DC Thomson & Company Limited

Directors' report and IFRS Group accounts
for the year ended 31 March 2007

Registered number 5830

DC Thomson & Company Limited

Contents

DC Thomson & Company Limited

Directors' report

Directors' report to the hundred and third Annual General Meeting of DC Thomson & Company Limited, to be held at 22 Meadowside, Dundee on 27 November 2007 at 12 noon

It is with regret the directors announce the death of Mr BH Thomson on 7 November 2006. He made a huge contribution to the DC Thomson group during a long and distinguished career

The Directors submit the audited accounts of the Company and of the Group for the year ended 31 March 2007

Activities and dividends

The principal activity of the Group remains the printing and publishing of newspapers, magazines and books

The Directors recommend that a final dividend of £11,351,000 *(2006 £10,586,000)* be paid, which together with the interim dividend of £1,117,000 *(2006 £558,000)* already paid, will make a total of £12,468,000 *(2006 £11,144,000)* for the year

Business overview 2007

This has been a year both of consolidation and of change, as we welcomed our new acquisitions, Puzzler Media Group Limited ("Puzzler") and Aberdeen Journals Limited ("Aberdeen") with a full years' contribution from each of them in line with or ahead of our expectations

It has been a challenging year for our original core business as we successfully absorbed both new companies with assistance from the excellent staff at headquarters and first rate senior management at those two businesses

The traditional core Dundee operations faced a continued competitive environment and rising costs flowing through from previous years' increases as well as this year, but which began to plateau during the year and we expect these costs mainly to hold at this level or decline at least in the short term

Training, Support and Marketing costs are an exception where we continue to expend significantly greater sums to present, promote and market both our existing titles and potential new titles in preparation This expenditure is not only in advertising and promoting our publications to the trade and the public but in research so that we can enhance the content, size and quality of our titles right across the board, prudently but as a fundamental investment in our publications and in our future and the future of our people

Our name has always been synonymous with quality Journalism and Training and Performance. Significant additional resource is being applied and expended to maintain our reputation for this and as an investment in our staff This is across the Company not only in editorial areas and in our advertising departments but in production and in our accounting and commercial areas where across the Group we are installing new IT and management systems We cannot emphasise enough the importance of this investment to the Company and of management skills being reinforced We believe this expenditure and effort is fundamental to the future of the business and it is not something that is done merely for an immediate return but for the long term It will hit profits in the short term but raise performance in the longer term

This is by no means a navel gazing exercise The Media Industry, which we are a part of, is going through a sustained period of significant change and transformation and we are fortunate to have a culture that is open to and welcomes change and people who thrive in and embrace change However, it is our job to assist and to encourage this process at every level in the Company

The challenges we face are not just from the market but from regulation and legislation Last year alone there were numerous new pieces of legislation affecting companies in the areas of human resources, health and safety, pensions, corporate affairs and so on We, of course, recognise the need for and the importance of these changes but they all absorb management time

Trading overview

Sales of our Regional Daily Newspapers are in Scotland and of our Sunday newspaper The Sunday Post and our Magazines mainly in the UK Sales of our Books are throughout the world Export sales represented 24% of our trading revenue (2006 28%) although they have increased in absolute terms by £7m

The turnover of our publishing business in the year to March 2007 is divided between Newspapers 33% (21%), Magazines and Annuals 28% (26%) and Books 34% (45%) Printing and other income represents 5% (8%) The figures in bracket are the figures for the year ending March 2006

The Group experienced challenging conditions in most areas of its operations some more than others Overall revenue on a like for like basis was flat But including a full year's contribution from both Aberdeen and Puzzler, it was significantly up by £57m and trading profits were also up substantially for the same reason

The Newspaper division of our business consists principally of our main Regional Newspapers The Press and Journal and The Evening Express (based in Aberdeen) and The Courier and Advertiser and The Evening Telegraph (based in Dundee) We also publish of course The Sunday Post, a national Title.

The Aberdeen business performed well, even ahead of expectations with one of its best years, benefiting from good advertising revenues occasioned by the strength of the local economy in turn assisted by the high price of oil

The Dundee business by contrast found operations more difficult with cut backs in local government advertising and in recruitment advertising particularly from the NHS although property advertising was stronger

The Sunday Post showed some resilience and at the end of the year we added significantly to its paging and this enabled us to gain some additional advertising revenues and it will show a better performance in the results for the current year

Our circulation revenues held up reasonably well principally due to price increases There has been for many years a modest decline in sales of most Newspapers and our titles are no exception but are certainly in comparative good health compared to some in the market in this respect

Including a full year's contribution from Aberdeen, operating profits in our Newspaper division were up £7 3m before exceptional and one off items (being pension credit and impairments)

The Magazine division of our business consists principally of the Puzzler titles, our Women's Magazines, and Children's Entertainment titles

Puzzler had a good year although the market conditions for magazines generally in the UK were not good with declines in many sectors Given this, puzzle magazines generally performed reasonably well and our titles particularly so overall Puzzler continued to sell its many puzzle magazine titles successfully including Sudoku and Crossword titles and also to licence, others including many newspapers particularly in the UK The Company in a modest way has entered the US market and has a presence in Germany and Australia

Our Women's Magazines consist in the main of My Weekly and the Peoples Friend The Peoples Friend has been and is a strong performer My Weekly has had a relaunch this year with considerable investment in promotion and editorial focus That will be an ongoing process and we believe should result in increased sales

Trading Overview 2007 (continued)

Children's Entertainment consists principally of our famous Children's comics The Beano and the Dandy and our girls and pre teen titles Shout and Animals and You Work put in over the year has now begun to bear fruit For example, since the year end the Dandy has changed to a fortnightly publication, while the Beano continues as the main children's weekly comic An additional monthly Beano title was planned and has since been launched called Beanomax and we also planned and then published after the year end a girl's title called Bratz under licence Both Shout and Animals and You received an award for circulation excellence during the year

Including a full year's contribution from Puzzler operating profits of the Magazine division were up £4 2m before exceptional and one off items

Significant work has also been done during the year to further the exploitation of our Children's characters, brands and intellectual property We expect to see in the coming year the production of at least one or more series of television episodes

Our Book division consists in the main of Parragon Publishing Limited and to a lesser extent of the smaller Peter Haddock Limited

Parragon continues to progress by expanding throughout the world It has offices in Bath (headquarters), Cologne, New York and Hong Kong and in addition now has a joint venture in India and also has begun a publishing operation in Australia The UK proved more difficult this year but sales were good in Europe though flat in dollar terms in the USA

A major investment in people is ongoing at Parragon to cope with the expansion Accordingly staff levels and staff costs increased but this was also in order to bring better quality and in house editorial control of content as well as to strengthen our sales operation Due to the timing of this investment and a difficult Christmas period for one or two of our major customers profits were back on the previous year

Peter Haddock Limited, a much smaller book business now with a new management team, very significantly cut the losses of the previous year and although operating in a difficult market, has made good strides and should be well placed to perform better in the current year

Overall operating profits of the Book division were back £1 4m before exceptional, fair value adjustments and one off items

Costs

Raw material costs continued to rise Newsprint costs again particularly had an unsatisfactory increase and also, albeit to a lesser extent, the cost of gravure paper (for our magazines). Although newsprint prices may level out in the current year and at the beginning of calendar 2008 this will not benefit us in the main until year ending 31 March 2009, but we expect gravure prices to increase Ink prices were up on last year but consumption was down leaving overall costs steady

There were also increases flowing through from previous energy price rises Trade promotion costs increased significantly, the cost effectively of getting onto the newsagents and supermarket shelves The cost of research required to support our advertising and sales operations has increased and some staff costs were also up throughout the group as numbers increased in certain areas

Most if not all of our cost increases are either in the category of unavoidable or are the result of allocating resource and investment to ensure over time the continued prosperity overall of our titles in a measured way

Overall our publishing businesses saw a net increase in operating profit before exceptional and one off items of some £10m

Exceptionals as in the previous year were occasioned in the main by disposals required to pay for the acquisition of both Puzzler and Aberdeen.

Shortly after the year end the Company also disposed of its interest in Chelsea Stores Holdings Ltd, the owner of the Early Learning Centre ("ELC") business to Mothercare plc in exchange for Mothercare plc shares

The Group continues to have a healthy balance sheet and a well funded Pension Scheme although that, in no way, is ever taken for granted During the year very substantial work was undertaken in the area of pensions and on the main Thomson Leng Provident Fund in particular, principally in preparing to bring Aberdeen members into that Fund but also in designing and creating a new Defined Contribution section of the Fund and work preparing for Member Nominated Trustees and training for the Trustees During the year the Defined Benefit section was in the main closed to new entrants

The process of more fully integrating the businesses that we have acquired has, where appropriate, continued Work also on our new financial management system is proceeding apace

There were no major purchases of plant during the year, and the new KBA offset book press which we acquired and installed last year, has produced good results allowing us to print our annuals for example over a much shorter period, giving us also potential to print more

We continue to monitor and assess our printing requirements for the business as a whole There is a requirement for us to enhance our Dundee Newspaper plant so as to be better able to print more flexibly in terms of paging and colour capacity This should produce more advertising income and better and more colourful publications and work is accordingly underway to plan this, by upgrading and augmenting our existing plant where possible As a result of our ongoing review and in light of competitive pressures, technological developments and capacity levels, we have written down our press installations to what we believe is a more realistic carrying value Details are in note 11 to the accounts

Risks and uncertainties

The Group continues to devote appropriate resources to manage risks arising but also to exploit opportunities

The main commodity price risk the Group faces is that of paper. The Group enters into various arrangements as appropriate for its particular industry to manage effectively the cost of paper as far as possible

The majority of the Book business' material purchases are denominated in US dollars and 55% of its revenue is in US dollars and euros Accordingly, the Group seeks to manage its exposure by means of forward currency contracts which hedge the expected net cash flow exposure for up to 18 months forward. Details are presented in note 21. The Group does not trade in financial instruments for any other purpose.

