HAYNES PUBLISHING GROUP P.L.C.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2005

Haynes Publishing Group P.L.C. (Haynes Group) is the worldwide market leader in the production and sale of Automotive and Motorcycle Repair Manuals.

The Haynes 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 Haynes Group also publishes a range of history books and biographies.

KEY POINTS*

- Turnover of £17.9m (2004: £18.4m)
- Profit before tax of £4.0m (2004: £4.2m)
- Operating profit of £3.9m (2004: £4.3m)
- Basic earnings per share of 15.5 pence (2004: 16.7 pence)
- Net cash of £0.9m (2004: net debt of £0.5m)
- Interim dividend declared of 5.5 pence per share (2004: 5.0 pence)

* From 1 June 2005 the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Comparative information has been restated in accordance with the transitional rules governing the change from UK Generally Accepted Accounting Practice (UK GAAP) to IFRS and a full reconciliation of the changes impacting the comparative figures has been included in note 8 to this announcement.

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INTERIM STATEMENT

Business overview

At our Annual General Meeting in October, we updated shareholders of the challenges then facing the Group. The widely reported weakness in high street sales, in both our key geographical markets, resulting in tighter inventory control in our customer base, coupled with an increasing cost of raw materials was adversely affecting profitability at that time. Whilst market conditions have not changed materially since our October statement, the Group did enjoy strong sales at the end of the second quarter which helped to reduce the impact of the weak first quarter's trading. The net result of the above was a reduction in Group pre-tax profit of 5% to £4.0 million (2004: £4.2 million) on revenue down 3% to £17.9 million (2004: £18.4 million). In response to the prevailing market conditions, the US and Australian business recently increased prices and a similar course of action is being undertaken in the UK and European markets.

Financial review

The unaudited interim results are the first set of financial figures the Group has reported under International Financial Reporting Standards (IFRS). Comparative information has been restated in accordance with the transitional rules governing the change from UK GAAP to IFRS and a full reconciliation of the changes impacting the comparative figures is shown in the notes accompanying the preliminary announcement. As a result of the move to IFRS the consolidated pre-tax profit has increased by £0.4 million (2004: £0.5 million). The changes principally relate to the non amortisation of goodwill (IFRS 3) which increased profit by £0.3 million (2004: £0.3 million) and the inclusion of a residual value when depreciating freehold property (IAS 16) which increased profit by £0.1 million (2004: £0.1 million). The net impact of the standard on employee benefits (IAS 19) had a minimal impact on the six months to 30 November 2005 but increased pre-tax profit during the comparative six month period to 30 November 2004 by £0.1 million.

Income statement

Revenue during the six months to 30 November 2005 ended the period 3% down on the prior year with US revenue down 2% and UK and European revenue down 4%. During this period, despite the increasing cost base, the gross margin percentage increased by 0.6% to 63.1% (2004: 62.5%) primarily due to the price increase passed through the US markets at a similar stage last year. In response to the difficult conditions, management has overseen a tight control over operating costs which remained in line with last year and helped to mitigate the impact of the lower sales on Group profits.

The impact of the above factors, coupled with a small benefit in net interest as the Group returned to a cash positive position, left the Group with a pre-tax profit of £4.0 million down 5% on the prior period (2004: £4.2 million). Earnings per share were 15.5 pence (2004: 16.7 pence).

Balance sheet and cash flow

Expenditure on capital equipment during the six months ended 30 November 2005 was up £0.3 million on last year at £0.5 million (2004: £0.2 million), as the Group not only continues to invest in its two production facilities, both of which provide considerable commercial benefits to the Group, but has also sustained its investment in new merchandising display racks to improve in-store product displays.

The net cash inflow from operations reduced to £0.8 million (2004: £3.0 million) largely due to the higher inventory and trade receivable balances. Inventory levels have increased by 4% since the end of our last financial year and 9% against November 2004 largely due to the impact of exchange rates on the translation of US inventories. If exchange rates had remained constant during the period the increases would have been 5% and 1% respectively. Trade and other receivables have increased by 18% against May 2005 and 13% against November 2004, partially due to the movement in exchange rates and in part due to the strong November sales in the US.

