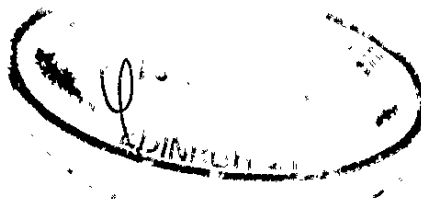


SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED
(Registered Number 12921)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1992



Price Waterhouse



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED
(Registered Number 12921)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1992



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS AND ADVISERS

Directors

C. Allwood
JW Anderson
KJ Beatty
JB Cassidy
TM Connor
AFH Henry
EJ Laird
M MacLennan
CJS McClatchie
K MacMaster
DJ Montgomery
GB Terris
PA Vickers

Auditors

Price Waterhouse
1 Blythswood Square
GLASGOW
G2 4AD

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
GLASGOW
G2 6SB

Secretary and registered office

AFH Henry
40 Anderston Quay
GLASGOW
G3 8DA

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 1992.

Principal activity

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

Review of the business

The results for the year are set out in the profit and loss account on page 7.

During the year, sales of both titles increased in both circulation and advertising revenue and the aim of the directors is to consolidate, develop and improve the position of the company's titles in their respective markets in the future.

The company has remodelled its plans for the construction and introduction of new printing facilities resulting in a saving of around £20 million from the original planned cost of £114 million.

The company is currently negotiating to acquire a greenfield site at Cardonald near Glasgow Airport and construction work is scheduled to begin as soon as possible in 1993.

The directors are confident that this project will substantially enhance the future development of the company.

Results, dividends and retained profits

An interim dividend of £3,000,000 (1991 - £Nil) was paid during the year. The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 1992 (1991 - £Nil). The loss on ordinary activities after taxation amounted to £29,226,000 which after the dividend of £3,000,000 resulted in a transfer from reserves of £32,226,000 (1991 - transfer from reserves of £19,814,000).

Pensions

In December 1991, following the death of Robert Maxwell, it became clear that there had been a significant misappropriation of assets from the pension schemes of Mirror Group Newspapers plc and its subsidiaries ("the Group"). New pension arrangements have since been created and the funding of the past service deficit attributable to current and past employees has commenced. These matters are described in note 9 to the financial statements.

Fixed assets

Movements in tangible fixed assets during the year are set out in note 13 to the financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

Directors

The following served as directors during the year:

Sir Kenneth Alexander	-	resigned 18 November 1992
CJ Allwood	-	appointed 16 December 1992
JW Anderson		
JTW Haines	-	resigned 22 October 1992
AFH Henry		
VL Horwood		
EJ Laird		
Mrs HL Liddell		
M MacLennan	-	appointed 11 November 1992
CJS McClatchie		
KJ McMahon		
DJ Montgomery	-	appointed 16 December 1992
GB Terris		

Mr TM Connor, Ms K MacMaster and Mr PA Vickers were appointed as directors on 26 February 1993. Mr KJ Beatty and Mr JB Cassidy were appointed as directors on 21 April 1993.

Mrs HL Liddell and Messrs VL Horwood and KJ McMahon resigned as directors on 18 January 1993, 22 January 1993 and 12 March 1993, respectively.

Directors' Interests

According to the register maintained under the provisions of the Companies Act 1985, no directors had any interest in shares of the company during the year. The directors at 31 December 1992, who were not also directors of the company's holding company, Mirror Group Newspapers plc ("MGN"), and their beneficial interests in the share capital of the holding company, were as follows:

	31 December 1992 Ordinary shares of 25p each	1 January 1992 or subsequent date of appointment, if later, Ordinary shares of 25p each
JW Anderson	10,866	200
AFH Henry	12,200	200
VL Horwood	2,000	2,000
Mrs HL Liddell	400	400
CJS McClatchie	15,000	1,000
KJ McMahon	10,866	200
GB Terris	10,866	Nil

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

Directors' interests (continued)

The company participates in a share option scheme by which directors and certain executives are able to subscribe for shares in MGN. The interests of the directors holding office at the year end and who were not also directors of the holding company, at 1 January 1992 and 31 December 1992, were:

	Number Ordinary shares of 25p each	Exercisable		Option price
		From	To	
JW Anderson	48,000	17 May 1994	17 May 2001	£1.25
AFH Henry	48,000	17 May 1994	17 May 2001	£1.25
VL Horwood	64,000	17 May 1993	17 May 2001	£1.25
Mrs HL Liddell	40,000	17 May 1994	17 May 2001	£1.25
CJS McClatchie	48,000	17 May 1994	17 May 2001	£1.25
KJ McMahon	48,000	17 May 1994	17 May 2001	£1.25
GB Terris	48,000	17 May 1994	17 May 2001	£1.25

The interests of Mr CJ Allwood, Mr EJ Laird, Mr M McLennan, and Mr DJ Montgomery are disclosed in the financial statements of MGN.

