Haynes Publishing Group P.L.C.

ANNUAL REPORT 2012

Report & Accounts **for the year ending May 2012**

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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 strip-down and rebuild in our workshops, so that the instructions and photographs to our customers are inherently practical, accurate and easy to follow.

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

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

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Financial Highlights for the Year Ended 31 May 2012

- Group revenue of £29.8 million (2011: £32.7 million)
- Group operating profit of £5.1 million (2011: £7.7 million)
- Group pre-tax profit of £4.7 million (2011: £7.2 million)
- North America & Australia segmental operating profits of £2.6 million ($4.2 million) (2011: £4.4 million, $7.0 million)
- UK and Europe segmental operating profits of £1.8 million (2011: £2.4 million)
- Basic earnings per share of 20.0 pence (2011: 30.5 pence as restated[1]) calculated on a weighted average number of shares of 16.1 million (2011: 16.4 million) following the buy back of 1.2 million shares to place in Treasury
- After share buy backs of £2.4 million, net funds[2] of £4.8 million (2011: £5.4 million) reflecting another year of strong cash generation
- Total dividend per share for the year of 15.7 pence (2011: 15.7 pence)

[1] Earnings per share has increased from 29.0 to 30.5 see Note 1 Restatement of prior years

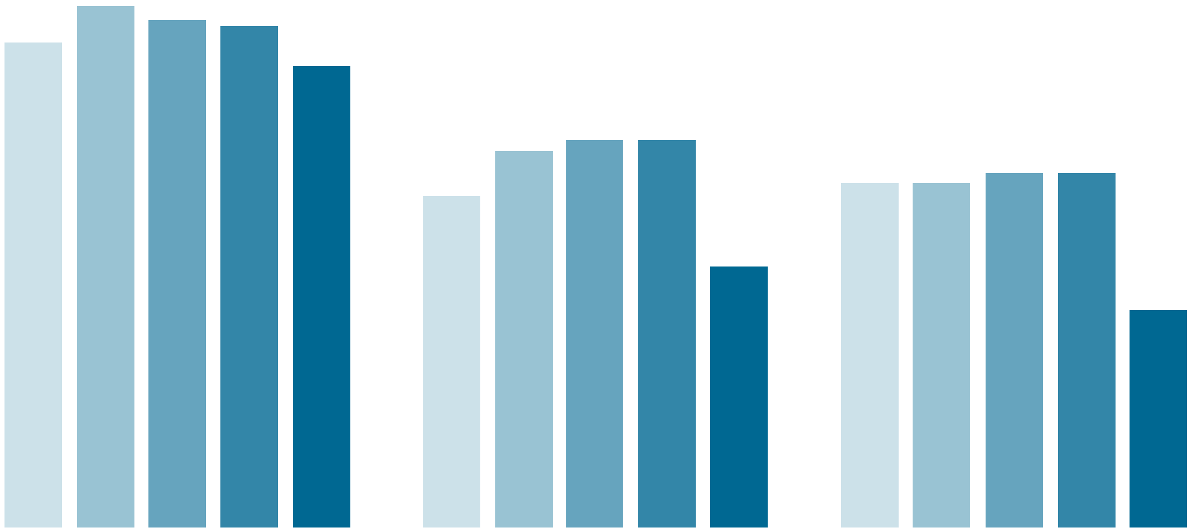
[2] Net funds defined as cash and cash equivalents

FIVE YEAR SUMMARY
OF KEY FINANCIAL PERFORMANCE

31 May **Turnover** £ million

31 May **Operating profit** £ million

31 May **Profit before tax** £ million



	Turnover					Operating profit					Profit before tax				
Year	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
	31.1	35.3	33.3	32.7	29.8	7.0	7.6	7.7	7.7	5.1	7.1	7.1	7.2	7.2	4.7

2008

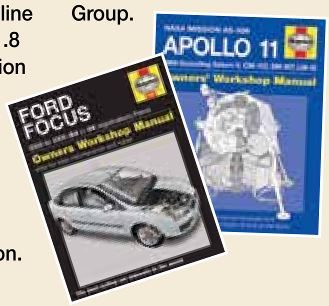
At the beginning of the financial year the Group acquired the trade and assets of Bookworks Pty, the most prominent distributor of automotive repair information in Australia for £0.7 million. This was followed in February 2008 by the acquisition of Vivid Holding BV, a leading European supplier of digital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

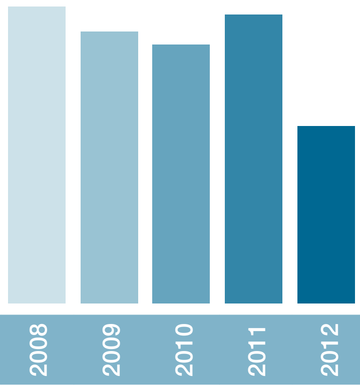
Vivid set up a new product development subsidiary in Romania. A crisis in the World's financial markets led to a deepening global economic downturn impacting all areas of the Group.



2010

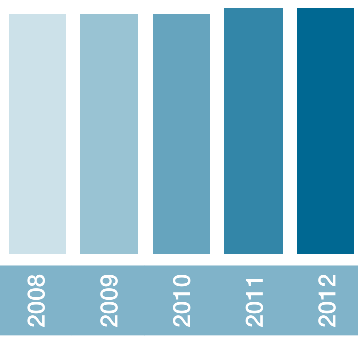
At the start of the financial year the UK business implements a new fully integrated IT system at a cost of £0.4 million. Following the sale of the UK print business in 2009 all parts of the Haynes Group are profit making for the first time in 10 years. In the US, the introduction of a new digital press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

31 May
Basic earnings per share pence



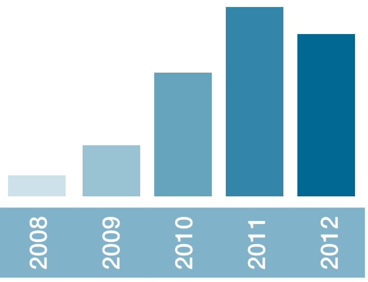
30.8 29.4 28.6 30.5[1] 20.0

31 May
Dividends per share pence



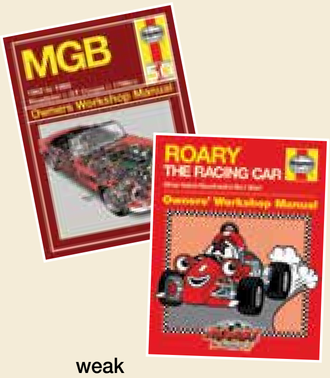
15.5 15.5 15.5 15.7 15.7

31 May
Net funds £ million



0.2 1.4 3.8 5.4 4.8

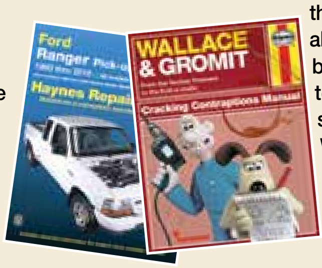
[1] See Note 1 Restatement of prior years



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.

2011

On 1 June 2010 John Haynes steps down as Group Chairman after 50 years but remains on the Board as Founder Director. J Haynes is appointed Group Chairman; Jeremy Yates-Round and Alex Kwarts are appointed to the Executive Board. The US business embarks on 'Project 50', a programme to restore an old Ford Mustang convertible to show condition with live webcam and video footage available through the US website and You Tube. Extreme weather conditions in the third quarter impacts US revenue but sales bounce back in the fourth quarter. Work continues on a new Haynes digital platform.

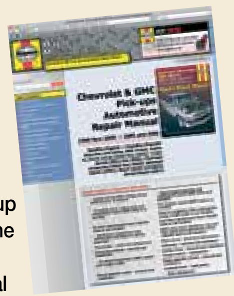


2012

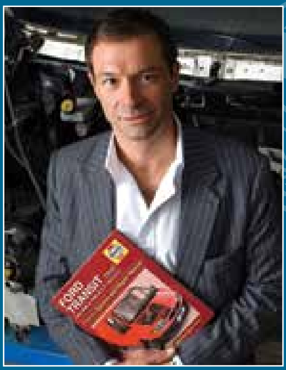
In November 2011, the Group launches the first of its iconic Haynes Manuals in an online electronic format. The conversion programmes from printed to digital files and the development of the digital platforms were all developed in-house by Haynes automotive technicians and IT specialists.

Weak sales in the US during the first half of the financial year and softer trading in UK markets during the second half of the year adversely impact Group profits for the full year.

The financial instability in Europe deepens during 2011/12 but revenue from the sale of technical data to the European professional automotive aftermarkets ends the year up 8% boosted by new contract gains.

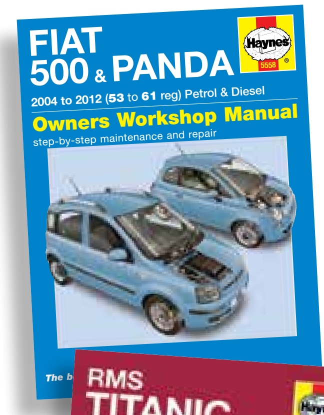


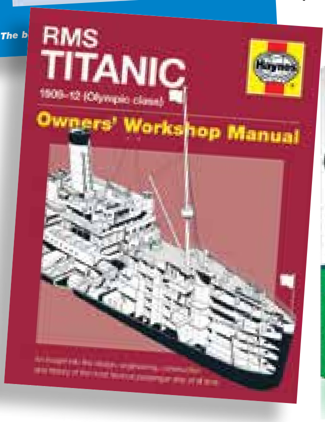
Group Chairman's Statement

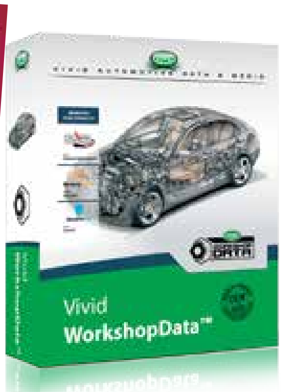


"It is particularly pleasing to report that both the platform for the delivery of the new electronic manuals and the conversion routines from printed to electronic files have been developed entirely within the Haynes Group."

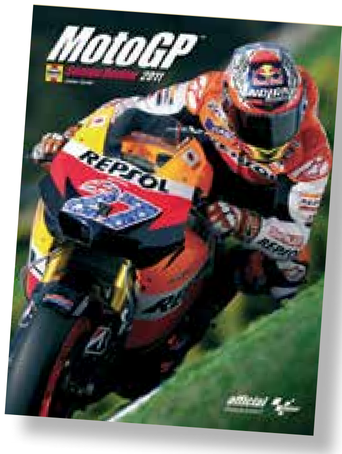
It was around this time five years ago that the Haynes Group first experienced the effects of the economic downturn. At that time, few of us envisaged that five years later we would still be facing the financial instability in Europe and the global economic headwinds that we are experiencing at the present time. During this timeframe, the Haynes Group has weathered the storm pretty well, maintaining pre-tax profits and growing our cash reserves. However, in the early part of 2011/12 we encountered some very weak trading in North America, globally our single largest market, which adversely impacted our results at the half year. Although we experienced a slight pick-up in trading in this territory in the second half of the year, our domestic UK markets encountered a similar softening of conditions during the second six months and a combination of these two factors has led to an overall reduction in revenue and profits against the prior year.







Despite the recent softer trading, the mood in the Group remains unwaveringly optimistic. Early into the economic downturn, the Board took decisive action to ensure that the Group's financial position and operational structure was appropriate given the expectation of challenging times ahead. In this respect, I believe we have achieved our aims. Around the same time, we identified the need for the Group to develop new multi-media platforms to give our end consumers a choice over how they receive the delivery of our content. I am pleased to report that this process is well underway and in the US, shortly before the half year, we launched our first iconic Haynes manuals in an electronic format. This was followed in June of this year by our first UK automotive titles and more recently, by the Group's top selling motorcycle titles. It is particularly pleasing to report that both the platform for the delivery of the new electronic manuals and the conversion routines from printed to electronic files have been developed entirely within the Haynes Group. The ability for the Haynes Group to develop our own digital platforms and disseminate our content in different forms is a major component of our forward strategy and the launch of the electronic manuals is testament to the efforts of both our IT development and automotive editorial teams over the last eighteen months.



Results summary

Following the softer trading of our printed manuals in our two main trading markets, Group revenue ended the year 9% down on the prior year at £29.8 million (2011: £32.7 million). The reduction in revenue, coupled with a higher development cost amortisation expense of £0.4 million against the prior period, left Group pre-tax profits lower by 35% at £4.7 million (2011: £7.2 million).

The Group's effective tax rate was 31.6% (2011: 30.3% as restated[1]) leaving basic earnings per share at 20.0 pence (2011: 30.5 pence as restated[1]).

[1] See Note 1 Restatement of prior years

Dividend and shares

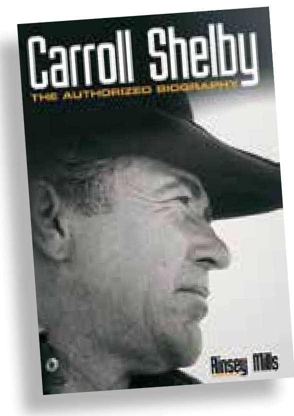
During the year, following the decision by a significant overseas fund (and long time Haynes shareholder) to reduce its exposure in the UK market, an opportunity arose for the Company to acquire 1.24 million of its ordinary shares and to place the shares in treasury. The directors have for some time been keen to improve the liquidity in the Company's

shares in the longer term and therefore, took the opportunity to purchase the available shares. In doing so the Company has the option to widen its shareholder base in the future without having to incur the underwriting costs and share discounting associated with a rights issue or placing. Due to the timing of the purchase, the Company was able to save the interim dividend that would have been due on the 1.24 million shares and with the historically low interest rates this provided the Company with a higher return than it could have achieved on the money held in the bank and is therefore, earnings enhancing to the benefit of all our shareholders.

While in the near term the case remains that we sail through turbulent seas, the Board remains confident in the longer term prospects of the Group. The Board is encouraged by the Group's in-house ability to develop and distribute new digital products from our own platforms as well as our strong cash position and cash generation which will be an important factor in the further development and expansion of these digital platforms. As a result the Board is recommending a final dividend of 9.5 pence per share (2011: 9.5 pence) which, together with the interim dividend paid in April, the total dividend for the year is 15.7 pence per share (2011: 15.7 pence). Subject to the approval by shareholders, the final dividend will be paid on 31 October 2012 to shareholders on the register at the close of business on 12 October 2012. The shares will be declared ex-dividend on 10 October 2012.

