

DC Thomson & Company Limited

**Directors' report and accounts
for the year ended 31 March 2005**

Registered number 5830



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COMPANIES HOUSE 12/01/06

DC Thomson & Company Limited

Directors' report

Directors' report to the hundred and first Annual General Meeting of DC Thomson & Company Limited, to be held at 22 Meadowside, Dundee on 29 November 2005 at 12 noon.

The directors submit the audited accounts of the company and of the group for the year ended 31 March 2005.

Results and dividends

The results for the year are set out in the profit and loss account on page 4.

The directors recommend that a final dividend of £9,842,000 (2004 - £9,263,000) be paid, which together with the interim dividend of £558,000 (2004 - £558,000) already paid, will make a total of £10,400,000 (2004 - £9,821,000) for the year.

Activities

The principal activities of the group are the printing and publishing of newspapers, magazines and books.

Review of business

All areas of the group's publications performed in a very competitive environment.

Advertising revenue overall was marginally down although the daily newspapers were up, magazines had a difficult year particularly the children's papers.

Income from Gravure Contract Printing of Magazines and Brochures was up but competition in this area both in the UK and from overseas printers is considerable. In the offset area we lost a large contract which reached its conclusion during the year and revenue was therefore down.

The Book Publishing subsidiaries had a mixed year with Parragon Publishing seeing improved performance overall but Peter Haddock finding the marketplace for its titles more difficult.

Costs were kept under careful control but increases were noted particularly, as planned, in Promotions because of the relaunch of a title but also in Gas and Maintenance Contracts.

The price of paper increased somewhat towards the end of the year.

Developments continued in the IT area, in particular the development of a new Advertising System.

Group staff numbers increased slightly.

The investment in Early Learning Centre was taken in April 2004 and is developing by way of refurbishing the shops and introducing new product but the retail market has been weak more recently.

The company sold 50% of its holding in Scotland On Line which had been held in full ownership for a short period.

The performance of the group in the first six months of the current year has been affected by increased costs in many areas and trading is currently below last year's position.

DC Thomson & Company Limited

Directors' report (continued)

Directors

The directors in office are Messrs BH Thomson, AF Thomson, LM Thomson and CHW Thomson.

The directors' interests in the issued share capital are shown in note 29.

In terms of the Articles of Association Messrs AF Thomson and LM Thomson retire by rotation and being eligible offer themselves for re-election.

Employees

Details concerning employees are shown in note 4. 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.

Exports

The value of exports is shown in note 2. The group has significant sales and distribution operations in Europe and North America.

Foreign currency risk

The majority of Parragon Publishing Limited's material purchases are denominated in US\$ and a quarter of its sales are to a group company based in USA. Accordingly, the company seeks to manage its exposure to US\$ by means of forward purchase contracts which hedge the expected net cash flow exposure for up to 2 years forward.

In addition, a third of Parragon's sales are to a group company based in Europe. Exchange rate risk is hedged by using forward sale contracts based on expected Euro cash receipts.

Charitable and political contributions

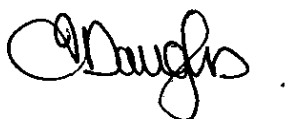
No political contributions were made.

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 £962 (2004 - £962) were made.

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:

A handwritten signature in black ink, appearing to read 'I Douglas', with a small dot at the end.

I Douglas
Secretary
Dundee

24 October 2005

DC Thomson & Company Limited

Consolidated profit and loss account for the year ended 31 March 2005

	Note	£000	2005 £000	2004 £000
Turnover	2		162,669	162,396
Operating profit	3		18,945	17,739
Depreciation			(5,982)	(5,924)
Amortisation of goodwill			(3,234)	(3,234)
Trading profit			9,729	8,581
Share of earnings of associate undertaking				
Share of operating profit for year		920		-
Amortisation of goodwill		(193)		-
			727	-
Trading profit after share of associate undertakings			10,456	8,581
Exceptional items	6		9,969	10,831
Investment income and interest	7		22,783	22,868
Profit on ordinary activities before taxation			43,208	42,280
Taxation	8		7,900	7,933
Profit on ordinary activities after taxation			35,308	34,347
Minority interest	12a		(1,642)	(1,167)
Profit attributable to members of parent company			33,666	33,180
Appropriations:				
Transfer to reserves	21		16,500	17,800
Dividends paid and proposed	9		10,400	9,821
			26,900	27,621
Retained profit for the year			6,766	5,559

All results are from continuing operations. The associate undertaking was acquired during the year.

A statement of reserves is given in notes 20 to 22 to these accounts.

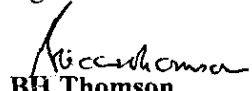
A reconciliation of shareholders' funds is given on page 8.

