# HAYNES PUBLISHING GROUP P.L.C.

PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED
31 May 2011

Haynes Publishing Group P.L.C. (the Haynes Group) is the worldwide market leader in the production and sale of automotive and motorcycle repair manuals. Every Haynes manual is based on a complete strip-down and rebuild in our workshops, so that the instructions and photographs to our customers are inherently practical, accurate and easy to follow.

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

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

## Financial Highlights

- Like-for-like Group revenue up 1% at £33.76 million (2010: £33.31 million) [1]
- Reportable Group revenue of £32.74 million (2010: £33.31 million)
- Group operating profit of £7.69 million (2010: £7.69 million)
- Group profit before tax of £7.18 million (2010: £7.17 million)
- Basic earnings per share of 29.0 pence (2010: 28.6 pence)
- Net funds of £5.38 million, up 40% (2010: £3.84 million)
- Final dividend of 9.5 pence per share, giving a total dividend of 15.7 pence per share (2010: 15.5 pence)

[1] Like-for-like revenue excludes the impact of a change in terms with a significant customer which reduced revenue by £1.02 million. This was matched by a corresponding reduction in advertising allowances.

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**Cautionary Statement :**

This report contains certain forward-looking statements with regard to the financial condition and results of the operations of Haynes Publishing Group P.L.C. These statements and forecasts involve risk factors which are associated with, but are not exclusive to, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Haynes Publishing Group P.L.C., has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

## Business Description

The Haynes Group comprises two geographical business segments as follows :

- UK & Europe
- North America & Australia.

The UK & European business has headquarters in Somerset, England and subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. The core business of the European operations is the publication and supply of automotive repair and technical information to the professional automotive and DIY aftermarkets. The European business also publishes a wide range of titles which are practical, instructional, easy to read and aimed at those with an interest in more general DIY related activities as well as motoring, motor sport, transport, aviation and military.

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

## Chairman's Statement

In this my first full year as Group Chairman I am pleased to report that the last twelve months has been a busy period for the Haynes Group. Over the last couple of years the focus of management has been on the financial management of the business, ensuring the Group is well placed to meet the challenges associated with the global economic downturn. However, with a stable underlying business and a strong balance sheet, management can now once again re-focus their attention on to the operational aspects of our business.

During the year we have been working on the development of an electronic Haynes product utilising the technical automotive, IT and product design skills we have within the Group. In the US, we have also been working closely with our key retail customers to implement new marketing initiatives to help improve the in-store display of our products. While in the UK, recognising the increasing cost of final salary pension schemes, we have put in place a benefit restructuring plan for the employee pension scheme with the intention to help place the scheme on a more affordable basis going forward. Whilst these projects do not directly impact on the results of the reportable year they have, nevertheless, been important projects during the year.

### Results summary

Turning to the results, like-for-like Group revenue ended the year 1% ahead of the prior year at £33.76 million. The like-for-like revenue reflects the change in terms with a significant US customer, which reduced US revenue by £1.02 million. This was matched by a corresponding reduction in advertising allowances.

During the year, the Group's development cost amortisation expense increased by £0.40 million against the prior period, but with lower overheads of £0.71 million, Group pre-tax profits ended the year marginally ahead of last year at £7.18 million (2010: £7.17 million).

The Group's effective tax rate was 33.8% (2010: 34.7%) leaving basic earnings per share at 29.0 pence (2010: 28.6 pence).

### The Board

I was delighted to announce the appointment of Alex Kwarts (Managing Director of Vivid Holding BV) to the Group Board. Alex is an IT professional with considerable experience in the development of IT and web based products. The Vivid team have an important role to play in the development of a multi-media electronic platform for Haynes products.

On 9 September 2010, Andrew Garner stood down as a Non-Executive Director from the Group Board after five years of service to pursue his other business interests. Andrew made a valuable contribution to the Group during his time on the Board and we wish him well for the future.

### Dividends

The Board is recommending a final dividend of 9.5 pence per share (2010: 9.3 pence), which together with the interim dividend paid in April gives a total dividend for the year of 15.7 pence per share (2010: 15.5 pence). Subject to the final approval by shareholders, the final dividend will be paid on 26 October 2011 to shareholders on the register at the close of business on 7 October 2011. The shares will be declared ex-dividend on 5 October 2011. When considering the amount of dividend to distribute annually the Board takes into account the movement in Group earnings as well as the existing and future cash requirements of the Haynes businesses.

