DC Thomson & Company Limited

Directors' report and IFRS Group accounts
for the year ended 31 March 2009

Registered number 5830

DC Thomson & Company Limited

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Directors' report

The Directors' report to the hundred and fifth Annual General Meeting of DC Thomson & Company Limited, to be held at 22 Meadowside, Dundee on Tuesday 24th November 2009 at 12 noon.

The Directors submit the audited accounts of the Company and of the Group for the year ended 31 March 2009.

Activities and dividends

The principal activity of the Group remains the printing and publishing of Newspapers, Magazines and Books.

The Directors recommend that a final dividend of £12,468,000 *(2008 - £12,179,000)* be paid, which together with the interim dividend of £2,068,000 *(2008 - £1,654,000)* already paid, will make a total of £14,536,000 *(2008 - £13,833,000)* for the year.

Business overview

The Business overall had a more difficult year particularly those businesses of ours exposed to advertising revenues. The Group's policy to have a wide spread of interests gives some protection since advertising revenue represents less than 20% of our total revenue unlike some media companies.

However trading profit was down some £5.6m before exceptional costs. Turnover increased mainly due to increased book sales by Parragon although this company had its own issues involving the demise of Woolworths and also in Europe.

The Group made one purchase during the year of a small business which publishes magazines about and promoting England (as The Scots Magazine does for Scotland). Since the year end we have purchased the 50% share of bright**solid** group limited (formerly called Scotland On Line Limited) that we did not already own.

We continue to work towards consolidating as many services and operations between our Group companies as possible. This is dependent upon the work being done in the core business in Dundee with the introduction of new systems and ways of working. This will now be a constant.

The Change Programme in Dundee accelerated and involves all aspects of the business. This includes changes in management structure , continuing development of training in all areas of our operations and new and more regular ways of communicating with both our staff and our customers.

The new Procurement Programme has completed its first major stage and is bearing fruit throughout the Group but the benefits will be, in the main, going forward commencing in the year we are now in.

We have commented in the last two annual reports that the Media industry of which we are part has been going through a period of significant change. This change will be more profound than even we had thought. The object of much that we have been doing over the last two years and that we are currently doing is to prepare the Group for times ahead in what may be somewhat different circumstances.

We have initiated a full strategic review of each of our business areas. This includes Newspapers, Books, Children's Entertainment, Print and Production and Digital as well as, in due course, Magazines.

As a consequence of declining prints and new technologies in the printing business we have written down the carrying value of our plant and also some property.

The current year will be difficult as the recession continues to affect us all. As well as the economic situation there is the Internet and its effect on classified advertising and, in particular, recruitment advertising which is and has been a cornerstone of the Regional Press. We are fully aware of these challenges facing us and the Change Programme has the fundamental goal of re-shaping the Company and the Group to be modern, innovative, dynamic and profitable and to be a good place in which to work.

Business overview (continued)

The changes we have made have initially been in the Dundee core business but they will have an impact throughout the Group and the overall aim is to have a Group that works together coherently and as efficiently as possible to face the challenges ahead, which are considerable.

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 29% of our trading revenue *(2008-28%)* and they have increased in absolute terms by £6m.

The turnover of our Publishing Businesses in the year to March 2009 is divided between Newspapers 27% (28%), Magazines and Annuals 27% (29%) and Books 41% (38%). Printing and other income represents 5% (5%).

On a like for like basis Group Publishing Income was £230m (*£227m*) of which £93m (*£92m*) was Newspaper and Magazine copy sales, £40m (*£44m*) advertising revenue and £97m (*£91m*) book sales including annuals.

The Group experienced challenging conditions in most areas of its operations, some more than others. Underlying trading profit, [being profit before interest, exceptionals (including pension credit), and tax] were significantly down principally due to reductions in advertising in our Dundee and Aberdeen businesses which accelerated after New Year 2009 but also because of unavoidable additional costs.

Profit overall was down also due to reductions in pension credit, bank interest and significant restructuring and impairment costs.

The Newspaper Division of our business consists principally 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.

Although the Aberdeen Newspaper business performed well in the first half it was also affected by the downturn in advertising in the second half. Costs were up with rises in newsprint, energy, press repairs and Internet publishing.

The Dundee Regional Newspaper business also found revenue more difficult with continued cut backs, in particular, in local government and recruitment advertising. Improvements and changes in operating practices in the advertising department mitigated this to some extent.

The Sunday Post showed some resilience in copy sales revenue principally as a result of increasing the price of the paper but copy sales were down. Advertising, which had been holding up well in the first half, found it more difficult as we went into the second half of the year.

There has been for many years a modest decline in sales of most Newspapers and our titles are no exception but we are certainly in comparative good health in our Regional Newspaper copy sales compared to some in the market. While copy sales are tending back overall we do not accept that this has to be the case and our Evening paper in Dundee particularly has performed well in this respect over the last two years.

In the Newspaper Division the underlying Trading Profit declined with Aberdeen profit down some £2.3m and Dundee also back.

Trading overview (continued)

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

Puzzler had a reasonable year with turnover down £0.8m partly due to ceasing operations in the USA but profits were up. In comparison to the rest of the magazine publishing business in the UK that is a good performance. Copy Sales revenue held up well and Puzzler does not depend on advertising revenue unlike much of the rest of the industry.

Our Women's Magazines based in Dundee were also affected by the decline in advertising revenue and difficult market conditions but The People's Friend continued to sell steadily and bring in valuable advertising revenue.

Children's Entertainment consists of four different areas:

First of all, the famous children's comics, The Beano and The Dandy, which continue to find their market difficult. This area has however benefited from a number of higher priced issues and issues of The Beano's stable mate BeanoMax.

Secondly, in the girls' area we have Shout, Animals and You and Goodie Bag Mag. Animals and You unfortunately has continued to have some stiff competition from a new title launched by the BBC called All About Animals. The BBC seems to have developed an unfortunate habit of careering into markets where there seems to be no need for it to be and damaging the interests of independent businesses.

Thirdly, a new development over the last two or three years, has been a more consistent focus in our Children's area on licensed properties for magazine and indeed book publishing. We have a licence from Bratz and from World Wrestling Entertainment for a children's magazine and now also from Chuggington a pre-school brand which we partly own through our interest in Ludorum plc.

The fourth area, of course, is our Christmas Annuals and we have a variety of these, most of them based in the Children's market although there are one or two titles for adults as well. These faced a difficult market this year but we continue to work hard to keep these as prominent as possible on the shelves. Sales during the year were down and this was not helped by some difficulties in the retail trade. The recently installed KBA offset press allows us to run more efficient printing schedules and thereby reduce unsold copies. We intend to re-focus our Book businesses in part on growing this important area and develop some licensed titles.

However, overall, our Newspaper and Magazine divisions were together back by some £5.2m. The shortfall in advertising was the major contributor to this.

Work continued to further the exploitation of our Children's characters, Brands and Intellectual Property. As part of the exploitation of these we have had considerable success in licensing product based on some of our valuable IP. We have also developed, successfully, another TV series of Dennis the Menace which we have presold to the BBC and in Australia. We have also commissioned some short TV episodes of Marvo the Wonder Chicken, one of our characters, and these have been sold to a Disney subsidiary and we now also have some expectation of sales in the USA of our film properties.

Our Book Division consists in the main of Parragon and also of course of the smaller Peter Haddock. During the year Parragon increased its sales revenue to £89m (*£83m*) on a like for like basis, up on the previous year. This was, in the main, due to greater sales in Australia from our acquisition there. However European sales were difficult.

Parragon has operations in the U.K., U.S.A., Germany, Netherlands, India, Hong Kong and Singapore and is the market leader in Australia having bought the business assets of a major competitor, Funtastic, towards the end of the last financial year. Underlying Trading Profit of the Book Division has remained in line with last year.

Trading overview (continued)

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 always operated a prudent policy of having reserves and financial assets and other business interests to cover all known and implicit liabilities and to enable it to continue to develop, enhance and protect its business activities and trade and to remain strong. This has been particularly important in this period and in these times and gives a real resilience to our business and an ability to continue to build our business at a time when others can not.

The performance overall in this area of the business in the year to 31 March 2009 has been reasonable in the circumstances. However we suffered a considerable reduction in Bank Interest in the last 6 months of the year as the Bank base rate was cut c.90%.

During the year the Group continued to convert some of these assets and interests into cash at reasonable prices and moved some of its liquid resource into government bonds or gilts in a rather more substantial way. We also reduced the exposure of one of our subsidiary companies to a short term bank facility, preferring to cover that from our own resources at better rates to the group treasury. Since the year end we have returned to holding cash resource, in the main, rather than gilts.

