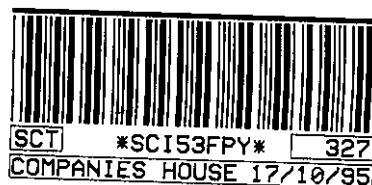


SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED
(Registered Number SC12921)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JANUARY 1995

AC



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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DIRECTORS AND ADVISERS

Directors

CJ Allwood
JW Anderson
S Auty
KJ Beatty
JB Cassidy
TM Connor
PC Grant
K Hughes
K MacMaster
GR Middlemiss
DJ Montgomery
T J Quinn
PA Vickers

Auditors

Price Waterhouse
1 Blythwood Square
GLASGOW
G2 4AD

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
GLASGOW
G2 6SB

Secretary and registered office

GR Middlemiss
40 Anderston Quay
GLASGOW G3 8DA

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 1 JANUARY 1995

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 1 January 1995.

Statement of directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 7 to 25, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that all financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Principal activity

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

Review of the business

During the year, circulation of both titles and advertising revenue increased 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. Construction continued on the new printing plant at Cardonald during the period. This project is scheduled for completion during 1995 and the directors are confident that it will substantially enhance the future development of the company.

The staff, assets and operations of Glaswegian Publications Limited were combined with those of Scottish Daily Record and Sunday Mail Limited during the year. Separate financial statements have been prepared for both companies for the 52 weeks ended 1 January 1995. As from 2 January 1995 the results arising from the printing and publication of The Glaswegian will be incorporated into the results of Scottish Daily Record and Sunday Mail Limited.

Results, dividends and retained profits

The results for the period are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend. The profit for the period has been transferred to reserves.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

Directors

The following served as directors during the period:

CJ Allwood	
JW Anderson	
S Auty	(appointed 19 December 1994)
KJ Beatty	
JB Cassidy	
TM Connor	
PC Grant	(appointed 19 December 1994)
AFH Henry	(resigned 3 February 1994)
K Hughes	(appointed 19 December 1994)
EJ Laird	(resigned 30 September 1994)
CJS McClatchie	(resigned 7 December 1994)
M MacLennan	
K MacMaster	
GR Middlemiss	(appointed 13 September 1994)
DJ Montgomery	
TJ Quinn	(appointed 17 October 1994)
GB Terris	(resigned 13 December 1994)
PA Vickers	

Mr M MacLennan resigned on 2 January 1995.

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 period. The directors at 1 January 1995, who were not also directors of the company's holding company, Mirror Group plc, and their beneficial interests in the share capital of the holding company, were as follows:

	1 January 1995 Ordinary shares of 25p each	2 January 1994 or subsequent date of appointment, if later Ordinary shares of 25p each
JW Anderson	21,532	21,532
S Auty	-	-
KJ Beatty	4,199	2,866
JB Cassidy	20,201	13,534
TM Connor	17,500	3,500
PC Grant	-	-
K Hughes	-	-
K MacMaster	10,000	10,000
GR Middlemiss	-	-
TJ Quinn	-	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (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 Mirror Group plc. The interests of the directors holding office at the year end and who were not also directors of the holding company, at 1 January 1995, were:

	Number of Ordinary shares of 25p each	Exercisable		Option price £
		From	To	
JW Anderson	48,000	17 May 1994	17 May 2001	1.25
S Auty	-	-	-	-
KJ Beatty	16,000	17 May 1994	17 May 2001	1.25
JB Cassidy	16,000	17 May 1994	17 May 2001	1.25
	48,826	6 April 1996	6 April 2003	1.15
TM Connor	115,979	8 January 1996	8 January 2003	0.97
PC Grant	-	-	-	-
K Hughes	-	-	-	-
K MacMaster	-	-	-	-
GR Middlemiss	-	-	-	-
TJ Quinn	80,882	27 September 1997	27 September 2004	1.36

The market price of Mirror Group plc shares at 1 January 1995 was £1.29 and the range during 1994 was £1.23 to £2.01.

The company participates in the Mirror Group plc employee share award scheme. The following directors holding office at the year end and who were not also directors of the holding company had been granted awards in respect of Mirror Group plc shares under the Mirror Group Newspapers plc Employee Share Award Scheme as at 1 January 1995.