Board, people and corporate governance

Successful businesses are built through hard work, strong leadership and integrity. These are attributes we recognise throughout our organisation and are important factors when employing new staff and developing new relationships with partners. In common with other UK listed businesses, we are governed by the UK Corporate Governance Code 2010 (the Code) and included within our Annual Report 2012 will be details of how the Board manages its corporate governance under the Code. We are a small but diverse Board with a wide mix of experience and with just under half of the Board resident outside the UK, we possess a strong understanding of the global markets in which our businesses operate.

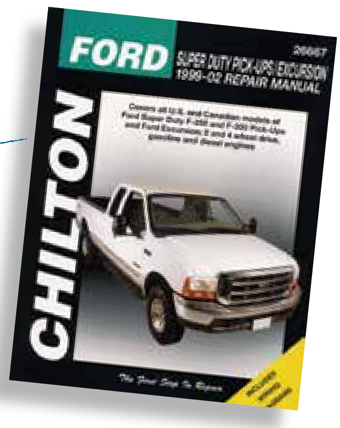


Whilst we acknowledge that the present Board composition does not fully comply with all aspects of the Code, we are satisfied that, at this point in time, we have the correct mix of skills and experience around the Boardroom table to steer the Group through these challenging times and to implement our plans for revenue and earnings growth.

Although based in the UK, over the past twelve months I have spent a lot of time in California, working from our offices in Los Angeles which has allowed me to spend time with some of our US employees. I was also able to join the executive team earlier this year on their visit to Romania and meet the employees in our Bucharest office. Having the chance to meet our employees in different parts of the Group has been a very rewarding experience and reinforces my belief that we are very fortunate to have such a dedicated and loyal employee base and on behalf of my fellow directors I would like to thank our employees, in all of our locations, for their significant contribution to the success of the Group over the last year.

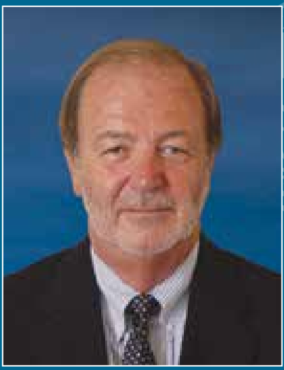
Future prospects

As a Board, we recognise that we face some steep challenges in all of our markets. The financial uncertainty in the Eurozone continues to undermine business and consumer confidence on a worldwide basis. Sterling's recent weakening against the US Dollar and strengthening against the Euro has had both a positive and negative impact on the Group and continued volatility in the foreign exchange markets will undoubtedly present further challenges to a multinational business such as Haynes. We are also impacted by the pace of technological advancement in hand-held communication devices which offers both opportunities and challenges to data and content providers. However, we face these challenges with enthusiasm given that the Group has a strong brand presence, ownership of its core manual content and also the technical expertise to deliver that content in a digital format online. We have a solid corporate structure from which we can grow, we have a clear vision of where we are heading and we have a Board with the experience and resolve to make it happen.



J Haynes
Group Chairman
12 September 2012

Group Chief Executive's Review



"We do not underestimate the challenges which lie ahead over the next twelve months. Nevertheless, we start the new financial year with a strong financial base and a number of new initiatives in the pipeline."

Business overview

This has been a mixed twelve months for the Haynes Group. Early into our financial year, we experienced an unexpected drop off in orders from our larger retail customers in our North American markets, which left sales in the month of July 2011, 44% down against the prior year. In the current economic climate this was a significant setback and whilst the US business has been able to recover some of this shortfall, without doubt the poor trading in the first six months has adversely impacted our results for the full year. In the UK and Europe, sales of Haynes manuals which held up well during the first half of the year, encountered similar softer trading with key retailers in the third and fourth quarters, ending the six month period 16% behind last year however, this was partially offset by growth in our book trade publishing and professional divisions. Despite this, we should not lose sight of how, over the last five years, the Haynes Group has shown a strong resilience to the global recessionary pressures and even with the lower revenue and profits this year, we remain a profitable, cash generative group with a strong balance sheet and no gearing.

Notwithstanding the softer trading, there have been a number of positives we can take from the last twelve months. The development of our multi-media digital platforms has moved forward at a pace. Shortly before the half year, we launched the Group's first electronic on-line manuals into the US market and this was followed in June 2012 by the first UK manuals and more recently by our top selling motorcycle titles. The new multi-media platforms, which have been developed entirely in-house, now allow us to offer our iconic Haynes manuals in both a printed and electronic format and also to target new geographical markets where previously it would not have been commercially viable to enter the market with a printed product. We are also now able to disseminate our core data in different ways, creating opportunities to increase the reach of our products in our existing markets. The development of the new digital platform for our manuals and the conversion from printed to electronic files has been a great collaborative effort between the digital and website expertise of our Dutch and Romanian colleagues and the extensive automotive publishing skills of our US and UK editorial technicians. With this in mind, in April of this year, I took the executive management team to Romania so that they could meet firsthand the young, enthusiastic and dynamic team in Bucharest that is helping the Haynes Group drive forward our digital expansion.

However, it is not only on the digital side of our business where we have gained ground during the year. In Australia, through the implementation of new marketing initiatives and good old fashioned 'hitting the road' to meet and talk with our customers at store level, we have been able to improve the performance of our sales in the Australian market and help make this part of our operation an important revenue and profit contributor of the North American and Australian business. We can also take positives from our trading in Europe, where revenue from the supply of technical data to the professional market performed well in what continues to be very challenging markets for the automotive aftermarket, ending the twelve month period, in local

currency, 8% ahead of last year. Whilst closer to home, revenue from our non-automotive titles had another encouraging year on the back of a strong publishing programme, finishing the year ahead by 6%.

Operating results overview

Following the lower sales of automotive manuals on both sides of the Atlantic, Group revenue ended the year at £29.8 million (2011: £32.7 million), down 9%. The lower mix of higher margin automotive revenue coupled with a higher development cost amortisation charge of £0.4 million is reflected in a lower gross margin during the year of 59.9% (2011: 63.5%). In recent months we have experienced upward pressure on our raw material prices, most notably paper, which have been absorbed into our cost of goods, as in the current economic climate, we have taken the decision not to pass these increases on to our customers. However, if this trend continues into the new financial year we will have little option but to revisit this position.

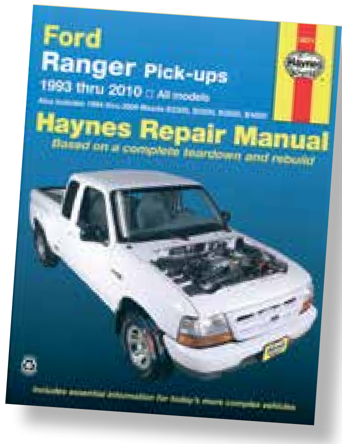
Some five years ago, as soon as we identified we were entering a period of economic decline, we introduced a plan of cash conservation and cost control measures to help keep the Haynes Group on a sound financial footing without causing undue stress or instability to our underlying businesses. An important part of this programme was, and continues to be, maintaining a tight control over the Group's operating costs and I am able to report continued success in this area with operating costs ending the period 4% down on the prior year. This is the third year-on-year reduction in operating overheads which are currently £1.7 million or 11% lower than they were in 2008/09.

Net finance costs which almost entirely relate to the movement on the Group's pension scheme assets and liabilities ended the year 20% lower at £0.4 million (2011: £0.5 million) leaving pre-tax profits of £4.7 million (2011: £7.2 million).

Segmental overview

North America and Australia

During the first half of calendar year 2011 there is strong evidence that business and consumer confidence in the US was negatively affected by the uncertainty surrounding the 'debt ceiling' discussions in Washington D.C. Following the resolution of these discussions at the end of July 2011, confidence appeared to return and for a short while consumer spending increased. Towards the end of 2011 however, the higher consumer spending was largely being absorbed by increased prices and in early 2012 was being more than offset by US corporations reducing investment in their inventory programmes. Our trading in the US market over the last twelve months closely reflects this economic cycle. Sales in the first quarter of our financial year were very weak, with the magnitude of the lower ordering from key retailers and the speed of the deceleration coming quite unexpectedly, leading to a reduction in local currency sales in the first half of the year of 16% against the prior period. Although trading during the second half of the year improved slightly, ending the period 17% higher than the first six months, revenue in this period was nevertheless still 12% down against the same period last year. The widely reported reduction in inventory investment by larger US corporations has undoubtedly had an impact on our sales this year, with over 90% of our volume shortfall coming from a small number of our larger retailer customers.



As we entered the 2011/12 financial year, sales in Australia had been holding up well on the back of an economy which appeared to be less affected by events on the other side of the globe and boosted by the growth in Asia. Nevertheless, there are clear signs that the impact of the wider global recession and the financial instability in Europe are now starting to reach Australia. The states of New South Wales, Victoria and Queensland which between them represent over 80% of Australia's GDP have all experienced weaker retail sales in recent months and this is clearly a concern for the management of our Australian operation. In a similar manner to the US, trading in this territory over the course of the year has reflected the economic cycle, with sales during the first half of the year ahead by 5% but slower sales in the second six months leaving overall revenue in this territory 1% ahead of last year.

Group Chief Executive's Review
(continued)

During the year, we were awarded '*Trade partner of the year*' by one of our key Australian retailers in our mid-size company category, reflecting the efforts of our sales team to identify and implement new sales and marketing initiatives and where, in this instance, the installation and merchandising of new racking has resulted in the customer increasing 'through the register sales' of our manuals by approximately 25%.

Since the launch of our new electronic manuals in November 2011, we have experienced a small but steady sales take up, which has been very encouraging as we build the number of electronic titles we have on offer before we engage our marketing departments to actively promote the site. Whilst at this stage, the revenue from this new sales channel is not material in a Group context, it is nevertheless encouraging that in the six months since the launch, the income generated has already recovered the cost of developing the new digital platform.

Overall revenue from the North American and Australian business ended the year in local currency 15% down on the prior year at $24.6 million (2011: $29.0 million) which after translation to Sterling was down 15% at £15.5 million (2011: £18.3 million). As a result of the lower revenue, segmental operating profit in local currency ended the year at $4.2 million (2011: $7.0 million) which after translation to Sterling was £2.6 million (2011: £4.4 million).

United Kingdom and Europe
In the UK and Europe, trading has been mixed. Sales of automotive manuals ended the first six months 3% down on last year but after Christmas, as the UK entered into a second phase of recession and business and consumer confidence appeared to fall away sharply, sales in the second half of the year were down 16% and for the year as a whole, down 9%. Sales of our non-automotive titles had a strong start to the year, ending the first six months up 10%, reflecting both the strength of the publishing programme and the increased output of titles. During the second half of the year, this part of the business also experienced a softening in demand but still ended the year 6% ahead of last year. During the course of the year, we had success with two titles in particular. Firstly, the 'Millennium Falcon Manual', where we give the Haynes treatment to the iconic spaceship from the original Star Wars trilogy, a title published in conjunction with Lucas Film and secondly, 'Red Bull Racing F1 Car', which provides an unprecedented insight into the design, technology and engineering of the Championship winning Red Bull RB6 racing car as well as the inner workings of Red Bull Racing. The diversity of these two titles is a good example of how we are successfully applying the Haynes approach to new and quite varied subject areas.

In Europe, revenue from the sale of technical data to the professional market through the Vivid Group performed strongly in what have been very difficult market conditions. The turmoil in the Eurozone markets and indeed in wider Europe shows little signs of respite and it is far from clear whether we are still heading into a deeper financial crisis or are very slowly moving out of one. Yet despite this economic backdrop, Vivid has continued its strong performance from the first half of the year with revenue in local currency, ending the full twelve month period, 8% ahead of last year. This strong performance has been built on the back of new customer gains in Northern Europe which have more than offset the softer trading in parts of Southern Europe and most notably in Eastern Europe, where trading has been noticeably weaker than in previous years.

Overall UK and European revenue ended the twelve month period in line with last year at £14.4 million (2011: £14.4 million). Following the lower sales of higher margin UK automotive manuals and the higher Vivid development cost amortisation which increased segmental costs by £0.4 million over last year, UK and European segmental operating profits ended the period 25% lower at £1.8 million (2011: £2.4 million).

Taxation

The Group's reportable charge to taxation on continuing operations was £1.5 million (2011: £2.2 million as restated[1]) with an effective rate of 31.6% (2011: 30.3% as restated[1]). The total charge for the year and the resultant effective rate reflects that the Haynes Group has trading subsidiaries in a number of different countries around the World, each with their own national rates of corporate tax which are applied to the profits generated locally in these tax territories.

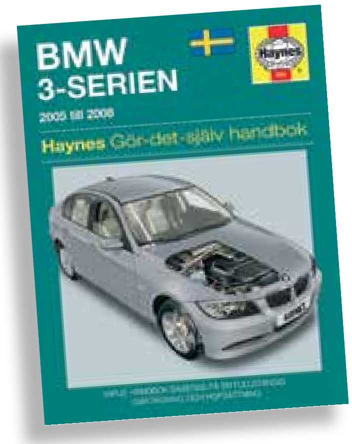
[1] See Note 1 Restatement of prior years

Working capital and cash flows

When we first entered into this recessionary cycle, some five years ago, we targeted working capital and treasury management as key areas for management's focus and these two areas remain high on our agenda. Trading terms with our major customers and suppliers are an important component of our working capital strategy but are to a large degree dependent upon prevailing market practice and the desire to build sustainable relationships. Therefore, inventory management and capital expenditure are the principal levers we have to control our working capital. During the year we have reduced inventory volumes by a further 8% and our current inventory volumes are 23% lower than in 2007, reflecting management's aim at the start of the economic downturn, of controlling working capital in a measured manner. The movement during the year is somewhat masked by the affect of the stronger US Dollar which closed our financial year against Sterling at $1.54 (May 2011: $1.65) increasing the value of our total inventory by £0.4 million against the prior year. The tighter inventory control and shorter print runs have come at the expense of a higher cost of goods but this has been an acceptable and inevitable consequence given the fragile financial markets in which we are operating. Our capital expenditure programmes are equally tightly controlled, but we are cognisant of the need to continue our investment in the important areas of the business. During the year we invested £0.2 million to replace our 22 year old case maker on the US production line in Nashville, Tennessee and shortly after the year-end purchased new freehold offices in Bucharest which will allow us to accommodate our growing team in Romania.

Group cash inflow generated from continuing operations before tax during the period was £8.7 million (2011: £8.4 million) which represented 170% of Group operating profit (2011: 109%). As mentioned in previous reports, in 2009 the Group changed the way it accounted for Vivid's product development to capitalise both internal and external development costs and to write down such costs on a straight line basis over five years, thus bringing the treatment in line with International Accounting Standards and Haynes Group policy. The impact of this change has been to increase the year-on-year intangible amortisation charge by approximately £0.4 million until 2013. Accordingly, whilst the increasing annual charge does impact on the Group's reportable profit each year it does not impact on the Group's cash flows. Group cash ended the year at £4.8 million (2011: £5.4 million). It is pertinent to note that the Group's cash balances have been reduced by £2.4 million following the purchase of 1.2 million of our ordinary shares for placing in Treasury and absent the share buy backs, Group cash would have ended the year at £7.2 million, an increase of 33% over the prior period.