### People

On behalf of the Group Board I would like to acknowledge the contribution of all our employees for their hard work and dedication in helping to drive the business forward during the year. With operations in eight countries and covering three continents Haynes is very much a global business and we are cognisant of the part played by our employees around the World in helping the Group achieve its targets.

**Future prospects**

I am very encouraged by the Group's long term growth prospects. The development of an electronic multi-media product presents the Group with an exciting opportunity, not only to work with our existing customer base but also to target new customers and open up new geographical markets in the coming years. At the same time our strong cash generation provides the Group with the financial strength to pursue complimentary acquisition opportunities which will augment our own internal growth plans and help to drive further growth in the business.

**J HC Haynes**
Group Chairman
24 August 2011

## Group Chief Executive's Review

### Business overview

This year once again, despite the very challenging economic background and the extreme weather conditions which gripped our core markets during the third quarter, we have delivered a small increase in Group-pre-tax profit and increased Group cash by 40% over the prior year.

As part of our 50th Anniversary celebrations, the US business embarked on a very unique and exciting venture we called "Project 50". This involved the restoration of a 1965 Ford Mustang convertible with a 289 V8 engine and C4 automatic transmission from "barn find" condition to "show car ready" in time for the AAPEX/SEMA show in Las Vegas in November 2011. The progress of the restoration project can be viewed through the live webcam on the US website, *www.haynes.com* or through the video logs on You Tube. The process of stripping down and rebuilding the Mustang and documenting the step by step approach taken encapsulates perfectly the strengths of our business model and is what makes Haynes titles so popular throughout the globe.

In June of this year, we announced the development of a prototype electronic version of the iconic Haynes manual. '*Haynes Manual Online*' (MOL) will include all the information in one of our printed manuals but through the benefits of an electronic platform also includes audio and video clips, colour pictures and diagrams, hyperlinks, definitions and word search capability. The development of Haynes MOL illustrates the benefits that are now starting to flow to the Haynes Group following the acquisition of Vivid Holding BV three years ago and in particular, how the IT and web based skills that Vivid bring to the Group compliment the technical automotive and product design skills we already possess within the Haynes Group.

We have also been working closely with our key retail customers to identify new marketing initiatives for our products. An example of this has been in the US, where we have been working with our largest customers to trial new face out displays in their stores and also in Australia where the return to face out displays are being very well received by our largest customers. The results to-date have been encouraging and the trials in the US are being extended. In the UK we have experienced a stronger demand from our retail customers with an on-line presence.

### Operating results overview

Group revenue during the year has been impacted by the re-negotiation of terms with a major US customer, which reduced reportable revenue by £1.02 million to £32.74 million but was offset by a matching reduction in advertising expense. Excluding the impact of this change, like-for-like revenue ended the year 1% ahead of last year at £33.76 million (2010: £33.31 million). In the US, reportable revenue, in local currency, ended the year in line with the prior period.

During the year our gross margin was adversely affected by two main factors. Firstly, and most significantly, the reduction in US revenue following the change in terms with the major customer which reduced our gross margin by £1.02 million or 3.2 percentage points but did not impact pre-tax profits. Secondly, in 2009 the Group changed the way it accounted for Vivid's external product development costs to write down such costs on a straight line basis over five years and bring in line with International Reporting Standards and Haynes Group policy. The impact of this change has been to increase the annual intangible amortisation charge by approximately £0.40 million year-on-year until 2013. In 2010/11 this has reduced our gross margin by £0.40 million or 1.3 percentage points although it is important to note that whilst this impacts on our reportable profits it does not affect Group cash flows. The impact of these two factors has led to a reduction in our gross margin of 0.7 percentage points to 63.5% (2010: 64.2%).

Group overheads ended the year 5% down on last year at £13.33 million (2010: £14.04 million). With net finance costs, which almost entirely relate to pension assets and liabilities, of £0.51 million (2010: £0.52 million) pre-tax profits ended the year marginally ahead of last year at £7.18 million (2010: £7.17 million).

## Segmental overview

*North America and Australia*

Like-for-like revenue in our North American and Australian operation in local currency ended the year up 5% at $30.65 million (2010: $29.12 million). The like-for-like revenue reflecting the change in terms with the US customer, which reduced revenue by $1.62 million but was matched by a corresponding reduction in advertising expense.