DC Thomson & Company Limited

Consolidated balance sheet at 31 March 2005

	Note	£000	2005 £000	2004 £000
Fixed assets				
Goodwill	10		50,946	51,742
Tangible assets	11		98,583	99,653
Investments	12		141,886	152,582
Investment in associate undertaking	12		25,200	-
			<u>316,615</u>	<u>303,977</u>
Current assets				
Stocks	13	34,874		35,896
Debtors	14	60,086		55,640
Investments	15	8,108		13,810
Deposits		130,074		121,671
Cash at bank and in hand		5,514		6,488
			<u>238,656</u>	<u>233,505</u>
Creditors: amounts falling due within one year	16	41,339		48,378
			<u>197,317</u>	<u>185,127</u>
Net current assets				
			<u>513,932</u>	<u>489,104</u>
Total assets less current liabilities				
Creditors: amounts falling due outwith one year	16		-	(5)
Provisions for liabilities and charges	17		(23,287)	(22,727)
Accruals and deferred income	18		(167)	(223)
			<u>490,478</u>	<u>466,149</u>
Capital and reserves				
Called up share capital	19		4,135	4,135
Capital redemption reserve	20		1,865	1,865
Other reserves	21		394,522	378,022
Profit and loss account	22		85,934	79,171
			<u>486,456</u>	<u>463,193</u>
Shareholders' funds				
Minority interest	12a		4,022	2,956
			<u>490,478</u>	<u>466,149</u>

The accounts on pages 4 to 32 were approved by the Board of Directors on 24 October 2005 and signed on its behalf by:


BH Thomson

Director


AF Thomson

Director

DC Thomson & Company Limited

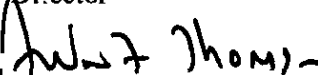
Company balance sheet at 31 March 2005

	Note	£000	2005 £000	2004 £000
Fixed assets				
Tangible assets	11		97,551	98,199
Investments	12		131,903	142,179
Investment in associate undertaking	12		25,858	-
Subsidiary undertakings	12		77,304	75,304
			<u>332,616</u>	<u>315,682</u>
Current assets				
Stocks	13	10,505		10,337
Debtors	14	39,096		31,332
Investments	15	8,108		13,810
Deposits		97,116		99,965
Cash at bank and in hand		1,161		1,119
		<u>155,986</u>		<u>156,563</u>
Creditors: amounts falling due within one year	16	16,778		18,371
Net current assets			<u>139,208</u>	<u>138,192</u>
Total assets less current liabilities			<u>471,824</u>	<u>453,874</u>
Provisions for liabilities and charges	17		(24,023)	(23,294)
Accruals and deferred income	18		(167)	(223)
			<u>447,634</u>	<u>430,357</u>
Capital and reserves				
Called up share capital	19		4,135	4,135
Capital redemption reserve	20		1,865	1,865
Other reserves	21		393,899	377,399
Profit and loss account	22		47,735	46,958
			<u>447,634</u>	<u>430,357</u>

The accounts on pages 4 to 32 were approved by the Board of Directors on 24 October 2005 and signed on its behalf by:


BH Thomson

Director


AF Thomson

Director

DC Thomson & Company Limited

Consolidated cash flow statement for the year ended 31 March 2005

	Note	2005 £000	2004 £000
Net cash inflow from operating activities	23	18,867	13,069
Returns on investments and servicing of finance			
Income from fixed asset investments		18,740	17,646
Interest		7,473	5,436
Interest paid		(645)	(844)
Net cash inflow from returns on investments and servicing of finance		25,568	22,238
Taxation			
Tax paid		(8,777)	(6,229)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,419)	(3,273)
Sale of tangible fixed assets		317	314
Purchase of investments		(2,601)	(13,366)
Sale of investments		10,101	23,682
Net cash inflow from investing activities		2,398	7,357
Acquisition			
Increase in shareholding in subsidiary		(3,015)	-
Investment in associate undertaking		(19,384)	-
		(22,399)	-
Equity dividends paid		(9,821)	(9,325)
Management of liquid resources			
Increase in short term deposits		(8,403)	(24,020)
Sale of current asset investments		5,702	3,900
		(2,701)	(20,120)
Net cash inflow before financing		3,135	6,990
Financing			
Repayment of obligations under hire purchase agreements		(122)	(380)
Increase in cash in period	25	3,013	6,610

DC Thomson & Company Limited

Other statements for the year ended 31 March 2005

Statement of total recognised gains and losses

	2005	2004
	£000	£000
Profit for the financial year	33,666	33,180
Translation differences on foreign currency net assets	(3)	(39)
	<hr/>	<hr/>
Total gains and losses recognised since last annual accounts	33,663	33,141
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movement in shareholders' funds

Profit for the financial year	33,666	33,180
Dividends	(10,400)	(9,821)
Translation differences on foreign currency net assets	(3)	(39)
	<hr/>	<hr/>
Net additions to shareholders' funds	23,263	23,320
Opening shareholders' funds	463,193	439,873
	<hr/>	<hr/>
Closing shareholders' funds	486,456	463,193
	<hr/> <hr/>	<hr/> <hr/>

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidation

The consolidated accounts include the results of the company and all its material subsidiary and associate undertakings. The results of those subsidiary undertakings based in foreign countries are translated at the average exchange rate for the year and their balance sheets are translated at the year end exchange rate. Any differences arising from the application of these rates on opening net assets is accounted for through reserves.

