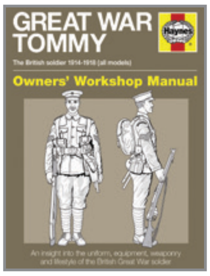
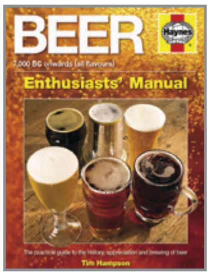
Haynes Publishing Group P.L.C.

ANNUAL REPORT 2014

Report & Accounts **for the year ending May 2014**





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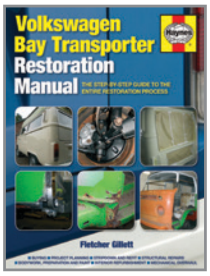

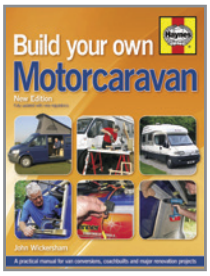

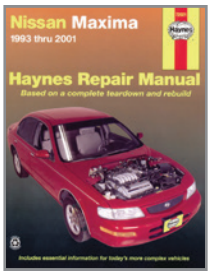

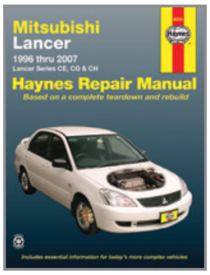

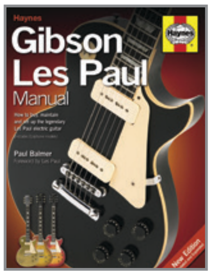

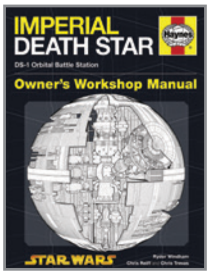

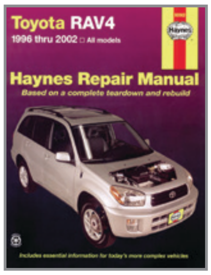

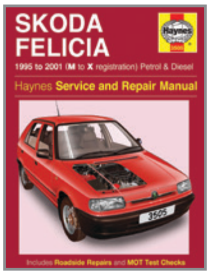

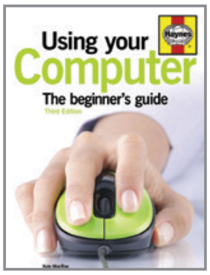

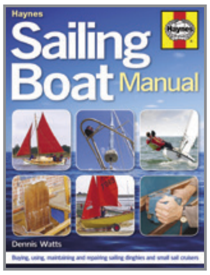

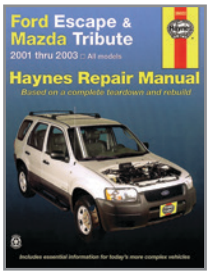

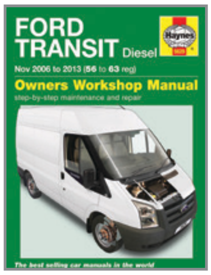

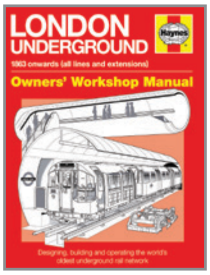

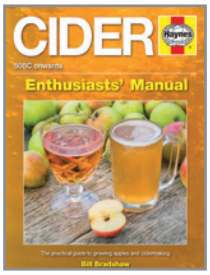

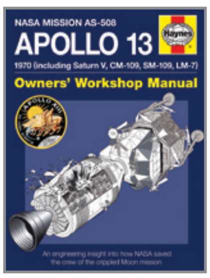

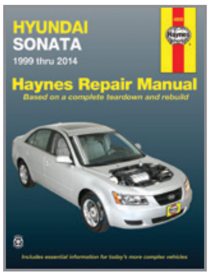

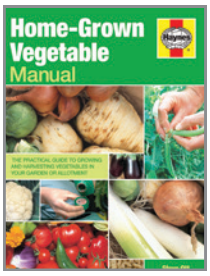

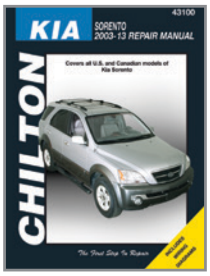

Contents

Corporate Statement

Haynes Publishing Group P.L.C. is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals. Every Haynes manual is based on a complete 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 professional motor trade.

The Group also publishes an extensive range of practical and DIY titles covering a wide variety of subjects, as well as a range of light entertainment manuals styled on the iconic Haynes Manual. Its customers are primarily made up of both professionals and DIY mechanics and enthusiasts.

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Group Highlights for the Year Ended 31 May 2014

FINANCIAL HIGHLIGHTS

- Despite a challenging year, revenue, adjusted EBITDA[1] and adjusted basic EPS[1] were ahead of market expectations
- Revenue up 6% at £29.3 million (2013: £27.6 million), includes £1.5 million of revenue from the Clymer and Intertec acquisition
- Adjusted EBITDA[1] of £8.1 million, up 27% (2013: £6.4 million[2])
- Adjusted operating profit[1] of £4.8 million, up 33% (2013: £3.6 million[2])
- Adjusted profit before tax[1] in line with market expectations at £4.2 million, up 31% (2013: £3.2 million[2])
- Adjusted basic earnings per share[1] of 18.7 pence (2013: 14.2 pence[2]), up 32%
- Final dividend declared of 4.0 pence per share, giving a total dividend of 7.5 pence per share (2013: 7.5 pence)
- Revenue from the Group's digital product ranges up 17% at £6.1 million (2013: £5.2 million)
- Local currency North American & Australian revenue up 17% at $25.8 million (2013: $22.0 million)
- Exceptional costs of £2.2 million incurred on restructuring of the UK business and the Group's acquisition activity during the year (2013: £nil)
- Special contribution of £0.5 million to UK pension scheme in November 2013
- Following the acquisition of Clymer & Intertec manuals, the restructuring of the UK business and the special UK pension contribution the Group had net debt of £1.1 million (2013: net funds[3] of £6.1 million) giving Group gearing of 3% (1.2 million shares still held in treasury)

BUSINESS HIGHLIGHTS

- Successful completion of UK restructuring programme including consolidation of UK editorial departments and outsourcing of UK distribution to established provider
- UK focus on most profitable higher margin Haynes manual style titles
- Acquisition of Clymer and Intertec manuals in the US for £5.9 million ($9.3 million), cementing Group's position as global market leader for publication and sale of motorcycle service and repair manuals
- Major re-merchandising programmes with key US customers giving display space in over 15,000 US retail outlets and enhanced sales opportunities
- Development of new Touch interface for Group's professional product range using Workshop Connect™ feature for easier access on smartphones and tablets

Notes to the Financial Highlights

1 Adjusted to exclude £2.2 million of exceptional items (UK restructuring costs of £1.9 million and acquisition costs of £0.3 million). Reported operating profit and profit before tax were £2.6 million (2013: £3.6 million) and £2.0 million (2013: £3.2 million) respectively. Reported earnings per share were 7.4 pence (2013: 14.2 pence). EBITDA including exceptional items was £5.9 million (2013: £6.4 million).

2 The 2013 figures have been restated to reflect the IAS 19 adjustment to pension costs (see Note 1 on page 55 Restatement of prior years).

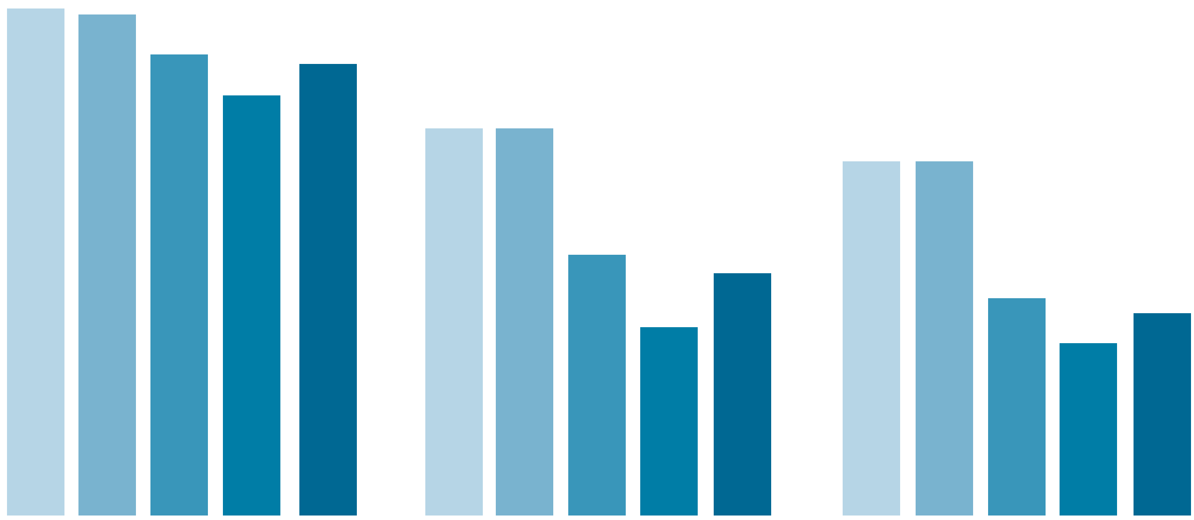
3 Net funds defined as cash at bank net of bank overdrafts.

FIVE YEAR SUMMARY
OF KEY FINANCIAL PERFORMANCE

31 May
Turnover
£ million

31 May
Adjusted operating profit
£ million

31 May
Adjusted profit before tax
£ million



Year	Turnover (£ million)	Adjusted operating profit (£ million)	Adjusted profit before tax (£ million)
2010	33.3	7.7	7.2
2011	32.7	7.7	7.2
2012	29.8	5.1	4.7
2013	27.6	3.6[1]	3.2[1]
2014	29.3	4.8[2]	4.2[2]

[1] See Note 1 Restatement of prior years

[2] Adjusted to exclude £2.2 million of exceptional items

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.

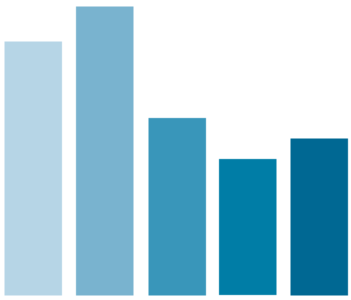
2011

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 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

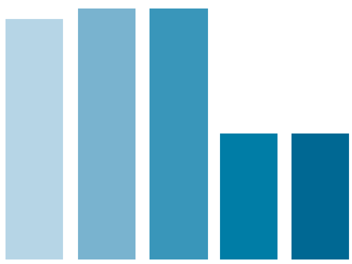
In November 2011, the Group launches the first of its iconic Haynes Manuals in an online electronic format. The conversion programmes from printed to digital files and the development of the digital platforms were all developed in-house by Haynes automotive technicians and IT specialists.
Weak sales in the US during the first half of the financial year and softer trading in UK markets during the

31 May
Adjusted basic earnings per share
pence



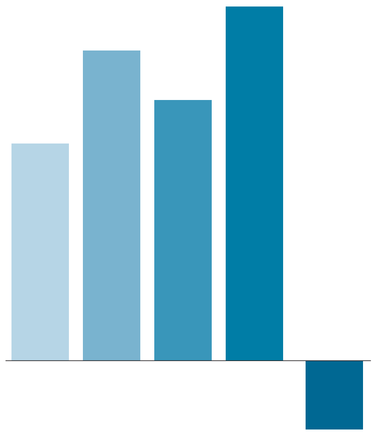
2010	2011	2012	2013	2014
28.6	30.5	20.0	14.2[1]	18.7[2]

31 May
Dividends per share
pence



2010	2011	2012	2013	2014
15.5	15.7	15.7	7.5	7.5

31 May
Net funds/debt
£ million

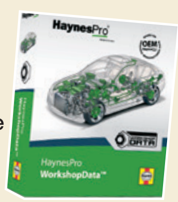


2010	2011	2012	2013	2014
3.8	5.4	4.8	6.1	(1.1)

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.

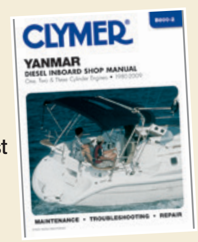
2013

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.



2014

Following the completion of the strategic review, in September 2013 the Board announced the restructuring of its UK operations. Also in September 2013, the Group acquired the Clymer and Intertec manuals business in the US, cementing its position as global market leader for the publication and sale of motorcycle repair manuals. In November 2013, a special one-off contribution of £0.5 million was made to the UK pension to help accelerate the pay down of the UK past service deficit. In January 2014, major re-merchandising programmes with key US customers, significantly improved the in-store display of Haynes manuals and in February 2014, HaynesPro relocated to larger offices in Leusden, near Utrecht consolidating its Netherlands based staff into one location.



Group Chairman's Statement

JHC Haynes
Group Chairman

"Since its inception, Haynes Publishing's core business has been the creation of practical and inherently useful information."

During our 2013/14 financial year we have taken significant steps forward with our plans to refocus the Haynes Group and return to delivering sustainable revenue and profit growth.

In September 2013, the acquisition of the Clymer and Intertec manuals business cemented our position as the global market leader of motorcycle service and repair manuals. In the same month, we announced the restructuring of the UK business, a programme which was completed during the year. In November 2013, we made a special one-off contribution to the UK pension scheme of £0.5 million that will help to accelerate the pay down of the UK past service deficit. In January 2014, the US business implemented major re-merchandising programmes with key customers, which has significantly improved the in-store display of our manuals. In February 2014, our Netherlands' based staff relocated to larger offices in Leusden, near Utrecht, consolidating them into one location with the associated work flow benefits this provides.

These positive changes were implemented with minimal impact on underlying trading and I am pleased to report that over the last twelve months Group revenue grew by 6% and adjusted pre-tax profits were up 31% at £4.2 million. It is particularly encouraging that digital sales increased by 17% year-on-year to £6.1 million.

During the year the Group has incurred one-off costs of £2.2 million associated with the UK restructuring and the Group's acquisition activity. After deducting these exceptional costs the reported profit ended the year at £2.0 million (2013: £3.2 million). Adjusted earnings per share were up 32% at 18.7 pence.

Following the payment of the interim dividend of 3.5 pence in April 2014, the Board is recommending a final dividend for the year of 4.0 pence which, together with the interim dividend, maintains the total dividend for the year at 7.5 pence (2013: 7.5 pence). Subject to approval by shareholders the final dividend will be paid on 13 November 2014 to shareholders on the register at the close of business on 24 October 2014. The shares will be declared ex-dividend on 23 October 2014.

The Group couldn't have achieved the success it has over the past year without the dedication and positive approach of our staff. On behalf of the Board I would like to thank all our employees for their hard work and support over the past twelve months.

Although trading in the consumer market remains challenging the Board believes the recent refocusing of the business will create long-term organic growth opportunities. Haynes is a global business and senior management are actively evaluating further geographical expansion options for our consumer and professional products, including through acquisitions.

Since its inception, Haynes Publishing's core business has been the creation of useful practical information, initially for DIY consumers and more recently also for professional mechanics. The positive steps the Group has taken over the last year demonstrates our focus is firmly on creating content for both our consumer and professional end users. We remain committed to the creation of our iconic manuals, and will evaluate the commercial opportunity to deliver our unique content through platform agnostic digital channels. We will also continue to invest in HaynesPro to ensure our digital content offering to professional mechanics remains world class.

JHC Haynes
Group Chairman
24 September 2014

Strategic Report

Eric Oakley
Group Chief Executive

"The success of the Haynes business is underpinned by an attention to detail and a passionate dedication to providing independent and trustworthy instructional advice. This simple but important philosophy lies at the heart of what we do."

Group objectives & strategy

In 1956 John Haynes wrote his first Haynes manual on the Austin 7 Special. In 1960, the Haynes Group was formed and following organic expansion into the US in 1974, France in 1993, Sweden in 1996 and Australia in 1997, the Haynes Group was firmly established as a global business. In 2001 the Group acquired Chilton Manuals, its major competitor in the US and this was followed in 2002 by the acquisition of the Gregory's manual business in Australia. Through the combination of organic growth and acquisition, the business had grown into the worldwide market leader for the publication and sale of automotive and motorcycle repair manuals. Nevertheless, there were parts of the Group which were underperforming or loss making and which were negatively impacting on the profitable core of the business.

Following a change in the senior management of the Group in 2002, the Board embarked on a period of restructuring and re-focusing the business onto its core profitable operations, with loss making or non-core operations either sold or closed down. In 2003 the UK Garage Equipment business was sold, in 2006 the loss making French operation was closed and in early 2007 the Group disposed of its loss making historical publisher Sutton Publishing.

In 2007, aware of a changing global market place where end users were starting to demand content through a variety of media channels, the Board set an objective of establishing the Haynes Group as the global industry experts for the supply of automotive and motorcycle repair, servicing and technical information. While at the time Haynes were the leading supplier of servicing and repair information to DIY consumers in the English speaking world, the objective was to broaden the base of the business to cover both the professional and consumer DIY markets and to develop into new geographic territories. The principal strategies identified by the Board to achieve this objective were :

- To develop new platforms and formats to deliver content to the end consumer
- To develop new product initiatives from our extensive Haynes knowledge database
- To identify and expand into new geographic markets for our established core products
- To expand the tried, tested and trusted Haynes philosophy by applying it to other areas where a practical approach to DIY could add value
- To establish a significant presence in the supply of information to professional mechanics

With a clear forward looking strategy and a desire to broaden the base of the business to also include professional technical information, in mid-2007 the Group acquired 'Bookworks & Rellim' a small Australian book distributor and publisher of technical material for vehicle manufacturers and professional mechanics. This was followed in 2008, by the acquisition of Vivid Holding BV, a Netherlands based group supplying technical data to the professional automotive aftermarket. Vivid's database had been developed using market leading digital technology and was available in 19 European languages. The synergistic skill sets possessed by Vivid were a key factor in the decision to acquire the business. Their in-house skills covering heavily automated language translation, web development, DVD production, digital security and overall IT development were all complementary to the way in which Haynes was planning to develop its own product offerings going forward. Being part of the Haynes Group also opened up the opportunity to take the Vivid products to new geographies. The acquisition of Vivid not only provided the Haynes Group with a major foothold in the European professional automotive aftermarket but also provided

Strategic Report
(continued)

it with the capability to develop its own in-house multi-media platforms from which it could deliver its content to the end consumer.

In 2011, the Haynes Group produced its first electronic version of the iconic Haynes manual. The online manual included all the information contained in a printed manual but, through the benefits of an electronic platform, also included audio and video clips, colour pictures and diagrams, hyperlinks and word search capability. The platform for the delivery of the new online manual and the conversion from a previously printed to a new digital file format was all undertaken within the Group using the in-house IT and web based skills of Vivid.

In 2012, Vivid was rebranded as HaynesPro, strengthening its links to the Haynes Group and providing the Group with a clear identity for future expansion plans into new geographical markets for its professional product ranges.

