Haynes Publishing Group P.L.C.

ANNUAL REPORT 2005

Report & Accounts **for the year ending May 2005**

Haynes Worldwide

Head Office

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

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

UK and European Offices

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

Sutton Publishing
Phoenix Mill, Thrupp, Stroud GL5 2BU
England
Telephone: **01453 731114**
Fax: **01453 731117**
E-mail: **sales@sutton-publishing.co.uk**
Website: **www.suttonpublishing.co.uk**

Editions Haynes SARL
4, Rue de l'Abreuvoir, 92415 Courbevoie
Cedex France
Telephone: **(33) 01.47.17.66.29**
Fax: **(33) 01.47.17.66.30**
E-mail: **editions.haynes@wanadoo.fr**
Website: **www.editionshaynes.fr**

Haynes Publishing Nordiska AB
Kungsängsgatan 12, Box 1504, 175 45
Uppsala Sweden
Telephone: **+46 18 124016**
Fax: **+46 18 102803**
E-mail: **haynes.nordiska@telia.com**
Website: **www.haynes.se**

American and Australian Offices

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

Haynes Manuals, Inc.
34 Jellico Drive, Scoresby, VIC 3179 Australia
Telephone: **61 3 9763-8100**
Fax: **61 3 9763-8122**
E-mail: **haynesau@aol.com**
Website: **www.haynes.com**

Haynes Publishing Group P.L.C.

Annual Report & Accounts

2005

Contents

Corporate Statement

Haynes Publishing Group P.L.C. is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals.

Every Haynes manual is based on a complete vehicle strip-down and rebuild in our workshops, so that the instructions to our customers are inherently practical and easy to follow.

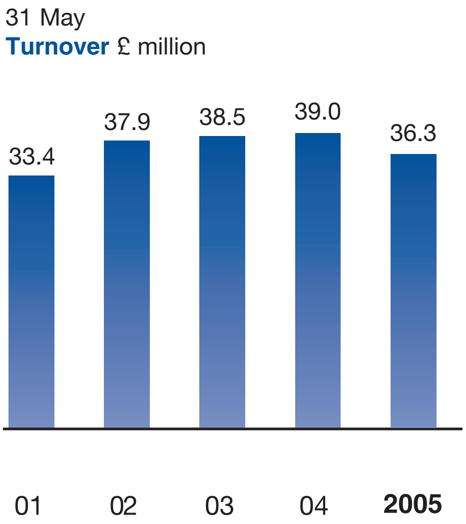
The Group publishes many other DIY titles as well as an extensive array of books about motor sport, vehicles and general transport. Through its subsidiary Sutton Publishing, the Group also publishes a range of military and general history books and biographies.

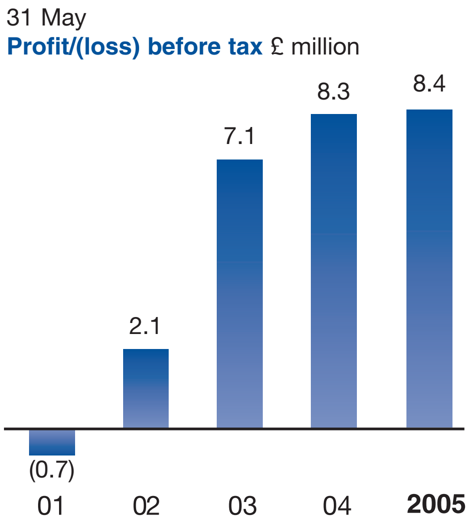
Corporate Headquarters
Haynes Publishing Group P.L.C.
Sparkford, Yeovil, Somerset BA22 7JJ England
Telephone: **01963 440635** (International: +44 1963 440635)
Fax: **01963 440825** (International: +44 1963 440825)

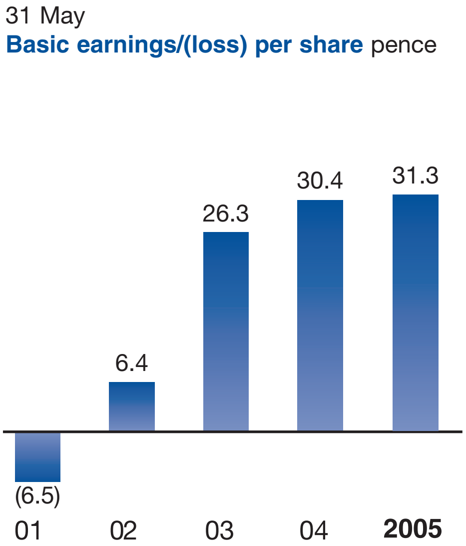
Financial Highlights
for the year ended 31 May 2005

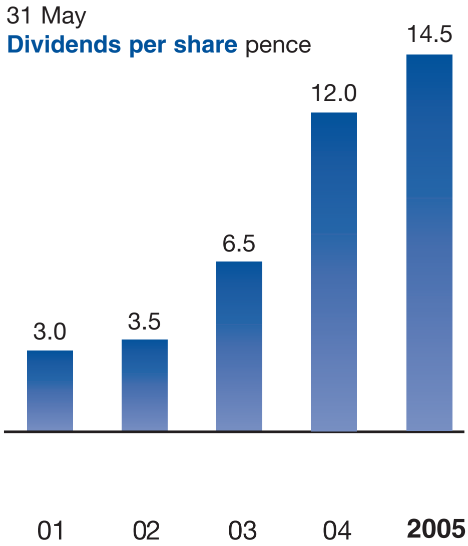
- Group operating profit of **£8.4 million** (2004: £8.4 million)
- Group pre-tax profit of **£8.4 million** (2004: £8.3 million)
- US segmental profits of **£7.4 million** ($13.6 million) (2004: £7.3 million, $12.6 million)
- UK and Europe segmental profits of **£1.3 million** (2004: £1.2 million)
- Adjusted earnings per share, before goodwill amortisation, of **34.6 pence** (2004: 33.8 pence).
- Basic earnings per share of **31.3 pence** (2004: 30.4 pence)
- Total dividend per share for the year of **14.5 pence** (2004: 12.0 pence)
- Net cash of **£1.8 million** (2004: net borrowings of £1.5 million)

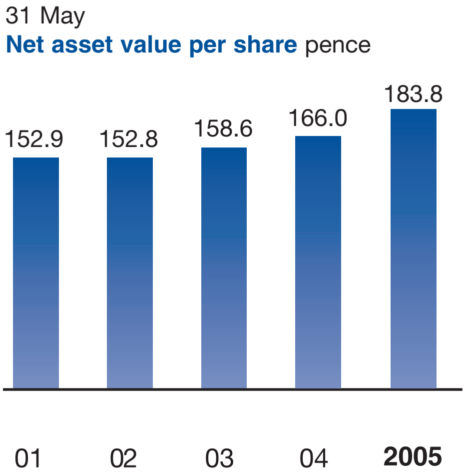
Five Year Financial Summary

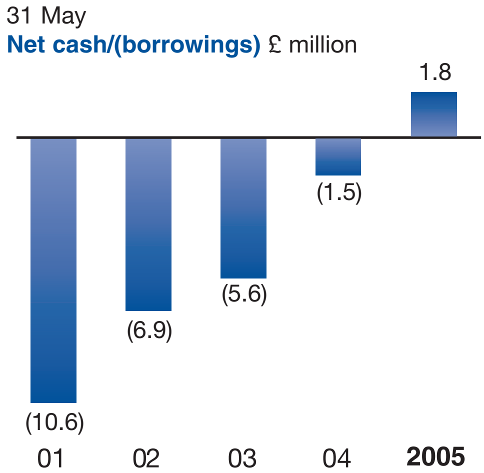












Chairman's Statement

During the year, the underlying performance of the Group remained strong, in an environment characterised by a weak Dollar and high oil prices, which continued the pressure on raw material costs. Profit before tax for the year was £8.4 million (2004: £8.3 million) which represents the Group's third consecutive year of record profits and reinforces the strength of our core business against a challenging economic background.

As a Group, with a significant proportion of our operations located in North America, we are very familiar with the risks associated with exchange rate movements, particularly when translating the results of our US operations into Sterling. Likewise, experience would indicate that short term swings will even themselves out in the longer run. Nevertheless, it is pertinent to note when comparing the results of this year against the prior year that, had the Sterling to Dollar exchange rate stayed the same as last year, the turnover of the Group would have increased by £1.5 million to £37.8 million and the profit before tax by £0.5 million to £8.9 million, which on a level playing field basis would have actually increased the stated profit by 7%.

Results summary

In summary, the Group profit before tax and goodwill amortisation ("goodwill") was £8.9 million (2004: £8.8 million), on turnover of £36.3 million (2004: £39.0 million). Adjusted earnings per share, before goodwill, increased by 2% to 34.6 pence (2004: 33.8 pence).

Performance overview

In the US, in local currency, turnover ended the year in line with last year while segmental profit increased by 8% helped by production efficiencies which had a positive impact on the cost of goods, a mid-year price increase, new title releases and another strong performance in Australia.

In the UK and Europe, we experienced lower demand from our key customers, which had an impact on turnover in our core activities. Paradoxically, this was during a year where two reports into the automotive aftermarket made the headlines. First, in November 2004, the Which? Magazine survey reported that 73% of UK garage services were completed to an unsatisfactory standard, 67% failed to pick up existing faults and 23% carried out unnecessary work while servicing a vehicle. This survey was followed, in June 2005, by a report from the Trading Standards Institute which similarly highlighted that three quarters of garages failed to service vehicles correctly. As a business, we are aware of the perception that vehicles are becoming increasingly difficult to work on. There are still many tasks and safety checks that can be performed on a vehicle by the owner and, by using the trusted Haynes step by step approach as shown in our manuals, it is possible for people of all ages, gender and ability to care for their car or motorcycle. This is not to mention the money that can be saved by doing so. Reinforcing this message to the end consumer will remain a key objective during the coming year.

Dividend

During the second half of the year, the Group returned to a cash positive position, the first time since 1999. As mentioned in previous reports, it has been a key driver for the Board to pay down Group borrowings as quickly as possible. The return to net cash in such a short space of time reflects not only the astuteness of the Chilton acquisition in January 2001, but also demonstrates the cash generative nature of our core businesses.

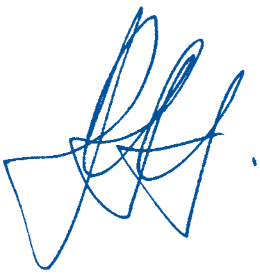
Accordingly, the Board is proposing a final dividend of 9.5 pence per share, giving a total dividend for the year of 14.5 pence per share, an increase of 21% over last year (2004: 12.0 total pence per share). Once approved at the Annual General Meeting, the final dividend will be paid on 28 October 2005 to shareholders on the register at the close of business on 30 September 2005. The shares will be declared ex-dividend on 28 September 2005.

Board

I am delighted to report that Andrew Garner joined the Board as a non-executive Director on 31 March 2005. Andrew is presently the Chief Executive of Constellation Corporation plc, a Trustee of the Haynes International Motor Museum and sits on the Board of the London Philharmonic Orchestra. Andrew has a wealth of experience to bring to the Board and as a keen competitive motoring enthusiast he is well suited to his new role with Haynes.

Employees

Personally and on behalf of the Board I would like to acknowledge the dedication and enthusiasm of our employees and thank them for their efforts during the year. As each year passes the experience base of our business grows and together with the introduction of new employees it ensures the mix of staff remains vibrant while stable. I would also like to thank the Group Chief Executive, Eric Oakley and the UK & European Managing Director, J Haynes and all the other Directors for their proven ability, talents and leadership skills in taking the Group to an all time record profit.



John H Haynes OBE
Chairman
18 August 2005

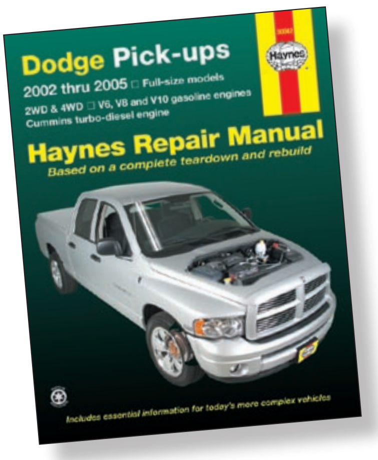
Group Chief Executive's Review

Results overview

The progress we have made as a Group during the year has, to some extent, been masked by the impact of a weak US Dollar and although we did see a small rally in the rate towards the end of our financial year, this was too late to affect the average rate for the year which is used to translate the results of our US business into Sterling. At constant exchange rates, we would have seen profit before tax increase by £0.5m to £8.9 million, an increase of 7% over the prior year. The impact of the weakened Dollar, which averaged $1.86 to the £ during the year, 7% higher than last year, meant reportable profit before tax was £8.4 million, an increase of 1% against the prior year.

