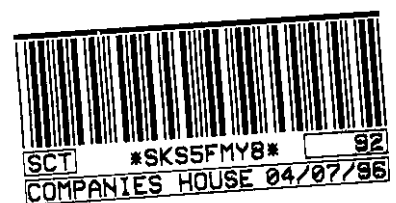


SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED
(Registered Number SC12921)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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DIRECTORS AND ADVISORS

Directors

CJ Allwood
JW Anderson
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 Blythswood 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 31 DECEMBER 1995

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 31 December 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 the company's affairs 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 8 to 27, 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 and advertising revenues 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.

All printing operations were transferred from Anderston Quay to a new printing plant at Cardonald during the year.

Results, dividends and retained profits

The results for the year are set out in the profit and loss account on page 8. Dividends of £2,086,000 were paid during the year. The directors do not propose the payment of a final dividend for the year and the remaining profit of £18,515,000 has been transferred to reserves.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

Directors

The following served as directors during the year:

CJ Allwood
 JW Anderson
 S Auty (resigned 18 September 1995)
 KJ Beatty
 JB Cassidy
 TM Connor
 PC Grant
 K Hughes
 M MacLennan (resigned 2 January 1995)
 K MacMaster
 GR Middlemiss
 DJ Montgomery
 TJ Quinn
 PA Vickers

Directors' interests

According to the register maintained under the provisions of the Companies Act 1985, no directors had any interest in the share capital of the company during the year. The directors at 31 December 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:

	31 December 1995 Ordinary shares of 25p each	2 January 1995 Ordinary shares of 25p each
JW Anderson	21,334	21,532
KJ Beatty	5,532	4,199
JB Cassidy	26,867	20,201
TM Connor	-	17,500
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 31 DECEMBER 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 31 December 1995, were:

	Number of Ordinary shares of 25p each	From	Exercisable To	Option price £
JW Anderson	-	-	-	-
KJ Beatty	16,000	17 May 1994	17 May 2001	1.25
	47,337	26 September 1998	26 September 2005	1.69
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 31 December 1995 was £1.76 and the range during 1995 was £1.21 to £1.89.

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 31 December 1995:

	Date of award	Number awarded	Shares released in prior years	Taken up in 1995	Available in future years
JW Anderson	17 May 1991	64,000	32,001	10,667	21,332
KJ Beatty	17 May 1991	8,000	3,999	1,333	2,668
JB Cassidy	17 May 1991	40,000	20,000	6,667	13,333
TM Connor	27 September 1993	84,000	28,000	14,000	42,000
PC Grant	-	-	-	-	-
K Hughes	-	-	-	-	-
K MacMaster	-	-	-	-	-
GR Middlemiss	-	-	-	-	-
TJ Quinn	-	-	-	-	-

The interests of Messrs CJ Allwood, DJ Montgomery and PA Vickers in the share capital of Mirror Group plc are disclosed in the financial statements of that company.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

Fixed assets

Movements in fixed assets during the year are set out in notes 12 and 13 to the financial statements.

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 £57,891 were made during the year for charitable purposes. No contributions were made for any political purposes.

Employee related matters

Disabled persons

The company's policy is to give fair and equal consideration to the recruitment, employment and career development of disabled persons where suitable opportunities arise, and to provide such training and other assistance as may be necessary and practicable. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Employee involvement

Communication and participation of employees is achieved through both formal and informal channels. The means of communication range from those of formal union procedures to staff briefings, and formal and informal management briefings. Where appropriate, communication is by personal letter or circular to employees individually.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

Auditors

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

On behalf of the Board



G.R. MIDDLEMISS

Director and Secretary

Glasgow

27 June 1996

Price Waterhouse



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

We have audited the financial statements on pages 8 to 27 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 at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