During 2013/14 the Group has restructured its UK general publishing division to concentrate future publishing activity on the non-automotive Haynes manual style titles where the profit margins are greater and the Group's core expertise lies. The Group also acquired the Clymer and Intertec manuals business in the US which complemented the Group's existing successful motorcycle manuals business and further strengthened the Haynes Group as the global market leader in this sector. The acquisition gave the Group access into the new markets of marine, snowmobiles and farm equipment. In 2014 the Group also tried very hard, albeit unsuccessfully, to expand its professional presence through acquisition.

Looking forward the Board consider the key areas of focus for the Group will be :

- The development of a new consumer website which will allow the Group to interact with its global end users and to drive new product innovation.
- The geographic expansion of both the professional and consumer product ranges. This could be through the development of new product initiatives and through geographic expansion into new markets by utilising the Group's in-house multilingual translation skills.
- To identify further strategic acquisitions which could provide synergistic efficiencies to the Group's data production process or which will expand or open up new revenue and profit enhancing opportunities for the Haynes Group.

The Haynes business model

The Haynes Group comprises two geographical business segments :

- UK & Europe
- North America & Australia

The UK & European business has headquarters in Somerset, England and subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core business of the UK and European operations is the supply of digital automotive repair and technical information to the professional automotive markets in twenty three different languages as well as to the DIY aftermarkets in both a printed and digital format. There are currently in excess of 40,000 subscribers to the HaynesPro professional data throughout Europe and over 600 automotive printed titles in publication. The business also publishes approximately 300 titles which are practical, instructional, easy to read and aimed at those with an interest in more general DIY related activities.

The North American & Australian business has headquarters near Los Angeles, California and publishes DIY repair manuals for cars and motorcycles in both a printed and digital format. The US business publishes titles under the Haynes, Chilton, Clymer and Intertec brands and in both the English and Spanish languages. It has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory brands. The Australian business also publishes information for the professional automotive market. The North American and Australian business currently publishes in excess of 1,300 titles. Through its print facility in Nashville, Tennessee, the North American business is the central print facility for the Group's print products.

The success of the Haynes business is underpinned by an attention to detail and a passionate dedication to providing independent and trustworthy instructional

advice. This simple but important philosophy lies at the heart of what we do. The fact that all Haynes Manuals are based on a complete vehicle strip-down and rebuild in one of our workshops, so that the written and photographic instructions for our customers are inherently practical and easy to follow, can sometimes come as a surprise to those new to the Group but for those accustomed to Haynes, this renowned attention to detail will be a familiar concept. With over 50 years of experience in this market sector, we have deeply embedded processes, inbuilt expertise and procedure driven efficiencies which help to give Haynes its unique identity.

For our professional product ranges the data collection process is slightly different but the uncompromising Haynes approach to detail remains unchanged. The technical and maintenance data produced by HaynesPro is of necessity based on the Original Equipment Manufacturers (OEM's) information and servicing schedules. Under European regulations independent garages are legally entitled to carry out normal maintenance and repairs during a vehicle's warranty period, without invalidating the warranty conditions, provided such work is carried out in accordance with the OEM's servicing schedules. It is therefore essential that the same level of detail also applies to our range of professional products to ensure the technical data is clear, concise, accurate and conforming to the relevant OEM's instructions.

Once the technical information has been collected, processed and formatted in the Haynes way, it is made available to the end user. Over the years, the Haynes Group has built up a strong network of established distribution channels. In our main consumer markets, direct supply relationships have been established with all the large automotive aftermarket retail chains and independent retail buying groups, as well as with wholesale distributors who service the smaller independent retailers. The Group also has direct supply arrangements with the major general book retailers and wholesalers. The fact that the majority of the Group's print products are sold through automotive retail outlets as well as through traditional book stores helps to differentiate the Haynes Group from other publishers. On the professional side of the business, where the products are primarily used by independent garages and sold through HaynesPro, the technical data can be purchased as a stand-alone product, through the internet or through a distributor's own online catalogue. The HaynesPro data carries generic article numbering, with all principal data categories linked to generic part codes, facilitating quick and efficient ordering of parts by the garage workshops. This is a key factor contributing to the strong relationships HaynesPro has built with its network of leading European automotive aftermarket distributors over recent years.

Whilst there are areas of our business model which are common to other companies and groups, it is the sum of the parts which differentiates Haynes from these other businesses and defines the Haynes Group as the business it is today. Our methodology of unique step by step content creation, our publication of technical information to both consumer and professional end users, the high proportion of our titles still in publication, our low level of returns compared to industry standards, the highly visible subscription/contract nature of our revenue from sales of our professional products, our distribution channels, our international network of offices and our in-house IT, web development and language translation skills all form part of the unique Haynes core and evolving business model.

Strategic Report
(continued)

Operational and financial review

Operational overview

This time last year we set ourselves some challenging goals for the year ahead. I believe that over the past twelve months we have made considerable progress in achieving these and put in place some important building blocks which will help to drive future revenue and profit growth for the Group.

In the UK and Europe, the re-focus of the UK's general publishing programme onto the Haynes manual style non-automotive titles, the outsourcing of the UK warehousing and distribution operation and the consolidation of the automotive and non-automotive UK editorial departments was successfully completed during the year. We have also reviewed and rationalised our global automotive editorial teams to improve workflow of projects and to optimise Group resources.

In the second half of the year we completed the development of a new Touch interface for our professional product range and have merged our WorkshopData ATI™ and TruckData ATI™ modules into a single database. The consolidation of the two modules will allow easier integration with other online applications such as distributor parts catalogues and will help accelerate the introduction of new topics for both our car and truck customers.

In the US, the Clymer motorcycle business which had been a long standing acquisition target for the Group, is now under the Haynes umbrella and perfectly complements our existing Haynes motorcycle business. Not only will the editorial, print production, distribution and sales synergies which flow from this acquisition be revenue and profit enhancing for the Group going forward but the acquisition has also opened up new markets for the Group including inboard and outboard marine engines and farm equipment. Also during the year, after a great deal of negotiation with key customers in the US, we were able to install new display racking into over 5,000 retail stores which has significantly improved the in-store display of our manuals and allowed 21 previously unlisted titles to be included in these retail outlets which should be revenue enhancing for the business going forward.

In many ways this has been a challenging year for the Group. In the UK, the overall headcount has been reduced by approximately one third following the restructuring, with a high proportion of those leaving the Company having served with the business for many years. In the US, the acquisition of Clymer presented its own challenges, with over 0.5 million units of inventory being relocated to our warehouse in Tennessee with shipping and invoicing beginning within 3 weeks of completion. Yet with the hard work and dedication of our staff and management teams we have been able to work our way through these challenges and move forward as a Group.

Group revenue

	2014 £m	2013 £m	Movement %
Total Group revenue	29.3	27.6	+6%

Overall Group revenue ended the year up 6% at £29.3 million (2013: £27.6 million). In North America and Australia revenue was 14% ahead of last year including the Clymer and Intertec acquisition (up 3% like-for-like) while in the UK revenue ended the year down 13% but another strong year of sales from our professional products range, up 16% for the year, left overall UK and European revenue down 2% on the prior year.

Revenue from the Group's digital product ranges was up 17% at £6.1 million (2013: £5.2 million).

Group gross margin

		2014[1]	2013[2]
Adjusted gross profit	£m	17.0	16.5
Adjusted gross margin	%	58.1	59.6

[1] Adjusted to exclude exceptional items. Reported gross profit was £15.5m with a gross margin of 52.9%
[2] Adjusted for reclassification of UK establishment costs – See note 1 Restatement of prior years

The Group's adjusted gross profit was up 3% against the prior year but with higher like-for-like development cost amortisation on the Group's professional product range of £0.5 million and the higher cost of inventory on the Clymer revenue, following the fair value treatment under International Accounting Standards, the overall adjusted gross margin percentage was down 1.5 percentage points at 58.1% (2013: 59.6%).

Group operating profit

		2014[1]	2013[2]
Adjusted Group operating profit	£m	4.8	3.6
Adjusted Group operating margin	%	16.4	13.1

[1] Adjusted to exclude exceptional items. Reported Group operating profit was £2.6m with an operating margin of 9.0%
[2] Restated for impact of IAS 19

The higher revenue from our North American and Australian operations and strong sales from our professional products range were the major contributing factors to an increase in adjusted Group operating profit, which ended the year up 33% at £4.8 million (2013 restated: £3.6 million).

During the year the Group incurred exceptional items of £2.2 million (2013: £nil) from the restructuring of the UK business and the Group's acquisition activities. The UK restructuring costs of £1.9 million primarily relate to editorial origination, author royalty and inventory write-downs on the discontinued general publishing titles, employee costs and professional fees. The acquisition fees of £0.3 million relate to the costs associated with the successful acquisition of the Clymer and Intertec manuals business in September 2013 as well as one-off costs relating to the Group's other acquisition investigations and due diligence work. Given the significance of the costs and their non-recurring nature and to avoid distorting the underlying performance of the Group, these costs have been shown separately in the Consolidated Income Statement.

Excluding the impact of the exceptional items, Group overheads ended the year 5% lower at £12.3 million (2013: £12.9 million) with UK overheads down £0.5 million on the prior year.

This is the first full year for the Group reporting under IAS 19 Employee Benefits (Revised). The new Standard restricts the rate used to calculate the return on a defined benefit pension scheme's assets to its discount rate, rather than using a rate of return which is more appropriate to the various classes of asset. In addition, the costs of administering our pension schemes are now charged against operating profit in the Income Statement. In line with the new reporting requirements, the prior periods have been restated to present the figures as if the change had occurred at the beginning of the reporting period. The impact of the change has been to increase Administrative expenses in the prior year by £0.1 million and other finance costs by £0.3 million.

Finance costs were higher by £0.1 million reflecting the interest on the bank borrowings to fund the Clymer acquisition in September 2013 while other finance costs which relate to the interest charge on the pension

schemes' liabilities net of the expected return on the pension schemes' assets ended the year in line with the prior period at £0.5 million (2013 restated: £0.5 million).

Group earnings and earnings per share

	2014[1]	2013[2]	Movement
	£m	£m	%
Adjusted profit before tax	4.2	3.2	+31%
Adjusted taxation	1.4	1.0	+40%
Adjusted profit for the period	2.8	2.2	+27%
	Pence	Pence	
Adjusted basic EPS	18.7	14.2	+32%

[1] Adjusted to exclude exceptional items. Reported profit before tax, taxation and profit for the period were £2.0 million, £0.9 million and £1.1 million respectively. Reported basic EPS was 7.4 pence
[2] Restated for impact of IAS 19

Pre-tax profit before exceptional costs ended the year up 31% at £4.2 million (2013 restated: £3.2 million). The Group's adjusted tax charge for the year of £1.4 million (2013 restated: £1.0 million) gives an effective tax rate of 32.7% on adjusted profit before tax (2013 restated: 32.5%). The effective rate of tax for the Group is a mixed rate which reflects the eight countries where the Group pays tax and also the mix of profits within those tax jurisdictions. The increase in the effective rate during the year reflects the higher mix of profits generated by the Group's US operations. Adjusted EPS was 18.7 pence (2013 restated: 14.2 pence).

North America and Australia segmental review

	2014	2013	Movement
	$m	$m	%
Segmental revenue	25.8	22.0	+17%
Segmental operating profit before exceptional items and interest	4.2	2.7	+56%

	2014	2013	Movement
	£m	£m	%
Segmental revenue	15.9	14.0	+14%
Segmental operating profit before exceptional items and interest	2.6	1.7	+53%

Strategic Report
(continued)

Overall segmental revenue from the North American and Australian operations ended the year 17% up at $25.8 million (2013: $22.0 million). Following negotiations with key customers in the US, we were able to install new display racking into over 5,000 retail stores, the majority of which happened in January 2014. As a result of these re-merchandising programmes, the US business has been able to include 21 previously unlisted titles in these retail outlets and also add 5 new Spanish language manuals into a large number of Hispanic outlets. The Haynes business now has display space in over 15,000 retail locations in the US.

At the half year, we reported strong like-for-like sales up 12% against the prior year but following the returns from the key customer re-merchandising programme during the second half of the year, like-for-like sales ended the year up 6%. Sales of Haynes branded manuals ended the year 4% ahead of the prior period. In Australia, revenue was 6% ahead of the prior year, while revenue from the Chilton branded manuals had a difficult year down 10%, as key Chilton manual retailers tightened controls over inventory. Whilst not large in the context of the North American and Australian overall sales, year-on-year revenue from the sale of US and Australian digital manuals increased by 13%. The integration of the Clymer and Intertec manuals business has performed to plan with revenue in line with management expectations, adding $2.5 million to revenue since the acquisition in September 2013.

Over the past six months, Sterling has strengthened against the US Dollar leading to an average exchange rate for the year up 3% at $1.62 (2013: $1.57), lowering reportable US revenue by £0.5 million. After translation to Sterling, reportable segmental revenue for the North American and Australian business was £15.9 million, up 14% against the prior year (2013: £14.0 million).

The impact of the higher North American and Australian revenue coupled with the editorial origination amortisation, which is fixed and does not increase as revenue grows led to segmental operating profit before exceptional items and interest ending the year up 56% at $4.2 million (2013: $2.7 million) which after translation to Sterling was up 53% at £2.6 million (2013: £1.7 million).

UK and Europe segmental review

	2014	2013	Movement
	£m	£m	%
Segmental revenue	13.4	13.7	(2%)
Segmental operating profit before exceptional items and interest	0.9	0.9	-

At the half year we reported revenue from the Group's UK and European operations was 5% ahead of the prior period with revenue from our European businesses up 16% and revenue from our UK operation down 4%. During the second half of the year sales of our professional products in Europe continued to perform well ending the year up 14%. In the UK, a combination of weaker third quarter trading and a reduced but more focussed non-automotive publishing programme left revenue for the year down 13%. On a like-for-like basis, excluding the sales of the discontinued general publishing titles, the shortfall was 7%. Overall UK and European segmental revenue ended the year down 2% at £13.4 million (2013: £13.7 million).

During the second half of the year, the outsourcing of the UK warehousing, distribution, invoicing, customer services and cash collection to Grantham Book Services was successfully completed with close to 1.0 million units of inventory physically moved between sites during the handover period. In Europe, HaynesPro completed the development of a new Touch interface which has been specifically designed for use on tablets and smartphones. The new interface utilises the Workshop Connect™ feature, which links the information to a user's account in the cloud, making it accessible from any device. HaynesPro also merged their WorkshopData ATI™ and TruckData ATI™ modules into one single database which will provide significant end user benefits going forward.

The impact of the lower UK sales and a like-for-like increase in development cost amortisation in relation to our professional range of products of £0.5 million left the UK and European segmental operating profit before exceptional items and interest in line with the prior year at £0.9 million (2013: £0.9 million).

Balance sheet

	2014	2013
	£m	£m
Non-current assets	34.6	33.4
Working capital	17.1	16.9
Net debt	(1.1)	6.1
Retirement benefit obligation	(11.2)	(12.1)
Other liabilities	(4.1)	(5.2)
Net assets	**35.3**	**39.1**

Following the acquisition of Clymer and Intertec manuals during the year, the Group's intangible assets increased by £2.9 million. As at 31 May 2014 the Group had net debt of £1.1 million (2013: net funds of £6.1 million). The major factors contributing to the reduction in the Group's net funds/debt position were the acquisition of the Clymer and Intertec Manuals business in September 2013 at a cost of £5.9 million ($9.3 million) with £3.4 million funded through internal cash and £2.5 million through a drawdown on the US banking facility, the cash impact of the UK restructuring programme, where approximately 57% of the £1.9 million exceptional restructuring costs were non cash write-downs, and the additional contribution to the UK pension scheme in November 2013 of £0.5 million.

At 31 May 2014 the net deficit on the Group's two defined benefit retirement schemes, as reported in accordance with IAS 19, was £11.2 million (2013: £12.1 million). The combined total assets of the schemes increased to £29.6 million (2013: £28.5 million) and the total liabilities increased to £40.9 million (2013: £40.6 million).

Cash flow

	2014	2013
	£m	£m
Net cash generated from operations before tax	5.0	6.9
Tax paid	(1.3)	(0.4)
Investing activities	(9.2)	(3.3)
Financing activities	1.0	(2.0)
Net movement in cash during the year	(4.7)	1.2
Cash and cash equivalents at the beginning of the year	6.1	4.8
Effect of foreign exchange rates	(0.3)	0.1
Cash and cash equivalents at the end of the period	**1.1**	**6.1**

The net cash generated from operations before tax for the year was lower at £5.0 million (2013: £6.9 million) which represented 104% of adjusted Group operating profit (2013: 190%) and reflects the cash impact of the exceptional costs during the year of £1.1 million, a special one-off contribution to the UK Scheme of £0.5 million and higher funding of the US pension scheme due to timing of £0.4 million. The higher spend on the Group's investing activities reflects the consideration paid for the Clymer acquisition of £5.9 million while the cash net inflow on the Group's financing activities of £1.0 million (2013: cash outflow of £2.0 million) results from the associated increased bank borrowing to part fund the Clymer acquisition of £2.2 million and a reduction in dividend paid during the year of £0.8 million. As a result, cash and cash equivalents ended the year at £1.1 million (2013: £6.1 million).

Outlook and future developments

Trading in the early months of the 2014/15 financial year for the Group's consumer products has been soft, with a noticeable trend of de-stocking by key automotive retailers in our main geographical markets. This is a realignment which we are addressing and do not expect to have a material long-term impact on the business. Sales of our professional product ranges in Europe continue to perform ahead of the prior year.

Over the next twelve months the Group will continue to move forward with its plans to deliver new digital platforms which will allow for greater interaction with its global end users. We continue to research new areas for geographic expansion of our professional product ranges. Over the past eighteen months we have been reviewing opportunities for expansion into the South American market, with our research showing that it is not likely to be a commercially viable market for the Group in the short to medium term. The Group will therefore continue to explore alternative markets outside of Europe which may offer us greater expansion prospects over a shorter timeframe. We have commenced research into identifying potential products for North America.

We will continue to invest in new product initiatives and expand the breadth and profile of our core vehicle titles to ensure that both our automotive and non-automotive customers have the full range of relevant and trustworthy technical and instructional information they need. Our print products remain an important part of our business and whilst we are investing heavily in new digital platforms and new product initiatives we also continue our significant investment in new content for our consumer products. In the coming year we are planning to invest close to £3.0 million in updating and expanding our professional range of products and over £2.5 million on our consumer product ranges.

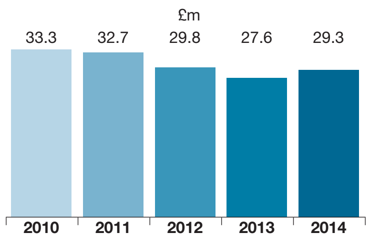
Strategic Report
(continued)

Key Performance Indicators

The Board regularly monitors and measures key performance within the business to ensure the underlying Group operations are performing in line with expectations. The information, which is largely embedded into the monthly reporting packs prepared for the Board members, enables the Board to measure the success of the individual operating entities and the Group as a whole, in achieving its objectives for revenue and profit growth.

