Haynes Publishing Group P.L.C.

ANNUAL REPORT 2013

Report & Accounts **for the year ending May 2013**

Haynes Worldwide Offices

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Haynes Worldwide Offices **Facing this page**

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 HaynesPro, the Haynes Group is a leading European supplier of digital technical information to the independent motor trade. The Group's business now includes both 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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Group Highlights
for the Year Ended 31 May 2013

FINANCIAL HIGHLIGHTS

- Revenue of £27.6 million (2012: £29.8 million)
- EBITDA of £6.6 million (2012: £7.7 million)
- Operating profit of £3.8 million (2012: £5.1 million)
- Profit before tax slightly ahead of market expectations at £3.6 million (2012: £4.7 million)
- Basic earnings per share of 16.4 pence (2012: 20.0 pence)
- Final dividend declared of 4.0 pence per share, giving a total dividend of 7.5 pence per share (2012: 15.7 pence)
- The largely contractual HaynesPro revenue was 13% ahead of 2012
- Australian revenue 9% ahead of 2012
- Operating profit to cash conversion ratio of 184% (2012: 170%)
- Healthy balance sheet with net funds[1] up 27% at £6.1 million (2012: £4.8 million). Net funds after the acquisition of Clymer and Intertec Manuals on 17 September 2013 were c.£2.4 million. In addition there are 1.2 million ordinary shares held in treasury

BUSINESS HIGHLIGHTS

- Successful completion of strategic review (post year-end), resulting in new focus on high margin titles
- UK automotive and general publishing editorial teams to be merged
- Embarking on the development of a new, interactive consumer website, available in multiple languages, and accessible on a variety of media devices
- Continued development of Haynes multimedia digital platforms
- Digital manual range extended to over 350 titles; print manual range also expanded
- Completion of rebranding of European professional product range as 'HaynesPro' (formerly Vivid), with strong twelve month growth and two new products launched for professional automotive aftermarket
- Expanded technical team in Romania to further improve digital capabilities
- Continuing to review new acquisition opportunities

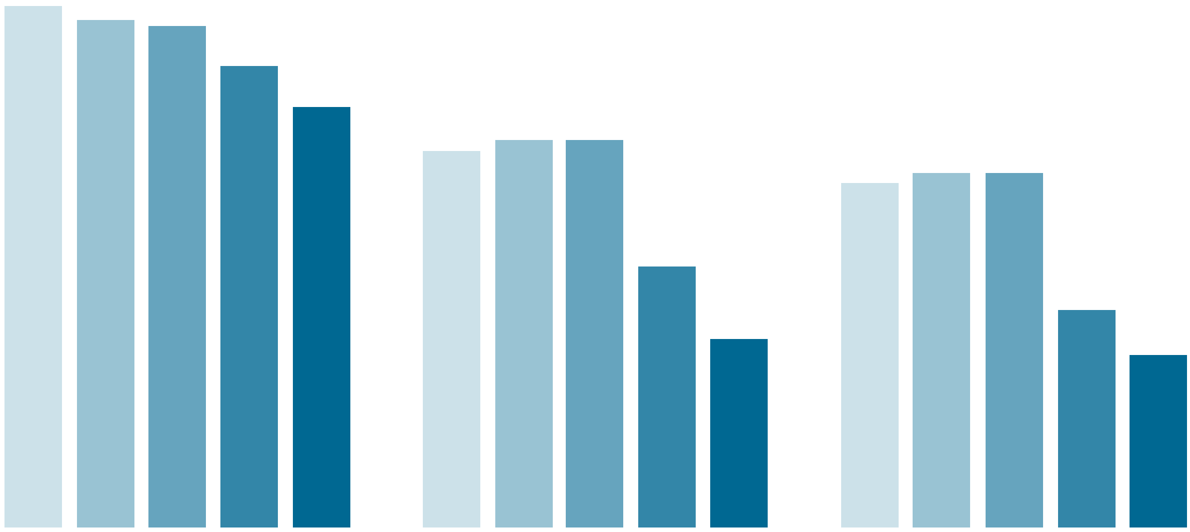
[1] Net funds defined as cash and cash equivalents

FIVE YEAR SUMMARY
OF KEY FINANCIAL PERFORMANCE

31 May **Turnover** £ million

31 May **Operating profit** £ million

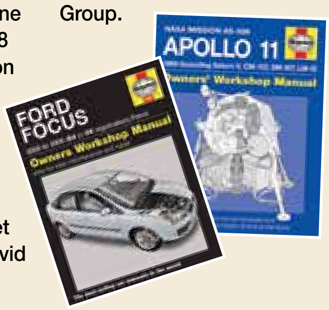
31 May **Profit before tax** £ million



Year	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
	35.3	33.3	32.7	29.8	27.6	7.6	7.7	7.7	5.1	3.8	7.1	7.2	7.2	4.7	3.6

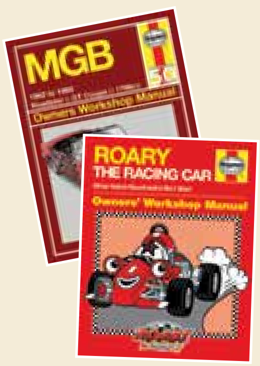
2009

In February 2009 the Group sold its loss making UK print operation for £0.4 million. Following the sale, the Group's printing operations were centralised in the US where a new binding line was purchased for £1.8 million. After acquisition costs in 2008 of £6.9 million and capital expenditure in 2008/09 of £4.4 million, the Group ended the year with net cash of £1.4 million. Vivid set up a new product development subsidiary in Romania. A crisis in the World's financial markets led to a deepening global economic downturn impacting all areas of the Group.



2010

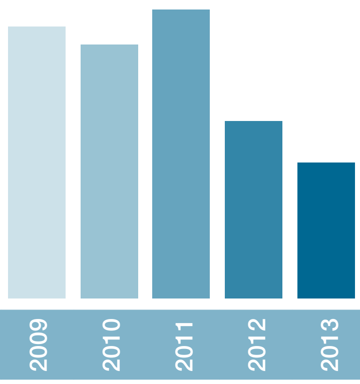
At the start of the financial year the UK business implements a new fully integrated IT system at a cost of £0.4 million. Following the sale of the UK print business in 2009 all parts of the Haynes Group are profit making for the first time in 10 years. In the US, the introduction of a new digital press allows the Group to extend the life of titles by printing smaller quantities of titles on demand. Global market conditions remain very weak but like-for-like sales in the UK, Scandinavia and Australia are ahead of the prior year. In May 2010 the Group celebrates its 50th Anniversary.



2011

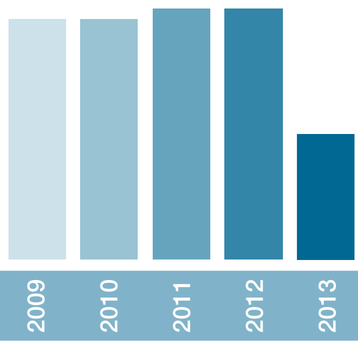
On 1 June 2010 John Haynes steps down as Group Chairman after 50 years but remains on the Board as Founder Director. J Haynes is appointed Group Chairman; Jeremy Yates-Round and Alex Kwarts are appointed to the Executive Board. The US business embarks on 'Project 50', a programme to restore an old Ford Mustang convertible to show condition with live webcam and video footage available through the US

31 May
Basic earnings per share pence



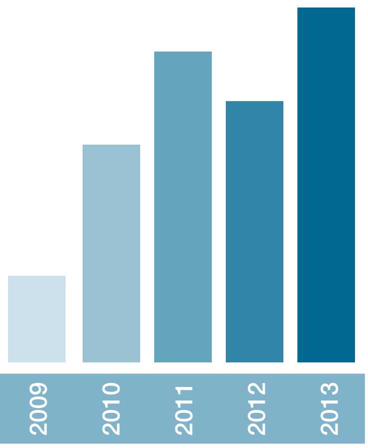
2009	2010	2011	2012	2013
29.4	28.6	30.5	20.0	16.4

31 May
Dividends per share pence



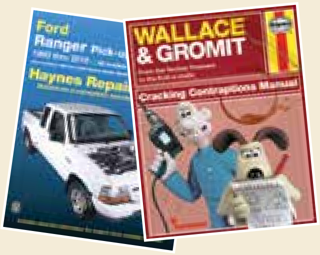
2009	2010	2011	2012	2013
15.5	15.5	15.7	15.7	7.5

31 May
Net funds £ million



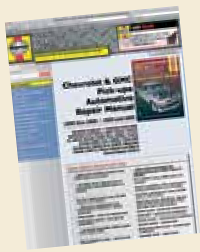
2009	2010	2011	2012	2013
1.4	3.8	5.4	4.8	6.1

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.



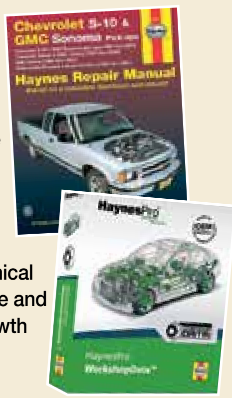
2012

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.

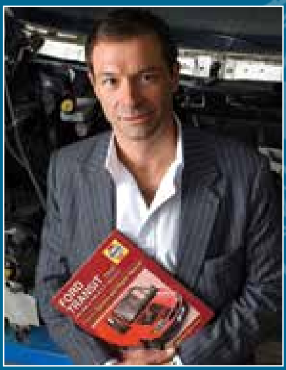


2013

In September 2012, the Group rebrands its European technical data business as ‘HaynesPro’ (formerly Vivid Automotive) and in November 2012, becomes one of the first UK publishers to sell eBooks from their own website, with both the text to digital file conversion and the multimedia delivery platform developed through HaynesPro.
During the year, softer sales of the Group’s traditional printed manual products puts pressure on revenue and despite 13% revenue growth from sales of technical data in Europe and 9% sales growth in Australia, overall Group revenue ends the twelve month period 7% down against the prior year. The Board undertakes a strategic review to help return the Group to revenue and profit growth.



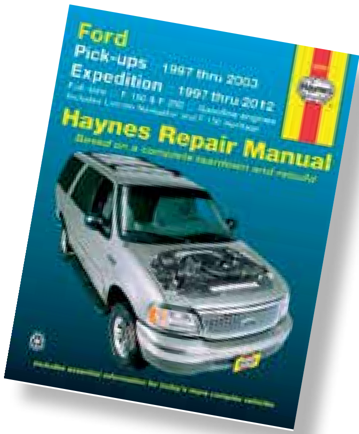
Group Chairman's Statement



> "We now have a much clearer focus on those parts of the business which are core operations and which will help to drive future revenue and profit growth to the Group."

Over the past twelve months, we have once again seen strong revenue growth from our professional product ranges in Europe. This follows the successful completion of the rebranding of Vivid to 'HaynesPro', which started in September 2012, and has helped us to strengthen the Haynes brand throughout mainland Europe, whilst also allowing the professional side of the business to benefit from the Haynes association when developing new leads in geographical territories where Haynes has a strong brand presence. Demand for our traditional printed Haynes manuals, in both our main geographical markets has remained soft during the year and we have also experienced a noticeable downturn in demand for our domestic general publishing titles.

As a Group, for the most part, we were able to weather the early impact of the economic downturn and, whilst it was unrealistic to expect sustainable growth during this period, we were able to maintain Group profitability. However, over the last two years we have faced a strengthening headwind in our core automotive manual markets and more recently a significant slowdown in the UK general publishing market. The Board recognised that these pressures were unlikely to ease in the foreseeable future and so commenced a strategic review of the business at the end of 2012. This review was completed in September this year and Eric Oakley, our Group Chief Executive, has set out below further details of the key actions we will be undertaking to help return the Group to revenue and profit growth.