A year ago, the Group had net debt of £0.5 million but following the pay down of the bank loans shortly before the last financial year end, the Group had net cash of £0.9 million as at 30 November 2005.

Interim dividend

The Board remains confident that the business can continue to grow despite the current difficult market conditions. This belief, coupled with the Group's ability to generate cash, enables the Board to declare an increased interim dividend of 5.5 pence per share (2004: 5.0 pence per share), an increase of 10% over the prior period. The payment of the interim dividend will be made on 25 April 2006 to shareholders on the register at the close of business on 24 March 2006. The shares will be declared ex-dividend on 22 March 2006.

Operational Review

North America and Australia

Following the devastating hurricanes which struck the Gulf coast of America towards the end of the third calendar quarter, US consumer confidence in the fourth quarter, as measured by the Michigan sentiment index, fell to levels below those experienced immediately after the 9/11 attacks and the war in Iraq in early 2003. The extreme market conditions had a telling impact on our principal retail customer base with many retailers reducing inventory levels. At the same time, we have experienced significant pressure on the cost of our raw materials which has been caused by a combination of factors, including a reduction in paper supply, as over the last 10 years the number of paper machines in North America has fallen by over 150, cutting annual supply by some 10 million tonnes. Whilst not well publicised, this factor has led to increased prices. In addition, higher energy prices have also increased paper manufacturing costs. In response to these challenging economic conditions, a price increase was implemented from the start of our third quarter and, in a similar pattern to last year, the US business benefited from some pre-price increase ordering at the end of our second quarter. The Australian operation was also impacted by weak consumer demand resulting in key customers tightening inventory levels. In a similar response to the North American business a price increase was implemented at the start of the third quarter.

With an increased average net receipt per unit helping to compensate for the lower volume, the net impact of the above was a reduction in revenue in local currency of 5% to $18.4 million (2004: $19.3 million). Nevertheless, a strengthening US Dollar meant that after translation into Sterling, the reduction was only 3% to £10.3 million (2004: £10.6 million). Segmental profit ended the period down 3% at £3.4 million (2004: £3.5 million).

UK and Europe

In the UK and European automotive repair manual markets volume shortfalls were experienced in all geographical markets compared with the same six month period last year. The economic environment was very similar to that described above for the US markets with low consumer spending resulting in tighter inventory control from key retailers and higher energy costs working their way through the supply chain. Sales in France were particularly disappointing, however, a strong second half publishing programme should help to recoup some of the lost sales during the second six months. On a more positive note, the 'Mini giveaway promotion' in the UK generated a high degree of interest and was well received by both retailers and consumers alike. The message that there is still much that can be done with regards to servicing and maintaining a vehicle or motorcycle, which not only enhances driver and passenger safety, but also helps to save money, was well made by this promotion. Indeed, Haynes is confident that an average motorist with a mid-size car and driving 1,000 miles per month could save as much as £1,000 over an eighteen month period by following an easy routine of checks and regular maintenance. This is a message that Haynes will continue to reinforce through future marketing and promotional activity during the coming months.

In the general publishing divisions, sales in both the Haynes Book Division and Sutton Publishing ended the period marginally down on the comparative period last year. Whilst it was disappointing to see overall divisional sales below last year's levels, it was encouraging that sales of internally generated titles in the core areas were ahead of last year. In particular, sales of Haynes motor related titles ended the period 8% ahead of last year, helped by strong sales of the Official Formula 1 ™ and MotoGP reviews and the third edition of the best selling motor sport book, Valentino Rossi: Portrait of a MotoGenius.

In Sutton Publishing, sales of History and Biography titles, similarly, ended the period ahead by 7% with 'Can Cows Walk Downstairs' proving to be a popular Christmas stocking filler and ending the period as the division's top selling title.

There was a reduction in revenue of 5% to £7.5 million (2004: £7.9 million) while segmental profit ended the period down 14% at £0.6 million (2004: £0.7 million).

Future outlook

During the second half of the year, we can expect to experience further increases in our cost base as higher raw material prices continue to work their way through inventory. Every effort is being made to mitigate the impact of the increased cost of goods on the profitability of the business. However, as mentioned earlier in this statement, trading has remained soft in the first months of the second half. While there have been recent signs of improvement management now feel, despite the price increases already in place, that second half performance may lead to a further decline in overall profitability.