Goodwill arising on the acquisition of subsidiary undertakings is amortised to the profit and loss account over 20 years straight line, the period over which, in the opinion of the directors, the company will derive direct economic benefit from the goodwill acquired as part of that business. Goodwill previously eliminated under the accounting policy at that time has not been reinstated but will be charged to the profit and loss if the relevant business is sold.

During the year, the group increased its stake in Parragon Publishing Limited. In accordance with FRS 2 - "Accounting for Subsidiary Undertakings", and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in Parragon Publishing Limited, being the difference at the date of each purchase between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that Parragon Publishing Limited became a subsidiary undertaking.

The directors consider that for certain investments the equity method of accounting for associate undertakings would not give a true and fair view as they are held as investments and are not connected with the group's trading activities and the group does not exercise significant influence over their operational management. Accordingly, income is better measured by the inclusion of dividends and interest income, which is in accordance with Financial Reporting Standard 9 – Associates and Joint Ventures. The company involved is disclosed in note 30.

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

Investment income

Franked investment income is stated on an accruals basis. This is a change from the previous policy of cash receipts basis but no prior year adjustment is considered necessary as the effect is not material. Other investment income is recognised on an accrual basis.

Depreciation

The cost of fixed tangible assets, except freehold land, is depreciated to estimated residual value over their estimated useful economic lives as follows:-

Freehold buildings	-	2%	Reducing balance
Plant and equipment	-	4 to 20 years	Straight line
Printing presses	-	15 to 40 years	Straight line

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

Parragon Publishing Limited uses forward contracts to hedge its net cash flow exposure. Where forward contracts hedge foreign currency denominated year end balances these balances are translated at the forward contract rate. Where forward contracts are for future cash flows not recognised at the year end, these are not recorded in the balance sheet. See note 27.

Leases and hire purchase contracts

Where the company enters into a hire purchase contract or lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The group operates both defined benefit and defined contribution pension schemes covering the majority of employees. Payments to the defined benefit schemes are charged against profits, are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities on a continuing basis. Independent actuarial valuations of the schemes are made at least every three years.

Payments in respect of defined contribution schemes are charged against profits when due.

Stocks

Stocks 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.

Origination costs of book publishing are recorded at cost and amortised over the estimated life of the title but with a maximum of three years from the date of publication.

Deferred taxation

Deferred taxation is provided on all short term timing differences and the excess of capital allowances over depreciation.

2 Turnover

Turnover represents the net amounts invoiced in respect of goods provided during the year excluding value added tax.

Analysis by destination market	2005 £000	2004 £000
Market:		
United Kingdom	111,114	111,273
Rest of Europe	26,081	19,797
North America	20,541	25,041
Rest of World	4,933	6,285
	<u>162,669</u>	<u>162,396</u>

3 Operating profit

Turnover	162,669	162,396
Change in stock of finished goods and work in progress	(1,176)	2,601
Raw materials and consumables	(66,937)	(71,844)
	<u>94,556</u>	<u>93,153</u>
Staff costs	(48,259)	(46,674)
Other operating charges	(27,352)	(28,740)
	<u>18,945</u>	<u>17,739</u>

Operating profit is stated after charging:

Auditors' remuneration	125	129
Auditors' remuneration for non-audit work	100	109
Loss on sale of fixed assets	4	-
Exchange loss	-	478
Rentals under operating leases:		
- other operating leases	404	331
	<u>629</u>	<u>947</u>

and after crediting:

Gain on sale of fixed tangible assets	-	10
Net income from rents	45	46
Regional development grant amortisation	56	56
Exchange gain	393	-
	<u>494</u>	<u>112</u>

The auditors' remuneration for the company's audit, included above, amounted to £63,500 (2004 - £62,000). In addition, auditors' remuneration for non-audit work capitalised during the year was £27,000 (2004 - £64,000).

DC Thomson & Company Limited

Notes to the accounts (continued)

4	Employees	2005 Number	2004 Number
	Average weekly number of employees during the year	1,940	1,938
		=====	=====
		£000	£000
	Employee costs during the year (including directors remuneration) amounted to:		
	Wages and salaries	46,105	44,524
	Social security costs	3,632	3,528
	Other pension costs (note 28)	(1,478)	(1,378)
		-----	-----
		48,259	46,674
		=====	=====

5	Directors' emoluments		
	Management remuneration	539	573
	Pension scheme contributions	-	-
		-----	-----
		539	573
		=====	=====

The emoluments receivable by the highest paid director are £127,000 (2004 - £120,000), and no company pension contributions were made on his behalf. The accrued pension at 31 March 2005 was £120,000 (2004 - £112,000).