Insurance of directors

The Group maintains insurance for its directors in respect of their duties as directors. Insurers' rights under the policy have been fully reserved for the accounting period ended 31 December 1991 and it remains the directors' view that the insurers may seek to avoid liability under that policy.

Political and charitable donations

Contributions of £10,593 (1991 - £16,170) were made during the year for charitable purposes. No contributions were made for any political purposes.

Employee involvement

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

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.

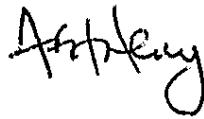
SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1992 (CONTINUED)

Auditors

Coopers & Lybrand resigned as auditors on 30 July 1992 and were, on the same date, replaced by Price Waterhouse. Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



AFH HENRY
Secretary
Glasgow

8 June 1993

Price Waterhouse

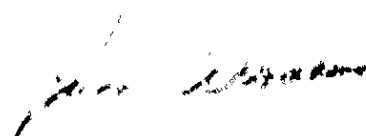
**AUDITORS' REPORT TO THE MEMBERS OF
SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED**

We have audited the financial statements on pages 7 to 26 in accordance with Auditing Standards.

As explained in note 9, there are potential adjustments to the company's pension funding obligations, and to related pension fund assets, which would change the pension funding deficit provided for in the financial statements. Consequently, although the directors believe that they have made prudent estimates of the expected costs to the company in arriving at provisions for these contingencies and obligations, additional unprovided costs may arise when these uncertainties are resolved. Conversely, the provisions made in respect of the above matters may prove to be excessive. The auditors' report on the financial statements at 31 December 1991 was qualified with regard to the same uncertainties.

Subject to the adjustments, if any, that may be required when the uncertainties referred to above are resolved, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1992 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without further qualifying our opinion above we draw attention to note 24 which explains that it will be necessary for the Group to refinance its borrowings prior to 30 June 1994.


PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

8 June 1993

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1992

	Notes	<u>1992</u> £'000	<u>1991</u> as restated £'000
TURNOVER	2	85,419	82,766
Cost of sales		<u>(42,146)</u>	<u>(43,808)</u>
GROSS PROFIT		43,273	38,958
Other operating expenses	3	<u>(21,697)</u>	<u>(20,039)</u>
TRADING PROFIT		21,576	18,919
Exceptional items	6	<u>(53,900)</u>	<u>(52,600)</u>
OPERATING LOSS		(32,324)	(33,681)
Income from investments	7	<u>15</u>	<u>15</u>
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS		(32,309)	(33,666)
Finance costs			
- Net interest receivable	8	1,216	4,586
- Pension finance charge	9	<u>(4,859)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	10	(35,952)	(29,080)
Taxation	11	<u>6,726</u>	<u>9,266</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(29,226)	(19,814)
Interim dividend paid		<u>(3,000)</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	22	<u>(32,226)</u>	<u>(19,814)</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

OTHER STATEMENTS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - FOR THE YEAR ENDED 31 DECEMBER 1992

There is no material difference between the reported loss for the financial year and the total recognised loss for the financial year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES - FOR THE YEAR ENDED 31 DECEMBER 1992

There is no material difference between the reported loss and the historical cost loss on ordinary activities before taxation.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS - FOR THE YEAR ENDED 31 DECEMBER 1992

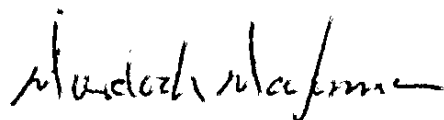
	<u>1992</u> £'000	<u>1991</u> £'000
Loss for the financial year	(29,226)	(19,814)
Dividends	<u>(3,000)</u>	<u>-</u>
Net reduction in shareholders' funds	(32,226)	(19,814)
Opening shareholders' funds	<u>103,162</u>	<u>122,976</u>
Closing shareholders' funds	<u>70,936</u>	<u>103,162</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

