

DC Thomson & Company Limited

**Directors' report and IFRS Group financial statements
for the year ended 31 March 2011**

Registered number 5830

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DC Thomson & Company Limited

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DC Thomson & Company Limited

Directors' report

The Directors' report to the hundred and seventh Annual General Meeting of DC Thomson & Company Limited, to be held at Courier Buildings, Albert Square, Dundee on Tuesday 29th November 2011 at 12 noon.

The Directors submit the audited accounts of the Company and of the Group for the year ended 31 March 2011.

Activities and dividends

The principal activity of the Group consists of the printing and publishing of Newspapers, the publishing of Magazines, Annuals and Books and the provision of Online Services and Content.

The Directors recommend that a final dividend of £13,150,000 (2010 - £12,819,000) be paid, which together with the interim dividend of £2,978,000 (2010 - £2,482,000) already paid, will make a total of £16,128,000. (2010 - £15,301,000) for the year.

Business overview

There has been an improvement in performance of the Business with underlying Trading Profit in our principal activity up £10.9m.

Underlying Trading Profit is defined as the Profit before interest, pension credit, exceptional items and accounting adjustments reflecting the Groups foreign currency hedging strategy.

The Turnover of our principal activity increased by £10m (4.3%) mainly as a result of a full year's sales from the Friends Reunited Group of businesses which was a subsidiary for the full year. This has three operating divisions in social networking, online genealogy and online dating and complements the online genealogy business built under the brightsolid banner.

As noted in last year's report we closed our sheet fed book and gravure magazine press printing facilities this year. This was a significant contributor to the improved Trading Profit in the year

The media sector we operate in continues to face change but we believe that the operational steps we are taking will allow us to to operate as an efficient multi-platform media business.

Trading overview

Sales of our Regional Daily Newspapers are in Scotland. Sales of our Sunday Newspaper, The Sunday Post, and our Magazines are mainly in the UK. Sales of our Books are throughout the world. Export sales represented 28.3% of our trading revenue (2010 31.6%).

On a like for like basis, before currency adjustments, Group Publishing Income was £260m (£249m) of which £90m (£91m) was Newspaper and Magazine copy sales, £30m (£31m) advertising revenue and £103m (£104m) Book sales including Annuals, £28m (£11m) digital turnover and £9m (£12m) contract printing and other income. This income is divided between Newspapers 24% (26%), Magazines 23% (24%), Books (including annuals) 40% (42%), digital 10% (4%) and printing and other income 3% (4%).

The Newspaper Division of our business consists of our 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.

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Directors' report (continued)

With a backdrop of a continuing modest fall in circulation and advertising, our Newspaper Division improved its performance through continued operational efficiencies. We have announced this year that a programme of rationalisation will take place at our Glasgow print site and printing will cease there some time in 2012/13.

The Magazine Division consists of The Puzzler magazines, our Women's Magazines, our Children's Magazines, The Scots Magazine and This England titles.

The Puzzler Group of Magazines continued to provide a very steady performance and is a leader in its market place and our Women's Magazines based in Dundee continued to perform well in a challenging market.

Our Children's publishing consists of four different areas:

First of all, the famous Children's comics, The Beano and The Dandy where circulation falls continue to be an issue. However these iconic titles play an important role in our brand strategies which are planned to expand beyond printed product and which already support our highly successful Annuals business.

Secondly, in the girls' area we have Shout and Animals and You.

The third area is in Children's licensed properties. We have enjoyed success with our Jacqueline Wilson and WWE Kids titles.

The fourth area, (the turnover of which is included in the Book Division), of course, is our Christmas Annuals. Sales of these held up extremely well and the Beano Annual was the best-selling Annual title last Christmas.

Overall the underlying Trading Profit of our Newspaper and Magazine Divisions was up £6.4m with lower circulation and advertising revenues more than compensated for by the operational efficiencies.

Our Book Division consists in the main of Parragon and the smaller Peter Haddock business. Sales revenue was down slightly at £103m compared with £104m last year on a like for like basis, before currency adjustments.

Parragon has operations in the U.K., U.S.A., Germany, Netherlands, India, Hong Kong, Singapore and China and is the market leader in Australia through its trading arm, Funtastic. Underlying Trading Profit of the Book Division increased by £1.4m to £5.5m.

The clearance through the competition process of our acquisition of Friend Reunited gave us a full year of that business, as mentioned, contributing to an increase in turnover in the digital division of £17m to £28m.

We have significant financial assets and other business interests which are there to support the main trading business and are very much part of it. The group has a prudent policy of having reserves and financial assets and other business interests to cover all known and implicit liabilities and this continues to be a vital tool allowing us to continue to develop, enhance and protect our business activities and trade and to remain strong. This is particularly important in what is becoming an increasingly uncertain economic environment.

Group Profit overall was up reflecting the improvement in trading performance, and despite a much reduced net gain on disposal of financial assets.

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Directors' report (continued)

The triennial actuarial valuation of the main pension fund (The Thomson-Leng Provident Fund) fell due as at 31 March 2011. The results of the valuation were finalised in October 2011 and show the Fund continues to be in a healthy position. The Trustees and the Company have agreed that no Company contributions are required with a review of this taking place at the next triennial valuation in 2014.

The Fund's Income for the year to 31 March 2011 also remained ahead of pensions paid, although the impact of the continuing low interest on bank deposits is not helpful.

Risks and uncertainties

The Group is affected by general economic conditions and those in the markets it serves. Our Advertising and Other Revenues are particularly sensitive to these. The Group continues to devote appropriate resources to manage risks but also to exploit opportunities.

Major risks for example include the impact of:-

Commodity Prices

Newsprint prices are unpredictable.

Competition

There is competition in all of the markets in which the Group operates and new products and titles may be launched by competitors which could adversely affect the performance of the Group's titles.

The Internet offers the Group, its competitors, and the business segments it operates in a range of opportunities and threats.

Logistics

The book division also faces a risk in logistics costs and enters into contracts to fix a significant element of these.

Foreign Exchange

The majority of the Book Division's material purchases are denominated in US dollars and 70% of its revenue is in foreign currency. 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 22. The Group does not trade in financial instruments for any other purpose.

Legislation

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.

Other risks include a major natural disaster, a major outbreak of disease such as H1N1 Influenza pandemic, possible disruption to our communications and IT infrastructure or breach of Information Security and Climate change.

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Directors' report (continued)

Costs

The average price of newsprint increased during the year and continues to increase.

The Group, and in particular the core publishing business based in Dundee, completed a major change. As previously mentioned closure of our sheet fed and gravure printing plants in Dundee was successfully completed and the closure of our Glasgow print operation is scheduled for 2012/13. These closures are painful for the whole business but are necessary so that our businesses have the best opportunity to prosper.

We continue to have considerable cost in market research to support our titles and brands and in the development of processes which will allow us to know more about our customers and therefore to be able to offer them a wider range of services and goods.

Staff costs remain the major cost faced by the Group and these are kept under tight review.

Non financial overview

We continue to develop good practice in a wide variety of areas. Our business activities impact on the environment and we rely on good systems to monitor any and all risks emanating from our operations. We receive reports on key matters, including specific energy consumption, packaging waste, carbon dioxide emissions and effluent discharge. We are aware of environmental legislation and aim to ensure that we operate within its parameters.

We take our relationship with our suppliers and our customers seriously and responsibly and have appropriate guidelines in place. The relationship with the communities in which we work is of importance to us particularly in these difficult times.

Future prospects

Significant operational changes in the year resulted in an improvement in our core trading business. These changes are on-going and this gives us guarded optimism about the future of Newspaper, Magazine and Book publishing which remain susceptible to economic conditions and the influence of the internet and its related media. We look forward to further developing our Digital business.

We aim to continue to produce the best products in all areas in which we operate in order to serve our customers well and, by doing so, fulfil their expectations and thereby retain their loyalty.

Whilst we expect our traditional business to continue to prosper we are committed to finding new products and markets.

We are planning new digital routes to market and are committed to continuing the success of our on line genealogy businesses.

Employees

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. We also aim to give our employees opportunities to progress and training to improve and develop their skills is of great importance. The Group's staff resources are vital to its operational success and we monitor accidents closely

DC Thomson & Company Limited

Directors' report (continued)

Employees (continued)

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 research to assist that.

The process of restructuring our business to integrate our Group companies should open up opportunities for our staff.

Fixed assets

In the opinion of the Directors the market value, on an existing use basis, of the land and buildings 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 £89,332 (2010 - £58,872) were made.

