

# **HAYNES PUBLISHING GROUP P.L.C.**

## **PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED 31 May 2009**

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 its subsidiary Vivid Holding BV (Vivid), with its headquarters in the Netherlands, 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. Vivid offers an extensive range of offline and online technical information products which can be easily branded and integrated with existing client databases.

The Haynes Group also publish an extensive array of books about motoring and motor sport as well as other transport, aviation, military and general DIY related activities.

### **Financial Highlights**

- Turnover of £35.3 million (2008: £31.1 million)
- Operating profit of £7.6 million (2008: £7.0 million)
- Profit before tax of £7.1 million (2008: £7.1 million)
- Basic earnings per share of 29.4 pence (2008: 30.8 pence)
- Net funds of £1.4 million (2008: £0.2 million)
- Final dividend of 11.5 pence per share, giving a total dividend of 15.5 pence per share (2008: 15.5 pence)

### **Enquiries :**

#### **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

The twelve months to 31 May 2009 have encompassed some of the most extraordinary global economic conditions in the Group's forty-nine year history. The crisis in the global financial markets towards the latter part of 2008 and the ensuing economic downturn have been well documented and have led to an extremely challenging business environment. Nevertheless, the benefits from our acquisitions last year and in particular, the acquisition of the Vivid Group, have helped the Haynes Group to increase revenue and maintain profits during this difficult period.

During the first six months of our financial year we experienced a year-on-year increase in revenue of 14% as the effect of the Vivid acquisition and a weaker Sterling against the US Dollar benefited the Group. Also during this period we felt the impact of lower replenishment of our core products as retailers reduced borrowings in response to the tightening credit markets and consumer sentiment moved from a spending to a saving mode. Trading during our third quarter followed a similar pattern although stronger trading in both our key geographical markets in the US and UK towards the end of the fourth quarter helped mitigate some of the shortfall experienced in the first three quarters.

Notwithstanding the challenging economic conditions, the Haynes Group continues to strengthen its financial position and generate strong cash flows. Last year the Group incurred expenditure of £7.0 million on two key strategic acquisitions (Vivid Holding BV and Bookworks Pty) and invested £2.0 million in tangible assets. This year, the US business has invested £1.8 million (\$3.0 million) in a new binding line for its print facility in Nashville. In total this represents over £10.5 million of non-trading expenditure in less than 24 months and led to net borrowings of £1.4 million at the half year. Nevertheless, at that time, the Board was confident that the Group would return to a positive net cash position during the early part of our next financial year. Therefore, it is particularly satisfying to report that the Group is ahead of schedule in this regards, ending the financial year with surplus net cash of £1.4 million.

### Results summary

Following the impact of a full year from Vivid which increased Group revenue by £3.2 million and a weaker Sterling against the US Dollar which increased Group revenue by £3.5 million, Group revenue ended the year at £35.3 million, 14% up on the prior year (2008: £31.1 million). However, the benefits of the higher revenue have been partially offset by the lower manual sales in the US and the UK as retailers continue to reduce inventory levels. The net impact of the above factors led to Group operating profit ending the year up 9% at £7.6 million (2008: £7.0 million).

With net bank interest payable of £0.1 million, following the financing of last year's acquisitions, higher capital expenditure in the US and Australia and a net finance charge of £0.4 million on the Group's pension scheme assets and liabilities, Group pre-tax profits ended the period in line with last year at £7.1 million (2008: £7.1 million).

The Group's effective tax rate for the year, on attributable profits, was 32% (2008: 29%), reflecting a change in mix of geographical profits and leading to a basic earnings per share of 29.4 pence (2008: 30.8 pence).

### Structure

On 27 February 2009, the Group disposed of its UK printing operation to a local company, JF Print Limited, helping to secure the jobs of the 45 employees. The print operation, which made a loss of £0.6 million last year, was sold for £0.4 million. Following the disposal, the Group's remaining printing operations have been centralised in the US, where UK & European automotive manuals are already printed.

The above disposal forms part of a series of measures undertaken over the last few years to improve the efficiency of the UK and European operations.

## **The Board**

In January 2009, David Suter and Panton Corbett, two of our non-executive directors, retired after 19 and 16 years of service respectively. I would very much like to thank both David and Panton for their dedicated and loyal service to the Company and on behalf of my fellow directors wish them a very happy retirement.

Following the above retirements, Eddie Bell has been appointed the Senior Independent Director and also takes over the Chairmanship of the Remuneration and Nomination Committee, while Andrew Garner takes over as Chairman of the Audit Committee. We are indeed fortunate to have such experienced replacements and I wish both Eddie and Andrew success in their expanded roles.