Values of financial assets and other business interests at the end of the current year (that is the year to 31 March 2009) are substantially reduced from those in the accounts to 31 March 2008 because of market conditions. Our year end month (March 2009) was the recent low point in the markets and so the values were low. However it may be worth mentioning that the current market value has significantly recovered and also that only some 5 years ago the UK markets were as low as they were in March 2009.

The formal Actuarial Valuation of our main Pension Fund (The Thomson–Leng Provident Fund), which takes place every 3 years, was recently completed. That valuation as of 31 March 2008 (the formal date) shows a healthy position as before. However, at 31st March 2009, (the year we are reporting on) the market value of the fund assets was of course reduced (but still in surplus) as March 2009 was the low point for the year, as mentioned. That position has of course improved as markets have steadied. Accordingly the fund is in good health.

The Fund's Income for the year to 31 March 2009 also remained significantly ahead of pensions paid. However, there is likely to be a reduction in income in the year we are now in, due to the suspension of or reduction in some bank and other company dividends as they repair their balance sheets and due to the considerable reduction in bank interest receivable. The unusual intervention by the UK Government or rather the Bank of England in the gilts market with their programme of Quantitative Easing has also had the effect of reducing the yield of medium term gilts which are the benchmark for pension fund liability valuations and thus increasing the level of liabilities of Pension Funds.

Risks and uncertainties

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

The main commodity price risk the Group faces is that of paper. The price of newsprint went up 20% on 1 January 2009. There has been a modest reduction in some grades from 1 July 2009. The Group enters into various arrangements, as appropriate for its particular industry, to manage effectively the cost of paper as far as possible.

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

Risks and uncertainties (continued)

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.

There is competition in all the markets in which the Group operates and new products and titles may be launched by competitors which could adversely affect the Group as has happened recently as a result of the BBC launching a title against Animals and You. Market conditions are also liable to change and the economic downturn may affect retail market.

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

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

Costs

As part of the Change Programme we have set up a procurement initiative, which will deliver some good benefits in cost savings throughout the Group going forward. Over the last year cost control in Dundee was reasonable but there is always more to do. Some increases in costs were unavoidable such as the cost of newsprint and energy, as mentioned previously.

Staff costs of our Dundee businesses were well controlled and towards the end of the year we gave notice to end our Early Voluntary Severance (EVS) scheme. The effect of this was that some 200 of our staff took advantage of the scheme before it ended. That has cost some £6.8m in severance costs but the ongoing staff costs of the firm will also be reduced by a similar amount on an annual basis. Parragon initiated a cost saving programme in January 2009.

Market Research continues to be a major cost but for both sales and advertising purposes it is an essential expense so that we can invest in and produce the best products. This is however kept under close review.

During the year the Change Programme has resulted in exceptional costs which will continue into the current year as well but with the help of our Procurement Team we expect the basic Trade Expenses of the business in the current year to be well controlled as far as market conditions allow.

The Group, as mentioned above, continues to have a healthy balance sheet and a well-funded pension scheme although that is in no way ever taken for granted and a large amount of work has to be done to manage our Pension Funds in the light of current regulations.

Non financial overview

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

Non financial overview (continued)

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

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

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

Future prospects

The Group is committed to improving operational efficiency and maintaining a tight grip on costs. We are aware of significant changes going on in the industry generally but are also aware that it is of great importance to maintain the quality of our products. For only by meeting the needs of our readers in the best possible way will we succeed.

The current year has been exceptionally difficult particularly for our advertising revenues. Since January 2009 there has been a significant decline in our regional newspaper advertising which seems to have bottomed out at a reduction of 30%. We are taking steps to cut costs and grow revenues to put the business back into a better position.

Paper costs are still higher than we would like and while we have seen some reductions we do not expect regular reductions in the long term.

We believe that sales of our products, Newspapers, Magazines, Books and Christmas Annuals, which are on the whole low priced items, will present a good opportunity for purchasers who are affected negatively by all that is going on in the economy. This downturn may in fact therefore also offer opportunities to the Group.

In our Book Business we aim to further the global growth of our sales.

Work goes on to improve our Internet sites and Aberdeen's newly launched site is bringing in some encouraging revenue.

Puzzler continues to perform well.

We have now taken 100% control of bright**solid** group limited. This Company made its first profit and successfully launched the Census 1911 online. It invested more than £5m under contract from The National Archive at Kew and first results have been very encouraging. The bright**solid** group has built a small but successful Genealogy business, partly organically driven such as the contract from the General Register of Scotland (GROS) for Births Deaths and Marriages and The National Archive and partly from Find My Past Limited a company acquired almost 2 years ago.

We also recently bid £25m to buy Friends Reunited Limited from ITV. The matter is currently with the OFT.

The bright**solid** group is a key element in our plans for the future.

The current year to 31 March 2010 will be difficult. We continue to incur certain exceptional costs relating to restructuring and modernisation of our business without yet enjoying the full benefits from these. However we do expect that once we are through 2010 the Company should be better placed.

Employees

Details concerning employees are shown in Note 6. Good relations with employees are regarded as paramount and communication is maintained through regular team briefings and quarterly newsletters. The Health and Safety of all employees has constant attention.

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

Most employees are members of company pension schemes.

The Group has a talented, dedicated and loyal staff. This is not taken for granted. Creativity, producing and maintaining the quality and popularity of products and services, brands and intellectual property that people wish to buy or associate with, is vital to the Group, as is research to assist that.

We intend to accelerate the provision of training across the Group and the development of all staff potential. The process of restructuring our business to integrate our Group companies should open up opportunities for our staff.

Fixed assets

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

Charitable and political contributions

No political contributions were made. Most of the Group's substantial charitable contributions are made by charitable trusts, the capital of which was subscribed over the years by various shareholders. In addition charitable donations of £24,136 *(2008 - £22,952)* were made.

Directors

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

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

In so far as the Directors are aware:

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

Auditors

A resolution concerning the re-appointment of Henderson Loggie and for their remuneration to be fixed by the Directors will be proposed to the Annual General Meeting.

By order of the board:

I Douglas

I Douglas
Secretary
Dundee

29 October 2009

DC Thomson & Company Limited

Group income statement for the year ended 31 March 2009

	Note	£000	2009 £000	2008 £000
Revenue	3		**272,111**	265,474
Change to inventories of finished goods and work in progress	5a	**12,950**		265
Raw materials and consumables		**(106,008)**		(85,833)
	5a	**(93,058)**		(85,568)
Employee benefits costs	5b/6	**(71,976)**		(58,843)
Depreciation and amortisation	5c	**(15,347)**		(15,493)
Impairment of assets	8	**(22,254)**		-
Other expenses	5d	**(57,571)**		(51,462)
Finance costs	9	**(3,622)**		(3,932)
Total expenses	4		**(263,828)**	(215,298)
Gain from disposal of financial assets		**30,868**		25,470
Provision against financial assets		**(7,690)**		(4,553)
			23,178	20,917
Impairment of goodwill from change in tax rates			-	(3,611)
Share of post tax results of associates	16		**1,033**	-
Profit before taxation			**32,494**	67,482
Taxation	10		**(4,536)**	(13,605)
Profit for year			**27,958**	53,877
Profit attributable to minority interest	16a		**683**	1,450
Profit attributable to equity shareholders			**27,275**	52,427
			27,958	53,877

DC Thomson & Company Limited

Group balance sheet at 31 March 2009

	Note	2009 £000	2008 £000
Non-current assets			
Goodwill	12	**109,180**	108,075
Other intangible assets	12	**221,690**	216,971
Property, plant and equipment	13	**55,364**	77,018
Financial assets - other business assets	14	**381,177**	586,988
Interests in associates	16	**19,385**	-
Retirement benefit surplus	24	**78,771**	76,458
		865,567	1,065,510
Current assets			
Inventories	17	**46,488**	33,622
Trade and other receivables	18	**68,435**	61,819
Derivative financial instruments	22	**4,303**	-
Financial assets - held to maturity	19	**22,788**	12,584
Cash and cash equivalents	27	**94,072**	88,710
		236,086	196,735
Total assets		**1,101,653**	1,262,245
Current liabilities			
Borrowings	20	**21,819**	19,461
Trade and other payables	21	**40,576**	31,908
Income tax liabilities		-	2,557
Derivative financial instruments	22	-	3,608
		62,395	57,534
Non-current liabilities			
Borrowings	20	**21,627**	28,394
Trade and other payables	21	**1,626**	1,103
Deferred tax liabilities	23	**136,952**	191,435
		160,205	220,932
Total liabilities		**222,600**	278,466
Net assets		**879,053**	983,779
Equity			
Share capital	25	**4,135**	4,135
Pension reserve	26	**50,000**	50,000
Capital expenditure reserve	26	**100,000**	100,000
Other reserves	26	**213,803**	339,822
Retained earnings (previously profit and loss account)	26	**510,071**	489,091
Total equity attributable to the shareholders of the company		**878,009**	983,048
Minority interest in equity	16a	**1,044**	731
Total equity		**879,053**	983,779

