

HAYNES PUBLISHING GROUP P.L.C.

PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED 31 May 2008

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, accurate and easy to follow.

Through the acquisition of Vivid Holding BV in February 2008, the Haynes Group has become 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 publish many other DIY titles as well as an extensive array of books about motorsport, vehicles and general transport.

Financial Highlights

- Turnover on continuing operations of £31.1 million (2007: £29.2 million)
- Operating profit on continuing operations of £7.0 million (2007: £7.2 million)
- Profit before tax on continuing operations of £7.1 million (2007: £7.1 million)
- Basic earnings per share from continuing operations of 30.8 pence (2007: 31.6 pence)
- Net funds of £0.2 million (2007: £6.5 million)
- Final dividend of 10.5 pence per share, giving a total dividend of 15.5 pence per share (2007: 15.5 pence)

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Haynes Publishing Group P.L.C.

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Cautionary Statement :

This report contains certain forward-looking statements with regards 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.

Chairman's Statement

Strategically, this has been an important year for the Haynes Group. The financial year began with the acquisition of the Bookworks businesses in Australia in June 2007. By the end of the second quarter we were able to report the successful integration of the Bookworks and Haynes Australian businesses into a single location based in Sydney. This was followed at the end of our third quarter by the acquisition of Vivid Holding BV. The acquisition of the Vivid Group, Europe's leading supplier of digital technical information on repair, maintenance and diagnostics to workshops, allows the Haynes Group to establish a presence in the professional automotive market and is a very significant addition to the Haynes Group.

The above strategic acquisitions come during a period of heavily publicised economic downturn. The weakness of the US Dollar against Sterling has once again had a negative impact for the Group. During the year, the average US Dollar exchange rate against Sterling increased from \$1.93 to \$2.01 reducing the reported revenue by £0.7 million and pre-tax profits by £0.2 million. The increased cost of living, largely as a result of the higher fuel prices, continues to impact consumer spending in both our key geographical markets as well as impacting our cost base, placing pressure on margins. In light of these challenging market conditions it is satisfying to report that, as a result of prudent action by our senior management team, we have had a stronger second half year of trading. As a result the Group was able to recover the shortfall in profit experienced during the first half of the year.

Results summary

Group revenue from continuing operations was £31.1 million, 7% up on the prior year (2007: £29.2 million) driven by a full year contribution from the Australian acquisition and three months of trading from Vivid Holding BV, acquired at the end of our third quarter. Group operating profit from continuing operations was £7.0 million (2007: £7.2 million), down 3% impacted by certain one-off restructuring costs in the UK, a lower credit to the Income Statement following the performance of the pension schemes as measured by IAS 19 and the negative impact of the weakened US Dollar. However, with a positive net movement on the pension schemes assets/liabilities Group pre-tax profits ended the year in line with the prior year at £7.1 million (2007: £7.1 million).

The Group's effective tax rate for the year, on attributable profits, was 29% (2007: 27%) leading to a basic earnings per share from continuing operations of 30.8 pence (2007: 31.6 pence).

Strategy & structure

In last year's report I communicated our central objective of creating a platform that would allow the Haynes businesses to grow and develop and firmly establish the Group as global industry experts for the supply of automotive and motorcycle repair, servicing and technical information. Through the acquisition of Vivid Holding the Group has made a considerable leap forward in achieving this aim and work is currently underway to develop new product initiatives using the cutting edge Vivid digital platforms and the extensive Haynes automotive knowledge database.

The Group will continue to take the tried, tested and trusted Haynes philosophy and apply it to other areas where our practical approach can add value. The launch of the Spitfire and Lancaster Manuals during the year, in partnership with the RAF, have been very well received and visibly demonstrate the diversity of the Haynes brand.

The Board

In May 2008, I was pleased to announce the appointment of my son J as Group Vice Chairman. J has had a seat at the main Board since March 2000 and as Managing Director of the UK & European operations has, working with the rest of the Executive Management team, played an important part in the restructuring and development of the UK & European businesses.

Dividends

In light of the difficult trading conditions and following the two acquisitions during the year, which were predominantly funded from internal cash, the interim dividend was reduced to 5.0p (2007: 5.5p). However, following a stronger second half performance and a confidence that the new enlarged Haynes Group is well placed to deliver earnings growth in the coming years the Board is recommending an increase in the final dividend to 10.5p per share, maintaining the total dividend for the year at 15.5p, the same level as last year (2007: 15.5p). Subject to final approval by shareholders, the final dividend will be paid on 30 October 2008 to shareholders on the register at the close of business on 3 October 2008. The shares will be declared ex-dividend on 1 October 2008.

