

DC Thomson & Company Limited

**Directors' report and Group financial statements
for the year ended 31 March 2018**

Registered number SC005830

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DC Thomson & Company Limited

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DC Thomson & Company Limited

Strategic report

The Directors submit the audited financial statements of the Company and of the Group for the year ended 31 March 2018.

Trading activities

The Group's trading activities are in the main:

- The Printing and Publishing of Newspapers
- The Publishing of Magazines
- Contract Printing
- Associated Online Publishing
- Development of Children's IP including television and web development
- The Publishing of Annuals
- The Sourcing and Sale of Consumer Products
- Online Publishing of content including Genealogy and newspaper archive records
- Provision of Data Hosting and associated technological services

Our Newspapers consist of The Press and Journal and The Evening Express (both based in Aberdeen); The Courier and Advertiser and The Evening Telegraph (both based in Dundee) all of which are Regional Newspapers. We also publish The Sunday Post, a National Newspaper.

Our Magazines include our Women's Magazines, principally The Peoples Friend and My Weekly, our Children's Magazines (including The Beano), The Scots Magazine, This England titles and our Puzzle Magazines. The division also includes the Shortlist and Stylist stable of free and online titles.

Wild & Wolf designs and develops gifting and lifestyle products and sells these across many of the major world consumer markets through operations in the UK, USA, Australia and Hong Kong with strategic partners in other countries.

Our Online Publishing Business consists mainly of the DC Thomson Family History Division. This operates under the brands Findmypast, Genes Reunited and The British Newspaper Archive.

The Data Hosting Business runs a server, cloud hosting facility and associated technological solutions.

Group strategy

Our aim is to provide growth in long-term value for shareholders whilst also providing increasing income and to build and invest in sustainable businesses taking account of shareholders, staff and the communities we serve.

Our reputation and brand values are key, and we are committed to developing good practice in governance.

The Group's focus is on the ownership of trading activities. The overall context is of a Group of businesses that has challenges and opportunities. The Board takes a long-term view on the investment in new businesses and products but keeps them under constant review.

Business overview

The Group operates a long established and successful Media business, which has been primarily in the print sector with both traditional and new titles. The reducing number of paying customers for printed material has affected this sector over recent years as the availability of free sources of information online has increased. Despite this, our print circulation revenues have held up comparatively well. Our titles in the Media business overall have different degrees of reliance on advertising revenues; and competition for the various forms of advertising (again principally from online sources) is of course very significant. This is a challenge and the Board and our teams are and have been responding with both a drive for greater efficiency and innovation.

The Media business is investing in its brands, print facilities and technology. It is also developing new ways of working and additional talent to give us the best opportunity to compete and to grow in this environment.

We also look for ways to maximise profitability from businesses adjacent to our own. The Media business for example has moved in a modest way into local Radio with the acquisition of the Wave FM station. More recently in September 2018 we acquired the majority holding in a small company called Aceville which owns a stable of specialist magazine titles. This will add revenue to our Media business and synergies with the business will enhance its profitability. The titles bring new areas of publishing including craft and business-to-business titles along with related digital products.

A significant event of the year was the decision to close the Parragon Book division based in Bath and its operations in the US and Australia. This decision was taken after the business had made consistent losses in the recent years despite our best efforts and that of the team. The market for Parragon's product, primarily in the promotional book sector, had declined and there were inherent structural issues which we could not see being resolved. The cost of closure is disclosed as a discontinued item. This amounted to a £41m loss before tax resulting from reduced sales as the business prepared for wind down with a reduced gross margin as stocks were sold off, redundancy payments and costs in relation to termination of contracts. Whilst the write down of balance sheet assets was significant, the cash cost of the closure in the year was kept to a minimum.

Shortlist Media continues a long-term transformation strategy to shift the major revenue stream from print display to multi platform, predominantly content based solutions. Within this financial year, traditional print display revenue declines have been offset by content driven revenues, both online and offline and represent an important milestone in the business progress. Deepening the relationship with the valuable metropolitan audience is central to the live events programme, at the same time diversifying revenues through sponsorship, retail spend and ticket sales.

Digital investment continued, specifically within video which has scaled both audience and new revenue streams and is a central element to the digital strategy.

The Shortlist team continues to see opportunities to develop and grow the brand influence, audience scale and revenues as we build outside of the traditional business base and prepare well in advance for the ongoing structural changes.

Wild and Wolf revenue increased as did associated costs. The past few years have seen some significant structural changes in the retail markets the company sells into. Within the UK, the independent shops and the mid-market and premium department store chains continue to be challenged by rising high street costs and the rise of online shopping resulting in store closures and reduced demand. Brexit has already increased gross margin pressure through exchange rates and it is likely the outlook for UK consumer spending will weaken.

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Strategic report (continued)

The Group continues to invest in Find My Past (our online genealogy business) where there was growth in the UK business due to higher average order values. There were cost efficiencies particularly in marketing investment resulting in an improvement in performance. The Company continues to focus on areas where it has competitive advantage including the addition of new records and the development of new features and services.

Our data hosting business, Brightsolid had a 23% uplift in revenues as the data centre in Aberdeen continues to fill.

The investment in Beano Studios continued with the completion of a new television series and development of the Beano.com children's website.

KPI's

	2018	2017	Change
Recurring sales revenue	191.4	185.9	2.9%
Gross margin %	58%	60%	(2.0%)
Circulation	77.0	78.2	(1.5%)
Advertising	39.4	41.6	(5.3%)
Consumer products	31.6	29.5	7.1%
Genealogy	17.7	17.7	0.0%
Others	25.7	18.9	36.0%
	191.4	185.9	2.9%
Digital revenues	36.4	34.3	6.1%
Digital revenues to total sales	19.0%	18.5%	0.5%

Print circulation

Newspaper print copy revenues were £34.1m. Whilst volumes were down across the board, all titles continued to contribute margin.

Magazine print copy sales were £42.7m, 1% down on the year compared to 2017. The effect of new launches matched the revenues from closures.

Advertising

The ratio of circulation revenue to advertising revenue was 66% circulation to 34% advertising (2017 65% to 35%). This ratio gives our business more protection against advertising declines than many publishing businesses and is important in the context of the competition from businesses such as Facebook and Google. In total, our advertising revenues fell by 5.3% year on year.

Newspaper revenues were £14.6m being 10.7% down on 2017. Magazine revenues were £24.8m being 1.6% down on 2017. The largest source of magazine advertising is Shortlist Media where a fall in display advertising was offset by increases in content marketing revenues.

Digital revenues

Revenues increased by 6.1%. The ratio of digital sales to total revenue was 19% with a small increase over last year.

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Strategic report (continued)

Consumer products – Wild and Wolf

Revenues increased by 7.1%. Management is repositioning the business to take account of more limited opportunities in the UK. We are therefore continuing the expansion of our business outside the UK and are investing heavily in e-commerce infrastructure and other growth channels. We are also continuing to develop new IP both owned and third party.

Genealogy

Underlying revenues were steady in this division.

Other income

The Group looks for alternative sources of revenue from the existing portfolio of businesses and, in particular, new revenues have come from contract print, events and the server facilities in Dundee and Aberdeen.

Future prospects

Whilst competition from online advertising businesses continues to cause issues for our print advertising, particularly display, we continue to develop new ways of working, leveraging the quality and reputation of our products.

During and since the year-end we have reviewed a number of businesses aimed at adding to the media offering to increase profits and give the business a broader range of product.

Beano Studios completed a series of Dennis & Gnasher. This series of short cartoons has again ranked highly in the BBC ratings for children and together with the Beano.com website is stimulating:

- Increased comic sales;
- The maintaining of the Beano Annual at the top of its category;
- New merchandising opportunities.

The development of intellectual property will continue.

As mentioned the book business has now ceased trading other than the continued and profitable publication of DC Thomson Annuals.

The Wild and Wolf strategy will take time to implement and lead to increased costs short-term as we both restructure the current footprint to reflect our long-term goals and switch investment to the new focus areas. To date, we have concentrated on setting up infrastructure in North America, Hong Kong and Australasia which will enable us to grow internationally. We have also increased our e-commerce and marketing investment and reviewed our product portfolio to exit some ranges and licenses which are no longer strategic. This has led to cost increases in the past year as we invest ahead of the revenue coming through.

Findmypast is partnering with Living DNA and together, they will be creating a new DNA experience that is designed to help customers explore their roots. This new experience will combine cutting-edge science with traditional family history research methods, allowing families to discover more about their past and present.

The data centre in Aberdeen is filling up well with both private and public sector business.

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Strategic report (continued)

Future prospects (continued)

The Press & Journal and Evening Express office in Aberdeen relocated to the Marischal Square development in the centre of Aberdeen emphasising our commitment to supporting the best selling Regional Newspaper in the UK.

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

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

Our trading operations have been affected by challenges to revenues but the core publishing business continues to trade well in comparison to our peers. We have belief in the longer-term future of the core business and are working on brand extensions and other initiatives to support these businesses.

There is a strong brand loyalty to our traditional titles and we look to replicate this in the new businesses that we have acquired. We are also seeking to develop, source and evaluate new and adjacent lines of business, potential investments and acquisitions.