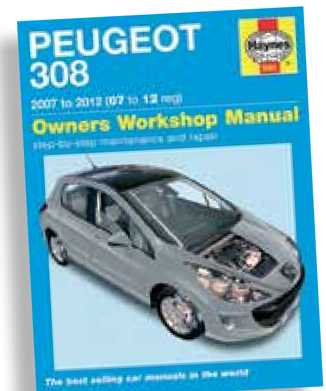


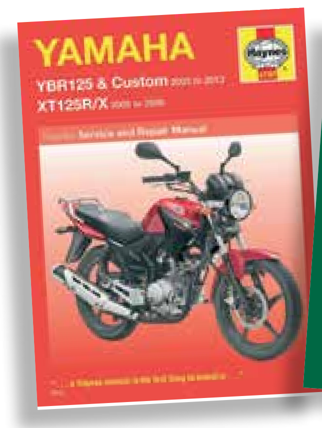
Results summary

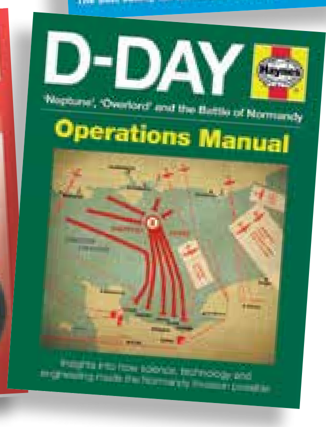
Over the past twelve months the softer trading conditions for our core automotive manuals and a sharp decline in demand for our domestic general book publishing titles has had a negative effect on Group profitability and, whilst in mainland Europe the strong trading performance from HaynesPro has helped to mitigate these downward pressures, Group revenue ended the year 7% lower at £27.6 million (2012: £29.8 million). Despite a tight control of overheads, the impact of the lower revenue coupled with an increase in HaynesPro development cost amortisation of £0.4 million left Group pre-tax profits at £3.6 million (2012: £4.7 million), down 23%.

The Group's effective tax rate was 31.3% (2012: 31.6%) leaving basic earnings per share at 16.4 pence (2012: 20.0 pence).

Although we are currently experiencing pressure on our core revenue streams, the Group continues to enjoy a healthy balance sheet and strong cash generation. With an operating profit to cash conversion ratio of just over 180%, the Group's cash balances ended the year up 27% at £6.1 million (2012: £4.8 million).







Post balance sheet event

On 17 September 2013, the Group acquired the trade and certain assets and liabilities including intellectual property, trade receivables and finished goods inventory marketed and sold under the Clymer and Intertec brands from Penton Media, Inc in the USA. The cash consideration for the acquisition was £5.85 million ($9.25 million) funded in part through US internal cash and partly through bank debt. The acquisition of the Clymer and Intertec brands sits perfectly alongside our iconic Haynes manuals as well as expanding the Group's range of repair manuals to include marine, snowmobiles and tractors.

Dividend and shares

As reported at the time of our Interim Results for the 6 months ended 30 November 2012 (announced on 31 January 2013), the Group has communicated its intention to grow the business through acquisitions, geographical expansion and organic growth and therefore, the Board feels it is appropriate at this time of economic uncertainty to conserve cash within the business. The Board maintains a target dividend cover of 1.5 times. Owing to the short term cash requirements associated with restructuring the loss making UK business, the Board feels it is sensible to exercise prudent cash management.

In light of the above, the Board is recommending a final dividend of 4.0 pence per share (2012: 9.5 pence) which, taken together with the interim dividend of 3.5 pence (2012: 6.2 pence), gives a total dividend for the year of 7.5 pence per share (2012: 15.7 pence). Subject to the approval by shareholders, the final dividend will be paid on 30 October 2013 to shareholders on the register at the close of business on 11 October 2013. The shares will be declared ex-dividend on 9 October 2013.

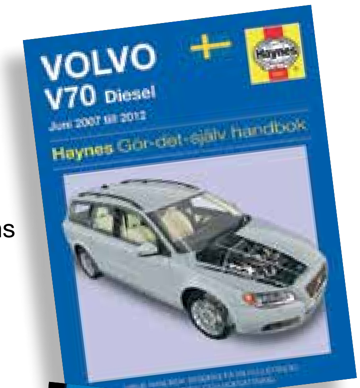
Board, corporate governance and people

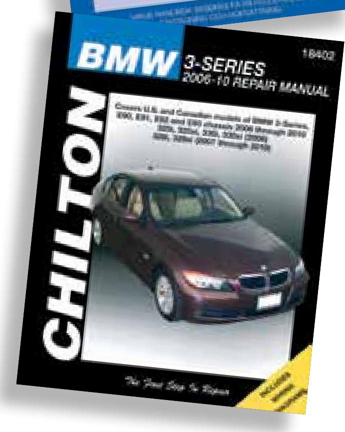
The Board is responsible for ensuring the Group businesses are managed in an efficient and effective manner. Through the forum of regular Board meetings, the Board sets Group strategy, evaluates Group performance, monitors operating and financial risk and considers all matters which are necessary to provide an environment of sound corporate governance. Full details of how the Board has complied with the UK Corporate Governance Code are contained in this year's Annual Report. There have been no changes to the composition of the Group Board during the year.

Whilst the Board sets Group strategy, which management implements, the successful delivery of the strategy is very dependent on the employees who work within the business and we are very fortunate to have a hard working and loyal team which, particularly in the current climate, is willing to adapt to change. I would therefore, like to thank Eric Oakley and my fellow Board members, the Group's management teams and all of our Group wide employees for all their efforts during the year. I am confident that the actions we are taking as a Group will help strengthen the business for the future.

Future prospects

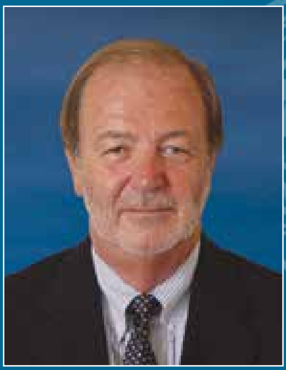
Following the completion of our strategic review, we now have a much clearer focus on those parts of the business which are core operations and which will help to drive future revenue and profit growth to the Group. Whilst the economic landscape remains uncertain, with little prospect of a return to more buoyant trading conditions in the short-term, I am nevertheless genuinely optimistic about the future prospects for the Haynes Group. We have a solid financial base with a strong brand presence throughout the major English speaking territories of the world. These factors, together with our in-house automotive and IT expertise and a proven ability to create and distribute content in multiple languages through our internally developed multimedia platforms, mean we are well placed to fulfil our growth objectives.





JHC Haynes
Group Chairman
20 September 2013

Group Chief Executive's Review



"Revenue from digital sources have increased from just over 10% to nearly 20% in five years and a large proportion of this revenue is either contract or subscription based."

Business overview

The last twelve months have once again thrown up challenges in our traditional sales channels but nevertheless, we continue to make strong progress in other areas of the business. The performance of our professional data business in Europe has continued to perform well, despite the uncertain economic backdrop. Our digital Haynes manuals online are now available in all the Group's major geographic markets. Whilst the revenue from these new Haynes digital ranges remains relatively modest in overall Group terms, the take-up from our end users is increasing and the fact that the development of the platforms and the conversion of the text to digital files has been developed entirely using in-house resources is a testament to the technical capabilities we possess within the Haynes Group.

Strategic review

Towards the end of calendar year 2012, the Board commenced a strategic review of the business, the principal aim of which was to identify a clear pathway for the Group to return to revenue and profit growth. The Board has now concluded its review and has recently commenced action to implement the resulting recommendations.

When we first entered the current economic decline back in 2007, we knew that Group revenue and profitability would come under pressure and yet for the first five years, through a tight control over costs and working capital, we were able to weather the storm well and maintain group profitability. However, some six years later, the challenges still remain and there are few signs that the economic pressures we currently face will ease in the near future. We are also cognisant that there have been some structural changes in the markets we traditionally serve and, as a result, we need to adapt our own business model.

In the UK, our business structure has been based around 'vertical integration' which has allowed us to control the origination, design, printing and distribution of our own titles. However, for the UK operation, the traditional benefits associated with a vertically integrated business have gradually been diminishing as the marketplace for our general publishing titles has changed and as sales volumes have fallen. In recent years, the structure of the business has not afforded us the flexibility we need to ensure our overall cost base reflects present day business performance. Over the last twelve months it has become clear that change is required, not just to the physical structure of the UK business but also in our UK publishing output.

Our current premises in Sparkford, Somerset have served the company well but the site no longer meets the requirements of a modern information publishing business. We have therefore taken the decision to relocate the business to more suitably sized premises in the near term. This decision has called into question the need for the UK business to continue with its in-house distribution facility. The book distribution market has changed significantly from when the business first started and, whilst we are very proud of the service we provide our customers, the investment that would be needed to upgrade the UK facility for the requirements of a modern day logistics operation would far outweigh the future benefit to the business. The Board has therefore, concluded it is no longer commercially feasible to maintain a UK distribution facility and the process of transferring this part of the business to a third party logistics provider will begin shortly.

We have also examined the type and style of books and digital information that we publish. Over the last five years we have been expanding the Haynes brand to capitalise on our position as one of the foremost global suppliers of automotive information. We have done this through adding to our range of iconic Haynes Car and Motorcycle Manuals, new titles covering more general DIY topics such as home, garden and leisure as well as publishing a range of entertainment manuals, from The Lancaster to the USS Enterprise. In each of these areas it is the Haynes brand that brings the products credibility and it is the Haynes Owners Workshop Manual format that delivers the highest publishing margins. Therefore, going forward, we will be re-focussing our publishing strategy on these higher margin titles and will be amalgamating our UK automotive and general publishing editorial functions into a single combined UK editorial department.

Once complete, the above restructuring is expected to result in the loss of a relatively small number of roles in the UK business.

In addition to the above measures, we are aware that the key to a successful digital strategy is a strong global shop window from which we can engage with our end users. We will therefore, be designing and implementing a new online consumer facing global website which will allow the Group to interact with our target audiences world-wide, to deliver trustworthy and practical advice in multiple languages and through a range of different media devices. The first phase of this project will involve the building of a new global website, which we are able to undertake in-house using the IT expertise and language translation skills within HaynesPro.

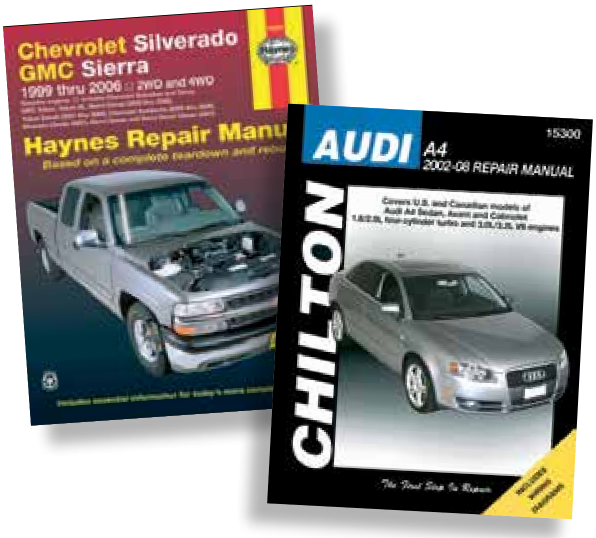
Alongside the structural repositioning of the UK business, the Board sees growth opportunities for the Group through the development of its professional product range, sold through the HaynesPro brand, in new geographical markets. At the same time we will also actively seek complementary acquisitions to accelerate our growth strategy, provide us with greater market share and drive synergies, or simply help grow the core data upon which our business model is built. Whilst any business decision which impacts on our existing and often long serving employee base is difficult to make, the Board believes that the above changes to the UK operations are vital at this time to put the UK business back on a firm financial footing from which we can grow the business.

Operating results overview

The lower mix of automotive manual income in both the US and the UK, which still represents just over two thirds of overall Group revenues, coupled with the very challenging conditions for our general publishing titles has left overall Group revenue down 7% at £27.6 million (2012: £29.8 million).

