. The unallocated head office liabilities primarily relate to the deficit on the UK's multi-employer defined benefit scheme and tax liabilities.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2009 £000	North America & Australia 2009 £000	Eliminations 2009 £000	Consolidated 2009 £000
Segment assets:				
Property, plant and equipment	822	5,396	-	6,218
Intangible assets	2,519	3,092	-	5,611
Working capital assets	12,358	15,841	(989)	27,210
Segment total assets	**15,699**	**24,329**	**(989)**	**39,039**
Unallocated head office assets [5]				11,852
Unallocated head office eliminations				(3,188)
				47,703
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,111
IAS 19 Employee benefits [2]				3,241
IAS 38 Intangible assets [3]				1,662
IFRS 3 Business combinations [4]				2,406
Consolidated total assets				**56,123**
Segment liabilities:				
Segment working capital liabilities	4,555	5,333	(2,275)	7,613
Unallocated head office liabilities [5]				9,360
Unallocated head office eliminations				(146)
				16,827
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				(210)
Deferred tax				2,691
Consolidated total liabilities				**19,308**

[1] In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
[2] In the segmental reporting pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
[3] In the segmental reporting the excess of the net assets acquired on a business combination over the consideration is shown as goodwill - under IAS 38 specific intangible assets are created and adjusted for deferred tax arising on acquisition.
[4] In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
[5] The unallocated head office assets primarily relate to freehold property, deferred tax assets and amounts owed by subsidiary undertakings. The unallocated head office liabilities primarily relate to the deficit on the UK's multi-employer defined benefit scheme and tax liabilities.

3 Segment information (continued)

Other segment information

	UK & Europe 2010 £000	North America & Australia 2010 £000	Consolidated 2010 £000	UK & Europe 2009 £000	North America & Australia 2009 £000	Consolidated 2009 £000
Segment additions to non-current assets	2,270	1,029	3,299	2,209	2,084	4,293
Unallocated additions to non-current assets			1			-
Total additions to non-current assets			**3,300**			**4,293**
Segment depreciation & amortisation	1,161	711	1,872	667	600	1,267
Unallocated depreciation & amortisation			16			15
Total depreciation & amortisation			**1,888**			**1,282**

4 Operating profit

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

		2010 £000	2009 £000
Net foreign exchange losses		73	21
Depreciation of property, plant and equipment		1,014	864
Amortisation of intangible assets		874	418
(Profit)/loss on sale of property, plant and equipment		(19)	139
Cost of inventories recognised as an expense		8,244	10,671
Operating lease rentals	– Land and buildings	224	212
	– Plant and equipment	208	198
Staff costs (see note 5)		10,104	10,764

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

4 Operating profit (continued)

Auditors remuneration

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

	2010 £000	2009 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33	33
Fees payable to the Company's auditor and its associates for other services		
– The audit of the Company's subsidiaries pursuant to legislation	80	76
– Other services pursuant to legislation	10	11
– Transaction support services	-	4
– Tax services	68	62
Fee's payable in respect of the Group's pension plans		
– Audit	5	5
	196	**191**

5 Staff costs

Employees:

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

	2010 number	2009 number
Production	142	158
Selling and distribution	61	59
Administration	45	54
	248	**271**

The aggregate payroll costs of these persons were as follows:

	2010 £000	2009 £000
Wages and salaries	8,316	8,603
Employer's social security costs	748	810
Employer's pension costs - defined benefit schemes (note 19)	941	1,192
Employer's pension costs - defined contribution schemes	99	159
	10,104	**10,764**

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

	2010 £000	2009 £000
Interest receivable on bank deposits	21	38
Other interest	8	-
Expected return on pension scheme assets (note 19)	1,024	1,085
	1,053	**1,123**

7 Finance costs

	2010 £000	2009 £000
Interest payable on bank loans and overdrafts	9	87
Other interest	-	29
Interest charge on pension scheme liabilities (note 19)	1,562	1,526
	1,571	**1,642**

8 Taxation

	2010 £000	2009 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	138	1,337
– Foreign tax	2,113	1,058
– Double tax relief	-	(1,227)
– Adjustments in respect of prior periods	1	65
	2,252	**1,233**
Deferred tax (note 17):		
– Origination and reversal of temporary differences	234	1,034
Total taxation in the Consolidated Income Statement	**2,486**	**2,267**

From 1 July 2009 dividends received in the UK from the Group's overseas subsidiaries are treated as exempt income and the UK Parent Company no longer needs to account for double tax relief. Accordingly, the amount included for UK corporation tax for the financial year ended 31 May 2010 is lower than the prior year and correspondingly there is no double tax relief (2009: £1.2 million).