In the US, sales through the first half of the year tracked in line with the prior period but blizzard conditions in late December 2010 caused severe disruptions to large parts of the Midwest and East coast and were followed in February 2011 by similar blizzard conditions in the Southern Plains and upper Midwest of the Country, with both events adversely affecting the ordering patterns of our key customers. Nevertheless, we ended the year with like-for-like reportable revenue ahead of last year.

After taking into account the lower advertising expense following the change in terms with the major US customer, the net impact of the above left segmental operating profit in local currency 10% ahead of last year at $7.02 million (2010: $6.38 million). After translation to Sterling, applying an average Sterling to US Dollar exchange rate during the year of $1.59 (2010: $1.58), segmental operating profit was also up 10% at £4.43 million (2010: £4.03 million).

*United Kingdom and Europe*

In the UK, despite a slow start to the year, overall sales of our Haynes titles ended the twelve month period in line with last year. We started our financial year with what we believed to be a strong general publishing programme and this has been borne out as revenues from our top 10 selling titles were up 20% on last year, with our '*USS Enterprise manual'* and '*Wallace & Gromit Cracking Contraptions manual'* being our top two selling titles during the year.

In the rest of Europe, revenue from Vivid in local currency ended the year 1% ahead of last year. Vivid operate in a competitive market place and we have been encouraged by new contract gains in Spain, Sweden, Italy and in Germany.

Overall UK and European revenue ended the year 3% down on last year at £14.43 million (2010: £14.93 million).

Following the additional expenditure we incurred on our 50$^{th}$ anniversary promotional activity in 2010, we have seen advertising costs return to more normal levels during the current year. Also during the year, the Group reviewed the allocation of overheads to the UK and European segments. As a result of this review, £0.51 million of overheads which had previously been allocated to the segment have this year been retained as a central overhead. Partially offsetting the above was the higher development cost amortisation in Vivid which increased segmental costs by £0.40 million.

As a result of the above and despite the lower revenue, UK & European segmental operating profits rose by 10% to £2.40 million (2010: £2.19 million).

## Taxation

The Haynes Group has trading subsidiaries in eight different countries and an effective rate for taxation which reflects the national rates applied to the profits generated locally in these territories. During the year under review the Group's charge to taxation on continuing operations was £2.43 million (2010: £2.49 million) with an effective rate of 33.8% (2010: 34.7%).

## Working capital and cash flows

The monitoring and control of the Group's working capital balances remains a key priority for management. Inventory volumes have been reduced over the last few years in response to the economic downturn, but in recent month's management have been slowly increasing finished goods volumes and raw material levels, particularly in the US, ahead of announced price increases. Nevertheless, it is relevant to note that finished goods volumes and raw materials stocks are still 16% lower and 42% lower respectively, than four years ago.

The net impact of the movements in inventory and trade receivables has meant that the Group cash inflow generated from continuing operations before tax was £8.38 million (2010: £10.23 million) which represented 109% of Group operating profit (2010: 133%). With a lower requirement to replenish tangible fixed assets during the year leading to a reduction in capital expenditure of £0.58 million and our investment in intangible product development remaining in line with the previous year at £2.13 million (2010: £2.14 million) Group cash ended the year up 40% at £5.38 million (2010: £3.84 million).

**Pensions**

The Group has a number of different retirement programmes in the various countries in which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK, a non-contributory defined benefit plan in the US and a defined contribution scheme in the Netherlands.

In recent years the Group has increased its contribution to the UK Scheme by 1.1% with a further £0.4 million per year in contributions to help reduce the past service deficit. On 1 June 2010, the Group increased its contribution by a further 1% and in April 2011, the Company commenced a consultation exercise with its UK employees to restructure certain of the UK scheme benefits and to increase the UK member contribution rate by 3%, the aim of which was to place the UK Scheme on a more affordable footing going forward. Whilst the consultation process was not completed until after the end of the financial year and therefore, does not impact the 2010/11 figures I am pleased to report that with the support of the active members the changes have been implemented in line with the Company's proposals and will be reflected in the next triennial valuation for the period ended 30 June 2011.