The tables below set out the key performance measures used by the Board.

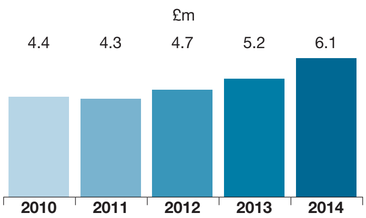
Revenue growth



Rationale for monitoring
A key Board objective is to return the Group to sustainable revenue growth.

Commentary on performance
Group revenue increased by 6% during the year boosted by the acquisition of the Clymer & Intertec manuals business.

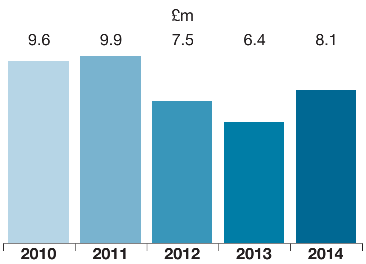
Digital revenue growth



Rationale for monitoring
A significant objective for the Board is to drive revenue and profit growth through the development of new multi-media platforms.

Commentary on performance
Revenue from the Group's digital product ranges increased by 17% during the year to £6.1m giving compound annual growth over the last 5 year period of 6.7%.

Adjusted EBITDA[1]

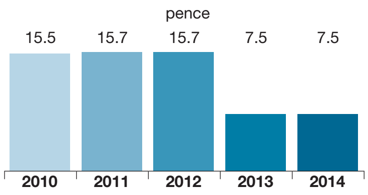


Rationale for monitoring
A significant objective for the Board is to drive profit growth. Adjusted EBITDA measures the operating profit performance of the Group before the deduction of exceptional items and before the charge for tangible asset depreciation and intangible asset amortisation. Adjusted EBITDA is therefore an important indicator of underlying profit.

Commentary on performance
The Group's adjusted EBITDA increased by 27% during the year reflecting the stronger sales in the Group's North American and European territories.

[1] Adjusted to exclude exceptional items

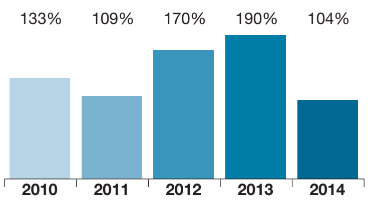
Total dividend per share



Rationale for monitoring
As a Premium Listed Group on the London Stock Exchange the total dividend paid by the Company during the year is an important measure for our shareholders.

Commentary on performance
The total dividend for 2014 has been maintained in line with last year reflecting the new Group borrowings following the acquisition of Clymer and the cash impact of the exceptional items incurred during the financial year.

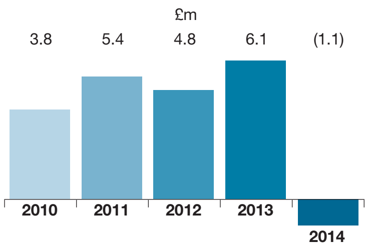
Cash generation



Rationale for monitoring
Strong cash generation is a key strength of the business which helps fund the development of new product initiatives, drive the development of new multi-media platforms and facilitates the Group's acquisition activity. The ratio measures the Group's net cash inflow from continuing operations before tax as a proportion of adjusted Group operating profit.

Commentary on performance
In 2014, the ratio is lower at 104% reflecting the cash outflow on exceptional items of £1.1m and a special one-off contribution to the UK Scheme of £0.5 million. Also the final contribution to the US Pension Scheme for the 2013 financial year of £0.4 million was actually settled at the beginning of the 2014 financial year.

Net funds/debt



Rationale for monitoring
The Board recognises the importance of debt as a tool to help finance the Group's expansion plans.

Commentary on performance
The Clymer & Intertec acquisition in September 2013 was funded using £3.4m of internal cash and a drawdown of £2.5m on the US revolving bank loan facility. The UK business has also increased its bank overdraft to finance its restructuring programme and to fund the additional pension contribution. It is a long standing aim of the Board to clear down Group debt in an expeditious manner.

Principal risks

In common with most businesses there are risks inherent in the Group's underlying operations which could impact on the Group's operating and financial performance. Thus the reporting systems can only provide reasonable and not absolute assurance against damage or loss resulting from business activities. Nevertheless, through its day to day management disciplines and monitoring of systems, the Group evaluates and mitigates unnecessary risks.

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.

The table overleaf highlights the principal risks and uncertainties which the Board believes are presently most relevant to the Haynes Group. Wider scope risks such as macroeconomic conditions which impact all business but over which the Group has little or no control have not been included.

Strategic Report
(continued)

Principal risks (continued)

Risk	Why the Board think this is important	How the Board mitigate the risk
Reducing DIY activity on cars & motorcycles in the Group's core geographic markets.	The Group's core revenue is derived from the sale of printed service and repair manuals originated in its core geographic markets.	The Board seek to mitigate this risk by : • Broadening the Group's revenue generating base. • By opening up new geographic sales territories. • By developing new delivery platforms to deliver the Group's content through a variety of multi-media formats.
The publication of inaccurate information.	The Haynes brand is built on a reputation of publishing technically accurate information in a trusted and easy to understand format.	Through the process driven methodology the Group adopts to capture the technical data, the skill and expertise of the staff recruited and the level of quality control applied to the approval process, the Group takes the necessary steps to minimise the risk. As a responsible business the Group has appropriate global insurance to cover product indemnity and multimedia liability.
Lack of investment in the core products and in developing new product initiatives.	In both our professional and consumer markets it is vital that vehicle coverage is kept up-to-date.	The Board ensures that the level of ongoing expenditure on product development is appropriate to maintain the Group's reputation and to retain its market leading positions in its respective market sectors.
A failure in the Group's information technology systems prevents the business from functioning and/or fulfilling its contractual duties.	The business is dependent on its information technology systems to run its day-to-day operations and in the case of its digital delivery platforms to deliver the technical information to its end users.	Through the recruitment of technically competent staff and the appropriate level of investment in the Group's information technology infrastructure the Board takes comfort that the information technology systems are appropriate and fit for purpose. Maintaining adequate back-up procedures is a key component of minimising the risk of system downtime.
An over reliance on a single key customer.	The loss of a major customer could significantly impact on the financial performance of the Group and hamper the Board's objective of delivering sustainable revenue and profit growth.	The Group aims to establish strong and long standing relationships with all its key customers. However, the Board recognises that a customer can be lost for a variety of reasons and therefore, by broadening the base of the business and developing new delivery platforms, the reliance on a single customer is reduced. In the current and preceding financial years there is only one customer who represents more than 10% of Group revenue but in neither year did the percentage exceed 11%.
The loss of key executives and personnel.	The Group has both key executives and employees who have worked in the business for a number of years and have an in-depth knowledge of the Group, its processes and its culture.	Through the setting of competitive remuneration packages and fulfilling employment conditions the Group helps to mitigate the loss of a senior Board executive or key employee. In the case of Board executives, the responsibility for succession planning and the recruitment of new Board executives is overseen by the Remuneration and Nomination Committee.
The funding position on the Group's two defined benefit schemes deteriorates requiring significant additional funding.	A need to increase contributions into the pension schemes could adversely affect the Group's ability to invest in the development of new delivery platforms, new product initiatives and to fund both internal and acquisitive growth.	The performance of both the US and UK pension schemes are monitored on a regular basis by the Company, the Trustees and the Scheme's professional advisers and the funding to the schemes reflects the ongoing investment requirements of the Group.

Corporate and social responsibility

With operational businesses in three different continents the Board is aware of the need to undertake its business in a safe and socially acceptable manner. Operationally the Group is not large, employing just under 250 employees worldwide. It has a book manufacturing and distribution facility in Nashville, USA employing 40 people and small distribution sites in Los Angeles, USA and Sydney, Australia. Apart from these sites, the operations are largely office based with small workshop facilities in the UK, US, Australia and Romania.

Environment

The Board is committed to minimising the impact its operations have on the local environment. All of the papers and board that are used in the production of our 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.

In this year's Annual Report the Group is reporting on its Greenhouse Gas (GHG) emissions for the first time. The table below provides details of the Group's GHG emissions data over the last financial year :

GHG emissions data (tonnes of CO_2)	**2014**
Scope 1 emissions [1]	410
Scope 2 emissions [2]	1,754
Total Group emissions	**2,164**
Intensity ratio (per £m turnover) [3]	**73.9**

Notes :

[1] Scope 1 emissions are direct GHG emissions from sources owned by the Group.

[2] Scope 2 emissions result from the generation of electricity, heating and cooling or steam purchased for own use.

[3] In order to provide a recognisable and quantifiable measure for our annual emissions the Group has chosen to express its GHG emissions per £1.0 million of revenue (our 'intensity ratio') as the board considers this to be the best comparative measure over time.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for Scope 1 and Scope 2 emissions. All sources reported on fall within the Group's consolidated financial statements. The Board have no responsibility for any emission sources that are not included in the consolidated statements. Each subsidiary has used emission factors sourced from their relevant national Government's GHG conversion factors for corporate reporting purposes. Where information was not available for a local subsidiary, the UK Government's GHG Conversion Factors for corporate reporting has been used.

We have used our financial year to 31 May 2014 as the first period for reporting our GHG emissions and this will represent our base year for future reporting and for comparative purposes.

Health and safety

The Board has ultimate responsibility for the Group's health and safety matters. Each of the Group's operating entities has its own health and safety committees which meets at regular intervals and any incidents, and if appropriate corrective actions, are reported to the Board. During the financial year under review there were no health and safety incidents which required reporting to the Board.

Employees and diversity

The Board places considerable value on the participation and involvement of the Group's employees and with an employee base spread over eight different countries, the Group is committed to employment practices which support equal opportunities and non-discrimination and which comply with relevant local legislation and codes of practice.

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. The Group's full year and half year financial results are made available to all employees on the day of their announcement.

As an equal opportunities employer the Board understands the importance of diversity throughout the business. The Group encourages the employment of disabled persons whenever practicable and has a policy of ensuring that disabled employees and those who may become disabled benefit from training and career development in common with other employees.

As at 31 May 2014 the breakdown of the group's employees by gender was as follows :

	Male	**Female**	**Total**
Main Board Directors	8	-	8
Senior Managers	5	1	6
All employees	171	62	233
	184	**63**	**247**

As at 31 May 2014 three of the six Executive Group Board directors were resident outside of the UK.

Strategic Report
(continued)

Human rights

The Haynes Group does not have a specific human rights policy as the Group's activities are undertaken in developed countries where there is strong legislation governing the area of human rights. However, it is the Board's view that within the Group's key policies and business practices there is a responsibility to ensure all our employees, customers, suppliers and stakeholders are treated fairly and with respect.

Community

The Board recognises the importance of businesses giving back to society and regularly makes donations which help both local and national charities. During the year, the Group embarked on a new project '*Haynes Mechanix*' with London Youth, a registered charity whose vision is that all young Londoners can access a wide range of high quality opportunities for learning and fun, beyond family and formal education, building strong trusted relationships with adults and their peers; leading to broadened networks and increased confidence, character and skills.

The pilot scheme commenced in April 2014 with a group of young people aged 15 and over from member organisation Prospex Youth Club taking part in an intensive sixty hour, seven week course where they learned how to maintain and repair a car. Working alongside Haynes, the young people all achieved a City and Guilds Level 3 Certificate in Employability and Personal Development. This has been an interesting and rewarding project for the Group to be involved with and we are discussing the scope to develop the project at Prospex and in other youth clubs in London in the coming year.

Eric Oakley
Group Chief Executive
24 September 2014

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
Financial PR	**New Century Media Ltd** Dacre House, 19 Dacre Street, London SW1H 0DJ

Group Board

Executive Director Biographies

J Haynes

Group Chairman

J (47) 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 (68) 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 (59) 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 (65) 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. Eddie 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 (68) 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 28 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 (53) 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 (76) 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 (46) completed a BSC (Hons) Business Degree at Manchester before joining the Haynes International Motor Museum, firstly as its Business Development Manager and then having successfully established a number of innovative commercial ventures, as Managing Director. Following the major refurbishment of the Museum in 2014, Marc was appointed Chief Executive Officer. 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 audited financial statements of the Group for the year ended 31 May 2014. The Strategic Report on pages 7 to 18 along with the Report of the Directors constitutes the management report as required under 4.1.5R of the Disclosure and Transparency Rules.

Directors

The names of the directors who served in office during the year and a brief biographical overview are set out on pages 20 to 21.

In accordance with the Articles of Association E Oakley and JH Haynes retire by rotation and, being eligible, offer themselves for re-election.

E Bell and MEF Haynes being Non-Executive Directors and having served for more than nine years at the date of the next Annual General Meeting offer themselves for re-election in line with the provisions of the 2012 UK Corporate Governance Code.

The interests of the directors in the ordinary share capital of the Company are shown on page 40. As at 24 August 2014 there had been no changes in the directors shareholdings notified to the Company.

At 31 May 2014 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.

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

Appointment and replacement of directors

The appointment and replacement of the directors of the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Acts, and related legislation.

Powers of directors

As set out in the Company’s Articles of Association, the business of the Company is managed by the Board who may exercise all the powers of the Company. 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 25 to 29.

2014 Annual General Meeting (AGM)

The AGM will be held on Wednesday 5 November 2014 at the Haynes International Motor Museum, Sparkford, Somerset. The Notice of the Meeting along with an explanation of the proposed resolutions are set out in a separate circular which has been sent to shareholders along with the Annual Report 2014 and can be viewed on the Company’s website.

The Company conducts voting at the AGM by a show of hands and the results of the votes, including proxies, is published on the Company’s website following the Meeting.

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 duties in accordance with Sc 233 of the Companies Act 2006.

Change of control

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change in control of the Company following a takeover. The directors are not aware of any agreements between the Company and its directors or employees that would provide for compensation for loss of office or employment resulting from a takeover.

Dividends

The directors have recommended a final dividend for the year of 4.0 pence per share (2013: 4.0 pence) making a total dividend for the year of 7.5 pence (2013: 7.5 pence). Subject to shareholder approval at the forthcoming AGM, the final dividend will be payable on 13 November 2014.

Substantial shareholdings

As at 31 May 2014, in accordance with Disclosure and Transparency Rule DTR 5, the Company had been notified of the interest in 3% or more of the Company's issued ordinary 20p share capital (note 22) by the following :

	Shares	% Class
Haynes International Motor Museum	630,000	10.3
Miton Group plc	597,000	9.8
Axa Framlington S.A.	550,000	9.0

On 28 July 2014 the Company was notified by the Miton Group plc that their holding had reduced by 91,000 shares to 506,000 shares which represented 8.3% of the Company's ordinary share capital. As at 24 August 2014, the Company had not received any other notifications amending the above holdings or notifying of any new significant holdings of 3% or more in the Company's ordinary share capital.

The interests of those directors who have major shareholdings are detailed in the table of Directors' interests in shares on page 40.

Share capital and related matters

Details of the Company's share capital are shown in note 22 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 23 September 2014 (being the last business day prior to the approval of the Annual Report 2014) the Company's issued share capital consists of 9,000,000 'A' ordinary shares and 7,351,540 ordinary shares. As at 31 May 2014, 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 23 September 2014, 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 held on 23 October 2013 special resolutions were passed renewing the directors' authority to make purchases of its own shares up to a maximum number of 1,500,000 shares; to allot further shares of the Company, having an aggregate nominal value of £1,090,102 which represents approximately one-third of the total ordinary share capital of the Company and; to renew the Directors' authority to issue equity securities for cash otherwise than in proportion to existing holdings to a maximum aggregate nominal value of £163,515 which represents just under 5% of the total ordinary share capital of the Company. The authorities granted will expire at the conclusion of the 2014 AGM if not renewed.

Report of the Directors (continued)

Material contracts

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 footnote 2 on page 62.

Information required in the Directors' Report included in the Strategic Report

The Company has chosen to disclose the following information in the Strategic Report on pages 7 to 18:

- Particulars of any events, if there are any, which affect the Company or Group and which have occurred since the balance sheet date.
- An indication of the likely future developments in the business.
- Details of branches outside the UK.
- The information required under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 in relation to the Group's global greenhouse gas (GHG) emissions.

Financial instruments

The Group's policies in relation to financial risk management including the Group's exposure to credit risk, liquidity risk and cash flow risk are included in note 20 to the consolidated financial statements.

Disclosure of information to auditors

The directors of the Company confirm that, in so far as they are aware, the Company's auditors have been made aware of all relevant audit information. In addition, each of the directors has taken all the reasonable steps that a director ought to take to make themselves aware of any relevant information and if there is any such information, to establish that the Company's auditors are also aware of that information.

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.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have reviewed the Group's budgets, cash flow forecasts and capital expenditure requirements for the next twelve months. The Board also considers the impact of the financial risks upon the business, details of which are included in note 20 to the financial statements.

On behalf of the Board.

James Bunkum
Group Company Secretary
24 September 2014

Corporate Governance Report

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.

This is the first year of reporting under the new UK Corporate Governance Code published in September 2012 ('the Code') 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.

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 20 and 21 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

Corporate Governance Report (continued)

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 Committee meetings	Remuneration & Nomination Committee meetings
Number of meetings in year	6	2	4	2
JHC Haynes	6	2		1
E Oakley	6	2		
D Benhardus	6	1	4 [a]	
J Yates-Round	6	2		
A Kwarts	4	–		
JH Haynes	4	2		
E Bell	6	1	4	2
MEF Haynes	6	2		2

[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 where relevant provided with the background papers pertaining to the meeting. However, the Board recognises that due to the short notice, the directors may not always be able to physically attend the meeting. Nevertheless, in such circumstances it is commonplace for the thoughts and feedback of these Directors to be considered at the meeting.

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

- The Board has identified E Bell as the senior independent director.

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

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

- The memberships of the Committees of the Board are indicated on page 19. 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 sector of the business, as well as risk management and business plans. The executive directors receive information on sales and margins 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 Directors Remuneration Report, which follows on pages 33 to 42, 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 Directors Remuneration Report. 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 page 42).

- 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.

Corporate Governance Report (continued)

Dialogue with shareholders

- The directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's Statement and Strategic Report on pages 6 to 18 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 5 November 2014 and all Board directors (including Committee chairmen) plan to be present and available to answer questions.

Accountability, audit, and going concern

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 43 of the financial statements. Details of the Audit Committee's functions, together with its specific activities in the 2014 financial year, are set out in the report of the Audit Committee on pages 30 to 32.

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 2014, 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.

On behalf of the Board.

James Bunkum
Group Company Secretary
24 September 2014

Report of the Audit Committee

Eddie Bell
Chairman of Audit Committee

As Chairman of the Audit Committee ("the Committee") I am pleased to present the first Committee Report under the revised UK Corporate Governance Code ("the Code") published in September 2012, which applies to the Company for the first time this year. The Committee oversees the Board's relationship with the Company's external auditors and monitors the Company's internal financial controls and external financial reporting to ensure that the financial and non-financial information presented to shareholders is a true, fair and balanced overview of the Company's and Group's performance.