## **Dividends**

Following £7.0 million of cash outflow on acquisitions during 2008 and high capital expenditure programmes in both 2007/8 and the first half of 2008/9, the Group moved into a net debt position at the half year. At that time, despite the Board's optimism over the Group's future trading prospects, it was felt there was still a high degree of uncertainty in the market place which could impact on our second half trading and accordingly, the Board took a prudent approach, reducing the interim dividend to 4.0 pence (2008: 5.0 pence). Six months down the line the Group is able to report it is once again cash positive and our capital expenditure for the forthcoming year is anticipated to return to more normal levels. Despite recent improvements in stock markets around the world, we have yet to see any sustained improvement in trading conditions in our main markets. Nevertheless, we remain confident in the Group's ability to deliver future profit growth. For this reason, the Board is recommending a final dividend of 11.5 pence per share, which maintains the total dividend for the year in line with last year at 15.5 pence (2008: 15.5 pence). Subject to final approval by shareholders, the final dividend will be paid on 29 October 2009 to shareholders on the register at the close of business on 2 October 2009. The shares will be declared ex-dividend on 30 September 2009.

## **Staff**

On behalf of the Board I would like to thank all our staff for their tireless efforts and commitment during the past 12 months. Unfortunately, current economic indicators point to the coming year being equally as challenging. However, the Board takes confidence that it has a dedicated and capable work force which is well placed to help grow the business and accept new challenges as they arise.

## **Future prospects**

The addition last year of Vivid Holding to the Haynes Group brought with it not just a business that was successful in its own right, but also the technical expertise to produce electronically delivered products. Clearly we see this additional capability not only producing growth in the Vivid business but the application of Vivid technology to the Haynes product offering should open up growth opportunities in the core Haynes business.

Millions of motorists every year acknowledge that it is still possible to save considerable expense by performing maintenance and repair work on their vehicles using a Haynes Manual. There is no doubt that levels of DIY activity have once again increased in this very difficult environment, but so far the benefits have been offset by reduced car sales and inventory reductions by our customers. We do believe though that more motorists will turn to our manuals as they seek to save on the expense of running their cars and motorcycles.

I remain extremely confident that as a result of actions taken to-date and the continued prudent and strong leadership by the Haynes management team, the Group is well positioned to take advantage of the upturn when it finally arrives.

**John H Haynes, OBE**  
Executive Chairman  
9 September 2009

## Group Chief Executive's Review

### **Business structure and overview**

#### *Business structure*

The Haynes Group comprises two geographic operating units.

The European business, headquartered in Sparkford, Somerset has subsidiaries in The Netherlands, Italy, Spain, Romania and Sweden. Its core business remains the publication of DIY Repair Manuals for Cars and Motorcycles, but since the acquisition of Vivid it is also now one of the major suppliers of technical information to the professional sector of the automotive aftermarket around Europe. All Vivid products are produced and sold in electronic formats. The European business also 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. The Group is also able to announce that in an association with The Daily Mirror this business also now produces a range of high profile titles utilising the Mirror's photo archive on such topics as The Rolling Stones, The Beatles and Manchester United.

The North American business, headquartered 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 Australian business also publishes information for the professional market. Following the sale of the loss making UK Printing operation, it is anticipated that the North American business will be the producer of all Group printed product.

#### *Business overview*

The impact of the ongoing financial crisis was first felt in the Group's US operation in August 2007, when major retail customers began cutting reorder quantities to conserve cash. Six months later we were experiencing similar conditions in the UK and Australia. So far, despite a couple of false starts, we have yet to see any indication of real recovery. Historically, in recessionary cycles the Group has benefited from increased sales. Yet to-date, despite indications of higher consumer DIY activity, the more dominant factors have been the impact of sustained and very low inventory levels at retail and fewer motorists changing their cars, which is often the trigger point for a new manual purchase.

However, due to a combination of the effect of the acquisition of Vivid, including the capitalisation of the Vivid software development costs to bring in line with Group policy and International Accounting Standards, which increased profit by £1.7 million and favourable exchange rate movements, the Group is able to report revenues up 14%, operating profit up by 9% and pre tax profit in line with last year. We have also significantly improved the net cash position, even after allowing for the significant investments made in the last 18 months or so.

We remain confident that as the economy recovers in our major markets we will see a return to more normal levels of replenishment by our main customers and that as car sales return to higher levels more consumers will need to replace their trusted Haynes Manual.