The accounts were approved by the Board of Directors on 29 October and signed on its behalf by:

AF Thomson Andrew J. Thomson
Director

CHW Thomson CHW Thomson
Director

Registered number 5830

DC Thomson & Company Limited

Company balance sheet at 31 March 2009

	Note	2009 £000	2008 £000
Non-current assets			
Other intangible assets	12	**1,723**	-
Property, plant and equipment	13	**37,713**	59,410
Financial assets - other business assets	14	**299,544**	464,354
Interests in Group undertakings	15	**261,596**	242,135
		600,576	765,899
Current assets			
Inventories	17	**5,160**	6,643
Trade and other receivables	18	**35,169**	28,735
Financial assets - held to maturity	19	**10,134**	12,584
Cash and cash equivalents	27	**67,231**	46,452
		117,694	94,414
Total assets		**718,270**	860,313
Current liabilities			
Trade and other payables	21	**16,376**	11,508
Non-current liabilities			
Deferred tax liabilities	23	**43,586**	85,476
Total liabilities		**59,962**	96,984
Net assets		**658,308**	763,329
Equity			
Share capital	25	**4,135**	4,135
Other reserves	26	**155,367**	252,434
Retained earnings (previously profit and loss account)	26	**498,806**	506,760
Total equity attributable to the shareholders of the company		**658,308**	763,329

The accounts were approved by the Board of Directors on 29 October 2009 and signed on its behalf by:

AF Thomson
Director

Andrew J. Thomson

CHW Thomson
Director

DC Thomson & Company Limited

Group cash flow statement for the year ended 31 March 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Profit before taxation		**32,494**	67,482
Finance costs		**3,622**	3,932
Depreciation and amortisation		**15,347**	15,493
Impairment of assets		**22,254**	-
Exchange gain on cash		**(56)**	(398)
Share of result of associate		**(1,033)**	-
Gain on sale of property, plant and equipment		**(274)**	(365)
Net gain on financial assets		**(23,178)**	(20,917)
Goodwill impairment		**-**	3,611
Derivative movement		**(7,911)**	2,431
Pension adjustment		**(8,048)**	(12,946)
Scrip dividend		**(945)**	(1,661)
(Increase)/decrease in inventories		**(12,791)**	1,417
Increase in receivables		**(4,839)**	(5,604)
Increase/(decrease) in payables		**8,455**	(1,514)
Exchange movement on core balances		**8,500**	22
Cash generated from operations		**31,597**	50,983
Income tax paid		**(13,920)**	(9,588)
Interest paid		**(2,598)**	(3,947)
Net cash from operating activities		**15,079**	37,448
Investing activities			
Proceeds on disposal of property, plant and equipment		**404**	507
Proceeds on disposal of financial assets		**43,813**	24,090
Proceeds on disposal of financial assets - held to maturity gilts	19	**40,014**	-
Purchases of property, plant and equipment		**(4,485)**	(4,893)
Purchase of subsidiary undertaking		**(4,500)**	(12,758)
Purchase of associate		**(540)**	-
Purchase of financial assets		**(6,797)**	(34,626)
Purchase of financial assets - held to maturity gilts	19	**(50,251)**	-
Purchase of intangibles		**(9,518)**	(7,731)
Acquisition of minority interest in subsidiary		**-**	(11,945)
Net cash used in investing activities		**8,140**	(47,356)
Financing activities			
Dividends paid		**(13,833)**	(12,467)
Repayments of borrowings	20	**(6,067)**	(4,166)
Net cash used in financing activities		**(19,900)**	(16,633)
Net increase/(decrease) in cash and cash equivalents		**3,319**	(26,541)
Effects of exchange rate changes on cash and cash equivalents		**56**	398
Cash and cash equivalents at 31 March 2008	27	**74,433**	101,362
On acquisition of subsidiary		**330**	(786)
Cash and cash equivalents at 31 March 2009	27	**78,138**	74,433

DC Thomson & Company Limited

Company cash flow statement for the year ended 31 March 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Profit before taxation		**1,667**	30,275
Depreciation and amortisation		**4,587**	5,507
Impairment of assets		**21,900**	-
Exchange gain on cash		**7**	(149)
Gain on sale of property, plant and equipment		**(257)**	(357)
Net gain on disposal of financial assets		**(20,743)**	(13,920)
Scrip dividend		**(945)**	(1,661)
Decrease in inventories		**1,483**	2,233
(Increase)/decrease in receivables		**(3,867)**	1,441
Increase/(decrease) in payables		**5,951**	(91)
Cash generated from operations		**9,783**	23,278
Income tax paid		**(6,413)**	(5,237)
Net cash from operating activities		**3,370**	18,041
Investing activities			
Proceeds on disposal of property, plant and equipment		**266**	364
Proceeds on disposal of financial assets		**41,531**	21,276
Proceeds on disposal of financial assets - held to maturity gilts	19	**32,500**	-
Purchases of property, plant and equipment		**(1,441)**	(1,897)
Purchase of financial assets - held to maturity gilts	19	**(30,075)**	-
Purchase of intangible assets		**(3,923)**	-
Investment in subsidiary undertaking		**-**	(6,256)
Interest in group undertakings		**(1,540)**	(23,523)
Purchase of financial assets		**(6,069)**	(28,626)
Net cash used in investing activities		**31,249**	(38,662)
Financing activities			
Dividends paid		**(13,833)**	(12,467)
Net cash used in financing activities		**(13,833)**	(12,467)
Net increase/(decrease) in cash and cash equivalents		**20,786**	(33,088)
Effects of exchange rate changes on cash and cash equivalents		**(7)**	149
Cash and cash equivalents at 31 March 2008	27	**46,452**	79,391
Cash and cash equivalents at 31 March 2009	27	**67,231**	46,452

DC Thomson & Company Limited

Group statement of recognised income and expense for the year ended 31 March 2009

2009	**Revaluation reserve £000**	**Retained earnings £000**	**Total £000**
Exchange differences on translation of foreign operations	-	8,500	8,500
Revaluation of financial assets	(144,237)	-	(144,237)
Release on disposal of financial assets	(30,853)	-	(30,853)
Actuarial loss on defined benefit pension scheme	-	(5,735)	(5,735)
Tax arising on above	49,071	1,605	50,676
Change in rate on above	-	1,528	1,528
Net income and expense recognised direct in equity	(126,019)	5,898	(120,121)
Profit for the year	-	27,958	27,958
	(126,019)	33,856	(92,163)
Minority interest	-	(683)	(683)
Total recognised income and expense (Note 26)	(126,019)	33,173	(92,846)

2008			
Exchange differences on translation of foreign operations	-	22	22
Revaluation of financial assets	(46,975)	-	(46,975)
Release on disposal of financial assets	(14,007)	-	(14,007)
Actuarial loss on defined benefit pension scheme	-	(42,871)	(42,871)
Tax arising on above	19,000	12,864	31,864
Net income and expense recognised direct in equity	(41,982)	(29,985)	(71,967)
Profit for the year	-	53,877	53,877
	(41,982)	23,892	(18,090)
Minority interest	-	(1,450)	(1,450)
Total recognised income and expense (Note 26)	(41,982)	22,442	(19,540)

DC Thomson & Company Limited

Company statement of recognised income and expense for the year ended 31 March 2009

2009	**Revaluation reserve £000**	**Retained earnings £000**	**Total £000**
Revaluation of financial assets	**(105,490)**	**-**	**(105,490)**
Release on disposal of financial assets	**(27,886)**	**-**	**(27,886)**
Tax arising on above	**36,309**	**-**	**36,309**
Net income and expense recognised direct in equity	**(97,067)**	**-**	**(97,067)**
Profit for the year	**-**	**4,762**	**4,762**
Total recognised income and expense (Note 26)	**(97,067)**	**4,762**	**(92,305)**

2008

Revaluation of financial assets	(42,411)	-	(42,411)
Release on disposal of financial assets	(12,294)	-	(12,294)
Tax arising on above	16,500	-	16,500
Net income and expense recognised direct in equity	(38,205)	-	(38,205)
Profit for the year	-	24,323	24,323
Total recognised income and expense (Note 26)	(38,205)	24,323	(13,882)

1 Statement of compliance

Both the Group and parent company financial statements ("financial statements") at 31 March 2009 have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU .

Two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRS2 - Group and Treasury Share Transactions and IFRIC14 IAS19 - The Limit of Defined Benefit Asset Minimum Funding Requirements and their Interaction. The adoption of these interpretations has not led to any changes in the Group's accounting policies.

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 2009.

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

Subsidiaries

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

Associates

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

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

Acquisitions

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

2 Accounting policies (continued)

In accordance with Section 230 of the Companies Act 1985, 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 derivative financial instruments and the assets of the pension schemes, both of which are stated at their fair values.