In the UK, as referred to in previous reports, management believes there is scope to build on the strength of the Haynes brand and, already, we have seen benefits accrue from the relationships that have been developed in this area with strong co-edition sales of the 2005 Official Formula 1 ™ in European markets.

As mentioned earlier, the Group will continue to promote the benefits of regularly servicing and maintaining a vehicle whilst demonstrating to owners that many of the tasks to make a vehicle safer, while saving money, are well within their capability to carry out safely and competently. As part of this process, management will communicate directly with the end consumer to make sure their comments and feedback are instrumental in helping to shape and develop both existing products and new product ranges. This will help to ensure the Haynes brand remains the number one global choice for reliable, practical and easy to use information on vehicle specific and general motoring related topics.

J H Haynes, OBE
Chairman
16 February 2006

Consolidated Income Statement (unaudited)

	6 months ended 30 Nov 2005 £'000	6 months ended 30 Nov 2004 £'000 (Restated)	Year ended 31 May 2005 £'000 (Restated)
Revenue (note 2)	17,871	18,419	36,370
Cost of sales	(6,601)	(6,916)	(12,808)
Gross profit	**11,270**	**11,503**	**23,562**
Other operating income	23	12	25
Distribution costs	(4,667)	(4,743)	(9,645)
Administrative expenses	(2,683)	(2,509)	(4,695)
Operating profit	**3,943**	**4,263**	**9,247**
Finance income	11	5	16
Finance costs	(2)	(41)	(55)
Profit on ordinary activities before taxation	**3,952**	**4,227**	**9,208**
Taxation (note 4)	(1,419)	(1,496)	(3,264)
Profit attributable to equity shareholders	**2,533**	**2,731**	**5,944**
Earnings per 20p share - pence (note 6)			
- On basic earnings	15.5	16.7	36.4
- On diluted earnings	15.5	16.7	36.4

Consolidated Balance Sheet (unaudited)

	6 months ended 30 Nov 2005 £'000	6 months ended 30 Nov 2004 (Restated) £'000	Year ended 31 May 2005 (Restated) £'000
Non-current assets			
Goodwill	6,430	5,958	6,178
Property, plant and equipment	7,705	7,400	7,426
Available for sale investments	-	2	2
Deferred tax assets	2,875	2,628	2,969
	17,010	15,988	16,575
Current assets			
Inventories	12,683	11,596	12,224
Trade and other receivables	12,856	11,394	10,897
Cash and cash equivalents	2,436	2,104	2,741
	27,975	25,094	25,862
Total assets	**44,985**	**41,082**	**42,437**
Current liabilities			
Trade and other payables	(5,105)	(5,459)	(4,862)
Income tax liabilities	(898)	(659)	(878)
Bank overdrafts and loans	(1,559)	(1,337)	(969)
Total current liabilities	(7,562)	(7,455)	(6,709)
Non-current liabilities			
Bank loans	-	(1,238)	-
Other creditors	(327)	(575)	(424)
Deferred tax liabilities	(135)	(371)	(143)
Retirement benefit obligation	(9,124)	(7,322)	(9,438)
Total non-current liabilities	(9,586)	(9,506)	(10,005)
Total liabilities	**(17,148)**	**(16,961)**	**(16,714)**
Net assets	**27,837**	**24,121**	**25,723**
Equity			
Share capital	3,270	3,270	3,270
Share premium reserve	638	638	638
Retained earnings	22,988	20,671	21,648
Foreign exchange reserve	941	(458)	167
Total equity	**27,837**	**24,121**	**25,723**