As at 31 May 2011 the aggregate deficit on the two defined benefit schemes as reported in accordance with IAS 19 was £10.43 million (2010: £14.02 million). The reduction in the aggregate deficit is due to a combination of factors but most noticeably, a higher return on the schemes assets both in the UK and the US, a move to the latest mortality tables in the UK and the move to calculate UK Statutory Revaluation Orders using CPI rather than RPI.

**Group outlook**

We enter the new financial year in a strong financial position. We have cash in the bank, we are free of gearing and the Group has realistic business plans for the coming year. However, the continuing turmoil in the global economy could have implications which affect these plans.

Following the recent development of a Haynes MOL prototype, we are currently in the process of demonstrating the prototype to our retail customers in the US with a plan to convert the top 50 selling US manuals to an electronic format in the current financial year.

We also follow with interest the progression of e-books which is of greater relevance to our general interest titles. Although to-date it has been largely black & white fiction titles that have dominated the e-books market, the technology and the platforms for this to widen to colour illustrated titles is not too far away. We also strongly believe that for the DIY market in particular, a digital product will complement and work alongside, rather than replace, the printed product.

In Europe, Vivid is looking to build on its extensive database of European vehicles and its strong language skills to expand its business model into new geographical markets. The first phase of this new development programme covering the Brazilian market will commence in the coming year as will initial studies of the US market opportunities.

It is important for the Group to augment internal growth with complementary acquisitions as such opportunities present themselves. This is a strategy that has served the Group well in recent years and we will continue to evaluate relevant acquisition opportunities.

**Eric Oakley**
Group Chief Executive
24 August 2011

## Consolidated Income Statement

| | Note | Year Ended 31 May 2011 Unaudited £'000 | Year Ended 31 May 2010 Audited £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 3 | 32,743 | 33,310 |
| Cost of sales | | (11,937) | (11,910) |
| **Gross profit** | | 20,806 | 21,400 |
| Other operating income | | 214 | 325 |
| Distribution costs | | (7,007) | (7,926) |
| Administrative expenses | | (6,326) | (6,113) |
| **Operating profit** | | 7,687 | 7,686 |
| Finance income | 4 | 1,283 | 1,053 |
| Finance costs | 5 | (1,793) | (1,571) |
| **Profit before taxation** | | **7,177** | **7,168** |
| Taxation | 6 | (2,428) | (2,486) |
| **Profit for the period from continuing operations** | | **4,749** | **4,682** |
| **Attributable to :** | | | |
| Equity holders of the Company | | 4,742 | 4,677 |
| Non-controlling interests | | 7 | 5 |
| | | **4,749** | **4,682** |
| **Earnings per 20p share from continuing operations** | 7 | Pence | Pence |
| - Basic | | 29.0 | 28.6 |
| - Diluted | | 29.0 | 28.6 |

**Consolidated Statement of Comprehensive Income**

| | Year Ended 31 May 2011 Unaudited £'000 | Year Ended 31 May 2010 Audited £'000 |
|---|---|---|
| Profit for the period | **4,749** | **4,682** |
| **Other comprehensive income :** | | |
| Exchange differences on translation of foreign operations | (2,278) | 2,520 |
| Actuarial gains/(losses) on retirement benefit obligation | | |
| - UK Scheme | 3,032 | (4,535) |
| - US Scheme | 210 | 1,003 |
| Deferred tax on retirement benefit obligation | | |
| - UK Scheme | (788) | 1,270 |
| - US Scheme | (84) | (401) |
| Deferred tax arising on change in UK corporation tax rate | (234) | - |
| **Other comprehensive income recognised directly in equity** | **(142)** | **(143)** |
| **Total comprehensive income for the financial period** | **4,607** | **4,539** |
| Attributable to : | | |
| Equity holders of the Company | 4,600 | 4,534 |
| Non-controlling interests | 7 | 5 |
| | **4,607** | **4,539** |