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

Goodwill and other intangible assets

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

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

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

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

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

2 Accounting policies (continued)

Property, plant and equipment

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

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

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

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

Financial assets

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 recognised income and expense through the revaluation reserve. On disposal or impairment of the investment, all relevant gains and losses are included in the income statement. Fair value is arrived at using publicly quoted bid price market values for the majority of 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.

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.

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 recognised income and expense.

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. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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.

2 Accounting policies (continued)

Financial instruments

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

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

Interest rate swaps and foreign currency exchange contracts are initially recognised at cost and are subsequently re-measured to fair value at each balance sheet date. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. These valuations are provided by the issuing financial institution. See Note 22.

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

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

Trade 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 to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial guarantee contracts

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

2 Accounting policies (continued)

Taxation

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

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

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, as used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of 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.

2 Accounting policies (continued)

Retirement benefit costs
The Group operates both defined benefit and defined contribution pension schemes covering the majority of employees.

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

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

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

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

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

Valuation of intangible assets on acquisition
During the year the Group completed the acquisition described in Note 29. 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 amounting to £57,466,000 at 31 March 2009 *(2008 - £56,487,000)*, has been provided under IAS 12 (Income Taxes) on the values of the intangible assets in the Group's balance sheet. The directors have provided this balance in order to comply with the technical requirements of IAS 12 despite the fact that they cannot foresee any circumstances in which such a tax liability would arise.

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

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 recognised income and expense.

The calculations undertaken by the actuary apply a number of critical assumptions which can materially impact the reported asset and the amount recognised in the income statement from year to year. The principal factors are disclosed in Note 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 : IFRS1 (amended)/IAS27 (amended) - Cost of an investment in a subsidiary, jointly controlled entity or associate, IFRS2 (amended) - Share-based Payment - Vesting Conditions and Cancellations, IFRS3 (revised 2008) - Business Combinations, IAS1 (revised 2007) - Presentation of Financial Statements, IFRS 8 Operating Segments, IFRIC 12 Service Concession Arrangements, IAS23 (revised 2007) - Borrowing Costs, IAS27 (revised 2008) - Consolidated and Separate Financial Statements, IAS32 (amended)/IAS1 (amended) - Puttable Financial Instruments and Obligations Arising on Liquidation, IFRIC15 - Agreements for the Construction of Real Estate, IFRIC16 - Hedges of a Net Investment in a Foreign Operation.

The directors do not expect any of these standards to have a material impact on the financial statements.

DC Thomson & Company Limited

Notes to the accounts (continued)

3 Revenue

	£000	2009 £000	2008 £000
Trading revenue		**249,361**	240,220
Other income			
Dividends	**16,802**		18,293
Interest	**5,948**		6,961
		22,750	25,254
		272,111	265,474

Analysis of trading revenue by destination market

	2009 £000	2008 £000
United Kingdom	**176,309**	173,244
Rest of Europe	**28,878**	33,429
North America	**20,288**	20,525
Rest of World	**23,886**	13,022
	249,361	240,220

4 Income statement

Total expenses is stated after charging:

	2009 £000	2008 £000
Depreciation	**7,661**	8,183
Amortisation	**7,686**	7,310
Impairment of assets	**22,254**	-
Auditor's remuneration	**196**	181
Auditor's remuneration for non-audit work	**225**	438
Loss on sale of fixed assets	**6**	6
Rentals under property operating leases	**1,524**	1,209
Rentals under plant operating leases	**316**	165

and after crediting:

	2009 £000	2008 £000
Gain on sale of fixed tangible assets	**280**	371
Net income from rents	**67**	70

The auditor's remuneration for the company's audit, included above, amounted to £70,000 *(2008 - £70,000)*. The non-audit work was in connection with consultancy £160,000 *(2008 - £315,000)*, taxation services £40,000 *(2008 - £44,000)* and other legislative compliance £26,000 *(2008 - £31,000)*. In addition, auditor's remuneration for non-audit work capitalised during the year was £nil *(2008 - £49,000)*.

5 Income statement analysis

Total expenses	Recurring £000	One off £000	2009 Total £000	Recurring £000	One off £000	2008 Total £000
Raw materials and consumables	91,808	1,250	93,058	84,113	1,455	85,568
Employee benefit costs	73,095	(1,119)	71,976	70,551	(11,708)	58,843
Depreciation and amortisation	15,347	-	15,347	14,126	1,367	15,493
Impairment of assets	-	22,254	22,254	-	-	-
Other expenses	51,374	6,197	57,571	48,139	3,323	51,462
Finance costs	3,622	-	3,622	3,932	-	3,932
	235,246	28,582	263,828	220,861	(5,563)	215,298

Trading revenue is up in the Book Division by £6m on a volume basis with an additional £6m from the fall in exchange rates which boosts the £ valuation. Newspaper and Magazine Divisions revenues, including advertising, are down £3m.

a) The increase in inventories is described in more detail at Note 17 and primarily relates to the increase levels of activity in the Book Division resulting in higher stock levels, and the effect of the fall in spot rates for US$.

The cost of raw materials and consumables allowing for movements in inventories has increased by £7.5m. This reflects a volume increase of £3m at the Book Division which is in line with the increase in trading revenue and a £6m impact from falling US$ spot rates. This division makes extensive use of forward contracts to hedge its net cash flow exposure as set out in Note 22. The movement in the valuation of these contracts is included in Other expenses as noted below.

b) The overall increase in employee costs from £58.8m to £72.0m reflects the defined benefit pension credit for the year which has fallen by £4.5m because of lower asset values and expected returns coupled with higher interest cost on increased liabilities (Note 24). Severance payments have increased by £6.8m. Employee benefits costs are set out in Note 6. The increase before pension credit and severance payments from £70.6m to £73.0m reflects the increase in trading activity in the Book Division, in particular the expansion in Australia, and small inflationary increases across other divisions.

c) Depreciation for the year has fallen by £0.5m to £7.7m due to the lower levels of capital expenditure and the capitalisation policy with regard to IT.

Amortisation of intangibles has increased by £0.4m reflecting the full year amortisation of the Australian acquisition.

d) Other expenses have increased by £6m due to certain one off costs including restructuring within the group of £5m, an increase in bad debts of £2m in Parragon Publishing, increases in energy bills of £1m, together with additional overhead and property leasing costs in the Book Division required to facilitate the growth in activity levels. These increases are offset by the credit for the year arising from the movement in the valuation of forward contracts as per Note 22. The comparative figure includes a reallocation of £0.5m from Other expenses to Raw Materials.

6 Employee benefits costs

	2009 Number	2008 Number
Average monthly number of employees during the year		
Group	**2,530**	2,544
Company	**1,584**	1,638

	£000	£000
Employee costs during the year (including directors remuneration) amounted to:		
Wages and salaries	**67,373**	64,914
Social security costs	**5,360**	5,277
Defined contribution pension costs	**362**	360
	73,095	70,551
Defined benefit pension credit (Note 24)	**(7,946)**	(12,457)
Severance payments	**6,827**	749
	71,976	58,843

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

	2009 £000	2008 £000
Remuneration	**523**	523
Pension scheme contributions	**-**	-
	523	523

The emoluments receivable by the highest paid director are £175,000 *(2008 - £175,000)* and there is no accrued pension at 31 March 2009 or 2008 as his service during the current and preceding year has no effect on his pension entitlement.

Retirement benefits are accruing to the following number of directors under:	**2009 Number**	2008 Number
Defined benefit schemes	**1**	1

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 considered the printing capacity and organisation across the group and has identified an excess carrying value within property and plant of £18.4m which has been charged to the income statement. A similar exercise was carried out in 2006 and again in 2007 when £17.1m and £17.4m impairments were charged to the income statement. The cash generating units (CGU's), as described in Note 12, were each of the printing locations used by the Group and where different printing methods were in use in one location each printing method was treated as a CGU. Contributions for each CGU were based upon best available information and estimated residual value of property. A discount rate of 3.5% was used. The Group has also been involved in developing certain intangible assets with regard to films and online services which at this time may not be supported by future revenues and accordingly these have been impaired by £3.8m.

9 Finance costs

	2009	2008
	£000	£000
Interest payable	**3,100**	3,435
Preference share interest expense	**522**	497
	3,622	3,932

Interest is payable by the following companies

	2009 £000	2008 £000
Parragon Publishing Limited	**1,066**	1,190
Puzzler Media Holdings Limited	**1,689**	1,831
Aberdeen Journals Limited	**345**	414
	3,100	3,435

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

Note 20 sets out the group borrowings which reside with Parragon Publishing Limited and Puzzler Media Holdings Limited.