The impact of the lower core revenue which traditionally carries a higher margin and an increase in new product development cost amortisation of £0.4 million have combined to lower the Group's overall gross margin to 58.5% (2012: 59.9%). With Group overheads down 3% against the prior period and net finance costs, which almost entirely relate to the movement on the Group's defined pension scheme assets and liabilities, of £0.1 million (2012: £0.4 million) Group pre-tax profits ended the year down 23% at £3.6 million (2012: £4.7 million). Group EBITDA which excludes the above finance costs and development cost amortisation was £6.6 million (2012: £7.7 million).

Group Chief Executive's Review
(continued)



Segmental overview

North America and Australia

At the half year we reported a 6% reduction in local currency revenue from the North American and Australian operations, as weaker ordering from a small number of key US retailers impacted the performance of the business but was partially offset by strong revenue growth in Australia. During the second six months of the financial year, we experienced some softening of conditions in the Australian markets and with no notable improvement in our important US markets, overall North American and Australian revenue ended the second six month period down 15% and for the year as a whole down 11%. With an average US Dollar exchange rate against Sterling during the year of $1.57 (2012: $1.59), after translation to Sterling the shortfall was 10% at £14.0 million (2012: £15.5 million).

Although trading conditions in Australia softened during the second six months, overall Australian revenue still ended the twelve months 9% ahead of the prior year, as the new display racking and sales initiatives implemented during the prior period had a positive effect on sales. In Australia, we also work closely with some of the large vehicle manufacturers to produce own branded products and whilst the margin from this revenue channel is lower than that enjoyed for our core automotive manuals, it has nevertheless been a solid growth area for this part of the business during the year.

Discussions between senior management and some of our largest US retailers to find solutions to reverse the softer manual sales are continuing. However, US management takes comfort from those retail customers where new marketing initiatives and product promotions have been implemented and have had a positive impact on sales performance.

In light of the softer revenue figures, segmental operating profit in local currency ended the year at $2.8 million (2012: $4.2 million) which after translation to Sterling was down 31% at £1.8 million (2012: £2.6 million).

United Kingdom and Europe

At the half year stage we had experienced a disappointing six months of trading in both our UK automotive and general publishing divisions, with revenue shortfalls against the prior period of 12% and 19% respectively. Whilst, we have experienced a slight improvement in the demand for our UK automotive manuals during the second six months, with sales of owner workshop manuals up 2% and overall automotive manual sales ending the year 7% down on last year, this more positive trend has not carried over into our general publishing division. The difficult trading conditions of the first six months continued into the second half of the year, with revenue from our non-automotive titles during the second six months down 17%, leaving overall revenue in this division 18% lower than the prior year.

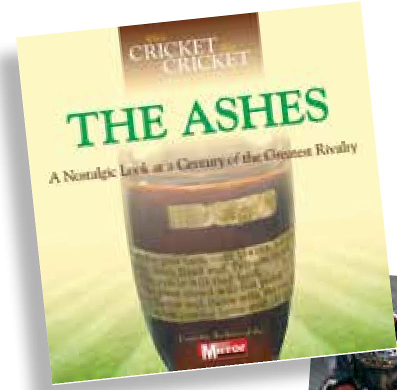
In mainland Europe, HaynesPro (having rebranded from Vivid Automotive in September 2012) has experienced another strong year of revenue growth, with local currency revenue ending the year 13% ahead of the prior year. The continued success of the HaynesPro business is built on an ability to design and develop new products and in September 2012, at the Automechanika show in Frankfurt, the business launched SmartCASE™ a unique database which allows mechanics to resolve issues and problems with help and tips from industry experts, for a wide range of European and Asian vehicles. This was followed by the launch of 'ProFIT', a new module which allows parts manufacturers to provide on-line

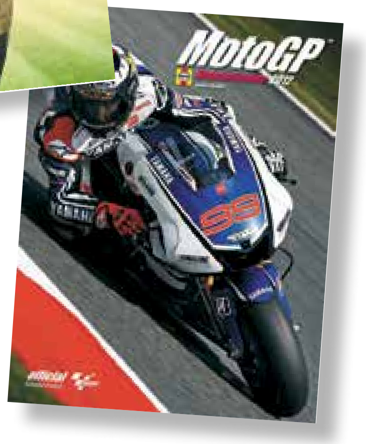
installation instructions in 23 different languages on a comprehensive range of platforms including tablets, PCs and smart phones. The new module will also provide HaynesPro with an opportunity to market the product as an alternative solution in geographical regions where parts catalogues with fully integrated technical data sets are not yet widely used.

In light of the lower UK sales, overall UK and European revenue ended the year down 5% at £13.7 million (2012: £14.4 million) and with higher HaynesPro development cost amortisation of £0.4 million, UK and European segmental operating profit ended the period down 50% at £0.9 million (2012: £1.8 million).

Taxation

The Group's charge to taxation during the year was £1.1 million (2012: £1.5 million) with an effective rate of 31.3% (2012: 31.6%). The total charge for taxation during the year 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. This mix of profits in different tax jurisdictions is reflected in the Group's effective tax rate.





Working capital and cash flows

During the year the Group acquired new freehold premises in Bucharest at a cost of €0.5 million to accommodate the growing team of digital technicians in the Romanian business. Yet despite this one-off capital expenditure and the pressures on our core revenue streams during the year, the operating profit to cash conversion rate remained strong, with the Group's net cash inflow from continuing operations before tax ending the year at £6.9 million (2012: £8.7 million) which represented 184% of Group operating profit (2012: 170%).

Revenue from digital sources have increased from just over 10% to nearly 20% in five years and a large proportion of this revenue is either contract or subscription based and in the case of our professional product ranges, the contracts can be up to three years in duration. Therefore, this provides management with an increasingly valuable visibility when forecasting future revenue and cash flows.

Group Chief Executive's Review
(continued)

Pensions
As at 31 May 2013, the aggregate deficit on the Group's two defined benefit schemes (UK and US) as reported in accordance with IAS 19 was £12.1 million (2012: £10.0 million) with total scheme assets of £28.5 million (2012: £25.2 million) and total scheme liabilities of £40.6 million (2012: £35.2 million). A reduction in the US discount rate from 5.0% to 4.5% and a higher UK inflation assumption from 2.3% to 3.1% are the principal factors contributing to the higher reportable deficit. It is relevant to note that this is the deficit measured under IAS 19 and not the deficit derived from the valuation methodologies adopted by the UK and US Scheme actuaries to determine the level of on-going funding for the two schemes.

An amendment to IAS 19 is effective for companies with financial year-ends beginning on or after 1 January 2013 and will impact the Group for the first time next year. In line with the provisions of the new standard, the Company will be required to use the schemes' discount rate to calculate the return on assets rather than using an average rate of return for each class of asset as appropriate. The change is expected to reduce the income generated by the schemes' assets, as recorded within the Income Statement, by approximately £0.4 million.

Group outlook
The priority over the coming months will be the implementation of the recommendations from the strategic review which will help reduce the cost base of our UK business and focus publishing activities on to the higher margin titles. Some of the recommendations such as the relocation of the UK business may take longer to implement, but work on these important projects will commence shortly. The expected one-off costs of the restructuring programme which primarily relate to employee and author contract exit costs will be £1.3 million and will have a negative impact on our financial performance in the current year. However, following the restructuring, the cost savings to the UK business are anticipated to be £0.5 million in 2014/15, rising to £0.7 million in 2015/16. I am confident that with the actions we have taken the UK element of the UK & European business will return to profit.

On Tuesday 17 September 2013 the Group acquired the trade and assets of Clymer and Intertec Manuals in the United States. Clymer is the market leader worldwide in DIY repair manuals for Motorcycles thereby making Haynes now the dominant force in DIY repair for motorcycles. Clymer also takes us into new markets for inboard and outboard marine applications, personal watercraft and snowmobiles and Intertec takes us into the agricultural equipment market (primarily farm tractors). The transaction is earnings enhancing with good profit opportunities through synergies and enhancement of product offerings into various digital platforms through the skills at HaynesPro. The deal was a cash transaction funded through existing resources including almost 60% internal cash and the balance in debt. It is anticipated that in simple payback terms it will pay back in under four years on the basis of current sales.

We will also seek to utilise our strong financial position to pursue other acquisitions which will help the Group achieve sustainable revenue and earnings growth.

Eric Oakley
Group Chief Executive
20 September 2013

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	**Charles Stanley & Co. Limited** 131 Finsbury Pavement, London EC2A 1NT
Registrars	**Capita IRG PLC** Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Group Board

Executive Director Biographies

J Haynes

Group Chairman

J (46) 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

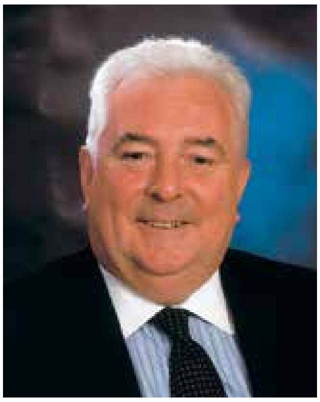
Dan (67) was appointed as Group Finance Director on 1 June 2002. He is resident in California and is a Certified Public Accountant. He started his career with Arthur Young and Co. (now part of Ernst & Young) before going into private industry where he gained experience in the construction, cable television 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 HaynesPro

Alex (58) 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. In September 2012, the Vivid Group was rebranded as HaynesPro.

Non-Executive Director Biographies



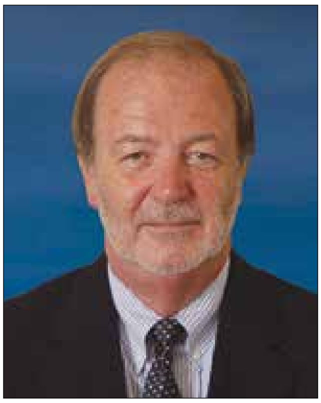
Eddie Bell

Non-Executive Director

Eddie Bell (64) 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 (67) 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 27 years Eric has been President of Haynes North America, Inc. Eric was appointed Group Chief Executive on 1 June 2002.

Jeremy Yates-Round

Managing Director UK & Europe

Jeremy (52) has worked in publishing for over 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. Jeremy was appointed to the Group Board in June 2010.

John Haynes

Founder Director

John's biography is the history of Haynes Publishing. John (75) 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 (45) 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 2013

- **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 4.0 pence per share (2012: 9.5 pence) making a total dividend for the year of 7.5 pence (2012: 15.7 pence). The final dividend will be payable on 30 October 2013 to members on the register of shareholders at the close of business on 11 October 2013. The shares will be declared ex-dividend on 9 October 2013.

- **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 2 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.

  J Yates-Round and A Kwarts 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 on the board 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 20 August 2013.

  At 31 May 2013 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 2013 and 31 May 2012 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 (JHC Haynes resigned as a Trustee of the Charitable Trust on 18 June 2013).

[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 (2012: 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 Corporate Governance Report 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 2013 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**
Miton Group plc	632,105	10.3
Haynes International Motor Museum	630,000	10.3
Axa Framlington S.A.	550,000	9.0

At 20 August 2013, there were no recorded changes in these holdings.

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 19 September 2013 (being the last business day prior to the approval of the Annual Report 2013) the Company's issued share capital consists of 9,000,000 'A' Ordinary shares and 7,351,540 Ordinary shares.

  As at 31 May 2013, the Company holds 1,240,000 Ordinary shares in treasury which represents 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 19 September 2013, 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 24 October 2012 :

  (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 2013, 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 2013, 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 2013 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 40% (2012: 43%) of the Group's revenue streams are generated in US Dollars, 28% (2012: 28%) in Sterling, 17% in Euros (2012: 15%) 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 £11,313 (2012: £13,048). 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.