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

8 Taxation (continued)

(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% (2009: 28%). The differences are explained below:

	2010 £000	2009 £000
Profit on ordinary activities before tax	7,168	7,056
Taxation calculated at the standard rate of corporation tax in the UK of 28% (2009: 28%)	2,007	1,976
Affected by:		
Variance in overseas tax rates	451	404
Income/expenses not chargeable/deductible for tax	27	(178)
Adjustments relating to prior years	1	65
Total tax charge for the year reported in the Consolidated Income Statement	**2,486**	**2,267**
Effective tax rate	35%	32%

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 are higher than in 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 2010 was £24.2 million (2009: £21.0 million).

9 Earnings per share

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

	2010 £000	2009 £000
Earnings:		
Profit after tax - continuing operations*	4,677	4,810
Number of shares:		
Weighted average number of shares (note 20)	16,351,540	16,351,540

* Figure has been adjusted to exclude a profit of £5,000 (2009: loss of £21,000) attributable to non-controlling interests.

As at 31 May 2010 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

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2009 of 11.5p per share (2008: 10.5p per share)	1,880	1,717
Interim dividend for the year ended 31 May 2010 of 6.2p per share (2009: 4.0p per share)	1,014	654
	2,894	**2,371**
Proposed final dividend for the year ended 31 May 2010 of 9.3p per share (2009: 11.5p per share)	1,521	1,880

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 13 October 2010 and has not been included as a liability in these financial statements.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

11 Property, plant and equipment

	Land and buildings			
	Freehold	Short leasehold	Plant and equipment	Total
Cost	£000	£000	£000	£000
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)
At 1 June 2009	**7,032**	**601**	**15,158**	**22,791**
Additions	-	58	1,099	1,157
Exchange rate movements	340	57	1,209	1,606
Disposals	-	-	(120)	(120)
At 31 May 2010	**7,372**	**716**	**17,346**	**25,434**
Accumulated depreciation				
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)
At 1 June 2009	**1,469**	**344**	**11,147**	**12,960**
Exchange rate movements	47	27	771	845
Charge for the year	30	17	967	1,014
Disposals	-	-	(110)	(110)
At 31 May 2010	**1,546**	**388**	**12,775**	**14,709**
Net book value at 31 May 2010	**5,826**	**328**	**4,571**	**10,725**
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

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

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

12 Intangible assets

Cost	Goodwill £000	Trademarks and domain names £000	Know how £000	Internally generated software development costs £000	Other intangibles £000	Total £000
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
At 1 June 2009	**8,059**	**1,391**	**2,864**	**3,060**	**146**	**15,520**
Exchange rate movements	587	(52)	(109)	(227)	12	211
Additions	-	-	-	2,143	-	2,143
At 31 May 2010	**8,646**	**1,339**	**2,755**	**4,976**	**158**	**17,874**
Accumulated amortisation						
At 1 June 2008	-	-	-	43	-	43
Exchange rate movements	-	-	-	80	-	80
Charge for the period	-	-	-	418	-	418
At 1 June 2009	**-**	**-**	**-**	**541**	**-**	**541**
Exchange rate movements	-	-	-	(78)	-	(78)
Charge for the period	-	-	-	874	-	874
At 31 May 2010	**-**	**-**	**-**	**1,337**	**-**	**1,337**
Carrying value as at 31 May 2010	**8,646**	**1,339**	**2,755**	**3,639**	**158**	**16,537**
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

Impairment tests for cash-generating units (CGU's) 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 CGU's 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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

12 Intangible assets (continued)

The rate used to discount the forecast cash flows in both CGU's was 15% (2009: 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 (2009: £nil).

The intangible assets in relation to trademarks and domain names and know how are assigned indefinite useful lives and relate to Vivid Holding BV in the Netherlands 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 current European and Asian cars, light commercial vehicles and trucks. The carrying value of 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 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 amounts of goodwill have been allocated as follows:

	2010 £000	2009 £000
Unit:		
Haynes North America	5,934	5,347
Vivid Holding BV	2,712	2,712
	8,646	**8,059**

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

	2010 £000	2009 £000
Unit:		
Haynes North America	193	174
Vivid Holding BV	7,698	6,746
	7,891	**6,920**

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

	2010 £000	2009 £000
Cost of sales	874	418

13 Inventories

	2010 £000	2009 £000
Raw materials	439	472
Work in progress	1,727	1,701
Finished goods	11,027	10,350
	13,193	**12,523**

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net charge of £345,000 (2009: £112,000) 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 £6.6 million (2009: £5.3 million) of editorial origination costs in relation to the production of automotive and motorcycle repair manuals which is amortised to the Consolidated Income Statement over a period not exceeding 5 years. As from 1 June 2009 a similar treatment has been adopted for the origination of general interest titles. Prior to 1 June 2009 editorial origination costs in relation to the general interest titles were amalgamated with the cost of printing the title and expensed to the Consolidated Income Statement over the first print run of a new title.