Corporate governance

The Board's governance framework is clearly defined and aims to support the vision and values of our business and to protect and enhance the interests of all our stakeholders. The Board actively monitors the assessment and mitigation of risk and ensures the Group has the correct health & safety procedures to protect all our employees.

Staff

On behalf of the Board I would like to thank our employees for their continued hard work and dedication during the year. I would also like to welcome our new employees in Bookworks Australia, and at Vivid in The Netherlands, Italy, Spain and Romania to the Haynes Group. The Group continues to re-position its businesses to make them leaner, more innovative and better equipped to deliver content aligned to the needs and wants of the end user. This process can sometimes be difficult for all concerned but I am confident that through this process we place the Group in a stronger position, both financially and operationally. This will undoubtedly benefit employees and our shareholders in the years to come.

Future prospects

I firmly believe the prospects for the Haynes Group are positive. It is undeniable that the world's economies are facing their most challenging future for many years. However, we have been here before and I am confident that through careful management we can once again steer the Group through these uncertain times. The restructuring undertaken over recent years, coupled with the new acquisitions during the year, places the Group in a strong position to move forward and improve on our results in the years to come.

John H Haynes, OBE
Executive Chairman
27 August 2008

Group Chief Executive's Review

Business structure and overview

The Haynes Group, founded by the Chairman John Haynes, OBE in 1960, has its operations divided into two primary geographical segments. Firstly, the UK and European businesses, which are serviced from headquarters in Sparkford, Somerset and secondly, the North American and Australia operation, which is also responsible for Latin America and the Pacific Rim and operates from headquarters near Los Angeles, California. The US business has its main production and principal distribution operations in Nashville, Tennessee. Each business segment has its own management structure and has full vehicle workshop and editorial resources, book manufacturing facilities and sales and distribution capabilities.

The success of the Haynes business over almost 50 years has been underpinned by an attention to detail and an uncompromising approach to independent and trustworthy instructional advice. This simple but important philosophy has been instrumental in the Group achieving its global market leading position. The fact that all Haynes Manuals are based on a complete vehicle strip-down and rebuild in one of our workshops, so that the written and photographic instructions for our customers is inherently practical and easy to follow, may still come as a surprise to some, but for those who know Haynes, this renowned attention to detail will be a familiar concept.

In addition to our extensive range of automotive and motorcycle repair manuals, the Group publishes a wide range of titles which are practical, instructional and easy to read and aimed at those with an interest in motoring and motor sport as well as other transport, aviation, military and general DIY related activities.

It would be unfair to our employees around the world not to acknowledge that the past financial year has been very difficult. With a start point in the USA in August last year, we have seen the current financial problems impact economies around the Globe. Their work has been made increasingly difficult as a result. I want to thank all of them for their continuing dedication and commitment.

In our Annual Report & Accounts last year I referred to a changing global market place. I mentioned how our market leading position throughout the English speaking world provides the Group with a unique opportunity to become a major world wide supplier for all automotive and motorcycle repair, servicing and technical information, to an overall market place that is growing and which is increasingly demanding content through multi-media channels. Therefore, the acquisition of the Vivid Group on 28 February 2008 for a cash consideration of €8.0 million (£6.0 million), funded mainly through internal cash but also with limited short-term borrowings, was a very important strategic move for the Group.

Formed in 1996, Vivid is a dynamic group of companies, still in their early growth phase. Nevertheless, Vivid's database, which has been developed using market leading digital technology and is available in 19 languages, has already established the business as market leaders in the supply of digital technical information to the professional automotive market in continental Europe. The synergistic skill sets possessed by Vivid were a key factor in our decision to acquire the business. Vivid's in-house skills covering language translation, web development, DVD production and copy protection security are all complementary to the way in which Haynes is planning to develop its own product offerings going forward. This could open up the possibility of an internet based multi-language Haynes consumer product for markets that could not previously have supported the cost of a print based product. Being part of the Haynes Group opens up the opportunity to take the Vivid product offering to new geographical markets such as the UK, USA and Australia where Haynes already has a strong presence whereas Vivid does not.

Earlier in the year the acquisition of Bookworks, the most prominent distributor of automotive repair information in Australia, further cemented our position as the leading supplier of automotive repair information to the automotive aftermarket in Australia.