Group Chief Executive's Review
(continued)



Pensions

During the year and following a full consultation process with the employees, the UK defined benefit pension scheme was restructured, reducing certain member benefits and increasing the members' contribution by 3%. From the perspective of the employer these are not easy decisions to reach, but with the average UK population now living longer and asset returns adversely impacted by the global economic downturn, the action was necessary to try and secure the future of the scheme for the benefit of the members. I would like to thank the members of the UK scheme for their understanding and pragmatism over the need for the action and their willingness to work with the Company to try and retain their pension scheme by placing the scheme on a more affordable basis going forward.

As at 31 May 2012 the aggregate deficit on the two defined benefit schemes as reported in accordance with IAS 19 was £10.0 million (2011: £10.4 million) with the schemes total assets increasing by £1.9 million to £25.2 million (2011: £23.3 million) and total liabilities increasing by £1.5 million to £35.2 million (2011: £33.7 million).

Group outlook

The global markets in which we operate are clearly troubled at the present time. In June 2012, the US Federal Reserve announced an extension of "Operation Twist" and, at the same time, lowered its forecast for GDP and raised their expectation of the unemployment rate until 2014. In the UK, there are few signs that the economy will grow by any meaningful extent over the coming twelve months. Whilst in Europe, the financial instability of the Eurozone countries continues to unsettle the financial markets and by association, business and consumer confidence. As a group with a significant exposure to these economies, we are inevitably concerned over the economic landscape for the coming year.

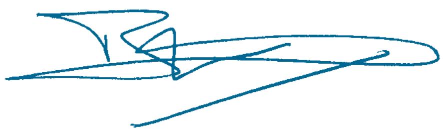
Yet despite this gloomy outlook and the fact that conditions in the retail automotive aftermarket remain very challenging, we are optimistic over the future prospects for the Haynes Group.

In the UK, the electronic manuals online website went live in early June. This will be followed by Australia later in the year and group-wide we will continue to add to the range of electronic titles over the course of the coming year. The development of an electronic platform for our non-automotive manuals and book trade titles, which will incorporate encryption and digital rights management, is well under way and we anticipate the first e-book titles will be available by the mid-part of our financial year.

In September 2012, the Haynes Group will be attending the bi-annual Automechanika trade show aimed at the professional automotive aftermarket and held in Frankfurt, Germany. This is an excellent forum to meet with new and existing customers and to provide the Group with the chance to show case our leading workshop data software in front of the major buying groups in Europe.

Our research into new geographical markets continues. Towards the end of our financial year we held discussions with organisations in both China and Brazil regarding a variety of potential new initiatives and these discussions remain ongoing. We will also continue to explore acquisition opportunities where such opportunities fit into our forward strategy and will provide the Haynes Group with revenue and earnings growth potential.

We do not underestimate the challenges which lie ahead over the next twelve months. Nevertheless, we start the new financial year with a strong financial base and a number of new initiatives in the pipeline. Our multi-media platforms provide the Group with an excellent opportunity to extend the reach of our core products to new markets as well as offering new products in our existing markets and although we expect trading conditions to remain difficult for the foreseeable future, the above factors coupled with the exciting opportunities which will derive from our significant in-house IT capabilities allows us to remain confident over the future prospects for the Haynes Group.



Eric Oakley
Group Chief Executive
12 September 2012

Group Board
Directors and Advisors

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

* Member of Remuneration & Nomination Committee
■ Member of Audit Committee
\+ Resident in the US
• Resident in the Netherlands

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	**Michelmores LLP** Woodwater House, Pynes Hill, Exeter EX2 5WR
Principal UK bankers	**Barclays Bank PLC** Corporate Banking Centre, Park House, Newbrick Road, Stoke Gifford, Bristol BS34 8TN
Principal US bankers	**Union Bank, N.A.** 21700 Oxnard Street, Suite 120, MC4-73A-120, Woodland Hills, CA91367, 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

Group Chairman

J (45) 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.

Dan Benhardus

Group Finance Director

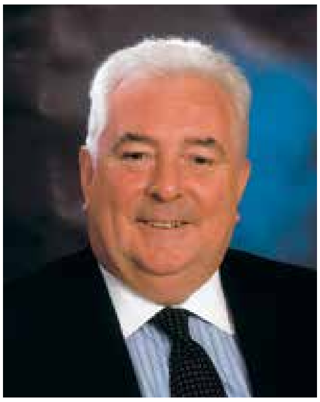
Dan (66) was appointed as Group Finance Director on 1 June 2002. He is resident in California and is a Certified Public Accountant. He started his career with Arthur Young and Co. (now part of Ernst & Young) before going into private industry where he gained experience in the construction, cable television 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.

Alex Kwarts

Managing Director Vivid Holding BV

Alex (57) started his automotive career in 1985 with Olyslager, the Netherlands based former publisher of Vehicle Owners Manuals and Technical Information for automotive professionals, where he became IT director and a member of the board. In 1995, together with two partners, Alex left Olyslager to form Vivid Automotive where from the outset the vision was to deliver automotive technical information in an entirely digital format. Indeed, Vivid Automotive was the first European company to offer automotive technical data via the Internet. Alex was the Company's IT director from formation in 1995 and was appointed Managing Director in August 2009. Alex joined the Group Board in September 2010 and is resident in the Netherlands.

Non-Executive Director Biographies



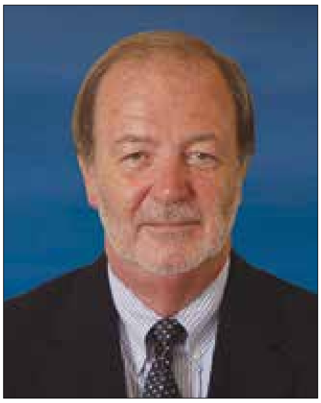
Eddie Bell

Non-Executive Director

Eddie Bell (63) 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 New Century Media Limited 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.

Eric Oakley

Group Chief Executive



Eric (66) 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 26 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.

Jeremy Yates-Round

Managing Director UK & Europe

Jeremy (51) 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

Founder Director

John's biography is the history of Haynes Publishing. John (74) 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.

Marc Haynes

Non-Executive Director

Marc Haynes (44) 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 Championship 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 2012

- **Principal activity** Haynes Publishing Group P.L.C. is a holding company. For management and internal reporting purposes the Group is organised into two geographical operating segments being the UK & Europe and North America & Australia.

  The UK & European business with headquarters in Somerset, England has subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core activity of the UK and European operations is the publication and supply of automotive repair and technical information to the professional automotive and DIY aftermarkets in both a printed and digital format. The 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 business with headquarters near Los Angeles, California publishes DIY Repair Manuals for Cars and Motorcycles in both a printed and digital format. The business publishes titles under the Haynes and Chilton brands, in both the English and Spanish languages. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands. The Australian business also publishes information for the professional automotive market. Through its print operation 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 6 to 12.

- **Financial results** The financial results for the year are set out in the consolidated income statement on page 36. The position at the end of the year is shown in the consolidated balance sheet on page 38.

- **Dividends** The directors are recommending a final dividend for the year of 9.5 pence per share (2011: 9.5 pence) making a total dividend for the year of 15.7 pence (2011: 15.7p). The final dividend will be payable on 31 October 2012 to members on the register of shareholders at the close of business on 12 October 2012. The shares will be declared ex-dividend on 10 October 2012.

- **Principal risks and uncertainties** The Board has the primary responsibility for identifying and monitoring risk and the manner in which the Board manages this process is outlined in the Corporate Governance report on pages 20 to 25. 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 8 to 12.

- **Material contracts** Included within the principal activity paragraph 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. For details of customers representing 10% or more of Group revenue refer to note 3 on page 50.

- **Directors** The names of the directors who served in office during the year and a brief biographical overview are set out on pages 14 to 15.

  JHC Haynes and D Benhardus retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

  E Bell and MEF Haynes being Non-Executive Directors and having served for more than nine years at the date of the next Annual General Meeting offer themselves for re-election in accordance with the provisions of the 2010 UK Corporate Governance Code.

  The interests of the directors in the ordinary share capital of the Company are shown on the following page. There have been no other changes in the directors or their shareholdings shown below up to 12 August 2012.

  At 31 May 2012 the beneficial shareholdings of the directors represented 56.4% of the total issued share capital. This represented 13.3% of the Ordinary shares (which are listed on the London Stock Exchange) and 91.7% of the 'A' Ordinary shares.

- **Directors' interests in shares** The directors who served during the year and their interests in the share capital of the Company as at 31 May 2012 and 31 May 2011 are as follows:

	Beneficial 'A' Ordinary No.	Non Beneficial 'A' Ordinary No.	Connected 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Connected Ordinary No.
Executive						
JHC Haynes	-	450,000 [2]	8,550,000 [2] [4]	710,141 [2]	793,500 [1] [2]	632,575 [2] [3] [4]
E Oakley	-	-	-	43,304	-	-
D Benhardus	-	-	-	5,000	-	-
JH Haynes	8,250,000	750,000 [2]	-	197,500	902,500 [1] [2]	1,056,263 [2] [3] [4]
J Yates-Round	-	-	-	-	-	-
A Kwarts	-	-	-	-	-	-
Non-Executive						
E Bell	-	-	-	-	-	3,000
MEF Haynes	-	750,000 [2]	8,250,000 [4]	699,767 [2]	272,500 [2]	523,575 [3] [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] Shares held in family trusts in which JH Haynes or JH Haynes, JHC Haynes and MEF Haynes are trustees and which the beneficiaries comprise the sons or grandchildren of JH Haynes.
[3] Includes 326,075 shares owned by Mrs AC Haynes (2011: 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.

- **Appointment and replacement of directors** With regards to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Acts, the UK Corporate Governance Code, and related legislation.
- **Powers of directors** The powers of the directors are more specifically described in the Main Board terms of reference, a copy of which can be found at http://www.haynes.co.uk/investor and are also discussed in the Statement of Corporate Governance on pages 20 to 25.
- **Change of control** Excepting general commercial and trading agreements which may contain provisions that take effect, alter or terminate upon a change of control of the Company, the directors are not aware of any significant such agreements to which the Company is a party. Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation upon the receipt by the Company of a takeover bid.
- **Other shareholdings** At 31 May 2012 interests in 3% or more of the Company's issued Ordinary 20p share capital (note 20) had been notified to the Company by:

	Shares	**% Class**
Haynes International Motor Museum	630,000	10.3
Axa Framlington S.A.	550,000	9.0
The Diverse Income Trust PLC	263,158	4.3
New Pistoia Income Settlement	245,000	4.0

As at 12 August 2012, the Company had received notification from New Pistoia Income Settlement that their holding in the Company's listed Ordinary 20p shares had fallen below 3%.

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

Report of the Directors (continued)

- **Share capital and related matters** Details of the Company's 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.

  As at 11 September 2012 (being the last business day prior to the approval of the Annual Report 2012) the Company's issued share capital consists of 9,000,000 'A' Ordinary shares and 7,351,540 Ordinary shares. Following a decision by an overseas shareholder to divest their holding in UK equities an opportunity arose for the Company to acquire some of the available shares and with the historically low interest rates, the purchase of the shares has been earnings enhancing to the benefit of all our shareholders. Accordingly, on 22 February 2012 the Company acquired 500,000 Ordinary shares of 20 pence each and on 26 March 2012 purchased 740,000 Ordinary shares of 20 pence each. As at 31 May 2012 the 1,240,000 Ordinary shares are held by the Company in treasury and represented 16.9% of the Ordinary share capital and 7.6% of the Company's total share capital. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares. Therefore, as at 11 September 2012, the total voting rights in the Company are 15,111,540 of which 6,111,540 are listed on the London Stock Exchange.

  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.

  At the AGM on 19 October 2011 :

  (i) A special resolution was passed to renew the directors' authority to make purchases of its own shares up to a maximum number of 1,500,000 shares. The authority relates to 9% of the Company's issued share capital and will expire at the conclusion of the AGM in 2012, if not reviewed, and

  (ii) An ordinary resolution was passed giving the directors a general authority to allot further shares of the Company, having an aggregate nominal value of £1,090,102. This represents approximately one-third of the total ordinary share capital of the Company in issue at the date the resolution was passed and is in line with institutional shareholder guidelines. This authority will expire at the conclusion of the AGM in 2012, if not renewed, and

  (iii) A Special Resolution was passed to renew the Directors' authority to issue equity securities for cash otherwise than in proportion to existing holdings. This authority is limited to shares having a maximum aggregate nominal value of £163,515 which represents just under 5% of the total ordinary share capital of the Company in issue at the date the resolution was passed. The figure of 5% is the amount recommended by the Pre-Emption Group as being likely to be considered by the shareholders as "routine". This authority will expire at the conclusion of the AGM in 2012 if not renewed.

- **Financial instruments** The Group's policies in relation to financial instruments and financial risk management are included in note 18 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 43% (2011: 47%) of the Group's revenue streams are generated in US Dollars, 28% (2011: 27%) in Sterling, 15% in Euro's (2011: 13%) 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 £13,048 (2011: £13,614). There were no political donations in the year.

- **Environmental policy** The Board is committed to minimising the impact its operations have on the local environment. The Group operates a single printing facility, located in Nashville, Tennessee and all of the papers and board that are used in the production of Haynes Manuals are sourced from Programme for the Endorsement of Forest Certification (PEFC) paper, are printed using vegetable based inks and the cartons in which they are packed and shipped are made from 100% post consumer waste. 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. No social or community reviews have been undertaken in the current or preceding years.
- **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 2012 the amount of trade creditors as shown in the balance sheet represents 14 days of average purchases for the Company and 23 days for the Group.
- **Disclosure of information to auditors** 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
12 September 2012

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. The UK Corporate Governance Code ('the Code') published in June 2010 and appended to the Listing Rules and which applies to our reportable financial year 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 strict 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 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. Both the Audit Committee and the Remuneration & Nomination Committee are chaired by the senior independent non-executive director. The non-executive directors are intrinsically involved in scrutinising and monitoring the performance of management, and assessing the processes for the control of financial and other risks. The terms of reference for the Committees may be viewed on **www.haynes.co.uk/investors**.