14 Trade and other receivables

	2010 £000	2009 £000
Amounts falling due within one year:		
Trade receivables	11,479	11,815
Less: Provision for impairment	(251)	(181)
Less: Customer allowances	(1,370)	(1,234)
	9,858	**10,400**
Taxation recoverable	-	341
Other debtors and prepayments	793	1,024
	10,651	**11,765**

	2010 £000	2009 £000
Analysis of trade receivables:		
Neither impaired nor past due	9,829	10,011
Past due but not impaired	1,399	1,623
Impaired	251	181
	11,479	**11,815**

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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

14 Trade and other receivables (continued)

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

	Past due but not impaired 2010 £000	Impaired 2010 £000	Past due but not impaired 2009 £000	Impaired 2009 £000
Less than 30 days past due	1,256	147	1,073	72
30 to 90 days past due	120	2	391	3
Greater than 90 days past due	23	102	159	106
	1,399	**251**	**1,623**	**181**

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

	2010 £000	2009 £000
Balance at 1 June	181	238
Amounts charged to the Consolidated Income Statement	111	14
Amounts written-off as uncollectible	(45)	(104)
Exchange rate movement	4	33
Balance at 31 May	**251**	**181**

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

	2010 £000	2009 £000
US dollars	6,371	6,861
Sterling	2,729	3,638
Euro	1,060	889
Australian dollars	482	373
Other currencies	9	4
	10,651	**11,765**

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

15 Cash and cash equivalents (net funds)

	2010 £000	2009 £000
Cash at bank and in hand	3,842	3,029
Bank overdrafts	-	(1,659)
Cash and cash equivalents in the cash f ow statement (note 22)	**3,842**	**1,370**

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 £1.0 million (2009: £2.5 million) overdraft facility, together with guarantees from the UK and European trading companies. During the year the overdraft attracted interest based on the bank's base rate and the weighted average rate was 2.3% (2009: 3.9%). In the Netherlands, Vivid Holding has a €0.4 million (2009: €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:

	2010 £000	2009 £000
US dollars	1,935	1,052
Sterling	810	(894)
Australian dollars	421	662
Euro	567	508
Other currencies	109	42
	3,842	**1,370**

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

	2010 £000	2009 £000
Amounts falling due within one year:		
Trade payables	979	1,199
Other taxes and social security costs	145	159
Other creditors and accruals	3,164	3,088
	4,288	**4,446**

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

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

16 Trade and other payables (continued)

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

	2010 £000	2009 £000
Falling due within one year:		
US dollars	1,404	1,434
Sterling	1,723	2,021
Euro	931	869
Australian dollars	199	102
Other currencies	31	20
	4,288	**4,446**

17 Deferred tax assets and liabilities

	2010 Assets £000	2010 Liabilities £000	2010 Net total £000	2009 Assets £000	2009 Liabilities £000	2009 Net total £000
Property, plant & equipment	-	(1,901)	(1,901)	-	(1,470)	(1,470)
Employee benefits	4,199	-	4,199	3,248	-	3,248
Short-term temporary differences	1,225	-	1,225	748	-	748
Intangible assets	-	(1,452)	(1,452)	-	(1,221)	(1,221)
Net deferred tax asset/(liability)	**5,424**	**(3,353)**	**2,071**	**3,996**	**(2,691)**	**1,305**

	2010 £000	2009 £000
Balance at 1 June	1,305	1,174
Transfer to Consolidated Income Statement	(234)	(1,034)
Transfer to equity	869	1,094
Exchange rate movement	131	71
Balance at 31 May	**2,071**	**1,305**

18 Financial risk and treasury policy

The Group's principal financial instruments during the year comprised of 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 $1.58.

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 £0.2 million net of allowances for doubtful recovery (2009: £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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

18 Financial risk and treasury policy (continued)

Liquidity risk

The principal aim of the Group's liquidity management is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and asset leasing. As at 31 May 2010 the Group had a £1.0 million UK overdraft facility (2009: £2.5 million) which is due for renewal in October 2010, a €0.4 million overdraft in Europe (2009: €0.4 million) which has no fixed renewal date and a $11.0 million loan facility in the US (2009: $11.0 million) which is due for renewal in October 2011.