As a result of the "early warning" we received in our US business, management was able to establish a plan of cash conservation and cost control measures early in the recessionary cycle. These measures included a review of our inventory levels and print run strategy, a review of working capital policies and a review of head count and overheads. The actions arising from these reviews have been, and continue to be, taken in a controlled and measured manner so as not to create instability in our businesses.

The sale of our UK print division in February 2009 was a key strategic move for the Group. The sale not only eliminates what was a loss making part of the business but in the process, helps to simplify the UK operations, allowing a greater focus on those areas of the business with higher margins. However, this does not signify a move away from printed material or from in-house printing. As a business, we recognise there is still a significant demand for our manuals in a printed format and we remain committed to our paper product. After a thorough study conducted by management during the course of the year, we also remain confident in our ability to print in-house more cheaply than we can outsource printed material from overseas. Hence, the £1.8 million (\$3.0 million) of expenditure incurred earlier in the year on a new and significantly faster binding line at our US print facility which has increased binding capacity and will provide significant printing efficiencies for the Group going forward as will the decision to add significantly to our digital printing capabilities in Nashville.

Our experience with the Vivid electronic product has been similar to the above experience in that many new projects were placed on hold as the crisis deepened. Once again though, management remains confident that we are well placed to resume more normal growth as the recovery begins.

### **Operating results overview**

Certain factors which are outside our control have had a significant impact on our reported results for the year, the most notable being the weakening of the US Dollar against Sterling during the period. Having lived with exchange rates in excess of \$1.95 for the whole of the previous financial year, we first started to see rates fall during September/October 2008, dropping below the \$1.40 level in March of this year. However, the rate started to creep back up again towards the end of our fourth quarter, ending the financial year at \$1.61. As a result our average rate for the 12 months ending 31 May fell from \$2.01 last year to \$1.64 this year, a swing of 18%, increasing the Group's reportable revenue by £3.5 million and pre-tax profits by £0.8 million.

Group revenue increased by 14% to £35.3 million (2008: £31.1 million) boosted by the inclusion of a first full year of Vivid and the beneficial impact of exchange rates. In North America and Australia, revenue in local currency, was down 10% due to the inventory reductions mentioned earlier. However, following the beneficial impact of exchange rates, segmental revenue was up 10% at £18.9 million (2008: £17.2 million). It was a similar position in the UK, where sales of our core Haynes Manuals were impacted by tighter inventory and working capital management by key retailers and a weaker general publishing sector, which was characterised by heavy discounting and higher returns. The segmental revenue for the UK and European operations includes a full year of trading from Vivid, against a three month period last year, adding an additional £3.2 million to revenue. As a result revenue in the UK & European operations ended the year 18% higher at £16.4 million (2008: £13.9 million).

Gross margins have been affected by a number of factors during the year. On a positive note and as previously mentioned, this is the first full year of reporting the results for Vivid which, as an established high tech software business, operates with a low asset base and good margins. Following the acquisition by Haynes, the accounting treatment for software development costs has been brought into line with Group policy and International Accounting Standards (IAS 38 'Intangible Assets') whereby the costs of both internal and external qualifying development expenditure are capitalised and amortised on a straight line basis over 5 years. Accordingly, the inclusion of Vivid for a full year added 340 basis points to the Group's gross margin.

Also, whilst the disposal of the loss making UK print operation late into our financial year has had only a limited impact on margins during the current year, we do expect a more noticeable benefit to accrue to the Group in future years. On the downside, the reduction in sales volumes of core Haynes Manuals in both the US and the UK coupled with consolidation in the supply chain of our principal raw material, increasing raw material costs, has had a negative impact on the Group's margins. The overall net impact has been to increase gross margin for the year to 62.1% (2008: 61.3%).

Trading overheads increased by £2.3 million in the course of the year, with the impact of exchange on the US numbers, inflating overhead costs by £1.4 million and the inclusion of Vivid for a full year adding £1.1 million of overhead cost. Overall, there has been a net decrease in the underlying overheads of £0.2 million.

The net impact of the above factors left Group operating profit up 9% at £7.6 million (2008: £7.0 million).

During the year, the impact of the global economic downturn led to a lower return on our pension scheme assets and a higher charge on our pension scheme liabilities; as a result the net finance cost arising from our two defined benefit schemes was £0.4 million. This coupled with net bank interest payable of £0.1 million, following last year's acquisitions and higher capital expenditure in the US and Australia led to a net finance cost of £0.5 million.

The net impact of the above is that pre-tax profits ended the year in line with last year at £7.1 million (2008: £7.1 million).

## Segmental overview

### *North America and Australia*

The pace of inventory reductions by retailers actually accelerated during the course of the year with the result that, in local currency, revenue from the North American and Australian operations fell by 10% to \$31.0 million (2008: \$34.6 million). Fortunately, we were able to offset some of this impact by increasing our selling prices at the end of last year.