Directors

The Directors in office are Messrs AF Thomson, LM Thomson, CHW Thomson and ARF Hall. Mr ARF Hall was appointed on 1 May 2011.

In terms of the Articles of Association Messrs AF Thomson and Mr ARF Hall retire by rotation and being eligible offers themselves 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 and for their remuneration to be fixed by the Directors will be proposed at the Annual General Meeting.

By order of the board:



I Douglas
Secretary
Dundee
31 October 2011

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Group income statement for the year ended 31 March 2011

	Note	£000	2011 £000	2010 £000
Revenue	3		284,577	276,145
Change to inventories of finished goods and work in progress	17	(687)		(10,836)
Raw materials and consumables		(96,265)		(88,521)
	5	(96,952)		(99,357)
Employee benefits costs	5/6	(77,158)		(77,096)
Depreciation	4/5	(6,995)		(7,374)
Amortisation	4/5	(9,419)		(11,525)
Impairment of assets	5/8	(4,323)		(13,425)
Other expenses	5	(69,965)		(65,310)
Forward contract valuation movement	5	(2,549)		(5,452)
Finance costs	9	(752)		(1,693)
Total expenses	4		(268,113)	(281,232)
Gain from disposal of financial assets		15,563		35,021
Provision against financial assets		(3,725)		(2,414)
			11,838	32,607
Share of post tax results of associates	16		321	(152)
Profit before taxation			28,623	27,368
Taxation	10		(1,233)	(1,828)
Profit for financial year			27,390	25,540
Profit attributable to:				
Owners of the parent			27,252	24,823
Minority interest	16a		138	717
			27,390	25,540

DC Thomson & Company Limited

Group statement of comprehensive income for the year ended 31 March 2011

	Revaluation reserve £000	Retained earnings £000	Total £000
2011			
Profit for financial year	-	27,390	27,390
Exchange differences on translation of foreign operations	-	1,475	1,475
Revaluation of financial assets	31,893	-	31,893
Release on disposal of financial assets	(10,314)	-	(10,314)
Actuarial loss on defined benefit pension scheme	-	(13,128)	(13,128)
Tax arising on above	1,522	3,413	4,935
Change in tax rates	6,558	1,746	8,304
Other comprehensive income for the year net of tax	29,659	(6,494)	23,165
Total comprehensive income for the year	29,659	20,896	50,555
Total comprehensive income attributable to:			
Shareholders of parent	29,659	20,749	50,408
Non controlling (minority) interest	-	147	147
	29,659	20,896	50,555
2010			
Profit for financial year	-	25,540	25,540
Exchange differences on translation of foreign operations	-	(133)	(133)
Revaluation of financial assets	151,680	-	151,680
Release on disposal of financial assets	(9,814)	-	(9,814)
Actuarial gain on defined benefit pension scheme	-	8,209	8,209
Tax arising on above	(42,402)	(2,298)	(44,700)
Other comprehensive income for the year net of tax	99,464	5,778	105,242
Total comprehensive income for the year	99,464	31,318	130,782
Total comprehensive income attributable to:			
Shareholders of parent	99,464	30,578	130,042
Non controlling (minority) interest	-	740	740
	99,464	31,318	130,782

DC Thomson & Company Limited

Company statement of comprehensive income for the year ended 31 March 2011

	Revaluation reserve £000	Retained earnings £000	Total £000
2011			
Profit for financial year	-	6,590	6,590
Revaluation of financial assets	14,125	-	14,125
Release on disposal of financial assets	(8,717)	-	(8,717)
Tax arising on above	4,659	-	4,659
Change in tax rates	4,918	-	4,918
Other comprehensive income for the year net of tax	14,985	-	14,985
Total comprehensive income for the year	14,985	6,590	21,575
2010			
Profit for financial year	-	19,700	19,700
Revaluation of financial assets	112,372	-	112,372
Release on disposal of financial assets	(9,814)	-	(9,814)
Tax arising on above	(31,646)	-	(31,646)
Other comprehensive income for the year net of tax	70,912	-	70,912
Total comprehensive income for the year	70,912	19,700	90,612

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Group balance sheet at 31 March 2011

	Note	2011 £000	2010 £000
Non-current assets			
Goodwill	12*	128,552	128,552
Other intangible assets	12*	233,970	235,867
Property, plant and equipment	13	39,960	43,411
Financial assets - other business assets	14	536,944	518,026
Interests in associates	16	3,125	2,476
Retirement benefit surplus	24	81,334	87,139
		<u>1,023,885</u>	<u>1,015,471</u>
Current assets			
Inventories	17	32,821	34,564
Trade and other receivables	18	71,075	70,931
Financial assets - held to maturity	19	-	10,041
Cash and cash equivalents	27	107,415	88,457
		<u>211,311</u>	<u>203,993</u>
Total assets		<u>1,235,196</u>	<u>1,219,464</u>
Current liabilities			
Borrowings	20	3,797	7,356
Trade and other payables	21	49,361	50,225
Income tax liabilities		389	118
Financial instruments	22	3,698	1,149
		<u>57,245</u>	<u>58,848</u>
Non-current liabilities			
Borrowings	20	-	182
Deferred tax liabilities	23*	159,201	176,938
		<u>159,201</u>	<u>177,120</u>
Total liabilities		<u>216,446</u>	<u>235,968</u>
Net assets		<u>1,018,750</u>	<u>983,496</u>
Equity			
Share capital		4,135	4,135
Pension reserve		50,000	50,000
Capital expenditure reserve		100,000	100,000
Other reserves		342,926	313,267
Retained earnings		520,295	514,847
Shareholders' equity		<u>1,017,356</u>	<u>982,249</u>
Non controlling interest	16a	1,394	1,247
Total equity		<u>1,018,750</u>	<u>983,496</u>

*Reallocation within 2010 figures set out in Note 12 has no impact on net assets reported.

The accounts were approved by the Board of Directors 31 October 2011 and signed on its behalf by:

Andrew Thomson

AF Thomson
Director

CHW Thomson

CHW Thomson
Director

DC Thomson & Company Limited

Company balance sheet at 31 March 2011

	Note	2011 £000	2010 £000
Non-current assets			
Other intangible assets	12	712	1,853
Property, plant and equipment	13	24,007	24,659
Financial assets - other business assets	14	400,219	396,654
Interests in group undertakings	15	291,295	298,610
		<u>716,233</u>	<u>721,776</u>
Current assets			
Inventories	17	1,985	3,966
Trade and other receivables	18	28,287	28,485
Financial assets - held to maturity	19	-	5,020
Cash and cash equivalents	27	70,015	57,933
		<u>100,287</u>	<u>95,404</u>
Total assets		<u>816,520</u>	<u>817,180</u>
Current liabilities			
Trade and other payables	21	12,186	9,651
Non-current liabilities			
Deferred tax liabilities	23	63,676	73,145
Total liabilities		<u>75,862</u>	<u>82,796</u>
Net assets		<u>740,658</u>	<u>734,384</u>
Equity			
Share capital		4,135	4,135
Other reserves		241,264	226,279
Retained earnings		495,259	503,970
Shareholders' equity		<u>740,658</u>	<u>734,384</u>

The accounts were approved by the Board of Directors on 31 October 2011 and signed on its behalf by:

AF Thomson

AF Thomson
Director

CHW Thomson

CHW Thomson
Director

DC Thomson & Company Limited

Group cash flow statement for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit before taxation		28,623	27,368
Finance costs		752	1,693
Depreciation and amortisation		16,414	18,899
Impairment of assets		4,323	13,425
Exchange gain/(loss) on cash		(252)	26
Share of result of associate		(321)	152
Gain on sale of property, plant and equipment		(1,051)	(189)
Net gain on financial assets		(11,838)	(32,607)
Forward contract valuation movement		2,549	5,452
Pension adjustment		(7,323)	(159)
Scrip dividend		(106)	(84)
Decrease in inventories		1,743	11,924
Decrease in receivables		3,056	2,711
Decrease in payables		(468)	(5,269)
Exchange reserve movement		1,759	(161)
Cash generated from operations		37,860	43,181
Income tax paid		(1,867)	(8,254)
Interest paid		(796)	(2,128)
Net cash from operating activities		35,197	32,799
Investing activities			
Proceeds on disposal of property, plant and equipment		224	316
Proceeds on disposal of financial assets		17,102	41,251
Proceeds on disposal of financial assets - held to maturity gilts		10,000	12,747
Purchases of property, plant and equipment		(8,850)	(5,917)
Purchase of subsidiary undertaking		-	(26,813)
Acquisition of minority interest in subsidiary		-	(14,917)
Additional investment in associate		(284)	(376)
Repayment of loan by associate		-	700
Purchase of financial assets		(8,099)	(3,402)
Purchase of intangibles		(7,542)	(5,602)
Net cash from/(used in) investing activities		2,551	(2,013)
Financing activities			
Dividends paid		(15,301)	(14,536)
Repayments of borrowings		(2,366)	(17,850)
Net cash used in financing activities		(17,667)	(32,386)
Net increase/(decrease) in cash and cash equivalents		20,081	(1,600)
Effects of exchange rate changes on cash and cash equivalents		252	(26)
Cash and cash equivalents at 31 March 2010	27	83,342	78,138
On acquisition of subsidiary		-	6,830
Cash and cash equivalents at 31 March 2011	27	103,675	83,342