Interest rate risk

From time to time the Group companies have overdraft and loan facilities which are subject to variable rates of interest based on the respective bank's base rate. As at 31 May 2010 there were no bank loans outstanding (2009: £nil) and no bank overdrafts outstanding (2009: £1.7 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 the Group had no loans or overdrafts outstanding at the end of the year the Group does not have a significant exposure to a change in the market rates of interest at the current time.

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.

	2010	2009
Interest cover		
Operating profit (£'000)	7,686	7,575
Net finance costs (£'000)	518	519
Interest cover (ratio)	15	15

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

18 Financial risk and treasury policy (continued)

	2010	2009
Gearing ratio		
Net debt (£'000)	-	-
Total equity (£'000)	38,460	36,815
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:

	2010 £000	2009 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(941)	(1,192)
– Gain on curtailment	-	151
Amounts included in finance income:		
– Expected return on pension scheme assets	1,024	1,085
Amounts included in finance costs:		
– Interest charge on pension scheme liabilities	(1,562)	(1,526)
Amount recognised in the Consolidated Income Statement	**(1,479)**	**(1,482)**

	2010 £000	2009 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	20,231	14,970
Present value of defined benefit obligation	(34,248)	(25,360)
Net deficit recognised in Consolidated Balance Sheet	**(14,017)**	**(10,390)**

Post 31 May 2010, the Pensions Minister informed Parliament that the index to be used to calculate the minimum increases in pensions would switch from the Retail Price Index (“RPI”) to the Consumer Price Index (“CPI”). This was followed on 12 July 2010 by an announcement from the Department for Work and Pensions which indicated that this change could be retrospective, but draft legislation is currently awaited. In common with other companies who hold defined benefit pension schemes we are in the process of establishing what impact this change will have on the Haynes UK scheme. However, on current information available it seems more likely that this change will lower the reported deficit but this is dependent on the rates of CPI and RPI from time to time and the wording of legislation.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

19 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2010 UK Scheme % per annum	2009 UK Scheme % per annum
Discount rate	5.45	6.60
Salary escalation	4.00	3.80
Price inflation	3.50	3.30
Pension increases	3.40	3.10
Expected return on invested assets	6.70	6.70
Expected return on insurance annuity contracts	5.45	6.60

	2010 US Plan % per annum	2009 US Plan % per annum
Discount rate	5.00	5.00
Salary escalation	3.00	3.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00
Expected return on invested assets	7.00	2.00

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

	2010 Years	2009 Years
Current pensioners (at age 65) - Male	22.30	22.02
Current pensioners (at age 65) - Females	24.90	24.91
Future pensioners (at age 65) - Males	24.20	23.10
Future pensioners (at age 65) - Females	26.60	25.90

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

	2010 Years	2009 Years
Current members aged 65 (at age 65)	18.00	18.00
Current members aged 45 (at age 65)	18.00	18.00

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 2010 were as follows:

	Rate of return %	UK Scheme 2010 Value £000	Rate of return %	UK Scheme 2009 Value £000
Group investment linked policy				
– Equities	7.3	7,524	7.2	5,988
– Fixed interest/gilts	4.3	55	4.2	341
– Other bonds	5.5	1,837	6.6	970
– Cash	0.5	520	1.0	618
– Property	7.3	2,492	7.2	1,908
	6.7	12,428	6.7	9,825
Secured pensions in payment	5.5	1,473	6.6	1,308
Assets at fair value		**13,901**		**11,133**

	Rate of return %	US Plan 2010 Value £000	Rate of return %	US Plan 2009 Value £000
Group investment linked policy				
– Bonds	7.7	5,685	2.0	3,666
– Other	1.0	645	1.0	171
Assets at fair value		**6,330**		**3,837**

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 2010 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

19 Retirement benefit obligation (continued)

	UK Scheme 2010 £000	US Plan 2010 £000	Total 2010 £000	UK Scheme 2009 £000	US Plan 2009 £000	Total 2009 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(25,631)	(8,617)	(34,248)	(18,135)	(7,225)	(25,360)
Assets at fair value	13,901	6,330	20,231	11,133	3,837	14,970
Net liability recognised in the balance sheet	**(11,730)**	**(2,287)**	**(14,017)**	**(7,002)**	**(3,388)**	**(10,390)**

Amount recognised through the Consolidated Statement of Comprehensive Income

Actuarial gain/(loss) during the year	(4,535)	1,003	(3,532)	(1,627)	(1,594)	(3,221)
Deferred tax on actuarial gain/(loss)	1,270	(401)	869	455	637	1,092
	(3,265)	**602**	**(2,663)**	**(1,172)**	**(957)**	**(2,129)**

Actual return on assets						
Actual gain/(loss) on plan assets	1,856	659	2,515	(3,443)	(1,294)	(4,737)
Less expected return on plan assets	(751)	(273)	(1,024)	(998)	(87)	(1,085)
Movement	**1,105**	**386**	**1,491**	**(4,441)**	**(1,381)**	**(5,822)**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £7.5 million (2009: £3.9 million). The directors' are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses on an IFRS basis prior to 31 May 2003.