BALANCE SHEET - 31 DECEMBER 1992

	Notes	1992 £'000	1991 £'000
FIXED ASSETS			
Intangible assets	12	60,000	60,000
Tangible assets	13	17,129	61,653
Investments	14	<u>20</u>	<u>20</u>
		77,149	121,673
CURRENT ASSETS			
Deferred taxation (recoverable in more than one year)	15	30,911	17,259
Stocks	16	408	547
Debtors	17	73,315	71,941
Cash at bank and in hand		<u>9,363</u>	<u>1,213</u>
		113,997	90,960
CREDITORS - Amounts falling due within one year	18	<u>(19,921)</u>	<u>(16,380)</u>
NET CURRENT ASSETS		94,076	74,580
TOTAL ASSETS LESS CURRENT LIABILITIES		171,225	196,253
CREDITORS - Amounts falling due after more than one year	19	(41,867)	(39,291)
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>(58,422)</u>	<u>(53,800)</u>
		70,936	103,162
CAPITAL AND RESERVES			
Called up share capital	21	1,022	1,022
Share premium account	22	18	18
Revaluation reserve	22	69,373	69,518
Profit and loss account	22	<u>523</u>	<u>32,604</u>
		70,936	103,162

The financial statements on pages 7 to 26 were approved by the Board of Directors on 8 June 1993 and were signed on its behalf by:-



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom. As permitted, the company has chosen to adopt Financial Reporting Standard 3 - Reporting Financial Performance ("FRS 3") in advance of its formal implementation date. Comparative figures have been restated accordingly.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified for the revaluation of certain fixed assets.

The ongoing trading and funding of the company and its subsidiaries is dependent on the going concern basis and the continuing support of its parent undertaking. On 22 June 1992, the Group refinanced all its existing bank borrowings on the terms and conditions which are discussed in note 24 to the financial statements.

Consolidated accounts

Group accounts are not prepared for the company and its subsidiaries as the company is a wholly owned subsidiary of a company incorporated in Great Britain. As the company is a wholly owned subsidiary the cash flows of the company are included in the consolidated cash flow statement included with the financial statements of its parent undertaking. Consequently the company is exempt under the provisions of Financial Reporting Standard 1 from publishing a separate cash flow statement.

Newspaper titles

Newspaper titles are stated at a valuation approximating to current economic value. They are not considered to have a finite life and consequently no amortisation is provided.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, less accumulated depreciation.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation is provided 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 lives. No depreciation is provided on land or assets in the course of construction. Depreciation rates applied are as follows:

Buildings	2%
Plant and machinery	5% to 20%
Motor vehicles	25%
Fixtures and fittings	6.67% to 20%

The full depreciation charge for the year on revalued assets is shown as a charge against profits. A transfer is made from the revaluation reserve to retained profits for the amount of depreciation attributable to the revalued element of each individual asset.

Finance leases

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks

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

Libel litigation

Accruals are made for legal costs in respect of libel litigation in progress. Where it is judged probable that damages will be payable, provision for such damages is made to the extent that it is possible to estimate them with reasonable accuracy.

Deferred taxation

Provision is only made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Pension scheme arrangements

The company charges the regular cost of providing pension benefits against profits so that the charge represents a substantially level percentage of the current and expected future pensionable payroll over the average expected service lives of scheme employees. Variations from this regular cost are allocated over the average remaining service lives of current employees after allowing for interest on the unamortised surplus or deficiency.

Past service pension costs arising from abnormal circumstances have been provided for as described in note 9 to the financial statements. Interest arising on the provision for the past service deficit is included in the financial statements as the pension finance charge.

2 TURNOVER

Turnover, which consists of revenue from the sale of newspapers and advertising, 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.

3 OTHER OPERATING EXPENSES

	<u>1992</u> £'000	<u>1991</u> £'000
Distribution costs	1,801	1,714
Administrative expenses	<u>19,896</u>	<u>18,325</u>
	<u>21,697</u>	<u>20,039</u>

4 DIRECTORS' EMOLUMENTS

The remuneration paid to the directors of the company was:

	<u>1992</u> £'000	<u>1991</u> £'000
Directors' emoluments (including pension contributions and benefits in kind)	636	541
Compensation to former directors for loss of office	<u>167</u>	<u>-</u>
	<u>803</u>	<u>541</u>

Emoluments, excluding pension contributions, include amounts paid to:

	<u>1992</u> £'000	<u>1991</u> £'000
The highest paid director	<u>145</u>	<u>103</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