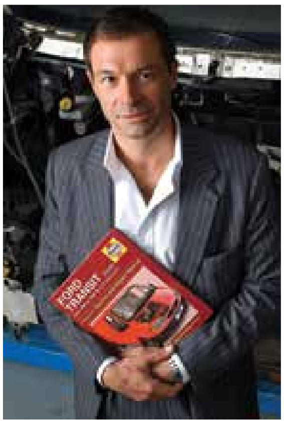
- **Directors' and officers' indemnity insurance** The Group purchases and maintains insurance for the directors and officers of the Parent Company including the trustees of the pension scheme when undertaking their duties in accordance with Sc 233 of the Companies Act 2006.
- **Disabled persons** The 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 2013 the amount of trade creditors as shown in the balance sheet represents 21 days of average purchases for the Company and 26 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
20 September 2013

Corporate Governance Report



Chairman's introduction

The principles of corporate governance are designed to improve company performance by helping boards discharge their duties in the best interests of shareholders, whilst facilitating efficient and entrepreneurial management.

For the year under review, the Haynes Board are reporting in line with the principles of the UK Corporate Governance Code ('the Code') published in June 2010 and as appended to the Listing Rules. The Code is not intended to be a rigid set of rules but rather 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 and accordingly, there are certain provisions within the Code which do not apply to companies outside of 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. In such instances Boards are required to disclose the area of strict non-compliance in their Annual Report.

Set out below is how we as a Board (and through our sub-committees) have discharged our duties under the Code during the year under review. We also provide details of where our governance differs from the strict provisions of the Code and the reasons for the divergence. For those who would like to view the full text of the Code, details can be found on the FRC website at www.frc.org.uk.

In September 2012, the Financial Reporting Council (FRC) published a new edition of the UK Corporate Governance Code which applies to relevant companies with financial year-ends beginning on or after 1 October 2012. Accordingly, the new edition of the Code will apply to the Company for the first time during our next financial year.

J Haynes
Group Chairman

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 present constitution of the Haynes Board provides a wide mix of skills and experience and with just under half of the Board resident outside the UK, the Board has a strong understanding of the global markets in which the Group's businesses operate. The Nomination Committee is responsible for succession planning and recommending new appointments to the Board and will make such recommendations based on the skills, knowledge and experience of the existing directors as well as the overall diversity of the Board.

- 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	1	3	1
JHC Haynes	6	1		1
E Oakley	6	1		
D Benhardus	6	1	3 [a]	
J Yates-Round	6	–		
A Kwarts	6	–		
JH Haynes	6	–		
E Bell	6	–	3	1
MEF Haynes	6	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.

Corporate Governance Report (continued)

- 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.

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 segment of the business, as well as risk management and business plans. The executive directors receive information on sales and margin for the individual businesses within the Group on a weekly basis, and for the major businesses such information can be accessed daily.

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

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

Through a combination of personal discussions, general observation and ongoing monitoring of performance, the contribution of each individual director has been assessed by the Chairman against expected standards. The process of ongoing monitoring and review helps the Chairman to ensure that the contribution of the directors continues to be to the agreed standards 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 Combined 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 23 October 2013 and all Board directors (including Committee chairmen) plan to be present and available to answer questions.

Accountability, audit, and audit committee

It is the intention of the Board through this 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.

Corporate Governance Report (continued)

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

Internal controls

By means of the systems and processes outlined below, the Board maintains a sound system of internal control to safeguard its assets and the 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 in between 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 2013, 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 along with forecast capital expenditure for the next five years. 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.

On behalf of the Board.

James Bunkum
Group Company Secretary
20 September 2013

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:

	2013 £000	2012 £000
Salaries and taxable benefits	1,079	1,054
Performance related bonuses	163	213
	1,242	1,267
Non-Executive Directors' fees	65	61
Total emoluments	1,307	1,328
Pension contributions	386	384
	1,693	**1,712**

(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.

Apart from A Kwarts who received an increase in base salary of 6%, the standard increase in executive directors' base salaries during the financial year commencing 1 June 2012 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 2013 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.

A Kwarts was entitled to a bonus of 2% of the net profit of the HaynesPro 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 HaynesPro Group is calculated as the consolidated profit before tax of HaynesPro Holding BV before the deduction of Haynes Group costs and before adjustments to comply with Group 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. 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. 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. 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 HaynesPro 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 $255,000 (£162,090). During the year, the Company made contributions under this arrangement in relation to E Oakley amounting to $377,746 (£240,113) and in relation to D Benhardus amounting to $180,308 (£114,612). As both E Oakley and D Benhardus have reached the age of 65, 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 $11,159 (£7,093) and for D Benhardus $10,285 (£6,538). 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 2008 to May 2013

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 2013

The emoluments of the individual directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits [1] £000	Total Emoluments £000	2012 Total £000
Executive					
JHC Haynes	128	19	6	153	161
E Oakley [2/4]	328	57	37	422	431
D Benhardus [4]	196	19	21	236	234
J Yates-Round	105	13	16	134	140
A Kwarts [3]	120	17	7	144	136
JH Haynes	108	38	7	153	165
	985	163	94	1,242	1,267
Non-Executive					
E Bell	41	-	-	41	38
MEF Haynes	24	-	-	24	23
	65	-	-	65	61
Total	**1,050**	**163**	**94**	**1,307**	**1,328**

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

[2] E Oakley waived $7,840 (£4,983) of his bonus received in respect of the year ending 31 May 2012. 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.

Board Report on Remuneration (continued)

8 Directors' accrued pension entitlements

	[Note]	Normal pensionable Age	Age	Years of pensionable service	Directors' contributions 2013 £000	Accrued benefit 2013 £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 2013 £000	Transfer value of accrued benefits 2012 £000	(Decrease)/ increase in transfer value excluding Directors' contributions £000
JHC Haynes	UK	61	46	11	14	52	8	84	641	632	(5)
E Oakley	US,MP	65	66	31	-	96	9	148	1,167	1,005	162
D Benhardus	US,MP	65	66	25	-	96	9	148	1,167	1,005	162
J Yates-Round	UK	61	52	13	10	51	14	220	824	604	210
JH Haynes	US	65	75	31	-	36	-	5	339	330	9

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 2012. The amounts in US Dollars were as follows:

	2013 $000	2012 $000
JH Haynes	515	508
E Oakley	1,772	1,547
D Benhardus	1,772	1,547

UK Member of the UK Scheme.
MP Also participates in a defined contribution ('Money Purchase') arrangement.

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 are provided earlier in this Report.

On behalf of the Board.

Eddie Bell
Chairman of the Remuneration Committee
20 September 2013

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 2013 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 notes to the Company Accounts. 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 and express an opinion on 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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.
- the information given in the corporate governance statement set out on pages 20 to 25 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 25, 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
20 September 2013

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 2013

		2013	2012
	Continuing operations	£000	£000
Note 2	**Revenue**	**27,632**	**29,814**
	Cost of sales	(11,490)	(11,964)
	Gross profit	**16,142**	**17,850**
	Other operating income	59	72
	Distribution costs	(6,922)	(7,073)
	Administrative expenses	(5,526)	(5,756)
Note 4	**Operating profit**	**3,753**	**5,093**
Note 6	Finance income	1,447	1,405
Note 7	Finance costs	(1,579)	(1,786)
	Profit before taxation from continuing operations	**3,621**	**4,712**
Note 8	Taxation	(1,135)	(1,487)
	Profit for the period from continuing operations	**2,486**	**3,225**
	Attributable to :		
	Equity holders of the Company	2,476	3,211
	Non-controlling interests	10	14
		2,486	**3,225**
Note 9	**Earnings per 20p share**	Pence	Pence
	Earnings per share from continuing operations		
	– Basic	16.4	20.0
	– Diluted	16.4	20.0

Consolidated Statement of Comprehensive Income
Year ended 31 May 2013

	2013 £000	2012 £000
Profit for the period	**2,486**	**3,225**
Other comprehensive income		
Exchange differences on translation of foreign operations	874	725
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	(1,948)	(888)
- US Scheme	(718)	934
Deferred tax on retirement benefit obligation		
- UK Scheme	448	213
- US Scheme	287	(373)
Deferred tax arising on change in UK corporation tax rate	(98)	(181)
Other comprehensive income recognised directly in equity	**(1,155)**	**430**
Total comprehensive income for the financial period	**1,331**	**3,655**
Attributable to :		
Equity holders of the Company	1,321	3,641
Non-controlling interests	10	14
	1,331	**3,655**

Financial Statements

Consolidated Balance Sheet
At 31 May 2013

		2013 £000	2012 £000
	Non-current assets		
Note 11	Property, plant and equipment	10,082	9,877
Note 12	Intangible assets	18,336	17,250
Note 17	Deferred tax assets	4,997	4,316
	Total non-current assets	**33,415**	**31,443**
	Current assets		
Note 13	Inventories	13,335	13,376
Note 14	Trade and other receivables	8,018	8,759
Note 15	Cash and cash equivalents	6,178	4,775
	Total current assets	**27,531**	**26,910**
	Total assets	**60,946**	**58,353**
	Current liabilities		
Note 16	Trade and other payables	(4,472)	(4,278)
	Current tax liabilities	(932)	(327)
Note 15	Bank overdrafts	(73)	-
	Total current liabilities	**(5,477)**	**(4,605)**
	Non-current liabilities		
Note 17	Deferred tax liabilities	(4,244)	(3,988)
Note 19	Retirement benefit obligation	(12,079)	(9,980)
	Total non-current liabilities	**(16,323)**	**(13,968)**
	Total liabilities	**(21,800)**	**(18,573)**
	Net assets	**39,146**	**39,780**
	Equity		
Note 20	Share capital	3,270	3,270
	Share premium	638	638
	Treasury shares	(2,447)	(2,447)
	Retained earnings	32,276	33,794
	Foreign currency translation reserve	5,370	4,496
	Capital and reserves attributable to equity shareholders	**39,107**	**39,751**
	Equity attributable to non-controlling interests	39	29
	Total equity	**39,146**	**39,780**

The financial statements were approved by the board of directors and authorised for issue on 20 September 2013 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Consolidated Statement of Changes in Equity

Year ended 31 May 2013

	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 2011	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**
Profit for the period	-	-	-	-	2,476	2,476	10	2,486
Other comprehensive income:								
Currency translation adjustments	-	-	-	874	-	874	-	874
Actuarial losses on defined benefit plans (net of tax)	-	-	-	-	(2,029)	(2,029)	-	(2,029)
Total other comprehensive income	-	-	-	874	(2,029)	(1,155)	-	(1,155)
Total comprehensive income	-	-	-	874	447	1,321	10	1,331
Dividends (note 10)	-	-	-	-	(1,965)	(1,965)	-	(1,965)
Balance at 31 May 2013	**3,270**	**638**	**(2,447)**	**5,370**	**32,276**	**39,107**	**39**	**39,146**

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2013

		2013	2012
	Cash flows from operating activities - continuing	£000	£000
	Profit after tax	2,486	3,225
	Adjusted for :		
	Income tax expense	1,135	1,487
	Interest payable and similar charges	2	1
	Interest receivable	(14)	(23)
	Interest charges on pension liabilities less expected return on pension assets	144	403
	Operating profit	3,753	5,093
	Depreciation on property, plant and equipment	843	962
	Amortisation of intangible assets	1,963	1,599
	IAS 19 pensions current service cost net of contributions paid	(736)	(867)
	Gain on disposal of property, plant and equipment	(7)	(26)
		5,816	6,761
	Changes in working capital :		
	Decrease in inventories	133	310
	Decrease in receivables	854	1,814
	Increase/(decrease) in payables	103	(208)
	Net cash generated from operations	**6,906**	**8,677**
	Tax paid	(433)	(1,545)
	Net cash generated by operating activities	**6,473**	**7,132**
	Investing activities		
	Disposal proceeds on property, plant and equipment	10	29
	Purchases of property, plant and equipment	(963)	(731)
	Expenditure on development costs	(2,389)	(2,198)
	Interest received	14	23
	Net cash used in investing activities	**(3,328)**	**(2,877)**
	Financing activities		
	Dividends paid	(1,965)	(2,490)
	Purchase of treasury shares	-	(2,447)
	Interest paid	(2)	(1)
	Net cash used in financing activities	**(1,967)**	**(4,938)**
Note 22	**Net increase in cash and cash equivalents**	**1,178**	**(683)**
	Cash and cash equivalents at beginning of year	4,775	5,383
	Effect of foreign exchange rate changes	152	75
Note 22	**Cash and cash equivalents at end of year**	**6,105**	**4,775**

Notes to the Consolidated Financial Statements

Year ended 31 May 2013

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 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below and the disclosures in notes 2 to 26 all relate to the Group's financial statements. The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP. The Parent Company Balance Sheet can be found on page 76 and the applicable accounting policies of the Parent Company are contained in notes 27 to 39.

Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and 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 2012/13

During the Group's financial year beginning 1 June 2012 the following new standards and amendments to standards became effective for the first time.

IFRS 7 (amendment): 'Financial Instruments: Disclosures', has been introduced to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position.

IAS 12 (amendment): 'Income Taxes', IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale.

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 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 2013

1 Principal accounting policies (continued)

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IAS 1 (amendment)	Presentation of Financial Statements: Other Comprehensive Income	1 July 2012
IAS 19 (amendment):	Employee benefits	1 January 2013
IFRS 7:	Financial Instruments: Disclosures	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 36 (amendment):	Impairment of Assets	1 January 2014
IFRIC 21:	Levies	1 January 2014
IFRS 9:	Financial Instruments	1 January 2015

In addition to the above, amendments resulting from the Annual Improvements 2009-2011 Cycle was issued in May 2012 with an effective date for periods commencing 1 January 2013. This was a collection of amendments to five standards including; IFRS 1 'First-time adoption of International Financial Reporting Standards', IAS 1 'Presentation of Financial Statements', IAS 16 'Property, Plant and Equipment', IAS 32 'Financial Instruments: Presentation' and IAS 34 'Interim Financial Reporting'.

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 with the exception of IAS19 (revised).

The amendments to IAS 19 Employee Benefits (Revised) are applicable for companies with financial year ends beginning on or after 1 January 2013 and so will impact the Group for the first time next year. The main impact for the Group will be to restrict the rate used to calculate the return on the scheme's assets, to the scheme's discount rate, rather than using a rate of return which is more appropriate to the various classes of asset. The change is expected to increase the net pension interest cost in next year's Consolidated Income Statement by approximately £0.35m.

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.

1 Principal accounting policies (continued)

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.

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

Financial Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2013

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	
	2013	2012	2013	2012
US dollar	1.52	1.54	1.57	1.59
Euro	1.17	1.24	1.22	1.18
Swedish krona	10.06	11.19	10.38	10.59
Australian dollar	1.58	1.59	1.53	1.53

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

Freehold land is not depreciated.

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

Financial Statements

Notes to the Consolidated Financial Statements
Year ended 31 May 2013

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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2013

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	2013 External revenue £000	2013 Non-current assets [1] £000	2012 External revenue £000	2012 Non-current assets [1] £000
United Kingdom	6,808	3,300	7,415	3,259
Rest of Europe	6,106	13,138	5,918	11,612
United States of America	11,164	10,202	12,888	10,509
Australia	2,553	1,778	2,496	1,747
Rest of World	1,001	-	1,097	-
Total*	**27,632**	**28,418**	**29,814**	**27,127**
*Analysed as follows:				
Revenue from sales of printed products	22,209		24,692	
Revenue from sales of digital data through subscriptions and software licenses	5,160		4,698	
Revenue from the sale of publishing rights and brand licensing arrangements	263		424	
Total consolidated revenue	**27,632**		**29,814**	

[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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3 Segment information (continued)

Analysis by operating segment	UK & Europe		North America & Australia		Consolidated	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Segmental revenue						
Total segmental revenue	14,022	14,780	16,162	17,745	30,184	32,525
Inter-segment sales [1]	(356)	(423)	(2,196)	(2,288)	(2,552)	(2,711)
Total external revenue [2]	**13,666**	**14,357**	**13,966**	**15,457**	**27,632**	**29,814**
Segment result						
Segment operating profit before interest	885	1,759	1,746	2,606	2,631	4,365
Interest receivable	5	3	9	20	14	23
Interest payable	-	-	-	(1)	-	(1)
Segment profit after interest	**890**	**1,762**	**1,755**	**2,625**	**2,645**	**4,387**
Unallocated head office income less expenses					(152)	(246)
Segment profit before tax and adjustments					**2,493**	**4,141**
Reconciliation to consolidated profit before tax :						
IAS 16 Property, plant & equipment [3]					70	30
IAS 19 Employee benefits [4]					836	322
IFRS 3 Business combinations [5]					222	219
Consolidated profit before tax					**3,621**	**4,712**
Taxation [6]					(1,135)	(1,487)
Consolidated profit after tax					**2,486**	**3,225**

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

[2] Included within the overall revenue figures is revenue of £2.8 million (2012: £3.1 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 £106,000 (2012: £206,000) which relates to the UK & European operations and £780,000 (2012: £1,024,000) which relates to the North American & Australian operations.

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2013 £000	North America & Australia 2013 £000	Eliminations 2013 £000	Consolidated 2013 £000
Segment assets				
Property, plant and equipment	999	5,613	-	6,612
Intangible assets	5,650	1,952	-	7,602
Working capital assets	10,746	17,804	(929)	27,621
Segment total assets	**17,395**	**25,369**	**(929)**	**41,835**
Unallocated head office assets [5]				11,815
Unallocated head office eliminations				(2,368)
				51,282
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,296
IAS 19 Employee benefits [2]				2,934
IAS 38 Intangible assets [3]				1,520
IFRS 3 Business combinations [4]				3,914
Consolidated total assets				**60,946**
Segment liabilities				
Segment working capital liabilities	3,579	3,775	(1,307)	6,047
Unallocated head office liabilities [5]				11,786
Unallocated head office eliminations				(84)
				17,749
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				(193)
Deferred tax				4,244
Consolidated total liabilities				**21,800**

[1] In the segmental reporting, freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.

[2] In the segmental reporting, pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the 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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Year ended 31 May 2013

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 adjustment to depreciation.

[2] In the segmental reporting, pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the 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.

3 Segment information (continued)

Other segment information

	UK & Europe 2013 £000	North America & Australia 2013 £000	Consolidated 2013 £000	UK & Europe 2012 £000	North America & Australia 2012 £000	Consolidated 2012 £000
Segment additions to non-current assets	3,093	209	3,302	2,333	596	2,929
Unallocated additions to non-current assets			50			-
Total additions to non-current assets			**3,352**			**2,929**
Segment depreciation & amortisation	2,187	618	2,805	1,836	710	2,546
Unallocated depreciation & amortisation			1			15
Total depreciation & amortisation			**2,806**			**2,561**

4 Operating profit

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

		2013 £000	2012 £000
Net foreign exchange losses		49	38
Depreciation of property, plant and equipment		843	962
Amortisation of intangible assets		1,963	1,599
Profit on sale of property, plant and equipment		(7)	(26)
Cost of inventories recognised as an expense		5,691	6,491
Operating lease rentals	– Land and buildings	205	216
	– Plant and equipment	209	238
Staff costs (see note 5)		10,282	10,519

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Year ended 31 May 2013

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:

	2013 £000	2012 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	35	35
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	93	87
– Other services pursuant to legislation	11	11
– Transaction support services	2	2
– Tax services	69	68
Fee's payable in respect of the Group's pension plans:		
– Audit	4	6
	214	**209**

5 Staff costs

Employees

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

	2013 number	2012 number
Production	153	135
Selling and distribution	53	53
Administration	42	44
	248	**232**

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	8,509	8,675
Employer's social security costs	798	816
Employer's pension costs - defined benefit schemes (note 19)	571	633
Employer's pension costs - defined contribution schemes	404	395
	10,282	**10,519**

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

	2013 £000	2012 £000
Interest receivable on bank deposits	14	23
Expected return on pension scheme assets (note 19)	1,433	1,382
	1,447	**1,405**

7 Finance costs

	2013 £000	2012 £000
Interest payable on bank loans and overdrafts	2	1
Interest charge on pension scheme liabilities (note 19)	1,577	1,785
	1,579	**1,786**

8 Taxation

	2013 £000	2012 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	(70)	70
– Foreign tax	1,083	1,088
– Adjustments in respect of prior periods	8	(3)
	1,021	**1,155**
Deferred tax (note 17):		
– Origination and reversal of temporary differences	114	332
Total taxation in the Consolidated Income Statement	**1,135**	**1,487**

In April 2013 the rate of UK corporation tax changed from 24% to 23% giving an effective rate of 23.8% for the financial year ended 31 May 2013. Included in the deferred tax charge above is an amount of £16,000 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 21% 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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Year ended 31 May 2013

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 23.8% (2012: 25.7%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	3,621	4,712
Taxation calculated at the standard rate of corporation tax in the UK of 23.8% (2012: 25.7%)	862	1,211
Affected by:		
Variance in overseas tax rates	262	371
Income/expenses not chargeable/deductible for tax	3	(91)
Adjustments relating to prior years	8	(4)
Total tax charge for the year reported in the Consolidated Income Statement	**1,135**	**1,487**
Effective tax rate	31.3%	31.6%

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 2013 was £25.5 million (2012: £25.4 million).

9 Earnings per share

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

	2013 £000	2012 £000
Earnings:		
Profit after tax - continuing operations [1]	2,476	3,211
Number of shares: [2]		
Weighted average number of shares (note 20)	15,111,540	16,082,851
Basic earnings per share (pence)	16.4	20.0

[1] Adjusted to exclude a profit of £10,000 (2012: £14,000) attributable to non-controlling interests.
[2] During the year the Company held 1,240,000 of its ordinary shares in treasury.

As at 31 May 2013 and 31 May 2012 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

	2013 £000	2012 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2012 of 9.5p per share (2011: 9.5p per share)	1,436	1,553
Interim dividend for the year ended 31 May 2013 of 3.5p per share (2012: 6.2p per share)	529	937
	1,965	**2,490**
Proposed final dividend for the year ended 31 May 2013 of 4.0p per share (2012: 9.5p per share)	604	1,436

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 23 October 2013 and has not been included as a liability in these financial statements.

As at 31 May 2013, the Company holds 1,240,000 Ordinary shares in treasury which represents 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.

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11 Property, plant and equipment

	Land and buildings			
	Freehold	Short leasehold	Plant and equipment	Total
Cost	£000	£000	£000	£000
At 1 June 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**
Additions	528	5	430	963
Exchange rate movements	79	8	177	264
Disposals	-	-	(69)	(69)
At 31 May 2013	**7,786**	**704**	**18,521**	**27,011**
Accumulated depreciation				
At 1 June 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**
Exchange rate movements	20	4	152	176
Charge for the year	21	19	803	843
Disposals	-	-	(66)	(66)
At 31 May 2013	**1,637**	**428**	**14,864**	**16,929**
Net book value at 31 May 2013	**6,149**	**276**	**3,657**	**10,082**
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

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 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**
Exchange rate movements	77	80	169	697	2	1,025
Additions	-	-	-	2,389	-	2,389
At 31 May 2013	**8,391**	**1,353**	**2,790**	**11,879**	**151**	**24,564**
Accumulated amortisation						
At 1 June 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**
Exchange rate movements	-	-	-	365	-	365
Charge for the period	-	-	-	1,963	-	1,963
At 31 May 2013	**-**	**-**	**-**	**6,228**	**-**	**6,228**
Carrying value as at 31 May 2013	**8,391**	**1,353**	**2,790**	**5,651**	**151**	**18,336**
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

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.

In order to assess whether impairment has occurred, the cash flows of the CGU's have been projected over a 5 year period, based on annual financial budgets which have been 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 HaynesPro Holding BV at 3%; with a long term growth rate of 2% used for both CGU's), sales pricing and changes in direct costs which have been based on historical performance and predicted future outcomes.