There is competition in all the markets in which the Group operates and new products and titles may be launched by competitors which could adversely affect the Group The internet offers the Group, its competitors and the business segments it operates in a range of opportunities and threats

The directors are aware of environmental, health and safety and other non compliance risks which could impact on our business and also monitor forthcoming legislation regularly in all areas in which we operate

Non financial overview

We continue to develop good practice in a wide variety of areas, environmental, social and governance Our business activities impact on the environment and rely on good systems to monitor any and all risks emanating from our operations We are constantly aware of environmental legislation and aim to ensure that we operate within its parameters We have, as an employer, an ongoing responsibility to our employees for their safety and wellbeing at work. To this end a great deal of training goes on and we employ staff trained in health and safety and human resource

The Group devotes management time to and reports on key environmental matters including specific energy consumption, packaging waste, carbon dioxide emissions and effluent discharge

We take our relationship with our suppliers and our customers seriously and have appropriate guidelines in place

The Group's staff resources are vital to its operational success and we monitor closely accidents and time lost from injury, illness and otherwise

Future prospects

The Group, on the one hand remains committed to improving operational efficiency and maintaining a tight grip on costs but this needs to be balanced and commensurate on the other hand with appropriate investment in our brands, our titles and the refreshment of existing titles and new launches

The Regional Newspaper side of the business should benefit significantly from the contribution of Aberdeen Journals Limited However as already noted there is throughout the UK a more difficult climate for advertising revenues and circulation There has for many years been a modest decline in the circulation of most newspapers which of course impacts on results

Much work is ongoing to establish the best way of integrating our newspaper business with the internet Whilst this gives rise to increasing competition, it also offers significant opportunities to strengthen the relationship between our newspapers and the communities they serve as well as the potential for new business The Group has had some success in online genealogy through its interest in Scotland on Line Limited and this is an area which appears to have caught the public interest

Future prospects (continued)

Our traditional magazine titles also are in modest decline in circulation As already stated we have done considerable work on My Weekly and indeed also have had success in the areas of publishing for younger girls

Aberdeen and Puzzler are performing creditably We expect to see enhanced performance at Parragon taking advantage of its significant investment in people, infrastructure and its push into additional world markets

The Group owns valuable intellectual property rights in characters, titles and mastheads and intends to continue to invest in these properties and in the field of animation

Employees

Details concerning employees are shown in note 5 Good relations with employees are regarded as paramount, and communication is maintained through regular visits by management to all departments The Health and Safety of all employees has constant attention

Disabled employees are employed where possible and people with disabilities have full and fair consideration for all suitable vacancies Training is available as necessary and should an employee become disabled when working for the company efforts are made to continue their employment and retraining is provided if required

Most employees are members of company pension schemes

The Group has a talented, dedicated and loyal staff This is not taken for granted Creativity, producing and maintaining the quality and popularity of products and services, brands and intellectual property that people wish to buy or associate with, is vital to the Group, as is training and research to assist that We intend to accelerate the provision of training across the Group and the development of all staff potential The process of restructuring our business to integrate our new acquisitions should open up opportunities for our staff throughout the Group.

Fixed assets

In the opinion of the Directors the market value of the land and buildings on an exiting use basis which are largely freehold is not less than the value stated in the accounts

Charitable and political contributions

No political contributions were made Most of the group's substantial charitable contributions are made by charitable trusts, the capital of which was subscribed over the years by various shareholders In addition charitable donations of £31,987 *(2006 £213)* were made

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Directors

The Directors in office are Messrs AF Thomson, LM Thomson and CHW Thomson The Directors' interests in the issued share capital are shown in note 28

In terms of the Articles of Association Mr LM Thomson retires by rotation and being eligible offer himself for re election

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

A resolution concerning the re appointment of Henderson Loggie in accordance with Section 384 of the Companies Act 1985 and for their remuneration to be fixed by the Directors will be proposed to the Annual General Meeting

By order of the board

I Douglas
Secretary
Dundee

1 November 2007

DC Thomson & Company Limited

Group income statement for the year ended 31 March 2007

	Note	£000	2007 £000	2006 £000
Revenue	3		**244,417**	187,832
Change to inventories of finished goods and work in progress		**1,589**		482
Raw materials and consumables		**(84,179)**		(64,811)
Employee benefits costs	5	**(60,554)**		(42,165)
Depreciation and amortisation		**(14,151)**		(11,318)
Impairment of plant, property and equipment	11	**(17,400)**		(17,100)
Other expenses	4	**(42,573)**		(28,626)
Finance costs	7	**(2,977)**		(1,107)
Total expenses			**(220,245)**	(164,645)
Gain from financial assets			**47,572**	49,292
Provision against financial assets			**(7,731)**	(2,655)
Share of post tax results of associates	15		**1,077**	(3,067)
Profit before taxation			**65,090**	66,757
Taxation	8		**(11,554)**	(12,450)
Profit for year			**53,536**	54,307
Profit attributable to minority interest	14		**652**	1,335
Profit attributable to equity shareholders			**52,884**	52,972
			53,536	54,307

DC Thomson & Company Limited

Group balance sheet at 31 March 2007

	Note	2007 £000	2006 £000
Non current assets			
Goodwill	10	**103,668**	67,118
Other intangible assets	10	**212,600**	86,916
Property, plant and equipment	11	**79,856**	84,318
Financial assets	12	**600,286**	632,088
Interests in associates	15	**23,514**	22,331
Retirement benefit surplus	23	**106,383**	89,914
		1,126,307	982,685
Current assets			
Derivative financial instruments	21		98
Inventories	16	**30,809**	31,136
Trade and other receivables	17	**56,366**	46,857
Financial assets held to maturity	18	**2,472**	11,383
Cash and cash equivalents	27	**109,680**	175,704
		199,327	265,178
Total assets		**1,325,634**	1,247,863
Current liabilities			
Borrowings	19	**12,776**	4,722
Trade and other payables	20	**36,938**	26,591
Income tax liabilities		**1,352**	8,117
Derivative financial instruments	21	**1,177**	
		52,243	39,430
Non current liabilities			
Borrowings	19	**33,286**	32,793
Trade and other payables	20	**792**	886
Deferred tax liabilities	22	**219,397**	190,585
		253,475	224,264
Total liabilities		**305,718**	263,694
Net assets		**1,019,916**	984,169
Equity			
Share capital	24	**4,135**	4,135
Other reserves	25	**381,804**	398,657
Retained earnings (previously profit and loss account)	25	**633,977**	581,377
Total equity attributable to the shareholders of the company		**1,019,916**	984,169
Minority interest in equity	14		
Total equity		**1,019,916**	984,169

The accounts on pages 8 to 50 were approved by the Board of Directors on 1 November 2007 and signed on its behalf by

AF Thomson
Director

CHW Thomson
Director

DC Thomson & Company Limited

Company balance sheet at 31 March 2007

	Note	2007 £000	2006 £000
Non current assets			
Property, plant and equipment	11	**62,905**	81,725
Financial assets	12	**470,391**	494,604
Interests in group undertakings	13	**250,580**	128,165
Retirement benefit surplus	23		89,900
		783,876	794,394
Current assets			
Inventories	16	**8,876**	10,822
Trade and other receivables	17	**32,891**	21,690
Financial assets held to maturity	18	**2,472**	11,383
Cash and cash equivalents	27	**79,391**	159,878
		123,630	203,773
Total assets		**907,506**	998,167
Current liabilities			
Trade and other payables	20	**15,015**	8,042
Income tax liabilities		**2,712**	5,959
		17,727	14,001
Non-current liabilities			
Trade and other payables	20		111
Deferred tax liabilities	22	**100,100**	140,013
		100,100	140,124
Total liabilities		**117,827**	154,125
Net assets	26	**789,679**	844,042
Equity			
Share capital	24	**4,135**	4,135
Other reserves	25	**290,639**	301,635
Retained earnings (previously profit and loss account)	25	**494,905**	538,272
Total equity attributable to the shareholders of the company	26	**789,679**	844,042

The accounts on pages 8 to 50 were approved by the Board of Directors on 1 November 2007 and signed on its behalf by