10 Taxation

		2009 £000	2008 £000
Current taxation			
UK corporation tax on profits for the year		**7,989**	10,927
Double tax relief		**(559)**	(203)
		7,430	10,724
Overseas tax		**691**	461
Adjustments in respect of prior years	- UK	**(119)**	(373)
	- Overseas	**29**	(49)
		8,031	10,763
Deferred taxation			
Origination and reversal of timing differences		**(2,604)**	7,260
Change in tax rates		**-**	(659)
Adjustment in respect of prior years		**(808)**	(148)
Change in tax rate on intangible		**(83)**	(3,611)
Taxation		**4,536**	13,605

	2009 £000	2008 £000
Factors affecting tax charge for year		
Profit for year before tax	**32,494**	67,482
Tax thereon at 28% *(2008 - 30%)*	**9,098**	20,245
Effects of:		
Franked investment income not attracting tax	**(4,732)**	(4,687)
Excess book gain over capital gain	**229**	2
Items not affecting tax charge	**1,043**	441
Overseas profits tax impact	**137**	5
Associate undertaking effect	**(258)**	(1,460)
Change in industrial buildings allowance	**-**	2,899
Change in tax rate	**(83)**	(3,270)
Adjustments in respect of prior years	**(898)**	(570)
Taxation	**4,536**	13,605

11	**Dividends - paid in the year**	**2009**	2008
		£000	£000
	Ordinary shares:		
	Final for 2008 of 294.5p per share paid *(2007 – 274.5p)*	**12,179**	11,351
	Interim of 40p per share *(2008 - 27p)*	**1,654**	1,117
		13,833	12,468

Dividends paid after the year end are no longer recognised as liabilities

Dividends - paid post year end and proposed

Interim of 50p paid *(2008 - 40p)*	**2,068**	1,654
Final of 301.5p per share proposed *(2008 – 294.5p)*	**12,468**	12,179
	14,536	13,833

12 Goodwill

Group	**£000**
Cost	
At 31 March 2007	103,668
On acquisition of minority shareholding in subsidiary	5,918
Acquisitions	2,100
On change in tax rate	(3,611)
At 31 March 2008	108,075
On acquisitions (Note 29)	1,424
On change of tax rate	(319)
At 31 March 2009	**109,180**

Towards the year end the Group acquired This England Publishing Limited for £4.5m creating goodwill of £1.4m. On 15 February 2008, the Group acquired all the minority shares in Parragon Publishing Limited for £12m.

Goodwill now includes £62m *(2008 - £62m)* for Parragon Publishing Limited, £12m *(2008 - £12m)* for Puzzler Media Holdings Limited, £34m *(2008 - £34m)* for Aberdeen Journals Limited and £1m for This England Publishing Limited.

12 Goodwill and other intangible assets (continued)

Intangible assets	Indefinite life £000	Other £000	Total £000
Group			
At 31 March 2007	196,500	16,100	212,600
Acquisition	-	3,787	3,787
Addition	-	7,731	7,731
Release to income statement	-	(7,310)	(7,310)
Retranslation of foreign assets	-	163	163
At 31 March 2008	196,500	20,471	216,971
Acquisition	-	5,087	5,087
Transfer from debtors	-	1,300	1,300
Addition	4	9,514	9,518
Release to income statement	-	(7,686)	(7,686)
Impairment (Note 8)	-	(3,854)	(3,854)
Retranslation of foreign assets	-	354	354
At 31 March 2009	**196,504**	**25,186**	**221,690**

Intangible assets	Indefinite life £000	Other £000	Total £000
Company			
Transfer from debtors	-	1,300	1,300
Addition	-	3,923	3,923
Impairment (Note 8)	-	(3,500)	(3,500)
At 31 March 2009	**-**	**1,723**	**1,723**

Indefinite life intangible assets, which are mainly mastheads, include £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 £10m *(2008 - £11m)* in Parragon Publishing Limited and £8m *(2008 - £9m)* in Puzzler Media Holdings Limited, together with film costs of £2m *(2008 - £Nil)* in DC Thomson & Company Limited and £5m publishing assets in This England Publishing Limited. 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 2009 or 2008, other than arising from the change in tax rate.

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 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% (which is inflation only). The cash flows have been discounted at a pre-tax discount rate of 2%, the Group's current cost of capital. These assumptions have been used for all CGUs to which goodwill and indefinite life intangible assets are allocated.

The key assumptions for these reviews are discount rates and expected trading performance. 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 £8.0m *(2008 - £7.3m)* relates to certain titles in the Magazine Division and licence and origination costs in the Book Division. These are amortised over their estimated useful lives.

The addition in the year relates to film costs, Book Division origination spend and the publishing asset recognised on acquisition of This England Publishing Limited.

At the year end, the Group reviewed the appropriateness of the remaining useful economic lives and carrying value for all its intangible assets. Based on anticipated income from films the film costs intangible asset has been impaired by £3.5m. The Group is satisfied that the carrying value at 31 March 2009 of these assets remain recoverable in full.

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 2007	63,797	137,700	4,056	205,553
Additions	298	2,959	1,725	4,982
Transfers	-	4,056	(4,056)	-
On acquisition of subsidiary	355	110	-	465
Disposals	(6)	(1,933)	-	(1,939)
Retranslation of foreign assets	19	31	-	50
At 31 March 2008	**64,463**	**142,923**	**1,725**	**209,111**
Additions	559	3,456	417	4,432
Transfers	416	1,690	(2,106)	-
Disposals	(2)	(857)	-	(859)
Retranslation of foreign assets	132	149	-	281
At 31 March 2009	**65,568**	**147,361**	**36**	**212,965**
Depreciation				
At 31 March 2007	22,124	103,573	-	125,697
Charge for year	906	7,277	-	8,183
On disposals	(2)	(1,795)	-	(1,797)
Retranslation of foreign assets	-	10	-	10
At 31 March 2008	**23,028**	**109,065**	-	**132,093**
Charge for year	1,234	6,427	-	7,661
Transfers	198	(198)	-	-
On disposals	-	(729)	-	(729)
Impairment	9,700	8,700	-	18,400
Retranslation of foreign assets	32	144	-	176
At 31 March 2009	**34,192**	**123,409**	-	**157,601**
Net book value				
At 31 March 2009	**31,376**	**23,952**	**36**	**55,364**
At 31 March 2008	41,435	33,858	1,725	77,018

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 2007	58,315	124,089	4,056	186,460
Additions	212	82	1,725	2,019
Transfers	-	4,056	(4,056)	-
Disposals	(6)	(764)	-	(770)
At 31 March 2008	**58,521**	**127,463**	**1,725**	**187,709**
Additions	138	744	417	1,299
Transfers	17	2,089	(2,106)	-
Disposals	-	(307)	-	(307)
At 31 March 2009	**58,676**	**129,989**	**36**	**188,701**
Depreciation				
At 31 March 2007	21,501	102,054	-	123,555
Charge for year	731	4,776	-	5,507
On disposals	(1)	(762)	-	(763)
At 31 March 2008	**22,231**	**106,068**	-	**128,299**
Charge for year	849	3,738	-	4,587
On disposals	-	(298)	-	(298)
Impairment	9,700	8,700	-	18,400
At 31 March 2009	**32,780**	**118,208**	-	**150,988**
Net book value				
At 31 March 2009	**25,896**	**11,781**	**36**	**37,713**
At 31 March 2008	36,290	21,395	1,725	59,410

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.

The impairment has been 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 contracts.

14 Financial assets - other business assets

	2009		2008	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
At 31 March 2008	**586,988**	**464,354**	600,286	470,391
Additions	**7,702**	**6,974**	56,418	56,386
Transfer to associate	**(17,921)**	**(17,921)**	-	-
Disposals	**(51,355)**	**(48,373)**	(22,741)	(20,012)
Revaluation	**(144,237)**	**(105,490)**	(46,975)	(42,411)
At 31 March 2009	**381,177**	**299,544**	586,988	464,354

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 £51m *(2008 - £100m)* and is included in Note 23.

15 Financial assets - interests in Group undertakings

Company

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

	Shares	**Loans**	**Total**
	£000	**£000**	**£000**
At 31 March 2007	132,966	117,614	250,580
Additions	6,023	17,500	23,523
Disposals	(31,968)	-	(31,968)
At 31 March 2008	**107,021**	**135,114**	**242,135**
Additions	-	11,540	11,540
Disposal	-	(10,000)	(10,000)
Transfer	2,745	15,176	17,921
At 31 March 2009	**109,766**	**151,830**	**261,596**

16 Financial assets - interests in associates

Group	2009 £000	2008 £000
At 31 March 2008	-	23,514
Transfer from unlisted investment	**17,921**	-
Additions	**540**	6,000
Share of profit	**1,033**	-
Interest payable by group undertaking	**(109)**	-
Disposal	-	(29,514)
At 31 March 2009	**19,385**	-

During the previous year, Chelsea Stores Holdings Limited was sold to Mothercare plc by way of a share exchange.