Retirement benefits are accruing to the following number of directors under:	2005 Number	2004 Number
Defined benefit schemes	4	5
	=====	=====

6	Exceptional items	£000	£000
	Gain on disposal of investments	10,059	14,457
	Provision against investments	(90)	(3,626)
		-----	-----
		9,969	10,831
		=====	=====
	Taxation thereon	2,155	3,542
		=====	=====

DC Thomson & Company Limited

Notes to the accounts (continued)

7	Investment income and interest	2005	2004
		£000	£000
	Income from listed investments	17,427	17,480
	Income from unlisted investments	380	156
	Income from listed UK government securities	852	1,031
	Income from deposits and other sources	6,002	4,957
	Interest payable	(664)	(756)
		<hr/>	<hr/>
		23,997	22,868
	Share of interest payable by associate undertakings	(1,214)	-
		<hr/>	<hr/>
		22,783	22,868
		<hr/>	<hr/>
8	Tax on profit on ordinary activities		
	Current tax		
	UK corporation tax on profits for the year	7,409	8,390
	Double tax relief	(283)	(200)
		<hr/>	<hr/>
		7,126	8,190
	Adjustments in respect of prior years	(374)	(728)
	Overseas tax	417	205
	Share of tax charge of associate undertaking	171	-
		<hr/>	<hr/>
		7,340	7,667
	Deferred tax		
	Current year	635	304
	Adjustment in respect of prior years	(75)	(38)
		<hr/>	<hr/>
		7,900	7,933
		<hr/>	<hr/>
	Factors affecting tax charge for year		
	Profit for year before tax	43,208	42,280
		<hr/>	<hr/>
	Tax thereon at 30%	12,962	12,684
		<hr/>	<hr/>
	Effects of:		
	Franked Investment Income not attracting tax	(5,149)	(5,109)
	Net capital receipts not taxable	(796)	(1,021)
	Goodwill amortisation not tax allowable	1,028	970
	Difference between capital allowances and depreciation	(84)	(195)
	Items not affecting tax charge	(443)	1,018
	Overseas profits tax impact	63	9
	Adjustments in respect of prior years	(374)	(728)
	Margin	50	39
	Associate undertaking effect	83	-
		<hr/>	<hr/>
	Current tax charge	7,340	7,667
		<hr/>	<hr/>

DC Thomson & Company Limited

Notes to the accounts (continued)

9	Dividends	2005 £000	2004 £000
	Ordinary shares:		
	Interim of 13.5p paid (2004 - 13.5p)	558	558
	Proposed final of 238p per share (2004 - 224p)	9,842	9,263
		<u>10,400</u>	<u>9,821</u>
		<u><u>10,400</u></u>	<u><u>9,821</u></u>
10	Goodwill		£000
	Cost		
	At 31 March 2004		64,694
	Additions		2,438
			<u>67,132</u>
	At 31 March 2005		<u>67,132</u>
	Amortisation		
	At 31 March 2004		12,952
	Charge for year		3,234
			<u>16,186</u>
	At 31 March 2005		<u>16,186</u>
	Net book value		
	At 31 March 2005		<u>50,946</u>
	At 31 March 2004		<u><u>51,742</u></u>

DC Thomson & Company Limited

Notes to the accounts (continued)

11	Fixed tangible assets	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
	Group Cost				
	At 31 March 2004	55,846	123,884	586	180,316
	Additions	1,409	2,302	1,523	5,234
	Disposals	-	(1,357)	-	(1,357)
	Transfers	-	586	(586)	-
	Retranslation of foreign assets	-	(2)	-	(2)
	At 31 March 2005	57,255	125,413	1,523	184,191
	Depreciation				
	At 31 March 2004	19,629	61,034	-	80,663
	Charge for year	738	5,244	-	5,982
	On disposals	-	(1,036)	-	(1,036)
	Retranslation of foreign assets	-	(1)	-	(1)
	At 31 March 2005	20,367	65,241	-	85,608
	Net book value				
	At 31 March 2005	36,888	60,172	1,523	98,583
	At 31 March 2004	36,217	62,850	586	99,653

The net book value of tangible fixed assets held under finance leases and hire purchase contracts at 31 March 2005 was £Nil (2004 - £276,000).

Depreciation charged in the year on these assets was £Nil (2004 - £103,000).

The cost of freehold property includes the cost of land, a significant part of which is not separately identifiable and is depreciated.

11 Fixed tangible assets (continued)

	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Company				
Cost				
At 31 March 2004	55,054	121,117	586	176,757
Additions	1,408	2,059	1,523	4,990
Disposals	-	(712)	-	(712)
Transfers	-	586	(586)	-
At 31 March 2005	56,462	123,050	1,523	181,035
Depreciation				
At 31 March 2004	19,312	59,246	-	78,558
Charge for year	714	4,912	-	5,626
On disposals	-	(700)	-	(700)
At 31 March 2005	20,026	63,458	-	83,484
Net book value				
At 31 March 2005	36,436	59,592	1,523	97,551
At 31 March 2004	35,742	61,871	586	98,199

The cost of freehold property includes the cost of land, a significant part of which is not separately identifiable and is depreciated.