During the year, we benefited from production efficiencies which had a positive impact on the cost of goods. In the latter half of the year, however, we experienced cost increases in our major material supplies and whilst we have been largely successful in managing the implications of these higher prices, there is a growing pressure on margins.

When considering the above, the fact that, as a Group, we managed to finish the year ahead of last year, despite the unfavourable economic climate, is testimony to the strength of our underlying businesses and to the dedication of our staff who have risen to the challenges which face them, while remaining focussed on the job in hand.



North America and Australia

Sales in the US, in local currency, ended the year broadly in line with last year at $39.1 million (2004: $39.3 million). The first quarter was characterised by inventory reduction programmes by our major retailers, but was, to some degree, compensated for by an element of pre-price increase ordering late in the second quarter. This, in turn reduced sales during the third quarter. Strong sales in the all important final quarter of the year meant that, for the year as a whole, turnover was restored in line with last year. In addition, the publication of three new Haynes Xtreme titles, covering the truck and sports utility vehicle markets, in the second half of the year helped boost sales in this range, with turnover during the second half of the year nearly double that of the first six months. As a result of the high initial sell-in of this new range in our last financial year, turnover, on a like for like basis, ended the period behind last year.

In Australia, sales continued to outperform the prior year helped by favourable exchange rate movements and ended the year 9% ahead of last year.

The need to successfully market our products is a key driver for future growth of the US business and with this in mind, we have recently strengthened our resources in this area. Although still early days, positive initiatives are being developed as a result of the work being undertaken to-date, and the work of strengthening awareness of the Haynes brand in the US will develop further momentum. This will include the development of a new more dynamic US website in the coming year.

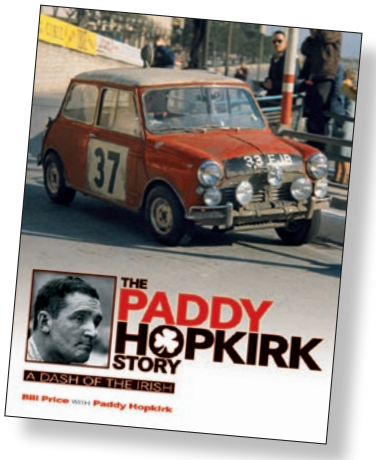
As for profitability, the continuation of the weak Dollar throughout the year had a significant impact when translating the results of the business into Sterling and whilst the segmental profit, in local currency, ended the year 8% ahead at $13.6 million (2004: $12.6 million) after conversion to Sterling the increase was only 1% at £7.4 million (2004: £7.3 million).

United Kingdom and Europe

Automotive

Manual sales in our core UK & European automotive markets were adversely influenced by lower purchasing patterns from key retailers, particularly during the first half of the year. By contrast, in the second half of the year, we launched our 'Win a Mini Cooper' promotion, whereby the winner will receive the actual Mini that was stripped down, photographed and rebuilt in our UK workshop at Sparkford; with progress of the project monitored on the Haynes website. This has been our first national promotion for a number of years and has been well received by both our customers and the end consumer alike. Whilst we have seen a positive impact on sales in the last quarter, as a result of this promotion, the sales could not recoup the shortfall of the first six months and manual sales ended the year 6% behind the prior year.

In France, we once again suffered from staff turnover, but for the first time in two years, we have entered the new financial year with a full compliment of sales representatives. With our strongest publishing programme for a number of years planned for the coming year, we expect to see an improvement from this area in 2006.



Sales of our new range of task specific consumer technical manuals sold well and ended the year 77% ahead of the prior year. Likewise, sales of our Max Power range of modifying titles continue to perform well and with one new title and three titles updated during the year, this helped increase sales of the range by 5% over the prior year.

General Publishing

Sales of Haynes originated titles ended the year 5% ahead of last year helped by strong sales of the Home & Computer range. This range, which builds on the strength of our step by step guide to DIY and which has been applied to tasks in and around the home had 'Build Your Own Computer' ending the year as the Haynes Book Division's top selling title. There were four new releases in this category during the year, of which two were included in the division's top 10 selling titles. Late in the period we published the HGV Man Manual, the latest title to be released in the popular Family Series. Obesity is quickly threatening to

become the biggest single risk to the nation's health and the Haynes HGV Man Manual offers down-to-earth advice to men on how to achieve and then maintain a healthy weight. The title has been sponsored by the Men's Health Forum, with 50p from each copy sold going to charity.

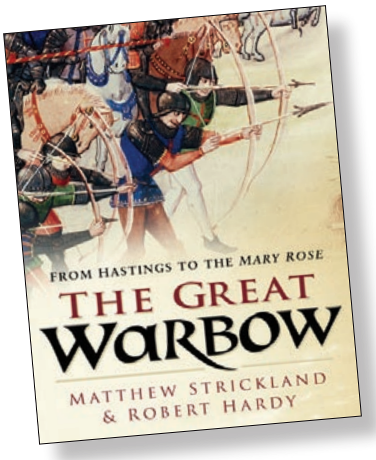
Sales in Sutton Publishing ended the year 9% down on the previous year. This can be largely explained by the decision to concentrate editorial efforts on Sutton branded product and less on lower margin third party publishing. As a result, sales of the core History and Biography titles ended the year 6% ahead of the prior year with new title releases including Bill Wyman's "Treasure Islands" which, although only published late into the trading year, finished the period as the division's top selling book. Other popular titles released during the year include "The Ration Diet Book", "The Great Warbow" and "Patrick Moore: The Autobiography".

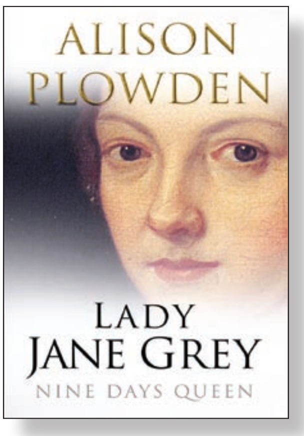
During the year, a new website www.suttonpublishing.co.uk went live and will allow the business to promote the archive of backlist titles, covering not only history and biography, but also the popular "In Old Photographs" series. Management expects the introduction of the website coupled with a new backlist catalogue to generate additional value from the Suttons business in the coming year.

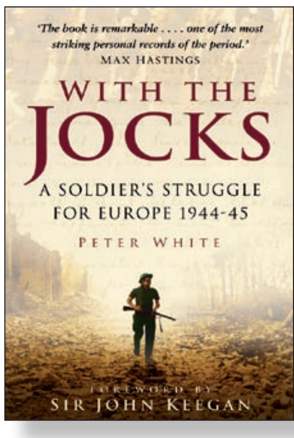
The improved mix of turnover coupled with the benefits of lower stock obsolescence, as a result of the new inventory management systems introduced this time last year, helped the financial performance of the business. Whilst still loss making, there has been a significant improvement in the results of this division against the prior year.

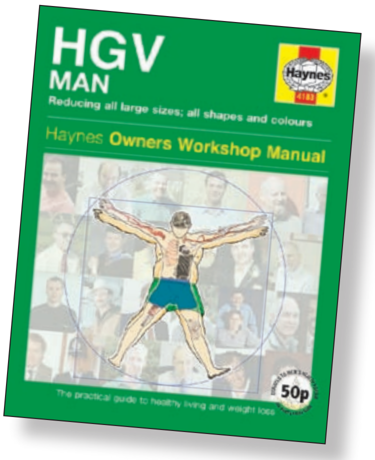
Book Manufacturing

The Production Division increased its printing for third party publishers' by 10% over the prior year, the second consecutive year of double digit growth. A broader customer base, the creation of a full-time sales role and strong repeat business with key customers helped contribute to the increased turnover.









Group borrowings and cash flow

During the year, the Group generated £9.7 million of cash inflow from operating activities (2004: £11.2 million) which represented 108% of operating profit before goodwill (2004: 125%). The apparent reduction in overall cash flow from operating activities between 2004 and 2005 derives from a reduction in stock in 2004, which increased working capital in that year and was primarily the result of a weaker dollar.

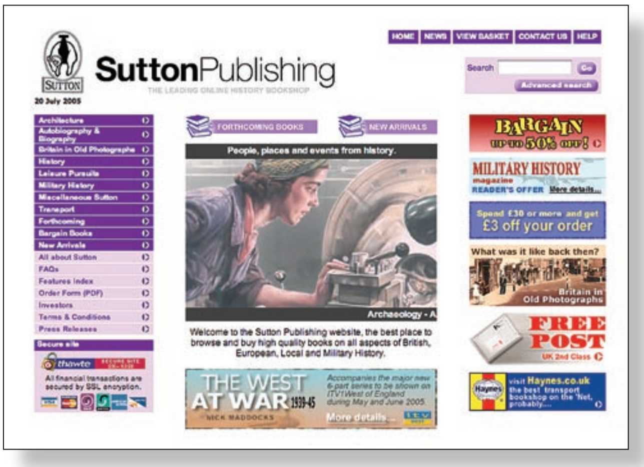
At the end of the year, the Group had positive net cash of £1.8 million (2004: net borrowings of £1.5 million) which demonstrates an aggressive pay down of the Group debt achieved through tight cash control. Financing cash flows were higher as the repayment of Group borrowings increased by £0.5 million, while payments to tax authorities and distributions to shareholders increased by £0.5 million and £0.8 million respectively. Netting against the increased outflows was a reduction in the deferred consideration in relation to the Chilton acquisition from 2001 of £0.7 million.

International Financial Reporting Standards (IFRS)

As mentioned in our half year statement, in common with all companies listed on an EU stock exchange, we will be required to report our consolidated Group accounts in accordance with EU endorsed IFRS's, as published by the International Accounting Standards Board (IASB), for our accounting periods commencing on or after 1 January 2005.

In preparation for the transition, we have undertaken a review of the impact the new standards will have on our reportable results and we can confirm that, as a result of the review we have undertaken to-date, the principal changes will be as a result of adoption of IAS 19 "Employee Benefits" in relation to our defined benefit pension schemes, IFRS 3 "Business Combinations" in relation to goodwill and IAS 10 "Events after the balance sheet date" in relation to dividends.

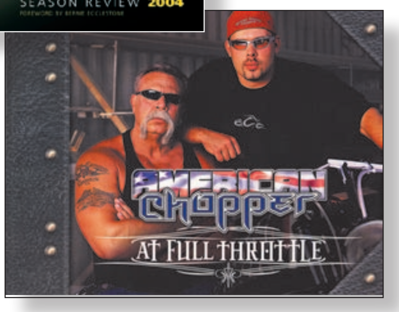
The next set of interim results, which will be for the 6 months ended 30 November 2005, will be prepared under the new IFRS' including restated comparatives and a reconciliation of the changes under IFRS from UK GAAP.



Group Outlook

We are living in very uncertain times and management expects the year ahead to be challenging. Early trading supports this view. Performance in the businesses has improved somewhat in recent weeks and while it remains very early in the financial year, we continue to believe there is every opportunity for further growth in the year ahead. Clearly, a continuance of recent trends in exchange rates would positively impact profitability.

There is an increasing perception that vehicles are becoming increasingly difficult to work on; a perception that, as a Group, we need to dispel. Clearly, technology for both cars and motorcycles has improved and, on the whole, vehicles have become more reliable. There are, however, still a large number of relatively straight forward tasks that can be performed, many with little or no prior experience and such tasks will not only save the vehicle owner money, but can also make vehicle ownership a more complete experience.



There continues to be considerable scope for vehicle owners to improve their knowledge of the workings of their vehicle. Such knowledge helps to empower the vehicle owner in an environment which many find intimidating. This is a message that we need to make sure reaches the end consumer and, through a number of different marketing initiatives, it will be very much the focus of our efforts during the coming year.

Currently, a major objective of many automotive aftermarket retailers around the world is to create further growth in the DIY market. There is no doubt that Haynes Manuals can play an integral part in these programmes and the Company will continue to make this point strongly in the year ahead.

