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SCOTTISH DAILY RECORD
AND SUNDAY MAIL LIMITED

ACCOUNTS - 31 DECEMBER 1985

C.R.O. EDINBURGH

31 OCT 1986

Coopers
& Lybrand

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Report of the directors

for the period from 1 April 1985 to 31 December 1985

1 The directors present their sixty-third annual report and accounts of the company for the period from 1 April 1985 to 31 December 1985.

Principal activities

2 The principal activity of the company is newspaper printing and publishing.

Change of accounting date

3 During the period a decision was taken to change the accounting reference date to 31 December to bring it into line with the holding company.

Results and dividends

4 The results for the period are shown in the profit and loss account on page 4. The directors recommend that a dividend of £7,000,000 be paid.

Review of business

5 Turnover increased by 9% during the period, and, although there was increased activity in the market place, sales of both the company's publications continued to perform well. Advertising volumes and yields also continued to increase against a background of some cutbacks in the local Scottish market. In general, the increase in costs was slightly lower than the revenue uplift.

Future developments

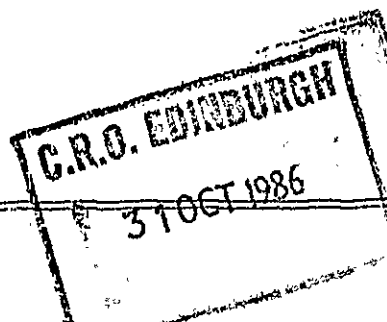
6 The aim of the directors is to improve and consolidate the position of the company's titles in their respective markets. As from 1 April 1986, the publishing side of the business will be handled by a new company, Scottish Daily Record & Sunday Mail (1986) Limited with the printing and ancillary functions performed by BNPC (Scotland) Limited.

Tangible assets

7 The movements in tangible assets during the period are set out in note 12 to the accounts.

Directors

8 The directors at 31 December 1985, all of whom have been in office throughout the period ended on that date, were:-



8 (continued)

D A Webster	- Chairman
V L Horwood	- Managing Director
I R Maxwell	
A F H Henry	
E J Laird	
C J S McClatchie	
G B Terris	
B Vickers	
Sir Alwyn Williams	

Mr R J Lindsay was appointed as a director of the company on 1 January 1986. On 20 January 1986 Mr I R Maxwell succeeded Mr D A Webster as Chairman. Mr J Haines was appointed a director of the company on 13 February 1986.

Directors' interests

9 According to the register maintained under the provisions of the Companies Act 1985 no directors had an interest in the shares of the company during the period and, other than Mr I R Maxwell, no directors had an interest in its associated companies. The interests of Mr I R Maxwell are disclosed in the accounts of Pergamon Press Limited.

Employee involvement

10 The importance of meaningful communication and consultation systems for good industrial relations is recognised by the company and these systems are continually being developed and improved. It is the policy of the company that employees are encouraged to contribute to the company's objective of creating and maintaining an efficient, competitive and profitable enterprise.

Disabled persons

11 It is the policy of the company to employ disabled persons, whenever possible, in jobs suited to their individual circumstances and to give them full and fair consideration at all times in recruitment, career development, and for training and promotion.

Auditors

12 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD


Secretary

GLASGOW, 30 September 1986

Report of the auditors to the members of
SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

We have audited the accounts set out on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1985 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants
GLASGOW, 30 September 1986

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Profit and loss account
for the period from 1 April 1985 to 31 December 1985

	Notes	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Turnover	2	42,238	51,649
Operating profit	3	6,383	5,307
Income from unlisted investments	4	49	27
Profit on ordinary activities before taxation	5	6,432	5,334
Tax on profit on ordinary activities	6	632	(2,463)
Profit for the period before extraordinary item		7,064	2,871
Extraordinary item	7	3,340	-
Profit for the period after extraordinary item		10,404	2,871
Dividends		(7,000)	(2,500)
Retained profit for the period		3,404	371
STATEMENT OF RETAINED PROFITS			
At 1 April 1985		1,340	1,495
As previously reported		-	526
Re-classification			
Re-stated as		1,340	969
Retained profit for the period		3,404	371
At 31 December 1985		4,744	1,340

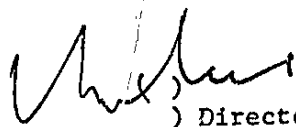
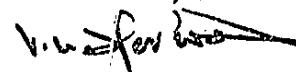
The notes on pages 7 to 15 form part of these accounts.