Andrew F Thomson

AF Thomson
Director

C.H.W. Thomson

CHW Thomson
Director

DC Thomson & Company Limited

Group cash flow statement for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Profit before taxation		**65,090**	66,757
Finance costs		**2,977**	1,107
Depreciation and amortisation		**14,151**	11,318
Impairment of fixed assets		**17,400**	17,100
Share of result of associate		**(1,077)**	3,067
Loss on sale of property, plant and equipment		**158**	39
Net gain on financial assets		**(39,841)**	(46,637)
Derivative movement		**1,334**	(348)
Pension adjustment		**(8,346)**	(8,841)
Decrease/(increase) in inventories		**668**	(1,242)
Increase in receivables		**(360)**	(4,261)
(Decrease)/increase in payables		**(4,058)**	1,958
Cash generated from operations		**48,096**	40,017
Income tax paid		**(16,201)**	(8,896)
Interest paid		**(3,342)**	(972)
Net cash from operating activities		**28,553**	30,149
Investing activities			
Proceeds on disposal of property, plant and equipment		**243**	85
Proceeds on disposal of financial assets		**66,711**	117,173
Purchases of property, plant and equipment		**(6,612)**	(7,117)
Purchase of derivative		**-**	(140)
Purchase of subsidiary undertaking		**(101,472)**	(49,778)
Section 75 pension payment (note 30)		**(25,900)**	
Purchase of financial assets		**(11,276)**	(34,634)
Purchase of intangibles		**(7,183)**	(5,198)
Net cash (used)/from investing activities		**(85,489)**	20,391
Financing activities			
Dividends paid		**(11,145)**	(10,400)
New loans			5,959
Repayments of borrowings		**(4,505)**	(3,411)
Net cash used in financing activities		**(15,650)**	(7,852)
Net (decrease)/increase in cash and cash equivalents		**(72,586)**	42,688
Effects of exchange rate changes on cash and cash equivalents		**120**	(4)
Cash and cash equivalents at 31 March 2006	27	**173,364**	130,680
On acquisition of subsidiary		**464**	
Cash and cash equivalents at 31 March 2007	27	**101,362**	173,364

DC Thomson & Company Limited

Company cash flow statement for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Profit before taxation		**33,359**	58,562
Depreciation and amortisation		**5,270**	5,349
Impairment of fixed assets		**17,400**	17,100
Exchange loss on cash		**14**	4
Loss on sale of property, plant and equipment		**174**	43
Net gain on financial assets		**(32,076)**	(44,106)
Pension adjustment		**-**	(8,800)
Decrease/(increase) in inventories		**1,946**	(317)
Increase in receivables		**(5,450)**	(764)
Increase in payables		**163**	378
Cash generated from operations		**20,800**	27,449
Income tax paid		**(11,483)**	(4,026)
Net cash from operating activities		**9,317**	23,423
Investing activities			
Proceeds on disposal of property, plant and equipment		**152**	69
Proceeds on disposal of financial assets		**58,293**	114,400
Purchases of property, plant and equipment		**(4,329)**	(6,670)
Investment in subsidiary undertaking		**(121,872)**	(25,004)
Purchase of financial assets		**(10,889)**	(34,212)
Net cash (used)/from investing activities		**(78,645)**	48,583
Financing activities			
Dividends paid		**(11,145)**	(10,400)
Net cash used in financing activities		**(11,145)**	(10,400)
Net (decrease)/increase in cash and cash equivalents		**(80,473)**	61,606
Effects of exchange rate changes on cash and cash equivalents		**(14)**	(4)
Cash and cash equivalents at 31 March 2006	27	**159,878**	98,276
Cash and cash equivalents at 31 March 2007	27	**79,391**	159,878

DC Thomson & Company Limited

Group statement of recognised income and expense for the year ended 31 March 2007

2007	**Revaluation reserve £000**	**Retained earnings £000**	**Total £000**
Exchange differences on translation of foreign operations		(402)	(402)
Revaluation of financial assets	19,527	-	19,527
Release on disposal of financial assets	(44,480)	-	(44,480)
Actuarial gain on defined benefit pension scheme	-	16,223	16,223
Tax on items taken direct to equity	8,100	(4,867)	3,233
Net income recognised direct in equity	(16,853)	10,954	(5,899)
Profit for the year		53,536	53,536
	(16,853)	64,490	47,637
Minority interest		(652)	(652)
Total recognised income and expense (note 25)	**(16,853)**	**63,838**	**46,985**

2006			
Exchange differences on translation of foreign operations		111	111
Revaluation of financial assets	118,311		118,311
Release on disposal of financial assets	(33,875)		(33,875)
Actuarial loss on defined benefit pension scheme		12,083	12,083
Tax on items taken direct to equity	(25,000)	(3,630)	(28,630)
Net income recognised direct in equity	59,436	8,564	68,000
Profit for the year		54,307	54,307
	59,436	62,871	122,307
Minority interest		(1,335)	(1,335)
Total recognised income and expense (note 25)	59,436	61,536	120,972

DC Thomson & Company Limited

Company statement of recognised income and expense for the year ended 31 March 2007

2007	**Revaluation reserve £000**	**Retained earnings £000**	**Total £000**
Revaluation of financial assets	**17,339**	**-**	**17,339**
Release on disposal of financial assets	**(35,135)**	**-**	**(35,135)**
Removal of defined benefit pension scheme asset		**(89,900)**	**(89,900)**
Tax on assets taken direct to equity	**6,800**	**26,970**	**33,770**
Net income recognised direct in equity	**(10,996)**	**(62,930)**	**(73,926)**
Profit for the year	**-**	**31,267**	**31,267**
Total recognised income and expense (note 25)	**(10,996)**	**(31,663)**	**(42,659)**

2006			
Revaluation of financial assets	80,652		80,652
Release on disposal of financial assets	(31,994)		(31,994)
Actuarial gain on defined benefit pension scheme		12,100	12,100
Tax on assets taken direct to equity	(15,000)	(3,630)	(18,630)
Net income recognised direct in equity	33,658	8,470	42,128
Profit for the year		49,144	49,144
Total recognised income and expense (note 25)	33,658	57,614	91,272

1 Statement of compliance

Both the group and parent company financial statements ("financial statements") at 31 March 2007 have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU

2 Accounting policies

Basis of consolidation

The financial statements incorporate the results, cash flows and financial position of the company and its subsidiaries for the year ended 31 March 2007

The financial statements of its subsidiaries and associates are prepared to the same reporting date using accounting policies consistent with those of the parent company Intra group transactions and balances, including any unrealised gains and losses or income and expenses, arising from intra group transactions are eliminated in full The company accounts include information about the parent company only

Subsidiaries

Subsidiaries are entities controlled by the company Control exists when the company has the power, directly or indirectly (but normally through voting rights granted through the company's shareholdings), to govern the financial and operating policies of an entity to obtain benefits from its activities The financial statements of subsidiaries are included in the consolidated financial statements

Associates

Associates are entities in which the group has significant influence, but not control, over the financial and operating policies The consolidated financial statements include the group's share of the total recognised gains and losses of its associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases

Adjustments are made to align the accounting policies of the associates with the group and to eliminate the group's share of unrealised gains and losses on transactions between the group and its associates

Acquisitions

On acquisition, the assets and liabilities of a subsidiary, including identifiable intangible assets, are measured at their fair value at the date of acquisition Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill Goodwill is reviewed for impairment annually and any impairment is recognised immediately in the income statement Any excess of fair value of the identifiable net assets acquired over the cost of acquisition is credited to the income statement on acquisition Goodwill recorded on business combinations prior to IFRS transition has not been restated and has either been written off to reserves or capitalised according to the UK GAAP accounting standards then in force On disposal or closure of a previously acquired business, the attributable goodwill previously written off to reserves is not included in determining the profit or loss on disposal

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account of DC Thomson & Company Limited is not presented

2 Accounting policies (continued)

Basis of preparation

The financial statements are prepared on the historical cost basis except for certain financial assets including derivative financial instruments and the assets of the pension scheme, both of which are stated at their fair values

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Goodwill and other intangible assets

Goodwill is measured at cost less any accumulated impairment losses Goodwill is reviewed for impairment annually

Impairment is determined by comparing the recoverable amount of the cash generating unit or group of cash generating units ("CGU") which are expected to benefit from the acquisition in which the goodwill arose, to the carrying value of the goodwill The recoverable amount is the greater of an asset's value in use and its fair value less costs to sell Value in use is calculated by discounting the future cash flows expected to be derived from the asset or group of assets in a CGU at the group's cost of capital Where the recoverable amount is less than the carrying value, the goodwill is considered impaired and is written down through the income statement to its recoverable amount

Other intangible assets acquired as part of a business acquisition are capitalised at fair value at the date of acquisition Purchased intangible assets acquired separately are capitalised at cost After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses

Where an intangible asset has been assigned an indefinite useful life, it is not amortised and is reviewed for impairment either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value

Intangible assets which have been assigned a finite life are amortised on a straight line basis over the assets' useful life of up to 20 years and are tested for impairment if events or changes in circumstances indicate that the carrying value may have declined This is done on a similar basis to the testing of goodwill, either for the individual assets or at the level of a CGU Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment Depreciation is provided on all property, plant and equipment at varying rates calculated to write off cost less residual value over the useful lives The principal rates employed are