Also, during the coming year, we will look to expand on the strength of the Haynes brand and the opportunities that have arisen as a result of our brand profile including the link up with both Formula 1™ and MotoGP as official publisher of their season reviews. The Board is aware that such openings need to reflect 'opportunities' and be with 'partners' that compliment our brand strengths. This is, however, a part of the business where we are confident we can do more and, shortly after the financial year-end, we brought in additional resource to concentrate specifically on this area.

Finally, we continue to seek opportunities to expand the business and will carefully evaluate such openings as they arise; currently there are a number of projects in the evaluation stage. The Group is presently in its strongest financial position for a number of years and as such is well placed to move forward when the Board feels the opportunity is right to do so.

Eric Oakley
Group Chief Executive
18 August 2005

Group Board Directors and Advisers

Executive Directors	J H Haynes* OBE (Chairman) E Oakley+ (Group Chief Executive) D Benhardus+ CPA J H C Haynes
Non-Executive Directors	D W Suter FCA* ■ (Chairman of Audit Committee) R P Corbett* ■ (Chairman of Remuneration and Nomination Committee, and Senior Independent Director) E Bell* ■ M E F Haynes A Garner * Members of Remuneration and Nomination Committee ■ Members of Audit Committee + US Resident
Group Company Secretary	M A R Venables BA FCIS DPM
Registered Office	Sparkford, Yeovil, Somerset BA22 7JJ Company No. 659701
Auditors	**BDO Stoy Hayward LLP** Park House, 102-108 Above Bar, Southampton SO14 7NH
Solicitors	**Osborne Clarke** 2 Temple Back East, Temple Quay, Bristol BS1 6EG **Batt, Sanders & Bennett** 17 Hendford, Yeovil, Somerset BA22 1UH
Principal UK Bankers	**Barclays Bank PLC** Corporate Banking Centre, Park House, Newbrick Road, Stoke Gifford, Bristol BS34 8TN
Principal US Bankers	**Union Bank of California** 445 S Figueroa Street, 10th Floor, Los Angeles, CA90071-1655, USA
Stockbrokers	**Rowan Dartington & Co** The Colston Tower, Colston Street, Bristol BS1 4RD
Registrars	**Capita IRG plc** Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Group Board
Executive Director Biographies

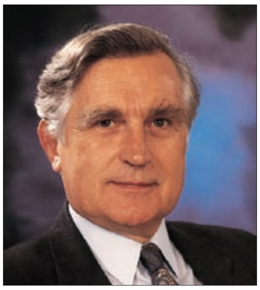
John Haynes (age 67). John's biography is the history of Haynes Publishing. He founded the Company in 1960 and by expanding operations into Europe and the USA, was responsible for its growth and development into the international business that we see today. The Company was taken public in 1979. John remains its principal and majority shareholder and takes a very active interest in all aspects of the Group's publishing activities. In 1985 he founded and is the principal benefactor of the Haynes International Motor Museum. In 1995 he was awarded the OBE for services to publishing.

Eric Oakley (aged 59). Eric spent his early years in North East England, and was educated at the University of Aston. He is resident in California. Eric joined Haynes North America in 1980 after 16 years with Burmah-Castrol. He was appointed to the Main Board of Haynes Publishing Group in 1990. For the past 19 years Eric has been President of Haynes North America during which period Haynes Manuals have become the largest selling Automotive Repair Manuals in the United States and Canada. He oversaw the establishment of Haynes' Australian operation. Eric was appointed Group Chief Executive on 1st June 2002.

Dan Benhardus (aged 59). Dan was appointed as Group Finance Director on 1 June 2002. He is resident in California and is a Certified Public Accountant. He started his career with Arthur Young and Co. (now part of Ernst & Young) before going into private industry where he gained experience in the construction, cable television and market research industries as an accounting and finance executive. In 1988 he joined Haynes North America, Inc. as the Vice President of Finance. He retains his responsibilities as the Chief Financial Officer and Senior Vice President of Haynes North America.

J Haynes (aged 38). J joined the Board as a non-Executive Director on 25th March 2000, having completed a two year MBA at the London Business School. He was formerly a Director at Beeson Gregory, a specialist investment bank, before which he worked for 5 years as a Graduate Trainee with Haynes North America. On 28th January 2002 he was appointed an Executive Director of the Company and is presently Managing Director of its UK and European operations.

Group Board
Non-Executive Director Biographies



D W Suter (age 67). David Suter is a Chartered Accountant who joined the board in 1990 before which he was a partner in Baker Tilly. He was formerly a member of the Corporation of Yeovil College during which time he was Chairman of the Audit Committee.
David Suter does not have a service contract with the Company.

R P Corbett (age 67). Panton Corbett was an executive director of Singer & Friedlander Limited from 1972 to 1998 and was responsible for the flotation of the Group on the London Stock Exchange in 1979. He was Chairman of the Alternative Investment Market of the London Stock Exchange (AIM) from its inception until 1998. He is a non-executive director of Tex Holdings plc and South Staffordshire Water plc. Panton Corbett does not have a service contract with the Company.

E Bell (age 56). Eddie Bell has held a number of senior positions spanning 30 years in book publishing. Latterly he was the Executive Chairman and Publisher for Harper Collins UK and during his tenure was responsible for publishing the memoirs of both Mikhail Gorbachev and Lady Thatcher, and the autobiography of John Major. He is now non-executive Chairman of OAG World Wide Group Ltd and a partner in Bell Lomax. Additionally, he holds several other non-executive positions both within and outside the publishing industry which include Be Cogent Communications Ltd., and Management Diagnostics Ltd. Eddie Bell does not have a service contract with the Company.

M E F Haynes (age 37). Marc Haynes completed a BSC (Hons) Business Degree at Manchester before joining the Haynes International Motor Museum as its Business Development Manager. Marc has made a considerable contribution to the museum, having successfully completed a number of innovative commercial ventures. He is now its Managing Director. Marc is also a Director of Haynes Developments Limited which is a property development and management company operating in the UK. Marc Haynes does not have a service contract with the Company.

A Garner (age 61). Andrew Garner is presently CEO of the Executive Search Consultancy Constellation Corporation plc. He has worked in executive search since 1983 and until 1997 was Chairman and Chief Executive of one of the world's foremost search firms, Boyden World Corporation. During that time Boyden's revenue more than doubled. Prior to this Andrew enjoyed a successful international business career, including senior positions with Mars, Brooke Bond and Gallaher. He is on the Board of the Royal Philharmonic Orchestra and C J Garland Ltd, and is a trustee of the Haynes International Motor Museum. Andrew Garner does not have a service contract with the Company.

Report of the Directors

The directors present their report and the financial statements of the Group for the year ended 31 May 2005.

- **Principal Activity** Haynes Publishing Group P.L.C. is a holding company. The principal activity of Group companies is the printing and publishing of a range of service and repair manuals for the motor, home DIY, and transport enthusiast, together with a wide range of history books and general interest publications.
- **Review of the Business** A review of the business, together with comments on the future development of the Group, is contained in the Chairman's Statement and the Group Chief Executive's Review on pages 6 to 12.
- **Financial Results** The financial results for the year are set out in the Group profit and loss account on page 33. The position at the end of the year is shown in the Group balance sheet on page 35.
- **Dividends** The directors recommend a final dividend of 9.5p per ordinary share (10.6p with related tax credit) which, together with the interim dividend already paid, makes a total of 14.5p (16.1p with related tax credit) for the year (2004: 12p; 13.3p with related tax credit). This dividend will be payable on 28 October 2005 to members on the register of shareholders at the close of business on 30 September 2005. The shares will be declared ex-dividend on 28 September 2005.
- **Directors** The directors who served during the year and their interests in the ordinary share capital of the Company are shown on the following page.
  J H Haynes, E Oakley and J H C Haynes retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.
  R P Corbett and D W Suter as non-executive directors having served for more than nine years both offer themselves for re-election in accordance with the provisions of the New Combined Code of July 2003.
  Mr A Garner, having been appointed as a non-executive Director on 31 March 2005, offers himself for re-election in accordance with the Articles of Association.
  There have been no other changes in the directors or their shareholdings shown below up to 22 July 2005.
  At 31 May 2005 the beneficial shareholdings of the directors represented 62.1 per cent of the total issued share capital. This represented 15.7 per cent of the Ordinary shares (which are listed on the London Stock Exchange) and 100 per cent 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 financial statements.

Directors Interests in Shares The directors who served throughout the year and their interests in the share capital of the Company are as follows:

	31 May 2005			31 May 2004		
	Beneficial 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.	Beneficial 'A' Ordinary No.	Beneficial Ordinary No.	Non-Beneficial Ordinary No.
Executive						
J H Haynes	9,000,000	401,075 [3]	1,229,101 [1] [2]	9,000,000	401,075 [3]	1,229,101 [1][2]
E Oakley	–	23,304	–	–	23,304	–
D Benhardus	–	–	–	–	–	–
J H C Haynes	–	710,141 [2]	–	–	710,141 [2]	630,000 [1]
Non-executive [4]						
M E F Haynes		699,720 [2]	–	–	713,104 [2]	–
A Garner	–		630,000 [1]	–	–	–

[1] 630,000 shares are in respect of the Haynes International Motor Museum (a charitable trust) and are shares in which J H Haynes and A Garner are interested as Trustees.

[2] The balance of the ordinary shares comprised within the non-beneficial interest of J H Haynes is held in a family trust in which J H C Haynes and M E F Haynes have a beneficial interest, and are therefore also reported as a beneficial interest of the latter.

[3] Includes 306,075 shares owned by Mrs A C Haynes.

[4] R P Corbett, D W Suter and E Bell did not hold shares in the Company at any time during the year.

Share Capital Details of the share capital are shown in Note 20 to the financial statements.

Other Shareholdings At 31 May 2005 interests in 3% or more of the Company's issued 20p Ordinary share capital* had been notified to the Company by:

	Shares	**%**
Hunter Hall Investment Management Limited	2,411,000	32.8
Framlington Investment Management Ltd	746,000	10.1
Haynes International Motor Museum	630,000	8.6

At 22 July 2005, there were no recorded changes in these holdings.

*See Note 20 on page 50.

Treasury Management The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, lease financing arrangements, cash and other various items arising from its operations such as trade debtors and trade creditors. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. From time to time the Group may enter into derivative transactions such as interest rate swaps or forward exchange contracts, the main purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and sources of finance. No trading in financial instruments is undertaken.

The Group's principal borrowings are in US dollars and pounds sterling, and at the year end were subject to floating rates of interest. Fixed interest rates and interest caps are regularly considered and, where felt commercially appropriate, would be adopted to manage the interest rate exposure.

Report of the Directors
(continued)

- **Donations** During the year Group donations to charitable organisations amounted to £7,532. There were no political donations in the year.
- **Environmental Policy** The Board is committed to minimising the impact its operations have on the local environment. The Group operates two printing facilities, one in the UK and one in the US, and it is Group policy to ensure that both national and local environmental laws and guidelines are adhered to in full. The Board ensures that key management are tasked with the responsibility to oversee the Group's activities which impact the environment and to report back to the Board with any recommendations they may have regarding environmental policy.
- **Disabled Persons** The Group encourages the employment of disabled persons whenever practicable. The Group policy is to ensure that disabled employees and those who may become disabled benefit from training and career development in common with other employees.
- **Employees** 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 regular newsletters and company briefings.

  During the year J H Haynes & Co Ltd gained the British Safety Council award for the seventh consecutive year. The award is made to companies who have lower than average accident rates, good safety policies and safety plans and a clear commitment to health and safety at the highest board level. Companies must detail their health and safety advisors' (and officers') qualifications and provide details of significant advances in health and safety for the year.
- **Policy on Payment of Suppliers** The Group operates in various locations throughout the world. It is not Group policy to follow any specified code or standard on payment practice but the payment policies adopted reflect the terms negotiated with individual suppliers as well as the custom and practice of the locality. It is the Company's intention to continue to apply the Group policy in the forthcoming year. At 31 May 2005 the amount of trade creditors as shown in the balance sheet represents 9 days of average purchases for the Company and 32 days for the Group.
- **Auditors** In accordance with S.385 of the Companies Act 1985, a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the directors to determine their remuneration.

By order of the Board.