19 Retirement benefit obligation (continued)

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 2008	18,439	4,971	23,410
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 1 June 2009	**18,135**	**7,225**	**25,360**
Current service cost	385	556	941
Interest cost	1,194	368	1,562
Employee contributions	104	-	104
Expenses included in service cost	(98)	-	(98)
Actuarial (gains)/losses	6,391	(344)	6,047
Foreign currency exchange rate changes	-	843	843
Benefits	(480)	(31)	(511)
Present value of DBO at 31 May 2010	**25,631**	**8,617**	**34,248**

Reconciliation of fair value of assets	UK Scheme £000	US Plan £000	Total £000
Fair value of assets at 1 June 2008	13,035	3,581	16,616
Expected return on plan assets	998	87	1,085
Actuarial 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
Administration expenses	(91)	(8)	(99)
Benefits	(303)	-	(303)
Fair value of assets at 1 June 2009	**11,133**	**3,837**	**14,970**
Expected return on plan assets	751	273	1,024
Actuarial gain on plan assets	1,856	659	2,515
Foreign currency exchange rate changes	-	593	593
Employer contributions	635	999	1,634
Employee contributions	104	-	104
Administration expenses	(98)	-	(98)
Benefits	(480)	(31)	(511)
Fair value of assets at 31 May 2010	**13,901**	**6,330**	**20,231**

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

19 Retirement benefit obligation (continued)

Reconciliation of change in funded status	UK Scheme £000	US Plan £000	Total £000
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 losses	1,627	1,594	3,221
Defined benefit liability at 1 June 2009	**7,002**	**3,388**	**10,390**
Total pension expense	828	650	1,478
Employer contributions	(635)	(999)	(1,634)
Impact of foreign currency exchange rates	-	251	251
Actuarial (gain)/losses	4,535	(1,003)	3,532
Defined benefit liability at 31 May 2010	**11,730**	**2,287**	**14,017**

History of experience adjustments

		2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligation		(34,248)	(25,360)	(23,410)	(24,799)	(23,434)
Fair value of scheme assets		20,231	14,970	16,616	17,890	14,917
Deficit in the scheme		**(14,017)**	**(10,390)**	**(6,794)**	**(6,909)**	**(8,517)**
Experience adjustments on scheme liabilities*						
Amount	£000	753	(147)	2,962	309	500
Experience adjustments on scheme assets						
Amount	£000	2,515	(4,737)	(2,865)	1,084	548

* The experience adjustments on scheme liabilities for the years ending on or before 31 May 2008 include the impact of changes in actuarial assumptions.

Expected contributions in the forthcoming year

	Financial year beginning 1 June 2010 £000
Group contributions	
– UK scheme	632
– US plan	964
	1,596
Employee contributions	103
	1,699

20 Share capital and reserves

	2010 No.	2009 No.	2010 £000	2009 £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 2010 the share price was 245p (2009: 148p), with a high of 260p (2009: 193p) and a low of 140p (2009: 117p) 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.

Share premium

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

Foreign currency translation reserve

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

Retained earnings

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

21 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 30.

Transactions with related parties

The interests of the directors in the Ordinary share capital of the Company as at 31 May 2010 are shown in the Directors’ Report on page 20 as required by the FSA’s Disclosure Transparency rules.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2010

21 Related party transactions (continued)

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

(1) A lease dated 28 August 1979 between John H Haynes Developments Inc, (a company registered in California and controlled by Mr JH Haynes) and Haynes North America Inc. of the premises situated at 859 and 861 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001, runs for a period of 5 years from that date, and is presently held over pending renewal. The annual rent for the year ended 31 May 2010 was $207,214 (2009: $207,214) or £130,809 (2009: £126,535) 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 MEF Haynes are beneficiaries) and the Company of premises known as the "Sparkford Creamery" in Somerset for a term of 21 years at an annual rent, subject to revision every 3 years and presently £65,544 (2009: £65,544).

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

	Transactions 2010 £000	Balance at 31 May 2010 £000	Transactions 2009 £000	Balance at 31 May 2009 £000
Supply of conference facilities	5	-	5	-
Purchase of books and manuals	16	6	23	5

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 JH Haynes and Mrs AC Haynes, and of which JH 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 2010 was £3,688 plus service charge (2009: £3,688).

