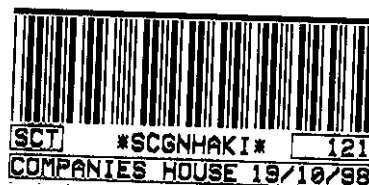


SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED
(Registered No: SC12921)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 DECEMBER 1997

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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
M Clarke
T M Connor
Sir A Grossart
MT Hollinshead
K Hughes
G McCall
S McLaughlin
D J Montgomery
P C Moore
P A Vickers

Auditors

Price Waterhouse
No 1 London Bridge
SE1 9QL

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
GLASGOW
G2 6SB

Secretary and Registered Office

G McCall
40 Anderston Quay
GLASGOW
G3 8DA

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 1997

The directors present their annual report and the audited financial statements of the company for the year ended 28 December 1997.

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 22, 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 year ended 28 December 1997, 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 year are set out in the profit and loss account on page 7. Dividends of £2,380,000 were paid during the year. The remaining profit of £23,580,000 has been transferred to reserves.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

Directors

The following served as directors during the year ended 28 December 1997:

C J Allwood
J W Anderson
J B Cassidy
T M Connor
PC Grant (Resigned 28 February 1997)
K Hughes
W J Kane
K MacMaster
G R Middlemiss (Resigned 11 September 1997)
D J Montgomery
PC Moore
J C Park (Appointed 7 January 1997)
T J Quinn
P A Vickers
C M Wilson

Mr WJ Kane resigned on 14/1/98. Mr JC Park resigned on 5/3/98, Mr CJ Oakley was appointed on 14/1/98 and resigned on 31/3/98. Mr CM Wilson resigned on 15/1/98. Sir A Grossart was appointed on 28/1/98. Ms PC Moore was appointed on 9/2/98. Ms K MacMaster resigned on 31/3/98. Mr T J Quinn resigned on 24/4/98. Mr M Clarke was appointed on 1/5/98. Mr S McLaughlin was appointed on 1/5/98. Mr G McCall was appointed on 1/5/98. M T Hollinshead was appointed on 1/5/98.

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 28 December 1997, 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:

	28 December 1997 Ordinary shares of 25p each	29 December 1996 Ordinary shares of 25p each
J W Anderson	-	16,344
J B Cassidy	33,934	33,934
K Hughes	400	400
K MacMaster	10,000	10,000
P C Moore	400	400
J C Park	-	-
T J Quinn	-	-

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 DECEMBER 1997 (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 28 December 1997, were:

	Number of Ordinary shares of 25p each	Exercisable		Option price
		From	To	
J B Cassidy	16,000	17 May 1994	17 May 2001	125p
	48,826	6 April 1996	6 April 2003	115p
T J Quinn	80,882	27 September 1997	27 September 2004	136p

Mr JW Anderson, Mr K Hughes, Ms K MacMaster, Ms PC Moore and Mr JC Park held no options at 28 December 1997.

The market price of Mirror Group plc shares at 28 December 1997 was £1.94 and the range during 1997 was £1.83 to £2.26.

The company participates in the Mirror Group plc employee share award scheme. The following directors holding office at 28 December 1997 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 28 December 1997:

	Date of Award	Number awarded	Shares released in	Taken up in 1997	Waived in 1997	Available in future years
			prior years			
J W Anderson	17 May 1991	64,000	52,335	10,665	-	-
J B Cassidy	17 May 1991	40,000	33,335	6,665	-	-
	6 May 1996	400	400	-	-	-
K Hughes	6 May 1996	400	400	-	-	-
K MacMaster	6 May 1996	-	-	-	-	-
P C Moore	6 May 1996	400	400	-	-	-
J C Park	-	-	-	-	-	-
TJ Quinn	-	-	-	-	-	-

The interests of Mr C J Allwood, Mr T M Connor, Mr D J Montgomery, Mr W J Kane, Mr P A Vickers and Mr 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 YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

Insurance of directors

MG plc maintains insurance for its directors, including directors of its subsidiary undertakings, in respect of their duties.

Insurers' rights under the policy have been fully reserved for the accounting period ended 29 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 £10,000 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.

Creditor payment policy

It is the policy of the company to agree suitable terms and conditions for its business transactions with suppliers. These terms and conditions range from standard written terms to individually drafted contacts. Once such terms are agreed it is the company's policy to fully adhere to them, including payment schedules, provided the supplier has also complied with the terms and conditions. The Company's suppliers are paid by MGN Limited, a fellow subsidiary undertaking, as part of a centralised accounts payable function. The average payment period disclosed by MGN Limited is 59 days.