Mark Venables
Group Company Secretary
18 August 2005

Corporate Governance

Statement of Compliance

Haynes Publishing Group recognises the importance of high standards of Corporate Governance, thus the Board has considered the principles and provisions of the New Combined Code published in July 2003 and will be seeking to adhere to them where it is in the interests of the business, and of shareholders, to do so. During the year ended 31 May 2005 the Group complied with the principles, supporting principles and provisions of the New Code, aside from the particular exceptions mentioned below:-

Board of Directors

During the year the Board reviewed and revised its Terms of Reference so laying precise emphasis upon its responsibility for the overall management and strategic direction of the Group. The Board aims to encourage entrepreneurial endeavour within a framework of prudent planning and control. The Board appraises and approves major financing, investment and contractual decisions in excess of defined thresholds. All members of the Board are cognisant of their duty to act collectively and objectively in the best interests of the Company. Non-executive directors are members of the Audit Committee and the Remuneration and Nomination Committee, and are responsible for their activities. The non-executive directors are intrinsically involved in scrutinising and monitoring the performance of management, and assessing the processes for the control of financial and other risks. (Terms of Reference for the Committees may be viewed on **www.haynes.co.uk/investors**)

- As at 31 May 2005 the Board comprised of four executive and five non-executive directors. The biographies of the directors are set out on pages 14 and 15 of this report and accounts.
- The Board meets at least every 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. During the year the Board met on seven occasions, the Audit Committee met three times, and the Remuneration and Nomination Committee met twice. All members were present on all occasions excepting only the Board meeting on 19 August 2004 at which a limited amount of business of a purely formal nature was conducted, and which was attended by the Chairman, E Oakley, D Benhardus, D W Suter and the Group Company Secretary.
- The division of responsibility between the Chairman and the Group Chief Executive is clear and understood, and will be committed to writing in due course as required by provision A.2.1 of the Combined Code. The former is responsible for the leadership of the Board and ensuring its effectiveness and that of the individual directors, and the Chief Executive's duty is to run the business.
- The 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 considers all of its current non-executive directors to be independent excepting M E F Haynes, in view of his close family ties with other members of the Board.
  The Senior Independent Director is R P Corbett. Both he and D W Suter have served on the Board for more than nine years. A Garner is a trustee of the Haynes International Motor Museum Charitable Trust. Notwithstanding these circumstances or relationships, the Board believes these directors are independent in character and judgement.

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

Membership of the Committees of the Board is indicated on page 13. At Committee meetings no-one except the Chairman of the Committee and its members is entitled to be present – but others may attend by invitation.

- Executive directors may be permitted to take a limited number of outside non-executive directorships in non-competing companies, subject to approval of the Remuneration and Nomination Committee.

Information, Professional Development and Evaluation

All directors are provided with regular performance updates, and full and timely access to information that enables them to make informed decisions on corporate and business issues. The Board receives monthly Management Accounts explaining performance against budget for each sector of the business, as well as risk management and business plans. The executive directors receive information on sales and margin for the individual businesses within the Group on a weekly basis, and for the major businesses such information can be accessed daily.

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

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

The performance and contribution of each individual director has been appraised personally by the Chairman. One to one discussions have occurred, assessing a director's performance against agreed standards particularly relevant to the Group's business and organisation. The aim has been to achieve an objective and constructive assessment of a director's contribution. The Chairman is thus assisted in identifying and acting upon the strengths and weaknesses of the Board.

In turn, the Chairman's own performance has been reviewed by the Senior Independent Director following consultation with his fellow non-executive directors and other members of the Board.

An alteration to the Articles of Association was implemented in 2004 in order to ensure that all directors should seek re-election by shareholders at regular intervals of no more than three years. Directors are already subject to re-election by shareholders at the first AGM after their appointment.

Directors Remuneration, Contracts and Nomination

- In accordance with the provisions of the Combined Code, a Remuneration and Nomination Committee with its own terms of reference has been established by the Board. The Board's report on remuneration, which follows on pages 24 to 29, sets out details of the Group's policy on remuneration, directors remuneration, and the work of the Remuneration and Nomination Committee. This includes an indication and explanation of those areas of non-adherence to the provisions of the New Code.

Corporate Governance
(continued)

- The Remuneration and Nomination Committee is responsible for succession planning and recommending to the Board the appointment of new directors. The Board formally vetts and scrutinizes these proposals. The Committee's composition is explained in the Board's Report on Remuneration. During the year the Committee was reliant upon its own energies and judgement in sourcing and evaluating candidates for vacancies on the Board. External search consultants and open advertising were not preferred methods where the expense was unwarranted and could not be justified.
- All executive directors have rolling service contracts with the Company terminable on either one or two years notice, which in all cases may be served by either party. For recent appointments a one year term of notice has been implemented as a matter of course (see pages 27 and 28).
- The non-executive directors do not have service contracts with the Company but are appointed at the will of the Board for a fixed period of two or three years.

Dialogue with Shareholders

- The directors consider that clear and timely communication of information to Shareholders is an important part of their function. The Chairman's and Group Chief Executive's reviews on pages 6 to 12 provide a summary of the Group's trading performance and future outlook. In addition to the publication, twice a year, of the Group's financial results, there will often be briefings for Shareholders or their representatives – especially following the Group's interim and preliminary final announcements.
- The Chairman is in a good position to ensure that the views of major Shareholders are communicated to the Board as a whole. Additionally the Chief Executive provides the Board with a report addressing matters of concern to Shareholders once a quarter.
- The Board views the Annual General Meeting as an ideal opportunity to communicate with both institutional and private investors alike and confirms its compliance with all the provisions of the Combined Code relating to the constructive use of Annual General Meetings. This year's Annual General Meeting will be held on 13 October 2005 and all Group Board directors (including Committee chairmen) plan to be present and available to answer questions.
- On 21 October 2004, at the AGM, the Company was authorised to make market purchases of its own shares up to a maximum of 1,500,000. The authority remains unexercised and will expire at the conclusion of the AGM in 2005.

Accountability, Audit, and Audit Committee

It is the intention of the Board through this report and accounts, and other public reports and announcements, to present a balanced and understandable assessment of the Company's position and prospects. The directors have set out their responsibility for preparing the accounts on page 30 of this report and accounts.

- An Audit Committee with approved written terms of reference has been established by the Board now comprising three of the non-executive directors, at least one of whom has recent and relevant financial experience. During the year the Committee kept under review the effectiveness of the Company's financial control policies and procedures for assessing and reporting financial risk.

  On 26 May 2005 E Bell was appointed as a third member of the Committee.
- The Audit Committee is responsible for making recommendations to the Board in relation to the appointment and remuneration of the external auditors. Consequently the Committee is responsible for monitoring the auditors performance, cost effectiveness, independence and objectivity - which it has done throughout the year.
  The Committee is authorised to investigate any matter within its terms of reference and where necessary to obtain external legal or other independent professional advice.

Corporate Governance
(continued)

- The Committee meets with the Group's external auditors at least twice a year to discuss the Group's framework of controls, Group reporting and other relevant matters. At the conclusion of each annual audit, the Audit Committee receives and considers a report from the Group auditors setting out any material findings from their audit of the individual Group companies, and reports to the Board as necessary. The Group Finance Director attends such meetings as considered appropriate by the Committee.
- During the year the Committee reviewed the "Whistleblowing" arrangements across the Group to ensure that procedures were in place for staff to report fraud and similar matters.
- In certain circumstances it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or on specific projects where they can add value). The Committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

Internal Controls
By means of the systems and processes outlined below, the Board maintains a sound system of internal control to safeguard its assets and the investment of shareholders. The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement. The Board does at least annually conduct a review of the effectiveness of these internal controls, as described below.

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 results to shareholders on a 6 monthly basis.
- Authority limits exist across the Group defining revenue expenditure and the Group has clearly prescribed guidelines for capital expenditure which include detailed appraisal and review, levels of authority, and due diligence requirements when businesses or assets are being acquired.
- A report on the Group's cashflow and treasury position is received by the directors at every Board meeting.
- In addition (to the extent required to form a statutory audit opinion) the Group's financial systems are subject to annual review by the Group's external auditors and reportable weaknesses, if any, identified during this annual review process are discussed with the Audit Committee.

Operational
- There is a clearly defined organisational structure which allows the Group's objectives to be planned, executed, controlled and monitored. The Group is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.
- The directors and senior management implement the control objectives of the Group through the adoption of defined checks and procedures. These include the review of financial and operational information, the setting up of appropriate authority levels, the segregation of incompatible duties and the defining of procedures for seeking and obtaining approval for major transactions and organisational changes.
- The management information systems provide the directors with relevant and timely reports, from which the directors can monitor the performance of the business. Furthermore the executive directors have a significant involvement in the day to day management of the Group's activities and accordingly are able to monitor and control procedures at an operational level.

Corporate Governance
(continued)

Compliance

- Effective health and safety and quality control procedures operate to meet or exceed the standards for approval set by external regulatory bodies.
- The quality control system used is in accordance with ISO 9000 guidelines, and is constantly being evolved and refined to reflect business advances, process changes, and quality issues.
- Litigation and claims by or against the Company are controlled by the Group Company Secretary, 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 endemic 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 general and historical interest engenders commercial 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 2005, the Board has satisfied itself that there was in place an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group as a whole. This process has been formally structured by means of documentary reporting directly to the Main Board in accordance with the guidance in the Turnbull Committee Report, both in the UK and US. Risks identified by this process are regularly reviewed by the Board and addressed jointly by the Group Chief Executive and senior 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 fettering entrepreneurial activity, and that (in accordance with the recommendation of the Audit Committee) a separate internal audit function is not required.

Going Concern

- After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Board Report on Remuneration

1 Best Practice This report to shareholders provides information on the remuneration of all Haynes Publishing Group Directors, and the criteria by which that remuneration has been determined. It has been prepared in accordance with the requirements of The Companies Act 1985 and the applicable UK Listing Authority's Listing Rules.

2 Constitution of the Remuneration and Nomination Committee The Committee comprises three independent non-executive directors, R P Corbett (Chairman of the Committee), D W Suter, E Bell and the executive Chairman J H Haynes. Whilst the Chairman is not independent of management, as required by B.2.1 of the Combined Code, in considering the composition of the Committee, the Board gave full consideration to the other provisions of the Combined Code and in particular, B.2 which states that Remuneration Committees should consult with the Chairman and/or the Group Chief Executive about their proposals relating to the remuneration of the other executive directors. Having considered the Committee's terms of reference, the constitution of the Group Board and the frequency of meetings, the Board felt it practical to include the Chairman as a member of the Committee. Any changes affecting the executive Chairman are discussed by the Committee without his participation.

3 Policy on Directors' Remuneration The Committee is responsible for determining the emoluments of the executive directors of the Group. The Committee frames its decisions to ensure that the Group's executive directors are appropriately rewarded for their contributions to the Group whilst reflecting their scale of responsibility and performance. Through monitoring the market place and the occasional use of external advisers the Committee seeks to offer remuneration packages which not only reflect current market conditions but are also commensurate with attracting, retaining and motivating directors of quality to ensure the continued growth and success of the Group.
In this, the Committee is mindful of the need to use external comparables with caution and to be sensitive to pay and employment conditions elsewhere in the Group. However it is impractical for the Committee also to monitor in detail the remuneration of senior management below board level as required by B.2.2 of the Code.
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 significantly augment a relatively modest basic salary through the performance related bonus/incentive arrangements.
The Committee has considered the appointment of permanent external consultants; however given the combined experience resting in the Committee members and bearing in mind the considerable costs of appointing permanent consultants, it is thought preferable that such an appointment should not be made.

4 Directors' Remuneration

(i) **Total emoluments**

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

	2005 £000	2004 £000
Salaries and taxable benefits	580	579
Performance related bonuses	435	430
	1,015	1,009
Non-executive directors' fees	77	80
Total emoluments	1,092	1,089
Pension contributions	248	246
	1,340	**1,335**

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

- Basic salaries, and fixed benefits
- Annual bonus
- Pensions

Each of these elements is viewed with equal importance by the Committee so as to ensure that the remuneration packages reflect not only the short term but also the longer term goals of the Company and of the Group. Consequently, although contrary to Schedule A, item 6 of the Combined Code Provisions, the Committee feels that, as the performance bonus is an integral part of the executive directors' remuneration package and as it has been for many years part of their employment contracts, it is proper for this amount to form part of the directors' pensionable salary. Pensionable salary is defined under the UK pension scheme rules as the amount declared to the Inland Revenue on an individual's P60.

Each element of remuneration payable to executive directors is discussed in more detail below and tabulated later in this Report.

Non-executive Directors receive a fee for their services, and the reimbursement of incidental expenses. No other payments are made.