Heritable and freehold property (excluding land)	2% reducing balance
Printing presses	15 to 30 years straight line
Plant and machinery	4 to 20 years straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate these values may not be recoverable If there is an indication that impairment does exist, the carrying values are compared to the estimated recoverable amounts of the assets concerned The recoverable amount is the greater of an asset's value in use and its fair value less the cost of selling it Value in use is calculated by discounting the future cash flows expected to be derived from the asset Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down through the income statement to its recoverable amount

An item of property, plant and equipment is written off either on disposal or when there is no expected future economic benefit from its continued use Any gain or loss (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the income statement in the year

Financial assets

Financial assets represent equity, preference shares and loans in other entities and are recognised when contractually committed When a contract to sell is in place, the relevant asset is no longer recognised

Listed investments are shown as available for sale, initially recorded at cost in the period of acquisition and subsequently measured at fair value Gains and losses on the revaluation of available for sale investments are recognised in the statement of recognised income and expense through the revaluation reserve On disposal or impairment of the investment, all relevant gains and losses are included in the income statement Fair value is arrived at using publicly quoted bid price market values for the majority of financial assets When a financial asset's carrying value is impaired and the directors do not expect the value to recover, an impairment charge is recognised immediately through the income statement

Financial assets where there is no publicly quoted market value and other fixed asset investments, including subsidiaries, are shown at cost less provisions for impairment

Financial assets held to maturity are initially recognised at fair value plus acquisition costs After initial recognition, such assets are carried at amortised cost using the effective interest method

2 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes and discounts Advertising revenue is recognised on the date of publication and sales revenue is recognised at point of sale less provisions for levels of expected returns Printing revenue is recognised when the service is provided Investment income is recognised when earned

Foreign currencies

The results and financial position of the group are expressed in pounds sterling, its functional currency Transactions in currencies other than pounds sterling are recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date Exchange differences arising on translation are recognised in the consolidated income statement for the period

Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates prevailing at the dates when the fair value was determined Non monetary assets and liabilities that are measured at historical cost in a foreign currency (eg property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction Exchange differences arising on the translation of net assets are effected through the statement of recognised income and expense

Where a non monetary foreign currency loan forms part of the net investment in a foreign subsidiary, on consolidation the exchange differences are recognised directly in equity

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee Assets held under finance leases are capitalised within property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases on the effective interest method All other leases are classified as operating leases and rentals are charged on a straight line basis over the lease term

Government grants

Government grants for revenue expenditure are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense Grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the related assets

2 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of that instrument

One subsidiary uses forward foreign currency contracts to hedge its net cash flow exposure and another has taken out a fixed rate interest swap to hedge its term loan interest rate exposure The group does not use derivative financial instruments for speculative purposes

Interest rate swaps and foreign currency exchange contracts are initially recognised at cost and are subsequently re measured to fair value at each balance sheet date Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise These valuations are provided by the issuing financial institution See note 21

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement

Preference shares issued by group companies are recognised as a liability where an obligation exists Related dividends are recognised as they accrue as an interest expense

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts

Trade payables

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

Borrowings

Interest bearing loans and bank overdrafts are initially recorded at the fair value of proceeds received and are subsequently stated at amortised cost. Finance charges, including premia payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Financial guarantee contracts

The company treats guarantee contracts as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

2 Accounting policies (continued)

Taxation

The tax expense represents the sum of the income tax and deferred tax charge for the year

The tax currently payable is based on taxable profit for the year The group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, as used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when the relevant requirements of IAS12 are satisfied

Inventories

Inventories are valued at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of overheads

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in the balance sheet Bank overdrafts that are repayable on demand and form an integral part of the group's cashflow management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

2 Accounting policies (continued)

Retirement benefit costs

The group operates both defined benefit and defined contribution pension schemes covering the majority of employees

Payments to defined contribution schemes are charged to the income statement as an expense as they fall due

For defined benefit retirement benefit schemes, the cost of providing benefits is determined by independent actuaries using the projected unit credit method by discounting the estimated future cash flows using interest rates on high quality corporate bonds that have maturity dates approximating to the terms of the group's and the company's obligations Actuarial gains and losses are recognised in full in the period in which they occur restricted by the surplus cap requirements of IAS 19 Para 58(b) Such gains and losses are recognised outside the income statement and are presented in the statement of recognised income and expense Past service cost is recognised immediately, to the extent that the benefits are already vested or are amortised on a straight line basis over the average period until the benefits become vested

The retirement benefit surplus recognised in the balance sheet represents the fair value of scheme assets as reduced by the present value of the defined benefit obligation as adjusted for unrecognised past service cost The surplus is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme

Dividends payable

Dividends payable to the company's shareholders are recorded as a liability in the period in which the dividends are approved

Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below)

Valuation of intangible assets on acquisition

During the year the group completed the acquisition described in note 30 The group's policies require that a fair value at the date of acquisition be attributed to the intangible assets owned by the acquired company The directors use their judgement to identify the separate intangible assets and then determine a fair value for each based upon the consideration paid, the nature of the asset, industry statistics, future potential and other relevant factors These fair values will be reviewed for impairment annually

2 Accounting policies (continued)

Deferred tax balances on intangible assets

Deferred tax amounting to £59,038,000 at 31 March 2007 *(2006 £21,538,000)*, has been provided under IAS 12 (Income Taxes) on the values of the intangible assets in the group's balance sheet The directors have provided this balance in order to comply with the technical requirements of IAS 12 despite the fact that they cannot foresee any circumstances in which such a tax liability would arise

There is no intention at the present time to dispose of any of the assets concerned but even if such a decision was to be taken at some future date, it is unlikely that the assets would be sold separately from the legal entities Accordingly this tax provision should never be required to be paid

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Impairment

Determining whether any non current asset has been impaired requires an estimation of the value in use of the cash generating units to which these assets are allocated The value in use calculation requires the group to identify appropriate cash generating units, to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value Impairment exercises on fixed tangible assets, goodwill and indefinite life intangible assets have been undertaken in the year as described in the relevant notes

Useful lives

The group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired, and to determine the useful economic lives of its goodwill and intangible assets If the results of operations in a future period are adverse to the estimates used a reduction in useful economic life may be required

2 Accounting policies (continued)

Retirement benefit asset

The accounts recognise an asset which reflects the surplus within one of the group's final salary pension schemes, restricted to the amount expected to be recovered through refunds or reductions in future contributions in line with IAS 19

The movement in this asset is determined with advice from actuarial advisers and affects both the income account and the statement of recognised income and expense

The calculations undertaken by the actuary apply a number of critical assumptions which can materially impact the reported asset and the amount recognised in the income statement from year to year The principal factors are disclosed in note 23

Provision for returns

Provision is made in the book and magazine businesses based on estimates of the expected level of returns and exposure to distributors

Standards not yet effective

IAS 1	Amendment Presentation of Financial Statements Capital Disclosures
IAS 23	Borrowing Costs (revised 2007) (effective 1 January 2009)
IFRS 7	Financial Instruments Disclosures (Effective 1 January 2007)
IFRS 8	Operating Segments (effective 1 January 2009)
IFRIC 9	Reassessment of Embedded Derivatives (effective 1 June 2006)
IFRIC10	Interim Financial Reporting and Impairment (effective 1 November 2006)
IFRIC11 & IFRS2	Group and Treasury Share Transactions (effective 1 March 2007)
IFRIC 12	ServiceConcesson Arrangements (effective 1 January 2008)
IFRIC 13	Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14	IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The directors do not expect any of these standards to have a material impact on the financial statements except for additional disclosures on capital and financial instruments

3 Revenue

		2007	2006
	£000	**£000**	£000
Trading revenue		**222,442**	163,586
Other income			
Dividends	**16,022**		15,893
Interest	**5,953**		8,353
		21,975	24,246
		244,417	187,832

Analysis of trading revenue by destination market

	2007	2006
United Kingdom	**168,666**	117,170
Rest of Europe	**28,566**	21,433
North America	**17,233**	17,662
Rest of World	**7,977**	7,321
	222,442	163,586

4 Income statement

Other expenses is stated after charging

	2007	2006
Auditors' remuneration	**190**	184
Auditors' remuneration for non audit work	**321**	153
Loss on sale of fixed assets	**180**	42
Rentals under property operating leases	**920**	506
Rentals under plant operating leases	**56**	41

and after crediting

	2007	2006
Gain on sale of fixed tangible assets	**22**	3
Net income from rents	**63**	53
Regional development grant amortisation	**112**	56

The auditors' remuneration for the company's audit, included above, amounted to £70,000 *(2006 £66,000)* In addition, auditors' remuneration for non audit work capitalised during the year was £59,000 *(2006 £99,000)*

5 Employee benefits costs

	2007 Number	2006 Number
Average monthly number of employees during the year		
Group	**2,553**	1,953
Company	**1,698**	1,741
Employee costs during the year (including directors remuneration) amounted to	**£000**	£000
Wages and salaries	**62,225**	46,855
Social security costs	**5,135**	3,852
Other pension costs (note 23)	**(6,806)**	(8,542)
	60,554	42,165