- The Board comprises six executive and two non-executive directors, one of whom is considered to be independent by the Board. Whilst the Board recognises the recommendation under B.1.2 of the Code for smaller companies to have two independent non-executive directors, the Board feels that at present, the composition of the Board is appropriate to enable the Board to discharge its duties in the best interests of the shareholders. The biographies of the directors are set out on pages 14 and 15 of this Annual Report.

- The division of responsibility between the Chairman and the Group Chief Executive is clear and understood and has been committed to writing and approved by the Board. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness along with the effectiveness 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 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 :

	Full Board meetings	Short Board meetings	Audit Comittee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	6	4	3	1
JHC Haynes	4	3		-
E Oakley	6	3		
D Benhardus	5	3	3 [a]	
J Yates-Round	6	4		
A Kwarts	6	2		
JH Haynes	6	2		
E Bell	6	1	3	1
MEF Haynes	5	1		1

[a] By invitation

Full Main Board meetings are scheduled at least 12 months in advance and include regular agenda items such as current trading, the Group's financial and treasury position, corporate governance, health and safety, shareholder engagement and Group strategy.

Short Main Board Meetings are in most cases called at short notice to discuss and/or approve business matters specified for the Main Board. All the Directors will be invited to attend the meetings and provided with the background papers pertaining to the meeting. However, the Board recognises that due to the short notice, the directors may not always be able to physically attend the meeting. Nevertheless, in such circumstances it is commonplace for the thoughts and feedback of these Directors to be considered at the meeting.

- 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 currently has two non-executive directors one of whom, E Bell it considers to be independent. In relation to MEF Haynes, the Board considers that his close family ties with other members of the Board and his significant interest in shares determine that he is not independent in line with the provisions of the Code. Notwithstanding these circumstances or relationships, the Board believes MEF Haynes to be independent in character and judgment.

- The memberships of the Committees of the Board are indicated on page 13. 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 the approval of the Remuneration & Nomination Committee.

Corporate Governance (continued)

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 and the comparable year 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 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 governance and legal matters.

During the year, the Board has undertaken a formal appraisal of its own performance and processes and also 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 and 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 director and other members of the Board.

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

Directors remuneration, contracts and nomination

- In accordance with the provisions of the Code, a Remuneration & Nomination Committee with its own terms of reference has been established by the Board. The Board's Report on Remuneration, which follows on pages 26 to 32, sets out details of the Group's policy on remuneration, directors remuneration and the work of the Remuneration & Nomination Committee. This includes an explanation of those areas of non adherence to the provisions of the Code.

- The Remuneration & 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 less than two years notice, which in all cases may be served by either party. For recent appointments a notice term of one year or less has been implemented as a matter of course (see pages 30 and 31).

- The non-executive directors do not have service contracts with the Company but are usually appointed at the will of the Board for a fixed period of two years.

Dialogue with shareholders

- The directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's and Group Chief Executive's reviews on pages 6 to 12 provide a summary of the Group's trading performance and future outlook. In addition to the publication of the Group's annual and half year results, the Board also issues an interim management statement to update on the Group's trading performance during the first and third quarters of the financial year and there will also be briefings for Shareholders or their representatives, especially following the Group's interim and preliminary final announcements.

- The Chairman is in a good position to ensure that the views of major Shareholders are communicated to the Board as a whole. Additionally, once a quarter, the Chief Executive updates the Board with any significant discussions/feedback with 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 Code relating to the constructive use of Annual General Meetings. This year's Annual General Meeting will be held on 24 October 2012 and all executive and non-executive 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 Annual Report, 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 33 of the financial statements.

- An Audit Committee with approved written terms of reference has been established by the Board. Currently the Committee comprises the Board's sole independent Non-Executive Director E Bell (Chairman of the Committee), who the board considers to have had recent and relevant financial experience. Whilst the Board recognises the recommendation under C.3.1 of the Code for the Audit Committees of smaller companies to have two independent non-executive directors, the Board feels that the present composition of the Committee is appropriate to discharge its duties in the best interests of the Board and shareholders. 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 "Whistle blowing" arrangements across the Group to ensure that procedures are in place for staff to report fraud and similar matters.

- In certain circumstances it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or on specific projects where they can add value). The Committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

Corporate Governance (continued)

Internal controls

By means of the systems and processes outlined below, the Board maintains a sound system of internal control to safeguard its assets and the investments 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 six monthly basis and provides a quarterly update to shareholders and the market on trading performance.

- Authority limits are in place across the Group defining expenditure levels and the Group has clearly prescribed guidelines covering capital expenditure (which includes 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 full 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. The executive directors have a significant involvement in the day to day management of the Group's activities and accordingly, are able to monitor and control procedures at an operational level.

Compliance

- Effective health and safety and quality control procedures operate to meet or exceed the standards for approval set by external regulatory bodies. The 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 its 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 2012, the Board is satisfied 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. In forming this view, the directors have reviewed the Group's budgets, cash flow forecasts and capital expenditure requirements for the next twelve months. The Board also considers the impact of the financial risks upon the business, details of which are included in note 18 to the financial statements.

Board Report on Remuneration

1 Best practice

The Board Report on Remuneration ('the Report') aims to provide shareholders with information on the remuneration of the directors of Haynes Publishing Group P.L.C., and the criteria by which that remuneration has been determined during the year under review. The Report has been prepared in accordance with the requirements of The UK Corporate Governance Code 2010 ("the Code"), the Companies Acts and the applicable UK Listing Authority's Listing Rules.

2 Constitution of the Remuneration and Nomination Committee

The Committee comprises the Board's sole independent Non-Executive Director, E Bell (Chairman of the Committee), JHC Haynes (Executive Chairman) and MEF Haynes (Non-Executive Director). Whilst JHC Haynes was not considered independent on his appointment as Group Chairman as required by D.2.1 of the Code, in considering the composition of the Committee, the Board gave full consideration to the other provisions of the Code and in particular, D.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 Executive Chairman as a member of the Committee. Any changes affecting the remuneration of JHC Haynes are discussed by the Committee without his participation. Whilst the Board recognises the recommendation under D.2.1 of the Code for Remuneration Committees of smaller companies to have two independent non-executive directors, the Board feels that the present composition of the Committee is appropriate to discharge its duties in the best interests of the Board and shareholders.

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 did not use the services of external advisers. In determining the emoluments of the executive directors, the Committee feels it is impractical to also monitor in detail the remuneration of senior management below board level as required by D.2.2 of the Code. Accordingly, the remuneration packages of senior management below Board level are reviewed by the executive director responsible for the respective business areas in which the senior managers are employed.

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 external consultants, the Board do not feel it is appropriate to use such external consultants at this time.

4 Directors' remuneration

(i) Total emoluments

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

	2012 £000	2011 £000
Salaries and taxable benefits	1,054	1,021
Performance related bonuses	213	351
	1,267	1,372
Non-Executive Directors' fees	61	65
Total emoluments	1,328	1,437
Pension contributions	384	398
	1,712	**1,835**

(b) The following categories comprise the principal elements of executive directors' remuneration :

- 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 of the Code 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 are entitled to the reimbursement of incidental expenses.

(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 the retail price index 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 the Committee will consider when reaching its decision.

The standard increase in executive directors' base salaries during the financial year commencing 1 June 2011 was 3%. In addition, each executive director is entitled to holiday leave in accordance with the Company's policy for full time employees.

E Oakley, D Benhardus, J Yates-Round and A Kwarts are provided with a fully expensed car. 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.

The Company provides the directors with travel insurance and certain executive directors are also entitled to receive long-term disability insurance and health cover for the director and their immediate family.

Board Report on Remuneration (continued)

(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 2012 were as follows:

JHC Haynes was entitled to a bonus of 0.5% on the first £4.5 million of overall Group net profit and 1.5% thereafter.

E Oakley was entitled to the following proportion of overall Group net profit: 1.5% on 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.

J Yates-Round was entitled to a bonus of 1% of the net profit of the UK and European businesses.

From 1 June 2011, A Kwarts is entitled to a bonus of 2% of the net profit of the Vivid Group.

JH Haynes was entitled to a bonus of 1% of the Group's overall net profit.

For the purposes of the above, the 'net profit' of the Group is defined as being before tax and excluding profits of a capital nature and before deductions of bonuses payable to the executive directors. The net profit of the UK and European businesses is calculated on the same basis, and before the deduction of Group costs. The net profit of the Vivid Group is calculated as the consolidated profit before tax of Vivid Holding BV before the deduction of Haynes Group costs and before adjustments to comply with UK reporting requirements.

(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 and J Yates-Round are members of the UK scheme.

The target pension for the directors is currently two-thirds of final pensionable salary at the age of 61 (from 12 July 2011 the pensionable retirement age was increased from 60). Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service. The director contributes 8% of his pensionable pay, as defined under the Scheme rules (from 12 July 2011 the members contribution rate was increased from 5%). 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 2.5% or the percentage rise in the Retail Price Index (from 12 July 2011 the pension increase was reduced from 5%). 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

E Oakley, D Benhardus and JH Haynes 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

A Kwarts is a member of the Vivid Holding BV pension scheme which is governed by the employment laws in the Netherlands. Under the regulated scheme the employee contributes 5.0% of gross salary (including holiday pay) and the employer contributes 2.2%.

In the US, members whose benefits are capped by legislation participate in additional money purchase arrangements. 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. The pensionable cap in the US is $245,000 (£153,836). During the year, the Company made contributions under this arrangement in relation to E Oakley amounting to $381,130 (£239,313) and in relation to D Benhardus amounting to $180,328 (£113,229). As both E Oakley and D Benhardus reached the age of 65 during the year, they stopped accruing benefits under the US Plan. The contributions the Company would have been making to the US Plan on their behalf are now paid to their money purchase arrangements and in total, the contributions are no more than would have been paid in aggregate to the two Schemes had both directors still been accruing benefits under the US Plan.

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 $9,207 (£5,781) and for D Benhardus $8,950 (£5,620). In the UK, there is an additional AVC facility for members of the UK Scheme.

Board Report on Remuneration (continued)

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. This index was chosen following discussion with the Group's auditors, as being the indexes most representative of the performance of the shares of generally comparable companies.

5 years from June 2007 to May 2012

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 and Europe 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
JHC Haynes	15 February 2002	12 months
E Oakley	30 May 2002	None (24 months notional)
D Benhardus	31 May 2002	None (12 months notional)
J Yates-Round	2 September 2010	12 months
A Kwarts	12 October 2010	3 months
JH Haynes (UK)	29 November 1979	12 months
JH Haynes (US)	29 November 1979	6 months

The Group Chief Executive's service contract was renegotiated upon his appointment to the role on 1 June 2002 with a notional 24 month notice period. The Committee is aware of the advice provided in the Code at D.1.5 concerning the length of notice periods, and in agreement with it, thus all but one of the directors have notice periods no longer than 12 months. In the exceptional case of the Group Chief Executive, who is resident in the US, the Committee is mindful of the custom and practice in both the UK and US at the time the commitment was made and does not feel it is presently in the interests of the Company or shareholders to negotiate an amendment to his contract.

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 32) on directors' remuneration have been audited as required by the Companies Act 2006.

7 Directors' remuneration for year ending 31 May 2012

The emoluments of the individual directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits [1] £000	Total Emoluments £000	2011 Total £000
Executive					
JHC Haynes	125	29	7	161	196
E Oakley [2/4]	314	78	39	431	506
D Benhardus [4]	187	25	22	234	241
J Yates-Round	102	20	18	140	145
A Kwarts [3]	117	12	7	136	90
JH Haynes	106	49	10	165	194
	951	213	103	1,267	1,372
Non-Executive					
E Bell	38	-	-	38	37
MEF Haynes	23	-	-	23	22
A Garner[5]	-	-	-	-	6
	61	-	-	61	65
Total	**1,012**	**213**	**103**	**1,328**	**1,437**

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

[2] E Oakley waived $7,840 (£4,923) of his bonus received in respect of the year ending 31 May 2011. A profit share contribution of $7,840 was then made by the Company into Mr E Oakley's '401K' pension plan in the US.

[3] A Kwarts is paid in Euros.

[4] E Oakley and D Benhardus are paid in US Dollars.

[5] A Garner retired as a director in September 2010.

Board Report on Remuneration (continued)

8 Directors' accrued pension entitlements

	[Note]	Normal pensionable Age	Age	Years of pensionable service	Directors' contributions 2012 £000	Accrued benefit 2012 £000	Increase in accrued benefit excluding inflation £000	Transfer value of the increase/(decrease) in accrued benefit (excluding inflation) less Directors' contributions £000	Transfer value of accrued benefits 2012 £000	Transfer value of accrued benefits 2011 £000	(Decrease)/increase in transfer value excluding Directors' contributions £000
JHC Haynes	UK	61	45	10	10	43	12	170	632	384	238
E Oakley	US,MP	65	65	30	-	86	8	78	1,005	867	138
D Benhardus	US,MP	65	65	24	-	86	8	78	1,005	867	138
J Yates-Round	UK	61	51	12	8	36	5	67	604	380	216
JH Haynes	US	65	74	30	-	36	-	(7)	330	315	15

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 2011. The amounts in US Dollars were as follows:

	2012 $000	2011 $000
JH Haynes	508	519
E Oakley	1,547	1,427
D Benhardus	1,547	1,427

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 underlies the calculation of voluntary transfers to be paid from the Plan, having first taken advice from the scheme actuary. Prior to this date the responsibility for setting the assumptions lay with the scheme actuary. Accordingly, the transfer values of the UK accrued pensions at the year-end have been calculated in accordance with this 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
12 September 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors are required by company law to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

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, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.
- prepare a directors' report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to 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. 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.