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Company cash flow statement for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit before taxation		5,683	19,388
Depreciation and amortisation		2,401	4,007
Impairment of assets		1,323	13,425
Exchange gain on cash		3	(51)
Gain on sale of property, plant and equipment		(1,126)	(182)
Net gain on disposal of financial assets		(9,579)	(32,607)
Scrip dividend		(106)	(84)
Decrease in inventories		1,981	1,194
Decrease in receivables		4,003	8,919
Increase/(decrease) in payables		1,974	(5,878)
		<hr/>	<hr/>
Cash generated from operations		6,557	8,131
Income tax repaid/(paid)		3,608	(3,576)
		<hr/>	<hr/>
Net cash from operating activities		10,165	4,555
		<hr/>	<hr/>
Investing activities			
Proceeds on disposal of property, plant and equipment		272	208
Proceeds on disposal of financial assets		16,613	41,251
Proceeds on disposal of financial assets - held to maturity gilts		5,000	5,114
Repayment from group companies		7,325	-
Purchases of property, plant and equipment		(3,970)	(3,927)
Purchase of intangible assets		(72)	(2,028)
Investment in subsidiary undertaking		(10)	(36,638)
Interest in group undertakings		-	(376)
Purchase of financial assets		(7,937)	(2,972)
		<hr/>	<hr/>
Net cash from investing activities		17,221	632
		<hr/>	<hr/>
Financing activities			
Dividends paid		(15,301)	(14,536)
		<hr/>	<hr/>
Net cash used in financing activities		(15,301)	(14,536)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		12,085	(9,349)
Effects of exchange rate changes on cash and cash equivalents		(3)	51
Cash and cash equivalents at 31 March 2010	27	57,933	67,231
		<hr/>	<hr/>
Cash and cash equivalents at 31 March 2011	27	70,015	57,933
		<hr/> <hr/>	<hr/> <hr/>

DC Thomson & Company Limited

Group statement of changes in equity for the year ended 31 March 2011

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 31 March 2009	4,135	363,803	510,071	878,009	1,044	879,053
Total comprehensive income for the year (page 9)	-	99,464	30,578	130,042	740	130,782
Recognised directly in Equity						
Dividends	-	-	(14,536)	(14,536)	-	(14,536)
Minority interest asset in equity	-	-	537	537	(537)	-
Minority interest asset acquired	-	-	(7,845)	(7,845)	-	(7,845)
Acquisition of associate	-	-	(3,958)	(3,958)	-	(3,958)
Total movements	-	99,464	4,776	104,240	203	104,443
Balance at 31 March 2010	4,135	463,267	514,847	982,249	1,247	983,496
Total comprehensive income for the year (page 9)	-	29,659	20,749	50,408	147	50,555
Recognised directly in Equity						
Dividends	-	-	(15,301)	(15,301)	-	(15,301)
Total movements	-	29,659	5,448	35,107	147	35,254
Balance at 31 March 2011	<u>4,135</u>	<u>492,926</u>	<u>520,295</u>	<u>1,017,356</u>	<u>1,394</u>	<u>1,018,750</u>

Other reserves include:

Capital redemption reserve of £1,865,000 (2010 - £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 £341,061,000 (2010 - £311,402,000) which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

DC Thomson & Company Limited

Company statement of changes in equity for the year ended 31 March 2011 (continued)

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 March 2009	4,135	155,367	498,806	658,308
Total comprehensive income for the year (page 10)	-	70,912	19,700	90,612
Dividends	-	-	(14,536)	(14,536)
Total movements	-	70,912	5,164	76,076
Balance at 31 March 2010	4,135	226,279	503,970	734,384
Total comprehensive income for the year (page 10)	-	14,985	6,590	21,575
Dividends	-	-	(15,301)	(15,301)
Total movements	-	14,985	(8,711)	6,274
Balance at 31 March 2011	<u>4,135</u>	<u>241,264</u>	<u>495,259</u>	<u>740,658</u>

Other reserves include:

Capital redemption reserve of £1,865,000 (2010 - £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 £239,399,000 (2010 - £224,414,000) which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

Retained earnings are fully distributable.

DC Thomson & Company Limited

Notes to the accounts

1 Statement of compliance

Both the Group and parent company financial statements ("financial statements") at 31 March 2011 have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

Interpretations issued by the International Financial Reporting Interpretations Committee effective for the current period are: IFRS 3 (revised) – Business Combinations, IFRS7 (Amendment) – Financial Instruments: disclosures) and IAS24 (revised) – Related Party Transactions. The adoption of these interpretations has not led to any changes in the Group's accounting policies, but has changed the disclosure within these accounts.

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 2011.

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.

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.

DC Thomson & Company Limited

Notes to the accounts (continued)

2 Accounting policies (continued)

In accordance with Section 408 of the Companies Act 2006, a separate profit and loss account of DC Thomson & Company Limited is not presented.

Basis of preparation

The financial statements are prepared on the historical cost basis except for certain financial assets, including financial instruments and the assets of the pension schemes, 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 to be 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.

Where non controlling interests in subsidiary undertakings are acquired, the Economic Entity Model under IFRS3 is applied with goodwill arising being charged through equity.

Dataset development and transcription costs are capitalised as development expenditure. The expenditure so capitalised is amortised over the expected useful life of the dataset from the period in which the data is published on the website.

DC Thomson & Company Limited

Notes to the accounts (continued)

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

Other business assets

Other business 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 comprehensive income. 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 investments. When an investment'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.

Where there is no publicly quoted market value, other investments, including subsidiaries, are shown at cost less provisions for impairment.

Held to maturity

Interests 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.

DC Thomson & Company Limited

Notes to the accounts (continued)

2 Accounting policies (continued)

Interests in group companies

Subsequent to initial recognition, investments in subsidiaries are measured at cost and investments in associates are accounted for using the equity method in the Group financial statements and the cost method in the Company financial statements. Therefore, the Group financial statements include the Group's share of the profit and net assets of associated undertakings.

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. Revenue from genealogy is recognised either when customers obtain a view of the requested data, when the revenue is pay-per-view, or in the case of unlimited access subscriptions evenly over the period of the subscription.

Foreign currencies

The results and financial position of the Group are expressed in pounds sterling, its functional currency. In preparing the accounts of individual companies, 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 comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Where a 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.

DC Thomson & Company Limited

Notes to the accounts (continued)

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. The Group does not use financial instruments for speculative purposes.

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 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 22.

Derivatives embedded in other financial instruments or other host contracts are treated as separate 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 and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowance for impairments which, based upon previous experience, is evidence of a reduction in the recoverability of the cash flows. Changes in this allowance are recognised in the income statement.

Other receivables are assessed for indicators of impairment at each year end and where a provision is required the income statement is charged directly.

Trade and other 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 in 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 financial 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.

DC Thomson & Company Limited

Notes to the accounts (continued)

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 comprehensive income. 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 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

The Group's policies require that a fair value at the date of acquisition be attributed to the intangible assets owned by the acquired businesses. 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. The useful lives and carrying values are reviewed for impairment annually.

Deferred tax balances on intangible assets

Deferred tax 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.

2 Accounting policies (continued)

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.

Retirement benefit asset

The financial statements 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 statement and the statement of comprehensive income.

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 24.

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

The following standards are not yet effective: IAS19 (revised) – Employee Benefits and IAS1 (revised) – Presentation of Financial Statements.

IAS19 revision will restrict the recognition of pension surpluses through the income account.