27 June 1996

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

	Notes	52 weeks ended 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
TURNOVER	2	101,385	89,765
Cost of sales		<u>(58,184)</u>	<u>(45,495)</u>
GROSS PROFIT		43,201	44,270
Other operating expenses	3	<u>(18,328)</u>	<u>(20,134)</u>
TRADING PROFIT		24,873	24,136
Release of pension fund provision	8	<u>2,529</u>	<u>30,108</u>
OPERATING PROFIT		27,402	54,244
Income from investments	6	<u>3,662</u>	<u>309</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS		31,064	54,553
Finance costs	7	(2,543)	(4,872)
- Net interest payable	8	<u>(526)</u>	<u>(705)</u>
- Pension finance charge			
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9	27,995	48,976
Taxation	10	<u>(7,394)</u>	<u>(8,523)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		20,601	40,453
Dividends paid		<u>(2,086)</u>	<u>-</u>
PROFIT RETAINED FOR THE FINANCIAL YEAR	21	<u>18,515</u>	<u>40,453</u>

The notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

There is no material difference between the total recognised gains and losses and the profits set out above for either year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

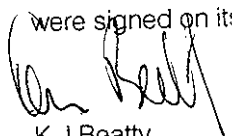
There is no material difference between the reported profit and the historical cost profit on ordinary activities for either year.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

BALANCE SHEET - AT 31 DECEMBER 1995

	Notes	31 December 1995 £'000	1 January 1995 £'000
FIXED ASSETS			
Intangible assets	11	60,000	60,000
Tangible assets	12	75,896	68,471
Investments	13	<u>63,316</u>	<u>50,954</u>
		<u>199,212</u>	<u>179,425</u>
CURRENT ASSETS			
Deferred taxation (recoverable in more than one year)	14	1,148	2,101
Stocks	15	1,122	716
Debtors	16	23,109	23,355
Cash at bank and in hand		<u>2,494</u>	<u>8,682</u>
		27,873	34,854
CREDITORS - Amounts falling due within one year	17	<u>(56,031)</u>	<u>(52,291)</u>
NET CURRENT LIABILITIES		<u>(28,158)</u>	<u>(17,437)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		171,054	161,988
CREDITORS - Amounts falling due after more than one year	18	(25,183)	(30,554)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(6,184)</u>	<u>(10,262)</u>
NET ASSETS		<u>139,687</u>	<u>121,172</u>
CAPITAL AND RESERVES			
Called up share capital	20	1,022	1,022
Share premium account		18	18
Revaluation reserve		61,134	61,134
Profit and loss account	21	<u>77,513</u>	<u>58,998</u>
EQUITY SHAREHOLDERS' FUNDS	22	<u>139,687</u>	<u>121,172</u>

The financial statements on pages 8 to 27 were approved by the Board of Directors on 27 June 1996 and were signed on its behalf by:-


K J Beatty
DIRECTOR

The notes on pages 10 to 27 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 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 financial statements and cash flows

Group financial statements 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 the 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 values 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%
Refurbishments	10% to 20%
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 31 DECEMBER 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 tangible fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. Costs in respect of operating leases are charged on a straight line basis over the lease terms.

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 8 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 31 DECEMBER 1995 (CONTINUED)

2 TURNOVER

Turnover, which consists of revenue from the sale of newspapers and advertising, is stated at the 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 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
Distribution costs	2,954	1,948
Administrative expenses	<u>15,374</u>	<u>18,186</u>
	18,328	20,134
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS

The remuneration paid to the directors of the company was:

	52 weeks ended 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
Directors' emoluments (including pension contributions and benefits in kind)	761	651
Compensation to former directors for loss of office	<u> </u>	<u>717</u>
	761	1,368
	<u> </u>	<u> </u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995
(CONTINUED)

4 DIRECTORS' EMOLUMENTS (CONTINUED)

Emoluments, excluding pension contributions, include amounts paid to:

	52 weeks ended 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
The highest paid director	<u>134</u>	<u>126</u>

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

	52 weeks ended 31 December 1995 Number	52 weeks ended 1 January 1995 Number
£0 to £5,000	6	8
£5,001 to £10,000	-	1
£20,001 to £25,000	-	1
£25,001 to £30,000	-	1
£40,001 to £45,000	1	-
£50,001 to £55,000	1	1
£70,001 to £75,000	1	2
£75,001 to £80,000	1	2
£80,001 to £85,000	1	1
£85,001 to £90,000	1	-
£100,001 to £105,000	1	-
£115,001 to £120,000	-	1
£125,001 to £130,000	1	-
£130,001 to £135,000	-	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