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12 Intangible assets (continued)

The rate used to discount the forecast cash flows in both CGU's was 15% (2012: 15%). Based on the impairment reviews undertaken in relation to both the Haynes North American and HaynesPro 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 (2012: £nil).

The intangible assets in relation to trademarks and domain names and know how are assigned indefinite useful lives and relate to HaynesPro Holding BV in the Netherlands and Bookworks Pty Ltd in Australia. Both HaynesPro and Bookworks have strong reputations in their respective market places. Bookworks is a leading distributor of technical automotive publications in Australia while HaynesPro 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 likely 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:

	2013 £000	2012 £000
Unit:		
Haynes North America	5,679	5,602
HaynesPro Holding BV	2,712	2,712
	8,391	**8,314**

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

	2013 £000	2012 £000
Unit:		
Haynes North America	185	182
HaynesPro Holding BV	9,760	8,754
	9,945	**8,936**

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

	2013 £000	2012 £000
Cost of sales	**1,963**	**1,599**

13 Inventories

	2013 £000	2012 £000
Raw materials	285	350
Work in progress	1,630	1,394
Finished goods	11,420	11,632
	13,335	**13,376**

The carrying value of inventory represents cost less appropriate provisions. During the year there was a net charge of £132,000 (2012: £166,000) to the Consolidated Income Statement in relation to the inventory provisions. The movement in the inventory provisions are included within cost of sales in the Consolidated Income Statement.

Included within finished goods stock is £6.7 million (2012: £7.1 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

	2013 £000	2012 £000
Amounts falling due within one year:		
Trade receivables	7,901	9,033
Less: Provision for impairment	(140)	(175)
Less: Customer allowances	(916)	(958)
	6,845	**7,900**
Other debtors and prepayments	1,173	859
	8,018	**8,759**

	2013 £000	2012 £000
Analysis of trade receivables:		
Neither impaired nor past due	6,658	7,861
Past due but not impaired	1,103	997
Impaired	140	175
	7,901	**9,033**

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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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 2013 £000	Impaired 2013 £000	Past due but not impaired 2012 £000	Impaired 2012 £000
Less than 30 days past due	672	93	687	110
30 to 90 days past due	308	-	300	6
Greater than 90 days past due	123	47	10	59
	1,103	**140**	**997**	**175**

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

	2013 £000	2012 £000
Balance at 1 June	175	217
Amounts charged to the Consolidated Income Statement	(23)	(16)
Amounts written-off as uncollectable	(17)	(23)
Exchange rate movement	5	(3)
Balance at 31 May	**140**	**175**

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

	2013 £000	2012 £000
US dollars	3,107	4,568
Sterling	2,592	2,438
Euro	1,251	872
Australian dollars	1,066	879
Other currencies	2	2
	8,018	**8,759**

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)

	2013 £000	2012 £000
Cash at bank and in hand	6,178	4,775
Bank overdrafts	(73)	-
Cash and cash equivalents in the cash flow statement (note 22)	**6,105**	**4,775**

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 (2012: £1.0 million) overdraft facility, together with guarantees from the UK and European trading companies. In the Netherlands, HaynesPro Holding has a €0.4 million (2012: €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:

	2013 £000	2012 £000
US dollars	5,201	2,829
Sterling	(70)	428
Euro	714	1,055
Australian dollars	222	371
Other currencies	38	92
	6,105	**4,775**

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

	2013 £000	2012 £000
Amounts falling due within one year:		
Trade payables	794	759
Other taxes and social security costs	243	186
Other creditors and accruals	3,435	3,333
	4,472	**4,278**

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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Year ended 31 May 2013

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:

	2013 £000	2012 £000
Falling due within one year:		
US dollars	1,427	1,334
Sterling	1,774	1,771
Euro	993	827
Australian dollars	261	331
Other currencies	17	15
	4,472	**4,278**

17 Deferred tax assets and liabilities

	2013 Assets £000	2013 Liabilities £000	2013 Net total £000	2012 Assets £000	2012 Liabilities £000	2012 Net total £000
Property, plant & equipment	-	(2,258)	(2,258)	-	(2,224)	(2,224)
Employee benefits	2,925	-	2,925	2,435	-	2,435
Short-term temporary differences	2,072	-	2,072	1,881	-	1,881
Intangible assets	-	(1,986)	(1,986)	-	(1,764)	(1,764)
Net deferred tax asset	**4,997**	**(4,244)**	**753**	**4,316**	**(3,988)**	**328**

	2013 £000	2012 £000
Balance at 1 June	328	836
Transfer to Consolidated Income Statement	(114)	(332)
Transfer to equity	637	(341)
Exchange rate movement	(98)	165
Balance at 31 May	**753**	**328**

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 $1.57.

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 £0.4 million net of allowances for doubtful recovery (2012: £0.3 million).

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

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Notes to the Consolidated Financial Statements

Year ended 31 May 2013

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 2013 the Group had a £1.0 million UK overdraft facility (2012: £1.0 million) which is due for renewal in October 2013, a €0.4 million overdraft in Europe (2012: €0.4 million) which has no fixed renewal date and a $11.0 million loan facility in the US (2012: $11.0 million) which is due for renewal in October 2013.

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 2013 there were no bank loans outstanding (2012: £nil) and bank overdrafts outstanding of £0.1 million (2012: £nil). Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis

As all of the Group's borrowings are subject to variable interest rates the Group does have an exposure to a change in the market rates of interest. Management have not undertaken a sensitivity analysis on the impact of movement in the bank base rate as they deem it would have an immaterial effect on Group results due to the level of the overdraft at the year end.

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 to maximise shareholder value. The Group monitors its capital structure and makes adjustments as and when it is deemed necessary and appropriate to do so using such methods as adjusting the dividend payment to shareholders or the issuing of new shares.

Interest cover	2013	2012
Operating profit (£000)	3,753	5,093
Net finance costs (£000)	132	381
Interest cover (ratio)	28	13

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)

Net gearing ratio	2013	2012
Net debt (£000)	-	-
Total equity (£000)	39,146	39,780
Net gearing ratio (%)	-	-

The net 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, relating to the retirement benefit obligation, 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:

	2013 £000	2012 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(571)	(633)
Amounts included in finance income:		
– Expected return on pension scheme assets	1,433	1,382
Amounts included in finance costs:		
– Interest charge on pension scheme liabilities	(1,577)	(1,785)
Amount recognised in the Consolidated Income Statement	**(715)**	**(1,036)**

	2013 £000	2012 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	28,508	25,230
Present value of defined benefit obligation	(40,587)	(35,210)
Net deficit recognised in Consolidated Balance Sheet	**(12,079)**	**(9,980)**

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Notes to the Consolidated Financial Statements

Year ended 31 May 2013

19 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2013 UK Scheme % per annum	2012 UK Scheme % per annum
Discount rate	4.20	4.20
Salary escalation	2.00	2.00
Price inflation	3.10	2.30
Increases to pensions in deferment	2.30	2.00
Pension increases on benefits up to 12 July 2011	3.00	2.20
Pension increases on benefits after 12 July 2011	2.40	2.00
Expected return on invested assets	5.90	6.34
Expected return on insurance annuity contracts	4.20	4.20

	2013 US Plan % per annum	2012 US Plan % per annum
Discount rate	4.50	5.00
Salary escalation	2.00	2.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00
Expected return on invested assets	5.00	5.00

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% (2012: 1%) and the life expectancies underlying the valuation are as follows:

	2013 Years	2012 Years
Current pensioners (at age 65) - Male	21.60	21.40
Current pensioners (at age 65) - Females	24.40	24.20
Future pensioners (at age 65) - Males	23.50	23.30
Future pensioners (at age 65) - Females	26.20	26.00

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:

	2013 Years	2012 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 2013 were as follows:

	Rate of return %	UK Scheme 2013 Value £000	Rate of return %	UK Scheme 2012 Value £000
Group investment linked policy				
– Equities	7.0	5,466	7.0	4,217
– Other bonds	4.2	3,753	4.2	2,804
– Cash	0.5	2,112	0.5	285
– Property	6.0	15	7.1	2,018
– Target return fund	6.0	6,178	7.0	5,371
	5.9	17,524	6.3	14,695
Secured pensions in payment	4.2	1,689	4.2	1,620
Assets at fair value		**19,213**		**16,315**

	Rate of return %	US Plan 2013 Value £000	Rate of return %	US Plan 2012 Value £000
Group investment linked policy				
– Bonds	5.0	9,295	5.0	8,915
Assets at fair value		**9,295**		**8,915**

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 2013 and represent a best estimate of future returns for that class allowing for risk premiums where appropriate.

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Year ended 31 May 2013

19 Retirement benefit obligation (continued)

	UK Scheme 2013 £000	US Plan 2013 £000	Total 2013 £000	UK Scheme 2012 £000	US Plan 2012 £000	Total 2012 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(30,425)	(10,162)	(40,587)	(26,047)	(9,163)	(35,210)
Assets at fair value	19,213	9,295	28,508	16,315	8,915	25,230
Net liability recognised in the Consolidated Balance Sheet	**(11,212)**	**(867)**	**(12,079)**	**(9,732)**	**(248)**	**(9,980)**

Amount recognised through the Consolidated Statement of Comprehensive Income

	UK Scheme 2013 £000	US Plan 2013 £000	Total 2013 £000	UK Scheme 2012 £000	US Plan 2012 £000	Total 2012 £000
Actuarial gain/(loss) during the year	(1,824)	(718)	(2,542)	(764)	934	170
UK Scheme expenses paid by the Company	(124)	-	(124)	(124)	-	(124)
	(1,948)	(718)	(2,666)	(888)	934	46
Deferred tax on actuarial gain/(loss)	448	287	735	213	(373)	(160)
Deferred tax arising on change in UK corporation tax rate	(98)	-	(98)	(181)	-	(181)
	(1,598)	**(431)**	**(2,029)**	**(856)**	**561**	**(295)**

	UK Scheme 2013 £000	US Plan 2013 £000	Total 2013 £000	UK Scheme 2012 £000	US Plan 2012 £000	Total 2012 £000
Actual return on assets						
Expected return on plan assets	997	436	1,433	999	383	1,382
Actuarial gain/(loss) on plan assets	1,628	(203)	1,425	(823)	(28)	(851)
	2,625	**233**	**2,858**	**176**	**355**	**531**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £6.6 million (2012: £4.1 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 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 1 June 2012	**26,047**	**9,163**	**35,210**
Current service cost	203	486	689
Interest cost	1,091	486	1,577
Employee contributions	172	-	172
Past service costs	-	6	6
Actuarial losses	3,452	516	3,968
Foreign currency exchange rate changes	-	158	158
Benefits	(540)	(653)	(1,193)
Present value of DBO at 31 May 2013	**30,425**	**10,162**	**40,587**

Reconciliation of fair value of assets	UK Scheme £000	US Plan £000	Total £000
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 1 June 2012	**16,315**	**8,915**	**25,230**
Expected return on plan assets	997	436	1,433
Actuarial gains/(losses) on plan assets	1,628	(203)	1,425
Foreign currency exchange rate changes	-	133	133
Employer contributions	641	667	1,308
Employee contributions	172	-	172
Benefits	(540)	(653)	(1,193)
Fair value of assets at 31 May 2013	**19,213**	**9,295**	**28,508**

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Notes to the Consolidated Financial Statements

Year ended 31 May 2013

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 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 1 June 2012	**9,732**	**248**	**9,980**
Total pension expense	297	542	839
Employer contributions	(641)	(667)	(1,308)
Impact of foreign currency exchange rates	-	26	26
Actuarial losses	1,824	718	2,542
Defined benefit liability at 31 May 2013	**11,212**	**867**	**12,079**

History of experience adjustments

		2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligation		(40,587)	(35,210)	(33,713)	(34,248)	(25,360)
Fair value of scheme assets		28,508	25,230	23,279	20,231	14,970
Net deficit		**(12,079)**	**(9,980)**	**(10,434)**	**(14,017)**	**(10,390)**
Experience adjustments on scheme liabilities						
Amount	£000	(3,968)	1,020	25	753	(147)
Experience adjustments on scheme assets						
Amount	£000	1,425	(851)	1,249	2,515	(4,737)

Expected contributions in the forthcoming year	Financial year beginning 1 June 2013 £000
Group contributions	
– UK Scheme	666
– US Plan	922
	1,588
Employee contributions	164
	1,752

20 Share capital and reserves

	2013 No.	2012 No.	2013 £000	2012 £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**

20 Share capital and reserves (continued)

The 31 March 1982 share price for capital gains tax purposes is 125p and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes 41.67p. At 31 May 2013 the share price was 180p (2012: 180p), with a high of 205p (2012: 255p) and a low of 155p (2012: 180p) 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 share, subject to the further provisions of the Articles of Association and the Companies Acts.