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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the related notes to the Consolidated Financial Statements, the Company Balance Sheet and the Parent Company reconciliation of movement in shareholders' funds. 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 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 33, 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 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Paul Anthony (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
12 September 2012

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 2012

		2012	Restated[1] 2011
	Continuing operations	£000	£000
Note 2	**Revenue**	**29,814**	**32,743**
	Cost of sales	(11,964)	(11,937)
	Gross profit	**17,850**	**20,806**
	Other operating income	72	214
	Distribution costs	(7,073)	(7,007)
	Administrative expenses	(5,756)	(6,326)
Note 4	**Operating profit**	**5,093**	**7,687**
Note 6	Finance income	1,405	1,283
Note 7	Finance costs	(1,786)	(1,793)
	Profit before taxation from continuing operations	**4,712**	**7,177**
Note 8	Taxation	(1,487)	(2,175)
	Profit for the period from continuing operations	**3,225**	**5,002**
	Attributable to :		
	Equity holders of the Company	3,211	4,995
	Non-controlling interests	14	7
		3,225	**5,002**
Note 9	**Earnings per 20p share**	Pence	Pence
	Earnings per share from continuing operations		
	– Basic	20.0	30.5
	– Diluted	20.0	30.5

[1] See Note 1 Restatement of prior years

Consolidated Statement of Comprehensive Income

Year ended 31 May 2012

	2012 £000	Restated[1] 2011 £000
Profit for the period	**3,225**	**5,002**
Other comprehensive income		
Exchange differences on translation of foreign operations	725	(2,325)
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	(888)	3,032
- US Scheme	934	210
Deferred tax on retirement benefit obligation		
- UK Scheme	213	(788)
- US Scheme	(373)	(84)
Deferred tax arising on change in UK corporation tax rate	(181)	(234)
Other comprehensive income recognised directly in equity	**430**	**(189)**
Total comprehensive income for the financial period	**3,655**	**4,813**
Attributable to :		
Equity holders of the Company	3,641	4,806
Non-controlling interests	14	7
	3,655	**4,813**

[1] See Note 1 Restatement of prior years

Financial Statements

Consolidated Balance Sheet

At 31 May 2012

		2012 £000	Restated[1] 2011 £000
	Non-current assets		
Note 11	Property, plant and equipment	9,877	9,850
Note 12	Intangible assets	17,250	17,022
Note 17	Deferred tax assets	4,316	4,685
	Total non-current assets	**31,443**	**31,557**
	Current assets		
Note 13	Inventories	13,376	13,255
Note 14	Trade and other receivables	8,759	10,319
Note 15	Cash and cash equivalents	4,775	5,383
	Total current assets	**26,910**	**28,957**
	Total assets	**58,353**	**60,514**
	Current liabilities		
Note 16	Trade and other payables	(4,278)	(4,465)
	Current tax liabilities	(327)	(704)
	Total current liabilities	**(4,605)**	**(5,169)**
	Non-current liabilities		
Note 17	Deferred tax liabilities	(3,988)	(3,849)
Note 19	Retirement benefit obligation	(9,980)	(10,434)
	Total non-current liabilities	**(13,968)**	**(14,283)**
	Total liabilities	**(18,573)**	**(19,452)**
	Net assets	**39,780**	**41,062**
	Equity		
Note 20	Share capital	3,270	3,270
	Share premium	638	638
	Treasury shares	(2,447)	-
	Retained earnings	33,794	33,368
	Foreign currency translation reserve	4,496	3,771
	Capital and reserves attributable to equity shareholders	**39,751**	**41,047**
	Equity attributable to non-controlling interests	29	15
	Total equity	**39,780**	**41,062**

[1] See Note 1 Restatement of prior years

The financial statements were approved by the board of directors and authorised for issue on 12 September 2012 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Consolidated Statement of Changes in Equity

Year ended 31 May 2012

	Share capital £000	Share premium £000	Treasury shares £000	Foreign currency translation reserve £000	Retained earnings £000	Sub-total £000	Non-controlling interests £000	Total £000
Balance at 1 June 2010	3,270	638	-	6,096	28,448	38,452	8	38,460
Prior year adjustment	-	-	-	-	324	324	-	324
Balance at 1 June 2010 restated[1]	3,270	638	-	6,096	28,772	38,776	8	38,784
Profit for the period	-	-	-	-	4,995	4,995	7	5,002
Other comprehensive income:								
Currency translation adjustments	-	-	-	(2,325)	-	(2,325)	-	(2,325)
Actuarial gains on defined benefit plans (net of tax)	-	-	-	-	2,136	2,136	-	2,136
Total other comprehensive income restated[1]	-	-	-	(2,325)	2,136	(189)	-	(189)
Total comprehensive income restated[1]	-	-	-	(2,325)	7,131	4,806	7	4,813
Dividends (note 10)	-	-	-	-	(2,535)	(2,535)	-	(2,535)
Balance at 31 May 2011 restated[1]	**3,270**	**638**	-	**3,771**	**33,368**	**41,047**	**15**	**41,062**
Profit for the period	-	-	-	-	3,211	3,211	14	3,225
Other comprehensive income:								
Currency translation adjustments	-	-	-	725	-	725	-	725
Actuarial losses on defined benefit plans (net of tax)	-	-	-	-	(295)	(295)	-	(295)
Total other comprehensive income	-	-	-	725	(295)	430	-	430
Total comprehensive income	-	-	-	725	2,916	3,641	14	3,655
Dividends (note 10)	-	-	-	-	(2,490)	(2,490)	-	(2,490)
Purchase of shares for treasury	-	-	(2,447)	-	-	(2,447)	-	(2,447)
Balance at 31 May 2012	**3,270**	**638**	**(2,447)**	**4,496**	**33,794**	**39,751**	**29**	**39,780**

[1] See Note 1 Restatement of prior years

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2012

		2012 £000	Restated[1] 2011 £000
	Cash flows from operating activities - continuing		
	Profit after tax	3,225	5,002
	Adjusted for :		
	Income tax expense	1,487	2,175
	Interest payable and similar charges	1	1
	Interest receivable	(23)	(16)
	Interest charges on pension liabilities less expected return on pension assets	403	525
	Operating profit	5,093	7,687
	Depreciation on property, plant and equipment	962	976
	Amortisation of intangible assets	1,599	1,215
	IAS 19 pensions current service cost net of contributions paid	(867)	(621)
	Gain on disposal of property, plant and equipment	(26)	(5)
		6,761	9,252
	Changes in working capital :		
	Decrease/(Increase) in inventories	310	(839)
	Decrease/(Increase) in receivables	1,814	(351)
	(Decrease)/Increase in payables	(208)	315
	Net cash generated from operations	**8,677**	**8,377**
	Tax paid	(1,545)	(1,447)
	Net cash generated by operating activities	**7,132**	**6,930**
	Investing activities		
	Disposal proceeds on property, plant and equipment	29	31
	Purchases of property, plant and equipment	(731)	(578)
	Expenditure on development costs	(2,198)	(2,134)
	Interest received	23	16
	Net cash used in investing activities	**(2,877)**	**(2,665)**
	Financing activities		
	Dividends paid	(2,490)	(2,535)
	Purchase of treasury shares	(2,447)	-
	Interest paid	(1)	(1)
	Net cash used in financing activities	**(4,938)**	**(2,536)**
Note 22	**Net increase in cash and cash equivalents**	**(683)**	**1,729**
	Cash and cash equivalents at beginning of year	5,383	3,842
	Effect of foreign exchange rate changes	75	(188)
Note 22	**Cash and cash equivalents at end of year**	**4,775**	**5,383**

[1] See Note 1 Restatement of prior years

Notes to the Consolidated Financial Statements
Year ended 31 May 2012

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 13. The Consolidated Financial Statements of the Company for the year ended 31 May 2012 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 76 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 2011/12

During the Group's financial year beginning 1 June 2011 the following new standards, amendments to standards and interpretations became effective for the first time.

IAS 24 (revised): 'Related Party Disclosures', has simplified the definition of a Related Party and removed inconsistencies in the standard.

IFRIC 14 (amendment): 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

IFRIC 19: 'Extinguishing Financial Liabilities with Equity Instruments', states that if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39. Accordingly, the debtor should derecognise the financial liability fully or partly.

In addition to the above, improvements to International Reporting Standards 2010 was issued in May 2010. This was a collection of amendments to six standards and one interpretation including; IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business Combinations', IFRS 7 'Financial Instruments', IAS 1 'Presentation of Financial Statements, IAS 27 'Consolidated and Separate Financial Statements', IAS 34 ' Interim Financial Reporting' and IFRIC 13 'Customer Loyalty Programmes'.

The above amendments were either not relevant or did not have a material impact on the Group during the year.

(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, summarised in the table overleaf, with an effective date falling after the date of these financial statements.

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Notes to the Consolidated Financial Statements
Year ended 31 May 2012

1 Principal accounting policies (continued)

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IAS 12 (amendment):	Income taxes on deferred tax	1 January 2012
IAS 19 (amendment):	Employee benefits	1 January 2013
IFRS 10:	Consolidated financial statements	1 January 2013
IFRS 11:	Joint arrangements	1 January 2013
IFRS 12:	Disclosure of interests in other entities	1 January 2013
IFRS 13:	Fair value measurement	1 January 2013
IAS 27 (revised):	Separate financial statements	1 January 2013
IAS 28 (revised):	Investments in associates and joint ventures	1 January 2013
IAS 32 (amendment):	Financial Instruments: Presentation	1 January 2014
IFRS 9:	Financial Instruments	1 January 2015

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

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.

Restatement of prior years

In the US, the Group provides a supplemental executive retirement plan (SERP) to compensate certain executives for contributions that would have been made under the qualified defined benefit plan if not for limitations imposed by the Internal Revenue Code on the defined benefit scheme. Prior to 31 May 2012, no deferred tax asset was recognised on the contributions made into the scheme which are disallowed for corporation tax relief in the computations notwithstanding that, upon death, retirement or termination of the employment of the executives, the US subsidiary will be entitled to tax relief based on the cash surrender value of the policies provided to the executive. Accordingly, at each financial year end a deferred tax asset in relation to the tax recovery that will benefit the US subsidiary in future periods should have been recognised so an appropriate amount has now been recognised in the current year's figures and a retrospective adjustment has been applied to prior years.

1 Principal accounting policies (continued)

The impact of the restatement on the 31 May 2011 figures is shown below :

- To decrease the charge to taxation in the Income Statement by £253,000
- To increase exchange losses on the translation of foreign operations in the Consolidated Statement of Comprehensive Income by £47,000
- To increase the deferred tax asset by £530,000
- To increase the Group's net assets by £530,000
- To increase retained earnings by £577,000
- To decrease the foreign currency translation reserve by £47,000

The impact on the Group's Balance Sheet at 31 May 2010 has been to increase retained earnings by £324,000, increase the deferred tax asset by £324,000 and increase the Group's net assets by £324,000. As the adjustment to the 2010 Balance Sheet is not significant in a Group context a separate Balance Sheet for 2010 has not been included in these statements.

The impact on both the Group's basic and diluted earnings per share for the year ended 31 May 2011 is an increase from 29.0 pence to 30.5 pence.

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 costs less any recognised impairment losses.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight line basis so as to charge the cost of the software to the Consolidated 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	Indeterminate life
Goodwill	Indefinite life
Development costs	5 years

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Notes to the Consolidated Financial Statements
Year ended 31 May 2012

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 printed product is recognised when the goods are despatched and the significant risks and rewards of ownership are passed to the customer and can be reliably measured.

Revenue from the sale of digital data through subscriptions and software licenses is recognised on a straight line basis over the period of the subscription or license or if non-refundable, once the license has been delivered. In both cases revenue is only recognised once the substantial obligations of the vendor have been fulfilled.

Revenue from the sale of publishing rights and brand licensing arrangements is recognised once the content has been delivered and the substantial obligations of the vendor have been fulfilled.

Foreign currencies

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

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

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

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

	Year-end rate		Average rate	
	2012	2011	2012	2011
US dollar	1.54	1.65	1.59	1.59
Euro	1.24	1.15	1.18	1.17
Swedish krona	11.19	10.18	10.59	10.65
Australian dollar	1.59	1.54	1.53	1.62

1 Principal accounting policies (continued)

Treasury shares

Shares in Haynes Publishing Group P.L.C. held by the Company are classified as part of shareholders equity as treasury shares and are recognised at cost. The consideration received for the sale of shares held in treasury is also recognised in equity, with any difference between the proceeds from the sale of the shares and their original cost being taken directly to revenue reserves. No gain or loss is recognised in the Consolidated Statement of Comprehensive Income on the purchase, sale or cancellation of the treasury shares.

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 Consolidated Balance Sheet at cost (cost comprising the acquisition cost of the assets along with any other attributable costs at the date of acquisition).

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

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

The estimated useful lives of assets are as follows:

Freehold 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.

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Notes to the Consolidated Financial Statements
Year ended 31 May 2012

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 costs 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.

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.

1 Principal accounting policies (continued)

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated Balance Sheet. For the purposes of the Group Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

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Notes to the Consolidated Financial Statements
Year ended 31 May 2012

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 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.

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	2012 External revenue £000	2012 Non-current assets [1] £000	2011 External revenue £000	2011 Non-current assets [1] £000
United Kingdom	7,415	3,259	7,585	3,428
Rest of Europe	5,918	11,612	5,738	11,721
United States of America	12,888	10,509	15,768	9,931
Australia	2,496	1,747	2,350	1,792
Rest of World	1,097	-	1,302	-
Total*	**29,814**	**27,127**	**32,743**	**26,872**

	2012	2011
*Analysed as follows:		
Revenue from sales of printed products	24,692	27,870
Revenue from sales of digital data through subscriptions and software licenses	4,698	4,299
Revenue from the sale of publishing rights and brand licensing arrangements	424	574
Total consolidated revenue	**29,814**	**32,743**

[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 in both a printed and digital format.

The North American and Australian business with headquarters near Los Angeles, California publishes DIY repair manuals for cars and motorcycles in both a printed and digital format. The business publishes titles 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.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

3 Segment information (continued)

Analysis by operating segment	UK & Europe		North America & Australia		Consolidated	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Segmental revenue						
Total segmental revenue	14,780	14,783	17,745	20,804	32,525	35,587
Inter-segment sales [1]	(423)	(357)	(2,288)	(2,487)	(2,711)	(2,844)
Total external revenue [2]	**14,357**	**14,426**	**15,457**	**18,317**	**29,814**	**32,743**
Segment result						
Segment operating profit before interest	1,759	2,400	2,606	4,413	4,365	6,813
Interest receivable	3	2	20	14	23	16
Interest payable	-	(1)	(1)	-	(1)	(1)
Segment profit after interest	**1,762**	**2,401**	**2,625**	**4,427**	**4,387**	**6,828**
Unallocated head office income less expenses					(246)	(132)
Segment profit before tax and adjustments					**4,141**	**6,696**
Reconciliation to consolidated profit before tax :						
IAS 16 Property, plant & equipment [3]					30	19
IAS 19 Employee benefits [4]					322	84
IFRS 3 Business combinations [5]					219	378
Consolidated profit before tax					**4,712**	**7,177**
Taxation* [6]					(1,487)	(2,175)
Consolidated profit after tax					**3,225**	**5,002**

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

[2] Included within the overall revenue figures is revenue of £3.1 million (2011: £4.1 million) which relates to a single 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 Consolidated Income Statement and Consolidated 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 Consolidated 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 £206,000 (2011: £390,000) which relates to the UK & European operations and £1,024,000 (2011: £1,512,000 as restated*) which relates to the North American & Australian operations.