DC Thomson & Company Limited

Notes to the accounts (continued)

3	Revenue	£000	2011 £000	2010 £000
	Trading revenue		270,285	260,158
	Other income			
	Dividends	12,708		13,702
	Interest	1,584		2,285
			14,292	15,987
			284,577	276,145
	Analysis of trading revenue by destination market			
	United Kingdom		186,135	170,207
	Rest of Europe		32,371	37,520
	North America		24,099	24,988
	Australia		19,247	17,554
	Rest of World		8,433	9,889
			270,285	260,158

4 Income statement

Total expenses is stated after charging:

Depreciation	6,995	7,374
Amortisation	9,419	11,525
Impairment of assets	4,323	13,425
Auditor's remuneration	248	215
Auditor's remuneration for non-audit work	152	269
Rentals under property operating leases	2,037	1,860
Rentals under plant operating leases	436	381
Exchange loss on cash and cash equivalents	-	26

and after crediting:

Gain on sale of fixed tangible assets	1,051	189
Net income from rents	60	66
Exchange gain on each and cash equivalents	252	-

The auditor's remuneration for the company's audit, included above, amounted to £75,000 (2010 - £70,000) with the balance relating to subsidiary companies. The non-audit work was in connection with computer system consultancy £Nil (2010 - £70,000), general consultancy £62,000 (2010 - £128,000), taxation services £54,000 (2010 - £42,000) and other legislative compliance £36,000 (2010 - £28,500).

DC Thomson & Company Limited

Notes to the accounts (continued)

5 Income statement analysis

	Recurring £000	Exceptional £000	2011 Total £000	Recurring £000	Exceptional £000	2010 Total £000
Turnover	259,601	10,684	270,285	249,000	11,158	260,158
Raw materials and consumables	(89,177)	(7,775)	(96,952)	(92,029)	(7,328)	(99,357)
Gross contribution	170,424	2,909	173,333	156,971	3,830	160,801
Employee benefit costs	(69,014)	(15,342)	(84,356)	(72,518)	(4,615)	(77,133)
Pension credit	-	7,198	7,198	-	37	37
Depreciation	(6,888)	(107)	(6,995)	(6,458)	(916)	(7,374)
Amortisation	(8,308)	(1,111)	(9,419)	(10,929)	(596)	(11,525)
Impairment of assets	-	(4,323)	(4,323)	-	(13,425)	(13,425)
Other expenses	(66,705)	(3,260)	(69,965)	(58,510)	(6,800)	(65,310)
Trading profit/(loss)	19,509	(14,036)	5,473	8,556	(22,485)	(13,929)
Foreign currency adjustment	-	(2,549)	(2,549)	-	(5,452)	(5,452)
Operating profit/(loss)	19,509	(16,585)	2,924	8,556	(27,937)	(19,381)

The Exceptional column highlights one off or exceptional costs and the impact of exchange rate fluctuations on the results.

Turnover has increased by £17m in the Digital division, the majority arising from the acquisition of Friends Reunited. The Book Division turnover, including annuals, is down £1m, with Newspaper and Magazine Divisions, including advertising, down £2m.

In Employee costs the increase in the defined benefit pension credit for the year of £7m is offset by a rise in severance payments of £11m. The cost before pension credit and severance payments has fallen primarily due to staff reductions in the parent company.

Amortisation is down on last year reflecting a fall in origination spend in the Book Division of £2m and £0.5m in film costs.

Other expenses reflect cost saving measures across the Group offset by the additional costs from Friends Reunited businesses reported in full for the first time this year. One off costs, which include change programme project costs, advisory fees, professional fees, major bad debts and the impact of exchange rate fluctuations were down £4m.

The foreign currency adjustment represents the impact of exchange rate fluctuations compared with the movement in the value of forward contracts. These valuations are affected by exchange rates, interest rates and other external factors and will not exactly offset the effect of changes in spot rates on the reported results. The fluctuations in exchange and interest rates over the last 2 years have had a significant impact on the values of such contracts, and the hedging in place has helped the group control foreign currency cash flow exposures in the business. These contracts form a key strand of the management of exchange rate movements and are discussed further in Note 22.

DC Thomson & Company Limited

Notes to the accounts (continued)

6	Employee benefits costs	2011 Number	2010 Number
	Average monthly number of employees during the year		
	Group	<u>2,170</u>	<u>2,398</u>
	Company	<u>1,053</u>	<u>1,350</u>
	Employee costs during the year (including directors remuneration) amounted to:	£000	£000
	Wages and salaries	64,582	68,669
	Social security costs	5,256	5,301
	Defined contribution pension costs	1,849	316
		<u>71,687</u>	<u>74,286</u>
	Defined benefit pension credit (Note 24)	(7,198)	(37)
	Severance payments	12,669	2,847
		<u>77,158</u>	<u>77,096</u>

The pension credit is a non cash adjustment arising from the accounting treatment of final salary pension schemes under IAS19 (Note 24).

7	Directors' emoluments	2011 £000	2010 £000
	Remuneration	523	523
	Pension scheme contributions	-	-
		<u>523</u>	<u>523</u>

The emoluments receivable by the highest paid director are £175,000 (2010 - £175,000) and there is no accrued pension at 31 March 2011 or 2010 as his service during the current and preceding year has no effect on his pension entitlement.

	2011 Number	2010 Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>1</u>	<u>1</u>

DC Thomson & Company Limited

Notes to the accounts (continued)

8 Impairment

As set out in Notes 12 and 13, the Group annually reviews the carrying value of fixed tangible and intangible assets. This year, the Group has again considered the printing capacity and organisation across the Group and has identified an excess carrying value within property and plant of £4.3m which has been charged to the income statement. Contributions for each cash generating unit were based upon best available information and estimated residual value of property. A discount rate of 3%, the Group's estimated current cost of capital, is used where relevant.

9 Finance costs	2011 £000	2010 £000
Interest payable	752	1,142
Preference share interest expense	-	551
	<u>752</u>	<u>1,693</u>
Interest is payable by the following groups		
Parragon Publishing Limited	626	616
Puzzler Media Holdings Limited	-	327
Aberdeen Journals Limited	104	171
brightsolid online innovation limited	22	28
	<u>752</u>	<u>1,142</u>

The preference share interest expense related wholly to Puzzler Media Holdings Limited.

Note 20 sets out the Group borrowings which now reside with Parragon Publishing Limited and brightsolid online innovation limited. Puzzler Media Holdings Limited's loans were repaid in full in 2010.

DC Thomson & Company Limited

Notes to the accounts (continued)

10	Taxation	2011 £000	2010 £000
	Current taxation		
	UK corporation tax on profits for the year	6,205	5,657
	Double tax relief	(400)	(149)
		<u>5,805</u>	<u>5,508</u>
	Overseas tax	666	512
	Adjustments in respect of prior years - UK	(740)	(702)
	- Overseas	-	14
		<u>5,731</u>	<u>5,332</u>
	Deferred taxation		
	Origination and reversal of timing differences	(473)	(4,412)
	Adjustment in respect of prior years	7	908
	Change in tax rate on intangibles	(4,032)	-
		<u>1,233</u>	<u>1,828</u>
	Taxation		
		<u>1,233</u>	<u>1,828</u>
	Factors affecting tax charge for year		
	Profit for year before tax	28,623	27,368
		<u>28,623</u>	<u>27,368</u>
	Tax thereon at 28%	8,014	7,663
	Effects of:		
	Franked investment income not attracting tax	(3,468)	(3,813)
	Excess book gain over capital gain	125	(3,664)
	Items not affecting tax charge	1,067	1,392
	Overseas profits tax impact	369	(12)
	Associate undertaking effect	(109)	42
	Adjustments in respect of prior years	(733)	220
	Change in tax rates	(4,032)	-
		<u>1,233</u>	<u>1,828</u>
	Taxation		
		<u>1,233</u>	<u>1,828</u>

DC Thomson & Company Limited

Notes to the accounts (continued)

11	Dividends - paid in the year	2011	2010
		£000	£000
	Ordinary shares:		
	Final for 2010 of 310p per share paid (2009 – 301.5p)	12,819	12,468
	Interim of 60p per share (2009 - 50p)	2,482	2,068
		15,301	14,536

Dividends paid after the year end are not recognised as liabilities.

Dividends - paid post year end and proposed

Interim of 72p paid (2010 – 60p)	2,978	2,482
Final of 318p per share proposed (2010 – 310p)	13,150	12,819
	16,128	15,301

12	Goodwill	
	Group	£000
	Cost	
	At 31 March 2009	109,180
	Acquisitions (as restated)	19,372
	At 31 March 2010 and 31 March 2011	128,552

Goodwill includes £62m (2010 - £62m) for Parragon Publishing Limited, £12m (2010 - £12m) for Puzzler Media Holdings Limited, £34m (2010 - £34m) for Aberdeen Journals Limited, £1m (2010 - £1m) for This England Publishing Limited and £20m (2010 - £20m) for brightsolid online innovation limited.

