SCOTTISH DAILY RECORD
AND SUNDAY MAIL LIMITED

ACCOUNTS - 31 DECEMBER 1986

C.R.O. EDINBURGH
28 JUL 1987

Coopers
&Lybrand

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Report of the directors
for the year ended 31 December 1986

1 The directors present their sixty-fourth annual report and the accounts of the company for the year ended 31 December 1986.

Principal activities

2 The principal activity of the company is newspaper printing and publishing. On 1 April 1986, the printing and ancillary functions were transferred to BNPC (Scotland) Limited with the publishing activities being transferred to Scottish Daily Record and Sunday Mail (1986) Limited. Since that date Scottish Daily Record and Sunday Mail (1986) Limited has operated as an agent for Scottish Daily Record and Sunday Mail Limited and the results of the publishing activities are incorporated in this company's accounts.

Results and dividends

3 The results for the year are shown in the profit and loss account on page 4. The costs of the printing and ancillary functions incurred by BNPC (Scotland) Limited have been recharged to Scottish Daily Record and Sunday Mail Limited and have been deducted in arriving at the operating profit. The directors recommend that no dividend be declared for the year.

Review of business

4 The year saw several new titles being launched in both the daily and Sunday markets. In addition, the News International plant at Kinning Park, Glasgow became operational in January 1986. Despite these moves, sales of both the company's publications performed well with record Audit Bureau of Circulation sales achieved for the year. A protracted dispute during March 1986 resulted in the significant loss of circulation and advertising revenues, although thereafter operational costs were lower following a successful cost reduction programme.

Future developments

5 The aim of the directors is to consolidate, develop and improve the position of the company titles in their respective markets.

Tangible assets

6 The movements in tangible assets during the year are set out in note 14 to the accounts.

28 JUL 1987

Directors

7 The directors at 31 December 1986, were:-

I R Maxwell	-	Chairman
V L Horwood	-	Chief Executive
J T W Haines	-	Appointed 13 February 1986
A F H Henry		
E J Laird		
R J Lindsay	-	Appointed 1 January 1986
C J S McClatchie		
G B Terris		
B Vickers		
D A Webster		
Sir Alwyn Williams		

On 20 January 1986, Mr I R Maxwell succeeded Mr D A Webster as Chairman. Mr D A Webster resigned as a director on 12 February 1987.

Directors' interests

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

Employee involvement

9 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

10 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

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

BY ORDER OF THE BOARD

Secretary
Glasgow, 18 June 1987

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 17 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 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants
GLASGOW, 18 June 1987

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Profit and loss account for the year ended 31 December 1986

	Notes	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Turnover	2	52,868	42,238
Operating profit	3	3,298	6,383
Income from unlisted investments	4	19	49
Profit on ordinary activities before taxation	5	3,317	6,432
Tax on profit on ordinary activities	6	(1,992)	632
Profit for the year before extraordinary item		1,325	7,064
Extraordinary item	7	-	3,340
Profit for the year after extraordinary item		1,325	10,404
Dividends		-	(7,000)
Retained profit for the year		1,325	3,404
STATEMENT OF RETAINED PROFITS			
At 1 January 1986		4,744	1,340
Retained profit for the year		1,325	3,404
At 31 December 1986		6,069	4,744

The notes on pages 7 to 17 form part of these accounts.

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SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Balance sheet - 31 December 1986

	Notes	1986 £'000	1985 £'000
FIXED ASSETS			
Tangible assets	14	6,926	7,213
Investments	15	2,357	1,470
		9,283	8,683
CURRENT ASSETS			
Stocks	18	476	564
Debtors	19	29,077	14,779
Cash at bank and in hand		22	322
		29,575	15,665
CREDITORS: amounts falling due within one year	20	(29,034)	(16,466)
NET CURRENT ASSETS/(LIABILITIES)		541	(801)
Total assets less current liabilities		9,824	7,882
CREDITORS: amounts falling due after more than one year	21	(912)	(1,264)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(1,169)	(200)
		7,743	6,418
CAPITAL AND RESERVES			
Called up share capital	23	1,022	1,022
Share premium account		18	18
Revaluation reserve		634	634
Profit and loss account		6,069	4,744
		7,743	6,418

) Directors
)

The notes on pages 7 to 17 form part of these accounts.