Operating results overview

At the end of November, our half year, Group pre-tax profit was 8% down on the prior period and early third quarter trading remained difficult. Nevertheless, as mentioned in our third quarter Interim Management Statement, Management believed that there was a realistic possibility of improving on this position by the end of the financial year. I am therefore, pleased to report that the Group has been able to deliver an improved second half performance with Group pre-tax profits for the year of £7.1 million, matching the performance of the prior year (2007: £7.1 million). Our second half performance was achieved despite a higher charge to profit of £0.1 million for cost restructuring in the UK business and a higher charge against profit of £0.2 million arising from our IAS 19 pension scheme accounting in comparison to last year. Save for these two non-trading factors and the adverse impact of the US Dollar exchange rate against Sterling, which lowered pre-tax profits by £0.2 million, we would have been reporting a growth in pre-tax profits of 7%, in line with our growth in revenue, which, I believe, in the prevailing market conditions, would be seen as very satisfactory.

Group revenue during the period was up 7% to £31.1million (2007: £29.2 million) boosted by the new acquisitions during the year which, in aggregate, added £1.6 million to our top line. Exchange rate movements had a detrimental impact on our reportable revenue, with an average US Dollar exchange rate against Sterling 4% weaker than last year. Had we been reporting under constant exchange rates, Group revenue would have ended the year higher by £0.7 million.

In the US, trading conditions softened significantly during the second quarter and remained soft throughout the rest of the year. The problems in the financial markets coupled with the spiralling cost of fuel have significantly dampened consumer demand and we wait to see whether the recent fiscal stimulus provides a respite in the coming months. In the UK, like-for-like revenue performed well finishing the year 10% ahead of last year. It should, however, be noted that a significant proportion of this increase came from external printing services, where the margin is traditionally much lower than our core products. This said it was satisfying to see all three areas of the UK business Automotive, General Publishing and Licensing achieving revenue growth over the prior year. With the inclusion of three months of trading from Vivid Holding BV, revenue in the UK & Europe increased by 18% to £13.9 million (2007: £11.8 million).

Gross margins were impacted by a higher mix of low margin external printing services in the UK and lower volumes in 2008 in the USA which resulted in the gross margin percentage ending the year lower at 61.3% (2007: 64.1%).

Management continue to maintain a tight control over Group overheads. During the third quarter, the UK business restructured its promotional design, direct mail and web sales operation resulting in one off restructuring costs of £0.1 million. Also during the third quarter the role of the Group Company Secretary was combined with that of the UK & European Finance Director; both of these measures will bring cost benefits to the Group in the coming year.

Following a higher return on the Group's pension scheme assets of £0.4 million, finance income increased to £1.5 million (2007: £1.1 million). Partially offsetting the higher finance income was a higher interest charge on the pension scheme's liabilities of £0.2 million, which led to an increase in finance costs to £1.4 million (2007: £1.2 million).

The resulting net impact of the above meant that pre-tax profits ended the year in line with the prior year at £7.1million (2007: £7.1 million).

Segmental overview

North America and Australia

As a result of the acquisition of Bookworks in Australia local currency sales in North America and Australia ended the year 3% ahead of last year at \$34.6 million (2007: \$33.7 million). Despite stronger sales of automotive repair manuals during the important second half of the year, up 4% on the comparable period, sales were not quite able to offset the poor first half and ended the year down 2%. Sales of Motorcycle manuals performed well ending the year 14% ahead of the prior period.

In Australia the integration of the Haynes and Bookworks businesses was completed part way through the year and the combined business, operating from newly purchased premises in Sydney, contributed an additional \$1.4 million (£0.7 million) of revenue during the first year.

Revenue from the new US website, whilst modest in Group terms, has already covered the cost of development and through the use of video presentations and a customer chat room allows the US business to communicate directly and more effectively with its end user.

The net impact of the above factors left the North American and Australian operating profits, in local currency 5% ahead of the prior year at \$10.2 million (2007: \$9.7 million). However, after a lower credit to profit arising on the measurement of the US pension scheme under IAS 19, in comparison to last year, of £0.4 million and after the impact of a higher average exchange rate which adversely impacted profits by £0.2 million, US segmental profits in Sterling ended the year 7% lower at £5.5 million (2007: £5.9 million).