## Consolidated Balance Sheet

| | Note | Year Ended 31 May 2011 Unaudited £'000 | Year Ended 31 May 2010 Audited £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 9,850 | 10,725 |
| Intangible assets | | 17,022 | 16,537 |
| Deferred tax assets | | 4,155 | 5,424 |
| **Total non-current assets** | | **31,027** | **32,686** |
| **Current assets** | | | |
| Inventories | | 13,255 | 13,193 |
| Trade and other receivables | | 10,319 | 10,651 |
| Cash and cash equivalents | | 5,383 | 3,842 |
| **Total current assets** | | **28,957** | **27,686** |
| **Total assets** | | **59,984** | **60,372** |
| **Current liabilities** | | | |
| Trade and other payables | | (4,465) | (4,288) |
| Current tax liabilities | | (704) | (254) |
| **Total current liabilities** | | **(5,169)** | **(4,542)** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | (3,849) | (3,353) |
| Retirement benefit obligation | 10 | (10,434) | (14,017) |
| **Total non-current liabilities** | | **(14,283)** | **(17,370)** |
| **Total liabilities** | | **(19,452)** | **(21,912)** |
| **Net assets** | | **40,532** | **38,460** |
| **Equity** | | | |
| Share capital | | 3,270 | 3,270 |
| Share premium | | 638 | 638 |
| Retained earnings | | 32,791 | 28,448 |
| Foreign currency translation reserve | | 3,818 | 6,096 |
| **Capital and reserves attributable to equity shareholders** | | **40,517** | **38,452** |
| Equity attributable to non-controlling interests | | 15 | 8 |
| **Total equity** | | **40,532** | **38,460** |

**Consolidated Statement of Changes in Equity (unaudited)**

| | Share capital £'000 | Share premium £'000 | Foreign currency translation reserve £'000 | Retained earnings £'000 | Sub total £'000 | Non-controlling interests £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 June 2009 | 3,270 | 638 | 3,576 | 29,328 | 36,812 | 3 | 36,815 |
| Profit for the period | - | - | - | 4,677 | 4,677 | 5 | 4,682 |
| *Other comprehensive income :* | | | | | | | |
| Currency translation adjustments | - | - | 2,520 | - | 2,520 | - | 2,520 |
| Actuarial losses on defined benefit plans (net of tax) | - | - | - | (2,663) | (2,663) | - | (2,663) |
| **Total other comprehensive income/(expense) for the period** | **-** | **-** | **2,520** | **(2,663)** | **(143)** | **-** | **(143)** |
| **Total comprehensive income for the period** | **-** | **-** | **2,520** | **2,014** | **4,534** | **5** | **4,539** |
| Dividends (note 8) | - | - | - | (2,894) | (2,894) | - | (2,894) |
| **Balance at 1 June 2010** | **3,270** | **638** | **6,096** | **28,448** | **38,452** | **8** | **38,460** |
| Profit for the period | - | - | - | 4,742 | 4,742 | 7 | 4,749 |
| *Other comprehensive income :* | | | | | | | |
| Currency translation adjustments | - | - | (2,278) | - | (2,278) | - | (2,278) |
| Actuarial gains on defined benefit plans (net of tax) | - | - | - | 2,136 | 2,136 | - | 2,136 |
| **Total other comprehensive income/(expense) for the period** | **-** | **-** | **(2,278)** | **2,136** | **(142)** | **-** | **(142)** |
| **Total comprehensive income/(expense) for the period** | **-** | **-** | **(2,278)** | **6,878** | **4,600** | **7** | **4,607** |
| Dividends (note 8) | - | - | - | (2,535) | (2,535) | - | (2,535) |
| **Balance at 31 May 2011** | **3,270** | **638** | **3,818** | **32,791** | **40,517** | **15** | **40,532** |