12 Fixed asset investments

Group	Listed £000	Unlisted £000	Total £000
Cost less provisions			
At 31 March 2004	142,019	10,563	152,582
Additions	266	3,041	3,307
Disposals	(4,384)	(383)	(4,767)
Transfer to associate undertaking	-	(9,146)	(9,146)
Provisions	(90)	-	(90)
At 31 March 2005	137,811	4,075	141,886

The accumulated provision against cost of investments is £1,654,000 (2004 - £10,631,000). During the year, the group acquired a further 5% of Parragon Publishing Limited.

Company Investments	Listed £000	Unlisted £000	Total £000
Cost less provisions			
At 31 March 2004	131,837	10,342	142,179
Additions	-	3,290	3,290
Disposals	(4,009)	(161)	(4,170)
Transfer to associate undertaking	-	(9,146)	(9,146)
Provisions	-	(250)	(250)
At 31 March 2005	127,828	4,075	131,903

The accumulated provision against cost of unlisted investments is £2,305,000 (2004-£11,265,000).

Investment in associate undertaking

Group and company

On 2 April 2004, the group subscribed for 1,391,907 A Ordinary shares of 1p each at an issue price of 10p per share in Chelsea Stores Holdings Limited ("CSHL") representing 34.8% of the issued ordinary share capital, together with 21,845,209 Preference shares of £1 each at par. CSHL acquired the entire share capital of Chelsea Stores Limited and of Early Learning Centre Limited.

The preference shares carry a coupon of 7.5% per annum compounded annually and are redeemable on a sale or flotation of CSHL, or earlier at CSHL's option. The A Ordinary shares rank pari passu with the other ordinary shares in CSHL, but also entitle the holders to a further preferred return of up to £6,000,000, increased by 7.5% per annum compounded annually, if CSHL achieve certain financial targets.

12 Fixed asset investments (continued)

	Share of net assets £000	Goodwill £000	Total £000
Addition in year - company	22,006	3,852	25,858
Provision	-	(193)	(193)
Share of losses	(465)	-	(465)
At 31 March 2005 - group	21,541	3,659	25,200

Group's share of associate undertaking results

The group's share of Chelsea Stores Holdings Limited results for the year ended 31 March 2005 are as follows:

	£000
Turnover	71,584
Operating profit	920
Interest payable	(1,214)
Loss before tax	(294)
Taxation	(171)
Loss after tax	(465)

The net assets and the group's share thereof are as follows:

Fixed assets and goodwill	70,100
Current assets	36,761
Liabilities due within one year	(37,300)
Net current liabilities	(539)
Total assets less current liabilities	69,561
Liabilities due after one year	(32,500)
Net assets	37,061
<i>Group share of net assets of Chelsea Stores Holdings Limited</i>	
Preference share capital owned by group	21,845
34.8% of balance of net liabilities	(304)
	21,541

12 Fixed asset investments (continued)

Company	Shares £000	Loans £000	Total £000
Subsidiary undertakings			
At 31 March 2004	5,090	70,214	75,304
Additions	-	2,000	2,000
At 31 March 2005	5,090	72,214	77,304

	2005		2004	
Valuation	Group £000	Company £000	Group £000	Company £000
At market value -				
Listed	<u>580,684</u>	<u>479,157</u>	<u>542,863</u>	<u>448,913</u>
At directors' valuation -				
Unlisted	<u>31,287</u>	<u>30,733</u>	<u>11,141</u>	<u>11,141</u>
Potential tax liability if sold at these values	<u>102,854</u>	<u>82,581</u>	<u>89,300</u>	<u>71,400</u>

The unlisted investments at directors' valuation include Chelsea Stores Holdings Limited.

Since the year end, investments have been realised crystallising £5,240,000 of the potential tax liability noted.

Particulars of the group's interest in the issued share capital of its principal subsidiary undertakings are shown in note 30.

12a Minority interest - group

The group owns 65% (2004 - 60%) of Parragon Publishing Limited. Minority interest in the profit and loss account of £1,642,000 (2004 - £1,167,000) represents the share of Parragon's result for the year which does not belong to the group.

The balance sheet figure at 31 March 2005 of £4,022,000 (2004 - £2,956,000) represents the 35% (2004 - 40%) of Parragon's net assets at 31 March 2005, after adjusting for the preference shares, which do not belong to the group.