5 EMPLOYEE INFORMATION

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

	52 weeks ended 31 December <u>1995</u> Number	52 weeks ended 1 January <u>1995</u> Number
By activity:		
Production	491	465
Selling and distribution	117	117
Administration	<u>81</u>	<u>147</u>
	689	729
	—	—

	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
Staff costs (for the above persons):		
Wages and salaries	19,643	22,626
Social security costs	1,830	2,091
Regular pension cost (Note 8)	<u>836</u>	<u>1,019</u>
	22,309	25,736
	—	—

6 INCOME FROM INVESTMENTS

	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
Dividends receivable	<u>3,662</u>	<u>309</u>

Income from investments includes £3,408,000 (1 January 1995 - £295,000) from listed investments.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

7 NET INTEREST PAYABLE

	52 weeks ended 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
Interest payable on finance leases	(2,532)	(4,890)
Bank overdraft interest	(11)	(12)
Other interest receivable	-	30
	<u>(2,543)</u>	<u>(4,872)</u>

8 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").

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.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

8 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

(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.

As reported last year, 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 was paid to the Trustees of the Maxwell schemes.

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.

During the year, the Trustees recovered further assets resulting in the Old Scheme and the Past Service Scheme together having sufficient assets to be able to meet their estimated liabilities (other than liabilities for State Scheme premiums).

The directors of Mirror Group plc have taken actuarial advice about the provision and have concluded that it may be reduced. Movements in the company's share of the provision are shown below:

	£'000
Opening provision	6,369
Release of provision	(2,529)
Pension finance charge	526
Contributions	<u>(886)</u>
Closing provision	3,480
	—

The balance at 31 December 1995 represents the estimated net present value of the Old Scheme's liability to meet State Scheme premiums.

(c) Future recoveries

The Trustees are still pursuing certain actions against parties for the recovery of assets. No benefit from these actions has been assumed in calculating the provision at 31 December 1995.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

8 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

(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 £13.25 million which is to be paid as follows:

	£'000
Within one year	27
Between one and two years	27
Between two and five years	81
Between five and ten years	975
Between ten and twenty five years	<u>12,140</u>
	<u>13,250</u>

(e) The New Scheme

The group makes contributions to the New Scheme based upon the recommendations of the scheme's independent actuary. An actuarial valuation was performed by Bacon & Woodrow as at 31 March 1995. 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 March 1995 was £22.7 million, with the actuarially determined value of the scheme's assets being 107% of its liabilities.

Based on the results of the valuation, the pension cost for the Scheme has been calculated using:

- (i) A regular cost of 6.2% of members' pensionable salaries (previously 6.5% of members' pensionable salaries); and
- (ii) A variation obtained by amortising the surplus over the average estimated future working lifetime of the membership.

The resulting pension cost of £836,000 has been charged in arriving at the operating profit for the 52 weeks ending 31 December 1995 (1 January 1995 - £1,019,000).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	2,356	1,378
- leased assets	670	647
Operating lease rentals - land and buildings	169	169
- plant and equipment	192	81
Loss/(profit) on sale of tangible fixed assets	<u>23</u>	<u>(1,400)</u>
And after crediting:		
Rent receivable	<u>278</u>	<u>119</u>

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

- statutory audit of the company's financial statements £26,500 (1 January 1995 - £25,000)
- other services £17,900 (1 January 1995 - £15,500)

10 TAXATION

	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
Group relief payable/(receivable) at 33%	2,476	(4,653)
Deferred taxation		
- Deferred taxation on movement in pension provision (Note 14)	953	10,670
- Other deferred tax movements (Note 19)	3,527	2,472
Tax credits on franked investment income	438	63
Over-provision in respect of prior year corporation tax	<u>-</u>	<u>(29)</u>
	<u>7,394</u>	<u>8,523</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

11 INTANGIBLE FIXED ASSETS

Newspaper titles - £60 million (1 January 1995 - £60 million).