Auditors' report page 3.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Balance sheet - 31 December 1985

	Notes	31 December 1985 £'000	31 March 1985 £'000
FIXED ASSETS			
Tangible assets	12	7,213	7,406
Investments	13	1,470	189
		<u>8,683</u>	<u>7,595</u>
CURRENT ASSETS			
Stocks	14	564	577
Debtors	15	14,779	5,892
Cash at bank and in hand		322	241
		<u>15,665</u>	<u>6,710</u>
CREDITORS: amounts falling due within one year	16	16,466	(11,141)
NET CURRENT LIABILITIES		<u>(801)</u>	<u>(4,431)</u>
Total assets less current liabilities		7,882	3,164
CREDITORS: amounts falling due after more than one year	17	(1,264)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	(200)	(150)
		<u>6,418</u>	<u>3,014</u>
CAPITAL AND RESERVES			
Called-up share capital	19	1,022	1,022
Share premium account		18	18
Revaluation reserve		634	634
Profit and loss account		4,744	1,340
		<u>6,418</u>	<u>3,014</u>


) Directors


The notes on pages 7 to 15 form part of these accounts.

Auditors' report page 3.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Statement of source and application of funds
for the period from 1 April 1985 to 31 December 1985

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
SOURCE OF FUNDS:		
Profit on ordinary activities before taxation	6,432	5,334
Extraordinary item	3,340	-
	<u>9,772</u>	<u>5,334</u>
Adjustment for items not involving the movement of funds:		
Depreciation	489	611
Profit on sale of tangible assets	(22)	(21)
Provision for diminution in value of investments	44	14
	<u>10,283</u>	<u>5,938</u>
Total from operations		
Funds from other sources:		
Sale proceeds of fixed assets	56	78
	<u>10,339</u>	<u>6,016</u>
Total source of funds		
APPLICATION OF FUNDS:		
Purchase of fixed assets	(330)	(1,581)
Dividends paid	(2,500)	-
Tax paid	(592)	(663)
Purchase of investments	(1,280)	(20)
	<u>5,637</u>	<u>3,752</u>
INCREASE IN WORKING CAPITAL		
Represented by:		
Decrease in stocks	(13)	(10)
Increase in debtors	1,867	503
Increase in creditors	(2,088)	(631)
	<u>(236)</u>	<u>(138)</u>
Movement in net liquid funds:		
Bank and cash balances	81	181
Cash balance in account with group companies	<u>5,792</u>	<u>3,709</u>
	<u>5,637</u>	<u>3,752</u>

Auditors' report page 3.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985

1 Principal accounting policies

The accounts are prepared in accordance with the historical cost convention as modified by the revaluation of land and buildings. A summary of the more important accounting policies is set out below.

(a) Turnover

Turnover consists of revenue from the sale of newspapers and advertising, exclusive of value added tax.

(b) Tangible assets

Tangible assets are stated at cost or valuation less government grants.

(c) Depreciation

Depreciation has been provided for on all buildings, plant, machinery and other equipment on a basis that will write off by equal annual instalments, the cost or valuation of these assets within their expected useful life. No depreciation has been provided on land. Depreciation rates applied are as follows:-

Buildings	2%
Plant and machinery	4% to 25%
Furniture and fittings	6 2/3%
Motor vehicles	25%

(d) Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost represents purchase invoice price.

(e) Deferred taxation

No deferred tax provision is made for capital allowances in excess of depreciation charged in the accounts and other timing differences except when it is expected that the potential tax will be payable in the foreseeable future.

(f) Pensions

It is the policy of the company to provide for retirement benefits by payments to an approved pension scheme. Company contributions in respect of current service costs and past service liabilities are charged in arriving at the profit for the year.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

1(g) Consolidated accounts

Group accounts have not been prepared for the company and its subsidiary as the company is a wholly owned subsidiary of Mirror Group Newspapers Limited, which is incorporated in Great Britain.

2 Turnover

Turnover, which is derived totally from printing and publishing, is stated at net invoice value, excluding value added tax, of amounts charged for goods supplied and services rendered. Turnover was comprised substantially of sales in the United Kingdom.

