

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 29 DECEMBER 1996



SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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DIRECTORS AND ADVISORS

Directors

C J Allwood
J W Anderson
J B Cassidy
T M Connor
K Hughes
W J Kane
K MacMaster
G R Middlemiss
D J Montgomery
P C Moore
J C Park
T J Quinn
P A Vickers
C M Wilson

Auditors

Price Waterhouse
1 Blythswood Square
GLASGOW
G2 4AD

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
GLASGOW
G2 6SB

Secretary and Registered Office

G R Middlemiss
40 Anderston Quay
GLASGOW
G3 8DA

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 DECEMBER 1996

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 29 December 1996.

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 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 publishing.

Review of the business

During the 52 weeks ended 29 December 1996, 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.

Results, dividends and retained profits

The results for the 52 week period are set out in the profit and loss account on page 7. Dividends of £2,169,000 were paid during the 52 week period. The remaining profit of £17,176,000 has been transferred to reserves.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

Directors

The following served as directors during the 52 weeks ended 29 December 1996:

C J Ailwood
J W Anderson
K J Beatty (resigned 1 August 1996)
J B Cassidy
T M Connor
P C Grant
K Hughes
W J Kane (appointed 4 November 1996)
K MacMaster
G R Middlemiss
D J Montgomery
P C Moore (appointed 1 August 1996)
T J Quinn
P A Vickers
C M Wilson (appointed 1 August 1996)

Mr. P C Grant resigned on 28 February 1997. Mr. J C Park was appointed on 7 January 1997.

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 52 week period. The directors at 29 December 1996, 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:

	29 December 1996 Ordinary shares of 25p each	31 December 1995 Ordinary shares of 25p each
J W Anderson	16,344	21,334
J B Cassidy	33,934	26,867
T M Connor	-	-
P C Grant	400	-
K Hughes	400	-
K MacMaster	10,000	10,000
G R Middlemiss	400	-
P C Moore	400	-
T J Quinn	-	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (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 period end and who were not also directors of the holding company, at 29 December 1996, were:

	Number of Ordinary shares of 25p each	From	Exercisable To	Option price £
J W Anderson	-	-	-	-
J B Cassidy	16,000	17 May 1994	17 May 2001	1.25
	48,826	6 April 1996	6 April 2003	1.15
T M Connor	70,960	26 April 1999	26 April 2006	2.29
PC Grant	-	-	-	-
K Hughes	-	-	-	-
K MacMaster	-	-	-	-
G R Middlemiss	-	-	-	-
PC Moore	-	-	-	-
T J Quinn	80,882	27 September 1997	27 September 2004	1.36

The market price of Mirror Group plc shares at 29 December 1996 was £2.17 and the range during 1996 was £1.76 to £2.39.

The company participates in the Mirror Group plc employee share award scheme. The following directors holding office at 29 December 1996 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 29 December 1996:

	Date of award	Number awarded	Shares released in prior years	Taken up in 1996	Waived in 1996	Available in future years
J W Anderson	17 May 1991	64,000	42,668	10,667	-	10,665
J B Cassidy	17 May 1991	40,000	26,668	6,667	-	6,665
	6 May 1996	400	-	400	-	-
T M Connor	27 Sept 1993	84,000	42,000	-	42,000	-
P C Grant	6 May 1996	400	-	400	-	-
K Hughes	6 May 1996	400	-	400	-	-
K MacMaster	-	-	-	-	-	-
G R Middlemiss	6 May 1996	400	-	400	-	-
P C Moore	6 May 1996	400	-	400	-	-
T J Quinn	-	-	-	-	-	-

The interests of Messrs C J Allwood, D J Montgomery, W J Kane, P A Vickers and C M Wilson 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 29 DECEMBER 1996 (CONTINUED)

Fixed assets

Movements in fixed assets during the 52 week period are set out in notes 11, 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 £125,530 were made during the 52 week period 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.

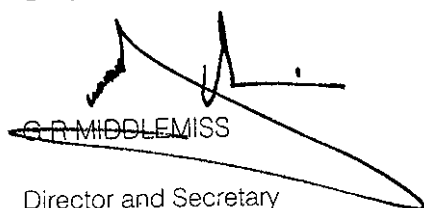
Employee involvement

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.

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

16 May 1997

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 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 9 and 10.