Auditors

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

On behalf of the Board



CJ Allwood
Director

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 22 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 28 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

24 June 1998

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 DECEMBER 1997

	Notes	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
TURNOVER	2	108,134	105,132
Cost of sales		<u>(55,210)</u>	<u>(55,012)</u>
GROSS PROFIT		52,924	50,120
Net operating expenses	3	<u>(26,123)</u>	<u>(25,872)</u>
OPERATING PROFIT		26,801	24,248
Income from investments	6	<u>2,985</u>	<u>1,239</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		29,786	25,487
Interest payable	7	<u>(1,138)</u>	<u>(1,980)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		28,648	23,507
Taxation	9 10	<u>(2,688)</u>	<u>(4,162)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		25,960	19,345
Dividends paid		<u>(2,380)</u>	<u>(2,169)</u>
PROFIT RETAINED FOR THE FINANCIAL YEAR	21	<u>23,580</u>	<u>17,176</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 28 DECEMBER 1997

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 YEAR ENDED 28 DECEMBER 1997

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

The notes on pages 9 to 22 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

BALANCE SHEET AT 28 DECEMBER 1997

	Notes	28 December 1997 £'000	29 December 1996 £'000
FIXED ASSETS			
Intangible assets	11	60,000	60,000
Tangible assets	12	72,952	73,122
Investments	13	<u>63,102</u>	<u>63,102</u>
		<u>196,054</u>	<u>196,224</u>
CURRENT ASSETS			
Deferred taxation (recoverable in more than one year)	14	1,078	1,148
Stocks	15	71	125
Debtors	16	29,488	8,070
Cash at bank and in hand		<u>157</u>	<u>31</u>
		<u>30,794</u>	<u>9,374</u>
CREDITORS - Amounts falling due within one year	17	<u>(27,991)</u>	<u>(20,360)</u>
NET CURRENT ASSETS /(LIABILITIES)		<u>2,803</u>	<u>(10,986)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		198,927	185,238
CREDITORS - Amounts falling due after more than one year	18	(12,733)	(19,283)
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(5,682)</u>	<u>(9,091)</u>
NET ASSETS		<u>180,442</u>	<u>156,862</u>
EQUITY 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>118,268</u>	<u>94,688</u>
SHAREHOLDERS' FUNDS	22	<u>180,442</u>	<u>156,862</u>

The financial statements on pages 7 to 22 were approved by the Board of Directors on 24 June 1998 and were signed on its behalf by:



CJ Allwood
Director

The notes on pages 9 to 22 form part of these financial statements.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997

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 - "Cash Flow Statements", 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	50 Years
Refurbishments	5 to 10 Years
Plant and machinery	5 to 20 Years
Motor vehicles	4 Years
Fixtures and fittings	5 to 15 Years

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (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 damages 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.

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.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

3 NET OPERATING EXPENSES

	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Distribution costs	3,800	3,023
Administrative expenses	<u>22,323</u>	<u>22,849</u>
	<u>26,123</u>	<u>25,872</u>

4 DIRECTORS' EMOLUMENTS

The following remuneration was paid to directors of the company:

	Year ended 28 December 1997	Year ended 29 December 1996
Salary	755	631
Share awards	38	44
Benefits in kind	71	60
Bonus	83	33
Pension contributions to money purchase schemes	39	5
Compensation for loss of office	<u>89</u>	<u>-</u>
	<u>1,075</u>	<u>773</u>

Emoluments of the highest paid director:

Emoluments	173	165
Pension contributions to money purchase schemes	<u>39</u>	<u>5</u>

Eight of the directors of the company are remunerated by other group companies and, except for WJ Kane and PC Moore, they render no material services to the company. The emoluments of WJ Kane and PC Moore are included above. One director is remunerated by another group company and received £33,333 during the year which is not included above. The emoluments of the remaining five directors are disclosed in the accounts of MGN Limited.

Of the nine directors, whose emoluments are included above, seven were members of defined benefit schemes (29 December 1996 - eight), one director was a member of a money purchase scheme (29 December 1996 - one) and one director was not a member of any scheme (29 December 1996 - none).

Shares are receivable by one director, the highest paid director, under the group's long-term incentives scheme.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (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:

	Year ended 28 December 1997 Number	Year ended 29 December 1996 Number
By activity:		
Production	508	485
Selling and distribution	110	111
Administration	<u>62</u>	<u>78</u>
	<u>680</u>	<u>674</u>
	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Staff costs (for the above persons):		
Wages and salaries	20,744	19,161
Social security costs	1,855	1,678
Regular pension cost (Note 8)	<u>716</u>	<u>790</u>
	<u>23,315</u>	<u>21,629</u>

6 INCOME FROM INVESTMENTS

	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Dividends receivable from listed investments	<u>2,985</u>	<u>1,239</u>

7 INTEREST PAYABLE

	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Interest payable on finance leases	1,138	1,964
Bank overdraft interest	-	1
Other interest	<u>-</u>	<u>15</u>
	<u>1,138</u>	<u>1,980</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

8 PENSION SCHEMES

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 provided by the State.