United Kingdom and Europe

- **Automotive**

Revenue from our core Haynes manuals performed strongly during the first six months, ending the period 9% ahead of the prior year. Sales slowed down during the second half of the year but nevertheless, still ended the year 1% ahead of the prior period. The UK also experienced revenue growth from foreign language Manual sales, up 8% and Motorcycle titles ahead by 5%. Volume sales of English language manuals to Scandinavia ended the year ahead by 16% helped by the recruitment of a new sales manager at the half year.

- **General Publishing**

Sales of Haynes Book Division titles performed strongly during the second half of the year, finishing the second six months 21% ahead of the prior period. As a result, overall Haynes Book Division sales ended the year 8% ahead of last year. Sales of the Spitfire Manual, the legendary World War II Supermarine aircraft which provides a unique insight into the engineering and construction of this remarkable aeroplane and is based around the restoration of the Spitfire Mk XVI at RAF Coningsby, ended the year as the Division's top selling title, selling over 20,000 copies to-date. Elsewhere, there were year-on-year sales increases in the Haynes Practical Manual series and Home & Computing series, both up 12% and the Bike series up 37% helped by a new release of the Haynes Bike Book, now in its 5th Edition and with lifetime sales in excess of 300,000 copies.

Sales through the licensing channel, whilst modest in Group terms, have tripled in the last 12 months and continue to gather momentum. Income from our licensed boys clothing range with Next, the high street retailer, continues to perform well with the range being extended to include boys' nightwear and bedding. In autumn 2007 we launched the new Haynes combustion engine toy, which sold very well over the Christmas period and we are encouraged by the interest from new retail outlets for the coming year. All of these new product ranges provide Haynes with excellent exposure to a younger audience and help to ensure the message that DIY can be fun if learnt from an early age.

The net impact of the above factors led to an increase in UK & European like-for-like revenue of 10% to £13.0 million (2007: £11.8 million). After inclusion of three months of trading from the newly acquired Vivid Group, revenue increased to £13.9 million, an increase of 18%. UK & European segmental profits increased during the year to £1.3 million (2007: £1.1 million), an increase of 18%.

Taxation

The charge to taxation on continuing operations for the year was £2.0 million (2007: £1.9 million) giving an effective tax rate of 29% (2007: 27%). Last year's effective rate being slightly lower than normal due to the availability of loss relief from the operations discontinued during the year.

Net debt and cash flows

The Group started the financial year under review with net funds of £6.5 million. During the year the Group made two acquisitions for a cash consideration of £6.6 million (excluding transaction costs) and purchased a new freehold property to accommodate the combined Australian operation for £0.9 million. Accordingly, to end the year with a small but nevertheless positive net funds position demonstrates the Group's ability to generate strong cash flows which is a major benefit to the Group in its effort to grow the business.

During the year cash generated from continuing operations was £7.0 million (2007: £7.6 million) and represented 100% of Group operating profit from continuing operations (2007: 106%).

Treasury management & procedures

The Group's treasury policies are designed to reduce and minimise financial risk and ensure sufficient liquidity for the Group's future needs. The Group operates strict controls over all treasury transactions including dual signatories and appropriate authorisation limits. The Group's principal financial instruments comprise overdrafts, lease financing arrangements and cash. The main purpose of these instruments is to finance the Group's working capital requirements as well as funding its capital expenditure programmes. No trading in financial instruments is undertaken.

The Group's main currency exposure is derived from trading transactions between Group operating units and with our global customer base. Approximately 48% (2007: 57%) of our revenue streams are generated in US Dollars, 38% (2007: 36%) in sterling and the balance coming from a mix of currencies across our operating entities. Although the Group has this exposure to currencies it is able to offset part of the currency risk as much of the product for the European markets is manufactured in the US and invoiced in local currency.

Pensions

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 and a non-contributory defined benefit plan in the US.

As at 31 May 2008 the aggregate deficit on the two retirement benefit schemes was £6.8 million (2007: £6.9 million). The lower deficit reflects a reduction in the present value of the combined schemes defined benefit obligations of £1.4 million, principally as a result of an increased discount rate assumption of 6.6% (2007: 5.6%) applied by the UK Scheme actuaries in line with International Accounting Standard 19. However, the gain on the lower liabilities was mostly offset by lower returns on the combined schemes assets of £1.3 million.

Group Outlook

In today's economic climate of rising fuel prices and higher cost of living expenses, there is a clear financial benefit to the consumer from using a Haynes Manual. Each Haynes manual contains tips for saving fuel as well as showing motorists how they can save money on garage bills by doing simple servicing and maintenance tasks themselves. Through our marketing initiatives and end user promotions we will continue to spread this message.