We have significant financial assets and other business interests which are there exclusively to support the main trading business and are very much part of it. The Group has a prudent policy of having reserves and financial assets and other business interests to cover all known and implicit liabilities. These include cash and liquid assets and pension assets that are higher than the expected liabilities. This policy is vital to allow us to continue to develop, enhance and protect our business activities and trade and to remain strong. In the year passed, significant investment sales allowed a refreshment of the investment portfolio.

Retirement Benefit Fund

The Thomson Leng Provident Fund continues to have a healthy position as at 31 March 2018 with a surplus amounting to £299m (2017 - £185m). The quantum of the surplus is only a measure at one point of time and the Fund has to be looked at long term.

Risks and uncertainties

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

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Strategic report (continued)

Risks and uncertainties (continued)

Major risks include the impact of: -

Risk	Mitigation
Commodity prices Paper continues to be a significant element of our cost and is susceptible to market conditions.	The Group uses its buying power to minimise costs increases whilst being mindful of the quality of suppliers.
Market risk The overall health of both the UK and Global economies have a direct effect on the performance of the business. The Group may be vulnerable to sudden economic downturns which can affect the level of revenues available. The potential impact of a withdrawal from the European Union and other political changes are unpredictable.	<p>The Group has protected itself from both short and long-term issues by maintaining a healthy balance sheet with no recourse to borrowings. The Group strategy is constantly evolving but combines both objectives in strengthening our position in our conventional media businesses and by diversifying into different sectors.</p> <p>We continue to invest in marketing and market research to support our brands and in the development of processes which will allow us to know more about our customers and therefore to be able to offer them a wider but more focused range of services and goods.</p>
Competition Competition exists in all markets in which the Group operates and competitors may launch new products and titles which could adversely affect the performance of the Group.	Constant evaluation of our products and services performance and investment in new products including the development of digital services and brands.
Health and Safety All the Group's activities have the potential to cause injury to staff and all who encounter us. The ongoing health of our staff is vital to our ongoing business.	<p>Our Health and Safety matters are reported directly to the Board. 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.</p> <p>The Group offers a degree of health insurance to all staff and provides both in house and external gym facilities.</p>

Risks and uncertainties (continued)

Risk	Mitigation
Costs Staff costs and raw materials remain the major cost faced by the Group.	Both are kept under review. Our procurement team continues to support the business in making significant savings in operating costs.
IT systems and data IT security is a significant risk and has the potential to interrupt or halt operations.	We have installed new technology to help protect our customers' data and our networks and are continually looking for ways to improve our IT security so that we continue to protect our networks and the data we process. All staff are required to take training courses on all aspects of IT security. The IT resource continually briefs all staff on potential threats to our systems and data.
Talent We depend heavily on the ability to attract and keep the best people for our business.	The Group continually monitors remuneration and conditions against market comparators. We offer competitive terms and provide a range of career and development opportunities.
Pension fund liabilities The Group has an ongoing funding obligation for defined benefit participants. Changes in market conditions or regulations have the potential to affect the level of surplus, which could lead to calls for funding from the Group.	The Pension Fund has consistently maintained both a healthy surplus of pension assets over liabilities along with the strong covenant of the Group to support obligations. Both regulations and market conditions are under constant review by the Board and its external advisers.

Non-financial overview

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

We take our relationship with our suppliers and our customers seriously and responsibly and have appropriate guidelines in place. We consider the relationship with the communities in which we work of great importance to us.

DC Thomson & Company Limited

Strategic report (continued)

Employees

DC Thomson works hard to properly engage and communicate with its employees across the UK and internationally, keeping them up to date with business initiatives and performance, consulting and seeking feedback on a regular basis.

Through the various streams of communication within the company, including a group-wide monthly e-newsletter, digital signage, emails and town halls, feedback and suggestions are regularly invited with emphasis paid to inclusion and connectivity. For example, the recent initiative of free fruit on a Tuesday was an employee suggestion, which has since been rolled out across the group.

The Learning & Development team at DC Thomson regularly engages with teams in all companies and a number of initiatives have been introduced as a result including Lifestyle MOTs and Mindfulness programmes, which sit alongside the established staff learning and development programmes. Most recently, the team has worked with CEOs and senior management in each company to introduce Mental Health First Aiders (MHFA) across the group, identifying key members of staff to be involved. MHFA is an internationally recognised training programme, designed to teach people how to spot the signs and symptoms of mental ill health and provide help on a first aid basis. By bringing it into the workplace, the wellbeing of staff is further supported, with the company ultimately believing that healthy people are happier, more engaged and more productive.

There are a number of events held throughout the year aimed at nurturing employee engagement and culture within the DC Thomson Group. The company is supportive of employee led initiatives, and staff across the Group participate in fund raising activities.

Environment

We have over recent years invested in our offices in order to provide modern, energy efficient offices in Dundee, London, Aberdeen and Bath. For example, in our Head Office in Dundee we installed solar panels and rainwater harvesting to reduce our energy consumption and our overall impact on the environment. We have taken part in the government's energy savings opportunity scheme to identify opportunities to reduce our energy consumption across a number of our locations.

Ethical sourcing and our relationships with our suppliers are important to us and we are currently developing new policies and procedures to reflect how we work with them and to ensure we continue to source responsibly.

Community

We foster links with the communities we serve, contributing to local projects where we can. In our home city we are proud of our contribution to the V&A Museum of Design as the cornerstone of the Dundee Waterfront regeneration project. Our contribution is being recognised with the creation of The Thomson Learning Centre, a creative hub which will be at the centre of the museum's day-to-day activities. It includes two fully equipped design workshops, and a design residency studio connecting visitors to exciting contemporary designers.

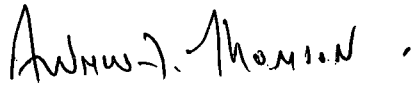
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Strategic report (continued)

Awards

Wild & Wolf won The Queen's Award for Enterprise: International Trade 2018, DC Thomson Media titles picked up some of the top trophies at the Scottish Press Awards, The Newspaper and Magazine Awards, The Regional Press Awards and British Media Awards, including The Sunday Post being named the Scottish Newspaper of the Year. It has also been a successful year for Beano Studios winning numerous awards including Best Children's Website, Children's Magazine of the Year and Dennis & Gnasher Unleashed becoming the most popular show on CBBC.

By order of the board:



AF Thomson

Director

31 October 2018

DC Thomson & Company Limited

Directors' report

The Directors submit the audited financial statements of the Company and of the Group for the year ended 31 March 2018.

The Directors' report to the hundred and fourteenth Annual General Meeting of DC Thomson & Company Limited, to be held at Meadowside, Dundee on Tuesday 27th November 2018 at 12 noon.

Dividends

The Directors recommend that a final dividend of £16,127,736 (2017 - £15,672,851) be paid, which together with the interim dividend of £4,962,380 (2017 - £4,755,615) already paid, will make a total of £21,090,116 (2017 - £20,428,466) for the year.

Fixed assets

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

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 £201,172 (2017 - £81,690) were made.

Directors

The Directors in office are Messrs AF Thomson, CHW Thomson, ARF Hall and DHE Thomson.

In terms of the Articles of Association Mr DHE 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 at the Annual General Meeting.

By order of the board:



I Douglas
Secretary
Dundee
31 October 2018

DC Thomson & Company Limited

Group income statement for the year ended 31 March 2018

			2018 £000	2017 £000
Continuing operations:	Note	£000		
Revenue	3/9		207,315	201,486
Change to inventories of finished goods and work in progress		1,417		3,849
Raw materials and consumables		(81,715)		(78,795)
		(80,298)		(74,946)
Employee benefits cost	5/9	(72,705)		(60,564)
Depreciation	9/12	(7,768)		(7,241)
Amortisation	9/11	(6,016)		(6,744)
Other expenses		(49,689)		(45,851)
Finance costs	7/9	(259)		(222)
Total expenses			(216,735)	(195,568)
Gain from disposal of available for sale financial assets		99,615		92,882
Impairment of available for sale financial assets	13	(1,605)		(583)
Reclassification of impairment of available for sale financial assets from revaluation reserve		(15,000)		-
Impairment of goodwill and other intangible assets	11	-		(40,242)
Net gain from financial assets			83,010	52,057
Share of post-tax results of associates	15	(2,149)		4
Impairment of investments in associates	15	-		(4,029)
			(2,149)	(4,025)
Profit before taxation			71,441	53,950
Taxation	8		(8,287)	(7,703)
Profit for financial year from continuing operations			63,154	46,247
Discontinued operations:				
Loss for the year from discontinued operations	9		(36,901)	(14,697)
Profit for the year			26,253	31,550
Profit attributable to:				
Owners of the parent			27,064	32,202
Non-controlling (minority) interest	16		(811)	(652)
			26,253	31,550