6 Directors' emoluments

Remuneration	**532**	517
Pension scheme contributions		
	532	517

The emoluments receivable by the highest paid director are £149,000 *(2006 £140,000)* and the accrued pension at 31 March 2007 was £70,696 *(2006 £82,000)*

Retirement benefits are accruing to the following number of directors under	**2007 Number**	2006 Number
Defined benefit schemes	**3**	3

7 Finance costs

	£000	£000
Interest payable	**2,686**	967
Preference share interest expense	**470**	136
Other finance (income)/costs	**(179)**	4
	2,977	1,107

The increase arises from the first year impact of the borrowings of Puzzler Media Holdings Limited and the finance lease of Aberdeen Journals (note 19)

8 Taxation

	2007	2006
	£000	£000
Current taxation		
UK corporation tax on profits for the year	**8,103**	16,025
Double tax relief	**(187)**	(253)
	7,916	15,772
Adjustments in respect of prior years	**(179)**	(879)
Overseas tax	**206**	279
	7,943	15,172
Deferred taxation		
Current year	**3,564**	(2,721)
Adjustment in respect of prior years	**47**	(1)
Taxation	**11,554**	12,450
Factors affecting tax charge for year		
Profit for year before tax	**65,090**	66,757
Tax thereon at 30%	**19,527**	20,027
Effects of		
Franked Investment Income not attracting tax	**(6,103)**	(4,480)
Net capital receipts not taxable	**(2,414)**	(3,377)
Items not affecting tax charge	**168**	71
Overseas profits tax impact	**109**	169
Associate undertaking effect	**399**	920
Adjustments in respect of prior years	**(132)**	(880)
Taxation	**11,554**	12,450

9 Dividends

	2007	2006
Ordinary shares		
Final for 2006 of 256p per share paid *(2005 238p)*	**10,587**	9,842
Interim of 27p per share paid *(2006 13 5p)*	**1,117**	558
	11,704	10,400

The interim ordinary dividend of 27p per share *(2006 – 13 5p)* was paid 30 June 2007
A final dividend of £11,351,000 being 274 5p per share will be proposed at the annual general meeting

10 Goodwill

	£000
Cost	
At 31 March 2005	67,132
Addition	12,938
At 31 March 2006	80,070
On acquisition of subsidiary (note 30)	36,550
At 31 March 2007	**116,620**
Amortisation	
At 31 March 2005, 2006 & 2007	**12,952**
Net book value	
31 March 2007	**103,668**
31 March 2006	67,118

Goodwill includes £54m *(2006 £54m)* in relation to Parragon Publishing Limited, £13m *(2006 £13m)* in relation to Puzzler Media Holdings Limited and £37m arising on the acquisition of Aberdeen Journals Limited

Intangible assets	**Indefinite life £000**	**Other £000**	**Total £000**
At 31 March 2005		5,370	5,370
On acquisition of subsidiary	71,500	10,468	81,968
Addition		5,198	5,198
Release to income statement		(5,620)	(5,620)
At 31 March 2006	71,500	15,416	86,916
On acquisition of subsidiary (note 30)	125,000		125,000
Addition		7,183	7,183
Release to income statement		(6,499)	(6,499)
At 31 March 2007	**196,500**	**16,100**	**212,600**

Indefinite life intangible assets includes £72m on the acquisition of Puzzler Media Holdings Limited and £125m on the acquisition of Aberdeen Journals Limited Other intangible assets include £6m *(2006 £5m)* for Parragon Publishing Limited and £10m for Puzzler Media Holdings Limited All these intangible assets were purchased Internally generated intangible assets are not recognised

10 Goodwill and other intangible assets (continued)

Goodwill and indefinite life intangible assets

The group tests goodwill and indefinite life intangible assets annually for impairment, or more frequently if there are indications that they might be impaired No impairment of goodwill or indefinite life intangible assets was recognised in 2007 or 2006

Goodwill arising on acquisitions has been allocated to the group of assets or cash generating units (CGUs) that are expected to benefit from those business combinations

The directors consider that the intangible assets arising on acquisition have an indefinite useful life because they represent brands which have been in existence for many years, have a strong market recognition and are central to their division's strategic plan

The group applies IAS38 Impairment of Assets Under this the Group conducts a formal annual review to determine whether the carrying value of the goodwill and intangible assets on the balance sheet can be justified The impairment review comprises a comparison of the carrying amount of the goodwill and intangible assets with its recoverable amount (the higher of fair value less costs to sell and value in use)

When testing for impairment, recoverable amounts for all of the Group's CGUs were measured at their value in use by discounting the expected cash flows over the next 20 years from the assets in the CGUs The remaining useful life of the CGUs is expected to exceed 20 years These calculations use cash flow projections based on forecasts for the next five years Cash flows beyond the initial five year period are extrapolated using a long term growth rate of 2 5% (which is inflation only) The cash flows have been discounted at a pre tax discount rate of 6%, the group's current cost of capital These assumptions have been used for all CGUs to which goodwill and indefinite life intangible assets are allocated

The key assumptions for these reviews are discount rates and expected trading performance No residual values are assumed and other figures reflect managements' best estimate given current knowledge From the results of these reviews the directors are satisfied the goodwill and intangible assets have not been impaired and where appropriate continue to have an indefinite useful life

Other intangible assets

The intangible amortisation charge of £6 5m *(2006 £5 6m)* relates to certain titles in the magazine division and origination costs in the book publishing division These are amortised over their estimated useful lives

During the year, the group reviewed the appropriateness of the remaining useful economic lives for all its intangible assets The group is satisfied that the carrying value at 31 March 2007 of these assets remain recoverable in full

11 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Group				
Cost				
At 31 March 2005	57,255	125,413	1,523	184,191
Additions	1,836	3,889	1,456	7,181
Transfers		1,523	(1,523)	
On acquisition of subsidiary	1,262	214		1,476
Disposals		(3,289)		(3,289)
Retranslation of foreign assets		10		10
At 31 March 2006	**60,353**	**127,760**	**1,456**	**189,569**
Additions	241	2,199	4,056	6,496
Transfers		1,456	(1,456)	
On acquisition of subsidiary	3,212	11,296		14,508
Disposals		(5,004)		(5,004)
Retranslation of foreign assets	(9)	(7)		(16)
At 31 March 2007	**63,797**	**137,700**	**4,056**	**205,553**
Depreciation				
At 31 March 2005	20,367	65,241		85,608
Charge for year	775	4,923		5,698
Impairment		17,100		17,100
On disposals		(3,162)		(3,162)
Retranslation of foreign assets		7		7
At 31 March 2006	**21,142**	**84,109**		**105,251**
Charge for year	982	6,670		7,652
Impairment		17,400		17,400
On disposals		(4,605)		(4,605)
Retranslation of foreign assets		(1)		(1)
At 31 March 2007	**22,124**	**103,573**		**125,697**
Net book value				
At 31 March 2007	**41,673**	**34,127**	**4,056**	**79,856**
At 31 March 2006	39,211	43,651	1,456	84,318

11 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Company				
Cost				
At 31 March 2005	56,462	123,050	1,523	181,035
Additions	1,756	3,523	1,456	6,735
Transfers		1,523	(1,523)	
Disposals		(3,244)		(3,244)
At 31 March 2006	**58,218**	**124,852**	**1,456**	**184,526**
Additions	97	22	4,056	4,175
Transfers		1,456	(1,456)	
Disposals		(2,241)		(2,241)
At 31 March 2007	**58,315**	**124,089**	**4,056**	**186,460**
Depreciation				
At 31 March 2005	20,026	63,458		83,484
Charge for year	732	4,617		5,349
Impairment		17,100		17,100
On disposals		(3,132)		(3,132)
At 31 March 2006	**20,758**	**82,043**	**-**	**102,801**
Charge for year	743	4,527		5,270
Impairment		17,400		17,400
On disposals		(1,916)		(1,916)
At 31 March 2007	**21,501**	**102,054**	**-**	**123,555**
Net book value				
At 31 March 2007	**36,814**	**22,035**	**4,056**	**62,905**
At 31 March 2006	37,460	42,809	1,456	81,725

The directors on an ongoing basis review the useful lives and carrying values of the company's major printing installations The cash generating units were taken to be individual printing installations The method of review is described in note 10 On the basis of this review, an impairment charge of £17 4m was identified principally reflecting the value in use of the printing installations and has been included in the income statement

12 Financial assets

	2007		2006	
	Group £000	**Company £000**	Group £000	Company £000
At 31 March 2006	**632,088**	**494,604**	582,243	480,716
Additions	**11,276**	**10,889**	34,634	34,212
Impairment	**(7,731)**	**(7,731)**	(2,655)	(2,655)
Disposals	**(54,874)**	**(44,710)**	(100,445)	(98,321)
Revaluation	**19,527**	**17,339**	118,311	80,652
At 31 March 2007	**600,286**	**470,391**	632,088	494,604

The majority of the financial assets are listed investments held on a recognised stock market The potential capital gains tax payable based on these group values is £119m *(2006 £128m)* and is included in note 22