(ii) **Basic Salary and Benefits**

Basic salaries for all executive directors are reviewed annually by the Committee.

The Committee regards the RPI and similar indices of inflation as important but not the sole factor that it will consider when reaching its decision.

The standard increase in directors base salaries at 1 June 2004 was 3%. In relation to the current year commencing 1 June 2005 the standard increase was 5.5%.

In addition each executive director is entitled to holiday in accordance with the Company's policy for full time employees.

E Oakley, J H C Haynes and D Benhardus are provided with a fully expensed car and J H Haynes is entitled to a fully expensed car in the US and to the services of a chauffeur and fuel expenses in the UK.

All executive directors receive long term disability insurance and travel insurance.

All executive directors receive health cover for themselves and their immediate families.

(iii) **Annual Bonus**

An annual bonus is paid to each director based on the performance of the overall Group or of a substantial component of the Group as follows:

J H Haynes is entitled to 1.5% of the first £4.5 million, plus 2.5% thereafter, of the overall Group's net profit.

E Oakley is entitled to the following proportion of overall Group net profit: 1.5% of the first £4.5 million, 2.5% between £4.5 million and £7.5 million, and 3.5% over £7.5 million. This arrangement will be subject to review on 1 December 2005 and every two years thereafter.

Additionally E Oakley is entitled to a one time discretionary bonus at an amount to be decided by the Chairman in consultation with the Committee in the event that the Group disposes of one of the Group's businesses at a gain entirely attributable to the performance of that business.

D Benhardus is entitled to 0.5% of overall Group net profit.

J H C Haynes is entitled to 1% of the net profit of the UK and European businesses.

For these purposes the 'net profit' of the Group is before tax and excluding profits of a capital nature and before deductions of bonuses payable to other executive directors. 'Net profit' of the UK and European businesses is calculated on the same basis, and before the deduction of Group costs.

Board Report on Remuneration
(continued)

(iv) **Share Option Scheme**

The Company has approval to operate an executive share option scheme. All the outstanding options expired on 8 October 2001 having been unexercised up to that date. No further grants have occurred.

(v) **Pension Policy**

Each of the directors has been and continues to be contractually entitled to final salary or money purchase related pension benefits as described below.

(a) Defined benefit schemes

The UK Scheme
J H C Haynes is a member of the UK scheme.
The target pension for this director is two-thirds of final pensionable salary at the age of 60. Final pensionable salary is defined as an average of the best three consecutive annual pensionable salaries in the final 10 years of service. The director contributes 5% of his pensionable pay, as defined under the UK Scheme rules, to the scheme.
Death in service benefits provide for a return of the individual's contributions made to the scheme, a cash sum equal to 4 times pensionable salary and a widow or dependants pension equal to 50% of the target pension receivable at normal retirement age. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable.
Pensions increase annually during retirement by the lower of 5% or the percentage rise in the Retail Price Index.
Members may retire from the age of 50 on a reduced pension based on the shorter working life and after taking into account the cost of earlier payments.

The US Plan
J H Haynes, E Oakley and D Benhardus are members of the US Plan. The US Plan provides for a pension that vests in yearly increments reaching a maximum of 50% of final pensionable salary on attaining 7 or more years service with the Company.
The final pensionable salary is calculated in a consistent manner to the UK scheme.
The retirement age for the non-contributory US Plan is 65.
Death in service benefits provide for a widow or dependants pension equal to the Actuarial Equivalent of the Accrued Benefit at the date of death. For death occurring during retirement a widow's pension equal to 50% of pension entitlement is payable.
In both cases election may be made to receive a cash lump sum, or by instalments, the amounted vested (Actuarial Accrued Benefit).
Pensions do not increase during retirement.
There are no provisions for early retirement under the US Plan rules but the vested Actuarial Accrued Benefit may be taken in instalments, as a lump sum or left in the Plan until age 70 when, by law, they must be taken.

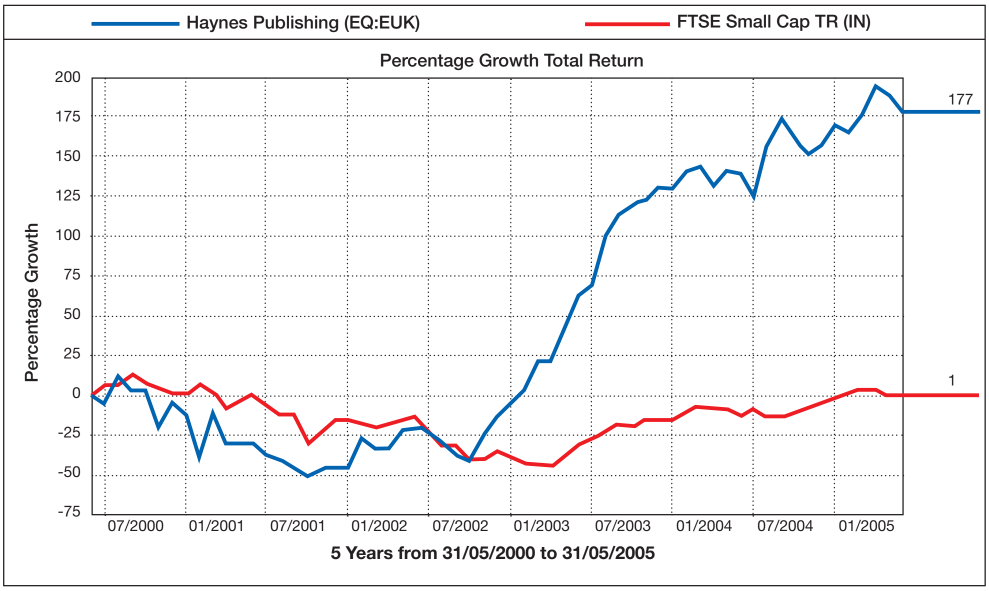
(b) Defined contribution ('Money Purchase') arrangements

As a result of Inland Revenue regulations J H Haynes is prevented from joining the UK Scheme. Accordingly, the Company contributes to a money purchase arrangement on his behalf. During the financial year ended 31 May 2005 the Company contributed £33,140 (2004: £31,835) to this arrangement.
Members whose benefits are capped by legislation participate in additional money purchase arrangements. In the US a scheme has been set up based on the difference between the Company's actual contributions to the defined benefit scheme and those contributions which would have been paid without the legislative cap. The pensionable cap in the US is $205,000 (£110,453). Under this arrangement the Company made contributions on behalf of E Oakley amounting to $144,965 (£79,215) and D Benhardus $41,352 (£22,280) during the year.

Additionally, in the US there is an Employer Savings Plan (401K pension plan) available to all employees. Under the plan the Company contributes 1.6% of salary as well as matching one third of employees deferrals up to a maximum of 6% of salary. During the year, the contributions for E Oakley amounted to $7,380 (£3,976) and for D Benhardus $7,380 (£3,976). In the UK, there is an additional AVC facility for members of the UK Scheme, and a separate money purchase arrangement for employees of Sutton Publishing (the Sutton Scheme).

5 Performance Graph

The following graph compares the total return on the Company's shares with that of the 'FTSE Small Cap' index over the last 5 years. This index was chosen following discussion with Rowan Dartington, the Company's stockbrokers, as being the index most representative of the performance of the shares of generally comparable companies.



6 Service Contracts

The Committee is mindful of the unique characteristics of the Company; its vertical integration as both publisher and printer, its product range, its geographical spread, and its shareholder base. The Company's competitive position must be of paramount concern. The service contracts for executive directors in the UK do include a notice period of 12 months or less upon termination. Directors who are US based are employed 'at will' and there is no notice provision. However to ensure reasonable parity with the UK based directors a "notional" notice period applies to the calculation of their entitlements upon termination.

If the Company terminates without notice or at short notice, the individual is entitled to the contractual entitlements and benefits which would have accrued within the notice period. With the Company's consent these may be "rolled up" into a single payment at the point of termination.

In the event of termination for cause, the bonus element of remuneration is either not payable or payable only at the discretion of the Company.

Board Report on Remuneration
(continued)

Director	Date of Contract	Notice Period
J H Haynes (UK)	29 November 1979	12 months
J H Haynes (US)	29 November 1979	6 months
E Oakley	30 May 2002	none (24 months notional)
D Benhardus	31 May 2002	none (12 months notional)
J H C Haynes	15 February 2002	12 months

E Oakley's original service contract was renegotiated upon his appointment as Group Chief Executive on 1 June 2002. The Committee is well aware of the advice provided in the Combined Code at B.1.6 concerning the length of the notice period, and in agreement with it, thus all but one of the directors have notice periods no longer than 12 months. In the exceptional case the Committee believes that it is not presently in the interests of the shareholders to negotiate an amendment.
The directors' service contracts are not of a fixed term, but will continue until terminated by either party.
Non-executive directors do not hold service contracts and are appointed at the will of the board for a fixed period of two or three years.

Section 4(i)(a) and 4(v)(b) along with the following disclosures (up to and including page 28) on directors' remuneration have been audited as required by Part 3 of Schedule 7A of the Companies Act 1985.

7 Directors' Remuneration for year ending 31 May 2005

The emoluments of the individual directors were as follows:

	Salary and Fees £000	Performance Bonus £000	Benefits £000 [1]	Total Emoluments £000	2004 Total £000
Executive					
J H Haynes	131	177	10	318	312
E Oakley [2]	198	191	15	404	413
J H C Haynes	83	23	17	123	119
D Benhardus	113	44	13	170	165
	525	435	55	1,015	1,009
Non-executive					
R P Corbett	23	–	–	23	22
D W Suter	19	–	–	19	18
E Bell	16	–	–	16	25
M E F Haynes	16	–	–	16	15
A Garner	3	–	–	3	–
	77	–	–	77	80
Total	**602**	**435**	**55**	**1,092**	**1,089**

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

[2] Mr E Oakley waived $6,400 of his bonus received in respect of the year ending 31 May 2004. A profit share contribution of $6,400 was then made by the Company into Mr E Oakley's '401K' pension plan in the USA.

8 Directors Accrued Pension Entitlements

	[Note]	Normal pensionable age	Age	Years of pensionable service	Directors' contributions 2005 £000	31 May 2005 Accrued benefit 2005 £000	Increase in accrued benefit including inflation £000	Increase in accrued benefit excluding inflation £000	Transfer value of the increase in accrued benefit (excluding inflation) less directors' contributions £000	Transfer value of accrued benefits 2005 £000	Transfer value of accrued benefits 2004 £000	Increase in transfer value excluding directors' contributions £000
J H Haynes	US,MP	65	67	23	–	21	2	2	20	228	213	15
E Oakley	US,MP	65	58	23	–	44	4	4	36	364	311	53
D Benhardus	US,MP	65	58	17	–	40	5	5	39	334	280	54
J H C Haynes	UK	60	38	3	5	6	3	3	12	39	18	16

US Member of the US Plan (all amounts for the US Plan have been converted to sterling at the closing rate for the financial year).
UK Member of the UK Scheme.
MP Also participates in a defined contribution ('Money Purchase') arrangement (see above).

The accrued benefit shown is that which would be paid annually on retirement age based on service to the end of the year.

The UK scheme adopted a new transfer value basis on 14 August 2003 which was calculated using a modified MFR formula and was in force at 31 May 2005.

Details of the Committee's policy on pensions and the pension arrangements themselves are provided earlier in this Report.

On behalf of the Board.

Mark Venables
Group Company Secretary
18 August 2005

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Company and the Group will continue in business;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the members of Haynes Publishing Group P.L.C.