During the year, the Group acquired additional shares in Newsfax International Limited bringing its shareholding to 35% and accordingly it is now recognised as an associate.

Since the year end the Group has acquired the remaining shares in bright**solid** group limited (see Note 32). The Group's role has been evolving over the last year and accordingly, the directors consider bright**solid** group limited became an associate with effect from 1 April 2008.

16a Minority interest - Group

Minority interest in the profit and loss account of £683,000 *(2008 - £1,450,000)* represents the share of subsidiary undertakings' results for the year which do not belong to the Group.

At 31 March 2009, the minority interest is a liability of £1,044,000 *(2008 - £731,000)*,this is the minority interest in ICOB a subsidiary of Parragon Publishing Limited, and an asset of £6,757,000 *(2008 - £7,280,000)*. The asset relates entirely to Puzzler Media Holdings Limited. The movement from last year represents the charge for the year as set out above as adjusted by the minority interest in movements through equity. The asset element is netted against shareholder equity in Note 26.

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.

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

17 Inventories

	2009 Group £000	2009 Company £000	2008 Group £000	2008 Company £000
Raw materials and consumables	**3,983**	**3,353**	4,067	3,401
Work in progress	**2,589**	**1,661**	3,442	2,435
Finished goods and goods for resale	**39,916**	**146**	26,113	807
	46,488	**5,160**	33,622	6,643

Group inventories reflect provisions for slow moving items of £3,584,000 *(2008 - £2,172,000)*. Company inventories reflect provisions for slow moving items of £532,000 *(2008 - £558,000)*.

Finished goods have increased primarily in the Book Division where stock levels have increased by £6.9m with the fall of US$ spot exchange rates adding a further £7.1m to the carrying value of stocks. The forward contracts in place however hedge the overall foreign currency cash flow exposure (Notes 18, 21 and 22). The Company's reduction in work in progress reflects a change in overhead recovery methodology.

18 Trade and other receivables

	2009 Group £000	2009 Company £000	2008 Group £000	2008 Company £000
Trade receivables	**53,978**	**11,363**	46,852	11,019
Other receivables	**7,446**	**5,993**	12,961	7,247
Prepayments and accrued income	**3,569**	**2,505**	2,006	472
Receivables due from group undertakings (Note 33)	**-**	**10,194**	-	8,810
Income tax	**3,442**	**5,114**	-	1,187
	68,435	**35,169**	61,819	28,735

The increase in trade receivables arises primarily in the Book Division from its growth in sales accounting for a £3m increase and spot exchange rate changes a further £6m. As set out in Notes 17, 21 and 22 however, that division's extensive use of forward contracts hedges its overall cash flow exposure. The Newspaper Division debtors have fallen £2m as activity levels, particularly in advertising, fell away towards the year end.

Other receivables and prepayments have fallen due to timing of transactions and some reallocations including film costs (Note 12).

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 all customers requiring credit over a certain amount and as appropriate. 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 *(2008 - £11m)* 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

	2009	2008
Overdue by	**£000**	£000
0 - 30 days	**4,651**	7,411
30 - 60 days	**2,678**	2,716
60 + days	**4,759**	550
	12,088	10,677

Total trade receivables are stated net of provision for bad debts and returns as set out in the accounting policies. These total £5.3m *(2008 - £5.1m)*. The credit risk is greatest in the Book Division where debtors represent 53% *(2008 - 55%)* of the Group total but 71% *(2008 - 76%)* 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

	2009 £000	2008 £000
Group		
Cost of fixed interest rate government securities including premium to redemption	**22,788**	12,584
Company		
Cost of fixed interest rate government securities including premium to redemption	**10,134**	12,584

The Group acquired gilts of £50m (Company £30m) and sold gilts of £40m (Company £32.5m) during the year.

20 Borrowings

	2009		2008	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdraft (secured)	**31,502**	-	34,477	-
5.5% Preference shares	**8,400**	-	8,400	-
Finance leases	**3,544**	-	4,978	-
	43,446	-	47,855	-
Current	**21,819**	-	19,461	-
Non-current	**21,627**	-	28,394	-
	43,446	-	47,855	-

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

20 Borrowings (continued)

Puzzler Media Holdings Limited accounts for £15,500,000 *(2008 - £20,200,000)* of bank loans and overdraft, and all the preference shares. Most of these borrowings arose as part of the finance package agreed upon with the minority shareholders on acquisition. Parragon Publishing Limited accounts for the balance of the borrowings.

The preference shares were issued at par by Puzzler Media Holdings Limited. There are £47.6m preference shares of which £39.2m are held by John Leng & Company Limited with the £8.4m representing the par value of the shares not held by the Group being 17.6%. They are redeemable only at Puzzler Media Holdings Limited's discretion but carry a right to receive, in preference to any payments to the ordinary shareholders, cumulative dividends of 5.5% per annum. The preference shares carry no votes at meetings unless the shares have not been redeemed when due or a petition to wind up the company has been lodged. On a winding up of Puzzler Media Holdings Limited, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, an amount equal to the subscription price paid for such shares and any arrears of the preference dividend.

Parragon Publishing Limited's overdraft is secured by a fixed and floating charge over its group's assets. There is a further charge over the copyrights held by that group. Puzzler Media Holdings Limited's bank loan is secured by a fixed and floating charge over its property and assets and those of its subsidiary undertakings.

The bank loan is repayable over 7 years by quarterly repayments. There are 3 years outstanding on the loan. Interest is charged at 2.75% above LIBOR, which has been capped at 5.5% through an interest rate swap (see Note 22).

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

	Finance leases		**Bank loans and overdrafts**	
Group	**2009**	2008	**2009**	2008
	£000	£000	**£000**	£000
Borrowings can be analysed as falling due:				
In one year or less, or on demand	**1,628**	1,427	**20,191**	18,034
Between one and two years	**1,916**	1,625	**4,757**	4,257
Between two and five years	-	1,926	**6,554**	12,186
	3,544	4,978	**31,502**	34,477
Current liabilities	**(1,628)**	(1,427)	**(20,191)**	(18,034)
Non-current liabilities	**1,916**	3,551	**11,311**	16,443

Puzzler Media Holdings Limited has repaid £4.7m of term loans in the year.

21 Trade and other payables

	2009		2008	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Trade payables and accruals	**17,186**	**2,242**	14,353	1,862
Other taxes and social security	**1,487**	**1,174**	3,913	1,114
Interim dividend	-	-	1,117	1,117
Payables due to group undertakings (Note 33)	-	**3,591**	-	3,417
Other payables	**23,529**	**9,369**	13,628	3,998
	42,202	**16,376**	33,011	11,508
Current	**40,576**	**16,376**	31,908	11,508
Non-current	**1,626**	-	1,103	-
	42,202	**16,376**	33,011	11,508

The Group non-current liabilities relate to the accrued dividends on preference shares issued by Puzzler Media Holdings Limited which are not held by the Group (see Note 20).

The trade payables increase reflects the impact of, in particular, the US$ exchange rate movements in the year. As set out in Notes 17, 18 and 22 however, that division's extensive use of forward contracts hedges its overall cash flow exposure.

Other payables include accruals for reorganisation and severance costs as well as timing differences.

Trade creditors 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 Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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	2009 £000	2008 £000
Financial assets (current and non-current)		
Trade and other receivables	**68,435**	61,819
Financial assets - held to maturity	**22,788**	12,584
Cash and cash equivalents	**94,072**	88,710
Financial assets - other business assets	**381,177**	586,988
Derivative financial instruments	**4,303**	-
Financial liabilities (current and non-current)		
Derivative financial instruments	**-**	(3,608)
Trade and other payables	**(42,202)**	(33,011)
Borrowings	**(43,446)**	(47,855)

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 derivative financial instruments to hedge these risk exposures as appropriate. The Group does not enter into or trade in financial instruments, including derivative 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 and interest rate financial assets is an asset of £4,303,000 *(2008 – liability £3,608,000)* and the credit in the year through other expenses in the income statement is £7,911,000 *(2008 - debit £2,431,000).*

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\$83m *(2008 - \$65m)* and to sell €43m *(2008 - €35m)* and AUS\$6m *(2008 - AUS\$12m)* at various rates over a period of up to 2 years. The fair value of these contracts is an asset of £4,299,000 *(2008 - liability £3,706,000)* 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:

	Net monetary assets/(liabilities)	
	2009	2008
	£000	£000
Euro	**7,332**	7,522
US Dollar	**(10,675)**	(4,672)
Australian Dollar	**5,613**	1,821

Foreign currency sensitivity

As noted above the Group is exposed mainly to movements in Euros and US dollars 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 2 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% change in pound sterling against the Euro and the US Dollar would be £1,067,000 offset by a change of £963,000 in the fair value of the forward contracts as at the year end. The impact on equity would be £3,957,000 reflecting the retranslation of net assets on consolidation.