The group held a provision of £12.8 million at 28 December 1997 and 29 December 1996 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 28 December 1997 and 29 December 1996. Although it is now believed that the schemes currently have sufficient assets to meet 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. The trustees are still pursuing certain actions against third parties for the recovery of assets. No benefit has been assumed in calculating the provision at 28 December 1997.

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.

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 up to 5 April 1997 and 7.5% of members' pensionable salaries thereafter; and
- (ii) a variation obtained by amortising the surplus over the average estimated future working lifetime of the membership.

A total pension cost of £716,000 (29 December 1996: £790,000) has been charged in arriving at the operating profit for the year.

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation - owned assets	4,034	3,142
- leased assets	709	1,055
Operating lease rentals - land and buildings	171	167
- plant and equipment and vehicles	251	241
Loss on sale of tangible fixed assets	-	-

And after crediting:

Profit on sale of tangible fixed assets	-	18
Rent receivable	<u>68</u>	<u>282</u>

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

- statutory audit of the company's financial statements £8,000 (29 December 1996 - £27,300)
- other services £17,000 (29 December 1996 - £19,110)

10 TAXATION

	Year ended 28 December 1997 £'000	Year ended 29 December 1996 £'000
Corporation tax payable at 31.5% (29 December 1996 - 33%)	-	128
Group relief payable at 31.5% (29 December 1996 - 33%)	5,430	1,627
Consortium relief at 10% (29 December 1996 - 10%)	-	728
Deferred taxation		
- deferred taxation on movement in pension provision (Note 14)	70	-
- other deferred tax movements (Note 19)	(3,409)	2,727
Tax credits on franked investment income	597	542
Over provision in respect of prior year corporation tax	-	(1,590)
	<u>2,688</u>	<u>4,162</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

11 INTANGIBLE FIXED ASSETS

Newspaper titles - £60 million (29 December 1996 - £60 million).

The titles are stated at directors' valuation, which approximates to their estimate of current cost. In arriving at the estimate at 28 December 1997, 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 FIXED 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 30 December 1996	30,339	59,956	191	506	90,992
Additions	638	4,304	-	244	5,186
Transfers from other group companies	-	24	-	-	24
Disposals	<u>(630)</u>	<u>(1,039)</u>	<u>(58)</u>	<u>-</u>	<u>(1,727)</u>
At 28 December 1997	<u>30,347</u>	<u>63,245</u>	<u>133</u>	<u>750</u>	<u>94,475</u>
Depreciation					
At 30 December 1996	1,117	16,207	152	393	17,869
Charge for the year	618	4,067	26	32	4,743
Transfers from other group companies	-	3	-	-	3
Disposals	<u>-</u>	<u>(1,039)</u>	<u>(53)</u>	<u>-</u>	<u>(1,092)</u>
At 28 December 1997	<u>1,735</u>	<u>19,238</u>	<u>125</u>	<u>425</u>	<u>21,523</u>
Net book value					
At 28 December 1997	<u>28,612</u>	<u>44,007</u>	<u>8</u>	<u>325</u>	<u>72,952</u>
At 29 December 1996	<u>29,221</u>	<u>43,748</u>	<u>39</u>	<u>114</u>	<u>73,122</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

12 TANGIBLE FIXED ASSETS (Continued)

The net book value of plant and machinery includes £16,122,000 (29 December 1996 - 17,705,000) in respect of assets held under finance leases.

Included in freehold land and buildings are revalued properties with a net book value of £4,122,000 (29 December 1996 - £4,208,000). If these properties had not been revalued they would have been included at the following amounts:

	28 December 1997 £'000	29 December 1996 £'000
Cost	4,465	4,465
Aggregate depreciation on cost	<u>1,981</u>	<u>1,895</u>
	<u>2,484</u>	<u>2,570</u>

13 INVESTMENTS

	28 December 1997 £'000	29 December 1996 £'000
:		
Balance at 30 December 1996	63,102	63,316
Disposals	<u>-</u>	<u>(214)</u>
Balance at 28 December 1997	<u>63,102</u>	<u>63,102</u>

Investments at 28 December 1997 and 29 December 1996 represent investments listed on a recognised investment exchange. The directors estimate that the market value of investments at 28 December 1997 was £80,400,000 (29 December 1996 - £81,400,000).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (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 YEAR ENDED 28 DECEMBER 1997 (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.