The Chairman has already mentioned the fact that we have yet to see improvements in trading conditions with our main retail customers. There has been much discussion in recent weeks concerning the absence of the development of growth in top line revenue not only among retailers but also among a wide variety of companies across the United States. Our own experience remains that customers for our core product continue to be focussed on the reduction of inventories and maintaining them at very low levels. As an example, knowing that there would be a negative impact on their sales, one of our major customers recently took the decision to reduce on hand quantities in stores from two per title to one, clearly this had a significant impact on replenishment orders.

In the US, we have expanded our advertising and continue to focus on the fact that DIY can save money. We also teamed up with the Car Care Council to promote National Car Care month. We continue to promote the cost saving benefits of owning a Haynes manual.

Experience in Australia has been a virtual mirror image of that in the US except that it occurred somewhat later.

Reduced segmental operating profits for North America and Australia in local currency (down 24% at \$8.4 million (2008: \$11.0 million) were partially offset by positive exchange rate movements. As a result, reportable segmental operating profits ended the year 7% lower at £5.1 million (2008: £5.5 million).

### *United Kingdom and Europe*

- Automotive

In the UK, similar inventory reduction programmes by retailers impacted sales of Haynes manuals although the effect of the customer de-stocking was partially offset by price increases in the second quarter. Overall sales revenue from Haynes Manuals ended the year 8% down on the prior year.

In Sweden, similar market conditions were compounded by the relocation of a major customer which led to the suspension of ordering for several months. As a result, sales in Sweden ended the year down 22% on the prior year.

On the electronic side of the business, Vivid released two new products during the year. Firstly, Vivid Workshop Organiser, a management tool to help garages organise and run their workshops more efficiently and secondly, the ground breaking Vivid Cars Electronic Data (also known as Vivid Electronics Smart Assistant). This new module allows independent workshops to diagnose and repair modern car electronics quickly and effectively by allowing mechanics to conduct an intelligent, step-by-step diagnosis using a vast database of smart diagrams containing only the components relevant to each stage of the diagnosis. The initial feedback on this exciting new technology has been very positive and is a further example of the electronic expertise brought into the Group following the acquisition of Vivid.

- General Publishing

Revenue in the Haynes Book division ended the year 8% down on the prior year, which is a credible performance given the difficult economic backdrop. The publishing sector has suffered from higher levels of returns and we were no exception, seeing returns from retailers increasing by 20% over the prior year. The market has also experienced unusually high volumes of heavily deep discounted stock, as publishers seek to reduce inventory levels and turn old idle stock into cash. Nevertheless, despite these difficult trading conditions we have seen strong sales of the new RAF titles, the Spitfire Manual and the Lancaster Manual, both of which finished in the divisions top 5 selling titles. Also, in March 2009, one of our titles *Regga: The Extraordinary Two Lives of Clay Regazzoni* by Christopher Hilton won the prestigious *Best Biography* at the British Sports Book Awards, sponsored by the Times. This is the first time one of our titles has won the

prestigious award and with four of our other titles also nominated for other awards, this is a strong indicator as to the strength in depth of the divisions publishing programme. One of the titles nominated in the *Best Illustrated Book* category 'When Football was Football' was one of two titles published for the 2008 Christmas market in partnership with The Daily Mirror. Under the new arrangement, Haynes has a license to research the extensive picture library of The Daily Mirror to produce a series of highly illustrated titles using the photographic and written archives of the Daily Mirror. Further titles with a wide audience appeal are scheduled for the coming year.

The Haynes licensing programme has now firmly established itself as an integral part of the UK business. Whilst not large in revenue or contribution terms, this division brings to the Group extremely valuable exposure to markets and partners that it would not be easy to replicate with our more traditional products and is an extremely useful source of new product ideas and initiatives.

As a result of the above, coupled with a full year of Vivid reporting, UK & European segmental profits increased to £2.2 million (2008: £1.3 million).

## **Taxation**

The charge to taxation on continuing operations for the year was £2.3 million (2008: £2.0 million) giving an effective tax rate of 32% (2008: 29%). The increase in the effective rate reflects the higher proportion of profits generated from overseas operations where the corporate tax rates are higher than in the UK.

