Scottish Daily Record and Sunday Mail Limited

Registration number SC012921

Annual Report and Financial Statements

52 weeks ended 27 December 2015

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Contents

Officers and registered office

Directors

Simon Fox

Vijay Vaghela

Company Secretary

T M Secretaries Limited

Registered Office

One Central Quay

Glasgow

G3 8DA

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Directors' report

The directors present their annual report and financial statements for the 52 weeks ended 27 December 2015.

Results and dividends

The results for the period are set out on page 6. The retained profit for the period of £9,841,000 (2014: £9,072,000) has been transferred to reserves. The directors do not recommend the payment of a dividend for the period (2014: £nil).

Financial position and future prospects

The financial position of the company is set out on page 7. The directors are satisfied as to the future prospects of the company.

The net assets of the company have increased by £9,841,000 (2014: £9,072,000) due to the retained profit for the period.

Directors

The present membership of the Board is set out on page 1. The directors who served during the period were:

Simon Fox
Vijay Vaghela

During the period, the company has maintained adequate cover for its directors and officers under a directors' and officers' liability insurance policy.

Employee related matters

Communication and participation of employees is achieved through formal and informal management and staff briefings and where relevant, formal union procedures. Where appropriate, communication is by individual personal letter or circular. The company 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 are unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Disclosure of information to the auditor

The directors at the date of this report confirm that:

- as far as each of the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all steps he should have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved and signed on behalf of the Board of Directors

T M Secretaries Limited

27 May 2016

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Strategic report

Principal activity

The principal activity of the company is the publishing of newspapers and related digital activities and it is part of the Publishing division of Trinity Mirror plc.

Business review

The company has reported an operating profit of £12,160,000 (2014: £10,868,000). Operating profit has increased versus the prior period due to cost savings being greater than the year on year revenue decline.

Principal risks and uncertainties

The key risk to the company is that the structural challenges facing print media results in a faster than anticipated loss of revenue. The directors look to mitigate this risk by the continuing focus on reducing costs and looking for new revenue streams.

Key performance indicators

The key performance indicators that the company uses are revenue, operating profit, operating margin and audience measures. In a challenging market, as has been experienced during the period, the company seeks to target performance in line with or ahead of competitors or comparators taking account of the company's strategy.

Going concern basis

In determining whether the company's financial statements can be prepared on a going concern basis the directors have considered the factors likely to affect the future development, performance and financial position of the company. In particular, the company has considered the implications of the challenging economic environment and the reliance on the Trinity Mirror plc group.

At the date of signing of these financial statements the directors have considered all the factors impacting the company's business, including downside sensitivities. The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements.

Approved and signed on behalf of the Board of Directors

T M Secretaries Limited

27 May 2016

Independent auditor's report to the members of Scottish Daily Record and Sunday Mail Limited (Registration number SC012921)

We have audited the financial statements of Scottish Daily Record and Sunday Mail Limited for the period ended 27 December 2015 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 December 2015 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Crawford

David Crawford CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom
27 May 2016

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Profit and loss account
for the 52 weeks ended 27 December 2015

	Notes	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Turnover	2	67,225	71,797
Cost of sales		(33,997)	(36,821)
Gross profit		33,228	34,976
Distribution costs		(11,437)	(11,704)
Administrative costs		(9,631)	(12,404)
Operating profit		12,160	10,868
Dividends received from share in associated undertakings		201	603
Profit on ordinary activities before taxation	3	12,361	11,471
Tax on profit on ordinary activities	5	(2,520)	(2,399)
Retained profit for the period	13	9,841	9,072

All turnover and results arose from continuing operations.

There are no recognised gains or losses other than the retained profit for the period. Accordingly a separate statement of total recognised gains and losses has not been presented.