4 DIRECTORS' EMOLUMENTS (CONTINUED)

The number of directors (excluding the highest paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	<u>1992</u> Number	<u>1991</u> Number
£0 to £5,000	4	4
£5,001 to £10,000	1	1
£10,001 to £15,000	-	1
£15,001 to £20,000	-	3
£20,001 to £25,000	3	2
£25,001 to £30,000	2	-
£30,001 to £35,000	1	-
£35,001 to £40,000	-	1
£40,001 to £45,000	1	-

5 EMPLOYEE INFORMATION

The average weekly number of persons, including executive directors, whose services were provided to the company during the year, was:

	<u>1992</u> Number	<u>1991</u> Number
By activity:		
Production	622	631
Selling and distribution	71	70
Administration	<u>116</u>	<u>120</u>
	<u>809</u>	<u>821</u>
	<u>1992</u> £'000	<u>1991</u> £'000
Staff costs (for the above persons):		
Wages and salaries	24,294	23,379
Social security costs	2,051	2,137
Regular pension cost	<u>1,207</u>	<u>1,200</u>
	<u>27,552</u>	<u>26,716</u>

Staff costs include £11,464,000 (1991 - £10,673,000) in respect of 276 employees (1991 - 277) whose contract of employment is with Scottish Daily Record and Sunday Mail (1986) Limited, which is a fellow subsidiary company and is wholly owned by the immediate holding company. As reported in that company's financial statements, it only trades on an informal agency basis.

Staff costs also include £16,088,000 (1991 - £16,043,000) in respect of 533 employees (1991 - 544) whose contract of employment is with Anderston Quay Printers Limited (formerly Maxwell Colour Printers (Scotland) Limited), which is a fellow subsidiary company and is wholly owned by the immediate holding company. As reported in that company's financial statements, since 1989 it only trades on an informal agency basis.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

6 EXCEPTIONAL ITEMS

	<u>1992</u> £'000	<u>1991</u> £'000
Restructuring provision		
- Write down of tangible fixed assets	51,649	-
- Other (note 20)	2,251	-
Pension provision	-	51,100
Tax indemnity provision	-	1,500
	<u>53,900</u>	<u>52,600</u>

The costs of restructuring are a result of action being taken to deal with overcapacity in the Group's printing and production facilities. The costs include provisions for costs related to revising staffing levels and costs associated with the replanting and relocation of the Glasgow print site.

The 1991 comparative figures shown above were disclosed as extraordinary items in the 1991 financial statements but have been reclassified as exceptional for the purposes of these financial statements following the adoption of FRS3.

7 INCOME FROM INVESTMENTS

	<u>1992</u> £'000	<u>1991</u> £'000
Dividends received	<u>15</u>	<u>15</u>

Income from investments includes £1,000 (1991 - £1,000) from listed investments.

8 NET INTEREST RECEIVABLE

	<u>1992</u> £'000	<u>1991</u> £'000
Bank interest receivable	467	471
Interest receivable from group undertakings	3,521	4,674
Other interest receivable	-	293
Interest payable on finance leases	(2,737)	-
Bank loan and overdraft interest	<u>(35)</u>	<u>(852)</u>
	<u>1,216</u>	<u>4,586</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

9 PENSIONS AND SIMILAR OBLIGATIONS

The company participates in the Group's pension funding arrangements and the company's pension funding cost is based on an allocation of the Group funding cost. The circumstances of the Group's position, are outlined below.

Following the misappropriation of assets from the Group's pension schemes and the Common Investment Fund (the "CIF") in 1991, the Group decided on 13 February 1992, to wind up the two existing pension schemes and to put new pension arrangements in place. The schemes which were wound up were the Mirror Group Pension Scheme (the "Old Mirror Scheme") and the Maxwell Communication Works Pensions Scheme (the "Works Scheme"). The two new schemes are the MGN Past Service Scheme (the "Past Service Scheme") and the MGN Pensions Scheme (the "New Mirror Scheme"). These new schemes are designed to secure the pension benefits of employees and former employees who have worked regularly on the production and distribution of the Group's newspapers (the "MGN beneficiaries").

The Past Service Scheme is a funded defined benefit scheme. It was established to meet the liabilities in respect of past service of the MGN beneficiaries which are not satisfied by payments from the assets of the Old Mirror Scheme, the Works Scheme or by guaranteed minimum pensions ("GMPs") provided by the State.