DC Thomson & Company Limited

Group statement of comprehensive income for the year ended 31 March 2018

	Revaluation reserve £000	Retained earnings £000	Total £000
2018			
Profit for financial year	-	26,253	26,253
Exchange differences on translation of foreign operations	-	4,951	4,951
Revaluation of available for sale financial assets	(35)	-	(35)
Reclassification of impairment of available for sale financial assets to income statement	15,000	-	15,000
Release on disposal of available for sale financial assets	(95,383)	-	(95,383)
Actuarial gain on defined benefit pension scheme	-	114,800	114,800
Deferred tax arising on above	12,519	(19,516)	(6,997)
Other comprehensive income/(expenditure) for the year net of tax	(67,899)	100,235	32,336
Total comprehensive income/(expenditure) for the year	(67,899)	126,488	58,589
Total comprehensive income/(expenditure) attributable to:			
Shareholders of parent	(67,899)	127,223	59,324
Non-controlling (minority) interest	-	(735)	(735)
	(67,899)	126,488	58,589
2017			
Profit for financial year	-	31,550	31,550
Exchange differences on translation of foreign operations	-	2,133	2,133
Revaluation of available for sale financial assets	123,833	-	123,833
Release on disposal of available for sale financial assets	(79,184)	-	(79,184)
Actuarial loss on defined benefit pension scheme	-	(23,100)	(23,100)
Deferred tax arising on above	4,138	10,062	14,200
Other comprehensive income/(expenditure) for the year net of tax	48,787	(10,905)	37,882
Total comprehensive income/(expenditure) for the year	48,787	20,645	69,432
Total comprehensive income/(expenditure) attributable to:			
Shareholders of parent	48,787	21,330	70,117
Non-controlling (minority) interest	-	(685)	(685)
	48,787	20,645	69,432

DC Thomson & Company Limited

Company statement of comprehensive income for the year ended 31 March 2018

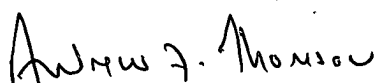
	Revaluation reserve £000	Retained earnings £000	Total £000
2018			
Profit for financial year	-	61,053	61,053
Revaluation of available for sale financial assets	(35)	-	(35)
Reclassification of impairment of available for sale financial assets to income statement	15,000	-	15,000
Release on disposal of available for sale financial assets	(76,838)	-	(76,838)
Actuarial gain on defined benefit pension scheme	-	114,800	114,800
Deferred tax arising on above	12,519	(19,516)	(6,997)
Other comprehensive income/(expenditure) for the year net of tax	(49,354)	95,284	45,930
Total comprehensive income/(expenditure) for the year	(49,354) =====	156,337 =====	106,983 =====
2017			
Loss for financial year	-	(43,496)	(43,496)
Revaluation of available for sale financial assets	123,833	-	123,833
Release on disposal of available for sale financial assets	(61,038)	-	(61,038)
Actuarial loss on defined benefit pension scheme	-	(23,100)	(23,100)
Deferred tax arising on above	4,138	10,062	14,200
Other comprehensive income/(expenditure) for the year net of tax	66,933	(13,038)	53,895
Total comprehensive income/(expenditure) for the year	66,933 =====	(56,534) =====	10,399 =====

DC Thomson & Company Limited

Group balance sheet at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Goodwill	11	110,419	109,771
Other intangible assets	11	207,910	212,148
Property, plant and equipment	12	77,219	80,137
Financial assets – available for sale	13	603,194	629,146
Interests in associates	15	12,488	11,865
Retirement benefit surplus	23	299,400	185,400
		1,310,630	1,228,467
Current assets			
Inventories	17	11,875	23,635
Trade and other receivables	18	48,018	61,120
Financial instruments at fair value through profit or loss	21	-	2,287
Cash and cash equivalents	24	72,595	100,027
Assets directly associated with disposal group classified as held for sale	9	23,366	-
		155,854	187,069
Total assets		1,466,484	1,415,536
Current liabilities			
Borrowings	19	-	9
Trade and other payables	20	42,112	57,737
Income tax liabilities		1,909	4,641
Liabilities directly associated with disposal group classified as held for sale	9	25,805	-
		69,826	62,387
Non-current liabilities			
Deferred tax liabilities	22	138,297	132,949
Total liabilities		208,123	195,336
Net assets		1,258,361	1,220,200
Equity (Page 18)			
Share capital		4,135	4,135
Other reserves		498,869	566,768
Retained earnings and foreign currency translation reserve		754,391	647,596
Shareholders' equity		1,257,395	1,218,499
Non-controlling (minority) interest	16	966	1,701
Total equity		1,258,361	1,220,200

The financial statements were approved and authorised for issue by the Board of Directors on 31 October 2018 and signed on its behalf by:



AF Thomson
Director



CHW Thomson
Director

DC Thomson & Company Limited

Company balance sheet at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Other intangible assets	11	120	170
Property, plant and equipment	12	61,937	63,006
Financial assets - other business assets	13	603,129	628,726
Interests in group undertakings	14	305,845	277,157
Retirement benefit surplus	23	299,400	185,400
		<u>1,270,431</u>	<u>1,154,459</u>
Current assets			
Inventories	17	2,201	1,843
Trade and other receivables	18	49,322	23,058
Cash and cash equivalents	24	59,941	72,502
		<u>111,464</u>	<u>97,403</u>
Total assets		<u>1,381,895</u>	<u>1,251,862</u>
Current liabilities			
Trade and other payables	20	91,679	53,075
Income tax liabilities		10,740	9,412
		<u>102,419</u>	<u>62,487</u>
Non-current liabilities			
Deferred tax liabilities	22	108,439	104,893
Total liabilities		<u>210,858</u>	<u>167,380</u>
Net assets		<u>1,171,037</u>	<u>1,084,482</u>
Equity (Page 19)			
Share capital		4,135	4,135
Other reserves		261,535	310,889
Retained earnings		905,367	769,458
Total equity		<u>1,171,037</u>	<u>1,084,482</u>

The financial statements were approved and authorised for issue by the Board of Directors on 31 October 2018 and signed on its behalf by:

AF Thomson

AF Thomson
Director

CHW Thomson

CHW Thomson
Director

DC Thomson & Company Limited

Group cash flow statement for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit/(loss) before taxation:			
Continuing		71,441	53,950
Discontinued	9	(40,741)	(15,842)
Depreciation and amortisation	11/12	17,327	17,733
Impairment of goodwill	11	-	40,242
Impairment of financial assets	13	1,605	583
Reclassification of impairment of financial assets		15,000	-
Impairment of associates	15	-	4,029
Share of result of associates	15	2,149	(4)
Loss on disposal of property, plant and equipment		5	64
Loss on disposal of intangible assets		396	509
Gain on disposal of financial assets		(99,615)	(92,882)
Forward contract valuation movement	21	2,287	(1,802)
Pension adjustment	23	800	(4,000)
Decrease in inventories		2,872	2,274
(Increase)/decrease in receivables		(1,204)	942
Increase in payables		9,371	395
Exchange reserve movement		5,465	1,619
Cash (used in)/generated from operations		(12,842)	7,810
Income tax paid		(8,828)	(5,931)
Net cash (used in)/from operating activities		(21,670)	1,879
Investing activities			
Proceeds on disposal of property, plant and equipment		1,636	78
Proceeds on disposal of financial assets		105,212	94,996
Purchase of intangible assets	11	(4,759)	(9,229)
Purchases of property, plant and equipment	12	(7,860)	(16,177)
Purchase of financial assets	13	(76,668)	(21,190)
Investment in subsidiary undertakings		-	(1,813)
Investment in subsidiary undertakings – deferred consideration paid		-	(19,615)
Investment in associates	15	(2,962)	(3,585)
Minority interest		76	(38)
Net cash from investing activities		14,675	23,427
Financing activities			
Dividends paid	10	(20,428)	(19,808)
Decrease in borrowings		(9)	(6)
Net cash used in financing activities		(20,437)	(19,814)
Net (decrease)/increase in cash and cash equivalents		(27,432)	5,492
Cash and cash equivalents acquired with subsidiaries		-	116
Cash and cash equivalents at 31 March 2017	24	100,027	94,419
Cash and cash equivalents at 31 March 2018	24	72,595	100,027

DC Thomson & Company Limited

Company cash flow statement for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit/(loss) before taxation		72,976	(28,495)
Interest income capitalised		-	(2)
Depreciation and amortisation	11/12	3,301	3,456
Impairment of financial assets	13	1,250	197
Reclassification of impairment of financial assets		15,000	-
Revision of carrying values of group undertakings	14	-	117,173
Gain on disposal of property, plant and equipment		(16)	(14)
Gain on disposal of financial assets		(81,070)	(74,736)
Pension adjustment	23	800	(4,000)
Increase in inventories		(358)	(15)
Increase in receivables		(26,264)	(6,428)
Increase in payables		38,604	14,348
		<hr/>	<hr/>
Cash generated from operations		24,223	21,484
Income tax paid		(14,046)	(8,097)
		<hr/>	<hr/>
Net cash from operating activities		10,177	13,387
		<hr/>	<hr/>
Investing activities			
Proceeds on disposal of property, plant and equipment		18	143
Proceeds on disposal of financial assets		105,212	94,996
Repayment from group companies		63	-
Purchase of intangible assets	11	-	(327)
Purchases of property, plant and equipment	12	(2,184)	(11,120)
Purchase of financial assets	13	(76,668)	(21,026)
Investment in subsidiary undertakings	14	(26,200)	(34,968)
Investment in subsidiary undertakings – deferred consideration paid		-	(16,500)
Investment in associates	14	(2,551)	(2,762)
		<hr/>	<hr/>
Net cash (used in)/from investing activities		(2,310)	8,436
		<hr/>	<hr/>
Financing activities			
Dividends paid	10	(20,428)	(19,808)
		<hr/>	<hr/>
Net cash used in financing activities		(20,428)	(19,808)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(12,561)	2,015
Cash and cash equivalents at 31 March 2017	24	72,502	70,487
		<hr/>	<hr/>
Cash and cash equivalents at 31 March 2018	24	59,941	72,502
		=====	=====

DC Thomson & Company Limited

Group statement of changes in equity for the year ended 31 March 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 31 March 2016	4,135	517,981	646,074	1,168,190	2,386	1,170,576
Profit for financial year	-	-	32,202	32,202	(652)	31,550
Other comprehensive income/ (expenditure)	-	48,787	(10,872)	37,915	(33)	37,882
Total comprehensive income/(expenditure)	-	48,787	21,330	70,117	(685)	69,432
Recognised directly in equity:						
Dividends	-	-	(19,808)	(19,808)	-	(19,808)
Total movements	-	48,787	1,522	50,309	(685)	49,624
Balance at 31 March 2017	4,135	566,768	647,596	1,218,499	1,701	1,220,200
Profit for financial year	-	-	27,064	27,064	(811)	26,253
Other comprehensive income/ (expenditure)	-	(67,899)	100,159	32,260	76	32,336
Total comprehensive income/(expenditure)	-	(67,899)	127,223	59,324	(735)	58,589
Recognised directly in equity:						
Dividends	-	-	(20,428)	(20,428)	-	(20,428)
Total movements	-	(67,899)	106,795	38,896	(735)	38,161
Balance at 31 March 2018	4,135	498,869	754,391	1,257,395	966	1,258,361

Called up share capital represents 4,135,317 (2017 - 4,135,317) fully paid ordinary shares of £1 each.

