

Scottish Daily Record & Sunday Mail Limited

(Registered No: Sc12921)

Directors' Report And Financial Statements

For The 53 Weeks Ended 3 January 1999

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Scottish Daily Record & Sunday Mail Limited

Report Of The Directors For The 53 Weeks Ended 3 January 1999

The directors present their report and the audited financial statements of Scottish Daily Record & Sunday Mail Limited (the "Company") for the 53 weeks ended 3 January 1999.

Principal Activity

The principal activity of the Company is the publishing of newspapers.

Results And Review Of Activities

The Company's results for the period are set out on page 6. The Company's performance in the period showed that it is a fundamentally sound business with strong trading profits. Subsequent events are detailed in Note 12.

Results And Transfer To Reserves

The profit on ordinary activities after taxation amounted to £22,505,000 (1997: £25,960,000). A dividend of £115,000,000 (1997: £2,380,000) was paid during the period. The retained loss for the financial period of £92,495,000 (1997: profit £23,580,000) has been transferred to reserves.

Directors

The directors of the Company during the period, together with their dates of appointment and resignation, where relevant, were:

C J Allwood	
J W Anderson	
S D Barber	(appointed 1 September 1998)
J B Cassidy	
J P Chisholm	(appointed 6 July 1998)
T M Connor	
M Clarke	(appointed 1 May 1998)
Sir A Grossart	(appointed 28 January 1998)
M T Hollinshead	(appointed 11 May 1998)
K Hughes	
W J Kane	(resigned 14 January 1998)
G K McCall	(appointed 1 May 1998, resigned 30 October 1998)
K MacMaster	(resigned 31 March 1998)
S McLaughlin	(appointed 1 May 1998)
D J Montgomery	(resigned 26 January 1999)
PC Moore	
C J Oakley	(appointed 14 January 1998, resigned 31 March 1998)
J C Park	(resigned 5 March 1998)
T J Quinn	(resigned 24 April 1998)
P A Vickers	
C M Wilson	(resigned 15 January 1998)

S Sampson was appointed as a director of the Company on 29 January 1999 and JG Foley was appointed as a director of the Company on 1 February 1999.

Scottish Daily Record & Sunday Mail Limited

Report Of The Directors

For The 53 Weeks Ended 3 January 1999 (Continued)

Directors' Interests

No director had any interests in the shares of the Company at any time during the period. The interests of directors in the shares of the Company's immediate parent undertaking, Mirror Group plc ("MG plc"), who were also directors of MG plc at the period end are disclosed in the financial statements of that company. The interest of the directors, who were not also directors of MG plc at the period end, in the shares of MG plc are set out in Note 26 to these financial statements.

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 £14,000 (1997 £10,000) were made during the period for charitable purposes. No political donations were made during the period.

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 contracts. 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 47 days.

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 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 & Sunday Mail Limited

Report Of The Directors

For The 53 Weeks Ended 3 January 1999 (Continued)

Employee Related Matters (Continued)

Employee Share Award Scheme

The Company participates in the employee share aware scheme of MG plc and its subsidiary undertakings (the "Group").

Pension Schemes

The Company participates in the pension schemes of the Group as described in Note 22 to the financial statements.

Statement Of Directors' Responsibilities

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

The directors consider that in preparing the financial statements on pages 6 to 21 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.

Auditors

On 1 July 1998 the Company's auditors, Price Waterhouse, merged with Coopers & Lybrand, following which Price Waterhouse resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

On behalf of the Board



S D Barber
Director

28 June 1999

Report of the Auditors To The Members Of Scottish Daily Record & Sunday Mail Limited

We have audited the financial statements on pages 6 to 21 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

The directors are responsible for preparing the annual report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and *are properly prepared in accordance with the Companies Act*. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

**Report Of The Auditors To The Members Of
Scottish Daily Record & Sunday Mail Limited** (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 3 January 1999 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

28 June 1999

Scottish Daily Record & Sunday Mail Limited

Profit And Loss Account For The 53 Weeks Ended 3 January 1999 (52 Weeks Ended 28 December 1997)