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
6 months ended 30 November 2005 :					
Balance at 1 June 2005 (restated)	3,270	638	167	21,648	**25,723**
Currency translation adjustments	-	-	774	-	**774**
Retirement benefit obligations	-	-	-	360	**360**
Net income/(expense) recognised directly in equity	-	-	774	360	**1,134**
Profit for the period	-	-	-	2,533	**2,533**
Total recognised income and expense for the period	-	-	774	2,893	**3,667**
Dividends	-	-	-	(1,553)	**(1,553)**
Balance at 30 November 2005	**3,270**	**638**	**941**	**22,988**	**27,837**
6 months ended 30 November 2004 (restated) :					
Balance at 1 June 2004	3,270	638	-	20,414	**24,322**
Currency translation adjustments	-	-	(458)	-	**(458)**
Retirement benefit obligations	-	-	-	(1,166)	**(1,166)**
Net income/(expense) recognised directly in equity	-	-	(458)	(1,166)	**(1,624)**
Profit for the period	-	-	-	2,731	**2,731**
Total recognised income and expense for the period	-	-	(458)	1,565	**1,107**
Dividends	-	-	-	(1,308)	**(1,308)**
Balance at 30 November 2004	**3,270**	**638**	**(458)**	**20,671**	**24,121**
12 months ended 31 May 2005 (restated) :					
Balance at 1 June 2004	3,270	638	-	20,414	**24,322**
Currency translation adjustments	-	-	167	-	**167**
Retirement benefit obligations	-	-	-	(2,584)	**(2,584)**
Net income/(expense) recognised directly in equity	-	-	167	(2,584)	**(2,417)**
Profit for the period	-	-	-	5,944	**5,944**
Total recognised income and expense for the period	-	-	167	3,360	**3,527**
Dividends	-	-	-	(2,126)	**(2,126)**
Balance at 31 May 2005	**3,270**	**638**	**167**	**21,648**	**25,723**

Consolidated Cash Flow Statement (unaudited)

	6 months ended		Year ended
	30 Nov 2005	30 Nov 2004	31 May 2005
	£'000	£'000	£'000
		(Restated)	(Restated)
Net cash from operating activities			
Profit from operations	3,943	4,263	9,247
Adjusted for :			
Depreciation on property, plant and equipment	401	400	810
Gain on disposal of property, plant and equipment	(7)	(1)	(22)
Retirement benefit obligations	77	(6)	1
Adjusted profit from operations	4,414	4,656	10,036
Decrease/(increase) in inventories	(459)	484	(144)
Decrease/(increase) in trade and other receivables	(1,959)	(75)	437
Increase/(decrease) in trade and other payables	227	(92)	(659)
Cash generated by operations	2,223	4,973	9,670
Interest paid	(2)	(45)	(60)
Taxation paid	(1,467)	(1,928)	(3,445)
Net cash inflow from operating activities	**754**	**3,000**	**6,165**
Investing activities			
Interest received	11	5	16
Disposal proceeds on property, plant and equipment	7	8	39
Purchases of property, plant and equipment	(529)	(239)	(561)
Acquisition costs - deferred consideration	(81)	(255)	(441)
Net cash used in investing activities	**(592)**	**(481)**	**(947)**
Financing activities			
Dividends paid	(1,553)	(1,308)	(2,126)
Repayment of borrowings	-	(1,186)	(2,639)
Net cash used in financing activities	**(1,553)**	**(2,494)**	**(4,765)**
Net (decrease)/increase in cash and cash equivalents (note 7)	(1,391)	25	453
Cash and cash equivalents at beginning of period	1,772	1,173	1,173
Effect of foreign exchange rate changes	496	(232)	146
Cash and cash equivalents at end of period	**877**	**966**	**1,772**

Notes to the Interim Financial Statements

1. Basis of accounting

The interim accounts, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 May 2006. As from 1 June 2005, the Group is required under European Union regulation 1606/2002 to prepare its annual financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and implemented in the UK. Accordingly, this is the first year when the financial statements will be prepared under IFRS and the comparatives for 2005 will be restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS.

The IFRS that will be effective or available for voluntary early adoption in the financial statements for the period ended 31 May 2006 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared at 31 May 2006.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim statements have been prepared in accordance with the transitional rules governing the move from UK GAAP to IFRS they cannot be construed as being in full compliance with IFRS.