* See Note 1 Restatement of prior years

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2012 £000	North America & Australia 2012 £000	Eliminations 2012 £000	Consolidated 2012 £000
Segment assets				
Property, plant and equipment	457	5,976		6,433
Intangible assets	4,892	2,153		7,045
Working capital assets	11,294	16,587	(961)	26,920
Segment total assets	**16,643**	**24,716**	**(961)**	**40,398**
Unallocated head office assets [5]				11,551
Unallocated head office eliminations				(2,180)
				49,769
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,232
IAS 19 Employee benefits [2]				2,447
IAS 38 Intangible assets [3]				1,271
IFRS 3 Business combinations [4]				3,634
Consolidated total assets				**58,353**
Segment liabilities				
Segment working capital liabilities	3,169	2,314	(1,070)	4,413
Unallocated head office liabilities [5]				10,353
Unallocated head office eliminations				(230)
				14,536
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				49
Deferred tax				3,988
Consolidated total liabilities				**18,573**

[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 ad justment 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 Consolidated Income Statement and Consolidated 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 Consolidated 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 pension scheme and tax liabilities.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2011 £000	North America & Australia 2011 £000	Eliminations 2011 £000	Restated* Consolidated 2011 £000
Segment assets				
Property, plant and equipment	546	5,827	-	6,373
Intangible assets	4,703	2,232	-	6,935
Working capital assets	11,714	17,943	(800)	28,857
Segment total assets	**16,963**	**26,002**	**(800)**	**42,165**
Unallocated head office assets [5]				12,013
Unallocated head office eliminations				(2,542)
				51,636
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,169
IAS 19 Employee benefits [2]				2,921
IAS 38 Intangible assets [3]				1,601
IFRS 3 Business combinations [4]				3,187
Consolidated total assets				**60,514**
Segment liabilities				
Segment working capital liabilities	3,666	4,077	(1,516)	6,227
Unallocated head office liabilities [5]				9,533
Unallocated head office eliminations				(64)
				15,696
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				(93)
Deferred tax				3,849
Consolidated total liabilities				**19,452**

[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 ad justment 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 Consolidated Income Statement and Consolidated 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 Consolidated 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 pension scheme and tax liabilities.

* See Note 1 Restatement of prior years

3 Segment information (continued)

Other segment information

	UK & Europe 2012 £000	North America & Australia 2012 £000	Consolidated 2012 £000	UK & Europe 2011 £000	North America & Australia 2011 £000	Consolidated 2011 £000
Segment additions to non-current assets	2,333	596	2,929	2,241	471	2,712
Unallocated additions to non-current assets			-			-
Total additions to non-current assets			**2,929**			**2,712**
Segment depreciation & amortisation	1,836	710	2,546	1,456	720	2,176
Unallocated depreciation & amortisation			15			15
Total depreciation & amortisation			**2,561**			**2,191**

4 Operating profit

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

		2012 £000	2011 £000
Net foreign exchange losses		38	19
Depreciation of property, plant and equipment		962	976
Amortisation of intangible assets		1,599	1,215
Profit on sale of property, plant and equipment		(26)	(5)
Cost of inventories recognised as an expense		6,491	7,122
Operating lease rentals	– Land and buildings	216	222
	– Plant and equipment	238	233
Staff costs (see note 5)		10,519	10,774

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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:

	2012 £000	2011 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	35	34
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	87	81
– Other services pursuant to legislation	11	10
– Transaction support services	2	-
– Tax services	68	68
Fee's payable in respect of the Group's pension plans:		
– Audit	6	6
	209	**199**

5 Staff costs

Employees

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

	2012 number	2011 number
Production	135	145
Selling and distribution	53	54
Administration	44	44
	232	**243**

The aggregate payroll costs of these persons were as follows:

	2012 £000	2011 £000
Wages and salaries	8,675	8,691
Employer's social security costs	816	760
Employer's pension costs - defined benefit schemes (note 19)	633	1,076
Employer's pension costs - defined contribution schemes	395	247
	10,519	**10,774**

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

	2012 £000	2011 £000
Interest receivable on bank deposits	23	16
Expected return on pension scheme assets (note 19)	1,382	1,267
	1,405	**1,283**

7 Finance costs

	2012 £000	2011 £000
Interest payable on bank loans and overdrafts	1	1
Interest charge on pension scheme liabilities (note 19)	1,785	1,792
	1,786	**1,793**

8 Taxation

	2012 £000	Restated* 2011 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	70	238
– Foreign tax	1,088	1,670
– Adjustments in respect of prior periods	(3)	(21)
	1,155	**1,887**
Deferred tax (note 17):		
– Origination and reversal of temporary differences	332	288
Total taxation in the Consolidated Income Statement	**1,487**	**2,175**

* See Note 1 Restatement of prior years

In April 2012 the rate of UK corporation tax changed from 26% to 24% giving an effective rate of 25.7% for the financial year ended 31 May 2012. Included in the deferred tax charge above is an amount of £34,000 arising from the change in the UK tax rate.

Further reductions in the UK corporation tax rate have been announced which will reduce the rate to 22% by 2014/15. However, these changes have not been substantively enacted at the balance sheet date and therefore, have not been adopted in the calculation of the UK's deferred tax assets and liabilities.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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 25.7% (2011: 27.7%). The differences are explained below:

	2012 £000	Restated* 2011 £000
Profit on ordinary activities before tax	4,712	7,177
Taxation calculated at the standard rate of corporation tax in the UK of 25.7% (2011: 27.7%)	1,211	1,988
Affected by:		
Variance in overseas tax rates	371	507
Income/expenses not chargeable/deductible for tax	(91)	(299)
Adjustments relating to prior years	(4)	(21)
Total tax charge for the year reported in the Consolidated Income Statement	**1,487**	**2,175**
Effective tax rate	31.6%	30.3%

* See Note 1 Restatement of prior years

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 2012 was £25.4 million (2011: £26.5 million).

9 Earnings per share

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

	2012 £000	Restated* 2011 £000
Earnings:		
Profit after tax - continuing operations [1]	3,211	4,995
Number of shares: [2]		
Weighted average number of shares (note 20)	16,082,851	16,351,540
Basic earnings per share (pence)	20.0	30.5

[1] Adjusted to exclude a profit of £14,000 (2011: £7,000) attributable to non-controlling interests.
[2] During the year the Company purchased 1,240,000 of its ordinary shares for placing in treasury.

* See Note 1 Restatement of prior years

As at 31 May 2012 and 31 May 2011 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

	2012 £000	2011 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2011 of 9.5p per share (2010: 9.3p per share)	1,553	1,521
Interim dividend for the year ended 31 May 2012 of 6.2p per share (2011: 6.2p per share)	937	1,014
	2,490	**2,535**
Proposed final dividend for the year ended 31 May 2012 of 9.5p per share (2011: 9.5p per share)	1,436	1,553

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 24 October 2012 and has not been included as a liability in these financial statements.

On 22 February 2012 the Company purchased 500,000 of its ordinary shares and on 26 March 2012 the Company purchased a further 740,000 of its ordinary shares to place in treasury. As the Company is not entitled to vote or receive a dividend on the shares held in treasury, the interim dividend for the year ended 31 May 2012, which was paid on 11 April 2012, was based on 15,111,540 shares and not the full shares in issue of 16,351,540.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

11 Property, plant and equipment

	Land and buildings			
	Freehold	Short leasehold	Plant and equipment	Total
Cost	£000	£000	£000	£000
At 1 June 2010	7,372	716	17,346	25,434
Additions	-	2	576	578
Exchange rate movements	(403)	(68)	(890)	(1,361)
Disposals	-	(6)	(180)	(186)
At 31 May 2011	**6,969**	**644**	**16,852**	**24,465**
Additions	-	11	720	731
Exchange rate movements	210	36	533	779
Disposals	-	-	(122)	(122)
At 31 May 2012	**7,179**	**691**	**17,983**	**25,853**
Accumulated depreciation				
At 1 June 2010	1,546	388	12,775	14,709
Exchange rate movements	(55)	(32)	(823)	(910)
Charge for the year	36	18	922	976
Disposals	-	(6)	(154)	(160)
At 31 May 2011	**1,527**	**368**	**12,720**	**14,615**
Exchange rate movements	32	18	468	518
Charge for the year	37	19	906	962
Disposals	-	-	(119)	(119)
At 31 May 2012	**1,596**	**405**	**13,975**	**15,976**
Net book value at 31 May 2012	**5,583**	**286**	**4,008**	**9,877**
Net book value at 31 May 2011	5,442	276	4,132	9,850
Net book value at 31 May 2010	5,826	328	4,571	10,725

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 2010	8,646	1,339	2,755	4,976	158	17,874
Exchange rate movements	(695)	40	95	234	(19)	(345)
Additions	-	-	-	2,134	-	2,134
At 31 May 2011	**7,951**	**1,379**	**2,850**	**7,344**	**139**	**19,663**
Exchange rate movements	363	(106)	(229)	(749)	10	(711)
Additions	-	-	-	2,198	-	2,198
At 31 May 2012	**8,314**	**1,273**	**2,621**	**8,793**	**149**	**21,150**
Accumulated amortisation						
At 1 June 2010	-	-	-	1,337	-	1,337
Exchange rate movements	-	-	-	89	-	89
Charge for the period	-	-	-	1,215	-	1,215
At 31 May 2011	**-**	**-**	**-**	**2,641**	**-**	**2,641**
Exchange rate movements	-	-	-	(340)	-	(340)
Charge for the period	-	-	-	1,599	-	1,599
At 31 May 2012	**-**	**-**	**-**	**3,900**	**-**	**3,900**
Carrying value as at 31 May 2012	**8,314**	**1,273**	**2,621**	**4,893**	**149**	**17,250**
Carrying value as at 31 May 2011	7,951	1,379	2,850	4,703	139	17,022
Carrying value as at 31 May 2010	8,646	1,339	2,755	3,639	158	16,537

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 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 reviews relate to sales growth (which for Haynes North America Inc has been set at 2% and for Vivid Holding BV has been set at 2%), sales pricing and changes in direct costs which have been based on historical performance and predicted future outcomes.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

12 Intangible assets (continued)

The rate used to discount the forecast cash flows in both CGU's was 15% (2011: 15%). Based on the impairment reviews undertaken in relation to both the Haynes North American and Vivid Holding BV CGU's, the future cash flows 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 (2011: £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 a leading distributor of technical automotive publications in Australia while Vivid manages a 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:

	2012 £000	2011 £000
Unit:		
Haynes North America	5,602	5,239
Vivid Holding BV	2,712	2,712
	8,314	**7,951**

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

	2012 £000	2011 £000
Unit:		
Haynes North America	182	170
Vivid Holding BV	8,754	8,901
	8,936	**9,071**

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

	2012 £000	2011 £000
Cost of sales	1,599	1,215

13 Inventories

	2012 £000	2011 £000
Raw materials	350	589
Work in progress	1,394	1,521
Finished goods	11,632	11,145
	13,376	**13,255**

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net charge of £166,000 (2011: £190,000) 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 £7.1 million (2011: £6.5 million) of editorial origination costs in relation to the production of the core automotive and motorcycle repair manuals and general interest titles which are amortised to the Consolidated Income Statement over a period not exceeding 5 years.

14 Trade and other receivables

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade receivables	9,033	10,550
Less: Provision for impairment	(175)	(217)
Less: Customer allowances	(958)	(829)
	7,900	**9,504**
Other debtors and prepayments	859	815
	8,759	**10,319**

	2012 £000	2011 £000
Analysis of trade receivables:		
Neither impaired nor past due	7,861	9,188
Past due but not impaired	997	1,145
Impaired	175	217
	9,033	**10,550**

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.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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 2012 £000	Impaired 2012 £000	Past due but not impaired 2011 £000	Impaired 2011 £000
Less than 30 days past due	687	110	861	101
30 to 90 days past due	300	6	90	6
Greater than 90 days past due	10	59	194	110
	997	**175**	**1,145**	**217**

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

	2012 £000	2011 £000
Balance at 1 June	217	251
Amounts charged to the Consolidated Income Statement	(16)	27
Amounts written-off as uncollectable	(23)	(52)
Exchange rate movement	(3)	(9)
Balance at 31 May	**175**	**217**

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

	2012 £000	2011 £000
US dollars	4,568	6,007
Sterling	2,438	2,706
Euro	872	1,002
Australian dollars	879	595
Other currencies	2	9
	8,759	**10,319**

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)

	2012 £000	2011 £000
Cash at bank and in hand	4,775	5,383
Cash and cash equivalents in the cash flow statement (note 22)	**4,775**	**5,383**

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 (2011: £1.0 million) overdraft facility, together with guarantees from the UK and European trading companies. During the year the facility was unused. In the Netherlands, Vivid Holding has a €0.4 million (2011: €0.4 million) overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. The facility is presently unutilised.

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

	2012 £000	2011 £000
US dollars	2,829	3,023
Sterling	428	947
Euro	1,055	861
Australian dollars	371	501
Other currencies	92	51
	4,775	**5,383**

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

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade payables	759	901
Other taxes and social security costs	186	172
Other creditors and accruals	3,333	3,392
	4,278	**4,465**

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

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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:

	2012 £000	2011 £000
Falling due within one year:		
US dollars	1,334	1,519
Sterling	1,771	1,892
Euro	827	791
Australian dollars	331	245
Other currencies	15	18
	4,278	**4,465**

17 Deferred tax assets and liabilities

	2012 Assets £000	2012 Liabilities £000	2012 Net total £000	Restated[1] 2011 Assets £000	2011 Liabilities £000	Restated[1] 2011 Net total £000
Property, plant & equipment	-	(2,224)	(2,224)	-	(2,102)	(2,102)
Employee benefits	2,435	-	2,435	2,911	-	2,911
Short-term temporary differences	1,881	-	1,881	1,774	-	1,774
Intangible assets	-	(1,764)	(1,764)	-	(1,747)	(1,747)
Net deferred tax asset	**4,316**	**(3,988)**	**328**	**4,685**	**(3,849)**	**836**

	2012 £000	Restated[1] 2011 £000
Balance at 1 June	836	2,071
Prior year adjustment	-	324
Balance at 1 June restated[1]	836	2,395
Transfer to Consolidated Income Statement	(332)	(288)
Transfer to equity	(341)	(1,106)
Exchange rate movement	165	(165)
Balance at 31 May	**328**	**836**

[1] See Note 1 Restatement of prior years

18 Financial risk and treasury policy

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

Foreign currency risk

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

Sensitivity analysis

The most significant foreign currency risk to the Group is in relation to the US dollar. Management estimate that if all other variables remained constant the impact on pre-tax profits of a 5% increase in the value of the US dollar against sterling would have been to reduce profits by £0.1 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 $1.59.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, which are spread over a range of countries and customers, a factor which helps to dilute the concentration of risk. The risk associated with such trading is mitigated through credit control management procedures including the use of credit worthiness checks, the application of credit limits and the sale of goods subject to retention of title clauses. A provision is made against such balances where there is an identifiable loss or event, which based on prior experience provides management with a significant doubt over the recovery of the balance. Due to the long established relationships with the majority of the Group's customers there is not deemed to be a credit quality issue in relation to the trade receivables balance. The amount of the total exposure is shown in note 14.