	Note	1998 £'000	1997* £'000
Turnover	2	109,514	108,134
Cost of sales		(63,319)	(63,137)
Gross profit		46,195	44,997
Net operating expenses	3	(20,975)	(18,196)
Trading profit		25,220	26,801
Exceptional items	22	3,480	-
Operating profit	4	28,700	26,801
Income from investments	6	3,612	2,985
Profit on ordinary activities before interest		32,312	29,786
Interest payable	7	(1,008)	(1,138)
Profit on ordinary activities before taxation		31,304	28,648
Tax on profit on ordinary activities	8	(8,799)	(2,688)
Profit on ordinary activities after taxation		22,505	25,960
Dividends	9	(115,000)	(2,380)
Retained (loss)/profit for the financial period	20	(92,495)	23,580

All turnover and results arose from continuing operations.

*The comparatives for cost of sales and net operating expenses have been reclassified in line with the allocation adopted for the current period.

The notes on pages 9 to 21 form part of these financial statements.

Scottish Daily Record & Sunday Mail Limited

Statement Of Total Recognised Gains And Losses For The 53 Weeks Ended 3 January 1999 (52 Weeks Ended 28 December 1997)

There were no recognised gains and losses other than those reported in the profit and loss account. The effect of the adjustment arising from the change in accounting policy in respect of intangible assets on the opening balance of reserves was £60,000,000.

Note Of Historical Cost Profits And Losses For The 53 Weeks Ended 3 January 1999 (52 Weeks Ended 28 December 1997)

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

Reconciliation Of Movements In Shareholders' Funds For The 53 Weeks Ended 3 January 1999 (52 Weeks Ended 28 December 1997)

	1998 £'000	1997 £'000
Opening shareholders' funds as previously stated	120,442	156,862
FRS 10 prior year adjustment	-	(60,000)
Restated opening shareholders' funds	120,442	96,862
Profit on ordinary activities after taxation	22,505	25,960
Dividends paid	(115,000)	(2,380)
Closing shareholders' funds	27,947	120,442

The notes on pages 9 to 21 form part of these financial statements.

Scottish Daily Record & Sunday Mail Limited

Balance Sheet At 3 January 1999 (28 December 1997)

			As restated for FRS10
	Note	1998 £'000	1997 £'000
Fixed Assets			
Intangible assets	10	-	-
Tangible assets	11	64,164	72,952
Investments	12	63,102	63,102
		127,266	136,054
Current Assets			
Deferred tax asset	13	-	1,078
Stocks	14	68	71
Debtors	15	94,218	29,488
Property held for resale		5,500	-
Cash at bank and in hand		156	157
		99,942	30,794
Creditors: amounts falling due within one year	16	(187,903)	(27,991)
Net Current (Liabilities)/Assets		(87,961)	2,803
Total Assets Less Current Liabilities		39,305	138,857
Creditors: amounts falling due after more than one year	17	(7,948)	(12,733)
Provisions For Liabilities And Charges	18	(3,410)	(5,682)
		27,947	120,442
Equity Capital And Reserves			
Called up share capital	19	1,022	1,022
Share premium account	20	18	18
Revaluation reserve	20	1,134	1,134
Profit and loss account	20	25,773	118,268
Shareholders' Funds		27,947	120,442

The financial statements on pages 6 to 21 were approved by the Board of Directors on 28 June 1999 and were signed on its behalf by:



S D Barber
Director

The notes on pages 9 to 21 form part of these financial statements.