The group has, as permitted under IFRS 1 'First Time Adoption of International Financial Reporting Standards' elected to apply the following exemptions :-

- In relation to the treatment of brought forward goodwill amortisation, the group has elected to treat the net book value of goodwill as measured under UK GAAP as at 31 May 2004 as the deemed cost of goodwill under IFRS 3 as at 1 June 2004.
- In relation to the defined benefit pension schemes, the group has elected to recognise all cumulative actuarial gains and losses in full at the date of transition to IFRS.
- In relation to the cumulative exchange translation differences in reserves, the group has elected that the cumulative translation differences for all foreign operations are deemed to be £nil at the date of transition to IFRS.

Reconciliations between previously reported financial statements prepared under UK GAAP and on the basis as stated above are presented in note 8 to this Interim Statement in respect of the Consolidated Income Statement for the year ended 31 May 2005 and the six months ended 30 November 2004 and for the Consolidated Balance Sheet as at 1 June 2004, 30 November 2004 and 31 May 2005. No adjustments have been made for any changes in estimates made at the time of approval of the UK GAAP financial statements for the year ended 31 May 2005 or the interim statements for the period ended 30 November 2004 on which the IFRS financial information is based, as required by IFRS 1. In addition, restated figures in note 8 are based on current interpretations of IFRS and these may be subject to change as industry practice develops.

The financial statements for the six months ended 30 November 2005 and 30 November 2004 and for the twelve months ended 31 May 2005 do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. The results for the year end 31 May 2005 and the balance sheet as at that date are abridged from the Company's Annual Report and Financial Statements 2005 (after adjustment for IFRS conversion) which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The 30 November 2005 statements were approved by a duly appointed and authorised committee of the Board of Directors on 16 February 2006 and are unaudited.

A summary of the more important group accounting policies are set out below.

Basis of consolidation

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

Basis of consolidation (con't)

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

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.
All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods or services provided in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of goods or services is generally recognised when either the goods are despatched or the services supplied and the risks and rewards of ownership are passed to the customer.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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 Income Statement as they arise.

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

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

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

	Period end rate			Average rate		
	30 Nov 2005	30 Nov 2004	31 May 2005	30 Nov 2005	30 Nov 2004	31 May 2005
US (dollar)	1.73	1.91	1.83	1.78	1.83	1.86
French (euro)	1.47	1.44	1.48	1.47	1.48	1.46
Swedish (krona)	13.98	12.86	13.50	13.85	13.41	13.31

Property, plant and equipment

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

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

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

The estimated useful lives of assets are as follows :

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

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

Inventories

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

The editorial costs of all in-house originated titles are expensed to the Consolidated Income Statement 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 the value at which stock is held in the balance sheet is reflective of anticipated future sales patterns.

Taxation

The tax expense represents the aggregate of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

Lease 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 and other post retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.
The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

Cash and cash equivalents

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

Financial 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 are recognised and carried at original invoice amount less provision for impairment.

  A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement. The cost of unrecoverable trade receivables is recognised in the income statement immediately.

Bank borrowings

- Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Trade payables

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

Dividends payable

The liability for final dividends is recorded when the dividends are approved by the Company's shareholders. For interim dividends, the liability is recorded when the dividends are paid.

2. Revenue

	30 Nov 2005 £000	30 Nov 2004 £000
Turnover by geographical destination :		
United Kingdom	5,376	5,744
Rest of Europe	1,426	1,486
United States of America	9,728	9,601
Rest of World	1,341	1,588
Total consolidated turnover	**17,871**	**18,419**

3. Segmental analysis

For management purposes, the Group is currently organised into two geographical operating segments. These geographical segments are the basis on which the Group reports its primary segment information.

Principal activities are as follows :-

- Origination, production and sale of automotive repair manuals in the UK and Europe
- Origination, production and sale of automotive repair manuals in North America and Australia

Analysis of results by geographical segment :

	UK & Europe 30 Nov 2005 £000	North America & Australia 30 Nov 2005 £000	Eliminations 30 Nov 2005 £000	Consolidated 30 Nov 2005 £000
Revenue				
External sales	7,538	10,333	-	17,871
Inter-segmental sales	811	352	(1,163)	-
Total revenue	8,349	10,685	(1,163)	17,871

Inter-segmental sales are charged at the prevailing market rates

Result				
Segmental result	565	3,352		3,917
Unallocated head office income less expenses				26
Interest income				11
Interest expense				(2)
Consolidated profit before tax				**3,952**