	Date of award	Number awarded	Shares released in prior years	Taken up in 1994	Available in future years
JW Anderson	17 May 1991	64,000	21,334	10,667	31,999
S Auty	-	-	-	-	-
KJ Beatty	17 May 1991	8,000	2,666	1,333	4,001
JB Cassidy	17 May 1991	40,000	13,334	6,666	20,000
TM Connor	27 September 1993	84,000	14,000	14,000	56,000
PC Grant	-	-	-	-	-
K Hughes	-	-	-	-	-
K MacMaster	-	-	-	-	-
GR Middlemiss	-	-	-	-	-
TJ Quinn	-	-	-	-	-

The interests of Messrs CJ Allwood, M MacLennan, DJ Montgomery and PA Vickers are disclosed in the financial statements of Mirror Group plc.

Fixed assets

Movements in fixed assets during the year are set out in notes 13 and 14 to the financial statements. During the year the company acquired 19.9% of the issued share capital of Scottish Television plc for consideration of £50.7 million. This investment is carried as a fixed asset investment.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

Insurance of directors

The group maintains insurance for its directors in respect of their duties. As previously reported, 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 the policy for that period.

Political and charitable donations

Contributions of £89,040 were made during the period 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.

Auditors

A resolution to reappoint Price Waterhouse as auditors will be proposed at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'GR MIDDLEMISS', written over a horizontal line.

GR MIDDLEMISS
Director and Secretary
Glasgow

4 July 1995

Price Waterhouse



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

We have audited the financial statements on pages 7 to 25 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 1 January 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

4 July 1995

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 1 JANUARY 1995

		52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
	Notes		
TURNOVER	2	89,765	90,035
Cost of sales		<u>(45,495)</u>	<u>(45,529)</u>
GROSS PROFIT		44,270	44,506
Other operating expenses	3	<u>(20,134)</u>	<u>(20,833)</u>
TRADING PROFIT		24,136	23,673
Release of pension fund provision	9	30,108	16,465
Other exceptional items	6	<u>-</u>	<u>3,923</u>
OPERATING PROFIT		54,244	44,061
Income from investments	7	<u>309</u>	<u>264</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS		54,553	44,325
Finance costs			
- Net interest payable	8	(4,872)	(5,246)
- Pension finance charge	9	<u>(705)</u>	<u>(3,469)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10	48,976	35,610
Taxation	11	<u>(8,523)</u>	<u>(17,732)</u>
PROFIT RETAINED FOR THE FINANCIAL YEAR	22	<u>40,453</u>	<u>17,878</u>

The notes on pages 10 to 25 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - FOR THE 52 WEEKS ENDED 1 JANUARY 1995

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Profit on ordinary activities after taxation	40,453	17,878
Deficit on property revaluation	-	(8,095)
Total recognised gains and losses for the financial period	40,453	9,783

NOTE OF HISTORICAL COST PROFITS AND LOSSES - FOR THE 52 WEEKS ENDED 1 JANUARY 1995

There is no material difference between the reported profit and the historical cost profit on ordinary activities before taxation for the periods ended 1 January 1995 and 2 January 1994.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Profit retained for the financial period	40,453	17,878
Deficit on property revaluation	-	(8,095)
Net increase in shareholders' funds	40,453	9,783
Opening shareholders' funds	80,719	70,936
Closing shareholders' funds	121,172	80,719

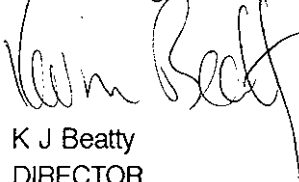
The notes on pages 10 to 25 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

BALANCE SHEET - AT 1 JANUARY 1995

	Notes	1 January 1995 £'000	2 January 1994 £'000
FIXED ASSETS			
Intangible assets	12	60,000	60,000
Tangible assets	13	68,471	41,926
Investments	14	<u>50,954</u>	<u>233</u>
		<u>179,425</u>	<u>102,159</u>
CURRENT ASSETS			
Deferred taxation (recoverable in more than one year)	15	3,469	16,611
Stocks	16	716	502
Debtors	17	21,987	61,194
Cash at bank and in hand		<u>8,682</u>	<u>21,048</u>
		34,854	99,355
CREDITORS - Amounts falling due within one year	18	<u>(52,291)</u>	<u>(20,669)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(17,437)</u>	<u>78,686</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		161,988	180,845
CREDITORS - Amounts falling due after more than one year	19	(30,554)	(48,470)
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>(10,262)</u>	<u>(51,656)</u>
NET ASSETS		121,172	80,719
EQUITY CAPITAL AND RESERVES			
Called up share capital	21	1,022	1,022
Share premium account		18	18
Revaluation reserve		61,134	61,134
Profit and loss account	22	<u>58,998</u>	<u>18,545</u>
SHAREHOLDERS' FUNDS		<u>121,172</u>	<u>80,719</u>

The financial statements on pages 7 to 25 were approved by the Board of Directors on 4 July 1995 and were signed on its behalf by:-



K J Beatty
DIRECTOR

The notes on pages 10 to 25 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies is set out below.