DC Thomson & Company Limited

Notes to the accounts (continued)

13	Stocks	2005		2004	
		£000		£000	
	Group				
	Raw materials and consumables	6,905		6,751	
	Work in progress	8,534		9,146	
	Finished goods and goods for resale	19,435		19,999	
		<u>34,874</u>		<u>35,896</u>	
		=====		=====	
	Company				
	Raw materials and consumables	6,617		6,458	
	Work in progress	2,754		2,720	
	Finished goods and goods for resale	1,134		1,159	
		<u>10,505</u>		<u>10,337</u>	
		=====		=====	
14	Debtors	2005		2004	
		Group £000	Company £000	Group £000	Company £000
	Group				
	Trade debtors	32,971	11,509	32,738	11,355
	Other debtors	21,404	20,361	16,888	13,997
	Prepayments and accrued income	4,103	3,597	4,835	4,368
	Amounts due from group undertakings	-	2,504	-	847
	Corporation tax recoverable	1,608	1,125	1,179	765
		<u>60,086</u>	<u>39,096</u>	<u>55,640</u>	<u>31,332</u>
		=====	=====	=====	=====

Included within debtors for the group and the company are balances due outwith 1 year of £988,000 (2004 - £3,320,000).

DC Thomson & Company Limited

Notes to the accounts (continued)

15 Current asset investments

Group and Company	2005 £000	2004 £000
Cost of government securities	8,108	13,810
Premium to redemption recognised in debtors	3,010	3,643
Market value of government securities	11,898	18,456
Potential tax liability if sold at this value	-	-

16 Creditors

Amounts falling due within one year:

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Bank overdraft (secured)	4,908	-	9,288	-
Trade creditors	13,012	2,163	15,113	2,190
Corporation tax	2,962	-	4,142	1,573
Other taxes and social security	1,296	1,052	1,367	1,086
Other creditors	8,761	2,913	8,530	3,701
Interim dividend paid since date of balance sheet	558	558	558	558
Proposed final dividend	9,842	9,842	9,263	9,263
Hire purchase contracts (secured)	-	-	117	-
Amounts due to group undertakings	-	250	-	-
	41,339	16,778	48,378	18,371

Amounts falling due outwith one year:

Hire purchase contracts (secured)	-	-	5	-
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The overdraft is secured by a fixed and floating charge over the assets of Parragon Publishing Limited and its subsidiary undertakings, 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.

17 Provisions for liabilities and charges

Deferred taxation:	Accelerated capital allowances £000	Other timing differences £000	Total £000
Group			
At 31 March 2004	20,389	2,338	22,727
Transfer from profit and loss account	(108)	668	560
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	20,281	3,006	23,287
	<u> </u>	<u> </u>	<u> </u>
Company			
At 31 March 2004	20,328	2,966	23,294
Transfer from profit and loss account	21	708	729
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2005	20,349	3,674	24,023
	<u> </u>	<u> </u>	<u> </u>

18 Accruals and deferred income

Group and Company	£000
Government grants	
At 31 March 2004	223
Credited to operating profit	(56)
	<u> </u>
At 31 March 2005	167
	<u> </u>

19 Called up share capital

	Authorised		Allotted, called up and fully paid			
	2005 £000	2004 £000	2005 Number	2005 £000	2004 Number	2004 £000
Ordinary shares of £1 each	6,000	6,000	4,135,317	4,135	4,135,317	4,135
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

DC Thomson & Company Limited

Notes to the accounts (continued)

20 Capital redemption reserve

Group and Company

£000

At 31 March 2004 and 31 March 2005

1,865

21 Other Reserves

Group

At 31 March 2004

378,022

Transfer from profit and loss account

16,500

At 31 March 2005

394,522

Company

At 31 March 2004

377,399

Transfer from profit and loss account

16,500

At 31 March 2005

393,899

22 Profit and loss account

Group
£000

Company
£000

At 31 March 2004

79,171

46,958

Retained profit for year

6,766

777

Translation differences in foreign currency net assets

(3)

-

At 31 March 2005

85,934

47,735

Goodwill arising on acquisition in 1993 of Peter Haddock Limited of £1,862,000 was charged to reserves in line with the accounting policy at the time the goodwill arose. The goodwill was eliminated as a matter of accounting policy and will be charged to the profit and loss account if there is a subsequent disposal of the business.

All the reserves detailed in notes 21 and 22 above are distributable.

DC Thomson & Company Limited

Notes to the accounts (continued)

23	Reconciliation of trading profit to cash flow	2005	2004
		£000	£000
	Trading profit	9,729	8,581
	Depreciation	5,982	5,924
	Loss/(gain) on sale of fixed assets	4	(10)
	Amortisation of Regional Development Grants	(56)	(56)
	Exchange (gain)/loss	(393)	478
	Goodwill amortisation	3,234	3,234
	Decrease/(increase) in stock	1,022	(2,552)
	Decrease/(increase) in debtors	980	(5,270)
	(Decrease)/increase in creditors	(1,635)	2,740
		<hr/>	<hr/>
	Net cash inflow from operating activities	18,867	13,069
		=====	=====