In addition to the above, the UK business has an exposure in relation to contractual advanced royalty payments to authors. However, due to the large number of authors there is no significant concentration of risk. The asset balance in relation to the author advances is held within other debtors and prepayments (refer to note 14) and amounted to £0.3 million net of allowances for doubtful recovery (2011: £0.2 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.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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 2012 the Group had a £1.0 million UK overdraft facility (2011: £1.0 million) which is due for renewal in October 2012, a €0.4 million overdraft in Europe (2011: €0.4 million) which has no fixed renewal date and a $11.0 million loan facility in the US (2011: $11.0 million) which is due for renewal in October 2012.

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 2012 there were no bank loans outstanding (2011: £nil) and no bank overdrafts outstanding (2011: £nil). Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis

As 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.

Interest cover	2012	2011
Operating profit (£000)	5,093	7,687
Net finance costs (£000)	381	510
Interest cover (ratio)	13	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)

Gearing ratio	2012	Restated[1] 2011
Net debt (£000)	-	-
Total equity (£000)	39,780	41,062
Gearing ratio (%)	-	-

[1] See Note 1 Restatement of prior years

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:

	2012 £000	2011 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(633)	(1,076)
Amounts included in finance income:		
– Expected return on pension scheme assets	1,382	1,267
Amounts included in finance costs:		
– Interest charge on pension scheme liabilities	(1,785)	(1,792)
Amount recognised in the Consolidated Income Statement	**(1,036)**	**(1,601)**

	2012 £000	2011 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	25,230	23,279
Present value of defined benefit obligation	(35,210)	(33,713)
Net deficit recognised in Consolidated Balance Sheet	**(9,980)**	**(10,434)**

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

19 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2012 UK Scheme % per annum	2011 UK Scheme % per annum
Discount rate	4.20	5.35
Salary escalation	2.00	3.90
Price inflation	2.30	3.40
Increases to pensions in deferment	2.00	2.70
Pension increases on benefits up to 12 July 2011	2.20	3.30
Pension increases on benefits after 12 July 2011	2.00	2.20
Expected return on invested assets	6.34	6.35
Expected return on insurance annuity contracts	4.20	5.35

	2012 US Plan % per annum	2011 US Plan % per annum
Discount rate	5.00	5.00
Salary escalation	2.00	3.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00
Expected return on invested assets	5.00	7.00

The post retirement mortality assumptions for the UK Scheme are based on the “S1PMA / S1PFA mc” year of birth tables with a minimum improvement of 1% (2011: 1%) and the life expectancies underlying the valuation are as follows:

	2012 Years	2011 Years
Current pensioners (at age 65) - Male	21.40	21.40
Current pensioners (at age 65) - Females	24.20	24.00
Future pensioners (at age 65) - Males	23.30	23.30
Future pensioners (at age 65) - Females	26.00	25.90

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

	2012 Years	2011 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 2012 were as follows:

	Rate of return %	UK Scheme 2012 Value £000	Rate of return %	UK Scheme 2011 Value £000
Group investment linked policy				
– Equities	7.0	4,217	7.1	8,243
– Fixed interest/gilts	2.1	-	4.1	197
– Other bonds	4.2	2,804	5.4	2,299
– Cash	0.5	285	0.5	1,002
– Property	7.1	2,018	7.1	2,639
– Target return fund	7.0	5,371	-	-
	6.3	14,695	6.4	14,380
Secured pensions in payment	4.2	1,620	5.4	1,489
Assets at fair value		**16,315**		**15,869**

	Rate of return %	US Plan 2012 Value £000	Rate of return %	US Plan 2011 Value £000
Group investment linked policy				
– Bonds	5.0	8,915	7.7	7,410
Assets at fair value		**8,915**		**7,410**

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 2012 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

19 Retirement benefit obligation (continued)

	UK Scheme 2012 £000	US Plan 2012 £000	Total 2012 £000	UK Scheme 2011 £000	US Plan 2011 £000	Total 2011 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(26,047)	(9,163)	(35,210)	(24,887)	(8,826)	(33,713)
Assets at fair value	16,315	8,915	25,230	15,869	7,410	23,279
Net liability recognised in the Consolidated Balance Sheet	**(9,732)**	**(248)**	**(9,980)**	**(9,018)**	**(1,416)**	**(10,434)**

Amount recognised through the Consolidated Statement of Comprehensive Income

Actuarial gain/(loss) during the year	(764)	934	170	3,032	210	3,242
UK Scheme expenses paid by the Company	(124)	-	(124)	-	-	-
	(888)	934	46	3,032	210	3,242
Deferred tax on actuarial gain/(loss)	213	(373)	(160)	(788)	(84)	(872)
Deferred tax arising on change in UK corporation tax rate	(181)	-	(181)	(234)	-	(234)
	(856)	**561**	**(295)**	**2,010**	**126**	**2,136**

Actual return on assets						
Expected return on plan assets	999	383	1,382	931	336	1,267
Actuarial gain/(loss) on plan assets	(823)	(28)	(851)	687	562	1,249
	176	**355**	**531**	**1,618**	**898**	**2,516**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £4.1 million (2011: £4.2 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 2010	25,631	8,617	34,248
Current service cost	525	551	1,076
Interest cost	1,397	395	1,792
Employee contributions	110	-	110
Expenses included in service cost	(56)	-	(56)
Actuarial (gains)/losses	(2,345)	351	(1,994)
Foreign currency exchange rate changes	-	(1,057)	(1,057)
Benefits	(375)	(31)	(406)
Present value of DBO at 1 June 2011	**24,887**	**8,826**	**33,713**
Current service cost	242	509	751
Interest cost	1,329	456	1,785
Employee contributions	162	-	162
Past service costs	-	6	6
Actuarial gains	(59)	(961)	(1,020)
Foreign currency exchange rate changes	-	604	604
Benefits	(514)	(277)	(791)
Present value of DBO at 31 May 2012	**26,047**	**9,163**	**35,210**

Reconciliation of fair value of assets	UK Scheme £000	US Plan £000	Total £000
Fair value of assets at 1 June 2010	13,901	6,330	20,231
Expected return on plan assets	931	336	1,267
Actuarial gain on plan assets	687	562	1,249
Foreign currency exchange rate changes	-	(813)	(813)
Employer contributions	671	1,026	1,697
Employee contributions	110	-	110
Administration expenses	(56)	-	(56)
Benefits	(375)	(31)	(406)
Fair value of assets at 1 June 2011	**15,869**	**7,410**	**23,279**
Expected return on plan assets	999	383	1,382
Actuarial loss on plan assets	(823)	(28)	(851)
Foreign currency exchange rate changes	-	548	548
Employer contributions	622	879	1,501
Employee contributions	162	-	162
Benefits	(514)	(277)	(791)
Fair value of assets at 31 May 2012	**16,315**	**8,915**	**25,230**

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

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 2010	11,730	2,287	14,017
Total pension expense	991	610	1,601
Employer contributions	(671)	(1,026)	(1,697)
Impact of foreign currency exchange rates	-	(245)	(245)
Actuarial gain	(3,032)	(210)	(3,242)
Defined benefit liability at 1 June 2011	**9,018**	**1,416**	**10,434**
Total pension expense	572	588	1,160
Employer contributions	(622)	(879)	(1,501)
Impact of foreign currency exchange rates	-	57	57
Actuarial (gain)/losses	764	(934)	(170)
Defined benefit liability at 31 May 2012	**9,732**	**248**	**9,980**

History of experience adjustments

		2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of defined benefit obligation		(35,210)	(33,713)	(34,248)	(25,360)	(23,410)
Fair value of scheme assets		25,230	23,279	20,231	14,970	16,616
Net deficit		**(9,980)**	**(10,434)**	**(14,017)**	**(10,390)**	**(6,794)**
Experience adjustments on scheme liabilities*						
Amount	£000	(1,050)	25	753	(147)	2,962
Experience adjustments on scheme assets						
Amount	£000	(851)	1,249	2,515	(4,737)	(2,865)

* 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 2012 £000
Group contributions	
– UK Scheme	638
– US Plan	910
	1,548
Employee contributions	166
	1,714

20 Share capital and reserves

	2012 No.	2011 No.	2012 £000	2011 £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 2012 the share price was 180p (2011: 247p), with a high of 255p (2011: 280p) and a low of 180p (2011: 200p) 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.

Treasury shares

On 22 February 2012 the Company acquired 500,000 Ordinary shares of 20 pence each and on 26 March 2012 purchased 740,000 Ordinary shares of 20 pence each. These shares are held by the Company in treasury. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

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 2012 are shown in the Directors’ Report on page 17 as required by the FSA’s Disclosure Transparency rules.

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Notes to the Consolidated Financial Statements

Year ended 31 May 2012

21 Related party transactions (continued)

During the year the 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 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 2012 was $207,214 (2011: $207,214) or £130,111 (2011: £130,734) 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 £64,544 (2011: £64,544).

(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 AC Haynes undertook the following transactions with the Group:

	Transactions 2012 £000	Balance at 31 May 2012 £000	Transactions 2011 £000	Balance at 31 May 2011 £000
Supply of conference facilities	6	1	11	1
Purchase of books and manuals	14	(2)	16	3

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 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 2012 was £3,688 plus service charge (2011: £3,688).

(5) A tenancy of No 12 Ivel Gardens, Ilchester, owned by AC Haynes and let to the Company (at a monthly rental of £525 (2011: £525) plus outgoings) with Haynes Developments Ltd acting as agent for the lessor. As at 31 May 2012 the balance outstanding to Haynes Developments Ltd was £792 (2011: £900).

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 26 to 32.

	2012 £000	2011 £000
Short term employee benefits	1,328	1,437
Post employment benefits	384	398
	1,712	**1,835**

22 Analysis of the changes in net funds

	As at 1 June 2011 £000	Cash flow £000	Exchange movements £000	As at 31 May 2012 £000
Cash at bank and in hand	5,383	(683)	75	4,775

23 Operating leases

As at 31 May 2012 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	2012 £000	2011 £000
Land and buildings:		
Due within one year	133	154
Due in the second to fifth years	62	181
	195	**335**
Plant and equipment:		
Due within one year	100	91
Due in the second to fifth years	158	126
	258	**217**
	453	**552**

24 Capital commitments

At 31 May 2012 the Group had the following capital commitments for which no provision has been included in the Consolidated Financial Statements:

	2012 £000	2011 £000
Contracted	-	91

25 Ultimate controlling party

The ultimate controlling party is JH Haynes who has majority voting rights by virtue of his 55.9% beneficial interest in the Ordinary shares of the Company.

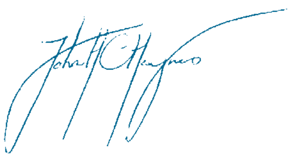
Financial Statements

Company Balance Sheet

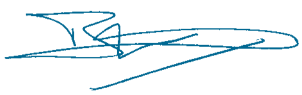
At 31 May 2012

		2012 £000	2011 £000
	Fixed assets		
Note 29	Tangible assets	2,317	2,414
Note 30	Investments in subsidiary undertakings	7,106	7,106
		9,423	9,520
	Current assets		
Note 31	Debtors	233	672
	Cash at bank and in hand	20	61
		253	733
Note 32	**Creditors:** amounts falling due within one year	(620)	(516)
	Net current assets	**(367)**	**217**
	Total assets less current liabilities	**9,056**	**9,737**
Note 34	Provisions for liabilities	(301)	(345)
	Net assets	**8,755**	**9,392**
	Capital and reserves		
Note 35	Called up share capital	3,270	3,270
Note 36	Share premium	638	638
Note 36	Treasury shares	(2,447)	-
Note 36	Profit and loss account	7,294	5,484
	Shareholders' funds	**8,755**	**9,392**

The financial statements were approved by the board of directors and authorised for issue on 12 September 2012 and were signed on its behalf by:



JHC Haynes
Director



E Oakley
Director

Notes to the Company Accounts
Year ended 31 May 2012

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 2012

26 Principal accounting policies (continued)

Treasury shares

Shares in Haynes Publishing Group P.L.C. held by the Company are classified as part of shareholders equity as treasury shares and are recognised at cost. The consideration received for the sale of shares held in treasury is also recognised in equity, with any difference between the proceeds from the sale of the shares and their original cost being taken directly to revenue reserves. No gain or loss is recognised in the Consolidated Statement of Comprehensive Income on the purchase, sale or cancellation of the treasury shares.

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 with in the Company accounts was £4.3 million (2011: £2.8 million) which includes dividends received from subsidiaries of £4.4 million (2011: £2.9 million).

Employees	2012 £000	2011 £000
Aggregate remuneration of employees:		
Wages and salaries	393	415
Employer's social security costs	34	45
Employer's pension costs	15	26
	442	**486**

Two of the directors are employed by a subsidiary company based in the US, one director is employed by a subsidiary company based in the Netherlands and one director is employed by a subsidiary company based in the UK. In all cases the directors are remunerated by the subsidiary company 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 £34,850 (2011: £33,875). 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

Amounts recognised as distributions to equity holders in the period:	2012 £000	2011 £000
Final dividend for the year ended 31 May 2011 of 9.5p per share (2010: 9.3p per share)	1,553	1,521
Interim dividend for the year ended 31 May 2012 of 6.2p per share (2011: 6.2p per share)	937	1,014
	2,490	**2,535**
Proposed final dividend for the year ended 31 May 2012 of 9.5p per share (2011: 9.5p per share)	1,436	1,553

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 24 October 2012 and has not been included as a liability in these financial statements.

On 22 February 2012 the Company purchased 500,000 of its ordinary shares and on 26 March 2012 the Company purchased a further 740,000 of its ordinary shares to place in treasury. As the Company is not entitled to vote or receive a dividend on the shares held in treasury, the interim dividend for the year ended 31 May 2012, which was paid on 11 April 2012, was based on 15,111,540 shares and not the full shares in issue of 16,351,540.

29 Tangible fixed assets

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2011	4,003	97	104	4,204
Additions	-	-	-	-
Cost at 31 May 2012	**4,003**	**97**	**104**	**4,204**
Accumulated depreciation at 1 June 2011	1,609	84	97	1,790
Charge for year	92	5	-	97
Accumulated depreciation at 31 May 2012	**1,701**	**89**	**97**	**1,887**
Net book value at 31 May 2012	**2,302**	**8**	**7**	**2,317**
Net book value at 31 May 2011	2,394	13	7	2,414

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2011: £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 2011 and 31 May 2012	7,106	–	**7,106**

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2012

30 Investment in subsidiary undertakings (continued)

As at 31 May 2012 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:

	Country of incorporation, registration and operation
J H Haynes & Co Ltd (Publisher)	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 (Data production, IT development and 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 2012, 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 (2011: 60%).