Interest rate risk - interest rate hedges

Puzzler Media Holdings Limited uses an interest rate swap to cap the interest rate on a term loan over the expected life of the loan. It is included in the balance sheet at its fair value at the year end with year on year movements taken through the income statement. The fair value is an asset of £4,000 *(2008 - £98,000)*.

A 1% increase in global interest rates would be expected to change the Group's annual net interest income by £1,300,000 *(2008 - £400,000)* and the fair value of the interest rate swap by £17,000 *(2008 - £195,000)*. The impact of interest rate movements on the Group is relatively insignificant.

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 and customer stock holding visibility.

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 non-derivative financial liabilities. 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 table includes both interest and principal cash flows.

22 Financial instruments (continued)

Group

Gross loan and overdraft liability	**2009 £000**	2008 £000
In one year or less, or on demand	**20,796**	20,807
Between one and two years	**5,161**	6,247
Between two and five years	**6,740**	15,795
	32,697	42,849
Future interest	**(1,195)**	(8,372)
	31,502	34,477

Gross lease liability		
In one year or less, or on demand	**1,817**	1,778
Between one and two years	**2,060**	2,025
Between two and five years	**-**	1,946
	3,877	5,749
Future interest	**(333)**	(771)
Net lease liability	**3,544**	4,978

The maturity profile of the Group's foreign currency exchange swaps using undiscounted cash flows has roughly 50% falling due within one year with the balance due between 1 and 2 years.

23 Deferred taxation

	Accelerated capital allowances £000	Revalued financial assets £000	Pension surplus £000	Intangible assets £000	Other £000	Total £000
Group						
At 31 March 2007	11,203	119,000	31,914	59,038	(1,758)	219,397
Transfer from profit and loss account	2,105	-	3,886	-	462	6,453
Statement of recognised income and expense	-	(19,000)	(12,864)	-	-	(31,864)
On acquisitions	-	-	-	1,060	-	1,060
On change of rate	-	-	-	(3,611)	-	(3,611)
At 31 March 2008	**13,308**	**100,000**	**22,936**	**56,487**	**(1,296)**	**191,435**
Transfer from profit and loss account	(5,942)	-	2,253	(126)	320	(3,495)
Statement of recognised income and expense	-	(49,071)	(1,605)	-	-	(50,676)
On change of rate	-	-	(1,528)	(319)	-	(1,847)
On acquisition (Note 29)	-	-	-	1,424	-	1,424
Transfer from corporation tax	-	-	-	-	111	111
At 31 March 2009	**7,366**	**50,929**	**22,056**	**57,466**	**(865)**	**136,952**
Company						
At 31 March 2007	10,186	90,000	-	-	(86)	100,100
Transfer from profit and loss account	1,797	-	-	-	79	1,876
Statement of recognised income and expense	-	(16,500)	-	-	-	(16,500)
At 31 March 2008	**11,983**	**73,500**	-	-	**(7)**	**85,476**
Transfer from/(to) profit and loss account	(5,587)	-	-	-	6	(5,581)
Statement of recognised income and expense	-	(36,309)	-	-	-	(36,309)
At 31 March 2009	**6,396**	**37,191**	-	-	**(1)**	**43,586**

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 28%.

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 £7,584,000 *(2008 - £12,097,000)*. This includes a credit of £8,000,000 *(2008 - £12,500,000)* for the parent and a charge of £54,000 *(2008 - £43,000)* for a subsidiary under the IAS19 defined benefit scheme calculation below, and contributions of £362,000 *(2008 - £360,000)* 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 and its subsidiaries.

	2009	2008
	£000	£000
Change in benefit obligation		
Benefit obligation at beginning of year	**304,986**	362,849
Current service cost	**7,287**	9,088
Interest cost	**20,465**	19,147
Actuarial losses/(gains)	**3,174**	(74,494)
Contributions - employee	**400**	800
Benefits paid	**(14,500)**	(12,404)
Benefit obligation at end of year – wholly funded	**321,812**	304,986
Change in plan assets		
Fair value of plan assets at beginning of year	**557,944**	604,432
Expected return on plan assets	**35,669**	40,660
Actuarial losses	**(144,061)**	(75,951)
Contributions - employee	**435**	800
Benefits paid	**(14,500)**	(12,404)
Contributions - employer	**96**	407
Fair value of plan assets at end of year	**435,583**	557,944
Retirement benefit surplus	**113,771**	252,958

24 Retirement benefits (continued)

	2009	2008
	£000	£000
Retirement benefit surplus		
Funded status	**113,771**	252,958
Effect of IAS19 paragraph 58(b) limit	**(35,000)**	(176,500)
Net amount recognised	**78,771**	76,458
Group		
Surplus	**78,771**	76,458

The actuary is unable to provide separate valuations for the parent 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 lower than that in the previous year due to lower expected returns on assets, due to a decrease in the long term expected return and a lower asset value used as a starting point. This is combined with a higher interest cost, due to an increase in the liabilities. There was also a fall in the service cost due to a weaker actuarial basis being used to assess the value of benefits accruing over the year and 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 2009 are broadly offset by changes in the age profile of the membership revealed by the formal actuarial valuation. Hence there is little change in the 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.

24 Retirement benefits (continued)

Components of pension cost	**2009 £000**	2008 £000
Current service cost	**7,258**	9,056
Interest cost	**20,465**	19,147
Expected return on plan assets	**(35,669)**	(40,660)
Total pension credit recognised in employee benefit costs	**(7,946)**	(12,457)
Actuarial losses immediately recognised	**147,235**	1,571
Effect of IAS19 paragraph 58(b) limit	**(141,500)**	41,300
Total pension charge recognised in statement of recognised income and expense	**5,735**	42,871
Cumulative actuarial losses/(gains) immediately recognised	**69,714**	(77,521)

Plan assets

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

Asset category	**2009 %**	2008 %
Equities	**68**	77
Bonds	**21**	17
Cash and annuities	**11**	6
	100	100

	£000	£000
Amounts included in the fair value of assets for:		
Equities	**296,452**	430,421
Bonds	**90,300**	93,200
Cash	**47,500**	32,900
Annuities	**1,331**	1,423
	435,583	557,944
Actual return on plan assets	**(108,000)**	(35,200)

24 Retirement benefits (continued)

Weighted average assumptions used to determine benefit obligations	2009 %	2008 %
Discount rate	**6.70**	6.80
Rate of salary increase	**4.10**	4.90
Inflation rate	**-**	3.70

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

Weighted average assumptions used to determine net pension cost for year	2009 %	2008 %
Discount rate	**6.80**	5.30
Expected long term return on plan assets	**6.48**	6.79
Rate of salary increase	**4.90**	4.60

To develop the expected long term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption to the portfolio. This resulted in the selection of the 6.23% assumption at 31 March 2009.

History

	2009 £000	2008 £000	2007 £000
Benefit obligation at end of year	**321,812**	304,986	362,849
Fair value of plan assets at end of year	**435,583**	557,944	604,432
Surplus	**113,771**	252,958	241,583
Difference between expected and actual return on scheme assets:			
amount (£000)	**(143,883)**	(75,951)	12,455
percentage of scheme assets	**(33%)**	(14%)	2%
Experience gains and losses on scheme liabilities:			
amount (£000)	**(18,428)**	(1,102)	19,699
percentage of scheme liabilities	**(6%)**	0%	5%

Contributions

As advised by the actuary the parent company will not contribute to its final salary pension plans next year.