Composition of the Audit Committee

The Committee is chaired by me as the Board's sole independent Non-Executive Director. Through my past and present business roles including directorships held, the Board considers me to have had the recent and relevant financial and commercial experience to undertake the role of Chairman. 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, at this time, the present composition of the Committee is appropriate to discharge its duties in the best interests of the Board and shareholders.

Responsibilities of the Audit Committee

The responsibilities of the Committee are reflected in its terms of reference, details of which can be found on the Haynes.co.uk/investor website. The principal duties of the Committee are as follows :

- To make recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors including their remuneration and terms of engagement and to keep under review the relationship with the external auditors, including their independence, objectivity and the effectiveness of their audit process.
- To review and challenge where necessary the integrity of the Company's financial statements and any formal announcements containing detailed commentary upon the Company's financial performance. The Committee also keeps under review the consistency of accounting policies both on a year-to-year basis and across the Group, including the significant accounting estimates and judgements made by management.
- To review the effectiveness of the Company's financial reporting and internal financial control policies and procedures for the identification, assessment and reporting of financial risk. This review includes an annual assessment of whether there is a need for an internal audit function.
- To keep under review the "Whistle blowing" arrangements across the Group to ensure that procedures are in place for staff to report fraud and similar matters.
- In certain circumstances it is permitted by the Board for the auditors to supply non-audit services (such as the provision of tax advice or on specific projects where they can add value). The Committee monitors the application of this policy in order to safeguard the objectivity and independence of the external auditors.
- To investigate any matter within its terms of reference and where necessary to obtain external legal or other independent professional advice.

Main activities during the year

During the financial year ended 31 May 2014 the main activities of the Committee included the following :

- The Committee met with the external auditors on four occasions, three of which were face to face meetings.
- The Committee considered and reviewed the external auditor's pre-audit planning documentation.
- The Committee considered and reviewed the Group's half year and annual results and received written presentations from the external auditors outlining their audit processes and their principal auditing judgements.
- The Committee considered the appropriateness of the Company's whistleblowing procedures and also the effectiveness of the Group's internal control procedures including an assessment of whether there is a need for an internal audit function.

Significant financial judgements

As mentioned above, the Committee reviews the areas where management make significant accounting judgements and estimates to ensure those judgements and estimates appear reasonable and appropriate. Included below are the principal areas where management made significant judgements or applied their best estimates during the year and how the Committee satisfied itself these judgements and estimates were reasonable and appropriate :

Specific to the period

- **Acquisition of Clymer**. Following the acquisition of the trade and certain assets and liabilities of Clymer in the US in September 2013, management has had to make judgements based on their experience and knowledge to assess the fair values of the assets and liabilities acquired. In the case of the inventory this has included making assumptions on the future saleability of physical stock on hand and for debtors on the recoverability of the outstanding balances. The Committee has reviewed the key assumptions made by management and the disclosures included in the financial statements in compliance with IFRS 3 'Business Combinations' and has discussed with the auditors their audit procedures to assess the appropriateness of the fair values attributed by management to the assets and liabilities acquired.
- **Exceptional items**. During the year the UK business has undertaken a major restructuring exercise which has resulted in a significant one-off charge against profit. The Group has also investigated a small number of potential acquisition opportunities during the year, which in the case of Clymer led to an accepted offer but in the other instances did not lead to an acquisition. The costs associated with the investigative and due diligence activity are non-routine costs which are appropriately included as an exceptional item. The Committee has reviewed the breakdown of the exceptional costs prepared by management and discussed the items with them in order to satisfy itself that the costs are appropriately accounted for and disclosed in this year's financial statements.

Regular items

- **Impairment testing 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 required management to make key judgements and best estimates of such items as future sales growth, sales pricing and cost increases in order to predict future cash flows of the cash generating units (CGU's). Through discussions at Board meetings, the review of circulated Board papers and using its own knowledge of the market sectors where appropriate, the Committee has assessed the appropriateness of the key assumptions and judgements made by management and where appropriate challenged management on these assumptions. The Committee has also reviewed the approach adopted by the external auditors, including the extent to which they have challenged management on the procedures and processes undertaken during the year, to make sure their approach was robust and was designed to adequately challenge the underlying assumptions used by management in their various models and calculations.
- **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 by management is based on both historical experience and expected outcomes using their knowledge of the markets in which the Group operates. During the year, the Committee has discussed with management the appropriateness of the provisioning policy, particularly in light of current market conditions. The Committee has also reviewed the auditors approach for testing the ageing and saleability of the current inventory.
- **Accounting for pensions**. In determining the pension cost and the defined benefit obligation of the Group's defined benefit pension schemes, a number of assumptions are required from management including the use of an appropriate discount rate, the levels of salary escalation and price inflation, the expected return on the schemes' investments and mortality rates. The Committee discussed with management how they had derived these assumptions including the extent to which qualified actuarial advice had been sought. The Committee also assessed the scope of work undertaken by the auditors, including the use of actuarial specialists to ensure the pension obligation has been correctly accounted for and disclosed in the financial statements. In light of the changes to IAS 19 Revised, this year's review has also included an assessment of the disclosures required to cover the prior year adjustment.

Report of the Audit Committee (continued)

Internal control and risk management

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 and takes the necessary action to remedy any significant failings or weaknesses which may be identified by its review. If during their audit testing and reviews the auditors identify any breaches or weaknesses in the Group's internal controls, in the first instance, these will be discussed with the Committee.

Internal audit

The Committee has reviewed the need for an internal audit function within the Group and concluded that given the present structure and size of the Group a separate internal audit function is not considered necessary or appropriate at this time.

External audit

The Committee is responsible for making recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors, including their remuneration and terms of engagement. The Group's current auditors BDO LLP (BDO) have held this position since 2003 with the Committee last placing the Group audit out to open tender in 2007. Under current guidance, external auditors are required to rotate their lead audit partner every five years. As the current BDO lead partner was appointed for our financial year ended 31 May 2012, in line with the UK Listing Rules, our current partner will need to retire from the Haynes Group audit no later than the conclusion of our 31 May 2016 financial year-end.

The Committee meets with BDO at least three times a year to discuss the Group's framework of controls, Group reporting and other relevant matters. At the conclusion of each annual audit, the Committee receives and considers a report from BDO 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 effectiveness of the external audit team is regularly monitored by the Committee through such measures as assessing the clarity of the planning and post audit review documents presented to the Committee, the robustness of their audit and review procedures and their knowledge and understanding of the markets in which the Group operates, including their access to appropriately qualified specialists as and when required.

In assessing the independence and objectivity of the external audit firm, the Committee reviews, on an annual basis, the length of service of the key audit team members as well as reviewing the level of non-audit fee income the firm has derived from the Group in the previous 12 months. A table outlining the fees paid to BDO is included in the notes to these Consolidated Financial Statements. All significant non-audit work undertaken by the external auditors is approved in advance by the Committee.

The Committee is satisfied that the relationship with BDO is working well, that their audit processes remain effective and there are no concerns regarding their independence. Accordingly, the Committee has recommended to the Board that BDO be re-appointed as the Group's auditors at the next Annual General Meeting.

On behalf of the Board.

Eddie Bell
Chairman of the Audit Committee
24 September 2014

Directors Remuneration Report

1 Chairman of the Remuneration Committee – Annual Statement

Eddie Bell
Chairman of Remuneration Committee

The Directors Remuneration Report ('the Report') for our financial year ended 31 May 2014 has been prepared in compliance with the new reporting requirements for UK companies which came into effect from 1 October 2013. 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 and will be determined by the Remuneration Committee going forward. The Report sets out the information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the provisions of the UK Corporate Governance Code 2012 ("the Code") and the Listing Rules of the Financial Conduct Authority.

The report comprises three sections as follows :

- The Chairman's Annual Statement
- The Directors Remuneration Policy
- Annual Report on Remuneration

In line with the new regulations, the Directors Remuneration Policy sets out the Company's proposed policy on directors' remuneration and will be subject to a binding shareholder vote at the 2014 Annual General Meeting. Once approved by the shareholders, future remuneration payments to a current or prospective director or a payment for loss of office to a current or past director will need to be consistent with the policy. Payments outside of the policy will only be permitted if approved by the shareholders at a general meeting. The Annual Report on Remuneration sets out the payments made to directors during the financial year under review and along with this introductory statement will be subject to an advisory shareholder vote at the 2014 Annual General Meeting.

1.1 Remuneration Committee ("the Committee") composition

The Committee is chaired by me as the Board's sole independent Non-Executive Director, with JHC Haynes (Executive Chairman) and MEF Haynes (Non-Executive Director) also on the Committee. 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 at this time the present composition of the Committee is appropriate to discharge its duties in the best interests of the Board and shareholders.

1.2 Responsibilities of the Committee

The responsibilities of the Committee are reflected in its terms of reference, details of which can be found on the Haynes.co.uk/investor website. The principal duties of the Committee are summarised below :

- To determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, the Chairman of the Company, and the executive directors. The remuneration of non-executive directors is a matter for the executive members of the Board.
- To take into account all factors which it deems necessary to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Directors Remuneration Report (continued)

1.2 Responsibilities of the Committee (continued)

- Within the terms of the agreed policy, to determine the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments and share options and to determine targets for any performance related incentive schemes operated by the Company seeking shareholder approval where appropriate.
- To determine the scope and nature of service agreements for the executive directors, termination payments and compensation payments, taking into account the prevailing pension arrangements. In particular the Committee shall endeavour to ensure that the contractual terms on termination and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- In determining such packages and arrangements, give due regard to the recommendations of the UK Corporate Governance Code 2012, the Listing Rules of the Financial Conduct Authority and current legislation.

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.

1.3 Activities of the Committee in the current financial year

The main activities of the Committee during the financial year ended 31 May 2014 were as follows :

- Salaries
  The Committee met twice during the financial year and apart from an increase of £25,000 per annum effective from 1 June 2013 to the salary of A Kwarts there were no other executive or non-executive salary increases granted during the year.
- Bonuses
  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 based on the profit of the Group or a component of the Group. As the bonus arrangements are contractual with no discretionary element included there is no judgement decision to be made by the Committee in respect of the bonus awards.
- Benefits
  There were no new benefits awarded during the financial year.
- Share options
  Although the Company has approval to operate an executive share option scheme, there were no new options granted during the year and no options in existence at either the beginning or end of the financial year.

2 Directors Remuneration Policy

The principal elements of executive directors' remuneration comprises a basic salary and fixed benefits, an annual bonus and the provision of a post-retirement pension. 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.

Non-executive directors receive a fee for their services and are entitled to the reimbursement of incidental expenses.

The following table sets out the various elements forming a director's remuneration package. The table and the notes below the table form our policy on directors' remuneration which we intend to apply going forward subject to shareholder approval at the Annual General Meeting on 5 November 2014. In line with the new regulations, which came into effect on 1 October 2013, unless it is felt appropriate or necessary to seek approval for a change in the policy ahead of this timeframe, it will be the intention of the Board to review the policy and put before the shareholders for approval every three years.

2.1 Directors remuneration policy table

Element of remuneration	Purpose and link to Company's strategy	How the element operates (including maximum opportunity)	Performance metrics where relevant
Base Salary	– To attract, motivate and retain executive directors of the right calibre to ensure the future growth and success of the Group.	– Salaries are set to reflect the individual responsibilities and role of the director. The Committee may at its discretion increase the base salary of a director where there is a change in a director's responsibility, personal progression in the role or to reflect the increased experience of the individual director. – Base salaries are reviewed annually with changes normally taking effect from 1 June. Base salaries of the UK and European based directors are paid monthly in arrears and for the US based directors are paid twice a month in arrears.	– When undertaking its annual review the Committee is mindful of the annual pay review process for employees elsewhere in the wider Group, comparable pay for like roles in similar sized businesses as well as the retail price index and similar indices of inflation.
Benefits	– To attract, motivate and retain executive directors by providing benefits which are commensurate with the role and responsibility of the director.	– The benefits available to the directors will take into account local market practice in the country where the director is based and will principally include the provision of a company car (including private fuel) or an alternative cash allowance, private medical cover for the director and their immediate family and income protection. There is no prescribed maximum but the Committee monitor the overall level of benefits to ensure the cost to the business is proportionate.	– Not performance related
Annual bonus	– To provide a reward scheme for executive directors which aligns the benefits to the directors with the interests of the stakeholders and which is transparent and administratively straightforward to operate.	– A bonus is paid to each executive director based on the performance of the overall Group or a substantial component of the Group. – The bonus is typically based on a percentage of 'net profit' with net profit for the Group being defined as profit before tax, excluding profits or losses of a capital nature, exceptional items and before the deduction of bonuses payable to executive directors. For bonus arrangements based on components of the Group, the definition is similar to the above but before the deduction of Group costs and for overseas operations before adjustments to comply with Group reporting requirements. – There is no upper limit which may become payable under the contractual bonus arrangements. – The Committee has the discretion to adjust the applicable percentages or target metrics where there is a change in a director's responsibility or where the development and/or increased experience of the individual director justify such an amendment.	– Refer to note 1 following this table for details of the individual director's bonus arrangements.
Pension	– To offer a retirement package which helps to attract and retain directors of the right calibre to ensure the continued growth and success of the Group.	– The Committee may authorise the funding of a director's pension arrangement as appropriate. This could include participation in one of the Group's defined benefit pension schemes or contributions to a money purchase arrangement and/or payment of a cash allowance as appropriate. Life assurance linked to the membership of a pension scheme may be available to the directors as appropriate. – Details of the pension arrangements for the specific directors (including maximum entitlements) are included in note 2 following this table.	– Not performance related
Non-Executive fees	– To support the recruitment of high quality and experienced Non-Executive directors.	– The fees for non-executive directors are determined by the Board and are set to reflect the time commitments and responsibilities associated with the role. – Incidental expenses are payable to non-executive directors as appropriate. – A basic annual fee for normal duties is paid monthly through the Company payroll. Supplementary fees may also be payable for additional duties at the discretion of the Board.	– Not performance related

Directors Remuneration Report (continued)

Notes to the Policy Table

i) Bonus arrangements

The bonus arrangements for the executive directors are as follows :

- JHC Haynes (Group Chairman) is entitled to a bonus of 0.5% on the first £4.5 million of overall Group net profit and 1.5% thereafter.
- E Oakley (Group Chief Executive) is entitled to a bonus based on 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. Additionally, E Oakley is entitled to a one time discretionary bonus at an amount to be decided by the Chairman in consultation with the Committee in the event that the Group disposes of one of the Group's businesses at a gain entirely attributable to the performance of that business.
- D Benhardus is entitled to a bonus of 0.5% of overall Group net profit.
- J Yates-Round is entitled to a bonus of 1% of the net profit of the UK and European businesses.
- A Kwarts is entitled to a bonus of 2% of the net profit of the HaynesPro Group
- JH Haynes is entitled to a bonus of 1% of the Group's overall net profit.

The bonus arrangements are non-discretionary and form part of a director's contractual arrangement with the Company with no claw back or recovery provisions in place. 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.

ii) Pension arrangements

Each of the executive directors is contractually entitled to a final salary or money purchase related pension benefit as described below.

- JHC Haynes and J Yates-Round are members of the UK defined benefit pension scheme ('UK Scheme'). The target pension for the directors is currently seven-eighths of two-thirds of final pensionable salary at the age of 61 (two-thirds of final pensionable salary from age 60 pre 12 July 2011). Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service. The directors contribute 8% of their pensionable pay, as defined under the Scheme rules. Death in service benefits provide for a return of the individual's contributions made to the UK 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 (5% pre 12 July 2011). With the approval of the UK 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.

- E Oakley, D Benhardus and JH Haynes are members of the US defined benefit pension plan ('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. As E Oakley, D Benhardus and JH Haynes have reached the age of 65 they are no longer accruing benefits under the US plan.

  In the US, members whose benefits are capped by legislation participate in an additional money purchase arrangement. 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. 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 employee's deferrals up to a maximum of 6% of salary.

- A Kwarts is a member of the HaynesPro Holding BV money purchase pension scheme which is governed by the employment laws in the Netherlands. Prior to 1 January 2014, under the regulated scheme the employer contributed 2.22% of gross salary (including holiday pay) and the employee contributed 5.0%. From 1 January 2014 the employer contributes 7.0% and the employee contributes 3.5%.

iii) Share option scheme

No share option schemes are in existence at the present time.

2.2 Other remuneration policy considerations

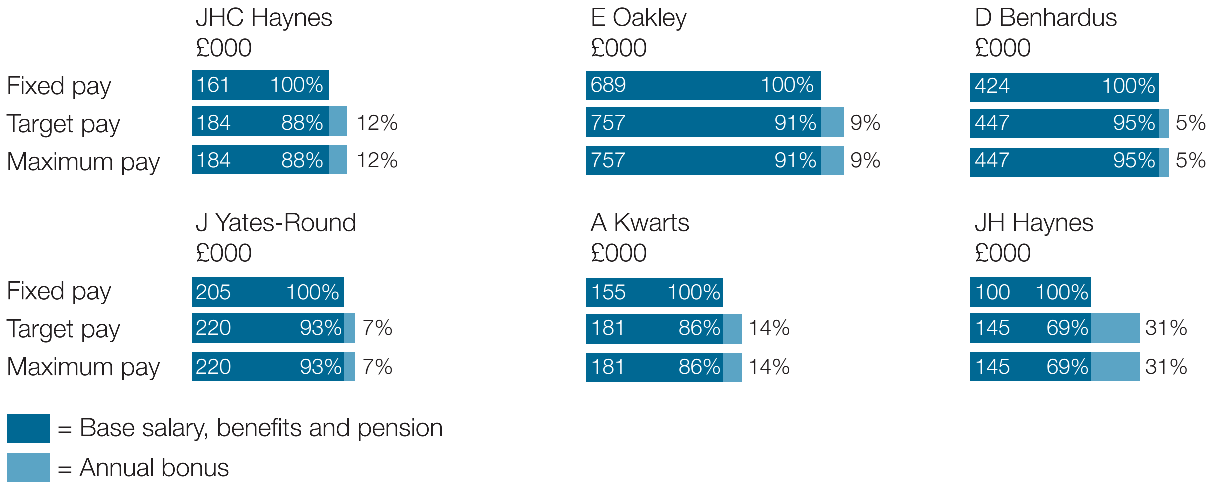
- Approach to recruitment
  - The Board has determined that the role of the Nomination Committee will be combined with that of the Remuneration Committee. The Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vets and scrutinises these proposals. The Committee is mindful of the need to ensure orderly succession planning and to recommend new appointments to the Board based on merit and experience. The Committee may rely on its own energies and judgement in sourcing and evaluating candidates for vacancies for the Board or alternatively, to use external search consultants and open advertising if felt appropriate. The structure of a new director's remuneration package would be in line with the above policy, with the possibility of the payment of relocation expenses where appropriate.
  - In the case of an external appointment the Committee reserves the right, in exceptional circumstances, to make payments outside of this policy. The right would only be exercised where the Committee believes to do so is in the best interests of the Company and where it would be impractical to seek specific approval from a general meeting beforehand. If such discretion is applied the relevant circumstances would be disclosed to shareholders in the next Annual Remuneration Report.
  - In the case of internal appointments, any outstanding variable pay in respect of the prior role may at the Committees discretion be permitted to continue on its original terms or if appropriate adjusted to reflect the new appointment.
- Comparison with wider Group employees and consultation with shareholders
  - The Committee considers the pay and employment conditions of the wider employees below Group level when determining the appropriate remuneration packages for the executive directors. During the financial year the Committee has not commissioned the services of external consultants and has not formally consulted with shareholders or employees in formulating its remuneration policy. However, the Committee meets with shareholders at the Annual General Meeting and receives feedback annually from the Institutional Shareholder Services/Research, Recommendation and Electronic Voting (ISS/RREV) which helps to ensure the interests of the directors are aligned as closely as possible to the interests of the shareholders.
- Service contracts and loss of office payments
  - In line with the guidance issued in the Code, service contracts for executive directors in the UK and Europe include a notice period of 12 months or less upon termination. The Committee is mindful of the unique characteristics of the Company; its vertical integration as both publisher and printer, its product range and its geographical spread and that directors who are US based are employed 'at will' with no notice provision. Therefore, to ensure reasonable parity with the UK and European 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 addition to any contractual rights pertaining to a payment for loss of office, executive directors will have legal rights relevant to the Country in which they are based.