## **Net debt, working capital and cash flows**

Following the acquisition of Vivid Holding BV in February 2008 for a total cash consideration of £6.2 million, we started the year with net cash of £0.2 million. However, with a weak second quarter's trading, coupled with the installation of the new binding line in the US, for a cost of £1.8 million (\$3.0 million), we were reporting a net debt position of £1.4 million at the half year. Early in the recessionary cycle, management identified the pay down of the Group's net debt as a key driver for the business and initiatives were put in place to help facilitate this. These initiatives together with stronger second half trading, albeit still behind last year, and the sale of our UK print operation at the end of our third quarter for £0.4 million resulted in the Group closing the year with a net cash position of a positive £1.4 million.

The conversion of profit into cash is a key factor for any business and during the year the cash generated before tax was £9.3 million (2008: £7.0 million) and represented 123% of Group operating profit (2008: 100%).

We continue to closely monitor and manage our working capital and introduced a number of measures during the year to reduce our physical inventory. This included a review of first print run sizes, initiatives to more quickly identify and clear down slow moving stocks and a review of our general publishing reprint strategy, given the advances in digital short-run printing technology. Whilst we will not see the benefit from all of these initiatives immediately, management is confident that through the actions and decisions taken to-date, physical inventory levels can be reduced in the short to medium term. In fact, despite the additional stock from our new title programmes, inventory levels are already 0.3 million units lower than at this time last year. From a monetary perspective, the efforts we are making with regards working capital has been somewhat masked by the impact of exchange, which for inventories has increased the balance sheet value by £1.1 million and for trade receivables by £1.7 million.

## **Treasury management & procedures**

The Group's funding policies are designed to reduce and minimise financial risk and ensure sufficient liquidity for the Group's future needs. The Group maintains a regular dialogue with its banking partners to ensure the Group has appropriate committed and uncommitted facilities to support the Group's commercial activities and growth strategy. Strict controls are maintained 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.

## Foreign exchange

The Group's main currency exposure is derived from trading transactions between Group operating units and with our global customer base. Approximately 47% (2008: 48%) of the Group's revenue streams are generated in US Dollars, 32% (2008: 38%) in Sterling, 12% in Euro's (2008: 4%) with the balance coming from a mix of currencies across our operating entities. The increase in the Euro content reflected a full year of trading from Vivid. 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, a non-contributory defined benefit plan in the US and defined contribution scheme in The Netherlands.

As at 31 May 2009 the aggregate deficit on the two retirement benefit schemes was £10.4 million (2008: £6.8 million). The increase in the deficit is primarily due to the impact of the economic downturn on the market value of the asset portfolio, with actuarial shortfalls on the UK and US schemes during the year of £1.6 million and £1.6 million respectively. In addition, the impact of exchange added a further £0.3 million to the value of the deficit.

The Group funds its pension contributions based on actuarial valuations which are undertaken annually in the US and triennially in the UK, with the latest UK triennial valuation being for the Scheme year ended 30 June 2008.

## Group outlook

Trading conditions so far in the first quarter remain challenging in all our main markets. Nevertheless, overall Group revenue is in line with last year. The Group will release its first quarter interim management statement at the end of September, when we will be better placed to update stakeholders on the first quarters trading and market conditions in the lead up to our half year.

Over the past few years management have implemented significant changes within the Haynes Group.

These changes began with the disposal of loss making subsidiaries and the closure of divisions and departments which did not add value, and these moves continued during the past year with the sale of the UK Printing Operation (which lost £0.6 million last year) but also included acquisitions like Vivid, which not only broaden the base of the Group in the Automotive area, but also expand its area of core competence into the technologically driven arena.

We have also implemented new IT systems, especially in the UK, where we have replaced our 'abacus' with a state of the art system, giving management much better opportunities to access information that helps interpret and develop the business in a real time environment.

We have also added an award winning licensing program which, while not yet significant in overall terms, shows signs of contributing quite nicely to profitability, as well as expanding brand exposure to a very significant degree. There have also been new initiatives in the general publishing area such as the addition of the Military and Aviation list and the new "MirrorPix" project with the Daily Mirror, which we believe offer very nice potential.

These moves have been made in a considered fashion, and structured in such a way as to expand the Group's opportunities for growth while at the same time limiting the disruption to an extremely competent team that has been developed over many years. I want to add my own compliments, to those the Chairman has made earlier, to a staff who have produced results which many companies could only dream of, and in conditions which none of us thought we would ever face.

Our plans are to utilise the Vivid technology on Haynes products, expanding opportunities into new web delivered products in other languages which could not have previously supported a printed product while at the same time enhancing the Vivid product in the professional arena by including complementary content from the Haynes product base. These programs are under way.

The upgrading of our Digital Printing Facility which is now taking place in Nashville will not only, over the course of time, enable us to reduce overall General Publishing inventory, it will also enable us to print much shorter runs and create additional sales opportunities as a result, by keeping titles in print which would otherwise have been discontinued.