The titles are stated at directors' valuation, which approximates to their estimate of current cost. In arriving at the estimate at 31 December 1995, 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 the titles together with their associated publishing rights were to be sold in market conditions as at 2 January 1994.

No provision has been made for the corporation tax that could arise if the titles were to be disposed of at their book amounts, quantified in note 19, because it is not the directors' intention to dispose of the titles. The historical cost of these titles is not disclosed on the basis that it is not now possible to ascertain it.

12 TANGIBLE ASSETS

	Freehold land and <u>buildings</u> £'000	Plant and <u>machinery</u> £'000	Motor <u>vehicles</u> £'000	Fixtures and <u>fittings</u> £'000	<u>Total</u> £'000
Cost or valuation					
At 2 January 1995	30,355	51,017	390	1,257	83,019
Additions	901	7,942	19	133	8,995
Transfers from other group companies	-	144	-	-	144
Transfers to other group companies	-	-	(6)	-	(6)
Disposals	-	(3,586)	(174)	(155)	(3,915)
Reclassifications	(973)	1,718	-	(745)	-
Capitalised interest	<u>-</u>	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>1,533</u>
At 31 December 1995	<u>30,283</u>	<u>58,768</u>	<u>229</u>	<u>490</u>	<u>89,770</u>
Depreciation					
At 2 January 1995	148	13,062	253	1,085	14,548
Charge for year	369	2,580	44	33	3,026
Transfers from other group companies	-	144	-	-	144
Transfers to other group companies	-	-	(4)	-	(4)
Disposals	-	(3,536)	(155)	(149)	(3,840)
Reclassifications	<u>-</u>	<u>608</u>	<u>-</u>	<u>(608)</u>	<u>-</u>
At 31 December 1995	<u>517</u>	<u>12,858</u>	<u>138</u>	<u>361</u>	<u>13,874</u>
Net book value					
At 31 December 1995	<u>29,766</u>	<u>45,910</u>	<u>91</u>	<u>129</u>	<u>75,896</u>
At 1 January 1995	<u>30,207</u>	<u>37,955</u>	<u>137</u>	<u>172</u>	<u>68,471</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

12 TANGIBLE ASSETS (CONTINUED)

The net book value of plant and machinery includes £18,450,743 (1 January 1995 - £17,054,000) in respect of assets held under finance leases.

Included in freehold land and buildings are revalued properties with a net book value of £4,294,000 (1 January 1995 - £4,379,000). If these properties had not been revalued they would have been included at the following amounts:

	31 December <u>1995</u> £'000	1 January <u>1995</u> £'000
Cost	4,465	4,465
Aggregate depreciation on cost	<u>1,809</u>	<u>1,723</u>
	<u>2,656</u>	<u>2,742</u>

13 INVESTMENTS

Cost of investments comprise:	£'000
Investments listed on a recognised investment exchange	
At 2 January 1995	50,954
Additions, at cost	<u>12,362</u>
At 31 December 1995	<u>63,316</u>

The directors estimate that the market value of investments at 31 December 1995 was £60,080,000 (1 January 1995 - £42,631,000).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

13 INVESTMENTS (CONTINUED)

Direct 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>
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%

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	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%

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

14 DEFERRED TAX ASSET

The deferred tax asset is in respect of the provision for the actuarially estimated deficit of certain of the Group's pension schemes which are described in note 8.

	52 weeks ended 31 December 1995 £'000	52 weeks ended 1 January 1995 £'000
Balance at 2 January 1995	2,101	12,771
Transfer to profit and loss account (note 10)	<u>(953)</u>	<u>(10,670)</u>
Balance at 31 December 1995	<u>1,148</u>	<u>2,101</u>

15 STOCKS

	31 December 1995 £'000	1 January 1995 £'000
Raw materials and consumables	967	561
Spares stocks	<u>155</u>	<u>155</u>
	<u>1,122</u>	<u>716</u>

16 DEBTORS

	31 December 1995 £'000	1 January 1995 £'000
Trade debtors	14,443	11,716
Amounts owed by subsidiary undertakings	5,436	5,436
Amounts owed by other group companies	418	-
Dividends receivable	1,472	-
Other debtors	174	2,142
Other deferred tax (Note 19)	-	1,368
Prepayments and accrued income	<u>1,166</u>	<u>2,693</u>
	<u>23,109</u>	<u>23,355</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