In the UK and Europe, management will continue their focus on efficiency. It is essential that the business is able to offer quality products, in a cost effective manner and in a format that our end user requires. Already the first Haynes foreign language title has been passed to Vivid for translation, saving on external translation costs, and Management from Haynes and Vivid will continue to explore new opportunities for both businesses including taking the first steps toward the creation of a Vivid sales presence in the UK. For Haynes this will involve looking at the platforms and channels for distributing our instructional, technical and repair information and for Vivid it will be further development of their digital technical information on repair, maintenance and diagnosis to the professional automotive aftermarket and expansion into new markets where currently they have limited or no presence.

In the Haynes Book Division, the new title programme for the coming year is the largest yet and should help the Division improve upon the sales growth of recent years. In the Haynes Licensing division the new partnership with iconic British jeans company Lee Cooper to produce a range of men's clothing for release in the autumn of 2008 should help further promote the Haynes brand and cement our association with some of the UK's leading brands.

In North America a new print advertising campaign began this month focussing on the opportunity to reduce motoring costs in difficult times by working with a Haynes Manual and we will be working with our customers to encourage them to support this message with their promotional activities. This will also be a part of our marketing effort in all operating companies. In Australia, the Haynes businesses can look forward to their first full year of trading as a combined business and attention will be given to developing both the automotive repair information and general publishing areas of the business. Work is also already underway to expand the Vivid data to include Australian vehicles. We are also in the early stages of researching the US market in relation to Vivid products. Considerable in-house research has already been undertaken and an ad hoc market research project will follow shortly to determine the requirements for US market entry.

Undoubtedly the macroeconomic environment that we face in financial year 2009 is going to be difficult in all our key markets, and with many twists and turns yet to be revealed. This is an area of obvious ongoing concern. However, the Haynes Group is financially strong and operationally well placed to take on these challenges. Over the past five years, the Group has been quietly repositioning itself. We continue to assess opportunities for geographic expansion of the Haynes core products into a few rapidly developing markets as well as other opportunities for positive investment. Through careful restructuring of its existing business coupled with a desire and capability to acquire new businesses, the Group is putting in place the platforms to make Haynes the supplier of first choice for 'Do-it-Yourself' and Professional Mechanics, throughout the World, for those who have a need for all automotive and motorcycle repair, servicing and technical information.

Eric Oakley
Group Chief Executive
27 August 2008

Consolidated Income Statement (unaudited)

	Year Ended 31 May 2008 £'000	Year Ended 31 May 2007 £'000
Continuing operations		
Revenue (note 2)	31,122	29,202
Cost of sales	(12,050)	(10,498)
Gross profit	19,072	18,704
Other operating income	75	53
Distribution costs	(7,345)	(7,437)
Administrative expenses	(4,835)	(4,169)
Operating profit	6,967	7,151
Finance income (note 4)	1,518	1,104
Finance costs (note 5)	(1,400)	(1,174)
Profit before taxation	7,085	7,081
Taxation (note 6)	(2,043)	(1,913)
Profit for the period from continuing operations	5,042	5,168
Discontinued operations		
Loss for the period from discontinued operations (note 9)	-	(2,946)
Profit for the period	5,042	2,222
Attributable to :		
Equity holders of the Company	5,041	2,222
Minority interests	1	-
	5,042	2,222
Earnings per share from continuing operations – pence (note 7)		
- Basic	30.8	31.6
- Diluted	30.8	31.6
Earnings per share from all operations – pence (note 7)		
- Basic	30.8	13.6
- Diluted	30.8	13.6
Loss per share from discontinued operations – pence (note 7)		
- Basic	-	(18.0)
- Diluted	-	(18.0)

Consolidated Statement of Recognised Income and Expense (unaudited)

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Exchange differences on translation of foreign operations	284	(940)
Actuarial gains/(losses) on retirement benefit obligation		
- UK Scheme	723	474
- US Scheme	(625)	919
Deferred tax on retirement benefit obligation		
- UK Scheme	(202)	(142)
- US Scheme	250	(368)
Net expense recognised directly in equity	430	(57)
Profit for the financial period	5,042	2,222
Total recognised income for the financial period	5,472	2,165
Attributable to :		
Equity holders of the parent	5,471	2,165
Minority interests	1	-
	5,472	2,165

Consolidated Balance Sheet (unaudited)