Reconciliation of movements in shareholders' funds
for the 52 weeks ended 27 December 2015

	Notes	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Retained profit for the period	13	9,841	9,072
Net increase to shareholders' funds		9,841	9,072
Opening shareholders' funds		112,038	102,966
Closing shareholders' funds		121,879	112,038

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Balance sheet
at 27 December 2015

	Notes	27 December 2015 £'000	28 December 2014 £'000
Fixed assets			
Tangible fixed assets	6	27	320
Investments in subsidiary undertakings	7	18,521	18,521
Investments in associated undertakings	8	20	20
		18,568	18,861
Current assets			
Debtors	9	103,173	94,336
Cash at bank and in hand		138	124
		103,311	94,460
Creditors: amounts falling due within one year	10	-	(1,253)
Net current assets		103,311	93,207
Total assets less current liabilities		121,879	112,068
Provisions for liabilities	11	-	(30)
Net assets		121,879	112,038
Equity capital and reserves			
Called up share capital	12	1,022	1,022
Share premium account	13	18	18
Profit and loss account	13	120,839	110,998
Shareholders' funds		121,879	112,038

These financial statements were approved by the Board of Directors on 27 May 2016.

Signed on behalf of the Board of Directors

V Vaghela

Vijay Vaghela

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Notes to the financial statements for the 52 weeks ended 27 December 2015

1. Accounting policies

The accounting policies have all been applied consistently throughout the period and the preceding period. The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of preparation

The financial statements have been prepared on a going concern basis as set out on page 4.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of newspapers and advertising space sold and sundry goods and services supplied. Revenue is measured at the fair value of the consideration received, net of applicable discounts and value added tax. Advertising revenue is recognised upon publication. Circulation revenue is recognised at the time of sale. Digital revenue is recognised over the period of the online campaign. Other revenue is recognised at the time of sale or provision of service.

Foreign currency

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. 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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The company has elected not to discount the deferred tax assets and liabilities.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis in order to write off the tangible fixed assets over their expected useful lives. Provision is made if appropriate for any impairment in value. Set out below is a summary of the useful lives on which depreciation rates are based:

Plant and machinery	3 to 20 years
Fixtures and fittings	5 to 15 years

Investments

Fixed asset investments are stated at cost less provisions for impairment.

Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period based on the estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The shares offered under such schemes are shares in Trinity Mirror plc, the ultimate parent company.

Notes to the financial statements for the 52 weeks ended 27 December 2015

1. Accounting policies (continued)

Pension scheme arrangements

The company contributed to the Trinity Mirror Pension Plan, a defined contribution scheme during the current and prior period. The scheme has been set up under a trust that holds the financial assets separately from those of the group and is controlled by trustees. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

In prior periods, the company contributed to the MGN Pension Scheme, a defined benefit scheme which was closed to future accrual from 31 March 2010. MGN Pension Scheme operates for employees of a number of Trinity Mirror plc group companies and as such, MGN Limited is unable to identify its share of the underlying assets and liabilities of the scheme. Under Financial Reporting Standard 17, "Retirement Benefits", contributions paid by the company were charged to the profit and loss account as incurred during the period.

Consolidated financial statements and cash flows

The company is exempt under Section 400 of the Companies Act 2006 from preparing group financial statements for the company and its subsidiaries, as the company is a wholly owned subsidiary of a company incorporated in England and Wales. Therefore, these financial statements represent those of the company and not the group. The company is a wholly owned subsidiary, and the cash flows of the company are included in the consolidated cash flow statement of its parent undertaking which is publicly available. Consequently the company is exempt under the provisions of Financial Reporting Standard 1 (Revised), "Cash Flow Statements", from publishing a separate cash flow statement.

2. Turnover

Turnover is comprised substantially of sales in the United Kingdom and is derived from its principal activity.

3. Profit on ordinary activities before taxation

	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Operating profit is stated after charging:		
Depreciation on owned assets	293	1,007
Operating lease rentals for other	1,485	1,485
Restructuring costs	695	1,274

The auditor's remuneration of £31,000 (2014: £31,000) for the audit of the statutory accounts of this company has been borne and not recharged by another group company.

Notes to the financial statements for the 52 weeks ended 27 December 2015

4. Information regarding directors and employees

Staff costs as follows:

	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Wages and salaries	11,533	11,029
Social security costs	1,172	1,141
Pension costs	587	600
	13,292	12,770

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

	No.	No.
Production and editorial	186	190
Selling and distribution	98	94
Administration	8	4
	292	288

The above average weekly number of employees excludes 39 (2014: 32) casual workers due to the impracticality of determining regular and occasional workers.

Directors' emoluments

The directors received no remuneration in respect of services to the company (2014: £nil)

Pensions

The company contributes to the Trinity Mirror Pension Plan, a defined contribution scheme. Contributions to the Trinity Mirror Pension plan for the 52 weeks ended 27 December 2015 were £587,000 (2014: £600,000). At 27 December 2015 there were no outstanding or prepaid contributions (2014: £nil).