The New Mirror Scheme is also a funded defined benefit scheme. It is contributory and is contracted out. The scheme was established to meet pension benefits for future service of Group employees. The Group will make contributions to the New Mirror Scheme based upon the recommendations of the scheme's independent actuaries. The current recommendation is for the Group to contribute at a rate of 6.5% of members' pensionable salaries. The resulting regular pension cost attributable to the company of £1.2 million has been charged in arriving at the operating loss. The New Mirror Scheme will provide benefits similar to the Old Mirror Scheme except that, for the time being, increases in future pensions will be restricted to 3% and that benefits will be calculated on the basis of retirement at age 65 and not earlier.

In order to meet the obligations of the Past Service Scheme, which otherwise has no assets, the Group has undertaken to provide funding through annual contributions over a period of 14 years, although this period may be extended if the Group is required to pay pension increases of 5% to members of the Old Mirror Scheme. This eventuality, which is currently the subject of negotiations with the Trustees, was provided for in the Group's estimate of the past service deficit.

The company has been allocated a share of the Group's liability in respect of the above based on the proportion of the Group's current pensionable employees that are employed by the company. At 31 December 1991 there was a provision in the balance sheet amounting to £52.3 million representing the company's share of the net discounted deficit.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

9 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

During 1992 this provision has moved as follows:	£'000
Balance of provision at 31 December 1991	52,300
Pension finance charge	4,859
Past pension contributions	<u>(2,488)</u>
Provision at 31 December 1992	<u>54,671</u>

In estimating the total net deficit on the Old Mirror Scheme and the Works Scheme in respect of MGN beneficiaries, the Group directors considered the following:-

- The advice of the independent actuaries of the Past Service Scheme, Bacon & Woodrow, who updated their December 1990 calculations and incorporated certain figures for the Works Scheme supplied by R Watson & Sons. Their review was carried out using the projected unit method and the assumptions that future investment yield would exceed increases in pensionable pay by 2.5% per annum and that pensions in payment would increase by 5% per annum for members of the Old Mirror Scheme.
- The decision that the Group will not be responsible for certain liabilities of the Old Mirror Scheme or the Works Scheme. These related to employees of British International Helicopters Limited ("BIH") and certain members of the Works Scheme. These individuals were not directly employed in the production or distribution of the Group's newspapers and the directors believe that the Group has no obligation to support them.
- The liability of the Department of Social Security to pay the GMP's of members of the Old Mirror Scheme and the Works Scheme.
- The assets that may be available in the Old Mirror Scheme and the Works Scheme. In common with other Maxwell controlled company pension schemes, the greater proportion of the assets of these schemes was invested in the CIF, which was managed by Bishopgate Investment Management Limited ("BIM"), a Maxwell related company.
- A significant proportion of the CIF's assets were removed during 1991 in a manner that the joint liquidators of BIM are continuing to investigate. Furthermore, transactions between schemes participating in the CIF and the CIF itself have created significant uncertainty as to the respective shares of those schemes. Shares in Teva Pharmaceuticals were recovered by the joint liquidators of the CIF in June 1992, which has significantly increased the value of the CIF. The joint liquidators and the trustees of the participating schemes are discussing various possible bases of allocation of the CIF. The Group directors continue to take a prudent view of the level of assets which will become available to meet the past service obligations of the MGN beneficiaries.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

9 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

- The reinstatement of early retirement provisions. Early retirement options available to members of the Old Mirror Scheme and the Works Scheme were withdrawn when the misappropriation of pension fund assets were discovered in 1991. Certain of these options have now been reinstated in the Past Service Scheme. This is likely to increase the scheme's funding requirements and to increase regular pension costs in future periods.

Having considered the advice of the independent actuaries, the directors have decided, in view of the continuing uncertainties surrounding the Group's liabilities in respect of its pension schemes, not to adjust the provision to reflect the effect of additional asset recoveries or the reinstatement of early retirement provisions.

An action has been commenced against MGN by an employee of BIH suing on his own behalf and on behalf of all other BIH employees who joined the Old Mirror Scheme in the same circumstances as him. The Group directors have been advised that MGN has a good defence to this action and therefore do not believe that the MGN will ultimately suffer any unprovided liability as a result of it.

No provision has been made for future administrative costs of the schemes, currently estimated at £0.6 million per annum, which will in future be borne by the Group.