Share premium

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

Treasury shares

As at 31 May 2013, the Company holds 1,240,000 Ordinary shares in treasury which represents 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.

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 31.

Transactions with related parties

The interests of the directors in the Ordinary share capital of the Company as at 31 May 2013 are shown in the Directors' Report on page 17 as required by the FSA's Disclosure Transparency rules.

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 2013 was $207,214 (2012: $207,214) or £131,715 (2012: £130,111) 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 (2012: £64,544).

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Year ended 31 May 2013

21 Related party transactions (continued)

(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 2013 £000	Balance at 31 May 2013 £000	Transactions 2012 £000	Balance at 31 May 2012 £000
Supply of conference facilities	6	-	6	1
Purchase of books and manuals	14	2	14	(2)

JH Haynes and JHC Haynes are Trustees of the Charitable Trust (JHC Haynes resigned as a Trustee of the Charitable Trust on 18 June 2013).

(4) Haynes Developments Limited, which is a company controlled by JH Haynes and Mrs AC Haynes, and JHC Haynes and MEF Haynes are directors subleased 600sq ft of office premises on the main Sparkford site from 1 June to 2012 until 21 October 2012. The amount received by the Company for rent and service charges during this period was £1,260 (2012: £5,088).

(5) Tenancy of No. 12 Ivel Gardens, Ilchester - owned by Mrs AC Haynes and let to Haynes Publishing Group P.L.C., with Haynes Developments Limited acting as agent for lessor. The amount paid by the Company for rent and service charges during this period was £10,075 (2012: £10,047). As at 31 May 2013 the balance outstanding to Haynes Developments Limited was £803 (2012: £792).

(6) On 15 November 2012 the Company engaged the services of New Century Media Limited to undertake financial PR on behalf of the Company. Mr E Bell is a non-executive director of the Company and of New Century Media Limited. During the period the Company paid £48,868 to New Century Media Limited for financial PR services.

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.

	2013 £000	2012 £000
Short term employee benefits	1,307	1,328
Post employment benefits	386	384
	1,693	**1,712**

22 Analysis of the changes in net funds

	As at 1 June 2012 £000	Cash flow £000	Exchange movements £000	As at 31 May 2013 £000
Cash at bank and in hand	4,775	1,251	152	6,178
Bank overdrafts	-	(73)	-	(73)
	4,775	**1,178**	**152**	**6,105**

23 Operating leases

As at 31 May 2013 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	2013 £000	2012 £000
Land and buildings:		
Due within one year	79	133
Due in the second to fifth years	19	62
	98	**195**
Plant and equipment:		
Due within one year	117	100
Due in the second to fifth years	160	158
	277	**258**
	375	**453**

24 Capital commitments

At 31 May 2013 the Group had no capital commitments (2012: £nil).

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.

26 Post balance sheet event – acquisition of a business

On 17 September 2013, Haynes North America Inc, a 100% subsidiary of the Group, acquired the trade and certain assets and liabilities including intellectual property, trade receivables and finished goods inventory marketed and sold under the Clymer and Intertec brands from Penton Media, Inc in the USA. Clymer is the world leader in the sales of motorcycle and ATV repair manuals as well as producing a range of titles on marine and outdoor garden equipment, personal watercraft, snowmobiles and tractors. The cash consideration for the acquisition was £5.85 million ($9.25 million).

Due to the proximity of the acquisition to the date the financial statements were authorised for issue by the Board it has not been possible to provide all of the information required for disclosure in accordance with IFRS 3 ‘Business Combinations’. The main areas of non-disclosure include a qualitative description of the factors which make up goodwill and a fair value of the trade receivables and the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed. Full disclosure of the items required under IFRS 3 will be included in the November 2013 half year report.

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Company Balance Sheet
At 31 May 2013

		2013 £000	2012 £000
	Fixed assets		
Note 30	Tangible assets	2,279	2,317
Note 31	Investments in subsidiary undertakings	7,106	7,106
		9,385	9,423
	Current assets		
Note 32	Debtors	353	233
	Cash at bank and in hand	21	20
		374	253
Note 33	**Creditors:** amounts falling due within one year	(582)	(620)
	Net current assets	**(208)**	**(367)**
	Total assets less current liabilities	**9,177**	**9,056**
Note 35	Provisions for liabilities	(273)	(301)
	Net assets	**8,904**	**8,755**
	Capital and reserves		
Note 36	Called up share capital	3,270	3,270
Note 37	Share premium	638	638
Note 37	Treasury shares	(2,447)	(2,447)
Note 37	Profit and loss account	7,443	7,294
	Shareholders' funds	**8,904**	**8,755**

The financial statements were approved by the board of directors and authorised for issue on 20 September 2013 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Notes to the Company Accounts
Year ended 31 May 2013

27 Principal accounting policies

Basis of accounting

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

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

Foreign currencies

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

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are 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 buildings	40 years
Leasehold property	The period of the lease
Plant and equipment	3 years to 10 years

Freehold land is not depreciated.

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.

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Notes to the Company Accounts

Year ended 31 May 2013

27 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 profit and loss account 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.

28 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is presented as part of these financial statements.

The profit dealt with in the Company accounts was £2.1 million (2012: £4.3 million) which includes dividends received from subsidiaries of £2.2 million (2012: £4.4 million).

Employees	2013 £000	2012 £000
Aggregate remuneration of employees:		
Wages and salaries	347	393
Employer's social security costs	44	34
Employer's pension costs	9	15
	400	**442**

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 £35,450 (2012: £34,850). 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.

29 Dividends

Amounts recognised as distributions to equity holders in the period:	2013 £000	2012 £000
Final dividend for the year ended 31 May 2012 of 9.5p per share (2011: 9.5p per share)	1,436	1,553
Interim dividend for the year ended 31 May 2013 of 3.5p per share (2012: 6.2p per share)	529	937
	1,965	**2,490**

Proposed final dividend for the year ended 31 May 2013 of 4.0p per share (2012: 9.5p per share)	604	1,436

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 23 October 2013 and has not been included as a liability in these financial statements.

As at 31 May 2013, the Company holds 1,240,000 Ordinary shares in treasury which represents 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.

30 Tangible fixed assets

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2012	4,003	97	104	4,204
Additions	50	-	-	50
Cost at 31 May 2013	**4,053**	**97**	**104**	**4,254**
Accumulated depreciation at 1 June 2012	1,701	89	97	1,887
Charge for year	84	4	-	88
Accumulated depreciation at 31 May 2013	**1,785**	**93**	**97**	**1,975**
Net book value at 31 May 2013	**2,268**	**4**	**7**	**2,279**
Net book value at 31 May 2012	2,302	8	7	2,317

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2012: £3,613,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

31 Investment in subsidiary undertakings

The Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost and carrying value at 1 June 2012 and 31 May 2013	7,106	–	**7,106**

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Year ended 31 May 2013

31 Investment in subsidiary undertakings (continued)

As at 31 May 2013 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
HaynesPro Holding BV (Holding)	The Netherlands
HaynesPro BV (Data production, IT development and sales)*	The Netherlands
HaynesPro (UK) Ltd (Data production)*	United Kingdom
HaynesPro Espana SL (Sales)*	Spain
HaynesPro srl (Sales)* [1]	Italy
HaynesPro Data srl (Data production and IT development)*	Romania

As at 31 May 2013, 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, *HaynesPro Commerce (UK) Ltd and *Partsdoc Holding BV.

[1] Through HaynesPro BV the Group has a 60% interest in the equity of HaynesPro srl (2012: 60%).

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

32 Debtors

Amounts falling due within one year:	2013 £000	2012 £000
Amounts owed by subsidiary undertakings	315	195
Other debtors and prepayments	38	38
	353	**233**

33 Creditors

Amounts falling due within one year:	2013 £000	2012 £000
Trade creditors	31	15
Amounts owed to subsidiary companies	84	230
Other taxes and social security costs	2	3
Other creditors and accruals	465	372
	582	**620**

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

34 Financial risk management, objectives and policies

Note 18 to the Consolidated Financial Statements provides details of the Group's financial risk management, objectives and policies. These policies also apply to the Company.

Financial assets
As at 31 May 2013 the Company had financial assets totalling £21,000 (2012: £20,000) of which £10,000 was held in Euro's (2012: £nil) and £11,000 was held in Sterling (2012: £20,000).

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.

35 Provisions for liabilities

	2013 £000	2012 £000
Deferred taxation:		
Balance at 1 June	301	345
Transfer to profit and loss account	(28)	(44)
Balance at 31 May	**273**	**301**
Being:		
Accelerated capital allowances	283	310
Other short-term timing differences	(10)	(9)
Provision for deferred tax	**273**	**301**
Analysed in the balance sheet as follows:		
Provision for liabilities	**273**	**301**

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

36 Share capital

	2013 No	2012 No	2013 £000	2012 £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 2013 the share price was 180p (2012: 180p), with a high of 205p (2012: 255p) and a low of 155p (2012: 180p) for the financial year.

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Year ended 31 May 2013

36 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 share, subject to the further provisions of the Articles of Association and the Companies Acts.

As at 31 May 2013, the Company holds 1,240,000 Ordinary shares in treasury which represents 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.

37 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 2011	3,270	638	-	5,484	9,392
Profit for the period	-	-	-	4,300	4,300
Dividends (note 29)	-	-	-	(2,490)	(2,490)
Treasury shares	-	-	(2,447)	-	(2,447)
Balance at 1 June 2012	**3,270**	**638**	**(2,447)**	**7,294**	**8,755**
Profit for the period	-	-	-	2,114	2,114
Dividends (note 29)	-	-	-	(1,965)	(1,965)
Balance at 31 May 2013	**3,270**	**638**	**(2,447)**	**7,443**	**8,904**

38 Retirement benefits

The Company is a member of a larger UK group wide pension scheme providing benefits based on final pensionable pay. As the Company is unable to identify its share of the scheme assets and liabilities on a reasonable and consistent basis, the Company is permitted under FRS 17 'Retirement Benefits' to account for the scheme as if it were a defined contribution scheme.

Details of the UK scheme are detailed in note 19 to the Consolidated Financial Statements and whilst reported under IAS 19 are not in the directors opinion significantly different to the FRS 17 values.

The contributions paid by the Company into the scheme during the year amounted to £9,000 (2012: £15,000).