In prior periods, the company contributed to the MGN Pension Scheme, a defined benefit scheme. The Trinity Mirror plc group announced closure of its defined benefit schemes to future accrual from 31 March 2010. The MGN Pension Scheme provides benefits based on final pensionable pay and is set up under a trust, which holds the financial assets of the scheme separately from the company. The financial statements of the scheme's sponsoring entity, MGL2 Limited, contain full disclosure details of the scheme.

The pension costs of this scheme are assessed across its membership as a whole, and it is not possible to determine the share of the scheme's assets and liabilities that relates to MGN Limited. Accordingly, the requirements of Financial Reporting Standard 17, "Retirement Benefits", relating to multi-employer schemes apply and the company accounts for the scheme as if it were a defined contribution scheme.

The last formal actuarial valuation of the MGN Pension Scheme was prepared as at 31 December 2013 and showed a deficit of £120.7 million. The following assumptions were used:

Pension increases (pre 1997)	3.00% pa
Pension increases (post 1997)	Based on CPI inflation assumption
Inflation rate - RPI	Break-even RPI yield curve
- CPI	RPI less 1.0% pa

Agreements have been reached with the trustees of the defined benefit pension schemes for annual deficit funding payments to be made. These deficit funding payments for each scheme are borne and not recharged by the respective sponsoring entity in the Trinity Mirror plc group.

Notes to the financial statements for the 52 weeks ended 27 December 2015

5. Tax on profit on ordinary activities

	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Profit on ordinary activities before taxation	12,361	11,471
Current tax:		
Corporation tax charge for the period	-	2,506
Group relief payable	2,471	-
Deferred tax:		
Deferred tax charge/(credit) for the period	23	(106)
Prior period adjustment	(2)	(1)
Deferred tax rate change	28	-
Tax charge in the period	2,520	2,399

The standard rate of corporation tax reduced from 21% to 20% on 1 April 2015. The blended rate for the accounting year is 20.25% being a mix of 21% up to 31 March 2015 and 20% from 1 April 2015 (2014: 21.5% being a mix of 23% up to 31 March 2014 and 21% from 1 April 2014).

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax is substantively enacted by parliament. The change in rate from 20% to 18% was accounted for in the current year resulting in a charge to the profit and loss account of £28,000.

Reconciliation of current tax charge

The actual rate of current tax for the period is less than 20.25% (2014: was more than 21.5%) for the reasons set out in the following reconciliation:

	52 weeks ended 27 December 2015 %	52 weeks ended 28 December 2014 %
UK effective rate of corporation tax	20.3	21.5
Expenses not deductible for tax purposes	0.2	-
Non taxable items	(0.3)	(0.6)
Timing differences in respect of fixed assets	(0.2)	1.0
Actual rate of current tax for the period	20.0	21.9

Notes to the financial statements for the 52 weeks ended 27 December 2015

6. Tangible fixed assets

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At beginning of the period	5,864	245	6,109
Disposals	-	(11)	(11)
At end of the period	5,864	234	6,098
Depreciation			
At beginning of the period	5,593	196	5,789
Charge for the period	271	22	293
Disposals	-	(11)	(11)
At end of the period	5,864	207	6,071
Net book value			
At end of the period	-	27	27
At beginning of the period	271	49	320

7. Investments in subsidiary undertakings

	Investments in subsidiary undertakings £'000
Cost	
At beginning and end of the period	25,418
Provision for impairment	
At beginning and end of the period	(6,897)
Net book value	
At beginning and end of the period	18,521

An impairment review of the company's investments was undertaken which indicated that no impairment charge was required (2014: £nil).

The investment impairment review compared carrying value to the expected future discounted cash flows using a pre-tax discount rate of 14.1% (2014: 14.1%). The growth rates for the next three years are internal projections based on both internal and external market information and reflect past experience of and the risk associated with each asset. The growth rate for the cash flow projections beyond the next three years is 0% due to the maturity of the print media sector market.

The investment impairment review is sensitive to a change in key assumptions used in the value in use calculations relating to the discount rate and future growth rates. A reasonably possible change of 1% in the discount rate or of 1% in the growth rate beyond 2018 would not change the conclusion of the impairment review.