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

31 Debtors

Amounts falling due within one year:	2012 £000	2011 £000
Amounts owed by subsidiary undertakings	195	630
Other debtors and prepayments	38	42
	233	**672**

32 Creditors

Amounts falling due within one year:	2012 £000	2011 £000
Trade creditors	15	20
Amounts owed to subsidiary companies	230	64
Other taxes and social security costs	3	3
Other creditors and accruals	372	429
	620	**516**

Details of the security held against the Company's bank overdraft facility 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 2012 the Company had financial assets totalling £20,000 (2011: £61,000) of which £nil was held in Euro's (2011: £3,000) and £20,000 was held in Sterling (2011: £58,000).

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

	2012 £000	2011 £000
Deferred taxation:		
Balance at 1 June	345	388
Transfer to profit and loss account	(44)	(43)
Balance at 31 May	**301**	**345**
Being:		
Accelerated capital allowances	310	355
Other short-term timing differences	(9)	(10)
Provision for deferred tax	**301**	**345**
Analysed in the balance sheet as follows:		
Provision for liabilities	**301**	**345**

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

	2012 No	2011 No	2012 £000	2011 £000
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is 125p and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes 41.67p. At 31 May 2012 the share price was 180p (2011: 247p), with a high of 255p (2011: 280p) and a low of 180p (2011: 200p) for the financial year.

Financial Statements

Notes to the Company Accounts
Year ended 31 May 2012

35 Share capital (continued)

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.

On 22 February 2012 the Company acquired 500,000 Ordinary shares of 20 pence each and on 26 March 2012 purchased 740,000 Ordinary shares of 20 pence each. These shares are held by the Company in treasury. The Company is not able to vote on the treasury shares and the treasury shares carry no right to receive any dividend or other distribution of assets other than in relation to an issue of bonus shares.

36 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Treasury shares £000	Profit and loss account £000	Total £000
Balance at 1 June 2010	3,270	638	-	5,218	9,126
Profit for the period	-	-	-	2,801	2,801
Dividends (note 28)	-	-	-	(2,535)	(2,535)
Balance at 1 June 2011	**3,270**	**638**	**-**	**5,484**	**9,392**
Profit for the period	-	-	-	4,300	4,300
Dividends (note 28)	-	-	-	(2,490)	(2,490)
Treasury shares	-	-	(2,447)	-	(2,447)
Balance at 31 May 2012	**3,270**	**638**	**(2,447)**	**7,294**	**8,755**

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 £15,000 (2011: £26,000).

38 Leases

Annual operating lease commitments:	2012 £000	2011 £000
Land and buildings:		
Leases expiring between 2 and 5 years	65	65

Financial Calendar and Shareholder Information

Calendar for financial year ended 31 May 2013

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 2012

Type of shareholder	Number of shareholders	Total shareholdings
Commercial and industrial companies	24	157,187
Directors beneficial / connected / non-beneficial	6	10,577,567
Nominee companies	97	1,680,694
Private holders	428	1,489,533
Investment trusts and funds	11	1,206,559
Shares held in treasury	1	1,240,000
	567	**16,351,540**

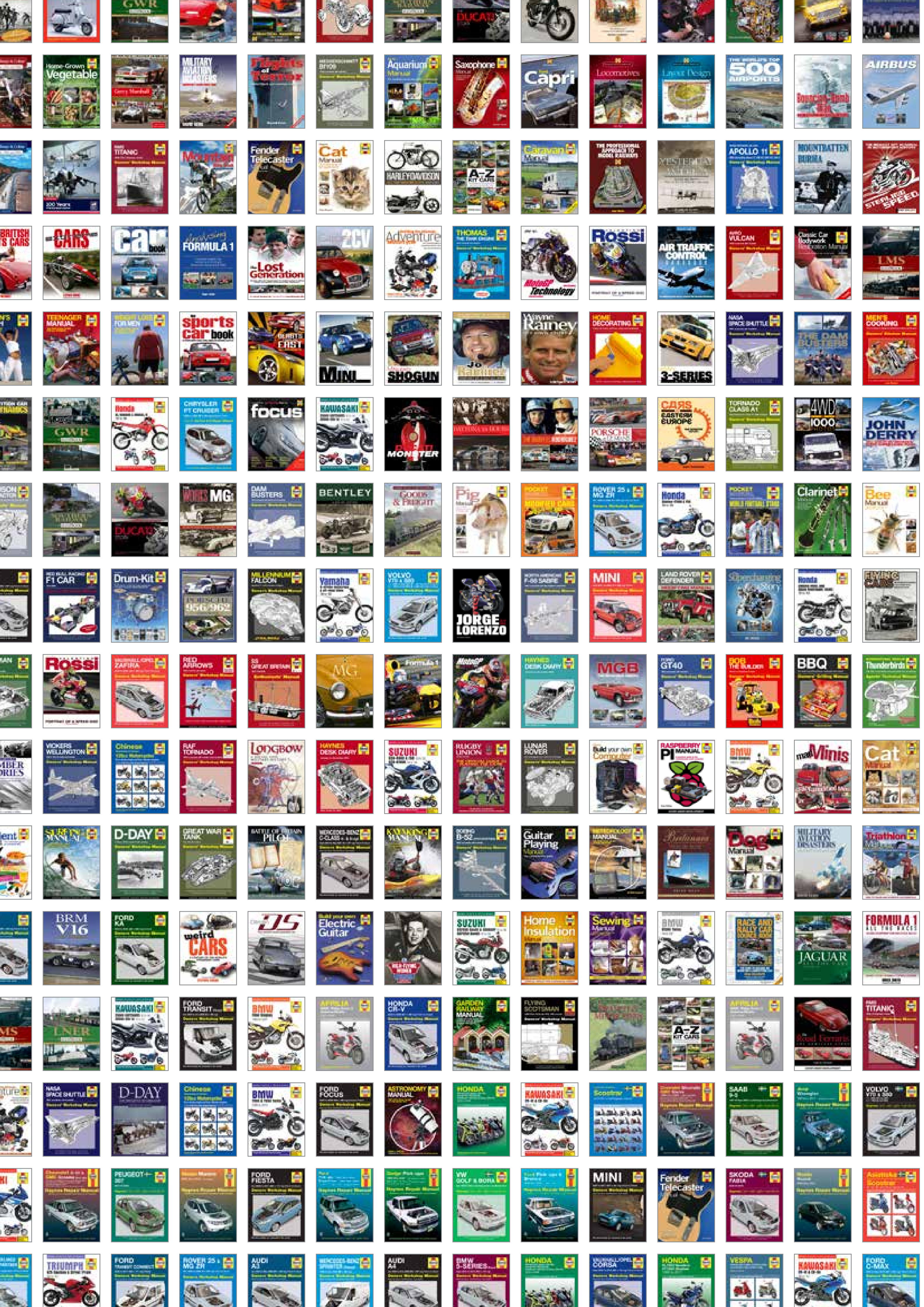
Share registrars

Website: **www.capitaregistrars.com**

Investors

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

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


GWR
DUCATI
Home-Grown Vegetable
Gerry Marshall
MILITARY AVIATION DISASTERS
Flights of Terror
Aquarium Manual
Saxophone Manual
Capri
Locomotives
Layout Design
THE WORLD'S TOP 500 AIRPORTS
AIRBUS
TITANIC
200 Years
Mountain
Fender Telecaster
Cat Manual
HARLEY-DAVIDSON
A-Z KIT CARS
Caravan Manual
THE PROFESSIONAL APPROACH TO MODEL RAILWAYS
APOLLO 11
MOUNTBATTEN BURMA
BRITISH CARS
CARS
car book
FORMULA 1
Lost Generation
2CV
Adventure
THOMAS THE TANK ENGINE
MotoGP Technology
Rossi
AIR TRAFFIC CONTROL
VULCAN
Classic Car Bodywork Restoration Manual
LMS
TEENAGER MANUAL
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sports car book
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3-SERIES
NASA SPACE SHUTTLE
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MEN'S COOKING
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focus
KAWASAKI
MONSTER
PORSCHE
CARS EASTERN EUROPE
TORNADO CLASS A1
4WD 1000
JOHN DERRY
DUCATI
WORKS MG
DAM BUSTERS
BENTLEY
GOODS & FREIGHT
Pig Manual
POCKET MODIFIED CARS
ROVER 25 & MG ZR
Honda
Clarinet Manual
Bee Manual
RED BULL RACING F1 CAR
Drum-Kit
PORSCHE 956/962
MILLENNIUM FALCON
Yamaha
VOLVO
JORGE LORENZO
NORTH AMERICAN F-86 SABRE
MINI
LAND ROVER DEFENDER
Supercharging Story
Honda
FLYING CARS
Rossi
VAUXHALL/OPEL ZAFIRA
RED ARROWS
SS GREAT BRITAIN
MG
Formula 1
MotoGP
HAYNES DESK DIARY
MGB
FORD GT40
BOB THE BUILDER
BBQ
Thunderbirds
VICKERS WELLINGTON
Chinese
RAF TORNADO
LongBow
HAYNES DESK DIARY
SUZUKI
RUGBY UNION
LUNAR ROVER
Build your own Computer
RASPBERRY PI MANUAL
BMW
Minis
Cat Manual
SURFING MANUAL
D-DAY
GREAT WAR TANK
PILOT
MERCEDES-BENZ C-CLASS
KAYAKING MANUAL
BOEING B-52
Guitar Playing Manual
Britannia
Dog Manual
MILITARY AVIATION DISASTERS
Triathlon
BRM V16
FORD KA
weird CARS
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SUZUKI
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Sewing Manual
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APRILIA
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BMW
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HONDA
KAWASAKI
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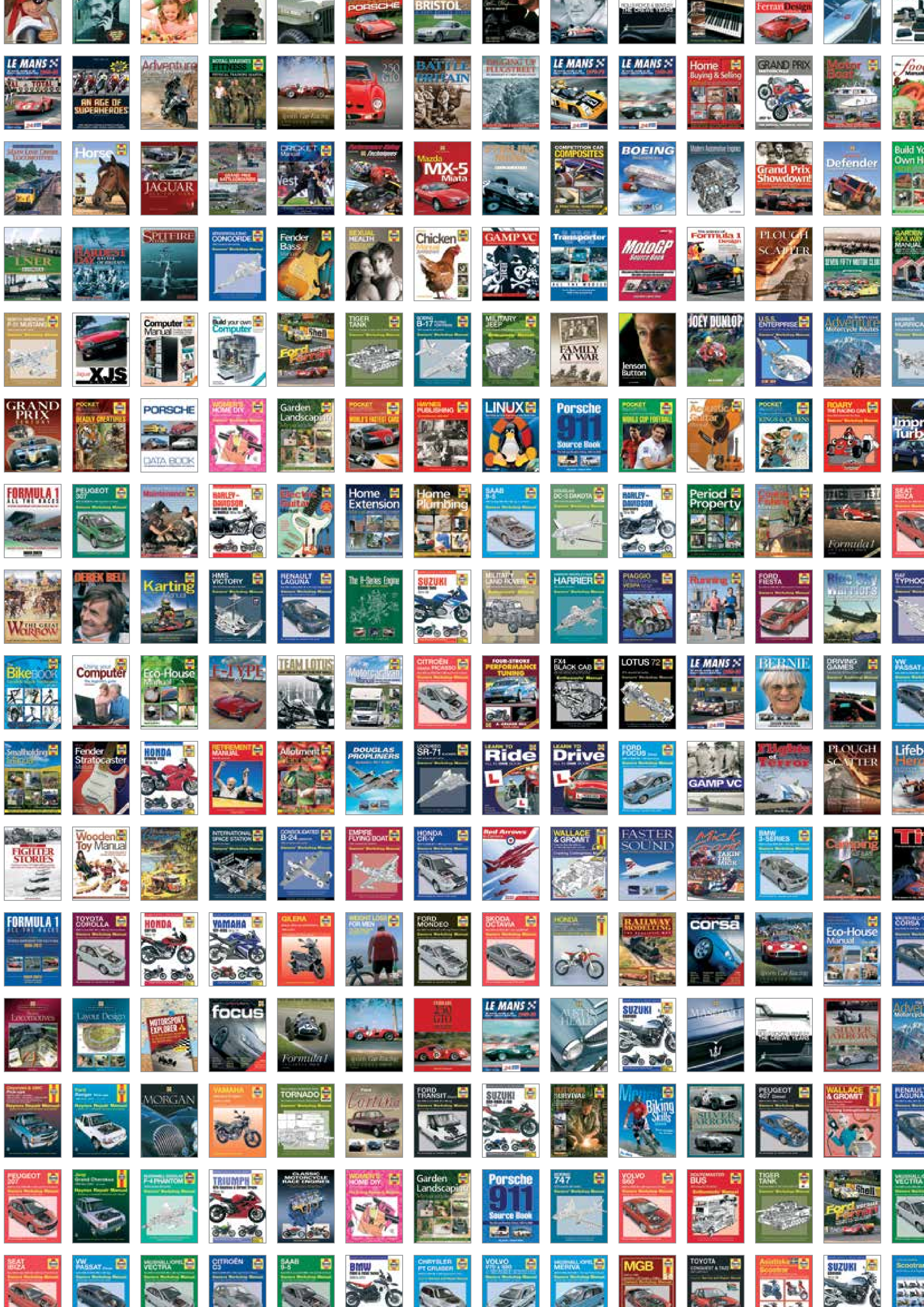
SAAB 9-5
VOLVO
PEUGEOT 307
FORD FIESTA
VW GOLF & BORA
MINI
Fender Telecaster
SKODA FABIA
TRIUMPH
FORD TRANSIT CONNECT
ROVER 25 & MG ZR
AUDI A3
MERCEDES-BENZ SPRINTER
AUDI A4
BMW 5-SERIES
HONDA
VAUXHALL/OPEL CORSA
HONDA
VESPA
KAWASAKI
FORD C-MAX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SUZUKI
HARRIER
FORD FIESTA
Bike Book
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E-TYPE
TEAM LOTUS
CITROËN
LOTUS 72
LE MANS
BERNIE
Fender Stratocaster
HONDA
Allotment
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Drive
FORD FOCUS
GAMP VC
PLOUGH SCATTER
FIGHTER STORIES
Wooden Toy Manual
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SKODA OCTAVIA
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