13 Interests in group undertakings company

A list of the investments in significant subsidiaries and associates is given in note 29 to the accounts

	Shares £000	**Loans £000**	**Total £000**
At 31 March 2005	30,947	72,214	103,161
Additions	4	25,000	25,004
At 31 March 2006	30,951	97,214	128,165
Additions	102,015	20,400	122,415
At 31 March 2007	**132,966**	**117,614**	**250,580**

The additions in the year relate primarily to the acquisition of Aberdeen Journals Limited

14 Minority interest - group

Minority interest in the profit and loss account of £652,000 *(2006 £1,335,000)* represents the share of subsidiary undertakings' results for the year which do not belong to the Group

The balance sheet figure represents the percentage of the subsidiaries' net assets at the year end which do not belong to the group

At 31 March 2007, the minority interest is an asset of £2,421,000 *(2006 £2,887,000)* The movement from last year represents the charge for the year as set out above as adjusted by the minority interest in movements through equity This asset is netted against shareholder equity in note 25

Included in non current borrowings are preference shares of £8,400,000 which are held by the minority shareholders of Puzzler Media Holdings Limited

15 Interests in associates group

	2007 £000	2006 £000
At 31 March 2006	**22,331**	25,394
Additions	**106**	4
Share of losses	**(723)**	(3,067)
Yield to redemption	**1,800**	
At 31 March 2007	**23,514**	22,331

Since the year end, Chelsea Stores Holdings Limited has been sold to Mothercare plc by way of a share exchange The transaction allows preference share dividends not previously recognised to be accrued as at the year end

The group's associated undertaking at 31 March 2007 is

Name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Method of accounting for investment
Chelsea Stores Holdings Limited	England	34 8%	34 8%	Equity method

The aggregate amounts relating to this associate are

	30 April 2007 £000	30 April 2006 £000
Total assets	**96,800**	98,300
Total liabilities	**(73,600)**	(70,700)
Revenue	**185,600**	186,100
Loss after tax *	**(3,800)**	(8,800)

* The loss after tax includes exceptional post acquisition costs of £Nil *(2006 £4,900,000)*

The year end for Chelsea Stores Holdings Limited is 30 April and the figures used are at this date, as adjusted for material events in April each year

16 Inventories

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Group				
Raw materials and consumables	**5,749**	**5,440**	7,665	7,340
Work in progress	**3,558**	**2,543**	3,595	2,569
Finished goods and goods for resale	**21,502**	**893**	19,876	913
	30,809	**8,876**	31,136	10,822

Group inventories reflect provisions for slow moving items of £2,825,000 *(2006 £1,735,000)*

Company inventories reflect provisions for slow moving items of £261,000 *(2006 £183,000)*

17 Trade and other receivables

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Group				
Trade receivables	**45,100**	**12,393**	36,481	11,996
Other receivables	**10,315**	**7,937**	9,444	3,365
Prepayments and accrued income	**951**	**1,226**	932	3,679
Receivables due from group undertakings		**11,335**		2,650
	56,366	**32,891**	46,857	21,690

The increase in trade and other receivables reflects to a large extent, the acquisition of Aberdeen Journals Limited

18 Financial assets - held to maturity

Group and Company	**2007 £000**	2006 £000
Cost of fixed interest rate government securities including premium to redemption	**2,472**	11,383

19 Borrowings

	2007		2006	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Bank loans and overdraft (secured)	**31,525**		29,115	
5 5% Preference shares	**8,400**		8,400	
Finance leases	**6,137**			
	46,062		37,515	
Current	**12,776**		4,722	
Non current	**33,286**		32,793	
	46,062		37,515	

Puzzler Media Holdings Limited accounts for £22,345,000 *(2006 £26,589,000)* of bank loans and overdraft, and all the preference shares. Most of these borrowings arose as part of the finance package agreed upon with the minority shareholders Parragon Publishing Limited accounts for the balance of the borrowings

The preference shares were issued at par by Puzzler Media Holdings Limited and the £8 4m represents the par value of the shares not held by the group being 17 6% They are redeemable only at Puzzler Media Holdings Limited's discretion but carry a right to receive, in preference to any payments to the ordinary shareholders, cumulative dividends of 5 5% per annum. The preference shares carry no votes at meetings unless the shares have not been redeemed when due or a petition to wind up the company has been lodged On a winding up of Puzzler Media Holdings Limited, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, an amount equal to the subscription price paid for such shares and any arrears of the preference dividend

Parragon Publishing Limited's overdraft is secured by a fixed and floating charge over its assets and the assets of its subsidiary undertakings There is a further charge over the copyrights held by that group and a guarantee for £6 5m from DC Thomson & Company Limited and £3 5m from other Parragon Publishing Limited shareholders Puzzler Media Holdings Limited's bank loan is secured by a fixed and floating charge over its property and assets and those of its subsidiary undertakings

	Finance leases		Bank loans and overdrafts	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Borrowings can be analysed as falling due				
In one year or less, or on demand	**1,201**		**11,575**	4,722
Between one and two years	**1,385**		**3,757**	3,132
Between two and five years	**3,551**		**14,632**	12,396
In five years or more			**9,961**	17,265
	6,137		**39,925**	37,515
Current liabilities	**(1,201)**		**(11,575)**	(4,722)
Non current liabilities	**4,936**		**28,350**	32,793

The bank loan is repayable over 7 years by quarterly repayments Interest is charged at 2 75% above LIBOR which has been capped at 5 5% through an interest rate swap (see note 21)

19 Borrowings (continued)

	2007 £000	2006 £000
Gross lease liability		
Within one year	**1,613**	
Within 1 5 years	**5,680**	
	7,293	
Future interest	**(1,156)**	
Net lease liability	**6,137**	

20 Trade and other payables

	2007		2006	
	Group £000	**Company £000**	Group £000	Company £000
Trade payables and accruals	**15,742**	**2,347**	14,900	3,994
Other taxes and social security	**1,723**	**1,177**	1,429	1,213
Interim dividend	**1,117**	**1,117**	558	558
Payables due to group undertakings		**721**		703
Other payables	**19,148**	**9,653**	10,479	1,574
Deferred income		**-**	111	111
	37,730	**15,015**	27,477	8,153
Current	**36,938**	**15,015**	26,591	8,042
Non current	**792**	**-**	886	111
	37,730	**15,015**	27,477	8,153

21 Derivative financial instruments

IAS 32 and 39 were adopted by the group on 1 April 2005

Currency risk - cash flow hedges
Parragon Publishing Limited is party to a number of currency forward contracts in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of its overseas subsidiaries (US dollars and Euros) At the balance sheet date, the total amount of outstanding forward foreign exchange contracts that the group has committed to at the year end was to buy US$64m *(2006 $41m)* and to sell €41m *(2006 €40m)* at a variety of rates over a period of up to 18 months The fair value of these contracts is a liability of £1,375,000 *(2006 £42,000)* which is reflected in the balance sheet Movements are taken through the income statement

Interest rate risk interest rate hedges
Puzzler Media Holdings Limited uses an interest rate swap to cap the interest rate on a term loan over the expected life of the loan It is included in the balance sheet at its fair value at the year end with year on year movements taken through the income statement The fair value is an asset of £198,000

The total fair value of the currency and interest rate financial assets is a liability of £1,177,000 *(2006 – asset £98,000)* and the debit in the year through the income statement is £1,275,000 *(2006 £348,000)*

Credit risk
The Group's principal financial assets, other than investments, are trade and other receivables and cash and cash equivalents These represent the group's maximum exposure to credit risk in relation to financial assets

The Group's credit risk is primarily attributable to its trade and other receivables Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed for all customers requiring credit over a certain amount The balance presented in the balance sheet is net of allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment in the current economic climate

The Group's main concentration of credit risk relates to its Book division where a credit risk management approach is employed, including strict retention of title and customer stock holding visibility

Interest rate risk
A 1% increase in global interest rates would be expected to increase the Group's annual net interest income by £0 6m (company £0 8m)

21 Derivative financial instruments (continued)

The fair values of current assets and liabilities, determined under the methods and assumptions noted below, are in line with their carrying amounts

Trade and other receivables / payables
For receivables / payables with a remaining life of less than one year or that are receivable or payable on demand, the carrying amount is deemed to reflect the fair value

Receipts from customers and payments to suppliers on undisputed invoices are within allowable credit terms

Cash and cash equivalents
The carrying amount of these assets approximates to their fair value

Derivative financial instruments: interest rate swaps / foreign exchange swaps
Fair value is based on values provided by the group's bankers using the appropriate valuation techniques based on rates current at the year end

Bank loans
Fair value is calculated based on discounted expected future principal and interest cash flows at current interest rates