Other reserves include a capital redemption reserve of £1,865,000 (2017 - £1,865,000) created on the purchase by the Company of its own shares and distributable reserves being a pension reserve of £50,000,000 (2017 - £50,000,000) and a capital expenditure reserve of £100,000,000 (2017 - £100,000,000). Also included in other reserves is a revaluation reserve of £347,004,000 (2017 - £414,903,000) which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

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

	£000
At 1 April 2016	8,697
Arising in year	2,133
At 31 March 2017	10,830
Arising in year	4,951
At 31 March 2018	15,781

DC Thomson & Company Limited

Company statement of changes in equity for the year ended 31 March 2018

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 March 2016	4,135	243,956	845,800	1,093,891
Loss for financial year	-	-	(43,496)	(43,496)
Other comprehensive income/(expenditure)	-	66,933	(13,038)	53,895
Total comprehensive income/ (expenditure)	-	66,933	(56,534)	10,399
Transactions with owners of the company recognised directly in equity				
Dividends	-	-	(19,808)	(19,808)
Total movements	-	66,933	(76,342)	(9,409)
Balance at 31 March 2017	4,135	310,889	769,458	1,084,482
Profit for financial year	-	-	61,053	61,053
Other comprehensive income/(expenditure)	-	(49,354)	95,284	45,930
Total comprehensive income/ (expenditure)	-	(49,354)	156,337	106,983
Transactions with owners of the company recognised directly in equity				
Dividends	-	-	(20,428)	(20,428)
Total movements	-	(49,354)	135,909	86,555
Balance at 31 March 2018	4,135	261,535	905,367	1,171,037

Called up share capital represents 4,135,317 (2017 – 4,135,317) fully paid ordinary shares of £1 each.

Other reserves include:

Capital redemption reserve of £1,865,000 (2017 - £1,865,000) created on the purchase by the Company of its own shares.

Revaluation reserve of £259,670,000 (2017 - £309,024,000) which represents the unrealised appreciation on financial assets. All movements in other reserves relate to this reserve.

Retained earnings are fully distributable.

I Statement of compliance

Both the Group and Parent Company financial statements ("financial statements") at 31 March 2018 have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments:

Amendments to IAS 7
Statement of Cash Flows:
Disclosure Initiative

The Group has adopted the amendments to IAS 7 *Statement of Cash Flows* for the first time in the current year. The amendments clarify that entities shall provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financial activities.

Amendments to IAS 12
Income Taxes: Recognition
of deferred tax assets for
unrealised losses

The Group has adopted the amendments to IAS 12 *Income Taxes* for the first time in the current year. The amendments clarify the following aspects:

Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

The carrying amount of an asset does not limit the estimation of probable future taxable profits.

Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Annual Improvements to
IFRSs 2014-2016 Cycle

The Group has adopted the amendments to IFRSs included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year.

The amendment to IFRS 1 removes the short-term exemptions of IFRS 1 that have now served their purpose.

The amendment to IFRS 12 clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale as held for distribution or as discontinued operations in accordance with IFRS 5.

The amendment to IAS 28 clarifies that the election to measure at fair value through profit or loss an investment in an associate or joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The adoption of these amendments has had no impact on the Group's accounting policies.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Company information

DC Thomson & Company Limited ("the Company") is a private limited company domiciled and incorporated in Scotland. The registered office is Courier Buildings, Albert Square, Dundee.

Basis of preparation

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounding to the nearest £000.

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

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

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 2018.

The financial statements of its subsidiaries are prepared to the same reporting date using accounting policies consistent with those of the Parent Company. Intra-group transactions and balances, including any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in full.

Subsidiaries

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

2 Accounting policies (continued)

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.

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

Goodwill and other intangible assets

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

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

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

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

2 Accounting policies (continued)

Intangible assets which have been assigned a finite life are amortised on a straight-line basis over the assets' useful life from when they are brought in to productive use. These assets are also 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.

The principal rates employed are:

Dataset development	10 years straight line
Publishing rights	10-20 years straight line
Software and app development	3-4 years straight line
Origination of book content	4 years straight line

Costs of developing film productions up to completion and delivery are capitalised and amortised in line with income recognised in the period, taking into account total estimated future income. Where estimates of future income are subsequently revised, resulting in a reduction in the fair value of the asset, appropriate provision is made to write down the carrying value of the asset.

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

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:

Freehold property (excluding land)	2% reducing balance
Printing presses	10 to 15 years straight line
Plant and machinery	4 to 12 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.

2 Accounting policies (continued)

Financial assets

Other business assets

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

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

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

Held to maturity

Investments 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.

Interests in group companies

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes and discounts. Advertising revenue is recognised on the date of publication and sales revenue is recognised at point of sale less provisions for levels of expected returns. Printing revenue is recognised when the service is provided. Investment income is recognised when earned. Revenue from genealogy is recognised either when customers obtain a view of the requested data, when the revenue is pay-per-view, or in the case of unlimited access subscriptions evenly over the period of the subscription.

2 Accounting policies (continued)

Foreign currencies

The results and financial position of the Group are expressed in pounds sterling, its functional currency. In preparing the financial statements 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 (e.g. property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation of net assets are effected through the statement of comprehensive income.

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

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

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

Leases

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

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 mitigate its net cash flow exposure. The Group does not use financial instruments for speculative purposes.

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

2 Accounting policies (continued)

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

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 non interest-bearing and are stated at their nominal value.

Borrowings

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

Financial guarantee contracts

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

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.

2 Accounting policies (continued)

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.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in the balance sheet.

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. Such gains and losses are recognised outside the income statement and are presented in the statement of comprehensive income. Past service cost is recognised immediately, to the extent that the benefits are already vested or are amortised on a straight-line basis over the average period until the benefits become vested.

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

Dividends payable

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

2 Accounting policies (continued)

Critical judgements in applying the Group's accounting policies

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

Valuation of intangible assets on acquisition

The Group's policies require that a fair value at the date of acquisition be attributed to the intangible assets owned by the acquired businesses. The directors use their judgement to identify the separate intangible assets and then determine a fair value for each based upon the consideration paid, the nature of the asset, industry statistics, future potential and other relevant factors. The useful lives and carrying values are reviewed for impairment annually.

Deferred tax balances on intangible assets

Deferred tax has been provided under IAS 12 (Income Taxes) on the values of the intangible assets in the Group's balance sheet. The directors have provided this balance in order to comply with the technical requirements of IAS 12 despite the fact that they cannot foresee any circumstances in which such a tax liability would arise.

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

Key sources of estimation uncertainty

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

Impairment

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

Useful lives

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

2 Accounting policies (continued)

Retirement benefit asset

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

The movement in this asset is determined with advice from actuarial advisers and affects both the income statement and the statement of comprehensive income.

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

Provision for returns

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

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet adopted by the EU:

Amendments:

IFRS 2: Share-Based Payment, amendment to clarify the classification and measurement of share-based payment transactions

IFRS 4: Insurance Contracts, amendments regarding the interaction of IFRS 4 and IFRS 9

IAS 19: Employee benefits, amendments regarding plan amendments, curtailment or settlements

IAS 28: Long-term Interests in Associates and Joint Ventures, amendments regarding long-term interests in associates and joint ventures

IAS 40: Investment Property, amendment to clarify transfers of property to, or from, investment property

Annual Improvements 2015-2017 Cycle

Revised interpretations:

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 23: Uncertainty Over Income Tax Treatments

These amendments and revised interpretations are not expected to have a material impact on the Group's results.

New or revised standards:

IFRS 9: Financial Instruments

IFRS 15: Revenue from Contracts with Customers

IFRS 16: Leases

IFRS 17: Insurance Contracts

The Group is currently assessing the impact of the above new standards on its results and it is not practicable to provide a reasonable estimate of the effect of these standards until this assessment has been completed.