2.3 Application of remuneration policy

In line with the new regulations introduced from 1 October 2013, the remuneration report sets out in the form of a bar chart an indication of the level of remuneration that will be received by each executive director in accordance with the Committee's remuneration policy in the first year to which the policy applies. The chart shows the minimum amount receivable (base salary, benefits and pension), the amount receivable if the Group performs in line with expected levels and the maximum amount remuneration which would be payable. The chart also quantifies the value of the remuneration and the percentage this represents of the director's total remuneration package.

Directors Remuneration Report (continued)

As mentioned earlier in this report the executive directors' remuneration is all contractually based and does not comprise a discretionary element. Therefore, the target and maximum amounts payable in the charts below are the same.



Assumptions:
1. Based on first full year of policy implementation.
2. Salaries are based on agreed amounts at 1 June 2014.
3. Taxable benefits are based on amounts relating to the financial year ended 31 May 2014.
4. Pension amounts are based on amounts relating to the financial year ending 31 May 2014.
5. The directors' annual bonuses are entirely based on a percentage of the profits of the consolidated Group or sub-group. Accordingly the target amounts for FYE 2015 are based on the latest Company broker forecasts at the time of publication of this report.
6. The base salary of JH Haynes has reduced by £24,000 per annum from 1 June 2014.

3 Annual Report on Remuneration

The information contained in sections 3.1 to 3.5 below have been audited by our auditors BDO LLP in accordance with Part 5 Sc41 of Statutory Instrument 2013 No. 1981.

3.1 Directors' remuneration table

The table below sets out the total remuneration of the directors for the financial year ended 31 May 2014.

	Salary/fees		Benefits[1]		Performance bonus[5]		Pension[6]		Total Emoluments	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Executive										
JHC Haynes	128	128	7	6	22	19	26	118	183	271
E Oakley [2/4]	318	328	38	37	66	57	333	361	755	783
D Benhardus [4]	190	196	20	21	22	19	214	234	446	470
J Yates-Round	105	105	17	16	15	13	83	124	220	258
A Kwarts [3]	144	120	7	7	25	17	4	2	180	146
JH Haynes	107	108	17	7	44	38	-	-	168	153
	992	985	106	94	194	163	660	839	1,952	2,081
Non-Executive										
E Bell	43	41							43	41
MEF Haynes	24	24							24	24
	67	65	-	-	-	-	-	-	67	65
Total	**1,059**	**1,050**	**106**	**94**	**194**	**163**	**660**	**839**	**2,019**	**2,146**

[1] The benefits relate to the provision of company cars, private fuel and private healthcare cover.
[2] E Oakley waived $8,000 (£4,935) of his bonus received in respect of the year ending 31 May 2013. A profit share contribution of $8,000 was then made by the Company into Mr E Oakley's '401K' pension plan in the US.
[3] A Kwarts is paid in Euros and the amounts have been converted to Sterling at an average exchange rate for the year of €1.20 (2013: €1.22)
[4] E Oakley and D Benhardus are paid in US Dollars and the amounts have been converted to Sterling at an average exchange rate for the year of $1.62 (2013: $1.57).
[5] The executive directors' annual bonus arrangements are set out in note 1 of Section 2.1.
[6] The directors' benefits arising from pension arrangements during the financial year are summarised in Sc 3.2 below.

3.2 Directors pensions entitlements

The value of pension benefits to the directors arising under company related pension arrangements during the financial years ended 31 May 2014 and 2013 were as follows :

					Value of pension related benefits					
					31-May-14			31-May-13		
	Note	Normal pensionable age	Total accrued pension in the defined benefit scheme as at 31 May 2014 £000	Total accrued pension in the defined benefit scheme as at 31 May 2013 £000	Defined benefit scheme £000	Money purchase arrangements £000	Total £000	Defined benefit scheme £000	Money purchase arrangements £000	Total £000
JHC Haynes	UK[1]	61	56	52	26	-	26	118	-	118
E Oakley	US[2]	65	95	96	96	237	333	114	247	361
D Benhardus	US[2]	65	95	96	96	118	214	113	121	234
J Yates-Round	UK[1]	61	58	51	83	-	83	124	-	124
JH Haynes	US[2]	65	33	36	-	-	-	-	-	-
A Kwarts		59	-	-	-	4	4	-	2	2

Notes :
1. UK – member of the UK Scheme
2. US – member of the US Scheme
3. All current year amounts for the US defined benefit plan have been converted to Sterling at the closing rate for the financial year. Amounts payable to the executive directors in relation to money purchase arrangements are converted at the average rate for the year.
4. The total accrued pension in the defined benefit scheme as at 31 May 2014 represents the amount that would be paid annually in retirement from normal pension age, based on the director's pensionable service to 31 May 2014.
5. The value of a director's benefits derived from the defined benefit scheme is based on the increase in accrued pension during the year and reflects an increase for UK Consumer Price Index (CPI) inflation.

The increase in the directors' accrued pension arising from defined benefit arrangements and the increase in transfer value during the year were as follows :

	31 May 2014 Increase in accrued pension arising from defined benefit schemes during the year £000	31 May 2013 Increase in accrued pension arising from defined benefit schemes during the year £000	31 May 2014 Increase in transfer value during the year £000	31 May 2013 Increase in transfer value during the year £000
JHC Haynes	2	8	80	(5)
E Oakley	6	9	24	162
D Benhardus	6	9	24	162
J Yates-Round	6	14	174	210
JH Haynes	(1)	-	(21)	9

Notes :
The increase in accrued pension excludes any increase for inflation during the year.

3.3 Payments to past directors

No payments were made to past directors during the year.

3.4 Payments for loss of office

No payments for loss of office were made during the year.

Directors Remuneration Report (continued)

3.5 Directors' interests in shares of the Company

The directors who served during the year and their interests in the share capital of the Company as at 31 May 2014 [1] and 31 May 2013 (including the interests of connected parties) 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 [3]	8,550,000 [3] [5]	710,141 [3]	163,500 [3]	632,575 [3] [4] [5]
E Oakley	-	-	-	43,304	-	-
D Benhardus	-	-	-	5,000	-	-
JH Haynes	8,250,000	750,000 [3]	-	197,500	902,500 [2] [3]	1,056,263 [3] [4] [5]
J Yates-Round	-	-	-	-	-	-
A Kwarts	-	-	-	-	-	-
Non-Executive						
E Bell	-	-	-	-	-	3,000
MEF Haynes	-	750,000 [3]	8,250,000 [5]	699,767 [3]	272,500 [3]	523,575 [4] [5]

[1] JHC Haynes resigned as a Trustee of the Haynes International Motor Museum (a charitable trust) on 18 June 2013 and therefore, is no longer non-beneficially interested in the 630,000 shares held by the Museum as at 31 May 2014. Apart from this change there were no other changes to the directors' interests in the Company's ordinary shares from the position shown at 31 May 2013.

[2] 630,000 shares are in respect of the Haynes International Motor Museum (a charitable trust) of which JH Haynes is a Trustee.

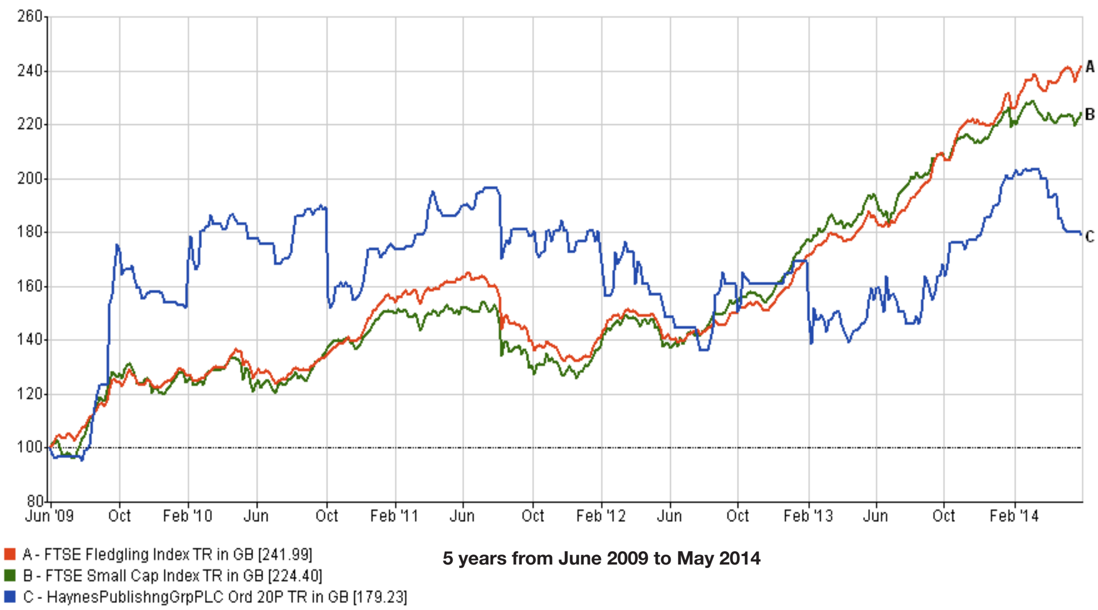
[3] Shares held in family trusts in which JH Haynes or JH Haynes, JHC Haynes and MEF Haynes are trustees and which the beneficiaries comprise the sons or grandchildren of JH Haynes.

[4] Includes 326,075 shares owned by Mrs AC Haynes (2013: 326,075 shares).

[5] 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.

3.6 Total shareholder return graph

The listed shares of Haynes Publishing Group P.L.C. are held within the FTSE Fledging Index of the London Stock Exchange. The following graph compares the return over a 5 year period from an initial holding of £100 in the shares of the Company (with dividends reinvested) to the return that would have been received over the same period from investing in a hypothetical holding of £100 in shares of companies on the similar FTSE Fledgling index and FTSE Small Cap Index.



5 years from June 2009 to May 2014

3.7 Remuneration of the Chief Executive over the 5 year period from 1 June 2009 to 31 May 2014

In line with the new legislation, the table below sets out the total remuneration of the Chief Executive Officer and annual bonus as a percentage of the total that could have been earned by the Chief Executive Officer for the past five years. Each year the information in the table will increase by a further year until ten years of comparative history is shown.

Year ending (31 May)	Total remuneration £000	Annual bonus payment against maximum opportunity %
2010	676	100%
2011	798	100%
2012	754	100%
2013	783	100%
2014	755	100%

Notes :

1. E Oakley was the Group Chief Executive Officer in each of the year's in the above table
2. Total remuneration is calculated on the same basis as the shown in the directors remuneration table
3. The annual bonus is contractual and based on a fixed percentage of the Group' net profits. Accordingly, there is no difference between the amount earned and the maximum amount that could be payable.
4. The remuneration of the Chief Executive is paid in US Dollars and translated to Sterling at the average exchange rate for the financial year.

3.8 Percentage change in remuneration of the Chief Executive and Group employees

The table below sets out the percentage movement in the Chief Executive's base salary, benefits and bonus in the current and preceding financial years as well as providing comparative figures against the change for the Group's UK employees over a similar time period.

	E Oakley Chief Executive % change from 2013	Average for all employees % change from 2013
Base salary [1]	(3%)	0%
Benefits [1]	3%	1%
Bonus	16%	9%

Notes:

[1] The base salary and benefits of the Chief Executive are paid in US Dollars and translated to Sterling at the average exchange rate for the financial year. The average exchange rate for the year ended 31 May 2014 was $1.62 and for FYE 2013 was $1.57.

[2] For practicable purposes, the UK employee base has been selected as a comparable measure for the above table as the UK has a broad range of employees which is not deemed to be materially different from the other parts of the Group.

3.9 Relative importance of spend on pay

The table below sets out the actual expenditure on employees remuneration for the financial years ending 31 May 2014 and 2013 relative to the equity dividends paid by the Company over the same period :

	2014 £000	2013 £000	% change
Wages and salaries (note 6)	9,998	10,406	(4%)
Dividends (note 11)	1,133	1,965	(42%)

3.10 Statement of voting at general meeting

At the annual general meeting held on 23 October 2013 an ordinary resolution was placed before the shareholders to approve the directors' remuneration report for the financial year ended 31 May 2013. The resolution was passed on a show of hands with 100% of the votes cast in favour of the resolution.

Directors Remuneration Report (continued)

3.11 Directors service contracts

The notice periods of the executive directors are as shown below :

Director	Date of contract	Notice period
JHC Haynes (Group Chairman)	15 February 2002	12 months
E Oakley (Group Chief Executive)	30 May 2002	None (notional 24 months)
D Benhardus	31 May 2002	None (notional 12 months)
J Yates-Round	2 September 2010	12 months
A Kwarts	12 October 2010	3 months
JH Haynes (UK)	29 September 1979	12 months
JH Haynes (US)	29 September 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 UK Corporate Governance 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.

On behalf of the Board.

Eddie Bell
Chairman of the Remuneration Committee
24 September 2014

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.

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.

The directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 and Parent Company.

- 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.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2014 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

The financial statements of Haynes Publishing Group PLC for the year ended 31 May 2014 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company balance sheet and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

We determined planning materiality for the financial statements as a whole to be £290,000. In determining this, we based our assessment on a level of 1% of consolidated revenue which we believe is a key benchmark used by a member of the Group in assessing financial performance. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgment is that performance materiality for the financial statements should be 75% of planning materiality, namely £217,500. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £290,000 for the financial statements as a whole. Materiality levels used for each key component ranged from £75,000 to £217,500. We agreed with the audit committee that we would report to the committee all audit differences in excess of £6,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

The Group audit team, based in the UK, performed the audits of the key reporting components in the UK. The audits of the North America & Australia and Europe components were performed by BDO global network auditors, based in North America and the Netherlands. Detailed instructions were issued and discussed with the component auditors, and the full scope audits covered the significant risks (including the Group risks of material misstatement described below) that should be addressed by the audit team. The group audit team was actively involved in directing the audit strategy of the components and key members of the Group audit team visited the local auditors and the operations in North America and the Netherlands during the audit fieldwork. The Group audit team reviewed in detail the findings of work performed and considered the impact of these upon the Group audit opinion.

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- **Goodwill and intangible impairment risk** - as detailed in the accounting policies on page 55, goodwill and intangible assets with an indefinite or indeterminable life are tested for impairment at least annually. Furthermore, other intangible assets are tested for impairment where an indicator of impairment arises. This risk is considered significant due to the opportunity for management bias within the impairment model assumptions. Management's review found no evidence of impairment in the Group's cash generating units.

  We performed a review of the Group's goodwill and intangible assets and examined for indicators of impairment. We also tested impairment reviews prepared by management, specifically reviewing the integrity of management's value in use model and, with the assistance of our valuation specialists, we challenged the key inputs; those being forecast growth rates, capital expenditure, operating cash flows and the discount rate. Our audit procedures for the testing of operating cash flows included, amongst others, comparing the forecasts to recent financial performance and budgets approved by the Board. Cash flows forecast for new development projects in HaynesPro Holding BV were assessed for reasonableness against the likely sector and geographical markets and known sales pipeline opportunities. We also performed our own sensitivity analysis upon the key valuation inputs.

- **Revenue recognition** - which is a presumed fraud risk under ISAs (UK & Ireland). As detailed in the accounting policies on page 56, the Group earns revenue from sale of printed products, the subscription and licensing of digital data, and the sale of publishing rights and brand licensing. In respect of revenue from subscriptions and licensing of digital data there is a risk revenue will not be recognised in the appropriate period.

  We reviewed in detail the revenue recognition principles supporting the revenue recognised during the year. In particular we tested the revenue earned from digital subscriptions and licensing of data and through inspection of underlying contracts we assessed whether the recognition and deferment of revenue was consistent with the Group's accounting policies and International Accounting Standard 18.

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

- **Acquisition of Clymer** – which is a significant acquisition during the year by the Group. This required management to make critical judgements surrounding the intangible assets to be recognised upon acquisition and the fair values attributable to all assets and liabilities acquired. This risk is also considered significant due to the opportunity for management bias within the fair value calculations.

  We examined management's acquisition accounting in detail and reviewed the sale and purchase agreement. We challenged, and considered for completeness, the fair value adjustments made against the net assets acquired with the business of Clymer. With the assistance of our valuation specialists, we considered the completeness of intangible assets recognised, and evaluated management's assumptions and methodology supporting the fair values of these assets.

- **Inventory provisions** – as detailed in the accounting policies on page 58, the Group reviews its finished goods inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete inventory based on estimates of future sales activity. Judgement is required to evaluate whether inventory is carried at the lower of cost and net realisable value.

  We critically assessed the methodology adopted by management to calculate inventory provisions. We particularly tested the provisions calculated in respect of inventory that no longer fits with the Group's focus of publishing Haynes manual style titles. We challenged, and considered for completeness, the calculated provisions assessing whether they were sufficient, and taking into account potential excess inventory compared with known sale opportunities and historical sales trends of titles. We also assessed whether or not the provision calculations showed any evidence of management bias with a particular focus on the risk that the provisions may be understated.

- **Retirement benefit obligations** – accounting for the Group's UK and US defined benefit retirement plans requires management to make a number of estimates including an appropriate discount rate, future salary and price inflation, the expected return on the schemes' investments and mortality rates. Such assumptions will significantly impact the valuation of pension costs and retirement benefit obligations recorded. Furthermore, given the changes enacted to IAS 19, as described in note 1, the risk is also considered significant due to the need to account for a prior period adjustment.

  We evaluated the appropriateness of the principal actuarial assumptions, as set out in note 21. Using market data and commentary from independent actuarial specialists, we benchmarked the assumptions used by management against an acceptable range, as well as agreeing underlying assets and liabilities to pension plan documentation. We specifically tested the calculation and disclosure of the prior year adjustment made in this year's financial statements.