	Year Ended 31 May 2008 £'000	Year Ended 31 May 2007 £'000
Non-current assets		
Property, plant and equipment	8,240	6,763
Intangible assets	11,688	4,359
Deferred tax assets	2,566	2,802
	<hr/> 22,494	<hr/> 13,924
Current assets		
Inventories	11,114	10,810
Trade and other receivables	11,733	9,801
Cash and cash equivalents	2,506	6,478
Total current assets	<hr/> 25,353	<hr/> 27,089
Total assets	<hr/> 47,847	<hr/> 41,013
Current liabilities		
Trade and other payables	(4,832)	(3,857)
Tax liabilities	(570)	(879)
Bank overdrafts	(2,310)	-
Total current liabilities	<hr/> (7,712)	<hr/> (4,736)
Non-current liabilities		
Other creditors	(67)	(135)
Deferred tax liabilities	(1,392)	(384)
Retirement benefit obligation (note 13)	(6,794)	(6,909)
Total non-current liabilities	<hr/> (8,253)	<hr/> (7,428)
Total liabilities	<hr/> (15,965)	<hr/> (12,164)
Net assets	<hr/> 31,882	<hr/> 28,849
Equity (note 14)		
Share capital	3,270	3,270
Share premium	638	638
Retained earnings	29,018	26,283
Foreign currency translation reserve	(1,058)	(1,342)
Equity attributable to equity holders of the parent	<hr/> 31,868	<hr/> 28,849
Minority interest	14	-
Total equity	<hr/> 31,882	<hr/> 28,849

Consolidated Cash Flow Statement (unaudited)

	Year Ended 31 May 2008 £'000	Year Ended 31 May 2007 £'000
Net cash generated from operating activities		
- Continuing operations (note 11)	6,978	7,557
- Discontinued operations (note 11)	-	(583)
Cash generated by operations	6,978	6,974
Tax paid	(2,184)	(2,505)
Interest received	161	161
Interest paid	(34)	(29)
Net cash generated from operation activities	4,921	4,601
Investing activities		
Disposal of subsidiary	-	2,780
Closure of operation	-	(141)
Proceeds on disposal of property, plant and equipment	111	-
Purchases of property, plant and equipment	(1,997)	(500)
Expenditure on purchased software	(57)	-
Acquisition costs :		
- Business combinations (note 10)	(7,010)	-
- Deferred consideration	(68)	(208)
Net cash used in investing activities	(9,021)	1,931
Financing activities		
Dividends paid	(2,453)	(2,534)
Net cash used in financing activities	(2,453)	(2,534)
Net increase in cash and cash equivalents	(6,553)	3,998
Cash and cash equivalents at beginning of year	6,478	3,077
Effect of foreign exchange rate changes	271	(597)
Cash and cash equivalents at end of period	196	6,478

Notes to the Interim Results

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 2008 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 as such comply with Article 4 of the EU IAS Regulation.

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 2007 consolidated financial statements, apart from the adoption of new standards effective during the year and as summarised below. These accounting policies have been applied consistently in respect of the Group entities.

During the current financial year, the Group has adopted IFRS 7 'Financial Instruments: Disclosures' which is effective for accounting periods beginning on or after 1 January 2007 along with the associated amendments to IAS 1 'Presentation of Financial Statements'. The main impact of IFRS 7 and the changes to IAS 1 has been to expand the disclosures regarding the Group's financial instruments and management of capital. Also during the year four interpretations issued by the International Financial Reporting Interpretations Committee have come into force. They are IFRIC 7 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2', IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment'. The adoption of these Interpretations has not led to any significant changes in the Group's accounting policies.

Status of preliminary announcement

The financial information set out above does not constitute the Group's statutory accounts within the meaning of section 240 of the Companies Act 1985. The 2008 figures are based on unaudited accounts for the year ended 31 May 2008. The statutory accounts will be finalised on the basis of the financial information presented by the directors in the preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors do not expect to issue a qualified report or for the audit report to contain any matters to which they draw attention to without qualifying their report. The 2007 comparatives are derived from the statutory accounts for the year ended 31 May 2007 which have been delivered to the Registrar of Companies and received an unqualified audit report, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under the Companies Act 1985, s237(2) or (3).

The preliminary announcement has been approved by the Board of Directors and authorised for issue on 27 August 2008.

2. Revenue

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Turnover by geographical destination on continuing operations :		
United Kingdom	10,719	9,510
Rest of Europe	3,090	2,054
United States of America	14,322	15,213
Rest of World	2,991	2,425
Total consolidated turnover	31,122	29,202

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.