We will continue with the development and implementation of these projects as well as the pursuit of profitable acquisition opportunities.

These moves are underpinned by the fundamental strength of our core business in DIY manuals for cars and motorcycles. Despite the lost sales in these areas in recent years we continue to believe that as long as cars are built, there will be a core of DIY enthusiasts who will prefer to do work on their vehicles themselves and save significant amounts of money. With a huge market share in English speaking territories, Haynes continues to lead the world in this area of our business. The Manual business also generates sufficient cash flow to support the initiatives mentioned previously.

A massively over leveraged society has been forced into very heavy de-leveraging in the past two years. There are commentators now, especially in the US, who are suggesting that inventory levels among retailers, which continue to fall, have reached levels so low as to be unsustainable. A return to more appropriate levels of inventory can only improve this core segment of our business.

While we continue to operate in a financial swamp, our business is fundamentally strong, and management is confident in its ability to fight off the alligators and continue to provide all of our investors superior value for their commitment to the business.

**Eric Oakley**  
Group Chief Executive  
9 September 2009

## Consolidated Income Statement

	Note	Year Ended 31 May 2009 Unaudited £'000	Year Ended 31 May 2008 Audited £'000
<b>Continuing operations</b>			
<b>Revenue</b>	2	35,335	31,122
Cost of sales		(13,378)	(12,050)
<b>Gross profit</b>		21,957	19,072
Other operating income		101	75
Distribution costs		(8,622)	(7,345)
Administrative expenses		(5,861)	(4,835)
<b>Operating profit</b>		7,575	6,967
Finance income	4	1,123	1,518
Finance costs	5	(1,642)	(1,400)
<b>Profit before taxation</b>		<b>7,056</b>	<b>7,085</b>
Taxation	6	(2,267)	(2,043)
<b>Profit for the period from continuing operations</b>		<b>4,789</b>	<b>5,042</b>
<b>Attributable to :</b>			
Equity holders of the Company		4,810	5,041
Minority interests		(21)	1
		<b>4,789</b>	<b>5,042</b>
<b>Earnings per share from continuing and total operations – pence</b>			
	7		
- Basic		29.4	30.8
- Diluted		29.4	30.8

## Consolidated Statement of Recognised Income and Expense

	Year Ended 31 May 2009 Unaudited £000	Year Ended 31 May 2008 Audited £000
Exchange differences on translation of foreign operations	4,634	284
Actuarial (losses)/gains on retirement benefit obligation		
- UK Scheme	(1,627)	723
- US Scheme	(1,594)	(625)
Deferred tax on retirement benefit obligation		
- UK Scheme	455	(202)
- US Scheme	637	250
<b>Net income recognised directly in equity</b>	<b>2,505</b>	<b>430</b>
Profit for the financial period	4,789	5,042
<b>Total recognised income for the financial period</b>	<b>7,294</b>	<b>5,472</b>
Attributable to :		
Equity holders of the parent	7,315	5,471
Minority interests	(21)	1
	<b>7,294</b>	<b>5,472</b>

## Consolidated Balance Sheet

	Year Ended 31 May 2009 Unaudited £'000	Year Ended 31 May 2008 Audited £'000
<b>Non-current assets</b>		
Property, plant and equipment	9,831	8,240
Intangible assets	14,979	11,688
Deferred tax assets	3,996	2,566
	<b>28,806</b>	<b>22,494</b>
<b>Current assets</b>		
Inventories	12,523	11,114
Trade and other receivables	11,765	11,733
Cash and cash equivalents	3,029	2,506
<b>Total current assets</b>	<b>27,317</b>	<b>25,353</b>
<b>Total assets</b>	<b>56,123</b>	<b>47,847</b>
<b>Current liabilities</b>		
Trade and other payables	(4,446)	(4,832)
Current tax liabilities	(122)	(570)
Bank overdrafts	(1,659)	(2,310)
<b>Total current liabilities</b>	<b>(6,227)</b>	<b>(7,712)</b>
<b>Non-current liabilities</b>		
Other creditors	-	(67)
Deferred tax liabilities	(2,691)	(1,392)
Retirement benefit obligation	(10,390)	(6,794)
<b>Total non-current liabilities</b>	<b>(13,081)</b>	<b>(8,253)</b>
<b>Total liabilities</b>	<b>(19,308)</b>	<b>(15,965)</b>
<b>Net assets</b>	<b>36,815</b>	<b>31,882</b>
<b>Equity</b>	11	
Share capital	3,270	3,270
Share premium	638	638
Retained earnings	29,328	29,018
Foreign currency translation reserve	3,576	(1,058)
<b>Equity attributable to equity holders of the parent</b>	<b>36,812</b>	<b>31,868</b>
Minority interest	3	14
<b>Total equity</b>	<b>36,815</b>	<b>31,882</b>