10 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1992</u> £'000	<u>1991</u> £'000
Loss on ordinary activities before taxation is stated after charging.		
Depreciation on tangible fixed assets	2,707	1,277
Redundancy costs	<u>-</u>	<u>188</u>
And after crediting.		
Rent receivable	88	203
Profit on sale of tangible fixed assets	<u>11</u>	<u>3</u>

Fees and expenses in respect of services provided by the auditors were:-

- statutory audit of the company's accounts £16,000 (1991 - £14,000)
- other services £23,250

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

11	TAXATION	<u>1992</u> £'000	<u>1991</u> £'000
	Corporation tax payable at 33% (1991 - 33.25%)	1,035	1,562
	Group relief payable at 33% (1991 - 33.25%)	5,887	6,406
	Deferred taxation (note 15)	(13,652)	(17,259)
	Tax credits on franked investment income	4	4
	Under-provision in respect of prior year corporation tax	<u>-</u>	<u>21</u>
		<u>(6,726)</u>	<u>(9,266)</u>

12 INTANGIBLE ASSETS

The company's newspaper titles and associated publishing rights are stated at the directors' estimate of current economic value. In arriving at the estimate the directors have taken account of an independent professional valuation performed as at 30 December 1990. The valuation represented the sum of the amount it was estimated could be realised if each of the titles together with their associated publishing rights were to be sold in market conditions at 30 December 1990, arrived at by assessment of their economic value, independent of the assets and other rights and interests which made up the business of the company. In the opinion of the directors, the economic value approximates to current cost at 31 December 1992.

As it is not the directors' intention to dispose of the titles, no provision has been made for the corporation tax that could arise if the titles were disposed of at the revalued amount. The potential corporation tax liability is quantified in note 15.

The titles are charged as security for the Group's financial obligations

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

13 TANGIBLE ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 1992	13,659	56,551	1,096	1,019	72,325
Additions	3,130	6,642	39	23	9,834
Write downs	(1,845)	(51,613)	-	-	(53,458)
Disposals	-	-	(73)	(1)	(74)
At 31 December 1992	14,944	11,580	1,062	1,041	28,627
Depreciation					
At 1 January 1992	639	8,758	575	700	10,672
Charge for year	236	2,129	215	127	2,707
Adjustment in respect of write downs	(409)	(1,400)	-	-	(1,809)
Disposals	-	-	(72)	-	(72)
At 31 December 1992	466	9,487	718	827	11,498
Net book value					
At 31 December 1992	<u>14,478</u>	<u>2,093</u>	<u>344</u>	<u>214</u>	<u>17,129</u>
Net book value					
At 31 December 1991	<u>13,020</u>	<u>47,793</u>	<u>521</u>	<u>319</u>	<u>61,653</u>
Net book value at 31 December 1992 is represented by:					
Valuation in 1990	12,790	-	-	-	12,790
Cost	<u>1,688</u>	<u>2,093</u>	<u>344</u>	<u>214</u>	<u>4,339</u>
	<u>14,478</u>	<u>2,093</u>	<u>344</u>	<u>214</u>	<u>17,129</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

13 TANGIBLE ASSETS (CONTINUED)

If the properties had not been revalued they would have been included at the following amounts:

	<u>1992</u> £'000	<u>1991</u> £'000
Cost	4,866	4,866
Aggregate depreciation based on cost	<u>(1,942)</u>	<u>(1,857)</u>
	<u>2,924</u>	<u>3,009</u>

The plant and machinery written down at 31 December 1992 includes £44,614,000 relating to payments on account under finance leases for assets which are substantially constructed and held in store and £6,999,000 of capitalised interest and other financing costs. This write down has been reflected in the profit and loss account as an exceptional item.

14 INVESTMENTS

	<u>1992</u> £'000	<u>1991</u> £'000
Investments at net book value comprise:		
Investment listed on a recognised investment exchange	<u>20</u>	<u>20</u>

Direct interest in group undertaking

<u>Name of undertaking</u>	<u>Country of registration</u>	<u>Description of shares held</u>	<u>Activity</u>	<u>Proportion of nominal value of issued shares held</u>
Metropolitan Free Newspapers Limited (formerly Maxwell Free Newspapers Limited)	Scotland	Ordinary shares of £1	Holding company	100%

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

14 INVESTMENTS (CONTINUED)

Indirect interests in group undertakings

<u>Name of undertaking</u>	<u>Country of registration</u>	<u>Description of shares held</u>	<u>Activity</u>	<u>Proportion of nominal value of issued shares held</u>
Glaswegian Publications Limited	Scotland	Ordinary shares of £1	Newspaper publishing	100%
The Edinburgh and Lothians Post Limited	Scotland	Ordinary shares of £1	Newspaper publishing	100%
Dundonian Publications Limited	Scotland	Ordinary shares of £1	Dormant	100%
Aberdonian Publications Limited	Scotland	Ordinary shares of £1	Dormant	100%