Financial assets
The carrying amount of all these approximate their fair value

22 Deferred taxation

	Accelerated capital allowances £000	Revaluation of financial assets £000	Pension surplus £000	Intangible assets £000	Other £000	Total £000
Group						
At 31 March 2005	20 274	103 000	20,697	-	(832)	143,139
Transfer (to)/from profit and loss account	(4,962)	-	2 647	-	(407)	(2,722)
Statement of recognised income and expense	-	25,000	3,630	-	-	28,630
On acquisition	-	-	-	21 538	-	21,538
At 31 March 2006	15 312	128,000	26,974	21,538	(1,239)	190 585
Transfer (to)/from profit and loss account	(5,042)	(900)	2 503	-	7 050	3,611
Statement of recognised income and expense	-	(8 100)	4,867	-	-	(3,233)
On acquisition	933	-	(2,430)	37 500	(7,569)	28,434
At 31 March 2007	**11,203**	**119,000**	**31,914**	**59,038**	**(1,758)**	**219,397**
Company						
At 31 March 2005	20,348	82 700	20,700	-	(62)	123,686
Transfer (to)/from profit and loss account	(4,972)	-	2,640	-	29	(2,303)
Statement of recognised income and expense	-	15,000	3,630	-	-	18 630
At 31 March 2006	15 376	97 700	26,970	-	(33)	140,013
Transfer to profit and loss account	(5,190)	(900)	-	-	(53)	(6 143)
Statement of recognised income and expense	-	(6 800)	(26,970)	-	-	(33 770)
At 31 March 2007	**10,186**	**90,000**	**-**	**-**	**(86)**	**100,100**

The notional tax payable on timing difference relating to the unrealised revaluation surplus on investments and the intangible assets on the acquisition of Puzzler Media Holdings Limited and Aberdeen Journals Limited would only crystallise if the related asset were disposed of separately

23 Retirement benefits

The group operates both defined benefit final salary and defined contribution pension schemes covering the majority of employees with assets held in separate, trustee administered funds

The pension credit for the year was £6,806,000 *(2006 £8,542,000)* This includes a credit of £7,128,000 *(2006 £8,800,000)* for the parent and a charge of £73,000 *(2006 £50,000)* for a subsidiary under the IAS19 defined benefit scheme calculation below, and contributions of £249,000 *(2006 £208,000)* in respect of defined contributions schemes

Defined benefit schemes

The parent company and two subsidiaries operate defined benefit final salary schemes in the UK Independent valuations are carried out by a qualified actuary every three years using the Projected Unit Credit Method The contributions to the scheme are based on these valuations

Defined contribution schemes

Contributions by the companies are charged to income statement as an expense as they fall due

The information below relates to the defined benefit pension scheme for the parent and its subsidiaries

	31 March 2007 £000	31 March 2006 £000
Change in benefit obligation		
Benefit obligation at beginning of year	**355,414**	274,459
Current service cost	**9,885**	6,154
Interest cost	**17,334**	14,729
Actuarial (gains)/losses	**(35,588)**	71,290
Contributions employee	**434**	
Benefits paid	**(13,130)**	(11,218)
Business combination	**28,500**	
Benefit obligation at end of year – wholly funded	**362,849**	355,414
Change in plan assets		
Fair value of plan assets at beginning of year	**548,628**	458,449
Expected return on plan assets	**34,246**	29,633
Actuarial gains	**12,563**	71,673
Contributions employee	**434**	
Benefits paid	**(13,130)**	(11,218)
Contributions employer	**1,291**	91
Business combination	**20,400**	
Fair value of plan assets at end of year	**604,432**	548,628
Retirement benefit surplus	**241,583**	193,214

23 Retirement benefits (continued)

	31 March 2007 £000	31 March 2006 £000
Retirement benefit surplus		
Funded status	**241,583**	193,214
Effect of IAS19 paragraph 58(b) limit	**(135,200)**	(103,300)
Net amount recognised	**106,383**	89,914
Group		
Surplus	**106,383**	89,914
Company		
Surplus	-	89,900

During the year Aberdeen Journals Limited became a participating employer in the parent company scheme As a result, the actuary is unable to provide separate valuations for the parent and Aberdeen Journals Limited, so these individual companies are now accounted for as defined contribution schemes in their own company accounts (note 26)

The amount of the Funded Status (assets less liabilities) that can be recognised as an asset of the group is constrained by the limit set out in paragraph 58(b) of IAS19 This limit restricts the recognised pensions asset to the value of the benefits that can be accrued over the remaining working life of the active membership, calculated at each year end, reduced by the value of any future contributions payable by the members themselves The bulk transfer of members following the purchase of Aberdeen Journals Limited has resulted in there being a greater number of active members at 31 March 2007 than there were at 31 March 2006, hence there is an increase in the asset that can be recognised under the paragraph 58(b) limit

Due to the bulk transfer following the purchase of Aberdeen Journals Limited, there were a higher number of members accruing benefits under the Scheme over the year This led to an increase in the service cost recognised as set out below

	2007	2006
Components of pension cost		
Current service cost	**9,857**	6,154
Interest cost	**17,334**	14,729
Expected return on plan assets	**(34,246)**	(29,633)
Total pension credit recognised in employee benefit costs	**(7,055)**	(8,750)
Actuarial (gains)/losses immediately recognised	**(48,123)**	(383)
Effect of IAS19 paragraph 58(b) limit	**31,900**	(11,700)
Total pension credit recognised in statement of recognised income and expense	**(16,223)**	(12,083)
Cumulative actuarial gains immediately recognised	**(79,061)**	(30,938)

23 Retirement benefits (continued)

Plan assets

The weighted average asset allocation at the year end was as follows

	31 March 2007	31 March 2006
Asset category	**%**	%
Equities	**79**	81
Bonds	**15**	17
Cash and annuities	**6**	2
	100	100
	£000	£000
Amounts included in the fair value of assets for		
Equities	**475,700**	442,100
Bonds	**93,047**	96,478
Cash	**34,100**	8,400
Annuities	**1,585**	1,650
	604,432	548,628
Actual return on plan assets	**47,036**	101,273

Weighted average assumptions used to determine benefit obligations

	%	%
Discount rate	**5.30**	4 90
Rate of salary increase	**4.60**	4 40
Inflation rate	**3.10**	2 90

Life expectancy at age 65 is assumed at 19 years for males and 22 years for females

Weighted average assumptions used to determine net pension cost for year

Discount rate	**4.90**	5 40
Expected long term return on plan assets	**6.33**	6 32
Rate of salary increase	**4.40**	4 40

To develop the expected long term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption to the portfolio This resulted in the selection of the 6 33% assumption at 31 March 2007

23 Retirement benefits (continued)

History

	2007 £000	2006 £000	2005 £000
Benefit obligation at end of year	**362,849**	355,414	274,459
Fair value of plan assets at end of year	**604,432**	548,628	458,449
Surplus	**241,583**	193,214	183,990
Difference between expected and actual return on scheme assets			
amount (£000)	**12,455**	71,673	34,000
percentage of scheme assets	**2%**	13%	7%
Experience gains and losses on scheme liabilities			
amount (£000)	**19,699**	(5,370)	1,226
percentage of scheme liabilities	**5%**	2%	0%

Contributions

As advised by the actuary the company will not contribute to its pension plans next year

24 Called up share capital

	Authorised		Allotted, called up and fully paid			
	2007 £000	2006 £000	**2007 Number**	**2007 £000**	2006 Number	2006 £000
Ordinary shares of £1 each	**6,000**	6,000	**4,135,317**	**4,135**	4,135,317	4,135

25 Reconciliation of shareholders equity

Group	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Equity at 31 March 2005	4,135	339,221	533,128	876,484
Total recognised income and expense (page 13)		59,436	61,536	120,972
Recognised directly in equity				
Dividends (note 9)			(10,400)	(10,400)
Minority interest (note 14)			(2,887)	(2,887)
Total movements		59,436	48,249	107,685
Equity at 31 March 2006	4,135	398,657	581,377	984,169
Total recognised income and expense (page 13)		(16,853)	63,838	46,985
Recognised directly in equity				
Dividends (note 9)			(11,704)	(11,704)
Minority interest (note 14)			466	466
Total movements		(16,853)	52,600	35,747
Equity at 31 March 2007	**4,135**	**381,804**	**633,977**	**1,019,916**

Other reserves include
Capital redemption reserve of £1,865,000 *(2006 £1,865,000)* created on the purchase by the company of its own shares This reserve has not moved during the year

Revaluation reserve of £379,939,000 *(2006 £396,792,000)* which represents the unrealised appreciation on financial assets All movements in other reserves relate to this reserve

Retained earnings are fully distributable and include net exchange differences arising on translation of foreign operations since 1 April 2005 as follows

	£000
At 1 April 2005	(4)
Arising in year	111
At 31 March 2006	107
Arising in year	(402)
At 31 March 2007	**(295)**

25 Reconciliation of shareholders equity (continued)

Company	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Equity at 31 March 2005	4,135	267,977	491,058	763,170
Total recognised income and expense (page 14)		33,658	57,614	91,272
Dividends (note 9)			(10,400)	(10,400)
Total movements		33,658	47,214	80,872
Equity at 31 March 2006	4,135	301,635	538,272	844,042
Total recognised income and expense (page 14)		(10,996)	(31,663)	(42,659)
Dividends (note 9)			(11,704)	(11,704)
Total movements		(10,996)	(43,367)	(54,363)
Equity at 31 March 2007	**4,135**	**290,639**	**494,905**	**789,679**