	28 December 1997 £'000	29 December 1996 £'000
Balance at 30 December 1996	1,148	1,148
Transfer to profit and loss account (Note 10)	<u>(70)</u>	<u>-</u>
Balance at 28 December 1997	<u>1,078</u>	<u>1,148</u>

15 STOCKS

	28 December 1997 £'000	29 December 1996 £'000
Raw materials and consumables	<u>71</u>	<u>125</u>

16 DEBTORS

	28 December 1997 £'000	29 December 1996 £'000
Trade debtors	-	362
Amounts owed by parent undertaking	28,658	1,452
Amounts owed by subsidiary undertakings	-	5,436
Amounts owed by other group companies	-	-
Dividends receivable	-	-
Other debtors	-	94
Other deferred tax (Note 19)	180	180
Prepayments and accrued income	<u>650</u>	<u>546</u>
	<u>29,488</u>	<u>8,070</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

17 CREDITORS - Amounts falling due within one year

	28 December 1997 £'000	29 December 1996 £'000
Trade creditors	-	4,724
Amounts owed to parent undertaking	18,413	-
Amounts owed to subsidiary undertakings	-	8,761
Corporation tax	128	128
Other taxation and social security	-	593
Other creditors	6	12
Accruals and deferred income	2,997	261
Obligations under finance leases (Note 18)	<u>6,447</u>	<u>5,881</u>
	<u>27,991</u>	<u>20,360</u>

18 CREDITORS - Amounts falling due after more than one year

	28 December 1997 £'000	29 December 1996 £'000
Finance lease obligations are repayable as follows:		
Within one year	<u>6,447</u>	<u>5,881</u>
Between one and two years	4,785	6,436
Between two and five years	7,948	11,098
After five years	-	<u>1,750</u>
Amounts falling due after more than one year	<u>12,733</u>	<u>19,284</u>
	<u>19,180</u>	<u>25,165</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

19 PROVISIONS FOR LIABILITIES AND CHARGES

	28 December <u>1997</u> £'000	29 December <u>1996</u> £'000
Deferred taxation (see below)	1,657	5,066
Provision for pension deficiency (Note 8)	3,480	3,480
Restructuring costs (see below)	<u>545</u>	<u>545</u>
	<u>5,682</u>	<u>9,091</u>

Movements in deferred taxation, calculated at 31.5% (29 December 1996 - 33%), during the year were as follows :

	£'000
Balance at 29 December 1996	5,066
Transfer to profit and loss account	<u>(3,409)</u>
Balance at 28 December 1997	<u>1,657</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 year.

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

	28 December		29 December	
	<u>1997</u>		<u>1996</u>	
	Full		Full	
	Liability	potential	Liability	potential
	<u>recognised</u>	<u>liability</u>	<u>recognised</u>	<u>liability</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(1,657)	(8,681)	(5,066)	(6,442)
Title valuation	<u>-</u>	<u>(12,605)</u>	<u>-</u>	<u>(13,632)</u>
	<u>(1,657)</u>	<u>(21,281)</u>	<u>(5,066)</u>	<u>(20,074)</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).

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

20 CALLED UP SHARE CAPITAL

	28 December 1997 £'000	29 December 1996 £'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 30 December 1996	94,688
Profit retained for the year	<u>23,580</u>
At 28 December 1997	<u>118,268</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	28 December 1997 £'000	29 December 1996 £'000
Profit retained for the year and net increase in shareholders' funds	23,580	17,176
Opening shareholders' funds	<u>156,863</u>	<u>139,687</u>
Closing shareholders' funds	<u>182,443</u>	<u>156,863</u>

23 FINANCIAL COMMITMENTS

	28 December 1997 £'000	29 December 1996 £'000
(i) Capital commitments		
Capital expenditure that has been contracted for but not provided for in the financial statements	<u>42</u>	<u>191</u>

SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 DECEMBER 1997 (CONTINUED)

23 FINANCIAL COMMITMENTS (Continued)

(ii) Operating lease commitments

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

	28 December 1997 £'000	29 December 1996 £'000
Operating leases which expire:		
Within one year	362	238
Between one and two years	-	3
Between two and five years	17	-
After five years	<u>42</u>	<u>166</u>
	<u>421</u>	<u>407</u>

24 GROUP BORROWING FACILITIES

The company participates in the group financing facilities, details of which are given in the financial statements of Mirror Group plc, and as part of which the company has given cross-guarantees as security for the group's borrowings. Consequently, the company is dependent on the support of Mirror Group plc.

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.