The company had transferred its direct holdings of the entire issued share capital of Glaswegian Publications Limited to its subsidiary company, Metropolitan Free Newspapers Limited on 12 April 1991. Due to a failure of administrative procedures, it was discovered at the 1991 year end that the nominal title of the share capital of Glaswegian Publications Limited was held by Headington Nominees Limited ("HN") (formerly Pergamon Investments Limited) and the joint administrators of Maxwell Media Trust plc (in administration) ("MMT"). Glaswegian Publications Limited was and is regarded as a subsidiary undertaking of Scottish Daily Record and Sunday Mail Limited. On 23 February 1993, the company entered into an agreement with HN and the joint administrators of MMT, which resulted in the nominal title to the share capital passing to the company for £2 consideration, which was paid in cash. On 8 March 1993 SDR transferred the share capital to Metropolitan Free Newspapers Limited.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

15 DEFERRED TAX

The deferred tax asset is in respect of the company's portion of the provision for the actuarial estimated deficit of the pension fund amounting to £54.7 million, together with the restructuring provision of £53.9 million.

Movements in deferred taxation during the year were as follows:	<u>1992</u>	<u>1991</u>
	£'000	£'000
Balance at 1 January 1992	17,259	-
Transfer to profit and loss account (note 11)	<u>13,652</u>	<u>17,259</u>
Balance at 31 December 1992	<u>30,911</u>	<u>17,259</u>

The deferred tax asset recognised in the financial statements and the total potential (asset)/liability are as follows:-

	<u>1992</u>		<u>1991</u>	
	Asset	Full potential (asset)/liability	Asset	Full potential (asset)/liability
	<u>recognised</u>	<u>£'000</u>	<u>recognised</u>	<u>£'000</u>
Accelerated capital allowances	-	2,611	-	2,534
Revalued properties	-	2,902	-	3,052
Title valuation	-	14,200	-	19,800
Other timing differences				
- pension provision	(18,041)	(18,041)	(17,259)	(17,259)
- restructuring provision	(12,870)	(12,870)	-	-
- other	<u>-</u>	<u>(663)</u>	<u>-</u>	<u>(89)</u>
	<u>(30,911)</u>	<u>(11,798)</u>	<u>(17,259)</u>	<u>8,038</u>

16 STOCKS

	<u>1992</u>	<u>1991</u>
	£'000	£'000
Raw materials and consumables	<u>408</u>	<u>547</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

17	DEBTORS	<u>1992</u> £'000	<u>1991</u> £'000
	Trade debtors	8,872	9,724
	Amounts owed to parent undertaking	53,834	55,599
	Amounts owed by subsidiary undertakings	6,560	5,903
	Other debtors	564	159
	Prepayments and accrued income	<u>3,485</u>	<u>556</u>
		73,315	71,941
18	CREDITORS - Amounts falling due within one year	<u>1992</u> £'000	<u>1991</u> £'000
	Bank overdraft	-	1,038
	Trade creditors	11,513	9,328
	Amounts owed to parent undertaking	259	1
	Amounts owed to subsidiary undertakings	678	25
	Corporation tax	2,597	1,562
	Other taxation and social security	806	726
	Other creditors	196	682
	Accruals and deferred income	2,168	1,862
	Obligations under finance leases (note 19)	<u>1,704</u>	<u>1,156</u>
		19,921	16,380

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

19	CREDITORS - Amounts falling due after more than one year	<u>1992</u>	<u>1991</u>
		£'000	£'000
	Obligations under finance leases		
	Amounts payable:		
	Within one year	7,099	4,638
	In the second to fifth years inclusive	32,327	30,132
	Over five years	<u>36,259</u>	<u>39,949</u>
		75,685	74,719
	Less:		
	Finance charges allocated to future periods	(29,264)	(30,053)
	Lease finance not yet drawn down on assets in the course of construction	<u>(2,850)</u>	<u>(4,219)</u>
		43,571	40,447
	Less: Amounts falling due within one year (note 18)	<u>(1,704)</u>	<u>(1,156)</u>
		41,867	39,291
		<u> </u>	<u> </u>
20	PROVISIONS FOR LIABILITIES AND CHARGES	<u>1992</u>	<u>1991</u>
		£'000	£'000
	Provision for pension deficiency (note 9)	54,671	52,300
	Provision for prior year tax contingencies	1,500	1,500
	Restructuring costs (note 6)	<u>2,251</u>	<u>-</u>
		58,422	53,800
		<u> </u>	<u> </u>