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 29 December 1996 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

16 May 1997

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 29 DECEMBER 1996

	Notes	52 week period ended 29 December 1996 £'000	52 week period ended 31 December 1995 £'000
TURNOVER	2	105,132	101,385
Cost of sales		(55,012)	(58,184)
GROSS PROFIT		50,120	43,201
Other operating expenses	3	(25,872)	(18,328)
TRADING PROFIT		24,248	24,873
Release of pension fund provision	8	—	2,529
OPERATING PROFIT		24,248	27,402
Income from investments	6	1,239	3,662
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS		25,487	31,064
Finance costs			
- Interest payable	7	(1,980)	(2,543)
- Pension finance charge	8	—	(526)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9	23,507	27,995
Taxation	10	(4,162)	(7,394)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,345	20,601
Dividends paid		(2,169)	(2,086)
PROFIT RETAINED FOR THE FINANCIAL YEAR	21	17,176	18,515

The notes on pages 9 to 25 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE 52 WEEKS ENDED 29 DECEMBER 1996

There is no material difference between the total recognised gains and losses and the profits set out above for either 52 week period.

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE 52 WEEKS ENDED 29 DECEMBER 1996

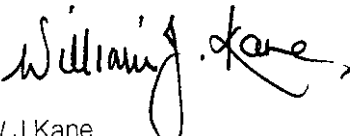
There is no material difference between the reported profit and the historical cost profit on ordinary activities for either 52 week period.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

BALANCE SHEET - AT 29 DECEMBER 1996

	Notes	29 December 1996 £'000	31 December 1995 £'000
FIXED ASSETS			
Intangible assets	11	60,000	60,000
Tangible assets	12	73,122	75,896
Investments	13	<u>63,102</u>	<u>63,316</u>
		<u>196,224</u>	<u>199,212</u>
CURRENT ASSETS			
Deferred taxation (recoverable in more than one year)	14	1,148	1,148
Stocks	15	125	1,122
Debtors	16	8,070	23,289
Cash at bank and in hand		<u>31</u>	<u>2,494</u>
		9,374	28,053
CREDITORS - Amounts falling due within one year	17	<u>(20,360)</u>	<u>(56,031)</u>
NET CURRENT LIABILITIES		<u>(10,986)</u>	<u>(27,978)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		185,238	171,234
CREDITORS - Amounts falling due after more than one year	18	(19,284)	(25,183)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(9,091)</u>	<u>(6,364)</u>
NET ASSETS		<u>156,863</u>	<u>139,687</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>94,689</u>	<u>77,513</u>
EQUITY SHAREHOLDERS' FUNDS	22	<u>156,863</u>	<u>139,687</u>

The financial statements on pages 7 to 25 were approved by the Board of Directors on 16 May 1997 and were signed on its behalf by:-


W J Kane
DIRECTOR

The notes on pages 9 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 29 DECEMBER 1996

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.

Related party transactions

Related party transactions occurring in the year relate only to fellow group undertakings and, as the company is a wholly owned subsidiary, no disclosure of these transactions is required.

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 29 DECEMBER 1996 (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. Provision is made for estimated damage where it is judged probable that damages will be payable.

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 estimated 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.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (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 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Distribution costs	3,023	2,954
Administrative expenses	<u>22,849</u>	<u>15,374</u>
	<u>25,872</u>	<u>18,328</u>

4 DIRECTORS' EMOLUMENTS

The remuneration paid to the directors of the company was:

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Directors' emoluments (including pension contributions and benefits in kind)	<u>803</u>	<u>761</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

4 DIRECTORS' EMOLUMENTS (CONTINUED)

Emoluments, excluding pension contributions, include amounts paid to:

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
The highest paid director	<u>165</u>	<u>134</u>

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

	52 weeks ended 29 December 1996 Number	52 weeks ended 31 December 1995 Number
£0 to £5,000	7	6
£30,001 to £35,000	1	-
£50,001 to £55,000	-	1
£70,001 to £75,000	-	1
£75,001 to £80,000	2	1
£80,001 to £85,000	-	1
£85,001 to £90,000	1	1
£90,001 to £95,000	1	-
£95,001 to £100,000	1	-
£100,001 to £105,000	-	1
£115,001 to £120,000	-	1
£130,001 to £135,000	-	1
£140,001 to £145,000	1	-
£160,001 to £165,000	1	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

5 EMPLOYEE INFORMATION

The average weekly number of persons, including executive directors, whose services were provided to the company during the 52 week period was:

	52 weeks ended 29 December 1996 Number	52 weeks ended 31 December 1995 Number
By activity:		
Production	485	491
Selling and distribution	111	117
Administration	<u>78</u>	<u>81</u>
	<u>674</u>	<u>689</u>

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Staff costs (for the above persons):		
Wages and salaries	19,161	19,643
Social security costs	1,678	1,830
Regular pension cost (Note 8)	<u>790</u>	<u>836</u>
	<u>21,629</u>	<u>22,309</u>

6 INCOME FROM INVESTMENTS

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Dividends receivable	<u>1,239</u>	<u>3,662</u>

Income from investments includes £1,238,000 (31 December 1995 - £3,408,000) from listed investments.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