24	Analysis of changes in net funds	At 31			At 31
		March	Cash	Exchange	March
		2004	flow	movement	2005
		£000	£000	£000	£000
	Cash in hand, at bank	6,488	(1,209)	235	5,514
	Overdrafts	(9,288)	4,222	158	(4,908)
			<hr/>		
			3,013		
	Hire purchase contracts	(122)	122		-
			<hr/>		
			3,135		
	Current asset investments	13,810	(5,702)		8,108
	Deposits	121,671	8,403		130,074
		<hr/>	<hr/>	<hr/>	<hr/>
		132,559	5,836	393	138,788
		=====	=====	=====	=====

25 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£000	£000
Increase in cash in the period	3,013	6,610
Cash outflow from management of liquid resources	2,701	20,120
Cash outflow from decrease in hire purchase financing	122	380
	<hr/>	<hr/>
Changes in net funds resulting from cashflows	5,836	27,110
New hire purchase contracts	-	(156)
Exchange movement	393	(478)
	<hr/>	<hr/>
Net funds at start of period	6,229	26,476
	132,559	106,083
	<hr/>	<hr/>
Net funds at end of period	138,788	132,559
	<hr/> <hr/>	<hr/> <hr/>

26 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 £700,000 (2004 - £630,000).

The group's associate undertaking, Chelsea Stores Holdings Limited, has a similar guarantee of £600,000.

DC Thomson & Company Limited

Notes to the accounts (continued)

27 Financial commitments

2005	2004
£000	£000

Capital commitments - group and company

Contracted for but not provided

434	942
===	===

Contractual commitments - group

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

2005	2004
£000	£000

Origination costs contracted for but not provided

1,500	1,515
===	===

Operating lease commitments - group

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below:

2005	2004
£000	£000

Land and buildings

Amount payable next year where lease expires:

Within one year

1	-
----------	----------

In second to fifth year inclusive

77	77
-----------	-----------

After five years

258	241
===	===

At 31 March 2005, Parragon Publishing Limited had forward contracts to buy US\$37.5m and to sell €12.6m at a variety of rates which do not hedge year end balances. See accounting policy on page 10.

28 Retirement benefits

The group operates both defined benefit 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 £1,478,000 (2004 - £1,378,000). This includes a credit of £1,669,000 (2004 - £1,637,000) in respect of the amortisation of existing surpluses over 14 years, the expected average remaining working lifetime of current employees, a charge of £72,000 (2004 - £160,000) for a subsidiary's defined benefit scheme and contributions of £119,000 (2004 - £99,000) in respect of defined contributions schemes.

The accounts include a prepayment of £12,454,000 (2004 - £10,785,000) and a provision of £Nil (2004 - £500,000) which represent the actuarial assessment of the funding requirements for the defined benefit schemes.

Defined benefit schemes

The parent company and one subsidiary operate defined benefit schemes. Independent valuations are carried out by a qualified actuary every three years using the Projected Unit Credit Method. The latest actuarial assessment was on 31 March 2002 for the parent company and 1 April 2004 for the subsidiary.

SSAP 24 disclosure

Parent company scheme

The latest actuarial assessment was as at 31 March 2002. The main assumptions used were a rate of interest of 2% per annum over salary increases and 4.5% per annum over post retirement pension increases on the excess of the guaranteed minimum pension and equity dividend growth of 3.8% per annum.

At the date of the latest actuarial assessment the market value of the assets of the scheme was £447,958,000 and the actuarial value of the assets was sufficient to cover 141% of the benefits that had accrued to members after allowing for expected future increases in earnings.

It has been agreed with the trustees that no contributions will be paid next year.

Subsidiary's scheme

The latest actuarial assessment was on 1 April 2004. The main assumption used was a rate of interest of 1.35% per annum over salary increases.

At the date of the latest actuarial assessment the market value of the assets of the scheme was £2,066,000 and the actuarial value of the assets was sufficient to cover 61% of the benefits that had accrued to members after allowing for expected future increases in earnings. Since this valuation an additional one off contribution of £500,000 has been made.

It has been agreed with the trustees that the average company contribution rate will be 19.3%.

28 Retirement benefits (continued)

FRS17 disclosure

The valuations for the group schemes were carried out at 31 March 2002 and updated on an approximate basis to 31 March 2005 by qualified independent actuaries.