Basis of accounting

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

Consolidated accounts and cash flows

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 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 directors' estimate of 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.

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 less estimated residual value of these assets over 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%

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments

Fixed asset investments are stated at cost less provisions for permanent diminution in value.

Finance and operating leases

Assets held under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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 material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

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. The recognition of the reversal of the discounting to present value of the provision for the past service deficit is included in the financial statements as the pension finance charge.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

2 TURNOVER

Turnover, which consists of revenue from the sale of newspapers and advertising, is stated at net invoiced 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

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Distribution costs	1,948	2,082
Administrative expenses	<u>18,186</u>	<u>18,751</u>
	20,134	20,833
	<u>=====</u>	<u>=====</u>

4 DIRECTORS' EMOLUMENTS

The remuneration paid to the directors of the company was:

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Directors' emoluments (including pension contributions and benefits in kind)	651	600
Compensation to former directors for loss of office	<u>717</u>	<u>-</u>
	1,368	600
	<u>=====</u>	<u>=====</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

4 DIRECTORS' EMOLUMENTS (CONTINUED)

Included in the emoluments and compensation payments above are payments to directors of the company for their services as directors of the parent undertaking, Mirror Group plc. These payments are also included as part of the emoluments and compensation of the directors disclosed in the financial statements of that company. It is not practicable to attempt to apportion the directors' time in respect of their services to individual group companies. In addition, an amount of £235,000 (2 January 1994 - £Nil) was borne by the company in respect of compensation to a past director of Mirror Group plc.

Emoluments, excluding pension contributions, include amounts paid to:

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
The highest paid director	<u>126</u>	<u>151</u>

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

	52 weeks ended 1 January 1995 Number	53 weeks ended 2 January 1994 Number
£0 to £5,000	8	7
£5,001 to £10,000	1	-
£10,001 to £15,000	-	1
£15,001 to £20,000	-	1
£20,001 to £25,000	1	-
£25,001 to £30,000	1	-
£40,001 to £45,000	1	1
£50,001 to £55,000	-	1
£70,001 to £75,000	1	2
£75,001 to £80,000	2	1
£80,001 to £85,000	2	1
£125,001 to £130,000	1	-
£150,001 to £155,000	-	1

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

5 EMPLOYEE INFORMATION

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

	52 weeks ended 1 January 1995 <u>Number</u>	53 weeks ended 2 January 1994 <u>Number</u>
By activity:		
Production	465	611
Selling and distribution	117	71
Administration	<u>147</u>	<u>139</u>
	729	821
	<u>=====</u>	<u>=====</u>
	52 weeks ended 1 January 1995 <u>£'000</u>	53 weeks ended 2 January 1994 <u>£'000</u>
Staff costs (for the above persons):		
Wages and salaries	22,626	25,151
Social security costs	2,091	2,183
Regular pension cost	<u>1,019</u>	<u>1,218</u>
	25,736	28,552
	<u>=====</u>	<u>=====</u>

6 OTHER EXCEPTIONAL ITEMS

	52 weeks ended 1 January 1995 <u>£'000</u>	53 weeks ended 2 January 1994 <u>£'000</u>
Restructuring provision		
- Write down of tangible fixed assets	-	(1,101)
- Other releases	-	3,524
Release of tax indemnity provision	<u>-</u>	<u>1,500</u>
	-	3,923
	<u>=====</u>	<u>=====</u>

Staff costs include amounts in respect of employees whose contracts of employment are held by two fellow subsidiary undertakings which trade on an informal agency basis; Scottish Daily Record and Sunday Mail (1986) Limited and Anderston Quay Printers Limited. Staff costs also include amounts in respect of employees whose contracts are held by a subsidiary undertaking, Glaswegian Publications Limited.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

7 INCOME FROM INVESTMENTS

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Profit on sale of investments	-	242
Dividends received	<u>309</u>	<u>22</u>
	309	264
	<u> </u>	<u> </u>

Income from investments includes £295,000 (2 January 1994 - £1,000) from listed investments.