DC Thomson & Company Limited

Notes to the financial statements (continued)

3 Revenue

	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Trading revenue	191,412	66,843	258,255	185,946	75,539	261,485
Other income:						
Dividends	15,048	-	15,048	14,687	-	14,687
Interest	855	23	878	853	11	864
	<u>207,315</u>	<u>66,866</u>	<u>274,181</u>	<u>201,486</u>	<u>75,550</u>	<u>277,036</u>
	=====	=====	=====	=====	=====	=====
Analysis of trading revenue by destination market						
United Kingdom	156,901	18,659	175,560	159,172	22,537	181,709
Rest of Europe	5,758	5,501	11,259	3,728	12,622	16,350
North America	18,928	26,498	45,426	14,727	24,619	39,346
Australia	5,012	12,666	17,678	3,852	9,635	13,487
Rest of World	4,813	3,519	8,332	4,467	6,126	10,593
	<u>191,412</u>	<u>66,843</u>	<u>258,255</u>	<u>185,946</u>	<u>75,539</u>	<u>261,485</u>
	=====	=====	=====	=====	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

4 Income statement

	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Total expenses are stated after charging/(crediting):						
Auditor's remuneration to audit group accounts	97	-	97	95	-	95
Auditor's remuneration for other services	273	69	342	300	69	369
Rentals under property operating leases	2,458	1,912	4,370	1,425	2,384	3,809
Rentals under plant operating leases	192	282	474	281	318	599
	=====	=====	=====	=====	=====	=====
Loss/(gain) on sale of fixed tangible assets	54	(49)	5	65	(1)	64
	=====	=====	=====	=====	=====	=====

The auditor's remuneration for other services was in connection with, the audit of subsidiaries £197,000 (2017 - £181,000), general consultancy £23,000 (2017 - £24,000), taxation services £122,000 (2017 - £150,000) and other legislative compliance £Nil (2017 - £14,000).

DC Thomson & Company Limited

Notes to the financial statements (continued)

5 Employee benefits costs

	Continuing Number	2018 Discontinued Number	Total Number	Continuing Number	2017 Discontinued Number	Total Number
Average monthly number of employees during the year:						
Group	1,732 =====	297 =====	2,029 =====	1,703 =====	395 =====	2,098 =====
Company	765 =====	- =====	765 =====	755 =====	- =====	755 =====
	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Employee costs during the year (including directors remuneration) amounted to:						
Wages and salaries	62,647	16,781	79,428	56,320	17,696	74,016
Social security costs	5,739	838	6,577	5,452	1,183	6,635
Defined contribution pension costs	898	275	1,173	713	343	1,056
	<u>69,284</u>	<u>17,894</u>	<u>87,178</u>	<u>62,485</u>	<u>19,222</u>	<u>81,707</u>
Defined benefit pension charge/(credit) (Note 23)	800	-	800	(4,000)	-	(4,000)
Severance payments	2,621	6,624	9,245	2,079	-	2,079
	<u>72,705</u> =====	<u>24,518</u> =====	<u>97,223</u> =====	<u>60,564</u> =====	<u>19,222</u> =====	<u>79,786</u> =====

The pension charge/(credit) is a non-cash adjustment arising from the accounting treatment of final salary pension schemes under IAS19 (Note 23).

DC Thomson & Company Limited

Notes to the financial statements (continued)

6	Key management personnel emoluments	2018	2017
		£000	£000
	Remuneration	1,010	998
		=====	=====

The emoluments receivable by the highest paid member of key management were £271,000 (2017 - £265,000).

DC Thomson & Company Limited

Notes to the financial statements (continued)

7 Finance costs

	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Interest payable	259	211	470	222	144	366
	=====	=====	=====	=====	=====	=====

Note 19 sets out the Group borrowings.

8 Taxation

	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Current taxation						
UK corporation tax on profits for the year	12,566	(4,066)	8,500	13,434	(1,837)	11,597
Overseas tax	3	232	235	18	(237)	(219)
Adjustments in respect of prior periods						
- UK	(449)	101	(348)	(1,091)	1,411	320
	12,120	(3,733)	8,387	12,361	(663)	11,698
Deferred taxation						
Origination and reversal of timing differences	(3,131)	529	(2,602)	1,488	(803)	685
Adjustment in respect of prior periods	(702)	(636)	(1,338)	139	156	295
Change in tax rate	-	-	-	(6,285)	165	(6,120)
Taxation charge/(credit)	8,287	(3,840)	4,447	7,703	(1,145)	6,558
	=====	=====	=====	=====	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

8 Taxation (continued)

	Continuing £000	2018 Discontinued £000	Total £000	Continuing £000	2017 Discontinued £000	Total £000
Factors affecting tax charge for year						
Profit/(loss) for year before tax	71,441	(40,741)	30,700	53,950	(15,842)	38,108
	=====	=====	=====	=====	=====	=====
Tax thereon at 19% (2017 – 20%)	13,574	(7,741)	5,833	10,790	(3,168)	7,622
Effects of:						
Franked investment income not attracting tax	(2,830)	-	(2,830)	(2,949)	-	(2,949)
Book gain compared with capital gain	(2,125)	-	(2,125)	(2,584)	-	(2,584)
Impairment of goodwill	-	-	-	8,000	-	8,000
Impairment of associates	-	-	-	806	-	806
Other timing differences	(164)	-	(164)	(719)	(36)	(755)
Overseas profits tax impact	947	845	1,792	336	540	876
Associate undertaking effect	471	-	471	273	-	273
Other items affecting tax charge	193	1,352	1,545	1,204	(213)	991
Change in tax rate	148	172	320	(6,502)	165	(6,337)
Adjustments in respect of prior periods	(1,151)	(535)	(1,686)	(952)	1,567	615
Losses available to carry forward/(utilised)	(518)	2,067	1,549	-	-	-
Television production tax credit	(258)	-	(258)	-	-	-
	-----	-----	-----	-----	-----	-----
Taxation charge/(credit)	8,287	(3,840)	4,447	7,703	(1,145)	6,558
	=====	=====	=====	=====	=====	=====

9 Discontinued operations

In February 2018, the Group made the decision to close the Parragon Publishing Limited subgroup which is part of the Group's Consumer Products Division. The Parragon Publishing Limited subgroup is in the process of a controlled wind down of activities which is expected to be completed within 12 months of the announcement. As such, the operations have been classified as a disposal group held for sale and has been presented separately in the balance sheet.

The results of the discontinued operations, which have been included in the group income statement, were as follows:

	£000	2018 £000	2017 £000
Revenue		66,866	75,550
Change to inventories of finished goods and work in progress	(4,800)		(6,276)
Raw materials and consumables	(37,846)		(45,896)
	(42,646)		(52,172)
Employee benefits cost	(24,518)		(19,222)
Depreciation	(1,248)		(1,322)
Amortisation	(2,295)		(2,426)
Other expenses	(34,402)		(17,908)
Fair value (loss)/gain on financial instruments	(2,287)		1,802
Finance costs	(211)		(144)
Total expenses		(107,607)	(91,392)
Loss on disposal of discontinued operations		(40,741)	(15,842)
Attributable taxation		3,840	1,145
Net loss attributable to discontinued operations (attributable to owners of the Company)		(36,901)	(14,697)
		=====	=====

During the year, the Parragon Publishing Limited subgroup contributed an outflow of £18.7m to the Group's net operating cashflows, paid £0.5m in respect of investing activities and paid £Nil in respect of financing activities.

DC Thomson & Company Limited

Notes to the financial statements (continued)

9 Discontinued operations (continued)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2018
	£000
Property, plant and equipment	172
Inventories	8,888
Trade and other receivables	14,306
Total assets classified as held for sale	23,366
Trade and other payables	(25,805)
Total liabilities classified as held for sale	(25,805)
Net liabilities of disposal group	(2,439)
	=====

10 Dividends - paid in the year	2018	2017
	£000	£000
Ordinary shares:		
Final for 2017 of 379p per share paid (2016 – 369p)	15,673	15,259
Interim for 2017 of 115p per share (2016 - 110p)	4,755	4,549
	20,428	19,808
	=====	=====

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

Dividends - paid post year end and proposed		
Interim of 120p paid (2017 – 115p)	4,962	4,755
Final of 390p per share proposed (2017 – 379p)	16,128	15,673
	21,090	20,428
	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

11 Goodwill and other intangible assets

Goodwill

	2018 £000	2017 £000
Group		
At 31 March 2017	109,771	148,209
Additions	648	1,804
Impairment	-	(40,242)
At 31 March 2018	110,419 =====	109,771 =====

Goodwill includes £8m (2017 - £8m) for DC Thomson Annuals, £12m (2017 - £12m) for Puzzler Media Holdings Limited, £14m (2017 - £14m) for Aberdeen Journals Limited, £1m (2017 - £1m) for This England Publishing Limited, £25m (2017 - £25m) for brightsolid online innovation limited, £34m (2017 - £34m) for Shortlist Media Limited, £14m (2017 - £14m) for Wild & Wolf (Holdings) Limited, £0.5m (2017 - £0.5m) for Clavamore Limited and £2m (2017 - £1.5m) for Petit Collage.