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements For The 53 Weeks Ended 3 January 1999

1 Principal Accounting Policies

For administrative convenience, the financial statements are made up to the nearest Sunday to the end of the calendar year (1997: 28 December 1997). The financial statements have been prepared in accordance with applicable UK Accounting Standards. A summary of the more important accounting policies is set out below.

a) Basis of accounting

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

b) Turnover

Turnover, which excludes value added tax, represents the invoiced value of newspapers and advertising space sold and sundry goods and services supplied.

c) Deferred taxation

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

d) Intangible assets

The Company has changed its accounting policy with regard to the accounting for the value of its newspaper titles in order to comply with Financial Reporting Standard 10 – "Goodwill and Intangible Assets". In previous years a value of £60,000,000 was attributed to the titles in the balance sheet but FRS10 does not permit the value of internally generated intangible assets which do not have readily ascertainable market values to be reflected in the balance sheet. Accordingly the revaluation has been reversed as a prior year adjustment against opening shareholders' funds.

e) Tangible assets

Tangible fixed assets are stated at cost or valuation less accumulated 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:

	Years
Buildings	50
Refurbishments	5 to 10
Plant and machinery	5 to 20
Motor vehicles	4
Fixtures and fittings	5 to 15

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

1 Principal Accounting Policies (Continued)

f) Investments

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

g) Finance and operating leases

Assets held under finance leases are included in 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.

h) Stocks

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

i) 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.

j) 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 life 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 are described in Note 22.

k) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the end of the period. Differences on exchange arising from this translation are taken to the profit and loss account.

l) 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.

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

2 Turnover

Turnover is comprised substantially of sales in the United Kingdom.

3 Net Operating Expenses

Net operating expenses comprise:

	1998 £'000	1997 £'000
Distribution costs	3,842	3,800
Administrative expenses	17,133	14,396
	20,975	18,196

4 Operating Profit

Operating profit is stated after charging/(crediting):

	1998 £'000	1997 £'000
Depreciation - owned assets	4,290	4,034
- leased assets	700	709
Operating lease rentals - land and buildings	50	171
- plant and equipment and vehicles	293	251
Rent receivable	-	(68)

Auditors' remuneration has been borne by MG plc for the statutory audit of the Group as a whole and is not recharged to the Company. Fees for other services provided were £22,000 (1997: £17,000).

5 Staff Costs And Directors' Emoluments

a) Staff costs are as follows:

	1998 £'000	1997 £'000
Wages and salaries	20,543	20,744
Social security costs	1,787	1,855
Regular pension cost	846	716
	23,176	23,315

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

5 Staff Costs And Directors' Emoluments (Continued)

- b) The average weekly number of employees during the period is set out below:

	1998 Number	1997 Number
Production and editorial	524	508
Selling and distribution	104	110
Administration	57	62
	685	680

- c) Directors' emoluments

Nine (1997: six) of the directors were remunerated by MG plc for their services to the Group as a whole and no emoluments have been charged to the profit and loss account of the Company in respect of those directors. The emoluments are disclosed in the financial statements of MG plc.

The emoluments of the remaining directors were:

	1998 £'000	1997 £'000
Emoluments of directors	885	947
Pension contributions to money purchase schemes	-	39
Compensation for loss of office	149	89
Total	1,034	1,075

The emoluments of the highest paid director were:

	1998 £'000	1997 £'000
Emoluments	589	539
Pension contributions to money purchase schemes	112	96

Ten (1997: seven) directors accrued benefits under defined benefit pension schemes and six (1997: five) directors under money purchase schemes.

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

6 Income From Investments

	1998 £'000	1997 £'000
Dividends receivable from listed investments	3,612	2,985

7 Interest Payable

	1998 £'000	1997 £'000
Interest payable on finance leases	1,008	1,138

8 Tax On Profit On Ordinary Activities

	1998 £'000	1997 £'000
Group relief payable at 31% (1997: 31.5%)	5,767	5,430
Deferred taxation		
- deferred taxation on movement in pension provision (Note 13)	1,078	70
- other deferred tax movements (Note 18)	1,234	(3,409)
Tax credits on franked investment income	720	597
	8,799	2,688

9 Dividends

A dividend of £115,000,000 (1997: £2,380,000) was paid to MG plc during the period.