The principal assumptions used by the actuaries were as follows:

	2005	2004
	%	%
Rate of increase in salaries	4.40	4.40
Rate of increase in pensions	2.90	2.90
Discount rate	5.40	5.50
Inflation rate	2.90	2.90

	2005		2004	
	Long-term rate of return	Value £000	Long-term rate of return	Value £000
Equities and property	7.00%	368,000	7.00%	327,300
Government bonds	4.75%	82,500	4.75%	75,400
Other	4.75%	8,849	4.25%	7,755
		<hr/>		<hr/>
Total market value		459,349		410,455
Present value of scheme liabilities		(274,459)		(262,728)
		<hr/>		<hr/>
Surplus		184,890		147,727
Related deferred tax liability		(55,467)		(44,348)
		<hr/>		<hr/>
Net pension asset		129,423		103,379
		<hr/> <hr/>		<hr/> <hr/>

28 Retirement benefits (continued)

If FRS17 had been adopted in the financial statements, the group's net assets and profit and loss reserve would have been as follows:

	2005 £000	2004 £000
Net assets excluding SSAP24 pension asset	477,794	455,993
Pension asset	129,423	103,479
	<u>607,217</u>	<u>559,472</u>
Profit and loss reserve excluding SSAP24 pension asset	93,772	71,971
Pension asset	129,423	103,479
	<u>223,195</u>	<u>175,450</u>

FRS17 Profit and loss account disclosures

Had the Group adopted FRS17 early, the profit and loss account for the year ended 31 March 2005 would have been adjusted as follows:

	2005 £000	2004 £000
Amounts charged against operating profit		
Current service cost	5,961	5,539
Loss on settlements	163	-
Total amount charged against operating profit	<u>6,124</u>	<u>5,539</u>
Amounts included as other finance costs		
Expected return on pension scheme assets	26,480	21,500
Interest on pension liabilities	(14,306)	(13,213)
Net financial return	<u>12,174</u>	<u>8,287</u>
Amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on assets	34,028	52,453
Experience gain on liabilities	1,226	796
Impact of changes in assumptions relating to the present value of scheme liabilities	(4,699)	(2,706)
Actuarial gain	<u>30,555</u>	<u>50,543</u>

28 Retirement benefits (continued)

Movement in the surplus during the year	2005 £000	2004 £000
Surplus in schemes at 31 March 2004	147,727	94,381
Charge against operating profit	(6,124)	(5,539)
Contributions	558	55
Net financial return	12,174	8,287
Actuarial gain	30,555	50,543
Surplus in the schemes at 31 March 2005	<u>184,890</u>	<u>147,727</u>

FRS17 history

	2005		2004		2003	
	£000	%	£000	%	£000	%
Difference between actual and expected return on schemes' assets	34,028	7	52,453	13	(130,085)	(37)
Experience gain on schemes' liabilities	1,226	-	796	-	(61)	-
Amount recognised in statement of total recognised gains and losses on schemes' liabilities	30,555	11	50,543	(19)	(152,475)	60

29 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 2005	1 April 2004
Beneficial interest:		
BH Thomson	18,454	18,454
AF Thomson	28,566	28,566
LM Thomson	31,575	31,575
CHW Thomson	12,563	12,563
As trustees without beneficial interest:		
AF Thomson	191,193	191,193
LM Thomson	196,165	175,712
As joint trustees without beneficial interest:		
BH Thomson)		
LM Thomson)	300,000	300,000
BH Thomson)		
AF Thomson)	183,611	183,611
LM Thomson)		
BH Thomson)		
CHW Thomson)	223,340	221,910

30 Group companies

Particulars of the group's interest in the issued share capital of its principal subsidiary undertakings are as follows:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Meadowside Leasing Limited	Scotland	Leasing and management services	100% Ordinary £1 shares
Peter Haddock Limited	England	Publisher	* 100% Ordinary £1 shares
Children's Leisure Products Ltd	England	Publisher	* 100% Ordinary £1 shares
Parragon Publishing Limited	England	Publisher	* 65% Ordinary 1p shares 100% Preference £1 shares
John Leng & Company Limited	Scotland	Investment company	100% Ordinary £1 shares
Taytel Limited	Scotland	Publisher	100% Ordinary £1 shares 100% Redeemable £1 shares
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% Preference £1 shares
Other material holdings in unlisted investments			
Scotland on Line Holdings Limited	Scotland	Secure online business services	50% Ordinary £1 shares

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

Directors' responsibilities for the preparation of accounts

The directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit of the group for the year. In addition, the directors are responsible for ensuring that adequate accounting records are maintained, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The directors confirm that the accounts of the company and the group for the year ended 31 March 2005 have been prepared on a going concern basis and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in their preparation and that applicable accounting standards have been followed.

DC Thomson & Company Limited

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

We have audited the accounts of DC Thomson & Company Limited for the year ended 31 March 2005 which comprise profit and loss account, balance sheets, cash flow statement, statement of total recognised gains and losses and related notes on pages 9 to 32. These accounts have been prepared under the historical cost convention and 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 company's circumstances, consistently applied and adequately disclosed.

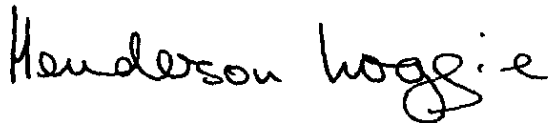
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

DC Thomson & Company Limited

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the group and company as at 31 March 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Henderson Loggie
Chartered Accountants
Registered Auditors
Dundee

24 October 2005