(5) A tenancy of No 12 Ivel Gardens, Ilchester, owned by Mrs AC Haynes and let to the Company (at a monthly rental of £525 (2009: £490) plus outgoings) with Haynes Developments Ltd acting as agent for the lessor. As at 31 May 2010 the balance outstanding to Haynes Developments Ltd was £789 (2009: £785).

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 29 to 34.

	2010 £000	2009 £000
Short term employee benefits	1,240	1,237
Post employment benefits	297	316
	1,537	**1,553**

22 Analysis of the changes in net funds

	As at 1 June 2009 £000	Cash flow £000	Exchange movements £000	As at 31 May 2010 £000
Cash at bank and in hand	3,029	544	269	3,842
Bank overdrafts	(1,659)	1,659	-	-
	1,370	**2,203**	**269**	**3,842**

23 Operating leases

As at 31 May 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Commitments under non-cancellable operating leases	2010 £000	2009 £000
Land and buildings:		
Due within one year	160	120
Due in the second to fifth years	302	435
Due after five years	65	115
	527	**670**
Plant and equipment:		
Due within one year	85	147
Due in the second to fifth years	211	214
Due after five years	-	-
	296	**361**
	823	**1,031**

24 Capital commitments

At 31 May 2010 the Group had the following capital commitments for which no provision has been included in the Consolidated Financial Statements:

	2010 £000	2009 £000
Contracted	13	87

25 Ultimate controlling party

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

Financial Statements

Company Balance Sheet
At 31 May 2010

		2010 £000	2009 £000
	Fixed assets		
Note 29	Tangible assets	2,511	2,607
Note 30	Investments in subsidiary undertakings	7,106	7,106
		9,617	9,713
	Current assets		
Note 31	Debtors	552	1,307
	Cash at bank and in hand	97	77
		649	1,384
Note 32	**Creditors:** amounts falling due within one year	(752)	(2,356)
	Net current assets	**(103)**	**(972)**
	Total assets less current liabilities	**9,514**	**8,741**
Note 34	Provisions for liabilities	(388)	(392)
	Net assets	**9,126**	**8,349**
	Capital and reserves		
Note 35	Called up share capital	3,270	3,270
Note 36	Share premium	638	638
Note 36	Profit and loss account	5,218	4,441
	Shareholders' funds	**9,126**	**8,349**

The financial statements were approved by the board of directors and authorised for issue on 14 September 2010 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Notes to the Company Accounts
Year ended 31 May 2010

26 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 translated 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 Financial Statements.

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2010

26 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 debtors

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

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.

27 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, no Income Statement or Statement of Comprehensive Income of the Company is presented as part of these financial statements.

The profit dealt within the Company accounts was £3.7 million (2009: £3.2 million) which includes dividends received from subsidiaries of £3.4 million (2009: £3.5 million).

Employees	2010 £000	2009 £000
Aggregate remuneration of employees:		
Wages and salaries	531	986
Employer's social security costs	68	65
Employer's pension costs	17	17
	616	**1,068**

Two of the directors are employed by a subsidiary based in the US and are remunerated by the US subsidiary only.

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

Auditor's remuneration

The fees payable by the Company to BDO LLP for work performed in respect of the audit of the Company was £32,650 (2009: £32,650). Fees paid to BDO 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.

28 Dividends

Dividends paid and proposed	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2009 of 11.5p per share (2008: 10.5p per share)	1,880	1,717
Interim dividend for the year ended 31 May 2010 of 6.2p per share (2009: 4.0p per share)	1,014	654
	2,894	**2,371**
Proposed final dividend for the year ended 31 May 2010 of 9.3p per share (2009: 11.5p per share)	1,521	1,880

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 13 October 2010 and has not been included as a liability in these financial statements.

29 Tangible fixed assets

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2009	4,003	97	103	4,203
Additions	-	-	1	1
Cost at 31 May 2010	**4,003**	**97**	**104**	**4,204**
Accumulated depreciation at 1 June 2009	1,425	76	95	1,596
Charge for year	92	4	1	97
Accumulated depreciation at 31 May 2010	**1,517**	**80**	**96**	**1,693**
Net book value at 31 May 2010	**2,486**	**17**	**8**	**2,511**
Net book value at 31 May 2009	2,578	21	8	2,607

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2009: £3,613,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

30 Investment in subsidiary undertakings

The Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost and carrying value at 1 June 2009 and 31 May 2010	7,106	-	**7,106**

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2010

30 Investment in subsidiary undertakings (continued)

As at 31 May 2010 there were the following principal subsidiary undertakings. Except as indicated all subsidiaries are wholly owned, within the Group and all with financial year-ends of 31 May:

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)	The Netherlands
Vivid Automotive Data & Media BV (Sales)*	The Netherlands
Vivid Automotive Data (UK) Ltd (Data Production)*	United Kingdom
Vivid Automotive Data Espana SL (Sales)*	Spain
Vivid Italia srl (Sales)* [1]	Italy
Vivid Automotive Data srl (Data Production and IT Development)*	Romania

As at 31 May 2010, 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 (2009: 60%).