25 Called up share capital

	Authorised		Allotted, called up and fully paid			
	2009	2008	**2009**	**2009**	2008	2008
	£000	£000	**Number**	**£000**	Number	£000
Ordinary shares of £1 each	**6,000**	6,000	**4,135,317**	**4,135**	4,135,317	4,135

26 Reconciliation of shareholders' equity - reserves

Group	**Other reserves £000**	**Pension reserve £000**	**Capital expenditure reserve £000**	**Total reserves £000**
At 31 March 2007	381,804	-	-	381,804
Total recognised income and expense (page 13)	(41,982)	-	-	(41,982)
Transfer from retained earnings	-	50,000	100,000	150,000
Total movements	(41,982)	50,000	100,000	108,018
At 31 March 2008	339,822	50,000	100,000	489,822
Total recognised income and expense (page 13)	(126,019)	-	-	(126,019)
Total movements	(126,019)	-	-	(126,019)
At 31 March 2009	**213,803**	**50,000**	**100,000**	**363,803**

Other reserves include:

Capital redemption reserve of £1,865,000 *(2008 - £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 £211,938,000 *(2008 - £337,957,000)* which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

26 Reconciliation of shareholders' equity (continued)

Group	Share capital £000	Reserves £000	Retained earnings £000	Total £000
Equity at 31 March 2007	4,135	381,804	633,977	1,019,916
Total recognised income and expense (page 13)	-	(41,982)	22,442	(19,540)
Recognised directly in equity				
Dividends	-	-	(12,468)	(12,468)
Minority interest	-	-	(4,860)	(4,860)
Transfer	-	150,000	(150,000)	-
Total movements	-	108,018	(144,886)	(36,868)
Total equity attributable to the shareholders of the company at 31 March 2008	4,135	489,822	489,091	983,048
Total recognised income and expense (page 13)	-	(126,019)	33,173	(92,846)
Recognised directly in equity				
Dividends	-	-	(12,716)	(12,716)
Minority interest	-	-	523	523
Total movements	-	(126,019)	20,980	(105,039)
Total equity attributable to the shareholders of the company at 31 March 2009	**4,135**	**363,803**	**510,071**	**878,009**

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

	£000
At 1 April 2007	(295)
Arising in year	22
At 31 March 2008	(273)
Arising in year	8,500
At 31 March 2009	**8,227**

26 Reconciliation of shareholders' equity (continued)

Company	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Equity at 31 March 2007	4,135	290,639	494,905	789,679
Total recognised income and expense (page 14)	-	(38,205)	24,323	(13,882)
Dividends	-	-	(12,468)	(12,468)
Total movements	-	(38,205)	11,855	(26,350)
Total equity attributable to the shareholders of the company at 31 March 2008	4,135	252,434	506,760	763,329
Total recognised income and expense (page 14)	-	(97,067)	4,762	(92,305)
Dividends	-	-	(12,716)	(12,716)
Total movements	-	(97,067)	(7,954)	(105,021)
Total equity attributable to the shareholders of the company at 31 March 2009	**4,135**	**155,367**	**498,806**	**658,308**

Other reserves include:
Capital redemption reserve of £1,865,000 *(2008 - £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 £153,502,000 *(2008 - £250,569,000)* which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

Retained earnings are fully distributable.

27 Notes to the cash flow statement

	2009		2008	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Cash and cash equivalents				
Bank balances	**23,352**	**5,155**	19,521	1,697
Call deposits	**70,720**	**62,076**	69,189	44,755
Cash and cash equivalents	**94,072**	**67,231**	88,710	46,452
Overdraft	**(15,934)**	**-**	(14,277)	-
	78,138	**67,231**	74,433	46,452

The overdraft arises in the Book Division where increases in working capital (see Notes 17 and 18) required additional short term funding.

Cash and cash equivalents

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

	2009		2008	
	Group	**Company**	Group	Company
	£000	**£000**	£000	£000
Cash flows from operating activities include:				
Dividends	**17,507**	**14,445**	16,361	17,394
Interest	**5,581**	**3,512**	7,465	5,373
	23,088	**17,957**	23,826	22,767

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

The interest arises primarily from deposits £2m *(2008 - £6m)* and gilts £3m *(2008 - £1m)*.

28 Group companies

The Group's interest in its principal subsidiary undertakings are as follows:

	Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class and percentage of shares held
1	Aberdeen Journals Limited	Scotland	Publisher	100% Ordinary £1 shares
2	John Leng & Company Limited	Scotland	Publishing holding company	100% Ordinary £1 shares
	a) Puzzler Media Holdings Limited	England	Publisher	60% Ordinary £1 shares 82.4% Preference £1 shares
	b) This England Publishing Limited	England	Publisher	100% Ordinary £1 shares
3	Meadowside Leasing Limited	Scotland	Publishing holding company	100% Ordinary £1 shares
	a) Parragon Publishing Limited	England	Publisher	100% Ordinary 1p shares 100% Preference £1 shares
	b) Peter Haddock Limited	England	Publisher	100% Ordinary £1 shares

Associated undertakings

1	bright**solid** group limited	Scotland	Online publisher	50% Ordinary £1 shares
2	Newsfax International Limited	England	Publisher	35% Ordinary £1 shares

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

The Group invests in a number of unlisted businesses using both equity and loans. The percentage voting rights does not exceed 50% so none of these investments fall to be treated as subsidiaries. The amounts involved individually and collectively are not regarded as material to the Group. Such investments are included as financial assets in Note 14 and are carried at cost less provisions for impairment.

Changes in ownership since the year end are set out in Note 32.

29 Acquisitions

Towards the year end John Leng & Company Limited acquired the business and assets of This England Publishing Limited for a cash consideration of £4,500,000.

This transaction has been accounted for as an acquisition and the fair value and goodwill arising are set out below:

	Book value £000	Accounting policies £000	Fair value adjustments £000	Fair values £000
Intangible fixed assets	-	-	5,087	5,087
Tangible fixed assets	88	-	-	88
Stock	150	(75)	-	75
Debtors	33	-	-	33
Cash and bank	330	-	-	330
Creditors less than 1 year	(1,113)	-	-	(1,113)
Deferred tax	-	-	(1,424)	(1,424)
Net assets acquired	(512)	(75)	3,663	3,076

Net assets acquired	3,076
Purchase consideration	4,500
Goodwill	1,424

The intangible fixed assets are publishing rights which are being amortised over 10 years. The directors consider that the value of the intangible assets fully reflects the price paid. As a result, the deferred tax arising under IAS12 gives rise to the goodwill.

This acquisition took place shortly before the year end, and the post acquisition impact is immaterial.

30 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 *(2008 - £200,000)*.

At the year end, the Group had provided a guarantee of £50,000 for a commercial contract for bright**solid** limited with a third party. Since the year end, this has been increased to £1.2m.

Parragon Books Limited has provided a guarantee of £784,000 *(2008 - £820,000)* for the borrowings of Parragon Publishing (India) Private Limited, a 50% joint venture.

31 Financial commitments

	2009	2008
	£000	£000
Capital commitments - Group and company		
Contracted for but not provided	**594**	738

Contractual commitments - Group

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

	2009	2008
	£000	£000
Origination costs contracted for but not provided	**1,548**	1,425

At 31 March 2009, Parragon Publishing Limited had forward contracts to buy US$83m *(2008 - US$65m)* and to sell €43m *(2008 - €35m)* and AUS$6m *(2008 - AUS$12m)* at a variety of rates.

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

The group has a commitment to buy the outstanding minority shareholdings in Puzzler Media Holdings Limited

31 Financial commitments (continued)

Operating lease commitments - Group

At 31 March 2009 the Group had total commitments under non-cancellable operating leases as set out below:

	Land & buildings		Other	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Total amount payable where lease expires:				
Within one year	**89**	25	**104**	90
In second to fifth year inclusive	**815**	1,535	**161**	467
After five years	**8,315**	7,140	**218**	46

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.

32 Post balance sheet event

Since the year end, the Group bought out its joint venture partner in brigh**solid** group limited making that group a wholly owned subsidiary.

Since the year end, the Group agreed to acquire Friends Reunited Limited, subject to Office of Fair Trading approval which is still awaited.

33 Related party transactions

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

	Fees		Outstanding balance	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Aberdeen Journals Ltd	**1,000**	1,000	**5,867**	5,963

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:

	2009	2008
	£000	£000
Trade and other receivables		
John Leng & Company Limited	**4,009**	2,466
Meadowside Leasing Limited	**110**	110
Puzzler Media Holdings Limited	**192**	192
Aberdeen Journals Limited	**5,867**	5,963
Peter Haddock Limited	**7**	79
Dennis & Gnasher 3 Limited	**9**	-
	10,194	8,810
Trade and other payables		
Peter Haddock Limited	**1,102**	928
Aberdeen Journals Limited	**2,489**	2,489
	3,591	3,417

34 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 2009	1 April 2008
Beneficial interest:			
AF Thomson		**29,166**	29,166
LM Thomson		**28,295**	28,295
CHW Thomson		**17,919**	18,919
As trustees without beneficial interest:			
AF Thomson		**192,643**	192,643
LM Thomson		**199,985**	199,985
CHW Thomson		**246,505**	243,505
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 £252,000 (*2008 - £210,000*) being £97,000 (*2008 - £87,000*) for AF Thomson, £95,000 (*2008 - £85,000*) for LM Thomson and £60,000 (*2008 - £38,000*) for CHW Thomson.

35 Country of registration

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

Directors' responsibilities for the preparation of accounts

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

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

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

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

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

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

We have audited the Group and parent company accounts ("the accounts") of DC Thomson & Company Limited for the year ended 31 March 2009 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in equity, the group and parent company statement of recognised income and expense and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

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

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

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

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

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

Basis of audit opinion

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

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

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

Opinion
In our opinion:

- the accounts give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's profit for the year then ended;

- the accounts have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the accounts.

Henderson Loggie

Henderson Loggie
Chartered Accountants
Registered Auditor
Dundee

29 October 2009