8 NET INTEREST PAYABLE

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Interest payable on finance leases	(4,890)	(5,240)
Bank overdraft interest	(12)	(6)
Other interest receivable	<u>30</u>	<u>-</u>
	(4,872)	(5,246)
	<u> </u>	<u> </u>

9 PENSIONS AND SIMILAR OBLIGATIONS

The company participates in the Mirror Group plc 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.

(a) Background

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 Scheme") and the Maxwell Communication Works Pensions Scheme (the "Works Scheme"). The two new schemes are the MGN Past Service Pension Scheme (the "Past Service Scheme") and the MGN Pension Scheme ("the New Scheme").

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

9 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

(a) Background (continued)

The Past Service Scheme is a funded defined benefit scheme and is not contracted-out. It was established to meet the liabilities in respect of service up to 13 February 1992 of those employees and former employees who worked regularly on the production and distribution of the Group's newspapers ("MGN beneficiaries") which are not satisfied by payments from the assets of the Old Scheme, the Works Scheme or by Guaranteed Minimum Pensions ("GMPs") provided by the State.

The New Scheme is also a funded defined benefit scheme. It is contributory and is contracted out. The scheme was established to cover pension benefits for the services of group employees provided from 14 February 1992.

(b) Provision for the Past Service Scheme deficit

In 1991 the group established a provision to meet the obligations of the Past Service Scheme. This provision was equivalent to the then estimated net deficit of the old schemes in relation to the MGN beneficiaries, including certain payments made to fund the pensions of members of the Works Scheme. This deficit was established assuming a rate of return of 9.5% per annum.

A settlement (the "Major Settlement") of claims relating to the misappropriation of pension scheme assets from the various Maxwell pension schemes, including the Old Scheme and the Works Scheme, was completed on 31 March 1995. Under the terms of the Major Settlement, a total of £276 million will be paid to the trustees of the Maxwell schemes.

The group has been advised that the various actions and potential claims against the group arising out of the pension schemes' shortfall of assets should have fallen, or will fall away.

As part of the Major Settlement, the Department of Social Security has agreed that it will not seek to recover State scheme premiums in respect of Old Scheme GMPs immediately, but will allow them to be paid over a period.

As a result, the directors of Mirror Group plc have taken actuarial advice to reduce the provision. Movements in the company's share of the provision are shown below:

	£'000
Opening provision	38,699
Release of provision	(30,108)
Pension finance charge	705
Contributions	(2,629)
Transfers	(298)
Closing provision	6,369

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

9 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

(b) Provision for the Past Service Scheme deficit (continued)

The closing provision represents the estimated net present value of the residual liabilities in respect of the Past Service Scheme deficit and State scheme premiums.

(c) Future recoveries

The Trustees are still pursuing certain actions against parties not participating in the Major Settlement. No benefit from any future recoveries has been assumed in calculating the provision at 1 January 1995.

(d) Funding the deficits

The directors of Mirror Group plc have estimated that the company's share of the total of the future undiscounted cash contributions necessary to meet the obligations of the Past Service Scheme including the Old Scheme's State scheme premiums will amount to approximately £17.4 million which is to be paid as follows:

	£'000
Within one year	434
Between one and two years	434
Between two and five years	1,301
Between five and ten years	2,168
Between ten and twenty five years	<u>13,088</u>
	17,425

(e) The New Scheme

The Group makes contributions to the New Scheme based upon the recommendations of the scheme's independent actuaries. An actuarial valuation was performed by Bacon & Woodrow as at 31 December 1993. These calculations were carried out using the projected unit method and the assumption that the future investment yield would exceed increases in pensionable pay by 2.5% per annum and that pensions in payment would increase by 3% per annum. The market value of the scheme's assets at 31 December 1993 was £16.7 million, with the actuarially determined value of the scheme's assets being 104% of its liabilities. Based on the small surplus the actuary has not recommended any change to the Group's contribution rate which remains 6.5% of members' pensionable salaries plus administration expenses. The resulting pension cost for the company of £1.0 million has been charged in arriving at the operating profit for the 52 weeks ended 1 January 1995 (53 weeks ended 2 January 1994 - £1.2 million).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