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

31 Debtors

	2010 £000	2009 £000
Amounts falling due within one year:		
Trade debtors	6	-
Amounts owed by subsidiary undertakings	511	1,277
Other debtors and prepayments	35	30
	552	**1,307**

32 Creditors

Amounts falling due within one year:	2010 £000	2009 £000
Trade creditors	14	11
Amounts owed to subsidiary companies	322	146
Bank overdraft	-	1,659
Corporate taxes	44	5
Other taxes and social security costs	-	2
Other creditors and accruals	372	533
	752	**2,356**

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

33 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 2010 the Company had financial assets totalling £97,000 (2009: £77,000) of which £21,000 was held in Euro's (2009: £75,000), £76,000 was held in Sterling (2009: £nil) and £nil was held in US dollars (2009: £2,000).

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

34 Provisions for liabilities

	2010 £000	2009 £000
Deferred taxation:		
Balance at 1 June	392	168
Transfer to profit and loss account	(4)	224
Balance at 31 May	**388**	**392**
Being:		
Accelerated capital allowances	398	403
Other short-term timing differences	(10)	(11)
Provision for deferred tax	**388**	**392**
Analysed in the balance sheet as follows:		
Provision for liabilities	**388**	**392**

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

35 Share capital

	2010 No	2009 No	2010 £000	2009 £000
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2010

35 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 2010 the share price was 245p (2009: 148p), with a high of 260p (2009: 193p) and a low of 140p (2009: 117p) 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.

36 Reconciliation of movement in shareholders’ funds

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 June 2008	3,270	638	3,603	7,511
Profit for the period	-	-	3,209	3,209
Dividends (note 28)	-	-	(2,371)	(2,371)
Balance at 1 June 2009	**3,270**	**638**	**4,441**	**8,349**
Profit for the period	-	-	3,671	3,671
Dividends (note 28)	-	-	(2,894)	(2,894)
Balance at 31 May 2010	**3,270**	**638**	**5,218**	**9,126**

37 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 £17,000 (2009: £16,000).

38 Leases

Annual operating lease commitments:	2010 £000	2009 £000
Land and buildings:		
Leases expiring after 5 years	65	65
Plant and equipment:		
Leases expiring in less than 1 year	-	-
Leases expiring between 2 and 5 years	-	2
	65	**67**

Financial Calendar and Shareholder Information

Calendar for financial year ended 31 May 2011

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

Analysis of shareholders as at 31 May 2010

Type of shareholder	**Number of shareholders**	**Total shareholdings**
Commercial and industrial companies	20	49,097
Directors beneficial holdings	6	10,575,567
Nominee companies	64	4,691,356
Private holders	149	979,538
Investment trusts and funds	8	55,982
	247	**16,351,540**