	UK & Europe 30 Nov 2004 £000	North America & Australia 30 Nov 2004 £000	Eliminations 30 Nov 2004 £000	Consolidated 30 Nov 2004 £000
Revenue				
External sales	7,850	10,569	-	18,419
Inter-segmental sales	1,052	389	(1,441)	-
Total revenue	8,902	10,958	(1,441)	18,419

Inter-segmental sales are charged at the prevailing market rates

Result				
Segmental result	674	3,456		4,130
Unallocated head office income less expenses				133
Interest income				5
Interest expense				(41)
Consolidated profit before tax				**4,227**

4. Taxation

The charge for taxation has been calculated on the basis of the estimated effective tax rate for the full year of which £189,000 (2004: £239,000) relates to the UK and £1,230,000 (2004: £1,257,000) to overseas operations.

5. Dividends

	30 Nov 2005 £000	30 Nov 2004 £000
Amounts recognised as distributions to equity holders in the period :		
Final dividend for the year ended 31 May 2005 of 9.5p (2004: 8.0p)	1,553	1,308

An interim dividend of 5.5p per share (2004: 5.0p) amounting to £899,335 (2004: £817,577) has been declared during the period but has not been reflected in the interim accounts. The payment of the interim dividend will be made on 25 April 2006 to shareholders on the register at the close of business on 24 March 2006. The shares will be declared ex-dividend on 22 March 2006.

6. Earnings per share

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

	30 Nov 2005 £000	30 Nov 2004 £000
Earnings :		
Consolidated profit after tax	2,533	2,731
	No.	No.
Number of shares :		
Weighted average number of shares	16,351,540	16,351,540

As at 30 November 2005 and 30 November 2004 there were no potentially dilutive shares in issue on either of the Company's two classes of shares. Accordingly, there is no difference between the weighted average number of shares used in the basic and diluted earnings per share calculation.

7. Analysis of the changes in net funds

	As at 1 June 2005 £'000	Cashflow £'000	Exchange movements £'000	As at 30 Nov 2005 £'000
Cash at bank and in hand	2,741	(698)	393	2,436
Bank overdrafts	(969)	(590)	-	(1,559)
	1,772	**(1,288)**	**393**	**877**

8. Reconciliation of UK GAAP to IFRS

The Company's financial statements for the year ended 31 May 2006 will be the first annual financial statements to be prepared under the new IFRS with the date of transition to IFRS being 1 June 2004. Annual financial statements prior to this date have been prepared under UK GAAP.

Under the new accounting standards companies are required to establish their accounting policies and apply these retrospectively to determine their opening balance sheet under IFRS. However, IFRS 1 'First Time Adoption of International Financial Reporting Standards', sets out a number of exemptions and shown below is a summary of the key elections adopted by the Company when preparing the consolidated financial statements :-

Business Combinations

The group has adopted the exemption under IFRS 1 not to reassess the accounting treatment of businesses acquired before the date of transition. As a result the net book value of goodwill under UK GAAP as at 31 May 2004 is deemed to be the cost of goodwill as at 1 June 2004.

Cumulative translation differences

The translation of overseas entities' reserves into sterling gives rise to foreign exchange differences which are required to be recorded as a separate component of equity under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. An exemption is available to treat these cumulative translation differences as £nil at the date of transition to IFRS and the Company has taken advantage of this exemption.

Employee benefits

In accordance with the guidance contained in IAS 19 'Employee Benefits', all cumulative actuarial gains and losses on the group’s defined benefit pension schemes have been recognised in equity at the date of transition.

Presented below, in accordance with IFRS 1, are the reconciliations of the Consolidated Income Statement for the six months ended 30 November 2004 and the financial year ended 31 May 2005 as well as the reconciliations of the Consolidated Balance Sheet at 1 June 2004 (date of transition to IFRS), 30 November 2004 and at 31 May 2005 (date of last UK GAAP financial statements).

Explanations of material adjustments to the Consolidated Income Statement for the 6 months ended 30 November 2004 and for the year ended 31 May 2005 and to the Consolidated Balance Sheet as at 1 June 2004, 30 November 2004 and 31 May 2005 are also shown below.