**Consolidated Cash Flow Statement**

| | Year Ended 31 May 2011 Unaudited £'000 | Year Ended 31 May 2010 Audited £'000 |
|---|---|---|
| **Cash flows from operating activities - continuing** | | |
| Profit after tax | 4,749 | 4,682 |
| ***Adjusted for :*** | | |
| Income tax expense | 2,428 | 2,486 |
| Interest payable and similar charges | 1 | 9 |
| Interest receivable | (16) | (29) |
| Interest charges on pension liabilities less expected returns on pension assets | 525 | 538 |
| Operating profit | 7,687 | 7,686 |
| Depreciation on property, plant and equipment | 976 | 1,014 |
| Amortisation of intangible assets | 1,215 | 874 |
| IAS 19 pensions current service cost net of contributions paid | (621) | (693) |
| Gain on disposal of property, plant and equipment | (5) | (19) |
| | 9,252 | 8,862 |
| ***Changes in working capital :*** | | |
| (Increase)/decrease in inventories | (839) | 105 |
| (Increase)/decrease in receivables | (351) | 1,492 |
| Increase/(decrease) in payables | 315 | (226) |
| **Net cash generated from operations** | **8,377** | **10,233** |
| Tax paid | (1,447) | (1,796) |
| **Net cash generated by operating activities** | **6,930** | **8,437** |
| **Investing activities** | | |
| Proceeds on disposal of property, plant and equipment | 31 | 29 |
| Purchases of property, plant and equipment | (578) | (1,158) |
| Expenditure on development costs | (2,134) | (2,143) |
| Acquisition costs : | | |
| – Deferred consideration | - | (84) |
| Interest received | 16 | 29 |
| **Net cash used in investing activities** | **(2,665)** | **(3,327)** |
| **Financing activities** | | |
| Dividends paid | (2,535) | (2,894) |
| Interest paid | (1) | (13) |
| **Net cash used in financing activities** | **(2,536)** | **(2,907)** |
| **Net increase in cash and cash equivalents** | **1,729** | **2,203** |
| Cash and cash equivalents at beginning of year | 3,842 | 1,370 |
| Effect of foreign exchange rate changes | (188) | 269 |
| **Cash and cash equivalents at end of year (net funds)** | **5,383** | **3,842** |

## Notes to the Preliminary Announcement

### 1. Accounting policies

**Basis of preparation**

Haynes Publishing Group P.L.C. (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 May 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.The Group financial statements have been prepared on the historical cost basis except for the treatment of certain financial instruments and are presented in sterling, with all values rounded to the nearest thousand pounds (£'000) except as indicated otherwise.

**Basis of accounting**

The accounting policies used to prepare this preliminary announcement are consistent with those applied in the 2010 consolidated financial statements, apart from the adoption of new or amended standards effective during the year and as summarised below. These accounting policies have been applied consistently in respect of the Group entities.

IFRS 3 (revised): 'Business Combinations', requires that costs incurred during a business combination which previously could be capitalised must now be expensed as incurred. IAS 27 (revised): 'Consolidated and Separate Financial Statements', states that if an intangible asset acquired as part of a business combination is identifiable only with another intangible asset, the group of intangibles can be treated by the acquirer as a single asset as long as the individual assets have similar useful lives. Although not relevant to the Group in the current financial year, the above amendments will be relevant for acquisitions made by the Group in the future.

In addition to the above, amendments to IFRS 2 'Share-based payment', IAS 28 'Investments in Associates', IAS 31: 'Interests in Joint Ventures', IAS 32: 'Financial Instruments: Presentation' and IAS 39: 'Financial Instruments: Recognition & Measurement' became effective during the financial year ended 31 May 2011. The above amendments were either not relevant or did not have a material impact on the Group during the year.

**Status of preliminary announcement**

The financial information contained in this report does not constitute the Company's statutory accounts for the year ended 31 May 2011 or for the year ended 31 May 2010. Statutory accounts for the year ended 31 May 2010 have been reported on by the Independent Auditors and the Independent Auditors' Report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The Statutory accounts for the year ended 31 May 2010 have been filed with the Registrar of Companies.

The 2011 figures are based on unaudited accounts for the year ended 31 May 2011. Statutory accounts for the year ended 31 May 2011 will be finalised based on the information presented in this announcement and the auditors will report on those accounts once they are finalised. The statutory accounts for the year ended 31 May 2011 will be delivered to the Registrar in due course.

The preliminary announcement has been approved by the Board of Directors and authorised for issue on 24 August 2011.

**Foreign exchange rates**

The foreign exchange rates used in the financial statements to consolidate the overseas subsidiaries are as follows:

| | Year-end rate | | Average rate | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| US dollar | 1.65 | 1.45 | 1.59 | 1.58 |
| Euro | 1.15 | 1.18 | 1.17 | 1.13 |
| Swedish krona | 10.18 | 11.38 | 10.65 | 11.51 |
| Australian dollar | 1.54 | 1.73 | 1.62 | 1.81 |

## 2. Segmental analysis

For management and internal reporting purposes, the Group is organised into two geographical operating segments:

- UK and Europe
- North America and Australia

The UK and European business with headquarters in Sparkford, Somerset has subsidiaries in the Netherlands, Italy, Spain, Romania and Sweden. Its core business is the publication and supply of automotive repair and technical information to the DIY and professional automotive aftermarkets.