The audit committee's consideration of these judgements is set out on page 31.

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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 24, 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.

We have nothing to report in respect of these matters.

Paul Anthony (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
24 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Consolidated Income Statement

Year ended 31 May 2014

	Continuing operations	2014 Before exceptional items £000	2014 Exceptional items (note 5) £000	2014 Total £000	Restated[1] 2013 £000
Note 2	**Revenue**	**29,284**	**-**	**29,284**	**27,632**
	Cost of sales	(12,264)	(1,519)	(13,783)	(11,163)
	Gross profit	**17,020**	**(1,519)**	**15,501**	**16,469**
	Other operating income	67	-	67	59
	Distribution costs	(6,308)	-	(6,308)	(6,922)
	Administrative expenses	(5,961)	(671)	(6,632)	(5,977)
Note 4	**Operating profit**	**4,818**	**(2,190)**	**2,628**	**3,629**
Note 7	Finance income	7	-	7	14
Note 8	Finance costs	(76)	-	(76)	(2)
Note 21	Other finance costs – retirement benefits	(533)	-	(533)	(450)
	Profit before taxation from continuing operations	**4,216**	**(2,190)**	**2,026**	**3,191**
Note 9	Taxation	(1,379)	489	(890)	(1,036)
	Profit for the period from continuing operations	**2,837**	**(1,701)**	**1,136**	**2,155**
	Attributable to :				
	Equity holders of the Company	2,819	(1,701)	1,118	2,145
	Non-controlling interests	18	-	18	10
		2,837	**(1,701)**	**1,136**	**2,155**
Note 10	**Earnings per 20p share**	Pence		Pence	Pence
	Earnings per share from continuing operations				
	– Basic	18.7		7.4	14.2
	– Diluted	18.7		7.4	14.2

[1] See Note 1 Restatement of prior years

Consolidated Statement of Comprehensive Income

Year ended 31 May 2014

	2014 £000	Restated[1] 2013 £000
Profit for the period	**1,136**	**2,155**
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	(627)	(1,518)
- US Scheme	191	(718)
Deferred tax on retirement benefit obligation		
- UK Scheme	125	349
- US Scheme	(76)	287
Deferred tax arising on change in UK corporation tax rate	(336)	(98)
	(723)	(1,698)
Items that will or may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,082)	874
Other comprehensive expense recognised directly in equity	**(3,805)**	**(824)**
Total comprehensive (expense)/income for the financial period	**(2,669)**	**1,331**
Attributable to :		
Equity holders of the Company	(2,687)	1,321
Non-controlling interests	18	10
	(2,669)	**1,331**

[1] See Note 1 Restatement of prior years

Financial Statements

Consolidated Balance Sheet

At 31 May 2014

		2014 £000	2013 £000
	Non-current assets		
Note 12	Property, plant and equipment	9,265	10,082
Note 13	Intangible assets	21,219	18,336
Note 19	Deferred tax assets	4,141	4,997
	Total non-current assets	**34,625**	**33,415**
	Current assets		
Note 14	Inventories	12,281	13,335
Note 15	Trade and other receivables	9,347	8,018
Note 16	Cash and short-term deposits	2,348	6,178
	Total current assets	**23,976**	**27,531**
	Total assets	**58,601**	**60,946**
	Current liabilities		
Note 18	Trade and other payables	(4,536)	(4,472)
	Current tax liabilities	(757)	(932)
Note 17	Borrowings	(1,234)	(73)
	Total current liabilities	**(6,527)**	**(5,477)**
	Non-current liabilities		
Note 17	Borrowings	(2,178)	-
Note 19	Deferred tax liabilities	(3,307)	(4,244)
Note 21	Retirement benefit obligation	(11,245)	(12,079)
	Total non-current liabilities	**(16,730)**	**(16,323)**
	Total liabilities	**(23,257)**	**(21,800)**
	Net assets	**35,344**	**39,146**
	Equity		
Note 22	Share capital	3,270	3,270
	Share premium	638	638
	Treasury shares	(2,447)	(2,447)
	Retained earnings	31,538	32,276
	Foreign currency translation reserve	2,288	5,370
	Capital and reserves attributable to equity shareholders	**35,287**	**39,107**
	Equity attributable to non-controlling interests	57	39
	Total equity	**35,344**	**39,146**

The financial statements were approved by the board of directors and authorised for issue on 24 September 2014 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Consolidated Statement of Changes in Equity

Year ended 31 May 2014

	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 2012	3,270	638	(2,447)	4,496	33,794	39,751	29	39,780
Profit for the period restated[1]	-	-	-	-	2,145	2,145	10	2,155
Other comprehensive income:								
Currency translation adjustments	-	-	-	874	-	874	-	874
Actuarial losses on defined benefit plans (net of tax) restated[1]	-	-	-	-	(1,698)	(1,698)	-	(1,698)
Total other comprehensive income restated[1]	-	-	-	874	(1,698)	(824)	-	(824)
Total comprehensive income	-	-	-	874	447	1,321	10	1,331
Dividends (note 11)	-	-	-	-	(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**
Profit for the period	-	-	-	-	1,118	1,118	18	1,136
Other comprehensive income:								
Currency translation adjustments	-	-	-	(3,082)	-	(3,082)	-	(3,082)
Actuarial gains/(losses) on defined benefit plans (net of tax)	-	-	-	-	(723)	(723)	-	(723)
Total other comprehensive income	-	-	-	(3,082)	(723)	(3,805)	-	(3,805)
Total comprehensive income	-	-	-	(3,082)	395	(2,687)	18	(2,669)
Dividends (note 11)	-	-	-	-	(1,133)	(1,133)	-	(1,133)
Balance at 31 May 2014	**3,270**	**638**	**(2,447)**	**2,288**	**31,538**	**35,287**	**57**	**35,344**

[1] See Note 1 Restatement of prior years

Financial Statements

Consolidated Cash Flow Statement

Year ended 31 May 2014

		2014 £000	Restated[1] 2013 £000
	Cash flows from operating activities - continuing		
	Profit after tax	1,136	2,155
	Adjusted for :		
	Income tax expense	890	1,036
	Interest payable and similar charges	76	2
	Interest receivable	(7)	(14)
	Interest charges on pension liabilities less expected return on pension assets	533	450
	Operating profit	2,628	3,629
	Depreciation on property, plant and equipment	882	843
	Amortisation of intangible assets	2,377	1,963
	IAS 19 pensions current service cost net of contributions paid	(1,750)	(612)
	Gain on disposal of property, plant and equipment	(19)	(7)
		4,118	5,816
	Changes in working capital :		
	Decrease in inventories	2,084	133
	(Increase)/decrease in receivables	(1,481)	854
	Increase in payables	279	103
	Net cash generated from operations	**5,000**	**6,906**
	Tax paid	(1,311)	(433)
	Net cash generated by operating activities	**3,689**	**6,473**
	Investing activities		
	Acquisition – business combinations	(5,854)	-
	Disposal proceeds on property, plant and equipment	38	10
	Purchases of property, plant and equipment	(718)	(963)
	Expenditure on development costs	(2,813)	(2,389)
	Interest received	7	14
	Net cash used in investing activities	**(9,340)**	**(3,328)**
	Financing activities		
	Proceeds of new borrowings	2,394	-
	Repayments of borrowings	(216)	-
	Dividends paid	(1,133)	(1,965)
	Interest paid	(76)	(2)
	Net cash used in financing activities	**969**	**(1,967)**
Note 24	**Net (decrease)/increase in cash and cash equivalents**	**(4,682)**	**1,178**
	Cash and cash equivalents at beginning of year	6,105	4,775
	Effect of foreign exchange rate changes	(309)	152
Note 24	**Cash and cash equivalents at end of year**	**1,114**	**6,105**

[1] See Note 1 Restatement of prior years

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

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 19. The Consolidated Financial Statements of the Company for the year ended 31 May 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The accounting policies contained below and the disclosures in notes 1 to 28 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 89 and the applicable accounting policies of the Parent Company are contained in note 29.

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 2013/14

During the Group's financial year beginning 1 June 2013 the following new standards and amendments to standards became effective for the first time, apart from the below there have been no changes to the accounting policies:

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.

IFRS 13: 'Fair Value Measurement', establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 provides guidance on how to measure fair value under IFRS when it is required or permitted.

IAS 19 (revised): 'Employee Benefits', requires a schemes' discount rate to calculate the return on assets rather than using a rate of return appropriate to the various asset classes. The amended Standard also requires administration costs to be recognised separately from the current service cost in the income statement as they are incurred.

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'.

With the exception of IAS 19 (revised) and IAS 1 (amendment), the above new standards and amendments to standards were either not relevant or did not have a material impact on the Financial Statements of the Group.

IAS 19 (revised) 'Employee Benefits' has been adopted in the year and comparatives for the year ended 31 May 2013 have been restated accordingly, further details are provided in this note under the heading 'Restatement of prior years'. IAS 1 (amendment) has been adopted and the presentation of the Consolidated Statement of Comprehensive Income updated accordingly.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

1 Principal accounting policies (continued)

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

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, amendments and interpretations with an effective date falling after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS 9:	Financial Instruments	1 January 2014*
IFRS 10:	Consolidated financial statements	1 January 2014
IFRS 11:	Joint arrangements	1 January 2014
IFRS 12:	Disclosure of interests in other entities	1 January 2014
IFRS 15:	Revenue from contracts with customers	1 January 2017
IAS 27:	Separate financial statements	1 January 2014
IAS 28:	Investments in associates and joint ventures	1 January 2014
IAS 32 (amendment):	Financial Instruments: Presentation	1 January 2014
IAS 39 (amendment):	Financial Instruments: Recognition and Measurement	1 January 2014
IFRIC 21:	Levies	1 January 2014
IAS 19 (amendment):	Employee benefits	1 July 2014*
IAS 16 (amendment):	Property, Plant and Equipment	1 January 2016
IAS 36 (amendment):	Impairment of Assets	1 January 2016

* Not yet adopted for use in the European Union

In addition to the above, amendments resulting from the Annual Improvements 2010-2012 and 2011-2013 Cycle was issued in December 2013 with an effective date for periods commencing 1 July 2014. This was a collection of amendments to five standards including; IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business Combinations', IFRS 13 'Fair Value Measurement', IAS 16 'Property, Plant and Equipment', IAS 24 'Related Part Disclosures', IAS 38 'Intangible Assets' and IAS 40 'Investment Property'.

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

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the Consolidated Balance Sheet, separately from the Company shareholders equity.

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

1 Principal accounting policies (continued)

Restatement of prior years

As reported in our Annual Report 2013, the amendments to IAS 19 Employee Benefits (revised) impact the Group for the first time in the financial year to 31 May 2014. The main impact on the Group has been to restrict the rate used to calculate the return on the Group's defined benefit pension schemes' assets to the schemes' discount rate, rather than using a rate of return which is more appropriate to the various classes of asset.

The Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and affected Notes have been restated for the period ending 31 May 2013. The impact of the restatement on the 31 May 2013 figures are as shown below:

- To increase administrative expenses in the Consolidated Income Statement by £124,000.
- To reduce other finance costs in the Consolidated Income Statement by £306,000.
- To reduce the amount of taxation in the Consolidated Income Statement by £99,000.

The above restatements have been reflected in the Consolidated Statement of Comprehensive Income and there was no impact on the disclosed defined benefit obligation at 31 May 2013.

A Consolidated Balance Sheet as at the beginning of the earliest comparative period presented would ordinarily be required by IAS 1, 'Presentation of financial statements', for a restatement. However, given that details of the restatement have been fully disclosed and the restatement had no impact on the Consolidated Balance Sheet as at 1 June 2012, the Directors do not believe that the inclusion of an additional Consolidated Balance Sheet as at 31 May 2012 would provide any additional useful information. Accordingly, no third Consolidated Balance Sheet has been presented in these financial statements.

During the year the Group reviewed the way it reports the costs of maintaining its UK site. Previously the costs were apportioned between cost of sales and administration expenses however, this year all costs have been reported as administration expenses. Accordingly in the prior year figures, £327,000 has been reclassified from cost of sales to administration expenses.

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. Costs relating to the acquisition, other than those costs associated with the issue of debt or equity securities, are expensed through the Consolidated Income Statement as incurred.

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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

1 Principal accounting policies (continued)

The estimated useful lives of assets are as follows:

Trademarks, domain names, copyright, know-how	Indeterminate life
Goodwill	Indefinite life
Development costs	5 years

Research and development costs

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods or services provided in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria also apply :

Revenue from the sale of 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. When licences are sold on the Group's behalf by third party distributors, revenue is recognised when the distributor reports sales to the Group.

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	
	2014	2013	2014	2013
US dollar	1.68	1.52	1.62	1.57
Euro	1.23	1.17	1.20	1.22
Swedish krona	11.21	10.06	10.58	10.38
Australian dollar	1.80	1.58	1.78	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, equipment and freehold improvements	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 2014

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 held in inventory and 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.

Where there is no clear relationship between the pension expense recognised in the Consolidated Income Statement and the tax deductions received in the period on pension contributions paid, the current and deferred tax expense is allocated between profit or loss and other comprehensive income on a reasonable basis. Accordingly, tax deductions arising during the period are first allocated to items recognised in the Consolidated Income Statement and then the remainder, if any, is allocated to items in other comprehensive income.

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 2014

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 13 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 12 of the Consolidated Financial Statements).

iv) Pensions and other post retirement benefits

In determining the pension cost and the defined benefit obligation of the Group's defined benefit pension schemes a number of assumptions are used. These assumptions include an appropriate discount rate, the levels of salary escalation and price inflation, the expected return on the schemes' investments and mortality rates. Further details are contained in note 21 to the Consolidated Financial Statements.

v) Inventory provisions

The Group reviews its finished goods inventory on a regular basis and, where appropriate, makes provision for slow moving and obsolete stock based on estimates of future sales activity. The estimates of future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the Group operates (refer to note 14 of the Consolidated Financial Statements).

vi) Origination amortisation

The cost of editorially originating a new title is expensed to the Consolidated Income Statement to match against the corresponding revenue from such titles, over a period not exceeding 5 years. The assessment of future sales activity is based upon estimates from management using both historical experience and expected outcomes based on knowledge of the markets in which the Group operates.

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	2014 External revenue £000	2014 Non-current assets [1] £000	2013 External revenue £000	2013 Non-current assets [1] £000
United Kingdom	5,950	3,118	6,808	3,300
Rest of Europe	6,591	13,106	6,106	13,138
United States of America	12,685	12,482	11,164	10,202
Australia	2,751	1,778	2,553	1,778
Rest of World	1,307	-	1,001	-
Total*	**29,284**	**30,484**	**27,632**	**28,418**

	2014		2013	
*Analysed as follows:				
Revenue from sales of printed products	22,955		22,209	
Revenue from sales of digital data through subscriptions and software licenses	6,073		5,160	
Revenue from the sale of publishing rights and brand licensing arrangements	256		263	
Total consolidated revenue	**29,284**		**27,632**	

[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, Chilton and Clymer brands, in both the English and Spanish languages. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands.

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

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

3 Segment information (continued)

Analysis by operating segment	UK & Europe		North America & Australia		Consolidated	Restated*
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Segmental revenue						
Total segmental revenue	13,664	14,022	17,645	16,162	31,309	30,184
Inter-segment sales [1]	(314)	(356)	(1,711)	(2,196)	(2,025)	(2,552)
Total external revenue [2]	**13,350**	**13,666**	**15,934**	**13,966**	**29,284**	**27,632**
Segment result						
Underlying segment operating profit before exceptional items and interest	949	885	2,612	1,746	3,561	2,631
Exceptional items [7]	(2,433)	-	(257)	-	(2,690)	-
Interest receivable	3	5	4	9	7	14
Interest payable	(19)	-	(56)	-	(75)	-
Segment (loss)/profit after exceptional items and interest	**(1,500)**	**890**	**2,303**	**1,755**	**803**	**2,645**
Unallocated head office income less expenses					(22)	(152)
Segment operating profit before tax and adjustments					**781**	**2,493**
Reconciliation to consolidated profit before tax :						
IAS 16 Property, plant & equipment [3]					43	70
IAS 19 Employee benefits [4]					987	406
IFRS 3 Business combinations [5]					215	222
Consolidated profit before tax					**2,026**	**3,191**
Taxation [6]					(890)	(1,036)
Consolidated profit after tax					**1,136**	**2,155**

[1] Inter-segment sales are charged at the prevailing market rates.
[2] Included within the overall revenue figures is revenue of £3.1 million (2013: £2.8 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 a credit £330,000 (2013: charge £106,000) which relates to the UK & European operations and £804,000 (2013: £780,000) which relates to the North American & Australian operations.
[7] Details of the exceptional items are shown in note 5 on page 66. The UK and European segmental exceptional costs include an additional UK pension contribution of £500,000 which is removed from the Consolidated Income Statement through the IAS19 adjustments referred to in note 4 above.

* See Note 1 Restatement of prior years

3 Segment information (continued)

Segment assets and liabilities	UK & Europe 2014 £000	North America & Australia 2014 £000	Eliminations 2014 £000	Consolidated 2014 £000
Segment assets				
Property, plant and equipment	897	5,001	-	5,898
Intangible assets	5,801	5,041	-	10,842
Working capital assets	9,289	15,195	(507)	23,977
Segment total assets	**15,987**	**25,237**	**(507)**	**40,717**
Unallocated head office assets [5]				11,798
Unallocated head office eliminations				(2,522)
				49,993
Reconciliation to total consolidated assets :				
IAS 16 Property, plant and equipment [1]				1,291
IAS 19 Employee benefits [2]				2,240
IAS 38 Intangible assets [3]				1,324
IFRS 3 Business combinations [4]				3,753
Consolidated total assets				**58,601**
Segment liabilities				
Segment working capital liabilities	4,756	4,367	(1,035)	8,088
Unallocated head office liabilities [5]				11,918
Unallocated head office eliminations				(93)
				19,913
Reconciliation to total consolidated liabilities :				
IAS 19 Employee benefits [2]				37
Deferred tax				3,307
Consolidated total liabilities				**23,257**

[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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

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.