17 CREDITORS - Amounts falling due within one year

	31 December	1 January
	<u>1995</u>	<u>1995</u>
	£'000	£'000
Trade creditors	13,800	14,864
Amounts owed to parent undertaking	31,532	26,981
Corporation tax	1,590	1,590
Other taxation and social security	613	627
Other creditors	53	132
Accruals and deferred income	541	2,233
Obligations under finance leases (note 18)	<u>7,902</u>	<u>5,864</u>
	56,031	52,291
	<u> </u>	<u> </u>

18 CREDITORS - Amounts falling due after more than one year

	31 December	1 January
	<u>1995</u>	<u>1995</u>
	£'000	£'000
Finance lease obligations:		
Finance lease obligations are repayable as follows:		
Within one year	7,902	5,864
Between one and two years	5,881	7,513
Between two and five years	14,246	15,649
After five years	<u>5,056</u>	<u>7,392</u>
Amounts falling due after more than one year	<u>25,183</u>	<u>30,554</u>
	<u>33,085</u>	<u>36,418</u>

Of the total commitments shown above, £2,530,000 (1 January 1995 - £4,748,000) is due to group companies.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

19 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December <u>1995</u> £'000	1 January <u>1995</u> £'000
Deferred taxation (see below)	2,159	-
Provision for pension deficiency (note 8)	3,480	6,369
Restructuring costs (see below)	<u>545</u>	<u>3,893</u>
	6,184	10,262
	<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 1995	3,893
Charged to profit and loss	383
Intercompany transfer	400
Payments made	<u>(4,131)</u>
Balance at 31 December 1995	<u>545</u>

Movements in deferred taxation, calculated at 33% (1 January 1995 - 33%), during the year were as follows :

	52 weeks ended 31 December <u>1995</u> £'000
Balance at 2 January 1995 (Note 16)	(1,368)
Transfer to profit and loss account (note 10)	<u>3,527</u>
Balance at 31 December 1995	<u>2,159</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

19 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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

	<u>At 31 December 1995</u>		<u>At 1 January 1995</u>	
	(Liability)/ asset recognised £'000	Full potential asset /(liability) £'000	Asset recognised £'000	Full potential asset /(liability) £'000
Accelerated capital allowances	(2,339)	(2,339)	-	2,903
Title valuation	-	(13,791)	-	(14,005)
Other timing differences				
- restructuring provision	<u>180</u>	<u>180</u>	<u>1,368</u>	<u>1,368</u>
	(2,159)	(15,950)	1,368	(9,734)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In addition, the company has recorded a deferred tax asset in respect of the provision for pension fund deficiency (note 14).

20 CALLED UP SHARE CAPITAL

	<u>31 December 1995 £'000</u>	<u>1 January 1995 £'000</u>
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>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

21 PROFIT AND LOSS ACCOUNT

	£'000
At 2 January 1995	58,998
Profit retained for the financial year	<u>18,515</u>
At 31 December 1995	<u>77,513</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
Profit retained for the financial year and net increase in shareholders' funds	18,515	40,453
Opening shareholders' funds	<u>121,172</u>	<u>80,719</u>
Closing shareholders' funds	<u>139,687</u>	<u>121,172</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (CONTINUED)

23 FINANCIAL COMMITMENTS

	31 December <u>1995</u> £'000	1 January <u>1995</u> £'000
(i) Capital commitments		
Capital expenditure that has been contracted for but not provided for in the financial statements	<u>793</u>	<u>9,255</u>
Authorised but not contracted	<u>77</u>	<u>43</u>

(ii) Operating lease commitments

The company has annual commitments under operating leases in respect of land, buildings and motor vehicles as follows:

	31 December <u>1995</u> £'000	1 January <u>1995</u> £'000
Operating leases which expire:		
Within one year	2	2
Between one and two years	191	-
Between two and five years	2	190
After five years	<u>166</u>	<u>167</u>
	<u>361</u>	<u>359</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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