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SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Statement of source and application of funds
for the year ended 31 December 1986

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
SOURCE OF FUNDS:		
Profit on ordinary activities before taxation	3,317	6,432
Extraordinary item	-	3,340
	3,317	9,772
Adjustment for items not involving the movement of funds:		
Depreciation	714	489
Profit on sale of tangible assets	(38)	(22)
Provision for diminution in value of investments	33	44
Total from operations	4,026	10,283
Funds from other sources:		
Sale proceeds of fixed assets	71	56
Sale proceeds of investment	20	-
Total source of funds	4,117	10,339
APPLICATION OF FUNDS:		
Purchase of fixed assets	(460)	(330)
Dividends paid	(7,000)	(2,500)
Tax paid	(391)	(592)
Purchase of investments	(940)	(1,280)
INCREASE/(DECREASE) IN WORKING CAPITAL	(4,674)	5,637
Represented by:		
Decrease in stocks	(88)	(13)
Increase in debtors	652	1,865
Increase in creditors	(12,729)	(2,088)
	(12,165)	(236)
Movement in net liquid funds:		
Increase/(decrease) in bank and cash balances	(1,407)	81
Increase in amounts due to group companies	8,898	5,792
	(4,674)	5,637

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Principal accounting policies

1 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) Tax

The charge for tax is based on the profit for the year, as adjusted for disallowable items, and for timing differences to the extent that they are likely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of other timing differences as reduced by the tax benefit of any accumulated losses is treated as a deferred tax liability.

1 (continued)

(f) Pensions

It is the policy of the company to provide for retirement benefits by payments to an approved pension scheme.

(g) Consolidated accounts

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

Turnover

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

Operating profit

3	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Turnover	52,868	42,238
Cost of sales	(41,401)	(28,591)
	11,467	13,647
Distribution costs	(2,029)	(1,594)
Administrative expenses	(6,140)	(5,670)
Operating profit	3,298	6,383

Income from unlisted investments

4	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Dividends received	17	45
Loan stock interest	2	4
	19	49

Profit on ordinary activities before taxation

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

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Depreciation of tangible assets	714	489
Directors' emoluments (note 8)	300	196
Auditors' remuneration	11	11
Hire of plant and machinery	-	2
Hire purchase interest	93	39
Bank loan and overdraft interest	365	18
Interest payable to group companies	69	-
Amounts written off investments	33	44
and crediting:		
Interest receivable from group companies	304	-
Profit on sale of tangible assets	38	22

Tax on profit on ordinary activities

6

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Corporation Tax payable at 36.25%	(990)	-
Consortium relief	(71)	-
Over-provisions in respect of prior years	44	697
ACT on franked investment income	(6)	(15)
Transfer to deferred taxation	(969)	(50)
	(1,992)	632

(a) There is a reduced liability to Corporation Tax on the profit for the year, since part of the taxable profit will be eliminated by taxation losses surrendered by fellow subsidiaries, without charge, by way of group relief.

(b) Following a review of the company's future capital expenditure policy, it has been decided to provide for the full potential liability to deferred taxation at 31 December 1986, where timing differences are likely to result in an actual tax liability in the foreseeable future.

Extraordinary item

7

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Gain on sale of unlisted investment	-	3,340

Directors' emoluments

8 Directors' emoluments, including pension contributions, were:-

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
As directors	290	196
Compensation for loss of office	10	-
	300	196

9 Directors' emoluments, excluding pension contributions, were:-

	Year ended 31 December 1986 £	9 months ended 31 December 1985 £
Emoluments of chairman	3,660	31,443
Emoluments of highest paid director	53,448	31,443

The emoluments of the directors were within ranges:-	Number	Number
Nil - £ 5,000	3	2
£ 5,001 - £10,000	1	-
£15,001 - £20,000	-	2
£25,001 - £30,000	-	3
£30,001 - £35,000	2	2
£35,001 - £40,000	3	-
£40,001 - £45,000	1	-
£50,001 - £55,000	1	-

Employees

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

	Year ended 31 December 1986	9 months ended 31 December 1985
Production	386	842
Selling and distribution	87	123
Administration	31	105
	504	1,070

Employment costs

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

	Year ended 31 December 1986 £'000	9 months ended 31 December 1985 £'000
Aggregate gross wages and salaries	10,693	17,415
paid to the company's employees	869	1,063
Social security costs	11,562	18,478

Employee emoluments

12 The number of employees of the company (excluding directors) whose emoluments were within the ranges were:-

	Year ended 31 December 1986	9 months ended 31 December 1985
£30,001 - £35,000	2	-
£35,001 - £40,000	1	-

Pension arrangements

13 The pension scheme in which company employees are members, was revalued on 5 April 1985, by independent actuaries who reported the scheme to be in substantial surplus. Subsequently, the Trustees agreed to significant improvements to individual members' benefits and also declared a pension holiday for company contributions for the years ended 5 April 1986 and 5 April 1987. As a result of the pension holiday, the charge for pension contributions in the 1986 accounts has been reduced by £1,269,000 (1985 - £1,8[illegible]6,000).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1986 continued