10 Intangible Fixed Assets

Movements in intangible fixed assets are as follows:

	Titles £'000
Balance at 28 December 1997 as previously reported	60,000
FRS 10 prior year adjustment (Note 1)	(60,000)
Balance at 28 December 1997 as restated for FRS 10	-
Balance at 3 January 1999	-

The £60,000,000 FRS 10 prior year adjustment is in respect of the value previously attributed to the Company's newspaper titles.

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

11 Tangible Fixed Assets

	Freehold land and building £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 28 December 1997	30,347	63,245	133	750	94,475
Additions	-	1,697	-	5	1,702
Property held for resale	(5,500)	-	-	-	(5,500)
At 3 January 1999	24,847	64,942	133	755	90,677
Depreciation					
At 28 December 1997	1,735	19,238	125	425	21,523
Charge for the year	604	4,346	8	32	4,990
At 3 January 1999	2,339	23,584	133	457	26,513
Net book value					
At 3 January 1999	22,508	41,358	-	298	64,164
At 28 December 1997	28,612	44,007	8	325	72,952

The net book value of plant and machinery includes £15,400,000 (1997: £16,122,000) in respect of assets held under finance leases.

Included in freehold land and buildings are revalued properties with a net book value £3,908,000 (1997: £4,122,000). If these properties had not been revalued they would have been included at the following amounts:

	1998 £'000	1997 £'000
Cost	2,484	4,465
Aggregate depreciation on cost	(214)	(1,981)
	2,270	2,484
	1998 £'000	1997 £'000

a) Capital commitments

Contracted for but not provided	-	42
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Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

12 Investments

	1998 £'000	1997 £'000
Balance at 28 December 1997 and 3 January 1999	63,102	63,102

Investments at 3 January 1999 and 28 December 1997 represents an investment listed on a recognised investment exchange. The market value of the investment at 3 January 1999 was £84,945,000 (1997: £80,400,000). On 17 February 1999 the Company transferred its investment to MG plc at cost.

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 & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

13 Deferred Tax Asset

The deferred tax asset is in respect of the Company's share of the Group's provision for the actuarially estimated deficit of certain of the Group's pension schemes which are described in Note 22. The provision and tax asset have both been written back to the profit and loss account.

14 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	68	71

15 Debtors

	1998 £'000	1997 £'000
Amounts owed by immediate parent undertaking	93,210	28,658
Other deferred tax (Note 18)	180	180
Prepayments and accrued income	828	650
	94,218	29,488

16 Creditors: Amounts Falling Due Within One Year

	1998 £'000	1997 £'000
Amounts owed to fellow subsidiary undertakings	168,457	18,413
Corporation tax payable	128	128
Other creditors	9	6
Accruals and deferred income	14,524	2,997
Obligations under finance leases	4,785	6,447
	187,903	27,991

17 Creditors: Amounts Falling Due After More Than One Year

	1998 £'000	1997 £'000
Obligations under finance leases:		
Between one and two years	7,948	4,785
Between two and five years	-	7,948
	7,948	12,733

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

18 Provisions For Liabilities And Charges

	1998 £'000	1997 £'000
Deferred taxation (note (a))	2,891	1,657
Provision for pension deficiency (Note 22)	-	3,480
Restructuring costs (note (b))	519	545
	3,410	5,682

- a) The deferred tax liability recognised and the full potential liability for deferred taxation are as follows:

	1998 Liability recognised £'000	1998 Full potential liability £'000	1997 Liability recognised £'000	1997 Full potential liability £'000
Accelerated capital allowances	2,891	8,421	1,657	8,681

The movement in the period has been taken to the profit and loss account. In addition a deferred tax asset in respect of the restructuring provision is included in debtors (Note 15).

- b) 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.