Share registrars

Website: **www.capitaregistrars.com**

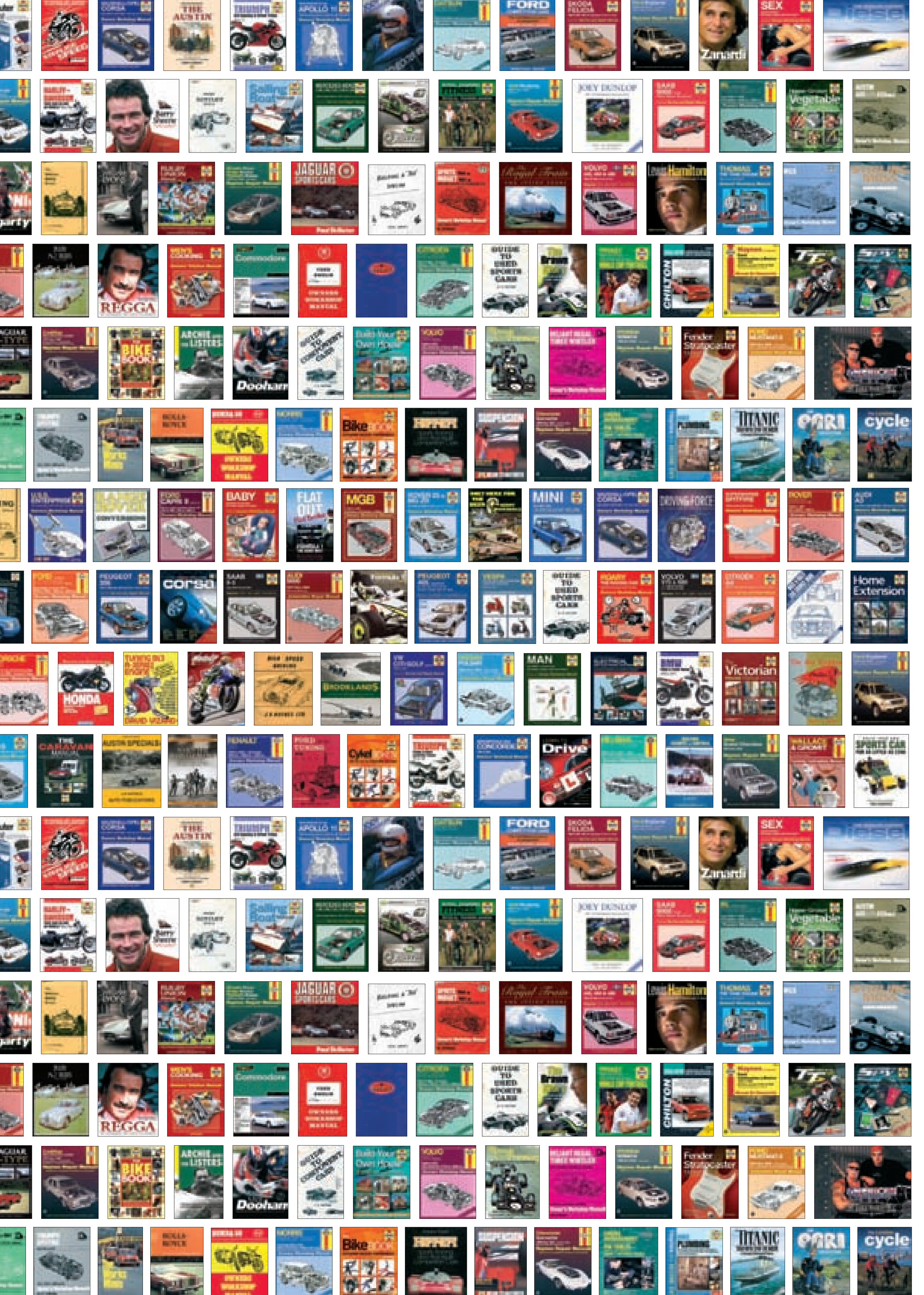
Investors

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

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


WALLACE & GROMIT
Cracking Contraptions Manual
Elise
MX-5 / Miata
Discovery
Beetle
Transporter


Fender
Bass
LINUX
...online advertising
BMW
3-SERIES
Haynes
Celebrating
50


THE AUSTIN
APOLLO 11
FORD
SKODA FELICIA
Zanardi
SEX
JOEY DUNLOP
Vegetable
JAGUAR SPORTSCARS
Lewis Hamilton
REGGA
Commodore
GUIDE TO USED SPORTS CARS
CHILTON
ARCHIE and the LISTERS
THE BIKE BOOK
Doohan
Build Your Own House
Fender Stratocaster
ROLLS ROYCE
Bike Book
FERRARI
SUSPENSION
TITANIC
cycle
BABY
FLAT OUT
MGB
MINI
DRIVING FORCE
corsa
Home Extension
HONDA
DAVID VIZARD
BROOKLANDS
MAN
Victorian
THE CARAVAN MANUAL
AUSTIN SPECIALS
Drive
WALLACE & GROMIT

MINI
AYRTON SENNA
Fogarty
JAGUAR SPORTS CARS
REGGA
Commodore
GUIDE TO USED SPORTS CARS
JAGUAR E-TYPE
THE BIKE BOOK
ARCHIE AND THE LISTERS
Doohan
Fender Stratocaster
TITANIC
MINI TUNING
BABY
FLAT OUT
MGB
DRIVING FORCE
corsa
THE FOOTBALL FOOTBALL
HONDA
BROOKLANDS
MAN
Victorian
THE CARAVAN MANUAL
Drive
JOEY DUNLOP
FORD
Zanardi
SEX

Haynes Publishing Group P.L.C.

Sparkford, Yeovil, Somerset BA22 7JJ England • Telephone +44 1963 440635 • Fax +44 1963 440825