The Group and the Administrators of certain Maxwell controlled companies are still endeavouring to resolve the position concerning the consents to surrender tax losses to the Group by way of group relief for earlier years. In the absence of such available losses or any other relief, estimated tax liabilities for the company of up to £8.5 million (£2.9 million for 1989 and £5.6 million for 1990) would arise. In addition, the position for 1990 was regularised by a group relief deed executed in April 1991 and both years are covered by tax indemnities by certain Maxwell controlled companies (all of which are now subject to insolvency arrangements) entered into at the time of flotation. The Group's directors have been advised that it is unlikely that the full potential liabilities referred to above will be incurred and accordingly a provision of £1.5 million, which was first provided in the 1991 accounts, has been retained in these financial statements.

Others costs of restructuring include estimates of the costs of revising staffing levels, costs of terminating certain contractual obligations and certain other costs associated with the replanting and relocation of the Glasgow print site, offset by estimated proceeds from the sale of written down tangible fixed assets.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

21	CALLED UP SHARE CAPITAL		<u>1992</u>	<u>1991</u>
			£'000	£'000
	Authorised			
	1,022,100 Ordinary shares of £1 each		<u>1,022</u>	<u>1,022</u>
	Allotted, called up and fully paid			
	1,022,084 Ordinary shares of £1 each		<u>1,022</u>	<u>1,022</u>
22	RESERVES			
		Share premium account	Revaluation reserve	Profit and loss account
		£'000	£'000	£'000
	At 1 January 1992	18	69,518	32,604
	Transfer from revaluation reserve to profit and loss account	-	(145)	145
	Loss for the year	-	-	(32,226)
	At 31 December 1992	18	69,373	523
23	CAPITAL COMMITMENTS			
			<u>1992</u>	<u>1991</u>
			£'000	£'000
	Capital expenditure that has been contracted for but has not been provided for in the financial statements		<u>35</u>	<u>4,831</u>

After the year end, the Group's Board of Directors authorised the construction of a new printing facility in Scotland which is estimated to cost £41.6 million.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1992 (CONTINUED)

24 FUNDING ARRANGEMENTS

On 22 June 1992 the Group refinanced all of its existing bank borrowings with a £230 million term loan facility and £30 million overdraft facility arranged by National Westminster Bank PLC and Midland Bank plc. These facilities which bear interest at commercial variable rates linked to LIBOR are fully secured against all assets and business undertakings of the Group. It will be necessary for the Group to refinance its operations by the end of the first half of 1994 because, under the terms of the facility agreement, the Group is required to reduce the term loan by £30 million on 31 March 1994 and repay the balance of the term loan and overdraft by 30 June 1994.

In addition, other than with the agreement of the lending banks, the Group is restricted, inter alia, in disposing of any of its undertakings otherwise than in the ordinary course of business, redeeming or purchasing its own shares or paying dividends in excess of 50 per cent of the difference between the realised profit for the year and any repayments made under the term loan facility.

The sufficiency of these borrowing facilities to meet the Group's requirements, and the ability of the Group to comply with performance covenants, depend on the achievement by the Group of its agreed business plan over the period of the facilities. There exist a number of uncertainties which may lead to a pattern of cash flows other than as scheduled in the business plan. These uncertainties are detailed in the financial statement of MGN.

The company participates in the Group financing facilities referred to above. These facilities are secured by, amongst other things, cross guarantees from the company and its subsidiaries. In addition, the company has a joint and several liability with MGN for borrowings under these facilities. Consequently the company is dependent on the support of MGN.

25 ULTIMATE AND IMMEDIATE PARENT COMPANIES

The company's immediate parent company is MGN. MGN has been notified that Robert Maxwell Holdings plc (in administration) ("RM Holdings"), which is registered in England and Wales, is beneficially interested in approximately 49.8% of MGN's issued share capital and that other subsidiaries of Headington Investments may be interested in an additional 5% of MGN's share capital. However, the directors are aware that the shares in MGN in which RM Holdings is interested are, in large part, charged in favour of National Westminster Bank PLC, Midland Bank plc and Goldman Sachs International Limited who are the registered holders of those shares and, in the absence of details of those charges and the extent to which they have been exercised, are unable to determine whether MGN is a subsidiary of RM Holdings.

The consolidated financial statements of MGN may be obtained from The Secretary, Mirror Group Newspapers plc, PO Box 160, The Mirror Buildings, Holburn Circle, London, EC1P 1DQ.

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