Other reserves include
Capital redemption reserve of £1,865,000 *(2006 £1,865,000)* created on the purchase by the company of its own shares This reserve has not moved during the year

Revaluation reserve of £288,774,000 *(2006 £299,770,000)* which represents the unrealised appreciation on financial assets All movements in other reserves relate to this reserve

26 Net assets of company

The net assets of the company (as opposed to the group) recognised in the company accounts (as opposed to the group accounts) have been reduced during the year due to the requirement under International Financial Reporting Standards to remove the pension asset of £89,900,000 following the integration of Aberdeen Journals Limited into the pension scheme (note 23)

27 Notes to the cash flow statement

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Cash and cash equivalents				
Bank balances	**9,621**	**1,292**	6,263	1,169
Call deposits	**100,059**	**78,099**	169,441	158,709
Cash and cash equivalents	**109,680**	**79,391**	175,704	159,878
Overdraft	**(8,318)**	-	(2,340)	
	101,362	**79,391**	173,364	159,878

Cash flows from operating activities include:

	2007 Group £000	2007 Company £000	2006 Group £000	2006 Company £000
Dividends	**15,436**	**15,125**	16,298	15,070
Interest	**5,566**	**3,127**	8,147	6,639
	21,002	**18,252**	24,445	21,709

These are included in profit before taxation in the cash flow statements

Sale of investments

Over the last two years, the group has realised financial assets to fund the acquisitions of Puzzler Media Holdings Limited and Aberdeen Journals Limited The net cash generated after capital gains tax and the acquisition of new financial assets was £115m compared with the cost of acquisitions of £177m

28 Directors' interests in share capital

The directors who held office at the year end had the following interests in the £1 ordinary shares of the company.

	31 March 2007	1 April 2006
Beneficial interest		
AF Thomson	**28,896**	28,566
LM Thomson	**28,295**	28,295
CHW Thomson	**12,563**	12,563
As trustees without beneficial interest		
AF Thomson	**191,863**	191,193
LM Thomson	**199,445**	199,445
As joint trustees without beneficial interest		
LM Thomson)		
CHW Thomson)	**300,000**	300,000
AF Thomson)	**183,611**	183,611
LM Thomson)		
CHW Thomson	**247,851**	225,797

29 Group companies

The group's interest in its principal subsidiary undertakings are as follows.

	Subsidiary undertakings	Country of registration or incorporation	Principal activity		Class and percentage of shares held
1	Aberdeen Journals Limited	Scotland	Publisher		100% Ordinary £1 shares
2	Meadowside Leasing Limited	Scotland	Publishing holding company		100% Ordinary £1 shares
	a) Parragon Publishing Limited	England	Publisher	*	65% Ordinary 1p shares 100% Preference £1 shares
	b) Peter Haddock Limited	England	Publisher	*	100% Ordinary £1 shares
	c) Children's Leisure Products Ltd	England	Publisher	*	100% Ordinary £1 shares
3	John Leng & Company Limited	Scotland	Publishing holding company		100% Ordinary £1 shares
	a) Puzzler Media Holdings Limited	England	Publisher	*	60% ordinary £1 shares 82 4% preference £1 shares
4	Taytel Limited	Scotland	Publisher		100% Ordinary £1 shares 100% Redeemable £1 shares
5	Tayview Limited	Scotland	Merchandising		100% Ordinary £1 shares
	Associated undertakings				
	Chelsea Stores Holdings Limited #	England	Children's retail stores		34 8% Ordinary 1p shares 58% 7 5% Preference £1 shares

This investment has been sold since the year end

* An asterisk indicates that the share capital is held by an intermediate holding company

None of the preference shares carry any voting entitlement under normal circumstances, so the company's voting power reflects the percentage of ownership of ordinary shares

The group continues to invest in a number of unlisted businesses using both equity and loans The percentage voting rights never exceed 50% so none of these investments fall to be treated as subsidiaries The amounts involved individually and collectively are not regarded as material to the Group Such investments are included as financial assets in note 12 and are carried at cost less provisions for impairment

30 Acquisitions

On 2 April 2006, the group acquired the entire issued share capital of Aberdeen Journals Limited for a net consideration of £101,906,000 The net assets acquired are set out below.

	Book value £000	IFRS adjustments £000	Fair values £000
Intangible assets	-	125,000	125,000
Property, plant and equipment	14,508		14,508
Inventories	341		341
Trade and other receivables	4,117	-	4,117
Cash and cash equivalent	464		464
Trade and other payables	(8,073)	-	(8,073)
Section 75 pension liabilities	(25,900)		(25,900)
Defined benefit pension deficit	(8,100)		(8,100)
Income tax	(1,493)		(1,493)
Borrowings	(7,074)	-	(7,074)
Deferred taxation	9,066	(37,500)	(28,434)
Net assets	(22,144)	87,500	65,356

The IFRS adjustment is to recognise intangible assets being publishing titles, together with the related deferred tax provision required under IAS12 The directors consider that the value of the intangible assets fully reflects the price paid As a result, the deferred tax arising under IAS12 gives rise to the goodwill

	£000
Net consideration in cash *	100,945
Acquisition costs	961
	101,906
Net assets acquired	(65,356)
Goodwill arising	**36,550**

* The cash consideration of £100,945,000 includes an estimated payment still to be made to the seller of £6,256,000 which is included in other payables in note 20

The acquisition of Aberdeen Journals Limited increased turnover by £40,300,000 for the year to 31 March 2007 resulting in a pre tax profit for the group of £8,800,000 and a profit for the period of £5,900,000 before management charges Aberdeen Journals Limited generated £4,890,000 of cash in operating activities, consumed £1,359,000 in investing activities and £971,000 in financing activities All these figures reflect the full year impact of the acquisition

31 Contingent liabilities

The group has guaranteed payments in favour of Customs and Excise in respect of raw materials imports and other materials the maximum liability under which would be £200,000 *(2006 £800,000).*

The group's associate undertaking, Chelsea Stores Holdings Limited, has a similar guarantee of £600,000 *(2006 £600,000)*

32 Financial commitments

	2007	2006
	£000	£000
Capital commitments - group and company		
Contracted for but not provided	**2,010**	3,045

Contractual commitments group

At the year end the group was committed to making the following payments during the next year in respect of contracts

	2007	2006
	£000	£000
Origination costs contracted for but not provided	**1,661**	1,044

Operating lease commitments - group

At 31 March 2007 the group had total commitments under non cancellable operating leases as set out below

	Land & buildings		**Other**	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Total amount payable where lease expires				
Within one year	**41**		**50**	4
In second to fifth year inclusive	**2,148**	1,906	**120**	183
After five years	**2,856**	3,149	**-**	

The land and buildings leases are mainly for offices and warehouses and are subject to renegotiation at various intervals specified in the leases Other leases are mainly equipment at warehouses

At 31 March 2007, Parragon Publishing Limited had forward contracts to year end to buy US$64m *(2006 $41m)* and to sell €41m *(2006 €40m)* at a variety of rates

33 Related party transactions

The company undertook transactions on an arm's length basis with various subsidiaries and associates primarily in connection with providing managerial and financing services as follows

	Fees		Outstanding balance	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Puzzler Media Holdings Ltd	**-**	192	**192**	192
Aberdeen Journals Ltd	**1,000**		**7,200**	
Chelsea Stores Holdings Ltd	**187**	250	**87**	250
Wm Thomson & Sons	**(139)**	(139)	**186**	161

William Thomson & Sons is a partnership controlled by the directors which provides secretarial and investment management services to the Group

Amounts due from/to group undertakings are included as follows

	2007	2006
	£000	£000
Trade and other receivable		
John Leng Limited	**3,840**	2,358
Meadowside Leasing Limited	**110**	100
Puzzler Media Holdings Limited	**192**	192
Aberdeen Journals	**7,200**	
	11,342	2,650
Trade and other payables		
Peter Haddock Limited	**721**	703

34 Country of registration

The company is incorporated in Scotland and is registered at Albert Square, Dundee DD1 9QJ Scotland

DC Thomson & Company Limited

Directors' responsibilities for the preparation of accounts

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have elected to prepare the accounts in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union and applicable law The accounts are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period In preparing these accounts, the directors are required to·

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website

DC Thomson & Company Limited

Independent auditors' report to the shareholders of DC Thomson & Company Limited

We have audited the group and parent company accounts ("the accounts") of DC Thomson & Company Limited for the year ended 31 March 2007 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in equity, the group and parent company statement of recognised income and expense and the related notes These accounts have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the directors' responsibilities statement

Our responsibility is to audit the accounts in accordance with relevant legal and regularity requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the directors' report is consistent with the accounts

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's and the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatements, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts

Independent auditors' report to the shareholders of DC Thomson & Company Limited (continued)

Opinion

In our opinion.

- The accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended,
- The accounts have been properly prepared in accordance with the Companies Act 1985, and,
- The information given in the directors' report is consistent with the accounts

Henderson Loggie

Henderson Loggie
Chartered Accountants
Registered Auditors
Dundee

1 November 2007