7 INTEREST PAYABLE

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Interest payable on finance leases	1,964	2,532
Bank overdraft interest	1	11
Other interest	15	-
	<u>1,980</u>	<u>2,543</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 terminate the two existing pension schemes and to put new pension arrangements in place. The schemes which were terminated 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 29 DECEMBER 1996 (CONTINUED)

8 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

(b) Provision

The Group held a provision of £12.8 million at 29 December 1996 and 31 December 1995 in respect of the Group's undertaking to meet obligations of the Old Scheme and Past Service Scheme including State Scheme premiums. The company's share of this provision was £3,480,000 at 29 December 1996 and 31 December 1995. Although it is now believed that the Schemes currently have sufficient assets to meet all their estimated liabilities, the directors, having taken actuarial advice, consider it prudent to retain the provision for the time being. No pension finance charge has been made in the current year.

(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 29 December 1996.

(d) 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; and
- (ii) A variation obtained by amortising the surplus over the average estimated future working lifetime of the membership.

The resulting pension cost has been charged in arriving at the operating profit for the 52 weeks ended 29 December 1996. A prepayment of £149,000 existed at 29 December 1996.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	3,142	2,356
- leased assets	1,055	670
Operating lease rentals - land and buildings	167	169
- plant and equipment and vehicles	241	192
Loss on sale of tangible fixed assets	<u>-</u>	<u>23</u>
And after crediting:		
Profit on sale of tangible fixed assets	18	-
Rent receivable	<u>282</u>	<u>278</u>

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

- statutory audit of the company's financial statements £27,300 (31 December 1995 - £26,500)
- other services £19,110 (31 December 1995 - £17,900)

10 TAXATION

	52 weeks ended 29 December 1996 £'000	52 weeks ended 31 December 1995 £'000
Corporation Tax payable at 33%	128	-
Group relief payable at 33%	1,627	2,476
Consortium relief at 10%	728	-
Deferred taxation		
- Deferred taxation on movement in pension provision (Note 14)	-	953
- Other deferred tax movements (Note 19)	2,727	3,527
Tax credits on franked investment income	542	438
Over-provision in respect of prior year corporation tax	<u>(1,590)</u>	<u>-</u>
	<u>4,162</u>	<u>7,394</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

11 INTANGIBLE FIXED ASSETS

Newspaper titles - £60 million (31 December 1995 - £60 million).

The titles are stated at directors' valuation, which approximates to their estimate of current cost. In arriving at the estimate at 29 December 1996, 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 buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 January 1996	30,283	58,768	229	490	89,770
Additions	56	1,355	-	16	1,427
Transfers from other group companies	-	284	-	-	284
Disposals	-	(451)	(38)	-	(489)
At 29 December 1996	<u>30,339</u>	<u>59,956</u>	<u>191</u>	<u>506</u>	<u>90,992</u>
Depreciation					
At 1 January 1996	517	12,858	138	361	13,874
Charge for 52 week period	601	3,517	48	31	4,197
Transfers from other group companies	-	284	-	-	284
Disposals	-	(451)	(34)	-	(485)
At 29 December 1996	<u>1,118</u>	<u>16,208</u>	<u>152</u>	<u>392</u>	<u>17,870</u>
Net book value					
At 29 December 1996	<u>29,221</u>	<u>43,748</u>	<u>39</u>	<u>114</u>	<u>73,122</u>
At 31 December 1995	<u>29,766</u>	<u>45,910</u>	<u>91</u>	<u>129</u>	<u>75,896</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

12 TANGIBLE ASSETS (CONTINUED)

The net book value of plant and machinery includes £17,705,000 (31 December 1995 - £18,451,000) in respect of assets held under finance leases.

Included in freehold land and buildings are revalued properties with a net book value of £4,208,000 (31 December 1995 - £4,294,000). If these properties had not been revalued they would have been included at the following amounts:

	29 December 1996 £'000	31 December 1995 £'000
Cost	4,465	4,465
Aggregate depreciation on cost	<u>1,895</u>	<u>1,809</u>
	<u>2,570</u>	<u>2,656</u>

13 INVESTMENTS

	29 December 1996 £'000	31 December 1995 £'000
Cost of investments comprise:		
Investments listed on a recognised investment exchange		
At 1 January 1996	63,316	50,954
Additions, at cost	-	12,362
Disposals	<u>(214)</u>	<u>-</u>
At 29 December 1996	<u>63,102</u>	<u>63,316</u>

The directors estimate that the market value of investments at 29 December 1996 was £81,401,000 (31 December 1995 - £60,080,000).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (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>	Proportion of nominal value of issued shares held
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>	Proportion of nominal value of issued shares held
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 £	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 29 DECEMBER 1996 (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.