Restatement

The position at 31 March 2010 has been restated to reflect the revised fair value assessment of the intangible assets acquired with Friends Reunited. Originally intangible assets of £25,645,000 were recognised - this has been revised to £5,159,000, based on further evidence of the value of the customer databases acquired, with the balance of £20,486,000 reallocated from intangible assets to goodwill. The adjustment to the fair value of the intangible assets has reduced the associated deferred tax by £5,736,000 thereby reducing the goodwill now recognised on acquisition – the net increase in goodwill is therefore £14,750,000 which, when added to the original addition last year of £4,622,000, gives the revised £19,372,000 reported above.

There was no amortisation charge on the intangible assets in the year to 31 March 2010, which were acquired just before the year end, so there has been no change to the reported group income statement for that year.

DC Thomson & Company Limited

Notes to the accounts (continued)

12 Goodwill and other intangible assets (continued)

Intangible assets	Indefinite life £000	Other £000	Total £000
Group			
At 31 March 2009	196,504	25,186	221,690
Acquisitions (as restated)	-	19,322	19,322
Additions	-	5,602	5,602
Release to income statement	-	(11,525)	(11,525)
Retranslation of foreign assets	-	778	778
At 31 March 2010	196,504	39,363	235,867
Additions	-	7,542	7,542
Release to income statement	-	(9,419)	(9,419)
Retranslation of foreign assets	-	443	443
Transfer to fixed assets	-	(463)	(463)
At 31 March 2011	<u>196,504</u>	<u>37,466</u>	<u>233,970</u>
Intangible assets			
Company			
At 31 March 2009	-	1,723	1,723
Additions	-	2,028	2,028
Release to income statement	-	(855)	(855)
Transfer to subsidiary undertakings	-	(1,043)	(1,043)
At 31 March 2010	-	1,853	1,853
Additions	-	72	72
Release to income statement	-	(201)	(201)
Transfer to fixed assets	-	(463)	(463)
Transfer to subsidiary undertakings	-	(549)	(549)
At 31 March 2011	<u>-</u>	<u>712</u>	<u>712</u>

Indefinite life intangible assets include mastheads of £72m on the acquisition of Puzzler Media Holdings Limited and £125m on the acquisition of Aberdeen Journals Limited.

Other intangible assets are mainly licences and distribution channels to market and include £6m (2010 - £7m) in Parragon Publishing Limited and £7m (2010 - £8m) in Puzzler Media Holdings Limited, film costs of £1m (2010 - £1m) and application software of £Nil (2010 - £1m) in DC Thomson & Company Limited and £4m (2010 - £5m) publishing assets in This England Publishing Limited together with datasets and customer databases in brightsolid online innovation limited of £19m (2010 - £17m). All these intangible assets were purchased. Internally generated intangible assets are not recognised.

12 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 2011 or 2010.

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 certain intangible assets arising on acquisition have an indefinite useful life because they represent brands which have been in existence for many years, have 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 15 to 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 1%. The cash flows have been discounted at a pre-tax discount rate of 3%, 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. CGUs are identified as the smallest group of assets that generate income streams that are largely independent of each other. As a result the Newspaper Division, including Aberdeen Journals, requires it to be treated as a relevant CGU.

The key assumptions for these reviews are discount rates and expected trading performance. Residual values are assumed where appropriate based on a multiple of the year 20 cashflow 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 £9m (2010 - £11m) relates to certain titles in the Magazine Division, licence and origination costs in the Book Division and data sets in brightsolid online innovation limited. These are amortised over their estimated useful lives.

The additions in the year relate to film costs, Book Division origination spend and data sets within brightsolid online innovation limited.

At the year end, the Group reviewed the appropriateness of the remaining useful economic lives and carrying value for all its intangible assets. The Group is satisfied that the carrying value at 31 March 2011 of these assets remains recoverable in full.

DC Thomson & Company Limited

Notes to the accounts (continued)

13 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Group				
Cost				
At 31 March 2009	65,568	147,361	36	212,965
On acquisition	-	3,421	-	3,421
Additions	966	3,443	1,130	5,539
Transfers	(636)	662	(26)	-
Disposals	(58)	(2,471)	-	(2,529)
Retranslation of foreign assets	88	(23)	-	65
At 31 March 2010	65,928	152,393	1,140	219,461
Additions	2,298	4,910	1,642	8,850
Transfers	1,025	(27,798)	(659)	(27,432)
Disposals	-	(7,362)	-	(7,362)
Retranslation of foreign assets	-	131	-	131
At 31 March 2011	69,251	122,274	2,123	193,648
Depreciation				
At 31 March 2009	34,192	123,409	-	157,601
Charge for year	928	6,446	-	7,374
Transfers	(43)	43	-	-
On disposals	(24)	(2,378)	-	(2,402)
Impairment	9,606	3,819	-	13,425
Retranslation of foreign assets	56	(4)	-	52
At 31 March 2010	44,715	131,335	-	176,050
Charge for year	543	6,452	-	6,995
Transfers	-	(26,905)	-	(26,905)
On disposals	-	(6,763)	-	(6,763)
Impairment	1,323	3,000	-	4,323
Retranslation of foreign assets	-	(12)	-	(12)
At 31 March 2011	46,581	107,107	-	153,688
Net book value				
At 31 March 2011	22,670	15,167	2,123	39,960
At 31 March 2010	21,213	21,058	1,140	43,411

The impairment was undertaken in line with the approach set out in Note 8, whilst taking recognition of the expected working lives of the property and plant available to the company and known requirements.

DC Thomson & Company Limited

Notes to the accounts (continued)

13 Property, plant and equipment (continued)

	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Company Cost				
At 31 March 2009	58,676	129,989	36	188,701
Additions	885	1,534	1,130	3,549
Transfers	(424)	450	(26)	-
Disposals	(24)	(1,427)	-	(1,451)
At 31 March 2010	59,113	130,546	1,140	190,799
Additions	2,298	30	1,642	3,970
Transfers	1,025	(27,798)	(659)	(27,432)
Disposals	-	(6,899)	-	(6,899)
At 31 March 2011	62,436	95,879	2,123	160,438
Depreciation				
At 31 March 2009	32,780	118,208	-	150,988
Charge for year	615	2,537	-	3,152
On disposals	(5)	(1,420)	-	(1,425)
Impairment	9,606	3,819	-	13,425
At 31 March 2010	42,996	123,144	-	166,140
Charge for year	342	1,858	-	2,200
Transfers	-	(26,905)	-	(26,905)
On disposals	-	(6,327)	-	(6,327)
Impairment	1,323	-	-	1,323
At 31 March 2011	44,661	91,770	-	136,431
Net book value				
At 31 March 2011	<u>17,775</u>	<u>4,109</u>	<u>2,123</u>	<u>24,007</u>
At 31 March 2010	<u>16,117</u>	<u>7,402</u>	<u>1,140</u>	<u>24,659</u>

The directors review on an ongoing basis 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 12.

DC Thomson & Company Limited

Notes to the accounts (continued)

14 Financial assets - other business assets

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
At 31 March 2010	518,026	396,654	381,177	299,544
Additions	8,205	8,044	3,487	3,056
Disposals	(21,180)	(18,604)	(18,318)	(18,318)
Revaluation	31,893	14,125	151,680	112,372
At 31 March 2011	536,944	400,219	518,026	396,654

These assets principally divide into reserves, publishing, media and retail interests and our incubator interests. They are a significant part of, and support, the trading businesses and are core to the operations and underpin pensions and other ongoing obligations.

The Group operates a prudent policy of having reserves, interests and assets which are used in the businesses, are interests or businesses core to the main operations, and which, together with cash and cash equivalents, are available to cover (as far as may be known) actual and implicit liabilities as well as operational needs.

The carrying amount of listed business assets are stated at their fair value based on bid market price. The potential capital gains tax payable based on these Group values is £85m (2010 - £93m) and is included in Note 23. The carrying value of unlisted investments of £6m (2010 - £6m) is based on cost less provisions as there is no formal market as data. Movements in the year relate to additions of £0.5m and impairment of £0.5m.

15 Interests in Group undertakings

Company

A list of the investments in significant subsidiaries and associates is given in Note 28 to the accounts.