19 Called Up Share Capital

	1998 £'000	1997 £'000
Authorised 1,022,100 Ordinary shares of £1 each	1,022	1,022
Allotted and fully paid 1,022,084 Ordinary shares of £1 each	1,022	1,022

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

20 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and Loss £'000
Balance at 28 December 1997 as previously reported	18	61,134	118,268
FRS 10 prior year adjustment (Note 1)	-	(60,000)	-
Balance at 28 December 1997 as restated	18	1,134	118,268
Retained loss for the financial period	-	-	(92,495)
At 3 January 1999	18	1,134	25,773

21 Financial Commitments

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

	Land and buildings		Other		Total	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Operating leases which expire:						
Within one year	42	112	-	11	42	123
Between one and five years	8	17	293	128	301	145
After five years	-	42	-	-	-	42
	50	171	293	139	343	310

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

22 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.

At 28 December 1997 a provision was held of £3,480,000 in respect of the Company's undertaking to meet obligations of the Old Scheme and Past Service Scheme, including State scheme premiums. Following an actuarial valuation of these pension schemes, which showed that they have sufficient assets to meet their liabilities for members' benefits, the directors decided to release this provision.

The Trustees are still pursuing certain actions against third parties. Other than where the receipt of cash is certain, no benefit has been taken for potential recoveries.

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 December 1997. The calculations were carried out using the projected unit method and the assumption that the future investment yield would exceed increases in pensionable pay by 2.8% per annum and that pensions in payment would increase by 3% per annum for pensions earned up to 5 April 1997 and 4% thereafter. The market value of the scheme's assets at 31 December 1997 was £58,200,000, with the actuarially determined value of the scheme's assets being 100% of its liabilities. Based on the results of the valuation the pension cost for the scheme has been calculated using a regular cost of 6.8% of members' pensionable salaries.

A total pension cost of £545,000 (1997: £716,000) has been charged in arriving at the operating profit for the period.

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Notes To The Financial Statements

For The 53 Weeks Ended 3 January 1999 (Continued)

23 Group Borrowing Facilities

The Company participates in the group financing facilities, details of which are given in the financial statements of MG 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 MG plc.

24 Related Party Transactions

The Company is a wholly owned subsidiary within the Group, and utilises the exemption contained in Financial Reporting Standard 8 – "Related Party Disclosures", not to disclose any transactions with entities that are part of the Group. The address at which the Group consolidated financial statements are publicly available is shown in Note 25.

25 Ultimate Parent Undertaking And Immediate Parent Company

The ultimate parent and immediate parent company which produces consolidated financial statements is MG plc. The consolidated financial statements of MG plc may be obtained from The Secretary, Mirror Group plc, One Canada Square, Canary Wharf, London E14 5AP.

26 Directors' Interests

No director had at any time during the year ended 3 January 1999 any interests in the shares of the Company or any fellow Group undertaking. The interests in the shares of MG plc of the directors who are also directors of MG plc are disclosed in the financial statements of that company. The interests of the directors who are not also directors of MG plc in the shares of MG plc as at 3 January 1999 (compared with interests at 28 December 1997 or date of appointment, if later) were as follows:

a) Ordinary shares of 25p each:

	1998 Number	1997 Number
J B Cassidy	72,093	33,934
K Hughes	400	400
P C Moore	400	400

b) In addition, as at 3 January 1999 the following directors held options to purchase shares under the Mirror Group Newspapers plc 1991 Executive Share Option Scheme:

	Date granted	Exercise price	Exercisable between	Number of shares
M Clarke	28/4/98	183p	Apr 2001 and Apr 2005	136240

Scottish Daily Record & Sunday Mail Limited

Notes To The Financial Statements For The 53 Weeks Ended 3 January 1999 (Continued)

26 Directors' Interests (Continued)

- c) The following directors had been granted awards in respect of shares in the MG plc Mirror Group Newspapers plc Employee Share Award Scheme as at 3 January 1999:

	Date of award	Number awarded	Shares released in prior years	Taken up in 1998	Available in future years
J W Anderson	17/5/91	64,000	64,000	-	-
J B Cassidy	17/5/91	40,000	40,000	-	-
	6/5/96	400	400	-	-
K Hughes	6/5/96	400	400	-	-
P C Moore	6/5/96	400	400	-	-

- d) The market price of MG plc shares at 3 January 1999 was £1.50 and the range during 1998 was £1.37 to £2.49.