We have audited the financial statements of Haynes Publishing Group P.L.C. for the year ended 31 May 2005 on pages 33 to 56. These financial statements have been prepared under the accounting policies set out on pages 38 to 40. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the group's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Group Chief Executive's Review, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 May 2005 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants, Registered Auditors
Southampton

18 August 2005

Financial Statements

GROUP PROFIT AND LOSS ACCOUNT
Year ended 31 May 2005

		2005 £000	2004 £000
Note 2	**Turnover**		
	– Continuing operations	36,335	39,010
	Cost of sales	(12,947)	(14,961)
	Gross profit	23,388	24,049
	Selling and distribution costs	(9,815)	(10,537)
	Administrative expenses	(5,346)	(5,370)
	Other operating income	199	250
	Operating profit		
	– Before goodwill amortisation	8,953	8,947
Note 10	– Goodwill amortisation	(527)	(555)
Note 3	**Operating profit – continuing**	8,426	8,392
Note 5	Net interest payable and other similar charges	(39)	(119)
	Profit on ordinary activities before taxation	8,387	8,273
Note 6	Taxation on profit on ordinary activities	(3,264)	(3,296)
	Profit on ordinary activities after taxation for the financial year	5,123	4,977
Note 8	Dividends	(2,371)	(1,962)
	Profit retained and transferred to reserves	**2,752**	**3,015**
Note 9	**Earnings per 20p share – pence**		
	– on basic earnings	31.3	30.4
	– on diluted earnings	31.3	30.4
	– on adjusted earnings	34.6	33.8

Financial Statements

STATEMENT OF GROUP RECOGNISED GAINS AND LOSSES

Year ended 31 May 2005

	2005 £000	2004 £000
Profit for the financial year	5,123	4,977
Exchange rate movement	167	(1,806)
Total recognised gains for the year	**5,290**	**3,171**

NOTE OF HISTORICAL COST PROFITS/(LOSSES)

Year ended 31 May 2005

There is no difference between the results as reported and the results that would have been reported on a historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 May 2005

	The Group		**The Company**	
	2005 £000	2004 £000	2005 £000	2004 £000
Total recognised gains for the year	5,290	3,171	2,446	7,224
Dividends	(2,371)	(1,962)	(2,289)	(1,962)
Net movement in equity shareholders' funds	2,919	1,209	157	5,262
Equity shareholders' funds at beginning of year	27,135	25,926	9,254	3,992
Equity shareholders' funds at 31 May	**30,054**	**27,135**	**9,411**	**9,254**

Financial Statements

GROUP BALANCE SHEET

31 May 2005

		2005 £000	2004 £000
	Fixed assets		
Note 10	Intangible assets: Goodwill	5,644	6,150
Note 11	Tangible assets	7,131	7,673
Note 13	Investments	2	2
		12,777	13,825
	Current assets		
Note 14	Stocks	12,224	12,080
Note 15	Debtors	11,035	11,766
	Cash at bank and in hand	2,741	1,726
		26,000	25,572
	Creditors: amounts falling due within one year		
Note 16	– Borrowings and lease finance	(969)	(1,588)
Note 18	– Other creditors	(7,187)	(8,334)
		(8,156)	(9,922)
	Net current assets	17,844	15,650
	Total assets less current liabilities	30,621	29,475
	Creditors: amounts falling due after more than one year		
Note 16	– Borrowings and lease finance	–	(1,588)
Note 18	– Other creditors	(424)	(372)
		(424)	(1,960)
Note 19	**Provisions for liabilities and charges**	(143)	(380)
	Net assets	**30,054**	**27,135**
	Capital and reserves		
Note 20	Called up share capital	3,270	3,270
Note 21	Share premium account	638	638
Note 21	Profit and loss account	26,146	23,227
	Equity shareholders' funds	**30,054**	**27,135**

The financial statements on pages 33 to 56 were approved by the board of directors on 18 August 2005 and were signed on its behalf by:

J H Haynes OBE
E Oakley
Directors

PARENT COMPANY BALANCE SHEET

31 May 2005

		2005 £000	2004 £000
	Fixed assets		
Note 11	Tangible assets	2,706	2,802
Note 12	Investments in subsidiary undertakings	3,931	3,931
Note 13	Investments	2	2
		6,639	6,735
	Current assets		
Note 15	Debtors	5,098	4,940
	Cash at bank and in hand	164	–
		5,262	4,940
	Creditors: amounts falling due within one year		
Note 16	– Borrowings	–	(166)
Note 18	– Other creditors	(2,306)	(2,075)
		(2,306)	(2,241)
	Net current (liabilities)/assets	2,956	2,699
	Total assets less current liabilities	9,595	9,434
	Creditors: amounts falling due after more than one year		
Note 16	– Borrowings	–	–
Note 19	Provisions for liabilities and charges	(184)	(180)
	Net assets	**9,411**	**9,254**
	Capital and reserves		
Note 20	Called up share capital	3,270	3,270
Note 21	Share premium account	638	638
Note 21	Profit and loss account	5,503	5,346
	Equity shareholders' funds	**9,411**	**9,254**

The financial statements on pages 33 to 56 were approved by the board of directors on 18 August 2005 and were signed on its behalf by:

J H Haynes OBE
E Oakley
Directors

GROUP CASH FLOW STATEMENT

Year ended 31 May 2005

		2005 £000	2004 £000
	Net cash inflow from operating activities		
	– Operating profit	8,426	8,392
	– Depreciation and goodwill amortisation	1,629	1,891
	– (Profit)/loss on disposal of fixed assets	(22)	5
	– (Increase)/decrease in stocks	(144)	1,572
	– Decrease/(increase) in debtors	437	(442)
	– Decrease in creditors	(656)	(251)
		9,670	**11,167**
	Group cash flow statement		
	Net cash flow from operating activities	9,670	11,167
	Returns on investment and servicing of finance		
	– Interest received	16	11
	– Bank interest paid	(60)	(133)
		(44)	(122)
	Taxation	(3,445)	(2,972)
	Capital expenditure		
	– Purchase of tangible fixed assets	(561)	(677)
	– Proceeds from sale of tangible fixed assets	39	8
		(522)	(669)
Note 24	**Acquisitions and disposals**	(441)	(1,111)
	Equity dividends paid	(2,126)	(1,308)
	Cash inflow before financing	3,092	4,985
	Financing		
	– Repayment of borrowings	(2,639)	(2,169)
	– Capital element of lease purchase payments	–	(21)
		(2,639)	(2,190)
	Increase in cash in the year	**453**	**2,795**

Reconciliation of net cash flow to movement in net funds

		2005 £000	2004 £000
Note 26	Increase in cash during the year	453	2,795
	Cash outflow from movement in borrowings	2,639	2,190
	Change in net funds resulting from cash flows	3,092	4,985
	Exchange rate movements	130	(865)
	Movement in net funds in the year	3,222	4,120
	Net funds at the start of the year	(1,450)	(5,570)
	Net funds at the end of the year	**1,772**	**(1,450)**

NOTES
Year ended 31 May 2005

1 Principal accounting policies

BASIS OF ACCOUNTING The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements reflect the transitional rules laid down in FRS 17 *Retirement benefits*.

BASIS OF CONSOLIDATION The Group financial statements incorporate the assets and liabilities of all the Group's subsidiary undertakings as at 31 May 2005 and their results for the year then ended. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

GOODWILL Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 June 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 June 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, not exceeding 20 years.

On the subsequent disposal or termination of a business acquired since 1 June 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment value.

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.

Assets and liabilities of any 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	
	2005	2004	2005	2004
US (dollar)	1.823	1.833	1.856	1.733
French (euro)	1.476	1.501	1.463	1.458
Swedish (krona)	13.495	13.669	13.314	13.327

TURNOVER Turnover represents the value of sales to third parties excluding sales taxes.

NOTES
Year ended 31 May 2005

1 **Principal accounting policies** (continued)

DEPRECIATION

Depreciation is provided to write off the cost of tangible fixed assets less any estimated residual values, by equal instalments over their estimated useful lives as follows:

Freehold land	Nil
Freehold buildings	40 years
Leasehold property	The period of the lease
Plant and equipment	3 years to 10 years

STOCKS

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 editorial costs of all in-house originated titles are expensed to the profit and loss account, to match against the corresponding revenue from such titles, over a period not exceeding five years. Provision is made against slow moving and obsolete stock to ensure stock in hand 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.

TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which will have arisen but not reversed by the balance sheet date, except as follows:

– The recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences and;
– No deferred tax is recognised on the unremitted earnings of overseas subsidiaries unless there is a binding agreement to distribute the past earnings and the dividend income has been accrued.

LEASED ASSETS AND OBLIGATIONS

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 a tangible fixed asset 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 profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

PENSION CONTRIBUTIONS

The Company and its subsidiary undertakings operate pension schemes covering the pension arrangements of eligible employees. Where the schemes are, in nature, defined benefit pension arrangements, the schemes provide benefits based on final pensionable salary with the assets of the schemes being held separately from those of the companies and contributions to the schemes charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the companies. Where the

NOTES
Year ended 31 May 2005

PENSION CONTRIBUTIONS (continued)

schemes are, in nature, defined contribution arrangements, the assets of the schemes are held separately from those of the companies and the pension costs charged to the profit and loss account represent the contributions payable to the schemes during the accounting period.

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.

Trade receivables
Trade receivables do not carry any interest and are re-stated at their nominal value by appropriate allowances for estimated irrecoverable amounts.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Financial Statements

NOTES

Year ended 31 May 2005

2 SEGMENTAL ANALYSIS

Turnover by geographical destination:	2005 £000	2004 £000
United Kingdom	12,080	12,097
Rest of Europe	2,909	2,964
United States of America	18,304	20,919
Rest of World	3,042	3,030
Total Group turnover	**36,335**	**39,010**

Analysis of results by operational segment and origin:	2005		2004	
	Turnover £000	Profit before interest and tax £000	Turnover £000	Profit before interest and tax £000
UK and Europe	15,287	1,329	16,340	1,216
North America and Australia	21,048	7,352	22,670	7,285
	36,335	8,681	39,010	8,501
Group income less expenses		272		446
Goodwill amortisation		(527)		(555)
Group profit before interest and tax		**8,426**		**8,392**

Analysis of net assets:	UK and Europe		North America and Australia		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Net assets	3,715	3,295	15,668	13,204	19,383	16,499
Unallocated Group net assets					10,671	10,636
Total net assets					**30,054**	**27,135**

The major components of operating profit are shown below:

3 OPERATING PROFIT

Operating profit is arrived at after charging:	2005 £000	2004 £000
Depreciation of tangible fixed assets	1,102	1,336
Amortisation of goodwill	527	555
Auditors' remuneration (Company £9,000 (2004: £8,800))	64	60
Operating lease rentals – Land and buildings	165	161
– Plant and equipment	232	263
(Profit)/loss on sale of tangible fixed assets	(22)	5
Exchange gains	(7)	(208)

The Group's auditors received £69,000 (2004: £70,000) in respect of non-audit fees performed by themselves or their associates.

NOTES

Year ended 31 May 2005

4 PARTICULARS OF DIRECTORS AND EMPLOYEES

Directors:
Full details concerning Directors' emoluments, pension entitlements and long term incentive schemes are shown in the Board Report on Remuneration on pages 24 to 29.

Employees:	2005 number	2004 number
The average number of employees (including Directors) during the year, analysed by category, was as follows:		
Production	156	164
Selling and distribution	81	83
Administration	53	54
	290	**301**

	2005 £000	2004 £000
Aggregate payroll costs of these persons amounted to:		
Wages and salaries	8,229	8,317
Social security costs	704	675
Other pension costs (see Note 25)	1,369	1,301
	10,302	**10,293**

5 NET INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2005 £000	2004 £000
Total interest receivable	16	10
Interest payable		
– On bank loans and overdrafts	(55)	(129)
Net interest payable	**(39)**	**(119)**

6 TAXATION

(a) Analysis of charge in the period	2005 £000	2004 £000
Current tax:		
– UK corporation tax on profits of the period	1,340	4,092
– Foreign tax	2,730	2,785
– Double taxation	(862)	(3,597)
– Adjustments in respect of previous periods	–	–
	3,208	3,280
Deferred tax:		
– Origination and reversal of timing differences	56	16
– Adjustments in respect of previous periods	–	–
	56	16
Tax on profits on ordinary activities	**3,264**	**3,296**

NOTES

Year ended 31 May 2005

6 TAXATION (continued)

(b) Factors affecting the tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	8,387	8,273
Taxation calculated at the standard rate of corporation tax in the UK of 30% (2004: 30%)	2,516	2,482

Affected by:		
Utilisation/non-utilisation of tax losses	9	13
Variance in overseas tax rates	626	645
Capital allowances for period in excess of depreciation	(26)	(33)
Expenses not deductible for tax (primarily goodwill)	60	169
Other timing differences	23	4
Adjustments relating to prior years	–	–
Current tax charge for the year	**3,208**	**3,280**

7 PROFIT OF THE COMPANY

As provided by section 230(2) of the Companies Act 1985 the profit and loss account of the Company is not presented with these financial statements.

The Company's own profit on ordinary activities after taxation for the financial year was £2,528,000 (2004: £7,224,000).