10 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
--	---	---

Profit on ordinary activities before taxation is stated after charging:

Depreciation - owned assets	1,378	1,649
- leased assets	<u>647</u>	<u>324</u>

And after crediting:

Rent receivable	119	114
Profit on sale of tangible fixed assets	<u>1,400</u>	<u>32</u>

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

- statutory audit of the company's financial statements £25,000 (2 January 1994 - £19,000)
- other services £15,500 (2 January 1994 - £14,000)

11 TAXATION

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Group relief (receivable)/payable at 33%	(4,653)	4,056
Deferred taxation (note 15)	13,142	14,300
Tax credits on franked investment income	63	4
Over-provision in respect of prior year corporation tax	<u>(29)</u>	<u>(628)</u>
	<u>8,523</u>	<u>17,732</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

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 by Hambros Bank plc as at 2 January 1994. The valuation which was in excess of the amount which the directors have incorporated in the financial statements, represented the sum of the amounts 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 2 January 1994, 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 1 January 1995.

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.

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 2 January 1994	15,284	42,007	1,111	1,146	59,548
Additions	15,071	13,553	17	91	28,732
Transfers from other group companies	-	289	50	20	359
Transfers to other group companies	-	(181)	(55)	-	(236)
Disposals	-	(4,651)	(733)	-	(5,384)
At 1 January 1995	30,355	51,017	390	1,257	83,019
Depreciation					
At 2 January 1994	30	15,802	798	992	17,622
Charge for year	118	1,712	113	82	2,025
Transfers from other group companies	-	197	27	11	235
Transfers to other group companies	-	-	(21)	-	(21)
Disposals	-	(4,649)	(664)	-	(5,313)
At 1 January 1995	148	13,062	253	1,085	14,548
Net book value					
At 1 January 1995	<u>30,207</u>	<u>37,955</u>	<u>137</u>	<u>172</u>	<u>68,471</u>
At 2 January 1994	<u>15,254</u>	<u>26,205</u>	<u>313</u>	<u>154</u>	<u>41,926</u>

The net book value of plant and machinery includes £17,054,000 (2 January 1994 - £22,445,000) in respect of assets held under finance leases.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

13 TANGIBLE ASSETS (CONTINUED)

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

	1 January <u>1995</u> £'000	2 January <u>1994</u> £'000
Cost	30,355	15,284
Aggregate depreciation based on cost	<u>(2,174)</u>	<u>(2,057)</u>
	28,181	13,227
	<u>=====</u>	<u>=====</u>

14 INVESTMENTS

Cost of investments at net book value comprise: £'000

Investments listed on a recognised investment exchange

At 2 January 1994 233

Additions, at cost 50,721

At 1 January 1995 50,954

The directors estimate that the market value of investments at 1 January 1995 was £42,631,000 (2 January 1994 - £1,618,969).

Direct interest 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>
Metropolitan Free Newspapers Limited	Scotland	Ordinary shares of £1	Holding company	100%
Saltire Press Limited	Scotland	Ordinary shares of £1	Non-trading	100%
Newsday Limited	Scotland	Ordinary Shares of £1	Dormant	100%
Scotfree Limited	Scotland	Ordinary Shares of £1	Dormant	100%

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (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	Dormant, from 2 January 1995	100%
The Edinburgh and Lothians Post Limited	Scotland	Ordinary shares of £1	Dormant	100%
Dundonian Publications Limited	Scotland	Ordinary shares of £1	Dormant	100%
Aberdonian Publications Limited	Scotland	Ordinary shares of £1	Dormant	100%

15 DEFERRED TAX ASSET

The deferred tax asset is in respect of the company's portion of the provision for the actuarial estimated deficit of certain of the group's pension schemes, which are described in note 9, together with the restructuring provision.