Tangible fixed assets

14

	Freehold Land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Furniture and fittings £'000	Totals £'000
Cost or valuation					
At 1 January 1986	3,380	6,760	762	427	11,329
Additions	-	238	188	24	450
Disposals	-	(15)	(203)	-	(218)
Inter group transfers	-	-	13	-	13
At 31 December 1986	3,380	6,983	760	451	11,574
Depreciation					
At 1 January 1986	106	3,386	369	255	4,116
Charge for year	60	429	188	37	714
Disposals	-	(15)	(170)	-	(185)
Inter group transfers	-	-	3	-	3
At 31 December 1986	166	3,800	390	292	4,648
Net book value at 31 December 1986					
At valuation	3,191	-	-	-	3,191
At cost	23	3,183	370	159	3,735
	3,214	3,183	370	159	6,926
Net book value at 31 December 1985					
At valuation	3,251	-	-	-	3,251
At cost	23	3,374	393	172	3,962
	3,274	3,374	393	172	7,213

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

14 (continued)

(b) Freehold land and buildings would have been included on a historic cost basis at:-

	1986 £'000	1985 £'000
Cost	2,966	2,966
Aggregate depreciation	(1,070)	(1,014)
Net book value	1,896	1,952

Investments

15

	Notes	1986 £'000	1985 £'000
Shares in group companies	16	900	-
Other investments - at cost less amounts written off	17	1,457	1,470
		2,357	1,470

Shares in group companies

16(a) Details of shares in group companies are as follows:-

Name of company	Registered in	Description of shares held	% of equity share capital held
SDR Helicopters PLC	Scotland	Ordinary 'B' £1 shares	90
SDR Developments Limited	Scotland	Ordinary £1 shares	100

(b) The principal business activity of SDR Helicopters PLC is to act as buyers, sellers, agents and brokers in aircraft and carry on the business of aircraft charterers.

(c) SDR Developments Limited is dormant and did not trade during the year ended 31 December 1986.

Other investments

17(a) Other 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:-

Name of company	Registered in	Description of shares held	% of equity share capital held
Moray Firth Radio Limited	Scotland	Ordinary £1 shares	11.3
North of Scotland Radio Limited	Scotland	Ordinary £1 shares	10.4
Clyde Cablevision Limited	Scotland	Ordinary 25p shares and Ordinary 'B' £1 shares	13.2
Mirror Group Pension Trustees Limited	England	Ordinary £1 shares	50.0

(c) The investment in Radio Tay Limited was disposed of during the year.

Stocks	1986 £'000	1985 £'000
18		
Raw materials and consumables	476	564

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

Debtors	1986 £'000	1985 £'000
19		
Trade debtors	7,015	5,743
Amounts due from holding company and fellow subsidiaries	20,668	7,022
Other debtors	1,177	846
Prepayments and accrued income	217	1,168
	29,077	14,779

19 (continued)

(a) All debtors are due within one year of the balance sheet date with the exception of hire purchase interest of £240,000 (1985 - £333,000) included in other debtors.

(b) Amounts due from holding company and fellow subsidiaries include £13,500,000 advanced to SDR Helicopters PLC for the acquisition of the whole of the issued share capital and subsequent general funding of British International Helicopters PLC.

Creditors: amounts falling due within one year

20	1986 £'000	1985 £'000
Bank overdraft	1,107	-
Loan from Bank of Nova Scotia ((a) below)	13,500	-
Trade creditors	4,509	4,411
Amounts owed to group companies:		
Subsidiaries	1,000	-
Holding company and fellow subsidiaries	4,046	298
Other creditors	78	20
Hire purchase creditor	353	353
Taxation and social security	1,085	2,081
Corporation tax	1,061	431
Accruals	2,295	1,872
Dividends payable	-	7,000
	29,034	16,466

(a) The Bank of Nova Scotia has made available to the company loan facilities of £23,500,000. At 31 December 1986, £13,500,000 of this facility had been utilised. The company's obligations to the bank are guaranteed by Pergamon Holdings Limited.

Creditors: amounts falling due after more than one year

21	1986 £'000	1985 £'000
Hire purchase creditor	912	1,264

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1986 continued

Provision for liabilities and charges - deferred taxation

22

	1986		1985	
	Provision made	Full potential liability	Provision made	Full potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,236	1,236	200	1,394
Revalued properties	-	108	-	108
Other timing differences	(67)	(67)	-	(61)
	1,169	1,277	200	1,441

Following a review of the company's future capital expenditure policy, it has been decided to provide for the full potential liability to deferred taxation at 31 December 1986, where timing differences are likely to result in an actual tax liability in the foreseeable future.

Movements on the provision for deferred taxation are:-

	£'000
At 1 January 1986	200
Transferred from profit and loss account	969
At 31 December 1986	1,169

Called up share capital

23

	1986 £'000	1985 £'000
Authorised: 1,022,100 ordinary shares of £1 each	1,022	1,022
Allotted, called up and fully paid: 1,022,084 ordinary shares of £1 each	1,022	1,022

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

Notes to the accounts - 31 December 1986 continued

Capital commitments

24	1986 £'000	1985 £'000
Expenditure contracted for	59	110
Authorised by directors but not contracted for	NIL	NIL
	59	110

Ultimate holding company

25 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.

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