8 DIVIDENDS

	2005 £000	2004 £000
Interim dividend paid 5.0 p (2004: 4.0p)	818	654
Final dividend proposed 9.5p (2004: 8.0p)	1,553	1,308
Total dividend 14.5p (2004: 12.0p)	**2,371**	**1,962**

9 EARNINGS PER SHARE

Earnings per share is calculated on the Group profit, after taxation, of £5,123,000 (2004: £4,977,000) and on the weighted average of 16,351,540 (2004: 16,351,540) ordinary shares allotted. The adjusted earnings per share figure excludes goodwill charged through the profit and loss account during the year of £527,000 (2004: £555,000).

As at 31 May 2005 and 31 May 2004 there were no outstanding options on either of the Company's two classes of shares. Accordingly, there was no difference between the weighted average and the fully diluted potential average number of shares.

10 INTANGIBLE ASSETS: GOODWILL

	2005 £000
Cost at 1 June 2004	8,439
Exchange rate movement	36
Additions	–
Cost at 31 May 2005	8,475
Accumulated amortisation at 1 June 2004	2,289
Exchange rate movement	15
Charge for the year	527
Accumulated amortisation at 31 May 2005	2,831
Net book value as at 31 May 2005	**5,644**
Net book value as at 31 May 2004	**6,150**

NOTES
Year ended 31 May 2005

11 TANGIBLE FIXED ASSETS

	Land and Buildings Freehold £000	Land and Buildings Short Leasehold £000	Plant and Equipment £000	Total £000
The Group				
Cost at 1 June 2004	5,426	410	15,711	21,547
Exchange rate movements	9	2	55	66
Additions	–	4	557	561
Disposals	–	–	(132)	(132)
Cost at 31 May 2005	5,435	416	16,191	22,042
Accumulated depreciation at 1 June 2004	1,360	271	12,243	13,874
Exchange rate movements	3	1	46	50
Charge for the year	123	8	971	1,102
Disposals	–	–	(115)	(115)
Accumulated depreciation at 31 May 2005	1,486	280	13,145	14,911
Net book value 31 May 2005	**3,949**	**136**	**3,046**	**7,131**
Net book value at 31 May 2004	**4,066**	**139**	**3,468**	**7,673**

The Group depreciation charge on freehold buildings is calculated on buildings with an original cost of £4,871,000 (2004: £4,863,000).

	Land and Buildings Freehold £000	Land and Buildings Short Leasehold £000	Plant and Equipment £000	Total £000
The Company				
Cost at 1 June 2004	3,712	97	97	3,906
Additions	–	–	1	1
Disposals	–	–	–	–
Cost at 31 May 2005	3,712	97	98	3,907
Accumulated depreciation at 1 June 2004	984	55	65	1,104
Charge for the year	84	4	9	97
Disposals	–	–	–	–
Accumulated depreciation at 31 May 2005	1,068	59	74	1,201
Net book value 31 May 2005	**2,644**	**38**	**24**	**2,706**
Net book value at 31 May 2004	**2,728**	**42**	**32**	**2,802**

The Company depreciation charge on freehold buildings is calculated on buildings with an original cost of £3,313,000 (2004: £3,313,000).

NOTES
Year ended 31 May 2005

12 SUBSIDIARY UNDERTAKINGS

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
The Company			
Cost			
Cost at 1 June 2004 and 31 May 2005	5,149	1,666	6,815
Amortisation			
Amortisation at 1 June 2004 and 31 May 2005	(2,884)	–	(2,884)
Net book value at 31 May 2005	**2,265**	**1,666**	**3,931**
Net book value at 31 May 2004	**2,265**	**1,666**	**3,931**

There were, as at the 31 May 2005, the following principal subsidiary undertakings, all wholly owned, within the Group:	Country of incorporation, registration and operation
J H Haynes & Co Ltd (Publisher and Printer)	United Kingdom
Sutton Publishing Limited (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
Editions Haynes SARL (Book Distributor)	France
Haynes Publishing Nordiska AB (Sales and Marketing)	Sweden

As of 31 May 2005, there were the following dormant subsidiary undertakings, all wholly owned within the Group: Camway Autographics Ltd, *Haynes Garages Ltd, G T Foulis & Co Ltd, Oxford Illustrated Press Ltd, Patrick Stephens Ltd, *Camelot Inc, *Odcombe Press (Nashville), Inc and *Sutton Publishing Inc.

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

13 INVESTMENTS

	The Company and Group £000
Investments in shares (listed)	
Cost and net book value at 1 June 2004 and 31 May 2005	2

At 31 May 2005 there was no material difference between the market and book value of the listed investments.

NOTES
Year ending 31 May 2005

14 STOCKS

	The Group	
	2005 £000	2004 £000
Raw materials	607	628
Work in progress	1,075	1,203
Finished goods	10,542	10,249
	12,224	**12,080**

15 DEBTORS

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year:				
Trade debtors	9,517	10,165	–	–
Amounts owed by subsidiary undertakings	–	–	5,059	4,893
Deferred tax	138	431	15	23
Other debtors and prepayments	1,380	1,170	24	24
	11,035	**11,766**	**5,098**	**4,940**

Further information regarding the deferred tax asset as at 31 May 2005 and 31 May 2004 is given in Note 19.

16 BORROWINGS AND LEASE FINANCE

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year:				
Bank overdrafts	969	553	–	166
Bank loans	–	1,035	–	–
	969	**1,588**	**–**	**166**

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due after more than one year:				
Bank loans	**–**	**1,588**	**–**	**–**

NOTES

Year ended 31 May 2005

16 BORROWINGS AND LEASE FINANCE (continued)

The bank loans falling due for payment after more than one year are repayable in instalments as follows:

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
In more than one year but not more than two years	–	210	–	–
In more than two years but not more than five years	–	210	–	–
In more than five years	–	1,168	–	–
	–	**1,588**	**–**	**–**

The Haynes North America, Inc. bank loan facility has three components namely, an Equipment loan, a Real Estate loan and a Revolving loan (based on inventory and accounts receivable). As at 31 May 2005, the Group held a total facility with UBOC of $17.0 million (£9.3 million) of which $nil (2004: $4.8 million/ £2.6 million) was drawn down at the year end. In addition, Haynes Publishing Group P.L.C. has a £2.5 million overdraft facility with Barclays Bank PLC covering its UK and European operations. As at 31 May 2005 the gross overdraft balance was £969,000 (2004: £553,000) while the net balance on the overdraft facility was £nil (2004: £403,000).

The loans attracted interest based on 1 to 3 month LIBOR and for the year under review the weighted average interest rate on the above loans was 3.25% (2004: 2.7%).

The above facility is secured with UBOC by way of a first legal charge over certain assets and intellectual property of Haynes North America, Inc and its principal subsidiaries.
In addition the Haynes Publishing Group P.L.C. has provided cross guarantees to UBOC in respect of Haynes North America, Inc and its principal subsidiaries.
In the UK, Barclays Bank PLC holds a debenture against the UK trading companies including a first legal charge over the UK freehold properties in order to secure the £2.5 million overdraft facility, together with guarantees from the UK and European trading companies.

NOTES

Year ended 31 May 2005

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Treasury risk management

The Group's strategy, objectives and policies in relation to derivatives and other financial instruments are set out on page 17. As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures other than those relating to currency balances.

Financial liabilities

The Group's financial liabilities analysed by currency are as follows:

	2005 £000	2004 £000
Sterling	969	553
US dollars	–	2,623
	969	**3,176**

Details of repayment terms and applicable interest rates are detailed in Note 16.

Financial assets

The Group held the following financial assets as at 31 May 2005

	Floating rate deposits	
	2005 £000	2004 £000
US dollars	880	1,078
Sterling	1,352	157
Australian dollars	218	50
Other currencies	291	441
	2,741	**1,726**

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

Hedging

Where appropriate the Group enters into forward currency contracts in order to hedge known future cash flows. As at 31 May 2005 and 31 May 2004 there were no forward rate contracts in place.

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 highlighted above.

NOTES

Year ended 31 May 2005

18 OTHER CREDITORS

	The Group 2005 £000	The Group 2004 £000	The Company 2005 £000	The Company 2004 £000
Amounts falling due within one year:				
Trade creditors	1,417	1,495	6	4
Amounts owed to subsidiary undertakings	–	–	32	75
Corporate taxes	878	1,116	67	–
Other taxes and social security costs	167	168	4	3
Proposed dividend	1,553	1,308	1,553	1,308
Other creditors and accruals	3,172	4,247	644	685
	7,187	**8,334**	**2,306**	**2,075**
Amounts falling due after more than one year:				
Other creditors	**424**	**372**	**–**	**–**

19 PROVISIONS FOR LIABILITIES AND CHARGES (DEFERRED TAX)

	The Group 2005 £000	The Group 2004 £000	The Company 2005 £000	The Company 2004 £000
Provision at 1 June 2004	(51)	(83)	157	172
Profit and loss account	56	16	12	(15)
Exchange rate movement	–	16	–	–
Provision at 31 May 2005	**5**	**(51)**	**169**	**157**
Being:				
Accelerated capital allowances	411	380	184	180
Short term timing differences	(406)	(431)	(15)	(23)
Undiscounted provision for deferred tax	**5**	**(51)**	**169**	**157**
Analysed in the accounts as follows:				
Debtors	(138)	(431)	(15)	(23)
Provision for liabilities and charges	143	380	184	180
	5	**(51)**	**169**	**157**

Due to the remoteness of the event occurring, no provision has been made for taxation which may be payable if all the profits retained by overseas subsidiaries were distributed as dividends.

NOTES

Year ended 31 May 2005

20 SHARE CAPITAL

			2005 £000	2004 £000
Authorised:				
'A' Ordinary shares of 20p	10,000,000	(2004: 10,000,000)	2,000	2,000
Ordinary shares of 20p	8,750,000	(2004: 8,750,000)	1,750	1,750
			3,750	**3,750**
Allotted, called up and fully paid:				
'A' Ordinary shares of 20p	9,000,000	(2004: 9,000,000)	1,800	1,800
Ordinary shares of 20p	7,351,540	(2004: 7,351,540)	1,470	1,470
			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 issues, this becomes 41.67p.
At 31 May 2005 the share price was 372.5p, with a high of 400p and a low of 310p for the financial year.

21 RESERVES

	Share Premium £000	Profit and loss account £000
The Group		
Balance at 1 June 2004	638	23,227
Retained profit for the year	–	2,752
Exchange rate movement	–	167
Balance at 31 May 2005	**638**	**26,146**
The Company		
Balance at 1 June 2004	638	5,346
Profit transferred to reserves	–	157
Balance at 31 May 2005	**638**	**5,503**

NOTES
Year ended 31 May 2005

22 COMMITMENTS

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Capital commitments				
Contracted but not yet provided	147	–	–	–
Annual commitments under non-cancellable operating leases				
Land and buildings:				
Leases expiring in less than 1 year	109	1	–	–
Leases expiring between 2 and 5 years	–	125	–	–
Leases expiring after 5 years	37	22	–	–
	146	148	–	–
Plant and equipment:				
Leases expiring in less than 1 year	39	28	–	4
Leases expiring between 2 and 5 years	168	195	–	8
	207	223	–	12
	353	**371**	**–**	**12**

23 TRANSACTIONS INVOLVING DIRECTORS

During the year directors had declarable interests in contracts with the Company and its subsidiary undertakings shown below. In every case, the transaction was undertaken on an 'arms length' basis at open market rates:

(1) A lease dated 28 August 1979 between John H Haynes Developments Inc., (a company registered in California and controlled by Mr J H Haynes) and Haynes North America Inc. of the premises situated at 859 and 861 Lawrence Drive, Newbury Park, California which was amended on 1 May 2001 and runs for a period of 5 years from that date. The annual rent for the year ended 31 May 2005 was $197,596 (2004: $189,509) or £106,463 (2004: £109,372) at the average exchange rate for the year. M E F Haynes is a Vice President of John H Haynes Developments Inc.

(2) A lease dated 20 December 1993 between the Haynes Family Trust (of which J H Haynes is a trustee, and J H C Haynes and M E F Haynes are beneficiaries) and the Company of premises known as the "Sparkford Creamery" in Somerset for a term of 21 years at an annual rent, subject to revision every 3 years and presently £37,100 (2004: £22,250).