3 Segment information (continued)

Other segment information

	UK & Europe 2014 £000	North America & Australia 2014 £000	Consolidated 2014 £000	UK & Europe 2013 £000	North America & Australia 2013 £000	Consolidated 2013 £000
Segment additions to non-current assets	2,953	576	3,529	3,093	209	3,302
Unallocated additions to non-current assets			2			50
Total additions to non-current assets			**3,531**			**3,352**
Segment depreciation & amortisation	2,635	550	3,185	2,187	618	2,805
Unallocated depreciation & amortisation			74			1
Total depreciation & amortisation			**3,259**			**2,806**

4 Operating profit

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

		2014 £000	2013 £000
Net foreign exchange losses		31	49
Depreciation of property, plant and equipment		882	843
Amortisation of intangible assets		2,377	1,963
Profit on sale of property, plant and equipment		(19)	(7)
Cost of inventories recognised as an expense		7,546	5,691
Operating lease rentals	– Land and buildings	167	205
	– Plant and equipment	212	209
Staff costs (see note 6)		9,998	10,406

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

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:

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	38	35
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	98	93
– Other services pursuant to legislation	17	11
– Transaction support services	2	2
– Tax services	69	69
Fee's payable in respect of the Group's pension plans:		
– Audit	4	4
	228	**214**

5 Exceptional items

	2014 £000	2013 £000
Exceptional costs included in cost of sales:		
– UK restructuring costs	1,519	-
Exceptional costs included in administrative expenses:		
– UK restructuring costs	344	-
– Acquisition expenses	327	-
	2,190	**-**

Further details of the background to the UK restructuring costs are outlined in the Strategic Report. The acquisition expenses relate to the successful acquisition of the Clymer and Intertec manuals business in the US as well as one-off costs relating to the Group's other acquisition investigations and due diligence work which did not move forward during the year.

Exceptional items are those significant costs which warrant separate disclosure by virtue of their scale and nature to enable a full understanding of the Groups financial performance.

6 Staff costs

Employees

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

	2014 number	2013 number
Production	158	153
Selling and distribution	46	53
Administration	43	42
	247	**248**

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	8,290	8,509
Employer's social security costs	803	798
Employer's pension costs - defined benefit schemes (note 21)	510	695
Employer's pension costs - defined contribution schemes	395	404
	9,998	**10,406**

Full details concerning directors' emoluments, pension entitlements and long term incentive schemes are shown in the Directors Remuneration Report on pages 33 to 42.

7 Finance income

	2014 £000	2013 £000
Interest receivable on bank deposits	**7**	**14**

8 Finance costs

	2014 £000	2013 £000
Interest payable on bank loans and overdrafts	**76**	**2**

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

9 Taxation

	2014 £000	Restated[1] 2013 £000
(a) Analysis of charge in the period		
Current tax:		
– UK corporation tax on profits of the period	-	(70)
– Foreign tax	1,202	1,083
– Adjustments in respect of prior periods	(1)	8
	1,201	**1,021**
Deferred tax (note 19):		
– Origination and reversal of temporary differences	(311)	15
Total taxation in the Consolidated Income Statement	**890**	**1,036**

In April 2014 the rate of UK corporation tax was reduced from 23% to 21% giving an effective tax rate of 22.7% for the financial year ended 31 May 2014.

A further reduction in the UK corporation tax rate from 21% to 20% was substantively enacted at the balance sheet date and will take effect from 1 April 2015. The relevant deferred tax balances have been re-measured accordingly. Included in the deferred tax charge above is an amount of £26,000 arising from change in the UK tax rate.

(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 22.7% (2013: 23.8%). The differences are explained below:

	2014 £000	Restated[1] 2013 £000
Profit on ordinary activities before tax	2,026	3,191
Taxation calculated at the standard rate of corporation tax in the UK of 22.7% (2013: 23.8%)	460	759
Affected by:		
Variance in overseas tax rates	380	262
Income/expenses not chargeable/deductible for tax	51	7
Adjustments relating to prior years	(1)	8
Total tax charge for the year reported in the Consolidated Income Statement	**890**	**1,036**
Effective tax rate	43.9%	32.5%

The effective tax rate is higher than the standard rate of UK tax due to the impact of the UK restructuring and 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 2014 was £26.7 million (2013: £25.5 million).

[1] See Note 1 Restatement of prior years

10 Earnings per share

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

	Before exceptional items 2014 £000	After exceptional items 2014 £000	Restated[1] 2013 £000
Earnings:			
Profit after tax - continuing operations [a]	2,819	1,118	2,145
Number of shares:			
Weighted average number of shares [b] (note 22)	15,111,540	15,111,540	15,111,540
Basic earnings per share (pence)	18.7	7.4	14.2

[a] Adjusted to exclude a profit of £18,000 (2013: £10,000) attributable to non-controlling interests.

[b] During the year the Company held 1,240,000 of its ordinary shares in treasury.

[1] See Note 1 Restatement of prior years

As at 31 May 2014 and 31 May 2013 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.

11 Dividends

	2014 £000	2013 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 May 2013 of 4.0p per share (2012: 9.5p per share)	604	1,436
Interim dividend for the year ended 31 May 2014 of 3.5p per share (2013: 3.5p per share)	529	529
	1,133	**1,965**
Proposed final dividend for the year ended 31 May 2014 of 4.0p per share (2013: 4.0p per share)	604	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 5 November 2014 and has not been included as a liability in these financial statements.

As at 31 May 2014, 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 a dividend or other distribution of assets other than in relation to an issue of bonus shares.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

12 Property, plant and equipment

	Land and buildings			
	Freehold	Short leasehold	Plant and equipment	Total
Cost	£000	£000	£000	£000
At 1 June 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**
Additions through business combinations (note 28)	-	-	23	23
Additions	2	14	702	718
Exchange rate movements	(333)	(54)	(1,271)	(1,658)
Disposals	-	-	(59)	(59)
At 31 May 2014	**7,455**	**664**	**17,916**	**26,035**
Accumulated depreciation				
At 1 June 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**
Exchange rate movements	(51)	(29)	(922)	(1,002)
Charge for the year	45	24	813	882
Disposals	-	-	(39)	(39)
At 31 May 2014	**1,631**	**423**	**14,716**	**16,770**
Net book value at 31 May 2014	**5,824**	**241**	**3,200**	**9,265**
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

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.

13 Intangible assets

Cost	Goodwill £000	Trademarks and domain names £000	Know how £000	Internally generated software development costs £000	Copyright £000	Total £000
At 1 June 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**
Additions through business combinations (note 28)	735	512	-	-	2,448	3,695
Exchange rate movements	(577)	(96)	(135)	(677)	(154)	(1,639)
Additions	-	-	-	2,813	-	2,813
At 31 May 2014	**8,549**	**1,769**	**2,655**	**14,015**	**2,445**	**29,433**
Accumulated amortisation						
At 1 June 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**
Exchange rate movements	-	-	-	(391)	-	(391)
Charge for the period	-	-	-	2,377	-	2,377
At 31 May 2014	**-**	**-**	**-**	**8,214**	**-**	**8,214**
Carrying value as at 31 May 2014	**8,549**	**1,769**	**2,655**	**5,801**	**2,445**	**21,219**
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

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 5%; 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.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

13 Intangible assets (continued)

The rate used to discount the forecast cash flows in both CGU's was 16% (2013: 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 (2013: £nil).

The intangible assets in relation to trademarks and domain names, know how and copyright are assigned indefinite useful lives and relate to HaynesPro Holding BV in the Netherlands, Bookworks Pty Ltd in Australia and Clymer & Intertec in the US. HaynesPro, Bookworks and Clymer 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 while Clymer is an internationally renowned publisher of motorcycle service and repair manuals. 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:

	2014 £000	2013 £000
Unit:		
Haynes North America	5,837	5,679
HaynesPro Holding BV	2,712	2,712
	8,549	**8,391**

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

	2014 £000	2013 £000
Unit:		
Haynes North America	2,958	185
HaynesPro Holding BV	9,712	9,760
	12,670	**9,945**

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

	2014 £000	2013 £000
Cost of sales	**2,377**	**1,963**

14 Inventories

	2014 £000	2013 £000
Raw materials	270	285
Work in progress	1,593	1,630
Finished goods	10,418	11,420
	12,281	**13,335**

The carrying value of inventory represents the inventories cost less appropriate provisions. During the year there was a net charge of £669,000 (2013: £132,000) to the Consolidated Income Statement in relation to the inventory provisions. The movement in the inventory provisions is included within cost of sales in the Consolidated Income Statement.

Included within finished goods stock is £5.9 million (2013: £6.7 million) of editorial origination costs in relation to the production of the core automotive and motorcycle repair manuals and non-automotive DIY titles which are amortised to the Consolidated Income Statement over a period not exceeding 5 years.

15 Trade and other receivables

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade receivables	8,755	7,901
Less: Provision for impairment	(152)	(140)
Less: Customer allowances	(634)	(916)
	7,969	**6,845**
Other debtors and prepayments	1,378	1,173
	9,347	**8,018**

	2014 £000	2013 £000
Analysis of trade receivables:		
Neither impaired nor past due	7,564	6,658
Past due but not impaired	1,039	1,103
Impaired	152	140
	8,755	**7,901**

The categorisation of ‘Past due but not impaired’ relates to a number of customers for whom there is no history of default and management are confident the overdue balance will be recovered in full.

The categorisation of ‘Impaired’ relates to overdue balances where the customer has ceased trading or management are doubtful of recovery and a provision has been made to cover the doubtful balance.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

15 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 2014 £000	Impaired 2014 £000	Past due but not impaired 2013 £000	Impaired 2013 £000
Less than 30 days past due	567	77	672	93
30 to 90 days past due	284	43	308	-
Greater than 90 days past due	188	32	123	47
	1,039	**152**	**1,103**	**140**

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

	2014 £000	2013 £000
Balance at 1 June	140	175
Amounts charged to the Consolidated Income Statement	10	(23)
Amounts written-off as uncollectable	(7)	(17)
Amounts added through acquisition	18	-
Exchange rate movement	(9)	5
Balance at 31 May	**152**	**140**

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

	2014 £000	2013 £000
US dollars	4,486	3,107
Sterling	2,509	2,592
Euro	1,404	1,251
Australian dollars	946	1,066
Other currencies	2	2
	9,347	**8,018**

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.

16 Cash and cash equivalents

	2014 £000	2013 £000
Cash and short-term deposits	2,348	6,178
Bank overdrafts (note 17)	(1,234)	(73)
Cash and cash equivalents in the cash flow statement (note 24)	**1,114**	**6,105**

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

	2014 £000	2013 £000
US dollars	1,036	5,201
Sterling	(1,228)	(70)
Euro	941	714
Australian dollars	316	222
Other currencies	49	38
	1,114	**6,105**

Deposits are placed for periods varying between call and one month and attract floating rates of interest based upon the bank's cost of funds for the relevant currencies.

17 Borrowings

	2014 £000	2013 £000
Current		
Bank overdrafts [1]	(1,234)	(73)
Non-current		
Bank loans[1]	(2,178)	-
Total borrowings	**(3,412)**	**(73)**

The effective interest rates at the balance sheet date were as follows:

	Country / Currency	Rate	2014	2013
Bank overdrafts	UK - sterling	Bank of England base rate	2.00%	2.00%
Bank loans	USA - dollar	US Libor	3.25%	-

[1]The bank loan has been drawn down under the Group's revolving credit facility with Union Bank in the US. The facility was set up in 2002 and was renewed for a further two year period in January 2014. The drawdown has no fixed repayment date but must be repaid in full at the end of the two year period unless the facility is renewed for a further period. Accordingly, the liability as at the balance sheet date in respect of this facility of £2.2 million has been presented based on its contractual repayment date of January 2016 and is included within non-current liabilities under 'borrowings'.

In the UK, Barclays Bank PLC holds a debenture against the UK trading companies including a first legal charge over the UK freehold properties in order to secure the £2.5 million (2013: £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 (2013: €0.4 million) overdraft facility which is unsecured and attracts interest based on the bank's prevailing base rate. As at 31 May 2014 the facility is presently unutilised. In the US, the business has an $11.0 million revolving credit facility with Union Bank which is due for renewal on 31 January 2016. As at 31 May 2014 $7.4 million was still available for drawdown under the facility.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

18 Trade and other payables

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade payables	747	794
Other taxes and social security costs	227	243
Other creditors and accruals	3,562	3,435
	4,536	**4,472**

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.

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

	2014 £000	2013 £000
Falling due within one year:		
US dollars	1,310	1,427
Sterling	1,796	1,774
Euro	1,140	993
Australian dollars	271	261
Other currencies	19	17
	4,536	**4,472**

19 Deferred tax assets and liabilities

	2014 Assets £000	2014 Liabilities £000	2014 Net total £000	2013 Assets £000	2013 Liabilities £000	2013 Net total £000
Property, plant & equipment	-	(1,327)	(1,327)	-	(2,258)	(2,258)
Employee benefits	2,235	-	2,235	2,925	-	2,925
Short-term temporary differences	1,906	-	1,906	2,072	-	2,072
Intangible assets	-	(1,980)	(1,980)	-	(1,986)	(1,986)
Net deferred tax asset	**4,141**	**(3,307)**	**834**	**4,997**	**(4,244)**	**753**

	2014 £000	2013 £000
Balance at 1 June	753	328
Transfer to Consolidated Income Statement	311	(15)
Transfer to equity	(287)	538
Exchange rate movement	57	(98)
Balance at 31 May	**834**	**753**

20 Financial risk and treasury policy

The Group's principal financial instruments during the year comprised bank loans and 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 $1.62.

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. During the year, the UK business outsourced its distribution which includes customer invoicing, cash collection and credit control. The external distributor invoices the customers of the UK business as its agent but the UK business retains the full credit risk associated with the sales. In light of this arrangement the UK business has a secondary risk in relation to the cash collected from its customers which has yet to be remitted to the UK business by the external distributor. 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 and the good standing of the UK distributor which is part of a large multinational publishing group, there is not deemed to be a credit quality issue in relation to the trade receivables balance. The amount of the total exposure is shown in note 15.

In addition to the above, the UK business has an exposure in relation to contractual advanced royalty payments to authors. However, due to the large number of authors there is no significant concentration of risk. The asset balance in relation to the author advances is held within other debtors and prepayments (refer to note 15) and amounted to £0.2 million net of allowances for doubtful recovery (2013: £0.4 million).

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

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

20 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 2014 the Group had a £2.5 million UK overdraft facility (2013: £1.0 million) which is due for renewal in October 2014, a €0.4 million overdraft in Europe (2013: €0.4 million) which has no fixed renewal date and a $11.0 million revolving loan facility in the US (2013: $11.0 million) which has $7.4 million undrawn as at 31 May 2014 and is due for renewal in January 2016.

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 2014 there were bank loans outstanding of £2.2 million (2013: £nil) and bank overdrafts outstanding of £1.2 million (2013: £0.1 million). Money market deposits are placed for periods varying between call and one month and attract variable rates of interest based upon the banks cost of funds for the relevant currencies.

Sensitivity analysis

As all of the Group's borrowings are subject to variable interest rates the Group has 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 a combination of the low level of borrowing at the year end and the low current base rates in UK and US.

Fair value of financial assets and liabilities

There are no material differences between the carrying values and the fair values of the financial assets and liabilities as recorded in the Consolidated Balance Sheet. Details of the amounts of financial assets and liabilities held in foreign currencies can be found in notes 15, 16, 17 and 18 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	2014	Restated[1] 2013
Operating profit (£000)	2,628	3,629
Net finance costs (£000)	69	-
Interest cover (ratio)	38	-

Interest cover is calculated by taking the operating profit from the Consolidated Income Statement divided by net finance costs (defined as finance costs less finance income), where finance income is greater than the finance costs, net finance costs has been included as £nil.

[1] See Note 1 Restatement of prior years

20 Financial risk and treasury policy (continued)

Net gearing ratio	2014	2013
Net debt (£000)	1,064	-
Total equity (£000)	35,344	39,146
Net gearing ratio (%)	3.0%	-

The net gearing ratio comprises net debt divided by total equity (net debt being defined as cash and cash equivalents net of bank loans - see notes 16 and 17).

21 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 consolidated income statement in the year are analysed below:

	2014 £000	Restated[1] 2013 £000
Amounts recognised in the Consolidated Income Statement		
Amounts included in net operating costs:		
– Current service costs (defined benefit scheme)	(510)	(695)
– Scheme administration expenses	(183)	(124)
	(693)	**(819)**
Amounts included in other finance costs:		
– Interest income on pension scheme assets	1,167	1,127
– Interest charge on pension scheme liabilities	(1,700)	(1,577)
	(533)	**(450)**
Amount recognised in the Consolidated Income Statement	**(1,226)**	**(1,269)**

	2014 £000	2013 £000
Amounts recognised in the Consolidated Balance Sheet		
Assets at fair value	29,613	28,508
Present value of defined benefit obligation	(40,858)	(40,587)
Net deficit recognised in Consolidated Balance Sheet	**(11,245)**	**(12,079)**

[1] See Note 1 Restatement of prior years

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

21 Retirement benefit obligation (continued)

Assumptions used to determine the defined benefit obligation

	2014 UK Scheme % per annum	2013 UK Scheme % per annum
Discount rate	4.20	4.20
Salary escalation	2.00	2.00
Price inflation	3.30	3.10
Increases to pensions in deferment	2.50	2.30
Pension increases on benefits up to 12 July 2011	3.20	3.00
Pension increases on benefits after 12 July 2011	2.40	2.40
Expected return on invested assets	5.64	5.90
Expected return on insurance annuity contracts	4.10	4.20

	2014 US Plan % per annum	2013 US Plan % per annum
Discount rate	4.50	4.50
Salary escalation	2.00	2.00
Price inflation	2.00	2.00
Pension increases	2.00	2.00
Expected return on invested assets	4.50	5.00

The post retirement mortality assumptions for the UK Scheme are based on the S1NA year of birth tables with allowance for future improvements in mortality in line with CMI 2013 projections with a long term rate of improvement of 1% per annum (2013: S1NA year of birth tables with medium cohort adjustment and minimum 1% per annum improvements) and the life expectancies underlying the valuation are as follows:

	2014 Years	2013 Years
Current pensioners (at age 65) - Male	21.70	21.60
Current pensioners (at age 65) - Females	24.50	24.40
Future pensioners (at age 65) - Males	23.60	23.50
Future pensioners (at age 65) - Females	26.30	26.20

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:

	2014 Years	2013 Years
Current members aged 65 (at age 65)	18.00	18.00
Current members aged 45 (at age 65)	18.00	18.00

21 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 2014 were as follows:

	Rate of return %	UK Scheme 2014 Value £000	Rate of return %	UK Scheme 2013 Value £000
Group investment linked policy				
– Equities	6.3	5,117	7.0	5,466
– Other bonds	4.1	3,914	4.2	3,753
– Cash	1.0	108	0.5	2,112
– Property	5.8	2,712	6.0	15
– Target return fund	5.8	7,475	6.0	6,178
	5.9	19,326	5.9	17,524
Secured pensions in payment	4.1	1,759	4.2	1,689
Assets at fair value		**21,085**		**19,213**

	Rate of return %	US Plan 2014 Value £000	Rate of return %	US Plan 2013 Value £000
Group investment linked policy				
– Bonds	4.5	8,528	5.0	9,295
Assets at fair value		**8,528**		**9,295**

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

21 Retirement benefit obligation (continued)

	UK Scheme 2014 £000	US Plan 2014 £000	Total 2014 £000	UK Scheme 2013 £000	US Plan 2013 £000	Total 2013 £000
Reconciliation of funded status						
Present value of defined benefit obligation	(32,399)	(8,459)	(40,858)	(30,425)	(10,162)	(40,587)
Assets at fair value	21,085	8,528	29,613	19,213	9,295	28,508
Net liability recognised in the Consolidated Balance Sheet	**(11,314)**	**69**	**(11,245)**	**(11,212)**	**(867)**	**(12,079)**

	UK Scheme 2014 £000	US Plan 2014 £000	Total 2014 £000	Restated[1] UK Scheme 2013 £000	US Plan 2013 £000	Restated[1] Total 2013 £000
Amount recognised through the Consolidated Statement of Comprehensive Income						
Actuarial gain/(loss) during the year	(627)	191	(436)	(1,518)	(718)	(2,236)
Deferred tax on actuarial gain/(loss)	125	(76)	49	349	287	636
Deferred tax arising on change in UK corporation tax rate	(336)	-	(336)	(98)	-	(98)
	(838)	**115**	**(723)**	**(1,267)**	**(431)**	**(1,698)**

	UK Scheme 2014 £000	US Plan 2014 £000	Total 2014 £000	UK Scheme 2013 £000	US Plan 2013 £000	Total 2013 £000
Actual return on assets						
Interest income on plan assets	819	348	1,167	997	436	1,433
Actuarial gain/(loss) on plan assets	362	(137)	225	1,628	(203)	1,425
	1,181	**211**	**1,392**	**2,625**	**233**	**2,858**

The cumulative actuarial loss recognised in other comprehensive income since 31 May 2003 is £6.6 million (2013: £6.2 million). The directors' are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses on an IFRS basis prior to 31 May 2003.