The principal activities of the two primary segments are as follows :-

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

Analysis of results by geographical segment :

	31 May 2008 £000	31 May 2008 £000	31 May 2007 £000	31 May 2007 £000
Revenue - continuing operations				
US - External	17,210	17,210	17,447	17,447
US - Inter-segmental *	<u>706</u>		<u>849</u>	
	<u><u>17,916</u></u>		<u><u>18,296</u></u>	
UK - External	13,912	13,912	11,755	11,755
UK - Inter-segmental *	<u>236</u>		<u>231</u>	
	<u><u>14,148</u></u>		<u><u>11,986</u></u>	
Total revenue		<u><u>31,122</u></u>		<u><u>29,202</u></u>

*Inter –segmental sales are charged at the prevailing market rates

4. Finance income

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Interest receivable on bank deposits	161	161
Expected return on pension scheme assets	<u>1,357</u>	<u>943</u>
	<u><u>1,518</u></u>	<u><u>1,104</u></u>

5. Finance costs

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Interest payable on bank loans and overdrafts	34	29
Interest charge on pension scheme liabilities	<u>1,366</u>	<u>1,170</u>
	<u>1,400</u>	<u>1,199</u>
Less: Amounts included from discontinued operations		<u>(25)</u>
	<u><u>1,400</u></u>	<u><u>1,174</u></u>

6. Taxation

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Analysis of charge during the period :		
Current tax		
- UK corporation tax on profits for the period	2,140	1,105
- Foreign tax	2,141	2,042
- Double tax relief	(1,856)	(965)
- Adjustments in respect of prior periods	(595)	(283)
	<u>1,830</u>	<u>1,899</u>
Deferred tax		
- Origination and reversal of temporary differences	213	14
	<u>2,043</u>	<u>1,913</u>

7. Earnings per share

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

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Earnings :		
Profit after tax – continuing operations *	5,041	5,168
Loss after tax – discontinued operations	-	(2,946)
Profit after tax – all operations	<u>5,041</u>	<u>2,222</u>
	No.	No.
Number of shares :		
Weighted average number of shares	<u>16,351,540</u>	<u>16,351,540</u>

* Figure has been adjusted to exclude £1,000 (2007: £nil) attributable to minority interests

As at 31 May 2008 and 31 May 2007 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 2008 £000	Year Ended 31 May 2007 £000
Amounts recognised as distributions to equity holders :		
Final dividend for the year ended 31 May 2007 of 10.0 pence per share (2006: 10.0 pence per share)	1,635	1,635
Interim dividend for the year ended 31 May 2008 of 5.0 pence per share (2007: 5.5 pence per share)	818	899
	2,453	2,534
Proposed final dividend for the year-ended 31 May 2008 of 10.5 pence per share (2007: 10.0 pence per share)	1,717	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 23 October 2008 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 30 October 2008 to shareholders on the register at the close of business on 3 October 2008. The shares will be declared ex-dividend on 1 October 2008.

9. Discontinued operations

On 24 November 2006 the Group announced the closure of its French operation, Editions Haynes SARL and this was followed on 24 January 2007 by the sale of Suttons Publishing Limited for a consideration of £3.0 million in cash.

10. Acquisitions

On 5 June 2007, the Board announced the acquisition of certain assets and liabilities including finished goods inventory, work in progress, intellectual property and equipment from Bookworks Pty Ltd, Rellim Pty Ltd, Motordata Pty Ltd and Stan H Earle Pty Ltd all private Australian companies in the book origination, printing and distribution business. The cash consideration for the acquisition was £0.6 million (A\$1.5 million).

On 28 February 2008, the Group acquired 100% of the issued share capital of Vivid Holding BV, a company based in Soest, Holland with subsidiaries in Holland, the UK, Italy and Spain (the Vivid Group). The Vivid Group specialise in the supply of digital technical information on repair, maintenance and diagnostics to independent garages and workshops. The cash consideration for the acquisition was £6.0 million (€8.0 million).