(3) During the year The Haynes Motor Museum Limited, (of which J H Haynes and M E F Haynes are directors) which is jointly owned by the Haynes International Motor Museum Charitable Trust and J H Haynes and Mrs A C Haynes undertook the following transactions with the Group:

	2005 £000	2004 £000
Supply of garage services	1	4
Supply of conference facilities	4	3
Purchase of books and manuals	19	19

NOTES
Year ended 31 May 2005

23 TRANSACTIONS INVOLVING DIRECTORS (continued)

(4) On 12 August 2002 Haynes Developments Ltd, which is a company controlled by J H Haynes and Mrs A C Haynes, and of which he and M E F Haynes are directors, entered into a sublease of 600sq ft of office premises on the main Sparkford site at a rent of £2,000 per annum (2004: £2,000) plus service charge for a period of 3 years.

(5) During the year the Haynes International Motor Museum Charitable Trust, of which J H Haynes and A Garner are trustees undertook the following transactions with J H Haynes & Co Ltd:

	2005 £000	2004 £000
Purchase of modified Max Power car	–	5
Sale of modified Max Power car	–	5

(6) A tenancy of No 12 Ivel Gardens, Ilchester, owned by Mrs A C Haynes and let to the Company (at a monthly rental of £490 exclusive) with Haynes Developments Ltd acting as agent for the lessor.

Except as stated above, no directors were materially interested in contracts with the Company or any of its subsidiary undertakings.

24 ACQUISITION AND DISPOSALS

Analysis of net cash outflow:

	2005 £000	2004 £000
– Deferred consideration in relation to the Chilton acquisition[1]	441	1,111

[1] The payments during the year relate to deferred consideration arising on the acquisition in January 2001 of certain assets and intellectual property of Chilton Manuals from W G Nichols in the USA. The remaining balance due on the deferred consideration is included within Other Creditors in note 18.

25 PENSION COMMITMENTS

In line with the transitional reporting provisions of Financial Reporting Standards (FRS) 17 “Retirement Benefits”, the Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice (SSAP) 24. The new FRS which was issued in November 2000 will not be mandatory for the Group until the financial year ending 31 May 2006 but a period of phased transitional disclosures are required from our current financial year-end to this date. The additional disclosures in so far as they are not covered by the existing SSAP 24 disclosures are given below.

The Haynes Pension Schemes

The Group has a number of different retirement programmes in the countries within which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK (the UK Scheme), a non-contributory defined benefit plan in the US (the US Plan) and a contributory money purchase scheme in the UK (the Sutton Scheme).

NOTES
Year ended 31 May 2005

25 PENSION COMMITMENTS (continued)

The assets of all schemes are held independently of the Group and its subsidiaries. The total pension cost for the Group in the year to 31 May 2005 is analysed below:

	2005 £000	2004 £000
Group directors	248	246
Group employees	1,121	1,055
	1,369	**1,301**
Analysed as follows:		
UK and Europe	640	625
US	729	676
	1,369	**1,301**
Defined benefit schemes	1,033	1,040
Defined contribution schemes	336	261
	1,369	**1,301**

In the UK and US respectively, contribution rates of 23.5% and 22.8% have been agreed until the next full actuarial valuation.

Pension costs relating to both the UK Scheme and the US Plan are assessed in accordance with the advice of qualified independent actuaries using the Projected Unit Cost Method. The most recent actuarial valuations of the UK Scheme and US Plan were completed for the year ended 30 June 2002 and the year ended 31 May 2005, respectively. The actuarial assumptions which have the most significant effect on the results of the valuations are those relating to the rate of increase in salaries (4.5% per annum for the UK Scheme; 4.5% per annum for the US Plan) and the rate of return on investments (7.5% per annum for the UK Scheme; 7.25% for the US Plan). For the UK Scheme it is assumed that the statutory inflationary pensions increase would be at the rate of 3.25% per annum; under the US Plan pensions do not increase. For the Sutton Scheme, matching contributions up to 3% of basic salary are made; as with all money purchase schemes there is no guarantee of the amount of pension payable at retirement. At the dates of the last actuarial valuations given above, the market values of assets of the UK Scheme and US Plan were £7,346,000 and £3,132,000, respectively. The ratios of the actuarial values placed on these assets to the value of the benefits that had accrued to members, after allowing for expected future increase in earnings, were 96% for the UK Scheme and 56% for the US Plan. On the basis that earnings do not increase, the assets represent 79% and 90%, respectively, of the future liabilities at the date of valuation.

FRS 17 Retirement Benefits

The valuation used for the FRS 17 disclosure was undertaken at 31 May 2005 by independent qualified actuaries and the disclosures below relate to the assets and liabilities of the defined benefit retirement plans in the UK and US.

	UK				US			
	2005	2004	2003	2002	2005	2004	2003	2002
	% per annum				% per annum			
Discount rate	5.1	5.8	5.1	6.0	5.0	5.5	5.8	6.0
Inflation rate	2.7	3.1	2.4	2.9	2.0	2.0	1.5	2.0
Increase in salaries	3.7	3.6	2.9	3.6	4.5	4.5	4.5	4.5
Rate of increase for pensions in payment and deferred pensions	2.4	2.7	2.1	2.6	2.0	2.0	1.5	–

NOTES
Year ended 31 May 2005

25 PENSION COMMITMENTS (continued)

The assets and liabilities in the plans and the expected rates of return on investments as at 31 May 2005 were:

UK Plan	2005 Rate of return %	2005 Value £000	2004 Rate of return %	2004 Value £000	2003 Rate of return %	2003 Value £000	2002 Rate of return %	2002 Value £000
Group Investment Linked Policy								
– Equities	7.4	4,309	7.6	3,354	7.6	4,997	8.0	5,478
– Fixed Interest/Gilts	4.4	3,427	4.1	2,706	4.1	2,213	5.5	1,592
– Bonds	5.1	138	5.6	257	5.8	349	6.5	603
– Property	7.4	–	7.6	86	7.3	246	7.5	273
– Others	4.4	227	4.1	197	4.0	126	5.5	98
Secured pensions in payment	5.1	1,368	5.8	1,340	5.1	1,379	6.0	820
Market value of assets		9,469		7,940		9,310		8,864
Present value of scheme liabilities		(16,596)		(11,961)		(13,970)		(10,909)
Deficit in the plan		(7,127)		(4,021)		(4,660)		(2,045)
Related deferred tax asset		2,138		1,206		1,398		614
Net retirement benefit liability		**(4,989)**		**(2,815)**		**(3,262)**		**(1,431)**

US Plan	2005 Rate of return %	2005 Value £000	2004 Rate of return %	2004 Value £000	2003 Rate of return %	2003 Value £000	2002 Rate of return %	2002 Value £000
Group Investment Linked Policy								
– Equities	8.20	2,286	7.25	1,757	6.8	1,461	6.8	1,197
– Bonds	0.42	626	7.25	385	5.8	591	5.8	381
– Others	1.25	219	7.25	460	4.0	30	1.5	415
Market value of assets		3,131		2,602		2,082		1,993
Present value of scheme liabilities		(5,442)		(4,313)		(3,868)		(3,496)
Deficit in the plan		(2,311)		(1,711)		(1,786)		(1,503)
Related deferred tax asset		693		513		536		451
Net retirement benefit liability		**(1,618)**		**(1,198)**		**(1,250)**		**(1,052)**

The basis of the FRS 17 valuation is different from that applied by the actuaries in determining the deficit or surplus on the scheme for funding purposes. The deficit on the UK Plan as recorded in the triennial valuation on 1 July 2002 was £2.1 million (with a minimum funding requirement rating by the UK actuary in excess of 99%). For the US Plan, prepared annually in accordance with the US accounting standard on pensions, the deficit is currently £0.5 million. This contrasts to the figures we are required to report under FRS 17 (as shown above) of £7.1 million for the UK Plan and £2.3 million for the US Plan respectively.

NOTES
Year ended 31 May 2005

25 PENSION COMMITMENTS (continued)

If the full provisions of FRS 17 had been adopted, the consolidated net assets and reserves as at 31 May 2005 would have been as follows:

	As at 31 May 2005 £000	As at 31 May 2004 £000
Net assets		
Net assets as previously reported	30,054	27,135
FRS 17 Pension Scheme liability	(6,607)	(4,013)
Net assets including pension scheme liability	**23,447**	**23,122**
Reserves		
Profit and loss account as previously reported	26,146	23,227
FRS 17 Pension Scheme liability	(6,607)	(4,013)
Profit and loss account including Pension Scheme liability	**19,539**	**19,214**

The following amounts would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses if the full provisions of FRS17 had been in force at 31 May 2005:

	2005			2004		
	UK Plan £000	US Plan £000	Total £000	UK Plan £000	US Plan £000	Total £000
Analysis of amount charged to operating profit:						
Current service cost	384	463	847	393	428	821
Past service cost	–	–	–	–	–	–
Total operating cost	**384**	**463**	**847**	**393**	**428**	**821**
Analysis of the amount credited to other finance income:						
Expected rate on pension scheme assets	492	262	754	551	186	737
Interest on pension scheme assets	(702)	(239)	(941)	(676)	(199)	(875)
Total other finance income	**(210)**	**23**	**(187)**	**(125)**	**(13)**	**(138)**
Analysis of actuarial gains and losses:						
Actual return less expected return on pensions scheme asset	519	(111)	408	303	64	367
Experience gains and losses arising on scheme liabilities	(1,505)	38	(1,467)	326	64	390
Changes in assumptions underlying the present value of the scheme liabilities	(2,129)	(507)	(2,636)	(20)	(294)	(314)
Total actuarial loss recognised in the statement of total recognised gains and losses	**(3,115)**	**(580)**	**(3,695)**	**609**	**(166)**	**443**

NOTES
Year ended 31 May 2005

25 PENSION COMMITMENTS (continued)

	2005 UK Plan £000	2005 US Plan £000	2005 Total £000	2004 UK Plan £000	2004 US Plan £000	2004 Total £000
Movement in deficit during the year:						
Deficit at beginning of year	(4,021)	(1,711)	(5,732)	(4,660)	(1,786)	(6,446)
Exchange rate movement	–	(10)	(10)	–	190	190
Operating cost	(384)	(463)	(847)	(393)	(428)	(821)
Other finance (costs)/income	(210)	23	(187)	(125)	(13)	(138)
Total actuarial loss recognised in the statement of total recognised gains and losses	(3,115)	(580)	(3,695)	609	(166)	443
Contributions paid	603	430	1,033	548	492	1,040
Deficit at end of year	**(7,127)**	**(2,311)**	**(9,438)**	**(4,021)**	**(1,711)**	**(5,732)**

History of experience gains and losses	2005 UK Plan £000	2005 US Plan £000	2004 UK Plan £000	2004 US Plan £000	2003 UK Plan £000	2003 US Plan £000
Difference between the expected and actual return on scheme assets	519	(111)	303	64	(1,168)	(115)
Percentage of scheme assets	5%	(4%)	4%	2%	(13%)	(6%)
Experience gains and losses on scheme liabilities	(1,505)	38	326	64	181	(190)
Percentage of the present value of the scheme liabilities	(9%)	1%	3%	1%	1%	(5%)
Total recognised in statement	(3,115)	(580)	609	(166)	(2,820)	(496)
Percentage of the present value of the scheme liabilities	(19%)	(4%)	5%	(4%)	(20%)	(13%)

In accordance with the transitional arrangements of FRS17, the deficits on the above schemes have not been recognised in this year's accounts.

26 ANALYSIS OF THE CHANGES IN NET FUNDS

	As at 1 June 2004 £000	Cashflow £000	Exchange movements £000	As at 31 May 2005 £000
Cash at bank and in hand	1,726	869	146	2,741
Bank overdrafts	(553)	(416)	–	(969)
		453		
Amounts due in less than one year:				
Bank loans	(1,035)	1,041	(6)	–
Amounts due after more than one year:				
Bank loans	(1,588)	1,598	(10)	–
		2,639		
	(1,450)	**3,092**	**130**	**1,772**

Financial Calendar and Analysis of Shareholders

Financial Calendar

Interim statement	February
Interim dividend paid	April
Company year end	31 May
Announcement of annual results and proposed final dividend	August
Financial statements and report posted	August
Annual General Meeting	October
Final dividend paid	October

Analysis of Shareholders as at 31 May 2005

Type of shareholder	Number of shareholders	Total shareholdings
Commercial and industrial companies	29	672,109
Directors beneficial holdings	5	10,154,520
Nominee companies	143	5,197,253
Private holders	246	325,092
Investment trusts and funds	2	2,566
	425	**16,351,540**

Share Registrars

Website:	**www.capita-irg.com**

Haynes Publishing Group P.L.C.

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