The North American and Australian business with headquarters near Los Angeles, California publishes DIY repair manuals for cars and motorcycles under the Haynes and Chilton brands, in both the English and Spanish languages. It also has a branch operation in Sydney, Australia which publishes similar products under both the Haynes and Gregory's brands.

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

### Analysis of geographic operating segments

| ***Revenue and results :*** | UK & Europe 2011 £'000 | North America & Australia 2011 £'000 | Consolidated 2011 £'000 |
|---|---|---|---|
| **Segmental revenue** | | | |
| Total segmental revenue | 14,783 | 20,804 | 35,587 |
| Inter-segmental sales [1] | (357) | (2,487) | (2,844) |
| **Total external revenue** | **14,426** | **18,317** | **32,743** |
| | | | |
| **Segment result** | | | |
| Segment operating profit before interest | 2,400 | 4,413 | 6,813 |
| Interest receivable | 2 | 14 | 16 |
| Interest payable | (1) | - | (1) |
| **Segment profit after interest** | **2,401** | **4,427** | **6,828** |
| Unallocated head office income less expenses | | | (132) |
| **Segment operating profit before tax and adjustments** | | | **6,696** |
| | | | |
| *Reconciliation to consolidated profit before tax* : | | | |
| IAS 16 Property, plant and equipment [2] | | | 19 |
| IAS 19 Employee benefits [3] | | | 84 |
| IFRS 3 Business combinations [4] | | | 378 |
| **Consolidated profit before tax** | | | **7,177** |
| Taxation [5] | | | (2,428) |
| **Consolidated profit after tax** | | | **4,749** |

[1] Inter-segment sales are charged at the prevailing market rates.
[2] In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
[3] In the segmental reporting, pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
[4] In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
[5] The charge to taxation relates to the consolidated Group. Included within the charge to taxation is £390,000 which relates to the UK & European operations and £1,765,000 which relates to the North American & Australian operations.

## 2. Segmental analysis (continued)

| *Revenue and results :* | UK & Europe 2010 £'000 | North America & Australia 2010 £'000 | Consolidated 2010 £'000 |
|---|---|---|---|
| **Segmental revenue** | | | |
| Total segmental revenue | 15,256 | 19,533 | 34,789 |
| Inter-segmental sales [1] | (328) | (1,151) | (1,479) |
| **Total external revenue** | **14,928** | **18,382** | **33,310** |
| | | | |
| **Segment result** | | | |
| Segment operating profit before interest | 2,185 | 4,010 | 6,195 |
| Interest receivable | 9 | 20 | 29 |
| Interest payable | (2) | - | (2) |
| **Segment profit after interest** | **2,192** | **4,030** | **6,222** |
| Unallocated head office income less expenses | | | 376 |
| **Segment operating profit before tax and adjustments** | | | **6,598** |
| | | | |
| *Reconciliation to consolidated profit before tax* : | | | |
| IAS 16 Property, plant and equipment [2] | | | 48 |
| IAS 19 Employee benefits [3] | | | 50 |
| IFRS 3 Business combinations [4] | | | 472 |
| | | | **7,168** |
| Taxation [5] | | | (2,486) |
| **Consolidated profit after tax** | | | **4,682** |

[1] Inter-segment sales are charged at the prevailing market rates.
[2] In the segmental reporting freehold buildings are depreciated over 40 years - under IAS 16 the residual value of buildings reflect the expected value at the end of their useful life resulting in an adjustment to depreciation.
[3] In the segmental reporting, pension contributions are expensed and the assets and liabilities of a defined benefit pension scheme are held separately from the Group - under IAS 19 the Income Statement and Statement of Comprehensive Income are adjusted to reflect the annual current service cost and actuarial gains and losses arising on a defined benefit pension scheme and the net surplus/(deficit) on the scheme is included in the balance sheet.
[4] In the segmental reporting goodwill is amortised over a period not exceeding 20 years - under IFRS 3 goodwill is reviewed annually for impairment but not amortised.
[5] The charge to taxation relates to the consolidated Group. Included within the charge to taxation is £156,000 which relates to the UK & European operations and £1,637,000 which relates to the North American & Australian operations.