	Shares £000	Loans £000	Total £000
At 31 March 2009	109,766	151,830	261,596
Additions	1,053	35,961	37,014
Transfer	12,476	(12,476)	-
At 31 March 2010	123,295	175,315	298,610
Additions	-	10	10
Repayment	-	(7,325)	(7,325)
At 31 March 2011	123,295	168,000	291,295

DC Thomson & Company Limited

Notes to the accounts (continued)

16 Interests in associates

Group	2011 £000	2010 £000
At 31 March 2010	2,476	19,385
Additions	463	376
Loan repayments	(135)	(700)
Share of profit/(loss)	321	(152)
Transfer to subsidiary undertaking	-	(16,433)
At 31 March 2011	<u>3,125</u>	<u>2,476</u>

16a Non controlling interest - Group

Non controlling interest in the profit and loss account of £138,000 (2010 - £717,000) represents the share of subsidiary undertakings' results for the year which do not belong to the Group.

At 31 March 2011, the non controlling interest is a liability of £1,394,000 (2010 - £1,247,000), being the minority interest in a subsidiary of Parragon Publishing Limited.

The balance sheet figure represents the share of subsidiaries' net assets at the year end which do not belong to the Group. Where the minority interest's share is an asset, it is only recognised to the extent it is considered recoverable.

DC Thomson & Company Limited

Notes to the accounts (continued)

17	Inventories	2011		2010	
		Group £000	Company £000	Group £000	Company £000
	Raw materials and consumables	1,839	1,392	2,895	2,476
	Work in progress	902	534	2,323	1,348
	Finished goods and goods for resale	30,080	59	29,346	142
		<u>32,821</u>	<u>1,985</u>	<u>34,564</u>	<u>3,966</u>

Group inventories reflect provisions for slow moving items of £4,644,000 (2010 - £4,654,000). Company inventories reflect provisions for slow moving items of £1,037,000 (2010 - £576,000).

Finished goods have risen primarily in the Book Division where exchange rates have affected the carrying value of stocks. These increases have been offset by stock reductions in the parent company. Forward contracts in place hedge the overall foreign currency cash flow exposure (Notes 18, 21 and 22).

18	Trade and other receivables	2011		2010	
		Group £000	Company £000	Group £000	Company £000
	Trade receivables	48,986	8,429	53,765	9,498
	Other receivables	11,771	8,855	6,170	3,894
	Prepayments and accrued income	7,419	2,332	4,503	2,353
	Receivables due from group undertakings (Note 31)	-	3,789	-	5,825
	Income tax	2,899	4,882	6,493	6,915
		<u>71,075</u>	<u>28,287</u>	<u>70,931</u>	<u>28,485</u>

Trade receivables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations. As set out in Notes 17, 21 and 22, the Book Division's extensive use of forward contracts hedges its overall cash flow exposure.

DC Thomson & Company Limited

Notes to the accounts (continued)

18 Trade and other receivables (continued)

No interest is charged on the trade receivables. The Group has provided for estimated irrecoverable amounts in accordance with its accounting policy.

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 customers requiring credit over a certain amount and as appropriate. In addition credit insurance is sought for major areas of exposure, primarily in the Book Division. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, that the credit quality of these amounts at the balance sheet date has not deteriorated since the transaction was entered into and so considers the amounts recoverable. Regular contact is maintained with all such customers and, where necessary, payment plans are in place to further reduce the risk of default on the receivable.

Included in the Group's trade receivable balance are debtors with a carrying amount of £12m (2010 - £12m) which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. The Group does have retention of title over much of the stock which gave rise to these balances.

Ageing of past due but not impaired trade receivables

	2011 £000	2010 £000
Overdue by		
0 - 30 days	7,426	8,144
30 - 60 days	1,953	1,334
60 + days	2,665	2,248
	<u>12,044</u>	<u>11,726</u>

Total trade receivables are stated net of provision for bad debts and returns as set out in the accounting policies. These total £4.5m (2010 - £4.8m). The credit risk is greatest in the Book Division where debtors represent 65% (2010 - 70%) of the Group total and 77% (2010 - 71%) of the year end provisions.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

19 Financial assets - held to maturity

	2011 £000	2010 £000
Group		
Cost of fixed interest rate government securities including premium to redemption	-	10,041
	<u>=====</u>	<u>=====</u>
Company		
Cost of fixed interest rate government securities including premium to redemption	-	5,020
	<u>=====</u>	<u>=====</u>

The Group sold gilts of £10m (2010 - £13m) (Company - £5m (2010 - £5m)) during the year.

DC Thomson & Company Limited

Notes to the accounts (continued)

20 Borrowings

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdraft (secured)	3,740	-	5,294	-
Finance leases	57	-	2,244	-
	<u>3,797</u>	<u>-</u>	<u>7,538</u>	<u>-</u>
Current	3,797	-	7,356	-
Non-current	-	-	182	-
	<u>3,797</u>	<u>-</u>	<u>7,538</u>	<u>-</u>

Details of the repayment of bank loans and overdrafts and finance leases are shown in Note 22.

Parragon Publishing Limited accounts for the majority of the borrowings at the year end, the reduction reflecting the cash generation from its management of working capital programme.

Parragon Publishing Limited's overdraft is secured by fixed and floating charges over its Group's assets. There is a further charge over the copyrights held by that Group.

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

The finance lease at Aberdeen Journals has been paid off in the year.

Group	Finance leases		Bank loans and overdrafts	
	2011 £000	2010 £000	2011 £000	2010 £000
Borrowings can be analysed as falling due:				
In one year or less, or on demand	57	2,194	3,740	5,162
Between one and two years	-	50	-	132
	<u>57</u>	<u>2,244</u>	<u>3,740</u>	<u>5,294</u>
Current liabilities	(57)	(2,194)	(3,740)	(5,162)
	<u>-</u>	<u>50</u>	<u>-</u>	<u>132</u>
Non-current liabilities	-	-	-	-

DC Thomson & Company Limited

Notes to the accounts (continued)

21 Trade and other payables

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Trade payables and accruals	13,771	2,622	12,392	1,950
Other taxes and social security	1,097	74	1,454	436
Payables due to group undertakings (Note 31)	-	1,910	-	1,945
Other payables	34,493	7,580	36,379	5,320
	<u>49,361</u>	<u>12,186</u>	<u>50,225</u>	<u>9,651</u>
Current	<u>49,361</u>	<u>12,186</u>	<u>50,225</u>	<u>9,651</u>

Trade payables are in line with expenditure levels. As set out in Notes 17, 18 and 22, the Book Division's extensive use of forward contracts hedges its overall cash flow exposure.

Last year, other payables included accruals for reorganisation and severance costs.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The directors consider that the carrying amount of trade payables approximates their fair value.

22 Financial instruments

Capital management

The Board's policy is to maintain a strong capital base so as to cover all liabilities and to maintain the business and to sustain its development.

The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Parent Company nor any of its subsidiaries are subject to externally imposed capital requirements.

DC Thomson & Company Limited

Notes to the accounts (continued)

22 Financial instruments (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed on pages 15 to 22.

Categories of financial instruments

Group	2011 £000	2010 £000
Financial assets (current and non-current)		
Trade and other receivables	71,075	70,931
Financial assets - held to maturity	-	10,041
Cash and cash equivalents	107,415	88,457
Financial assets - other business assets	536,944	518,026
Financial liabilities (current and non-current)		
Financial instruments	(3,698)	(1,149)
Trade and other payables	(49,361)	(50,225)
Borrowings	(3,797)	(7,538)

Financial risk management objectives

The key divisional boards monitor and manage the financial risks relating to the operations of that division. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Where appropriate, the Group seeks to minimise the effects of market risks by using financial instruments to hedge these risk exposures as appropriate. The Group does not enter into or trade in financial instruments for speculative purposes.

Market risks

The Group's activities, particularly the Book Division, expose it primarily to the financial risks of changes in foreign currency exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risk.

The total fair value of the currency financial assets is a liability of £3,698,000 (2010 – £1,149,000) and the charge in the year through other expenses (Note 5) in the income statement is £2,549,000 (2010 – £5,452,000).

DC Thomson & Company Limited

Notes to the accounts (continued)

22 Financial instruments (continued)

Currency risk - cash flow hedges

The Book Division 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, Euros and Australian dollars). 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\$48m (2010 - US\$44m) and to sell €29m (2010 - €47m) and AU\$21m (2010 - AU\$34m) at various rates. The fair value of these contracts is a liability of £3.7m (2010 - liability of £1.1m) which is reflected in the balance sheet. Movements are taken through the income statement. 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.