Consolidated Income Statement (unaudited)

	Ref	UK GAAP 30 Nov 2004 £000	Adj £000	IFRS 30 Nov 2004 £000	UK GAAP 31 May 2005 £000	Adj £000	IFRS 31 May 2005 £000
Revenue	**1.1**	18,426	(7)	18,419	36,335	35	36,370
Cost of sales	**1.2**	(6,986)	70	(6,916)	(12,947)	139	(12,808)
Gross profit		**11,440**	**63**	**11,503**	**23,388**	**174**	**23,562**
Other operating income	**1.3**	78	(66)	12	199	(174)	25
Distribution costs	**1.4**	(4,832)	89	(4,743)	(9,815)	170	(9,645)
Administrative expenses	**1.5**	(2,936)	427	(2,509)	(5,346)	651	(4,695)
Operating profit		**3,750**	**513**	**4,263**	**8,426**	**821**	**9,247**
Finance income		5	-	5	16	-	16
Finance costs		(41)	-	(41)	(55)	-	(55)
Profit before tax		**3,714**	**513**	**4,227**	**8,387**	**821**	**9,208**
Taxation	**1.6**	(1,494)	(2)	(1,496)	(3,264)	-	(3,264)
Profit after tax		**2,220**	**511**	**2,731**	**5,123**	**821**	**5,944**

Explanation of IFRS adjustments :

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.1 - Revenue		
IAS 18 "Revenue" requires licence fee and royalty income to be included as a component of revenue (formerly categorised as other income)	66	174
IAS 18 "Revenue" requires early settlement discounts to be deducted from revenue (formerly categorised within selling costs)	(73)	(139)
	(7)	35

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.2 - Cost of sales		
IAS 16 "Property, plant & equipment" requires residual values of property, plant & equipment to reflect the expected value of an asset at the end of its useful life resulting in an adjustment to the depreciation charge previously recognised under UK GAAP.	70	139

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.3 - Other operating income		
IAS 18 "Revenue" requires licence fee and royalty income to be included as a component of revenue (formerly categorised as other income)	(66)	(174)

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.4 - Distribution costs		
IAS 16 "Property, plant & equipment" requires residual values of property, plant & equipment to reflect the expected value of an asset at the end of its useful life resulting in an adjustment to the depreciation charge previously recognised under UK GAAP.	16	31
IAS 18 "Revenue" requires early settlement discounts to be deducted from revenue (formerly categorised within selling costs)	73	139
	89	170

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.5 - Administrative expenses		
IAS 19 "Employee benefits" in relation to the defined benefit scheme where the Group has adopted the approach of recognising actuarial gains and losses through the Statement of Recognised Income and Expense (SoRIE).	6	(1)
IFRS 3 "Business Combinations" requires goodwill to be reviewed annually for impairment but not to be amortised.	266	527
IAS 16 "Property, plant & equipment" requires residual values of property, plant & equipment to reflect the expected value of an asset at the end of its useful life resulting in an adjustment to the depreciation charge previously recognised under UK GAAP.	62	122
IAS 19 "Employee benefits" requires the recognition of holiday pay to employees.	93	3
	427	651

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000
Ref 1.6 - Taxation		
Adjustment to income tax based on net impact of above adjustments	(2)	-

Consolidated Balance Sheet (unaudited)