## Consolidated Cash Flow Statement

	Year Ended 31 May 2009 Unaudited £'000	Year Ended 31 May 2008 Audited £'000
<b>Cash flows from operating activities - continuing</b>		
Profit after tax	4,789	5,042
<b>Adjusted for :</b>		
Income tax expense	2,267	2,043
Interest payable and similar charges	116	34
Interest receivable	(38)	(161)
Interest charges on pension liabilities less expected returns on pension assets	441	9
<b>Operating profit</b>	<b>7,575</b>	<b>6,967</b>
Depreciation on property, plant and equipment	864	765
Amortisation of intangible assets	418	43
IAS 19 pensions current service cost net of contributions paid	(407)	(27)
Excess of acquirer's interest in the net fair value of the identifiable assets and liabilities over cost	-	(38)
Loss/(gain) on disposal of property, plant and equipment	139	(90)
	<b>8,589</b>	<b>7,620</b>
<b>Changes in working capital :</b>		
(Increase)/decrease in inventories	(300)	236
Decrease/(increase) in receivables	1,918	(604)
Increase/(decrease) in payables	(917)	(274)
<b>Net cash generated from operations</b>	<b>9,290</b>	<b>6,978</b>
Tax paid	(2,024)	(2,184)
<b>Net cash from operating activities</b>	<b>7,266</b>	<b>4,794</b>
<b>Investing activities</b>		
Proceeds on disposal of property, plant and equipment	416	111
Purchases of property, plant and equipment	(2,354)	(1,997)
Expenditure on development costs	(1,939)	(57)
Acquisition costs :		
– Business combinations	-	(7,010)
– Deferred consideration	(81)	(68)
Interest received	38	161
<b>Net cash used in investing activities</b>	<b>(3,920)</b>	<b>(8,860)</b>
<b>Financing activities</b>		
Dividends paid	(2,371)	(2,453)
Interest paid	(112)	(34)
Cash received from minority interests	10	-
<b>Net cash used in financing activities</b>	<b>(2,473)</b>	<b>(2,487)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>873</b>	<b>(6,553)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>196</b>	<b>6,478</b>
Effect of foreign exchange rate changes	301	271
<b>Cash and cash equivalents at end of period (net funds)</b>	<b>1,370</b>	<b>196</b>

## 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 2009 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 2008 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.

During the financial year beginning 1 June 2008 the following new standards, amendments to standards or interpretations became effective for the first time. IFRIC 11/IFRS 2 'Group treasury share transactions', IFRIC 12 'Service concession arrangements', IFRIC 13 'Customer loyalty programmes', IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction' and an amendment to IAS 39 'Financial instruments: recognition and measurement'. The adoption of these interpretations, standards or amendment to standards were either not relevant for the Group or have not led to any significant impact on the Group's financial statements.

#### Status of preliminary announcement

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 May 2008 or the year ended 31 May 2009. Statutory accounts for the year ended 31 May 2008 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 May 2008 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985.

The 2009 figures are based on unaudited accounts for the year ended 31 May 2009. Statutory accounts for the year ended 31 May 2009 will be finalised based on the information presented in this announcement. The auditors will report on those accounts once they are finalised.

Statutory accounts for the year ended 31 May 2008 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 May 2009 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 9 September 2009.

### 2. Revenue

	Year Ended 31 May 2009 £000	Year Ended 31 May 2008 £000
<b>Turnover by geographical destination on continuing operations :</b>		
United Kingdom	10,808	10,719
Rest of Europe	5,750	3,090
United States of America	15,756	14,322
Rest of World	3,021	2,991
<b>Total consolidated turnover</b>	<b>35,335</b>	<b>31,122</b>

### 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 and sale of automotive repair manuals and electronic data 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 2009 £000	31 May 2009 £000	31 May 2008 £000	31 May 2008 £000
<b>Revenue - continuing operations</b>				
US - External	18,908	18,908	17,210	17,210
US - Inter-segmental *	804		706	
	<u>19,712</u>		<u>17,916</u>	
UK - External	16,427	16,427	13,912	13,912
UK - Inter-segmental *	182		236	
	<u>16,609</u>		<u>14,148</u>	
<b>Total revenue</b>		<u><b>35,335</b></u>		<u><b>31,122</b></u>