The carrying amounts of the Book Division foreign currency denominated monetary assets and liabilities were as follows:

	2011		2010	
Euro	€8.5m	£7.5m	€12m	£10.7m
US Dollar	(\$3.9m)	(£2.4m)	(\$13m)	(£8.6m)
Australian Dollar	\$2m	£1.4m	\$4.9m	£2.9m

Foreign currency sensitivity

As noted above the Group is exposed mainly to movements in Euros, Australian dollar and US dollar rates in the Book Division. The forward contracts in place manage the exchange rate risk by fixing the values of expected sterling cash flows for up to 3 years. However, as these hedges deal with future cash flows, timing differences impact the year end position reported in these accounts. The division's sensitivity to a 10% fall in the spot sterling exchange rate would be £3m with a change in the fair value of the forward contract values of £0.7m as at the year end. The impact on equity would be £6m reflecting the retranslation of net assets on consolidation.

DC Thomson & Company Limited

Notes to the accounts (continued)

22 Financial instruments (continued)

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets, other than business assets, 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.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The balance presented in the balance sheet is net of allowances for doubtful receivables and returns, 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, customer stock holding visibility and the use of credit insurance.

Trade and other payables

These payables are all due within one year under normal trading terms.

Liquidity risk management

The Group retains significant liquid assets to fund its contractual obligations and the maintenance of the business and its ongoing development. As a result there are no significant liquidity risks facing the Group.

The following tables detail the Group's remaining contractual maturity for its financial commitments. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

DC Thomson & Company Limited

Notes to the accounts (continued)

22 Financial instruments (continued)

Group

	2011 £000	2010 £000
Gross loan and overdraft liability		
In one year or less, or on demand	3,740	5,166
Between one and two years	-	51
Between two and four years	-	80
	<u>3,740</u>	<u>5,297</u>
Future interest	-	(3)
	<u>3,740</u>	<u>5,294</u>
Gross lease liability		
In one year or less, or on demand	63	2,309
Between one and two years	-	56
	<u>63</u>	<u>2,365</u>
Future interest	(6)	(121)
	<u>57</u>	<u>2,244</u>

The maturity profile of the Group's foreign currency forward contracts using undiscounted cash flows is as follows:

	To buy US\$000	To sell €000	To sell Aus\$000
2011			
Within 3 months	6,850	3,175	2,500
Between 4 and 6 months	10,400	3,525	1,500
Between 6 months and one year	15,000	5,850	7,000
Between one and two years	15,600	16,650	10,000
2010			
Within 3 months	11,050	2,650	1,000
Between 4 and 6 months	5,450	1,975	1,500
Between 6 months and one year	15,300	13,375	10,500
Between one and two years	12,500	19,200	11,000
Between two and three years	-	10,000	10,000

DC Thomson & Company Limited

Notes to the accounts (continued)

23	Deferred tax liabilities	Accelerated capital allowances £000	Revalued financial assets £000	Pension surplus £000	Intangible assets £000	Other £000	Total £000
	Group						
	At 31 March 2009	7,366	50,929	22,056	57,466	(865)	136,952
	Transfer (to)/from profit and loss account	(2,481)	-	44	(101)	(966)	(3,504)
	Statement of recognised income and expense	-	42,402	2,298	-	-	44,700
	On acquisitions (as restated Note 12)	(214)	-	-	(1,114)	-	(1,328)
	Transfer from corporation tax	-	-	-	-	118	118
	At 31 March 2010	4,671	93,331	24,398	56,251	(1,713)	176,938
	Transfer (to)/from profit and loss account	(222)	-	1,909	(286)	(1,867)	(466)
	Statement of recognised income and expense	-	(8,080)	(5,159)	-	-	(13,239)
	Goodwill impairment	-	-	-	(4,032)	-	(4,032)
	At 31 March 2011	4,449	85,251	21,148	51,933	(3,580)	159,201
	Company						
	At 31 March 2009	6,396	37,191	-	-	(1)	43,586
	Transfer (to)/from profit and loss account	(2,099)	-	-	-	12	(2,087)
	Statement of recognised income and expense	-	31,646	-	-	-	31,646
	At 31 March 2010	4,297	68,837	-	-	11	73,145
	Transfer (to)/from profit and loss account	769	-	-	-	(661)	108
	Statement of recognised income and expense	-	(9,577)	-	-	-	(9,577)
	At 31 March 2011	5,066	59,260	-	-	(650)	63,676

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.

The balances at each year end for revalued financial assets, pension surplus and intangible assets reflects the recognised asset at the relevant tax rate of 26%.

DC Thomson & Company Limited

Notes to the accounts (continued)

24 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 net pension credit for the year was £5,349,000 (2010 - charge of £279,000). This includes a credit of £7,300,000 (2010 - £100,000) for the Parent and a charge of £102,000 (2010 - £63,000) for a subsidiary under the IAS19 defined benefit scheme calculation below, contributions of £1,849,000 (2010 - £316,000) in respect of defined contribution 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 Group 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 Company and its subsidiaries.

	2011 £000	2010 £000
Change in benefit obligation		
Benefit obligation at beginning of year	428,359	318,812
Current service cost	7,419	5,893
Interest cost	23,271	21,069
Actuarial losses	(32,209)	98,492
Contributions - employee	400	400
Benefits paid	(18,120)	(16,307)
Benefit obligation at end of year – wholly funded	409,120	428,359
Change in plan assets		
Fair value of plan assets at beginning of year	562,098	443,683
Expected return on plan assets	37,854	26,960
Actuarial gains	13,663	107,201
Contributions – employee	434	447
Benefits paid	(18,120)	(16,307)
Contributions – employer	125	114
Fair value of plan assets at end of year	596,054	562,098
Retirement benefit surplus	186,934	133,739

DC Thomson & Company Limited

Notes to the accounts (continued)

24 Retirement benefits (continued)

	2011 £000	2010 £000
Retirement benefit surplus		
Funded status	186,934	133,739
Effect of IAS19 paragraph 58(b) limit	(105,600)	(46,600)
Net amount recognised	<u>81,334</u>	<u>87,139</u>
Group Surplus	<u>81,334</u>	<u>87,139</u>

The actuary is unable to provide separate valuations for the Parent Company and Aberdeen Journals Limited, so these individual companies are accounted for as defined contribution schemes in their own company accounts.

The credit in the income statement in respect of pension costs is higher than that in the previous year due to a significantly higher expected return on assets, due to an increase in the long term expected return assumption and a higher asset value used as a starting point. This is combined with a higher interest cost, due to an increase in the liabilities at the beginning of the year compared with the prior year. There was also an increase in the service cost due to a stronger actuarial basis being used to assess the value of benefits accruing over the year which more than offset a reduction in salary roll.

The amount of the Funded Status (assets less liabilities) that can be recognised as an asset of the Company is constrained by the limit set out in paragraph 58(b) of IAS19. This limit restricts the recognised pension 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 weaker assumptions used to place a value on the liabilities at 31 March 2011 and the reduction in the salary roll over the year reduced the level of asset that can be recognised.

The surplus disclosed above has been calculated using assumptions determined in accordance with the requirements of IAS19. The Trustees of the pension fund use different assumptions to determine the financial position of the fund which are determined in accordance with legislation and guidance from the Pensions Regulator. As a result, the financial position disclosed above will be different to the financial position used by the Trustees in the running of the fund. On both bases, the valuations show the fund is in healthy surplus.

DC Thomson & Company Limited

Notes to the accounts (continued)

24 Retirement benefits (continued)

	2011 £000	2010 £000
Components of pension cost		
Current service cost	7,385	5,854
Interest cost	23,271	21,069
Expected return on plan assets	(37,854)	(26,960)
Total pension credit recognised in employee benefit costs	<u>(7,198)</u>	<u>(37)</u>
Actuarial gains immediately recognised	(45,872)	(8,709)
Effect of IAS19 paragraph 58(b) limit	59,000	500
Total pension charge/(credit) recognised in statement of comprehensive income	<u>13,128</u>	<u>(8,209)</u>
Cumulative actuarial gains immediately recognised	<u>3,535</u>	<u>49,407</u>
Plan assets		

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

Asset category	2011 %	2010 %
Equities	78	75
Bonds	15	17
Cash and annuities	7	8
	<u>100</u>	<u>100</u>
	£000	£000
Amounts included in the fair value of assets for:		
Equities	465,000	418,400
Bonds	89,400	97,811
Cash	40,300	44,400
Annuities	1,354	1,487
	<u>596,054</u>	<u>562,098</u>
Actual return on plan assets	<u>51,800</u>	<u>136,831</u>

DC Thomson & Company Limited

Notes to the accounts (continued)

24 Retirement benefits (continued)

Weighted average assumptions used to determine benefit obligations	2011 %	2010 %
Discount rate	5.50	5.50
Rate of salary increase	4.50	4.60
Inflation rate	3.50	3.60

Life expectancy at age 65 is assumed at 23 years for males and 26 years for females.