DC Thomson & Company Limited

Notes to the financial statements (continued)

11 Goodwill and other intangible assets (continued)

Intangible assets	Indefinite life	Other	Total
Group	£000	£000	£000
At 31 March 2016	181,504	30,271	211,775
Additions		9,229	9,229
Amortisation		(9,170)	(9,170)
Disposals	-	(509)	(509)
Retranslation of foreign assets	-	330	330
Transfer from property, plant and equipment	-	493	493
At 31 March 2017	181,504	30,644	212,148
Additions	-	4,759	4,759
Amortisation	-	(8,311)	(8,311)
Disposals	-	(396)	(396)
Retranslation of foreign assets	-	(58)	(58)
Transfer to property, plant and equipment	-	(232)	(232)
At 31 March 2018	181,504	26,406	207,910
	=====	=====	=====

At 31 March 2018, accumulated amortisation amounted to £118,162,000 (2017 - £109,851,000).

Indefinite life intangible assets include mastheads of £72m (2017 - £72m) on the acquisition of Puzzler Media Holdings Limited and £110m (2017 - £110m) on the acquisition of Aberdeen Journals Limited.

Other intangible assets are mainly licences and distribution channels to market and include £Nil (2017 - £1m) in Parragon Publishing Limited and £3m (2017 - £4m) in Puzzler Media Holdings Limited, film costs of £3m (2017 - £Nil) in Beano Studios Limited, film costs of £Nil (2017 - £3m) in Gnashville Limited, £0.4m (2017 - £1m) publishing assets in This England Publishing Limited together with datasets and customer databases in brightsolid online innovation limited of £20m (2017 - £22m).

DC Thomson & Company Limited

Notes to the financial statements (continued)

11 Goodwill and other intangible assets (continued)

Intangible assets	Indefinite life	Other	Total
Company	£000	£000	£000
At 31 March 2016	-	220	220
Transfer from property, plant and equipment	-	327	327
Amortisation	-	(377)	(377)
At 31 March 2017	-	170	170
Amortisation	-	(50)	(50)
At 31 March 2018	-	120	120
	=====	=====	=====

At 31 March 2018, accumulated amortisation amounted to £1,485,000 (2017 - £1,435,000).

11 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. During the year an impairment of goodwill of £Nil was recognised (2017 - £40m) together with an impairment of indefinite life intangible assets of £Nil (2017 - £Nil).

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 are measured at their value in use by discounting the expected cash flows from the assets in the CGUs. For the publishing business, cash flows are projected over the next 20 years based on the directors' best estimate of future trends even though the remaining useful life is expected to exceed this. For other CGUs, the calculations use cash flow projections based on forecasts approved by management for the next five years. The value in use is calculated as the average of two valuation bases: 1) A discounted cash flow valuation of terminal value using a perpetual growth factor and 2) A discounted cash flow valuation of terminal value using an industry-based exit multiple applied to management's forecasts of cash flows. For the perpetual growth calculation, a steady growth rate assessed by management. The cash flows for all CGUs have been discounted at a discount rate of 5%, the Group's estimated current cost of capital. CGUs are identified as the smallest group of assets that generate income streams that are largely independent of each other.

The key assumptions for these reviews are discount rates, expected trading performance and the long term growth factor. From the results of these reviews the directors are satisfied that the carrying values of goodwill and intangible assets are appropriate and continue to have an indefinite useful life.

Other intangible assets

The intangible amortisation charge of £8m (2017 - £9m) relates to certain titles in the Magazine Division, licence and origination costs in the Consumer Products Division and datasets in brightsolid online innovation limited. These are amortised over their estimated useful lives.

The additions in the year relate to film costs in Beano Studios Limited and datasets within brightsolid online innovation limited.

At the year end, the Group reviewed the appropriateness of the remaining useful economic lives and carrying value for all its intangible assets. The Group is satisfied that the carrying value at 31 March 2018 of these assets remains recoverable in full.

DC Thomson & Company Limited

Notes to the financial statements (continued)

12 Property, plant and equipment

Group	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Cost				
At 31 March 2016	49,191	80,646	13,719	143,556
On acquisition	-	710	-	710
Additions	30	4,994	11,153	16,177
Transfers	-	(357)	(216)	(573)
Disposals	(237)	(2,333)	-	(2,570)
Retranslation of foreign assets	-	805	-	805
At 31 March 2017	48,984	84,465	24,656	158,105
On acquisition	-	29	-	29
Additions	18	5,532	2,310	7,860
Transfers	23,850	2,751	(26,334)	267
Disposals	-	(10,599)	(2)	(10,601)
Retranslation of foreign assets	-	(698)	-	(698)
Transfer to assets directly associated with disposal group classified as held for sale	-	(502)	-	(502)
At 31 March 2018	72,852	80,978	630	154,460
At 31 March 2016	27,207	43,648	-	70,855
On acquisition	-	478	-	478
Charge for year	547	8,016	-	8,563
Transfers	-	(80)	-	(80)
On disposals	(107)	(2,321)	-	(2,428)
Retranslation of foreign assets	-	580	-	580
At 31 March 2017	27,647	50,321	-	77,968
On acquisition	-	29	-	29
Charge for year	901	8,115	-	9,016
Transfers	-	35	-	35
On disposals	-	(8,959)	-	(8,959)
Retranslation of foreign assets	-	(518)	-	(518)
Transfer to assets directly associated with disposal group classified as held for sale	-	(330)	-	(330)
At 31 March 2018	28,548	48,693	-	77,241
Net book value				
At 31 March 2018	44,304	32,285	630	77,219
At 31 March 2017	21,337	34,144	24,656	80,137

The Group annually reviews the carrying value of tangible fixed assets taking recognition of the expected working lives of the property and plant available to the Group and known requirements.

DC Thomson & Company Limited

Notes to the financial statements (continued)

12 Property, plant and equipment (continued)

Company	Freehold property £000	Plant and equipment £000	Assets in course of construction £000	Total £000
Cost				
At 31 March 2016	43,339	69,287	13,719	126,345
Additions	-	1	11,119	11,120
Transfers	-	216	(216)	-
Disposals	(138)	(16)	-	(154)
At 31 March 2017	43,201	69,488	24,622	137,311
Additions	-	-	2,184	2,184
Transfers	23,850	2,484	(26,334)	-
Disposals	-	(44)	(2)	(46)
At 31 March 2018	67,051	71,928	470	139,449
Depreciation				
At 31 March 2016	25,131	46,120	-	71,251
Charge for year	354	2,725	-	3,079
On disposals	(8)	(17)	-	(25)
At 31 March 2017	25,477	48,828	-	74,305
Charge for year	704	2,547	-	3,251
On disposals	-	(44)	-	(44)
At 31 March 2018	26,181	51,331	-	77,512
Net book value				
At 31 March 2018	40,870	20,597	470	61,937
At 31 March 2017	17,724	20,660	24,622	63,006

DC Thomson & Company Limited

Notes to the financial statements (continued)

13 Available for sale financial assets

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
At 31 March 2017	629,146	628,726	566,004	565,362
Additions	76,668	76,668	21,190	21,026
Disposals	(100,980)	(100,980)	(81,298)	(81,298)
Fair value (losses)/gains	(35)	(35)	123,833	123,833
Impairments	(1,605)	(1,250)	(583)	(197)
At 31 March 2018	603,194	603,129	629,146	628,726
	=====	=====	=====	=====

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 £52m (2017 - £67m) and is included in Note 22. The carrying value of unlisted investments of £6m (2017 - £8m) is based on cost less provisions where there is no formal market as data.

14 Interests in group undertakings

Company

A list of the investments in significant Group undertakings is given in Note 25 to the financial statements.

	Shares £000	Loans £000	Total £000
At 31 March 2016	245,113	112,579	357,692
Additions	2,602	35,128	37,730
Reclassification to intercompany debtors	-	(1,094)	(1,094)
Capitalisation of loans	25,917	(25,917)	-
Interest capitalised	-	2	2
Revision of carrying values	(32,431)	(84,742)	(117,173)
Transfer	(1,366)	1,366	-
At 31 March 2017	239,835	37,322	277,157
Additions	29	28,722	28,751
Repayments	-	(63)	(63)
At 31 March 2018	239,864	65,981	305,845
	=====	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

15 Interests in associates

	2018	2017
Group	£000	£000
At 31 March 2017	11,865	12,315
Additions	2,962	3,585
Share of (loss)/profit on continuing activities	(2,149)	4
Retranslation of foreign assets	(190)	(10)
Impairments	-	(4,029)
At 31 March 2018	12,488	11,865
	=====	=====

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest
IZIT Limited	Merchandising	England	40%
Limelight Sports Group Limited	Design and delivery of major participation sports events and marketing campaigns	England	34%
Love Reading Information Consultancy (Shenzhen) Co. Limited	Sale and distribution of books	China	50%
Ludorum Plc	Exploitation of its animated children's television series	England	21%
Timar SNC	Magazine publishing	France	50%
Twig Rights Limited	Development and delivery of multi media curriculum content and products	England	47%

DC Thomson & Company Limited

Notes to the financial statements (continued)

16 Non-controlling interest - Group

Non-controlling (minority) interest in the income statement represents the share of subsidiary undertakings' results for the year which do not belong to the Group. In the current year, it is a loss of £811,000 (2017 – loss £652,000).

At 31 March 2018, the non-controlling (minority) interest is a liability of £966,000 (2017 - £1,701,000), being the non-controlling (minority) interest in subsidiaries of Parragon Publishing Limited, Wild & Wolf Holdings Limited and Clavamore Limited.