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

### 4. Finance income

	Year Ended 31 May 2009 £000	Year Ended 31 May 2008 £000
Interest receivable on bank deposits	38	161
Expected return on pension scheme assets	1,085	1,357
	<u><b>1,123</b></u>	<u><b>1,518</b></u>

### 5. Finance costs

	Year Ended 31 May 2009 £000	Year Ended 31 May 2008 £000
Interest payable on bank loans and overdrafts	87	34
Other interest	29	-
Interest charge on pension scheme liabilities	1,526	1,366
	<u><b>1,642</b></u>	<u><b>1,400</b></u>

## 6. Taxation

	Year Ended 31 May 2009 £000	Year Ended 31 May 2008 £000
Analysis of charge during the period :		
<b>Current tax</b>		
- UK corporation tax on profits for the period	1,337	2,140
- Foreign tax	1,058	2,141
- Double tax relief	(1,227)	(1,856)
- Adjustments in respect of prior periods	65	(595)
	<b>1,233</b>	<b>1,830</b>
<b>Deferred tax</b>		
- Origination and reversal of temporary differences	1,034	213
	<b>2,267</b>	<b>2,043</b>

## 7. Earnings per share

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

	Year Ended 31 May 2009 £000	Year Ended 31 May 2008 £000
<b>Earnings :</b>		
Profit after tax – continuing operations *	4,810	5,041
Profit after tax – all operations	4,810	5,041
	No.	No.
<b>Number of shares :</b>		
Weighted average number of shares	16,351,540	16,351,540

\* Figure has been adjusted for a debit balance of £21,000 (2008: credit of £1,000) attributable to minority interests.

As at 31 May 2009 and 31 May 2008 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 2009 £000	Year Ended 31 May 2008 £000
<b>Amounts recognised as distributions to equity holders :</b>		
Final dividend for the year ended 31 May 2008 of 10.5 pence per share (2007: 10.0 pence per share)	1,717	1,635
Interim dividend for the year ended 31 May 2009 of 4.0 pence per share (2008: 5.0 pence per share)	654	818
	<b>2,371</b>	<b>2,453</b>
Proposed final dividend for the year ended 31 May 2009 of 11.5 pence per share	1,880	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 21 October 2009 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 29 October 2009 to shareholders on the register at the close of business on 2 October 2009. The shares will be declared ex-dividend on 30 September 2009.

## 9. Analysis of the changes in net funds

	As at 1 June 2008 £'000	Cash flow £'000	Exchange movements £'000	As at 31 May 2009 £'000
Cash at bank and in hand	2,506	222	301	3,029
Bank overdrafts	(2,310)	651	-	(1,659)
	<b>196</b>	<b>873</b>	<b>301</b>	<b>1,370</b>

## 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 2009 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 2009 £000	Year Ended 31 May 2008 £000
Consolidated retirement benefit obligation at beginning of period	(6,794)	(6,909)
Movement in the period :		
- Total expenses charged in the income statement	(1,482)	(1,104)
- Contributions paid	1,447	1,122
- Actuarial gain taken directly to reserves	(3,221)	98
- Foreign currency exchange rates	(340)	(1)
<b>Consolidated retirement benefit obligation at end of period</b>	<b>(10,390)</b>	<b>(6,794)</b>

## 11. 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
<b>Balance at 1 June 2007</b>	<b>3,270</b>	<b>638</b>	<b>(1,342)</b>	<b>26,283</b>	<b>28,849</b>	<b>- 28,849</b>
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)
Minority interest	-	-	-	-	-	14 14
<b>Balance at 1 June 2008</b>	<b>3,270</b>	<b>638</b>	<b>(1,058)</b>	<b>29,018</b>	<b>31,868</b>	<b>14 31,882</b>
Profit for the period	-	-	-	4,810	4,810	(21) 4,789
Currency translation adjustments	-	-	4,634	-	4,634	- 4,634
Pension obligations, net of tax	-	-	-	(2,129)	(2,129)	- (2,129)
Total recognised income and expense	-	-	4,634	2,681	7,315	(21) 7,294
Dividends	-	-	-	(2,371)	(2,371)	- (2,371)
Increase in Minority share capital	-	-	-	-	-	10 10
<b>Balance at 31 May 2009</b>	<b>3,270</b>	<b>638</b>	<b>3,576</b>	<b>29,328</b>	<b>36,812</b>	<b>3 36,815</b>

## **12. Other information**

The Directors Report and audited accounts for the financial year ended 31 May 2009 will be posted to shareholders on 28 September 2009 and delivered to the Registrar of Companies following the Annual General Meeting which will be held on 21 October 2009. 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).