		UK GAAP 30 Nov 2004 £000	Adj £000	IFRS 30 Nov 2004 £000	UK GAAP 31 May 2005 £000	Adj £000	IFRS 31 May 2005 £000	UK GAAP 1 June 2004 £000	Adj £000	IFRS 1 June 2004 £000
Non-current assets										
Goodwill	2.1	5,701	257	5,958	5,644	534	6,178	6,150	-	6,150
Property, plant and equipment	2.2	7,255	145	7,400	7,131	295	7,426	7,673	-	7,673
Available for sale investments		2	-	2	2	-	2	2	-	2
Deferred tax assets	2.3	431	2,197	2,628	138	2,831	2,969	431	1,720	2,151
		13,389	2,599	15,988	12,915	3,660	16,575	14,256	1,720	15,976
Current assets										
Inventories		11,596	-	11,596	12,224	-	12,224	12,080	-	12,080
Trade and other receivables		11,394	-	11,394	10,897	-	10,897	11,335	-	11,335
Cash and cash equivalents		2,104	-	2,104	2,741	-	2,741	1,726	-	1,726
		25,094	-	25,094	25,862	-	25,862	25,141	-	25,141
Total assets		38,483	2,599	41,082	38,777	3,660	42,437	39,397	1,720	41,117
Current liabilities										
Trade and other payables	2.4	(6,261)	802	(5,459)	(6,309)	1,447	(4,862)	(7,218)	1,199	(6,019)
Tax liabilities		(659)	-	(659)	(878)	-	(878)	(1,116)	-	(1,116)
Bank overdrafts and loans		(1,337)	-	(1,337)	(969)	-	(969)	(1,588)	-	(1,588)
Total current liabilities		(8,257)	802	(7,455)	(8,156)	1,447	(6,709)	(9,922)	1,199	(8,723)
Non-current liabilities										
Bank loans		(1,238)	-	(1,238)	-	-	-	(1,588)	-	(1,588)
Other creditors		(575)	-	(575)	(424)	-	(424)	(372)	-	(372)
Deferred tax liabilities		(371)	-	(371)	(143)	-	(143)	(380)	-	(380)
Retirement benefit obligation	2.5	-	(7,322)	(7,322)	-	(9,438)	(9,438)	-	(5,732)	(5,732)
Total non-current liabilities		(2,184)	(7,322)	(9,506)	(567)	(9,438)	(10,005)	(2,340)	(5,732)	(8,072)
Total liabilites		(10,441)	(6,520)	(16,961)	(8,723)	(7,991)	(16,714)	(12,262)	(4,533)	(16,795)
Net assets		**28,042**	**(3,921)**	**24,121**	**30,054**	**(4,331)**	**25,723**	**27,135**	**(2,813)**	**24,322**
Equity										
Share capital		3,270	-	3,270	3,270	-	3,270	3,270	-	3,270
Share premium account		638	-	638	638	-	638	638	-	638
Retained earnings	2.6	24,629	(3,958)	20,671	25,979	(4,331)	21,648	23,227	(2,813)	20,414
Foreign exchange reserve	2.7	(495)	37	(458)	167	-	167	-	-	-
Total equity		**28,042**	**(3,921)**	**24,121**	**30,054**	**(4,331)**	**25,723**	**27,135**	**(2,813)**	**24,322**

Explanation of adjustments :

	30 Nov 2004 Adj £'000	31 May 2005 Adj £'000	1 June 2004 Adj £'000
Ref 2.1 - Goodwill			
IFRS 3 "Business combinations" requires goodwill to be reviewed annually for impairment but not to be amortised.	257	534	-
Ref 2.2 - Property, plant and equipment			
IAS 16 "Property, plant & equipment" requires residual values of property, plant & equipment to reflect the expected value of an asset at the end of its useful life resulting in an adjustment to the depreciation charge previously recognised under UK GAAP.	145	295	-
Ref 2.3 - Deferred tax assets			
IAS 12 "Income Taxes" requires the setting up of a deferred tax asset for the pension scheme liability.	2,197	2,831	1,720
Ref 2.4 - Trade and other payables			
IAS 10 "Events after the balance sheet date" stipulates that only distributions approved by shareholders should be accrued	818	1,553	1,308
IAS 19 "Employee Benefits" requires the recognition of holiday pay to employees.	(16)	(106)	(109)
	802	1,447	1,199
Ref 2.5 - Retirement benefit obligation			
IAS 19 "Employee Benefits" in relation to a definded benefit scheme requires a plan surplus or deficit to be shown on the balance sheet.	(7,322)	(9,438)	(5,732)
Ref 2.6 - Retained earnings			
Adjustment to reflect the changes impacting retained earnings in relation to the current and prior periods as outlined above	(3,958)	(4,331)	(2,813)
Ref 2.7 - Exchange rate movements			
IAS 21 "The effects of changes in foreign exchange" requires the movement on reserves due to exchange to be shown as a separate reserve.	37	-	-