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

17 Inventories	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Work in progress	508	397	432	381
Finished goods and goods for resale	9,268	32	21,615	17
Inventories of finished goods and work in progress	9,776	429	22,047	398
Raw materials and consumables	2,099	1,772	1,588	1,445
	11,875	2,201	23,635	1,843
	=====	=====	=====	=====

The cost of inventories recognised as an expense during the year in respect of continuing operations was £80,298,000 (2017 - £74,946,000).

Group inventories reflect provisions for slow moving items of £5,743,000 (2017 - £9,740,000).
Company inventories reflect provisions for slow moving items of £Nil (2017 - £21,000).

DC Thomson & Company Limited

Notes to the financial statements (continued)

18 Trade and other receivables

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Trade receivables	23,965	7,549	47,393	8,598
Other receivables	24,053	18,021	13,727	3,814
Receivables due from group undertakings	-	23,752	-	10,646
	<u>48,018</u>	<u>49,322</u>	<u>61,120</u>	<u>23,058</u>
	=====	=====	=====	=====
Current	48,018	30,313	61,120	23,058
Non-current	-	19,009	-	-
	=====	=====	=====	=====

Trade receivables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations. As set out in Note 21, the Consumer Products Division made extensive use of forward contracts to mitigate its overall cash flow exposure.

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

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £4m (2017 - £9m) 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 has retention of title over much of the stock which gave rise to these balances.

Non-current assets of the company are certain advances to subsidiary undertakings where repayment is unlikely to be made within 12 months of the balance sheet date.

DC Thomson & Company Limited

Notes to the financial statements (continued)

18 Trade and other receivables (continued)

Ageing of past due but not impaired trade receivables

	2018 £000	2017 £000
Overdue by		
0 - 30 days	1,097	2,837
30 - 60 days	709	1,685
60 + days	2,650	4,461
	<u>4,456</u>	<u>8,983</u>
	=====	=====

Total trade receivables are stated net of provision for bad debts as set out in the accounting policies. These total £0.6m (2017 - £3.8m).

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

19 Borrowings

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Finance leases (secured)	-	-	9	-
	=====	=====	=====	=====
Current	-	-	9	-
	=====	=====	=====	=====

The finance leases are secured over the related assets.

DC Thomson & Company Limited

Notes to the financial statements (continued)

20 Trade and other payables

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Trade payables and accruals	6,088	1,484	9,259	1,029
Other taxes and social security	2,321	736	2,708	708
Payables due to group undertakings	-	81,474	-	45,199
Other payables	30,672	7,985	42,739	6,139
Deferred consideration	3,031	-	3,031	-
	<u>42,112</u>	<u>91,679</u>	<u>57,737</u>	<u>53,075</u>
	=====	=====	=====	=====
Current	42,112	91,679	57,737	53,075
Non-current	-	-	-	-
	=====	=====	=====	=====

Trade and other payables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations. As set out in Note 21, the Consumer Products Division made extensive use of forward contracts to mitigate its overall cash flow exposure.

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

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

21 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.

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

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

Categories of financial instruments

Group	2018 £000	2017 £000
Financial assets (current and non-current)		
Trade and other receivables	48,018	61,120
Cash and cash equivalents	72,595	100,027
Available for sale financial assets	603,194	629,146
Financial instruments at fair value through profit or loss	-	2,287
Financial liabilities (current and non-current)		
Trade and other payables	(42,112)	(57,737)
Borrowings	-	(9)

Financial risk management objectives

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

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

Market risks

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

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

The total fair value of the currency financial assets is £Nil (2017 – £2,287,000) and the charge in the year through other expenses in the income statement is £2,287,000 (2017 – credit £1,802,000).

21 Financial instruments (continued)

Currency risk - cash flow hedges

The Consumer Products 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\$Nil (2017 - US\$30.0m) and to sell €Nil (2017 - €4.0m) and AUS\$Nil (2017 - AUS\$4.0m) at various rates. The fair value of these contracts is an asset of £Nil (2017 - £2.287m) 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 Consumer Products Division foreign currency denominated monetary assets and liabilities were as follows:

	2018		2017	
Euro	€2.0m	£1.7m	€2.1m	£1.8m
US Dollar	(\$0.0m)	(£0.0m)	\$5.2m	£4.1m
Australian Dollar	\$19.5m	£10.6m	\$8.0m	£4.9m

Sensitivity analysis

As noted above the Group is exposed mainly to movements in Euro, Australian dollar and US dollar rates in the Consumer Products Division. All forward foreign exchange contracts were concluded by 31 March 2018 as part of the discontinued operation (see Note 9). Other parts of the Group have little foreign currency exposure and changes in the year end spot rate would not be material.

DC Thomson & Company Limited

Notes to the financial statements (continued)

21 Financial instruments (continued)

The Group exposure to transactional foreign currency risk at the year end date is as follows:

	Sterling £000	Euro £000	US Dollar £000	Australian Dollar £000	Total £000
2018					
Trade receivables	20,376	1	3,569	19	23,965
Trade receivables directly associated with disposal group classified as held for sale	2,327	1,078	5,115	5,078	13,598
Trade payables	(4,996)	-	(1,066)	(26)	(6,088)
Trade payables directly associated with disposal group classified as held for sale	(875)	(68)	(790)	(102)	(1,835)
Cash and cash equivalents	57,366	1,601	4,614	9,014	72,595
	74,198	2,612	11,442	13,983	102,235
	=====	=====	=====	=====	=====
2017					
Trade receivables	23,786	3,099	16,382	4,126	47,393
Trade payables	(3,338)	(113)	(5,142)	(666)	(9,259)
Cash and cash equivalents	97,409	1,222	818	578	100,027
	117,857	4,208	12,058	4,038	138,161
	=====	=====	=====	=====	=====

21 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 Consumer Products Division where a credit risk management approach is employed, including strict retention of title, customer stock holding visibility and the use of credit insurance.

Trade and other payables

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

Liquidity risk management

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

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

Group	2018 £000	2017 £000
Gross lease liability		
In one year or less, or on demand	-	9
Future interest	-	-
	<hr/>	<hr/>
Net lease liability (Note 19)	-	9
	=====	=====

21 Financial instruments (continued)

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

	To buy US\$000	To sell €000	To sell Aus\$000
2018			
Within 3 months	-	-	-
Between 4 and 6 months	-	-	-
Between 6 months and one year	-	-	-
2017			
Within 3 months	7,500	1,000	1,000
Between 4 and 6 months	7,500	1,000	1,000
Between 6 months and one year	15,000	2,000	2,000

Forward foreign exchange contracts related to the Consumer Products Division and all contracts were concluded by 31 March 2018.

DC Thomson & Company Limited

Notes to the financial statements (continued)

22	Deferred tax liabilities	Accelerated capital allowances £000	Revalued financial assets £000	Pension surplus £000	Intangible assets £000	Other £000	Total £000
	Group						
	At 31 March 2016	5,059	71,248	40,900	36,693	(1,996)	151,904
	On acquisition	14	-	-	-	-	14
	Transfer from corporation tax	371	-	-	-	-	371
	Transfer (to)/from profit and loss account	676	-	680	(154)	(517)	685
	Statement of recognised income and expense	-	6,550	(3,927)	-	-	2,623
	Adjustment in respect of prior periods	250	-	-	-	45	295
	Change in tax rate	(860)	(10,688)	(6,135)	(5,439)	179	(22,943)
	At 31 March 2017	5,510	67,110	31,518	31,100	(2,289)	132,949
	Transfer from corporation tax	-	-	-	-	2,291	2,291
	Transfer (to)/from profit and loss account	242	(2,762)	(136)	(165)	219	(2,602)
	Statement of recognised income and expense	-	(12,519)	19,516	-	-	6,997
	Adjustment in respect of prior periods	(724)	-	-	-	(614)	(1,338)
	At 31 March 2018	5,028	51,829	50,898	30,935	(393)	138,297
	Company						
	At 31 March 2016	6,705	71,248	40,900	-	(54)	118,799
	Transfer from/(to) profit and loss account	687	-	680	-	(69)	1,298
	Statement of recognised income and expense	-	6,550	(3,927)	-	-	2,623
	Adjustment in respect of prior periods	14	-	-	-	(19)	(5)
	Change in tax rate	(1,007)	(10,688)	(6,135)	-	8	(17,822)
	At 31 March 2017	6,399	67,110	31,518	-	(134)	104,893
	Transfer from/(to) profit and loss account	278	(2,762)	(136)	-	(54)	(2,674)
	Statement of recognised income and expense	-	(12,519)	19,516	-	-	6,997
	Adjustment in respect of prior periods	(777)	-	-	-	-	(777)
	At 31 March 2018	5,900	51,829	50,898	-	(188)	108,439

The notional tax payable on timing differences relating to the unrealised revaluation surplus on financial assets and the intangible assets on the acquisition of Puzzler Media Holdings Limited and Aberdeen Journals Limited would only crystallise if the related assets 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 17% (2017 - 17%).

23 Retirement benefits

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

The net pension charge for the year for the Parent under the IAS19 defined benefit scheme was £800,000 (2017 - credit £4,000,000). In addition, contributions of £1,173,000 (2017 - £1,056,000) were made to defined contribution schemes, including severance taken as pension contributions and other pension benefits.

Defined benefit schemes

The Parent Company and one subsidiary have members in 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 pension schemes for the Parent Company and its subsidiaries.