3 Operating Profit

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Turnover	42,238	51,649
Cost of sales	(28,591)	(36,581)
	<u>13,647</u>	<u>15,068</u>
Distribution costs	(1,594)	(1,883)
Administrative expenses	(5,670)	(7,878)
	<u>6,383</u>	<u>5,307</u>
Operating profit		

4 Income from unlisted investments

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Dividends received	45	23
Loan stock interest	4	4
	<u>49</u>	<u>27</u>
	<u>=</u>	<u>=</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

5 (continued)

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Depreciation of tangible assets	489	611
Directors' emoluments (note 8)	196	361
Auditors' remuneration	11	10
Hire of plant and machinery	2	5
Hire purchase interest	39	-
Bank overdraft interest	18	26
Amounts written off investments	44	14

and crediting:

Profit on sale of tangible assets	22	21
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6 Taxation on profit on ordinary activities

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Payment for group relief	-	(2,300)
Over/(under)-provisions in respect of prior years	697	(6)
ACT on franked investment income	(15)	(7)
Deferred taxation	(50)	(150)
	<u>632</u>	<u>(2,463)</u>

There is no corporation tax charge for the period in view of losses surrendered by fellow subsidiaries without charge.

7 Extraordinary item

	9 months ended 31 December 1985 £'000	Year ended 31 March 1985 £'000
Gain on sale of unlisted investment	<u>3,340</u>	<u>-</u>

8 Directors' emoluments

Directors' emoluments, excluding pension contributions, were:-

	9 months ended 31 December 1985 £	Year ended 31 March 1985 £
Emoluments of chairman	<u>31,443</u>	<u>41,744</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

8 (continued)

The emoluments of the directors were within the ranges:-

	<u>Number</u>	<u>Number</u>
Nil - £5,000	2	3
£10,001 - £15,000	-	2
£15,001 - £20,000	2	-
£25,001 - £30,000	3	1
£30,001 - £35,000	2	1
£35,001 - £40,000	-	3
£40,001 - £45,000	-	2
	<u>9</u>	<u>12</u>

9 Employees

The average number of persons employed by the company during the period was:-

	<u>9 months ended</u> <u>31 December 1985</u>	<u>Year ended</u> <u>31 March 1985</u>
Production	842	843
Selling and distribution	123	121
Administration	105	106
	<u>1,070</u>	<u>1,070</u>

10 Employment costs

Employment costs of all employees, including directors, were:-

	<u>9 months ended</u> <u>31 December 1985</u> £'000	<u>Year ended</u> <u>31 March 1985</u> £'000
Aggregate gross wages and salaries paid to the company's employees	17,415	20,877
Social security costs	1,063	1,026
Employer's pension contributions	-	2,232
	<u>18,478</u>	<u>24,135</u>

11 Employee emoluments

There were no employees with emoluments in excess of £30,000 during the period ended 31 December 1985 (year ended 31 March 1985 - 2).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

12 Tangible fixed assets

	<u>Land and buildings</u> £'000	<u>Plant and machinery</u> £'000	<u>Motor Vehicles</u> £'000	<u>Furniture and fittings</u> £'000	<u>Total</u> £'000
Cost or valuation					
At 1 April 1985	3,362	6,645	742	385	11,134
Additions	18	115	155	42	330
Disposals	-	-	(120)	-	(120)
Inter group transfers	-	-	(15)	-	(15)
At 31 December 1985	<u>3,380</u>	<u>6,760</u>	<u>762</u>	<u>427</u>	<u>11,329</u>
Depreciation					
At 1 April 1985	60	3,109	333	226	3,728
Charge for period	46	277	137	29	489
Disposals	-	-	(96)	-	(96)
Inter group transfers	-	-	(5)	-	(5)
At 31 December 1985	<u>106</u>	<u>3,386</u>	<u>369</u>	<u>255</u>	<u>4,116</u>
Net book value at 31 December 1985					
At valuation	3,251	-	-	-	3,251
At cost	23	3,374	393	172	3,962
	<u>3,274</u>	<u>3,374</u>	<u>393</u>	<u>172</u>	<u>7,213</u>
Net book value at 31 March 1985					
At valuation	3,296	-	-	-	3,296
At cost	6	3,536	409	159	4,110
	<u>3,302</u>	<u>3,536</u>	<u>409</u>	<u>159</u>	<u>7,406</u>