## 3. Revenue

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| **Revenue by geographical destination on continuing operations :** | | |
| United Kingdom | 7,585 | 9,140 |
| Rest of Europe | 5,738 | 6,077 |
| United States of America | 15,768 | 14,698 |
| Rest of World | 3,652 | 3,395 |
| **Total consolidated revenue** | **32,743** | **33,310** |

## 4. Finance income

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| Interest receivable on bank deposits | 16 | 21 |
| Other interest | - | 8 |
| Expected return on pension scheme assets | 1,267 | 1,024 |
| | **1,283** | **1,053** |

## 5. Finance costs

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| Interest payable on bank loans and overdrafts | 1 | 9 |
| Interest charge on pension scheme liabilities | 1,792 | 1,562 |
| | **1,793** | **1,571** |

## 6. Taxation

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| Analysis of charge during the period : | | |
| **Current tax** | | |
| - UK corporation tax on profits for the period | 238 | 138 |
| - Foreign tax | 1,670 | 2,113 |
| - Adjustments in respect of prior periods | (21) | 1 |
| | **1,887** | **2,252** |
| **Deferred tax** | | |
| - Origination and reversal of temporary differences | 541 | 234 |
| **Total taxation in the Consolidated Income Statement** | **2,428** | **2,486** |

In April 2011 the rate of UK corporation tax was reduced from 28% to 26% giving an effective tax rate of 27.7% for our financial year ended 31 May 2011. The relevant deferred tax balances have been re-measured accordingly.

## 7. Earnings per share

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

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| **Earnings :** | | |
| Profit after tax – continuing operations * | 4,742 | 4,677 |
| | No. | No. |
| **Number of shares :** | | |
| Weighted average number of shares | 16,351,540 | 16,351,540 |

* Figure has been adjusted for a profit of £7,000 (2010: £5,000) attributable to non-controlling interests.

As at 31 May 2011 and 31 May 2010 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.

## 8. Dividends

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| **Amounts recognised as distributions to equity holders :** | | |
| Final dividend for the year ended 31 May 2010 of 9.3p per share (2009: 11.5p per share) | 1,521 | 1,880 |
| Interim dividend for the year ended 31 May 2011 of 6.2p per share (2010: 6.2p per share) | 1,014 | 1,014 |
| | **2,535** | **2,894** |
| Proposed final dividend for the year ended 31 May 2011 of 9.5p per share (2010: 9.3p per share) | 1,553 | 1,521 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 19 October 2011 and has not been included as a liability in these financial statements.

Subject to final approval by shareholders the final dividend will be paid on 26 October 2011 to shareholders on the register at the close of business on 7 October 2011. The shares will be declared ex-dividend on 5 October 2011.

## 9. Analysis of the changes in net funds

| | As at 1 June 2010 £'000 | Cash flow £'000 | Exchange movements £'000 | As at 31 May 2011 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 3,842 | 1,729 | (188) | 5,383 |

## 10. Retirement benefit obligation

The Group operates a number of different retirement programmes in the countries within which it operates. The principal pension programmes are a contributory defined benefit scheme in the UK and a non contributory defined benefit plan in the US. The assets of all schemes are held independently of the Group and its subsidiaries.

As at 31 May 2011 the financial position of the two defined benefit schemes have been updated by qualified independent actuaries in line with the requirements of IAS 19 and the combined movements on the two schemes are shown below :

| | Year Ended 31 May 2011 £'000 | Year Ended 31 May 2010 £'000 |
|---|---|---|
| Consolidated retirement benefit obligation at beginning of period | (14,017) | (10,390) |
| Movement in the period : | | |
| - Total expenses charged in the income statement | (1,601) | (1,478) |
| - Contributions paid | 1,697 | 1,634 |
| - Actuarial gain/(loss) taken directly to reserves | 3,242 | (3,532) |
| - Foreign currency exchange rates | 245 | (251) |
| **Consolidated retirement benefit obligation at end of period** | **(10,434)** | **(14,017)** |

## 11. Other information

The Directors Report and audited Report & Accounts for the financial year ended 31 May 2011 will be posted to shareholders on 21 September 2011 and delivered to the Registrar of Companies following the Annual General Meeting which will be held on 19 October 2011. Copies of the Directors' report and audited Report & Accounts will be available from the Group Company Secretary, Haynes Publishing Group P.L.C., Sparkford, Near Yeovil, Somerset BA22 7JJ (telephone 01963 440635) after 21 September.

This preliminary announcement is not being posted to shareholders, but is available on the UK web site http://www.haynes.co.uk/investor.