	2018 £000	2017 £000
Change in benefit obligation		
Benefit obligation at beginning of year	638,700	512,100
Current service cost	4,800	2,900
Interest cost	15,900	18,000
Actuarial (gains)/losses	(114,400)	130,800
Contributions - employee	-	-
Benefits paid	(26,600)	(25,100)
Benefit obligation at end of year – wholly funded	518,400	638,700
Change in plan assets		
Fair value of plan assets at beginning of year	824,100	716,600
Expected return on plan assets	20,700	25,300
Actuarial gains/(losses)	400	107,700
Contributions – employee	-	-
Benefits paid	(26,600)	(25,100)
Administration expenses	(800)	(400)
Fair value of plan assets at end of year	817,800	824,100
Retirement benefit surplus	299,400	185,400
	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

23 Retirement benefits (continued)

	2018 £000	2017 £000
Retirement benefit surplus		
Group and Company		
Surplus	299,400 =====	185,400 =====

The actuary is unable to provide separate valuations for the Parent Company and Aberdeen Journals Limited, so Aberdeen Journals Limited accounts for the scheme as a defined contribution scheme in its own company financial statements.

There is a cost in the income statement in respect of pension costs this year, in comparison to a credit in the previous year. There is a Defined Contribution arrangement with Company contributions in respect of some of the sections being paid from the surplus. These contributions are included in the service cost and will continue to be included in the service cost in future years. The service cost is higher than in the previous year mainly due to the introduction of a salary sacrifice arrangement for member contributions. Both the interest cost on the liabilities and the interest income on plan assets are lower than in the previous year due to a lower discount rate being applied. The administration expenses were also higher compared with the previous year. The combined impact is a small charge in the income statement.

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 64 (183) of IAS19. This limit restricts the recognised pension asset to the value of the benefits that will be accrued over the remaining life of the Fund, calculated at each year end, reduced by the value of any future contributions payable by the members themselves. Defined Benefit accrual in the Fund ceased from 31 March 2015 but has been replaced by the Defined Contribution arrangement. In addition, as a result of auto-enrolment, in future all employees will enter the Defined Contribution arrangement. A stable workforce in the future has been assumed. Based on these assumptions the value of the benefits that will be accrued over the future life of the Fund is higher than the surplus at 31 March 2018 and so the Group and Company can fully recognise the surplus. The 2017 figures also allow for the full surplus to 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.

23 Retirement benefits (continued)

	2018	2017
Components of pension cost	£000	£000
Current service cost	4,800	2,900
Interest cost	15,900	18,000
Administration expenses	800	400
Expected return on plan assets	(20,700)	(25,300)
Total pension charge/(credit) recognised in employee benefit costs	800	(4,000)
	=====	=====
Total pension gain/(loss) recognised in statement of comprehensive income	114,800	(23,100)
	=====	=====

Plan assets

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

Asset category	2018	2017
	%	%
Equities	83	84
Fixed interest gilts	11	-
Bonds	2	13
Cash and annuities	4	3
	=====	=====
	100	100
	=====	=====
	£000	£000
Amounts included in the fair value of assets for:		
Equities	679,900	693,600
Fixed interest gilts	91,600	-
Bonds	18,800	106,500
Cash and annuities	27,500	24,000
	=====	=====
	817,800	824,100
	=====	=====

DC Thomson & Company Limited

Notes to the financial statements (continued)

23 Retirement benefits (continued)

Weighted average assumptions used to determine benefit obligations

	2018	2017
	%	%
Discount rate	2.65	2.55
Rate of salary increase	4.35	4.40
Inflation rate (RPI)	3.35	3.40
Inflation rate (CPI)	2.35	2.40

Implied life expectancy at age 65:

Male currently aged 65	21.6	23.7
Male currently aged 45	23.7	26.0
Female currently aged 65	26.2	26.2
Female currently aged 45	28.6	28.6

Weighted average assumptions used to determine net pension cost for year

	2018	2017
	%	%
Discount rate	2.55	3.60
Rate of salary increase	4.40	4.20
Inflation rate (RPI)	3.40	3.20
Inflation rate (CPI)	2.40	2.20

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.

History	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Benefit obligation at end of year	518,400	638,700	512,100	571,500	464,365
Fair value of plan assets at end of year	817,800	824,100	716,600	731,500	698,432
Surplus	299,400 =====	185,400 =====	204,500 =====	160,000 =====	234,067 =====

Difference between expected and actual return on scheme assets:

Amount (£000)	(400)	(107,700)	13,100	(32,400)	(21,600)
Percentage of scheme assets	0%	13%	2%	4%	3%

Experience gains and losses on scheme liabilities:

Amount (£000)	24,500	-	-	14,900	(900)
Percentage of scheme liabilities	5%	-	-	3%	0%

Contributions

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

DC Thomson & Company Limited

Notes to the financial statements (continued)

24 Notes to the cash flow statement

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Cash and cash equivalents				
Bank balances	16,552	3,897	30,194	4,804
Call deposits	56,043	56,044	69,833	67,698
Cash and cash equivalents	72,595	59,941	100,027	72,502
	=====	=====	=====	=====

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

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Cash flows from operating activities include:				
Dividends	15,048	15,048	14,687	14,687
Interest	855	732	853	686
	15,903	15,780	15,540	15,373
	=====	=====	=====	=====

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

The interest arises primarily from deposits.

DC Thomson & Company Limited

Notes to the financial statements (continued)

25 Group companies

The Group's interest in its main group undertakings are as follows:

Subsidiary undertakings	Country of registration or incorporation	Principal activity
Aberdeen Journals Limited	Scotland	Publisher
brightsolid online innovation limited +	Scotland	Online publisher
		Secure business services online
Fifth Ring Limited (through holding company Clavamore Limited)	Scotland	Marketing communications
John Leng & Company Limited *	Scotland	Publishing holding company
Meadowside Leasing Limited *	Scotland	Publishing holding company
Parragon Publishing Limited +	England	Publisher
Puzzler Media Holdings Limited +	England	Publisher
Shortlist Media Limited	England	Publisher
Wild & Wolf Holdings Limited +	England	Product design, development and sale

* Intermediate holding company

+ Parent is intermediate holding company

Group undertakings are wholly owned apart from the Group interests in Fifth Ring Limited (through holding company Clavamore Limited) and Wild & Wolf Holdings Limited which are 63% and 86% respectively.

The Group also invests in a number of unlisted businesses using both equity and loans, some of which are treated as associates. The amounts involved individually and collectively are not regarded as material to the Group. Investments which are not group undertakings are included as financial assets in Note 15 and are carried at cost less provisions for impairment.

26 Contingent liabilities

The Group had guaranteed payments in favour of HMRC in respect of raw materials imports and other materials the maximum liability under which would be £250,000 (2017 - £250,000).

At the year end, the Group had provided a guarantee of £1.2m (2017 - £1.2m) for a commercial contract for Findmypast Limited with a third party.

The Group had also provided guarantees in respect of commercial contracts entered in to by brightsolid online technology limited with third parties.

At the year end, the Group had provided a guarantee of £25m (2017 - £25m) in favour of Barclays Bank plc in respect of borrowings of Parragon Publishing Limited. Post year end, the borrowing facilities have been settled in full and the security held by the bank has been satisfied.

Parragon Books Limited provided a guarantee of US\$Nil (2017 - US\$1.5m) for the borrowings of Parragon Publishing (India) Private Limited.

27 Financial commitments

	2018	2017
	£000	£000
Capital commitments - Group and Company		
Contracted for but not provided	2,606	2,123
	=====	=====

Contractual commitments – Group

At 31 March 2018, Parragon Publishing Limited had forward contracts to buy US\$Nil (2017 - US\$30.0m) and to sell €Nil (2017 - €4.0m) and AUS\$Nil (2017 - AUS\$4.0m) at a variety of rates.

DC Thomson & Company Limited

Notes to the financial statements (continued)

27 Financial commitments (continued)

Operating lease commitments - Group

At 31 March 2018, the Group had total commitments under non-cancellable operating leases as set out below:

	Land & buildings		Other	
	2018	2017	2018	2017
	£000	£000	£000	£000
Total amount payable where lease expires:				
Within one year	2,757	1,988	48	138
In second to fifth year inclusive	8,441	10,284	5	883
After five years	16,901	20,938	-	84
	<u>28,099</u>	<u>33,210</u>	<u>53</u>	<u>1,105</u>
	=====	=====	=====	=====

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

28 Related party transactions

The Parent Company undertook transactions on an arm's length basis with various subsidiaries and associates. All of these transactions and balances have been eliminated on consolidation and as such advantage has been taken of the disclosure exemptions permitted by IAS24.

Dividends paid to directors in the year totalled £522,000 (2017 - £498,000) being £147,000 (2017 - £143,000) for AF Thomson, £72,000 (2017 - £69,000) for CHW Thomson, £187,000 (2017 - £183,000) for ARF Hall and £116,000 (2017 - £103,000) for DHE Thomson.

29 Control

There is no individual controlling party.

30 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 financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DC Thomson & Company Limited

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

Opinion

We have audited the financial statements of DC Thomson & Company Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Group statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of changes in equity, the Company statement of changes in equity, the Group statement of cash flows, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted in the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

DC Thomson & Company Limited

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Gavin Black (Senior Statutory Auditor)
For and on behalf of Henderson Loggie, Statutory Auditor

31 October 2018

Chartered Accountants
Statutory Auditor