	29 December 1996 £'000	31 December 1995 £'000
Balance at 1 January 1996	1,148	2,101
Transfer to profit and loss account (note 10)	-	(953)
Balance at 29 December 1996	<u>1,148</u>	<u>1,148</u>

15 STOCKS

	29 December 1996 £'000	31 December 1995 £'000
Raw materials and consumables	125	967
Spares stocks	-	155
	<u>125</u>	<u>1,122</u>

16 DEBTORS

	29 December 1996 £'000	31 December 1995 £'000
Trade debtors	362	14,443
Amounts owed by parent undertaking	1,452	-
Amounts owed by subsidiary undertakings	5,436	5,436
Amounts owed by other group companies	-	418
Dividends receivable	-	1,472
Other debtors	94	174
Other deferred tax (Note 19)	180	180
Prepayments and accrued income	<u>546</u>	<u>1,166</u>
	<u>8,070</u>	<u>23,289</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

17 CREDITORS - Amounts falling due within one year

	29 December <u>1996</u> £'000	31 December <u>1995</u> £'000
Trade creditors	4,724	13,800
Amounts owed to parent undertaking	-	31,532
Amounts owed to subsidiary undertaking	8,761	-
Corporation tax	128	1,590
Other taxation and social security	593	613
Other creditors	12	53
Accruals and deferred income	261	541
Obligations under finance leases (note 18)	<u>5,881</u>	<u>7,902</u>
	<u>20,360</u>	<u>56,031</u>

18 CREDITORS - Amounts falling due after more than one year

	29 December <u>1996</u> £'000	31 December <u>1995</u> £'000
Finance lease obligations:		
Finance lease obligations are repayable as follows:		
Within one year	<u>5,881</u>	<u>7,902</u>
Between one and two years	6,436	5,881
Between two and five years	11,098	14,246
After five years	<u>1,750</u>	<u>5,056</u>
Amounts falling due after more than one year	<u>19,284</u>	<u>25,183</u>
	<u>25,165</u>	<u>33,085</u>

Of the total commitments shown above, £8,000 (31 December 1995 - £2,530,000) is due to group companies.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

19 PROVISIONS FOR LIABILITIES AND CHARGES

	29 December <u>1996</u> £'000	31 December <u>1995</u> £'000
Deferred taxation (see below)	5,066	2,339
Provision for pension deficiency (note 8)	3,480	3,480
Restructuring costs (see below)	<u>545</u>	<u>545</u>
	<u>9,091</u>	<u>6,364</u>

Restructuring costs include estimates of the costs of terminating certain contractual obligations and certain other costs associated with the replanting and relocation of the Glasgow print site. There has been no movement in the provision during the 52 week period.

Movements in deferred taxation, calculated at 33% (1 January 1995 - 33%), during the 52 week period were as follows :

	29 December <u>1996</u> £'000
Balance at 1 January 1996	2,339
Transfer to profit and loss account	<u>2,727</u>
Balance at 29 December 1996	<u>5,066</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

19 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

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

	At 29 December 1996		At 31 December 1995	
	Liability recognised	potential liability	Liability recognised	potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(5,066)	(6,442)	(2,339)	(2,339)
Title valuation	-	(13,632)	-	(13,791)
	<u>(5,066)</u>	<u>(20,074)</u>	<u>(2,339)</u>	<u>(16,130)</u>

In addition, the company has recorded a deferred tax asset in respect of the provision for pension fund deficiency (note 14), and a deferred tax asset in respect of the restructuring provision is included in debtors (note 16).

20 CALLED UP SHARE CAPITAL

	29 December 1996	31 December 1995
	£'000	£'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>

21 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 1996	77,513
Profit retained for the 52 week period	<u>17,176</u>
At 29 December 1996	<u>94,689</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	29 December 1996 £'000	31 December 1995 £'000
Profit retained for the 52 week period and net increase in shareholders' funds	17,176	18,515
Opening shareholders' funds	<u>139,687</u>	<u>121,172</u>
Closing shareholders' funds	<u>156,863</u>	<u>139,687</u>

23 FINANCIAL COMMITMENTS

	29 December 1996 £'000	31 December 1995 £'000
(i) Capital commitments		

Capital expenditure that has been contracted for but not provided for in the financial statements

	<u>191</u>	<u>793</u>
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Authorised but not contracted

	<u>160</u>	<u>77</u>
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(ii) Operating lease commitments

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

	29 December 1996 £'000	31 December 1995 £'000
Operating leases which expire:		
Within one year	238	2
Between one and two years	3	191
Between two and five years	-	2
After five years	<u>166</u>	<u>166</u>
	<u>407</u>	<u>361</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.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - FOR THE 52 WEEKS ENDED 29 DECEMBER 1996 (CONTINUED)

25 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and ultimate controlling party 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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