Movements in deferred taxation during the year were as follows:

	52 weeks ended 1 January 1995 £'000	53 weeks ended 2 January 1994 £'000
Balance at 2 January 1994	16,611	30,911
Transfer to profit and loss account (note 11)	(13,142)	(14,300)
Balance at 1 January 1995	3,469	16,611

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

15 DEFERRED TAX (CONTINUED)

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

	At 1 January 1995		At 2 January 1994	
	Asset	Full potential (asset) /liability	Asset	Full potential (asset) /liability
	<u>recognised</u>	<u>/liability</u>	<u>recognised</u>	<u>/liability</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(2,903)	-	(9,611)
Title valuation	-	14,005	-	14,143
Other timing differences				
- pension provision	(2,101)	(2,101)	(12,771)	(12,771)
- restructuring provision	(1,368)	(1,368)	(3,840)	(3,840)
	(3,469)	7,633	(16,611)	(12,079)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 STOCKS

	1 January 1995	2 January 1994
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Raw materials and consumables	561	502
Spares stocks	<u>155</u>	<u>—</u>
	716	502
	<u> </u>	<u> </u>

17 DEBTORS

	1 January 1995	2 January 1994
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Trade debtors	11,716	10,166
Amounts owed by parent undertaking	-	41,440
Amounts owed by subsidiary undertakings	5,436	5,868
Other debtors	2,142	247
Prepayments and accrued income	<u>2,693</u>	<u>3,473</u>
	21,987	61,194
	<u> </u>	<u> </u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995
(CONTINUED)**

18	CREDITORS - Amounts falling due within one year	1 January	2 January
		<u>1995</u>	<u>1994</u>
		£'000	£'000
	Bank overdraft	-	2,400
	Trade creditors	14,864	8,167
	Amounts owed to parent undertaking	26,981	33
	Amounts owed to subsidiary undertakings	-	16
	Corporation tax	1,590	1,618
	Other taxation and social security	627	869
	Other creditors	132	73
	Accruals and deferred income	2,233	2,097
	Obligations under finance leases (note 19)	<u>5,864</u>	<u>5,396</u>
		52,291	20,669
		<u> </u>	<u> </u>
19	CREDITORS - Amounts falling due after more than one year	1 January	2 January
		<u>1995</u>	<u>1994</u>
		£'000	£'000
	Obligations under finance leases		
	Amounts payable:		
	Within one year	9,061	12,124
	In the second to fifth years inclusive	32,724	42,730
	Over five years	<u>9,134</u>	<u>29,331</u>
		50,919	84,185
	Less:		
	Finance charges allocated to future periods	(12,496)	(27,469)
	Lease finance not yet drawn down on assets in the course of construction	<u>(2,005)</u>	<u>(2,850)</u>
		36,418	53,866
	Less: Amounts falling due within one year (note 18)	<u>(5,864)</u>	<u>(5,396)</u>
		<u>30,554</u>	<u>48,470</u>
		<u> </u>	<u> </u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

20	PROVISIONS FOR LIABILITIES AND CHARGES	<u>1994</u> £'000	<u>1993</u> £'000
	Provision for pension deficiency (note 9)	6,369	38,699
	Restructuring costs (see below)	<u>3,893</u>	<u>12,957</u>
		10,262	51,656
		<u> </u>	<u> </u>

Restructuring costs 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. The movement for the year is analysed as follows:

	£'000
Balance at 2 January 1994	12,957
Expenditure against provision	(9,362)
Transfers	<u>298</u>
Balance at 1 January 1995	<u>3,893</u>

21	CALLED UP SHARE CAPITAL	<u>1 January</u> <u>1995</u> £'000	<u>2 January</u> <u>1994</u> £'000
	Authorised		
	1,022,100 Ordinary shares of £1 each	<u>1,022</u>	<u>1,022</u>
	Allotted and fully paid		
	1,022,084 Ordinary shares of £1 each	<u>1,022</u>	<u>1,022</u>

22	PROFIT AND LOSS ACCOUNT		£'000
	At 2 January 1994		18,545
	Profit retained for the financial year		<u>40,453</u>
	At 1 January 1995		<u>58,998</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 1 JANUARY 1995 (CONTINUED)

23 CAPITAL COMMITMENTS

	1 January <u>1995</u> £'000	2 January <u>1994</u> £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>9,255</u>	<u>17,569</u>
Authorised but not contracted	<u>43</u>	<u>15,183</u>

24 FUNDING ARRANGEMENTS

The company participates in the group financing facilities. 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 Mirror Group plc for borrowings under these facilities. Consequently the company is dependent on the support of Mirror Group plc.

25 ULTIMATE PARENT COMPANY

The ultimate parent company of Scottish Daily Record and Sunday Mail Limited is Mirror Group plc, a company registered in England. Copies of the Mirror Group plc financial statements may be obtained from The Secretary, Mirror Group plc, 1 Canada Square, Canary Wharf, London, E14 5AP.

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