39 Leases

Annual operating lease commitments:	2013 £000	2012 £000
Land and buildings:		
Due within 1 year	38	-
Leases expiring between 2 and 5 years	-	65
	38	**65**

Financial Calendar and Shareholder Information

Calendar for financial year ended 31 May 2014

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

Analysis of shareholders as at 31 May 2013

Type of shareholder	Number of shareholders	Total shareholdings
Commercial and industrial companies	22	60,720
Directors beneficial / connected / non-beneficial	6	10,577,567
Nominee companies	55	1,759,111
Private holders	188	1,754,583
Investment trusts and funds	8	959,559
Shares held in treasury	1	1,240,000
	280	**16,351,540**

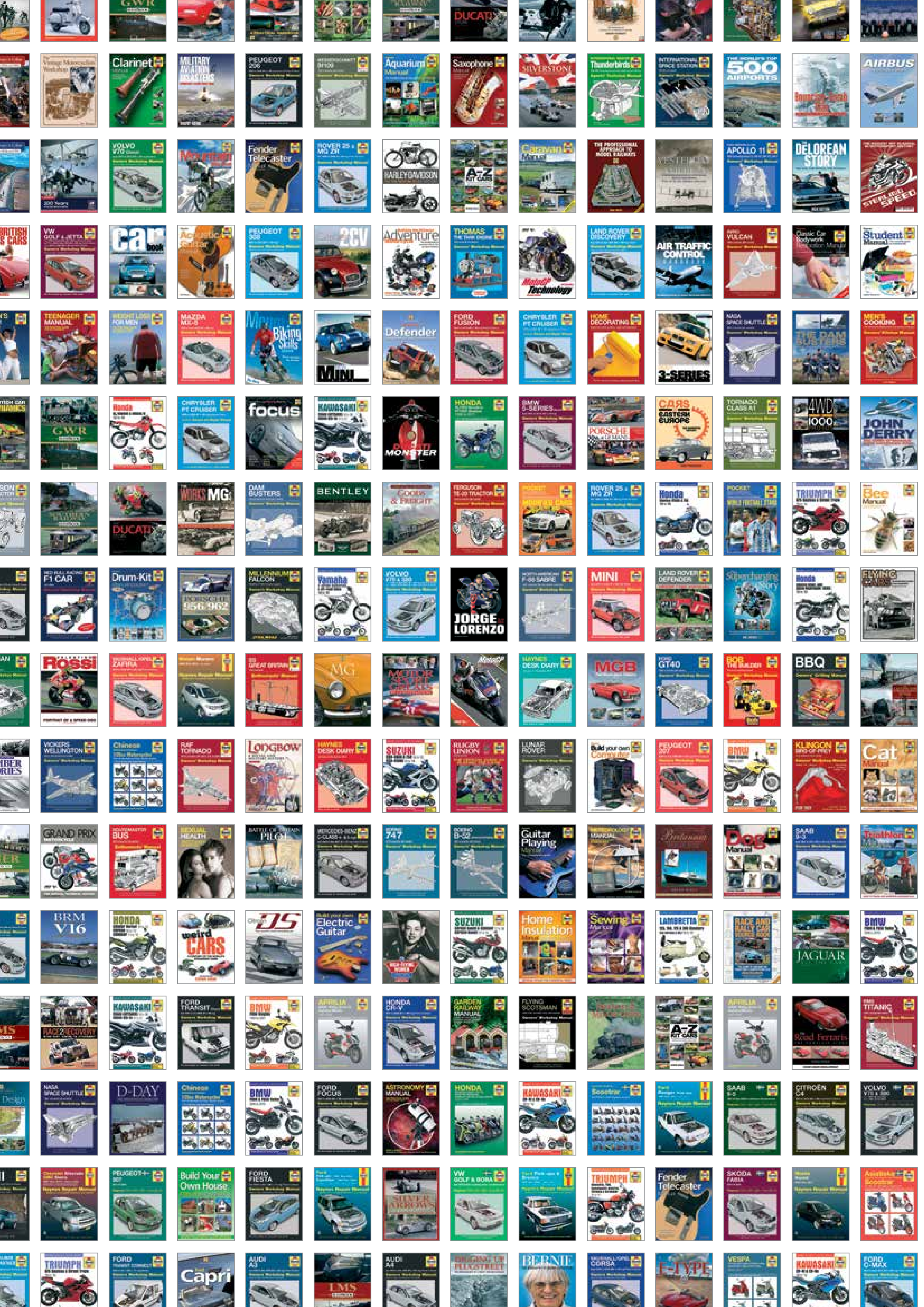
Share registrars

Website: **www.capitaregistrars.com**

Investors

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

Share price: **www.londonstockexchange.com (code: hyns)**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SILVERSTONE
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BENTLEY
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FERGUSON TE-20 TRACTOR
ROVER 25 & MG ZR
Honda
TRIUMPH
Bee Manual
F1 CAR
Drum-Kit
956/962
MILLENNIUM FALCON
Yamaha
VOLVO V70 & S80
JORGE LORENZO
F-86 SABRE
MINI
LAND ROVER DEFENDER
Supercharging Story
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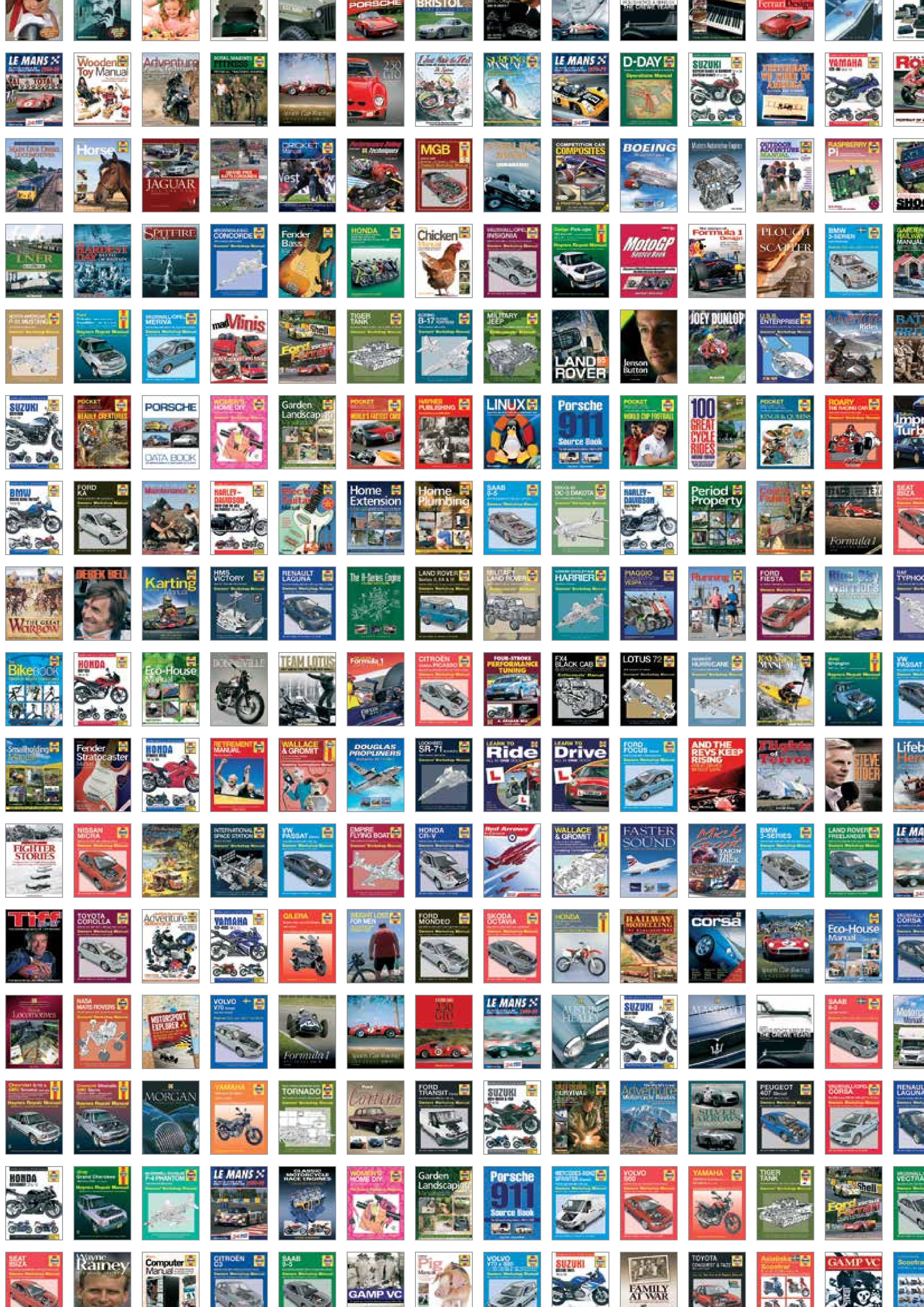
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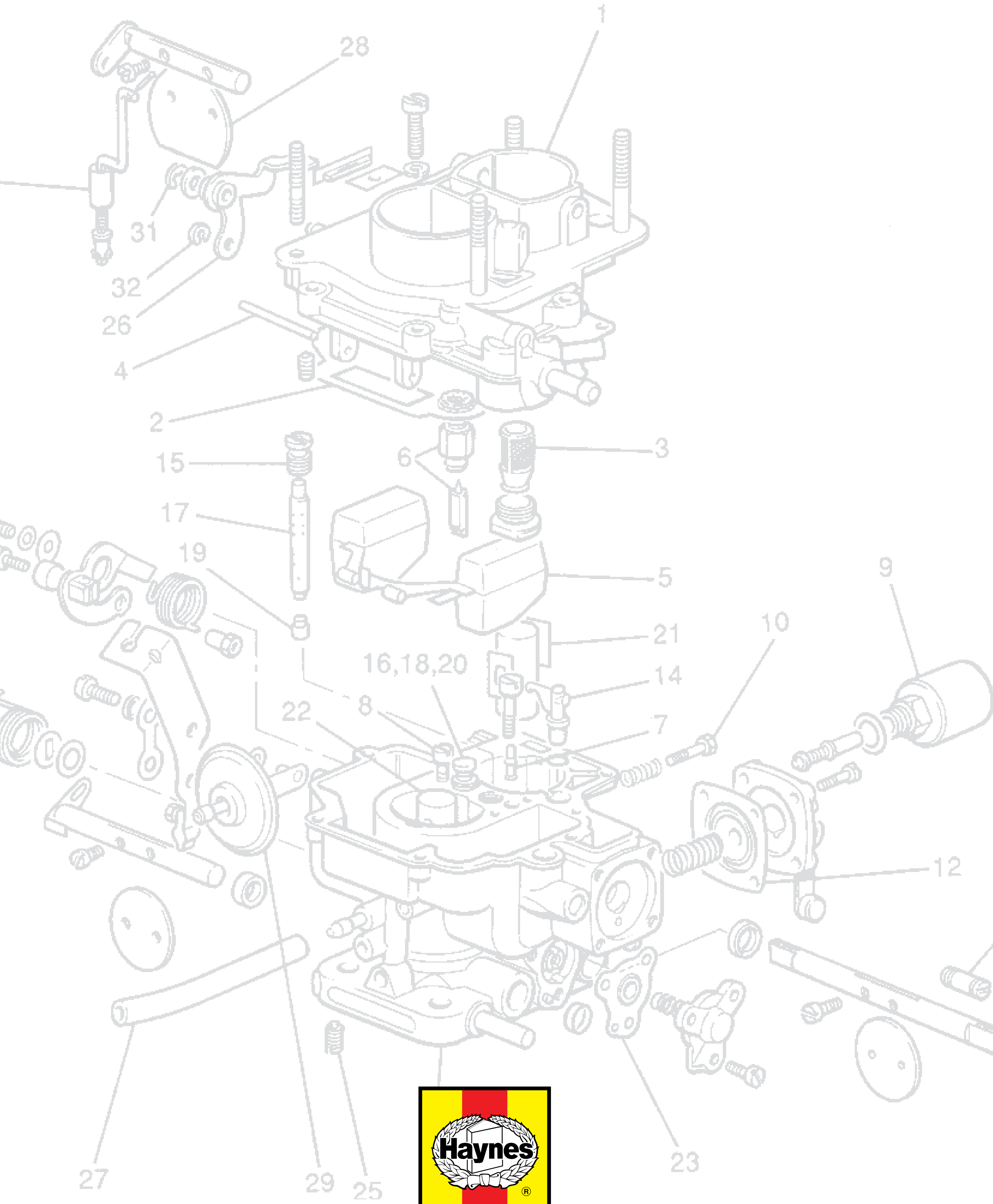

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