[1] See Note 1 Restatement of prior years

21 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 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 gains	3,452	516	3,968
Foreign currency exchange rate changes	-	158	158
Benefits	(540)	(653)	(1,193)
Present value of DBO at 1 June 2013	**30,425**	**10,162**	**40,587**
Current service cost	202	426	628
Interest cost	1,272	428	1,700
Employee contributions	147	-	147
Change due to settlements or curtailments	-	(124)	(124)
Past service costs	-	6	6
Actuarial gains/(losses)	989	(328)	661
Foreign currency exchange rate changes	-	(931)	(931)
Benefits	(636)	(1,180)	(1,816)
Present value of DBO at 31 May 2014	**32,399**	**8,459**	**40,858**

Reconciliation of fair value of assets	Restated[1] UK Scheme £000	US Plan £000	Restated[1] Total £000
Fair value of assets at 1 June 2012	16,315	8,915	25,230
Interest income on plan assets	691	436	1,127
Actuarial gain/(loss) on plan assets	1,934	(203)	1,731
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 1 June 2013	**19,213**	**9,295**	**28,508**
Interest income on plan assets	819	348	1,167
Actuarial gains/(losses) on plan assets	362	(137)	225
Foreign currency exchange rate changes	-	(878)	(878)
Employer contributions	1,180	1,080	2,260
Employee contributions	147	-	147
Benefits	(636)	(1,180)	(1,816)
Fair value of assets at 31 May 2014	**21,085**	**8,528**	**29,613**

[1] See Note 1 Restatement of prior years

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

21 Retirement benefit obligation (continued)

Reconciliation of change in funded status	Restated[1] UK Scheme £000	US Plan £000	Restated[1] Total £000
Defined benefit liability at 1 June 2012	9,732	248	9,980
Total pension expense	603	542	1,145
Employer contributions	(641)	(667)	(1,308)
Impact of foreign currency exchange rates	-	26	26
Actuarial losses	1,518	718	2,236
Defined benefit liability at 1 June 2013	**11,212**	**867**	**12,079**
Total pension expense	655	388	1,043
Employer contributions	(1,180)	(1,080)	(2,260)
Impact of foreign currency exchange rates	-	(53)	(53)
Actuarial (gain)/losses	627	(191)	436
Defined benefit liability at 31 May 2014	**11,314**	**(69)**	**11,245**

[1] See Note 1 Restatement of prior years

History of experience adjustments

		2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligation		(40,858)	(40,587)	(35,210)	(33,713)	(34,248)
Fair value of scheme assets		29,613	28,508	25,230	23,279	20,231
Net deficit		**(11,245)**	**(12,079)**	**(9,980)**	**(10,434)**	**(14,017)**
Experience adjustments on scheme liabilities						
Amount	£000	(661)	(3,968)	1,020	25	753
Experience adjustments on scheme assets						
Amount	£000	225	1,425	(851)	1,249	2,515

Expected contributions in the forthcoming year

	Financial year beginning 1 June 2014 £000
Group contributions	
– UK Scheme	691
– US Plan	835
	1,526
Employee contributions	64
	1,590

In March 2012, the Company put in place a guarantee with the UK Scheme to cover an amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105 percent funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted at that date.

22 Share capital and reserves

	2014 No.	2013 No.	2014 £000	2013 £000
Authorised:				
'A' Ordinary shares of 20p	10,000,000	10,000,000	2,000	2,000
Ordinary shares of 20p	8,750,000	8,750,000	1,750	1,750
	18,750,000	**18,750,000**	**3,750**	**3,750**
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	9,000,000	1,800	1,800
Ordinary shares of 20p	7,351,540	7,351,540	1,470	1,470
	16,351,540	**16,351,540**	**3,270**	**3,270**

The 31 March 1982 share price for capital gains tax purposes is 125p and after adjusting for the 1989 (1 for 1) and 1993 (1 for 2) capitalisation issue this becomes 41.67p. At 31 May 2014 the share price was 195p (2013: 180p), with a high of 225p (2013: 205p) and a low of 165p (2013: 155p) 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 2014, 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.

23 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its directors. A list of all the Group's subsidiaries is shown in note 33.

Transactions with related parties

The interests of the directors in the ordinary share capital of the Company as at 31 May 2014 are shown in the Remuneration Report on page 40 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 2014 was $207,214 (2013: $207,214) or £127,831 (2013: £131,715) at the average exchange rate for the year. MEF Haynes is a Vice President of John H Haynes Developments Inc.

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

23 Related party transactions (continued)

(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 which expired during the year and was not renewed. The rent paid by the Company during the period was £37,651 (2013: £64,544).

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

	Transactions 2014 £000	Balance at 31 May 2014 £000	Transactions 2013 £000	Balance at 31 May 2013 £000
Supply of conference facilities	4	-	6	-
Purchase of books and manuals and storage rental	16	2	14	2

JH Haynes is a Trustee 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 £nil (2013: £1,260).

(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 £11,343 (2013: £10,075). As at 31 May 2014 the balance outstanding to Haynes Developments Limited was £828 (2013: £803).

(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 £91,739 (2013: £48,868) to New Century Media Limited for financial PR services. As at 31 May 2014 the balance outstanding to New Century Media Limited was £9,013 (2013: £nil).

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 Directors Remuneration Report on pages 38 to 40.

	2014 £000	2013 £000
Short term employee benefits	1,359	1,307
Post employment benefits	660	839
	2,019	**2,146**

24 Analysis of the changes in net funds

	As at 1 June 2013 £000	Cash flow £000	Exchange movements £000	As at 31 May 2014 £000
Cash at bank and in hand	6,178	(3,521)	(309)	2,348
Bank overdrafts	(73)	(1,161)	-	(1,234)
	6,105	**(4,682)**	**(309)**	**1,114**

25 Operating leases

As at 31 May 2014 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	2014 £000	2013 £000
Land and buildings:		
Due within one year	59	79
Due in the second to fifth years	176	19
Greater than five years	39	-
	274	**98**
Plant and equipment:		
Due within one year	112	117
Due in the second to fifth years	181	160
	293	**277**
	567	**375**

26 Capital commitments

At 31 May 2014 the Group had capital commitments of £14,000 for which no provision has been included in the consolidated financial statements (2013: £nil).

27 Ultimate controlling party

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

Financial Statements

Notes to the Consolidated Financial Statements

Year ended 31 May 2014

28 Acquisition

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).

The table below shows the fair values of the assets and liabilities arising on the acquisition.

	Carrying value £000	Recognised on acquisition £000
Assets Acquired		
Property, plant and equipment	98	23
Intangible assets	-	2,960
Trade receivables[1]	451	428
Inventories	1,382	1,783
Other payables	(75)	(75)
Fair value of net assets	1,856	5,119
Goodwill arising on acquisition[2]		735
Total consideration		**5,854**
Cash consideration		5,854
Total consideration		**5,854**
The net cash outflows arising on the acquisition were as follows :		
Cash consideration		5,854
Costs of acquisition (included in cash flows from operating activities)[3]		172
Net cash outflow		**6,026**

[1] The gross amount of trade receivables at the date of acquisition was £463,000. Management estimate that £12,000 of this amount will not be recoverable.

[2] There are certain intangible assets included in the Goodwill arising on acquisition of £735,000 (which is deductible for income tax purposes) that cannot be individually separated and reliably measured due to their nature. These items include Clymer's strong position and profitability in its market and anticipated synergies after its acquisition by the Group.

[3] The costs of acquisition of £172,000 were expensed as incurred in the period and were included as an exceptional item within administrative expenses (note 5).

The acquisition of the Clymer and Intertec brands contributed £1.5 million of revenue during the period. However as the trade and assets have been amalgamated with the US business it is not possible to quantify the amount of profit contribution from the acquired business during the period. If the acquisition had been made at the start of the financial period the revenue from the acquired business would have been £2.2 million and for the reasons outlined above it is not possible to quantify the associated profit contribution during this period.

Company Balance Sheet
At 31 May 2014

		2014 £000	2013 £000
	Fixed assets		
Note 32	Tangible assets	2,182	2,279
Note 33	Investments in subsidiary undertakings	7,106	7,106
		9,288	9,385
	Current assets		
Note 34	Debtors	533	353
	Cash at bank and in hand	86	21
		619	374
Note 35	**Creditors:** amounts falling due within one year	(616)	(582)
	Net current assets	**3**	**(208)**
	Total assets less current liabilities	**9,291**	**9,177**
Note 37	Provisions for liabilities	(223)	(273)
	Net assets	**9,068**	**8,904**
	Capital and reserves		
Note 38	Called up share capital	3,270	3,270
Note 39	Share premium	638	638
Note 39	Treasury shares	(2,447)	(2,447)
Note 39	Profit and loss account	7,607	7,443
	Shareholders' funds	**9,068**	**8,904**

The financial statements were approved by the board of directors and authorised for issue on 24 September 2014 and were signed on its behalf by:

JHC Haynes
Director

E Oakley
Director

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2014

29 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, equipment and freehold improvements	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 21 to the Consolidated Financial Statements.

29 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.

30 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 £1.3 million (2013: £2.1 million) which includes dividends received from subsidiaries of £1.3 million (2013: £2.2 million).

Employees	2014 £000	2013 £000
Aggregate remuneration of employees:		
Wages and salaries	348	347
Employer's social security costs	41	44
Employer's pension costs	9	9
	398	**400**

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 the Directors Remuneration Report on pages 33 to 42.

Auditor's remuneration

The fees payable by the Company to BDO LLP for work performed in respect of the audit of the Company was £38,450 (2013: £35,450). 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.

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2014

31 Dividends

Amounts recognised as distributions to equity holders in the period:	2014 £000	2013 £000
Final dividend for the year ended 31 May 2013 of 4.0p per share (2012: 9.5p per share)	604	1,436
Interim dividend for the year ended 31 May 2014 of 3.5p per share (2013: 3.5p per share)	529	529
	1,133	**1,965**

Proposed final dividend for the year ended 31 May 2014 of 4.0p per share (2013: 4.0p per share)	604	604

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting, to be held on 5 November 2014 and has not been included as a liability in these financial statements.

As at 31 May 2014, 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.

32 Tangible fixed assets

	Land and buildings			
	Freehold £000	Short leasehold £000	Plant and equipment £000	Total £000
Cost at 1 June 2013	4,053	97	104	4,254
Additions	2	-	-	2
Cost at 31 May 2014	**4,055**	**97**	**104**	**4,256**
Accumulated depreciation at 1 June 2013	1,785	93	97	1,975
Charge for year	95	4	-	99
Accumulated depreciation at 31 May 2014	**1,880**	**97**	**97**	**2,074**
Net book value at 31 May 2014	**2,175**	**-**	**7**	**2,182**
Net book value at 31 May 2013	2,268	4	7	2,279

The depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,613,000 (2013: £3,613,000). There were no assets financed through finance leases or hire purchase arrangements during the current or prior year.

33 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 2013 and 31 May 2014	7,106	-	**7,106**

33 Investment in subsidiary undertakings (continued)

As at 31 May 2014 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 2014, 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 (2013: 60%).

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

34 Debtors

Amounts falling due within one year:	2014 £000	2013 £000
Amounts owed by subsidiary undertakings	467	315
Tax recoverable	10	-
Other debtors and prepayments	56	38
	533	**353**

35 Creditors

Amounts falling due within one year:	2014 £000	2013 £000
Trade creditors	19	31
Amounts owed to subsidiary companies	93	84
Other taxes and social security costs	3	2
Other creditors and accruals	501	465
	616	**582**

Details of the security held against the Company's bank overdraft facility are detailed in note 17 to the Consolidated Financial Statements.

Financial Statements

Notes to the Company Accounts

Year ended 31 May 2014

36 Financial risk management, objectives and policies

Note 20 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 2014 the Company had financial assets totalling £86,000 (2013: £21,000) of which £80,000 was held in Euro's (2013: £10,000) and £6,000 was held in Sterling (2013: £11,000).

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.

37 Provisions for liabilities

	2014 £000	2013 £000
Deferred taxation:		
Balance at 1 June	273	301
Transfer to profit and loss account	(50)	(28)
Balance at 31 May	**223**	**273**
Being:		
Accelerated capital allowances	231	283
Other short-term timing differences	(8)	(10)
Provision for deferred tax	**223**	**273**
Analysed in the balance sheet as follows:		
Provision for liabilities	**223**	**273**

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

38 Share capital

	2014 No	2013 No	2014 £000	2013 £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 2014 the share price was 195p (2013: 180p), with a high of 225p (2013: 205p) and a low of 165p (2013: 155p) for the financial year.

38 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 2014, 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.

39 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 2012	3,270	638	(2,447)	7,294	8,755
Profit for the period	-	-	-	2,114	2,114
Dividends (note 31)	-	-	-	(1,965)	(1,965)
Balance at 1 June 2013	3,270	638	(2,447)	7,443	8,904
Profit for the period	-	-	-	1,297	1,297
Dividends (note 31)	-	-	-	(1,133)	(1,133)
Balance at 31 May 2014	**3,270**	**638**	**(2,447)**	**7,607**	**9,068**

40 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 21 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 (2013: £9,000).

In March 2012, the Company put in place a guarantee with the UK Scheme to cover an amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105 percent funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004, were a valuation to be conducted at that date.

41 Leases

Annual operating lease commitments:	2014 £000	2013 £000
Land and buildings:		
Due within 1 year	-	**38**

Financial Calendar and Shareholder Information

Calendar for financial year ended 31 May 2015

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

Analysis of shareholders as at 31 May 2014

Type of shareholder	**Number of shareholders**	**Total shareholdings**
Commercial and industrial companies	22	52,490
Directors beneficial / connected / non-beneficial	6	10,577,567
Nominee companies	54	1,432,230
Private holders	238	1,872,194
Investment trusts and funds	7	547,058
Charities	2	630,001
Shares held in treasury	1	1,240,000
	330	**16,351,540**

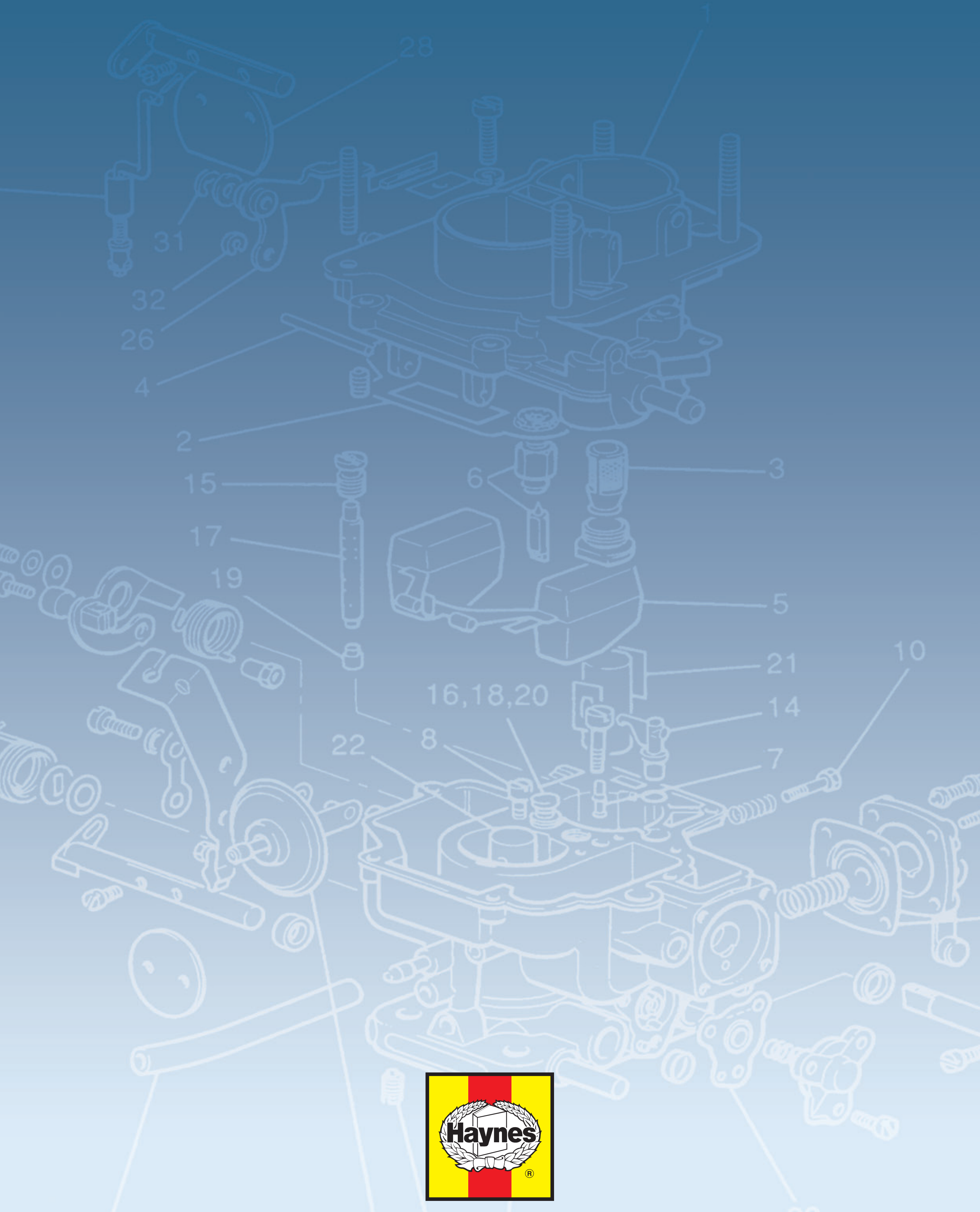
Share registrars

Website: **www.capitaregistrars.com**

Investors

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

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



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