The table below shows the combined fair values arising on acquisition :

	Carrying value £'000	Recognised on acquisition £'000
Assets acquired		
Property, plant and equipment	202	233
Intangible assets	811	4,623
Inventories	504	540
Trade & other receivables	1,328	1,328
Cash & cash equivalents	102	102
Bank overdrafts	(215)	(215)
Trade & other payables	(1,258)	(1,258)
Deferred tax arising on recognition of intangible assets	-	(1,077)
Fair value of net assets	1,474	4,276
Goodwill – Vivid		2,659
Excess of acquirer's interest in the net fair value of the identifiable assets and liabilities over cost – Bookworks		(38)
Total consideration		6,897
Consideration		6,655
Costs associated with the acquisition		242
Total consideration		6,897
The cash outflow on acquisition was as follows :		
Cash & cash equivalents acquired		(113)
Cash paid		(6,897)
Net cash outflow		(7,010)

11. Cash flow analysis

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Cash flows from operating activities - continuing		
Profit after tax	5,042	5,168
Adjusted for :		
Income tax expense	2,043	1,913
Interest payable and similar charges	34	4
Interest receivable	(161)	(161)
IAS 19 pensions current service cost net of contributions paid	9	227
Operating profit	6,967	7,151
Depreciation on property, plant and equipment	765	735
Amortisation of intangible assets	44	-
Funding of pension and post retirement costs	(27)	(332)
Excess of acquirer's interest in the net fair value of the identifiable assets and liabilities over cost (note 10)	(38)	-
Gain on disposal of property, plant and equipment	(91)	-
	7,620	7,554
Changes in working capital :		
Decrease/(increase) in inventories	236	(215)
(Increase)/decrease in receivables	(604)	526
Decrease in payables	(274)	(308)
	6,978	7,557

	Year Ended 31 May 2008 £000	Year Ended 31 May 2007 £000
Cash flows from operating activities - discontinuing		
Loss after tax	-	(2,946)
Adjusted for :		
Interest payable and similar charges	-	25
Loss on disposal of subsidiary	-	2,288
Closure of operation	-	533
Operating loss	-	(100)
Depreciation on property, plant and equipment	-	22
	-	(78)
Changes in working capital :		
Increase in inventories	-	(235)
Increase in receivables	-	(280)
Increase in payables	-	10
	-	(583)

12. Analysis of the changes in net funds

	As at 1 June 2007 £'000	Cash flow movements £'000	Exchange movements £'000	As at 31 May 2008 £'000
Cash at bank and in hand	6,478	(4,243)	271	2,506
Bank overdrafts	-	(2,310)	-	(2,310)
	6,478	(6,553)	271	196

13. 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 2008 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 2008 £000	Year Ended 31 May 2007 £000
Consolidated retirement benefit obligation at beginning of period	(6,909)	(8,517)
Movement in the period :		
- Total expenses charged in the income statement	(1,104)	(1,330)
- Contributions paid	1,122	1,435
- Actuarial gain taken directly to reserves	98	1,393
- Foreign currency exchange rates	(1)	110
Consolidated retirement benefit obligation at end of period	(6,794)	(6,909)

14. Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Foreign exchange translation reserve £'000	Retained earnings £'000	Minority Total interests £'000	Total equity £'000
Balance at 1 June 2006	3,270	638	(402)	25,712	29,218	- 29,218
Profit for the period	-	-	-	2,222	2,222	- 2,222
Currency translation adjustments	-	-	(940)	-	(940)	- (940)
Pension obligations, net of tax	-	-	-	883	883	- 883
Total recognised income and expense	-	-	(940)	3,105	2,165	- 2,165
Dividends	-	-	-	(2,534)	(2,534)	- (2,534)
Balance at 1 June 2007	3,270	638	(1,342)	26,283	28,849	- 28,849
Profit for the period	-	-	-	5,042	5,042	- 5,042
Currency translation adjustments	-	-	284	-	284	- 284
Pension obligations, net of tax	-	-	-	146	146	- 146
Total recognised income and expense	-	-	284	5,188	5,472	- 5,472
Dividends	-	-	-	(2,453)	(2,453)	- (2,453)
Acquisition of minority interest	-	-	-	-	14	14
Balance at 31 May 2008	3,270	638	(1,058)	29,018	31,868	14 31,882

15. Other information

The Directors Report and audited accounts for the financial year ended 31 May 2008 will be posted to shareholders on 8 September 2008 and delivered to the Registrar of Companies following the Annual General Meeting which will be held on 23 October 2008. This preliminary announcement is not being posted to shareholders, but is available on the UK web site <http://www.haynes.co.uk/investor>.

Copies of the Directors' report and audited accounts can be obtained from: The Group Company Secretary, Haynes Publishing Group P.L.C., Sparkford, Near Yeovil, Somerset BA22 7JJ (telephone 01963 440635).