Notes to the financial statements for the 52 weeks ended 27 December 2015

7. Investments in subsidiary undertakings (continued)

A full list of subsidiaries is appended on pages 16 and forms part of these financial statements.

8. Investments in associated undertakings

	Investments in associated undertakings £'000
Cost and net book value	
At beginning and end of the period	20

The principal associated undertakings of the company at 27 December 2015 are as follows:

Company	Principal activity	% holding of ordinary share capital	Country of registration and principal operation
PA Group Limited	News agency	1.00	England and Wales

9. Debtors

	27 December 2015 £'000	28 December 2014 £'000
Amounts owed by fellow subsidiaries	102,862	93,976
Deferred tax asset	311	360
	103,173	94,336

The movement in the deferred tax asset was as follows:

	27 December 2015 £'000	28 December 2014 £'000
At beginning of the period	360	253
Current period tax / (credit)/ charge	(23)	106
Deferred tax rate change	(28)	-
Prior period adjustment	2	1
At end of the period	311	360

Notes to the financial statements for the 52 weeks ended 27 December 2015

9. Debtors (continued)

The amounts provided in the accounts are as follows:

	27 December 2015 £'000	28 December 2014 £'000
Timing differences in respect of fixed assets	311	356
Share-based payments	-	4
	311	360

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax is enacted or substantively enacted by parliament.

10. Creditors: amounts falling due within one year

	27 December 2015 £'000	28 December 2014 £'000
Corporation tax payable	-	1,253

11. Provisions for liabilities

	Share-based payments £'000
At beginning of the period	30
Transferred to group company	(30)
At end of the period	-

The share-based payments provision related to National Insurance obligations attached to the future crystallisation of awards.

12. Called up share capital

	27 December 2015 £'000	28 December 2014 £'000
Called up, allotted and fully paid:		
1,022,084 (2014: 1,022,084) ordinary shares of £1 each	1,022	1,022

Notes to the financial statements for the 52 weeks ended 27 December 2015

13. Reserves

	Share premium account £'000	Profit and loss £'000	Total £'000
At beginning of the period	18	110,998	111,016
Retained profit for the period	-	9,841	9,841
At end of the period	18	120,839	120,857

14. Operating lease commitments

The company had annual commitments under operating leases as follows:

	Land and buildings 27 December 2015 £'000	Land and buildings 28 December 2014 £'000
Leases which expire:		
Between two and five years	1,485	1,485

15. Contingent liabilities

The company, together with certain of its fellow subsidiaries in the United Kingdom, has guaranteed the loans (including loan notes issued through the US private placement market) and bank overdraft of the ultimate parent company with certain of the group's bankers. At 27 December 2015 this amounted to £147.6 million (2014: £65.3 million).

16. Ultimate parent company and immediate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity at 27 December 2015 was Trinity Mirror plc, a company incorporated and registered in England and Wales. Trinity Mirror plc is the parent undertaking of the largest and smallest group which includes the company and for which group financial statements are prepared. Copies of the group financial statements are available from its registered office at One Canada Square, Canary Wharf, London E14 5AP.

The company's immediate parent undertaking at 27 December 2015 was MGL2 Limited, a company registered in England and Wales.

17. 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 other entities that are wholly owned of the group. The address at which the group consolidated financial statements are publicly available is shown in note 16.

Scottish Daily Record and Sunday Mail Limited
(Registration number SC012921)

Notes to the financial statements for the 52 weeks ended 27 December 2015

Appendix

In compliance with Section 409 of the Companies Act 2006, the following comprises a list of all related subsidiary undertakings of the Company, as at 27 December 2015.

Company	Location	% holding of ordinary share capital
Direct		
First Press Publishing Limited	United Kingdom	100%
Insider Publications Limited	United Kingdom	100%
Metropolitan Free Newspapers Limited	United Kingdom	100%
Newsday Limited	United Kingdom	100%
Saltire Press Limited	United Kingdom	100%
Scotfree Limited	United Kingdom	100%
Indirect		
Insider Group Limited	United Kingdom	100%
Aberdonian Publications Limited	United Kingdom	100%
Dundonian Publications Limited	United Kingdom	100%
Glaswegian Publications Limited	United Kingdom	100%
The Edinburgh And Lothians Post Limited	United Kingdom	100%