(a) The company's land and buildings were valued at 31 March 1984 by Weatherall, Green & Smith, Chartered Surveyors, on an open market basis.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

12 (continued)

	31 December 1985 £'000	31 March 1985 £'000
(b) Freehold land and buildings would have been included on a historic cost basis at:		
Cost	2,966	2,948
Aggregate depreciation	(1,014)	(973)
	<u>1,952</u>	<u>1,975</u>

13 Investments

	£'000
Cost	
At 1 April 1985	234
Additions	1,280
	<u>1,514</u>
At 31 December 1985	44
Less: Provision for diminution in value	<u>1,470</u>

(a) The above investments are unlisted and are shown at cost less provision for diminution in value. The unlisted investments are not freely marketable, and in the opinion of the directors, it is not possible to value them accurately. The directors consider, however, that their value is in excess of book value.

(b) Details of investments, which exceeded 10% of the issued equity capital of the companies concerned, are:-

<u>Name of company</u>	<u>Registered in</u>	<u>% of equity share capital held</u>
SDR Developments Limited	Scotland	100.0
Radio Tay Limited	Scotland	20.0
Moray Firth Radio Limited	Scotland	11.3
North of Scotland Radio Limited	Scotland	10.4
Clyde Cablevision Limited	Scotland	13.2
Mirror Group Pension Trustees Limited	England	50.0

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts -- 31 December 1985 continued

14 Stocks

	<u>31 December 1985</u>	<u>31 March 1985</u>
	<u>£'000</u>	<u>£'000</u>
Raw materials and consumables	564	577

There is no material difference between the balance sheet value of stocks and their replacement cost.

15 Debtors

	<u>31 December 1985</u>	<u>31 March 1985</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	5,743	4,972
Amounts due from parent company	7,022	-
Other debtors	846	748
Prepayments and accrued income	1,168	172
	<u>14,779</u>	<u>5,892</u>

All debtors are due within one year of the balance sheet date with the exception of hire purchase interest of £426,000 (March 1985 - nil) included in other debtors.

16 Creditors: amounts falling due within one year

	<u>31 December 1985</u>	<u>31 March 1985</u>
	<u>£'000</u>	<u>£'000</u>
Trade creditors	4,411	2,963
Amounts owing to fellow subsidiaries	298	1,226
Other creditors	20	28
Hire purchase creditor	353	-
Taxation and social security	2,081	562
Corporation tax	431	1,999
Accruals	1,872	1,863
Dividends payable	7,000	2,500
	<u>16,466</u>	<u>11,141</u>

17 Creditors: amounts falling due after more than one year

	<u>31 December 1985</u>	<u>31 March 1985</u>
	<u>£'000</u>	<u>£'000</u>
Hire purchase creditor	1,264	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

18 Deferred taxation

	31 December 1985		31 March 1985	
	Provision made	Full potential liability	Provision made	Full potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	200	1,394	150	1,321
Revalued properties	-	108	-	108
Other timing differences	-	(61)	-	(31)
	<u>200</u>	<u>1,441</u>	<u>150</u>	<u>1,398</u>

Movements on the provision for deferred taxation are:-

	£'000
At 1 April 1985	150
Transferred from profit and loss account	50
At 31 December 1985	<u>200</u>

19 Called up share capital

	31 December 1985	31 March 1985
	£'000	£'000
Authorised:		
1,022,100 ordinary shares of £1 each	<u>1,022</u>	<u>1,022</u>
Allocated called up and fully paid:		
1,022,084 ordinary shares of £1 each	<u>1,022</u>	<u>1,022</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1985 continued

20 Capital commitments

	<u>31 December 1985</u>	<u>31 March 1985</u>
	<u>£'000</u>	<u>£'000</u>
Expenditure contracted for	1,264	208
Authorised by directors but not		
contracted for	<u>Nil</u>	<u>Nil</u>
	<u>1,264</u>	<u>208</u>

21 Ultimate holding company

The company is a wholly owned subsidiary company of Mirror Group Newspapers Limited, the ultimate holding company being Pergamon Holding Foundation, a company incorporated in Liechtenstein.

Auditors' report page 3.