Weighted average assumptions used to determine net pension cost for year	2011 %	2010 %
Discount rate	5.50	6.70
Expected long term return on plan assets	6.90	6.23
Rate of salary increase	4.60	4.10

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 a 6.9% assumption at 31 March 2011.

History	2011 £000	2010 £000	2009 £000	2008 £000
Benefit obligation at end of year	409,120	428,359	318,812	304,986
Fair value of plan assets at end of year	596,054	562,098	443,683	557,944
Surplus	186,934	133,739	124,871	252,958
Difference between expected and actual return on scheme assets:				
amount (£000)	13,649	107,432	(143,500)	(75,951)
percentage of scheme assets	2%	19%	(32%)	(14%)
Experience gains and losses on scheme liabilities:				
amount (£000)	17,274	2,550	(18,456)	(1,102)
percentage of scheme liabilities	4%	1%	(6)%	0%

Contributions

As advised by the actuary the Parent Company will not contribute to its final salary pension plans next year. Contributions to the subsidiary company scheme are expected to be £130,000.

25 Called up share capital

	Allotted, called up and fully paid			
	2011 Number	2011 £000	2010 Number	2010 £000
Ordinary shares of £1 each	4,135,317	4,135	4,135,317	4,135

DC Thomson & Company Limited

Notes to the accounts (continued)

26 Retained earnings

Retained earnings include net exchange differences arising on translation of foreign operations since 1 April 2005 as follows:

	£000
At 1 April 2009	8,380
Arising in year	(133)
	<hr/>
At 31 March 2010	8,247
Arising in year	1,475
	<hr/>
At 31 March 2011	<u>9,722</u>

27 Notes to the cash flow statement

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Cash and cash equivalents				
Bank balances	31,949	9,615	33,923	5,433
Call deposits	75,466	60,400	54,534	52,500
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	107,415	70,015	88,457	57,933
Overdraft	(3,740)	-	(5,115)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>103,675</u>	<u>70,015</u>	<u>83,342</u>	<u>57,933</u>

The overdraft arises in the Book Division where the working capital management has reduced the funding requirements, offset by exchange rate movements.

Cash and cash equivalents

The carrying amount of these assets approximates to their fair value.

	2011		2010	
	Group £000	Company £000	Group £000	Company £000
Cash flows from operating activities include:				
Dividends	11,838	9,193	14,850	11,636
Interest	1,628	420	2,536	1,264
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>13,466</u>	<u>9,613</u>	<u>17,386</u>	<u>12,900</u>

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

The interest arises primarily from deposits and gilts.

DC Thomson & Company Limited

Notes to the accounts (continued)

28 Group companies

The Group's interest in its main subsidiary undertakings all of which are wholly owned are as follows:

Subsidiary undertakings	Country of registration or incorporation	Principal activity
Aberdeen Journals Limited	Scotland	Publisher
Meadowside Leasing Limited *	Scotland	Publishing holding company
Parragon Publishing Limited +	England	Publisher
Peter Haddock Limited +	England	Publisher
John Leng & Company Limited *	Scotland	Publishing holding company
Puzzler Media Holdings Limited +	England	Publisher
brightsolid online innovation limited *	Scotland	Online publisher
Friends Reunited Limited	England	Online publisher
Genes Reunited Limited	England	Online publisher

* Intermediate holding company

+ Parent is intermediate holding company

Associated undertaking

Newsfax International Limited (35% ordinary £1 shares)	England	Printer
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The Group also invests in a number of unlisted businesses using both equity and loans. The percentage voting rights does not give a controlling interest 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 14 and are carried at cost less provisions for impairment.

DC Thomson & Company Limited

Notes to the accounts (continued)

29 Contingent liabilities

The Group has guaranteed payments in favour of HMRC in respect of raw materials imports and other materials the maximum liability under which would be £100,000 (2010 - £100,000).

At the year end, the Group had provided a guarantee of £1.2m (2010 - £0.05m) for a commercial contract for brightsolid online publishing limited with a third party.

Parragon Books Limited has provided a guarantee of US\$1.5m (2010 - US\$1.5m) for the borrowings of Parragon Publishing (India) Private Limited, a 50% joint venture.

The Group has provided a guarantee of £25m (2010 - £25m) in favour of Barclays Bank plc in respect of borrowings of Parragon Publishing Limited.

30 Financial commitments

	2011 £000	2010 £000
Capital commitments - Group and Company		
Contracted for but not provided	364	1,011

Contractual commitments – Group

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

	2011 £000	2010 £000
Origination costs contracted for but not provided	1,719	1,652

At 31 March 2011, Parragon Publishing Limited had forward contracts to buy US\$48m (2010 - US\$44m) and to sell €29m (2010 - €47m) and AUS\$21m (2010 - AUS\$34m) at a variety of rates.

The Group is committed to buy the remaining 49% holding in Icob BV (25% in 2012 and 24% in 2017), with consideration being based on the average profitability of that company at the time of purchase.

DC Thomson & Company Limited

Notes to the accounts (continued)

30 Financial commitments (continued)

Operating lease commitments - Group

At 31 March 2011 the Group had total commitments under non-cancellable operating leases as set out below:

	Land & buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
Total amount payable where lease expires:				
Within one year	234	69	69	104
In second to fifth year inclusive	4,746	2,157	734	217
After five years	11,168	14,977	43	160
	<u>11,168</u>	<u>14,977</u>	<u>43</u>	<u>160</u>

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.

DC Thomson & Company Limited

Notes to the accounts (continued)

31 Related party transactions

The Parent 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:

	2011 £000	2010 £000
Aberdeen Journals Limited	1,000	1,000
Meadowside Leasing Limited	110	110

William Thomson & Sons is a non profit making partnership controlled by the directors which provides administration and investment management services to the Group. The Parent Company receives dividends of £2m each year from John Leng & Company Limited.

Amounts due from/to Group undertakings are included as follows:

	2011 £000	2010 £000
Trade and other receivables		
John Leng & Company Limited	1,872	1,078
Meadowside Leasing Limited	110	110
Puzzler Media Holdings Limited	192	192
Aberdeen Journals Limited	-	3,377
Peter Haddock Limited	23	23
Beano Productions Limited	1,239	825
Dandy Entertainment Limited	353	220
	<u>3,789</u>	<u>5,825</u>
Trade and other payables		
Peter Haddock Limited	1,297	1,102
Dennis & Gnasher 3 Limited	613	613
MWOL Limited	-	230
	<u>1,910</u>	<u>1,945</u>

DC Thomson & Company Limited

Notes to the accounts (continued)

32 Directors' interests in share capital

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

	31 March 2011	1 April 2010
Beneficial interest:		
AF Thomson	29,416	29,166
LM Thomson	28,295	28,295
CHW Thomson	17,919	17,919
ARF Hall	40,228	38,428
As trustees without beneficial interest:		
AF Thomson	193,793	192,643
LM Thomson	213,355	199,985
CHW Thomson	246,505	246,505
ARF Hall	304,373	304,373
As joint trustees without beneficial interest:		
CHW Thomson	300,000	300,000
AF Thomson)		
LM Thomson)	183,611	183,611
CHW Thomson)		

Dividends paid to directors in the year totalled £279,000 (2010 - £264,000) being £109,000 (2010 - £102,000) for AF Thomson, £104,000 (2010 - £99,000) for LM Thomson and £66,000 (2010 - £63,000) for CHW Thomson.

33 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 2006. 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 auditor's report to the members of DC Thomson & Company Limited

We have audited the accounts of DC Thomson & Company Limited for the year ended 31 March 2011 which comprise the group income statement, the group and parent company statement of comprehensive income, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the directors' responsibilities statement (set out on page 54), the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition we read all the financial and non-financial information in the directors report to identify material inconsistencies with the audited accounts. Should we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

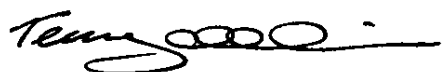
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Terry Allison (Senior Statutory Auditor)

For and on behalf of
Henderson Loggie, Statutory Auditor
Dundee

31 October 2011