Scottish Daily Record and Sunday Mail Limited

Registration number SC012921

Annual Report and Financial Statements

52 weeks ended 30 December 2018

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

Contents

Officers and registered office

Directors

Simon Fox

Vijay Vaghela

Simon Fuller (1 March 2019)

Company Secretary

Reach Secretaries Limited

Registered Office

1 Central Quay

Glasgow

Lanarkshire

G3 8DA

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

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 December 2018.

Results and dividends

The results for the period are set out on page 8. The profit for the period of £11,282,000 (2017: £12,999,000) has been transferred to reserves. During the period a dividend of £10,000,000 was paid to the immediate parent undertaking (2017: £76,000,000).

Financial position and future prospects

The financial position of the company is set out on page 9. The directors are satisfied as to the future prospects of the company. The net assets of the company have increased by £1,282,000 (2017: decreased by £63,001,000) due to the profit for the period less dividends of £10,000,000 (2017: the profit for the period less dividends of £76,000,000) paid to the immediate parent undertaking. No dividends have been proposed or paid since period end.

The financial risk management objectives are set out in the Strategic report (page 5).

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 and as at the date of signing the annual report and financial statements, the ultimate parent company has in place a directors' and officers' liability insurance policy which includes the company.

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 the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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), including FRS 101 "Reduced Disclosure Framework". 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 judgments 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

Reach Secretaries Limited
27 June 2019

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 Reach plc. Key brands include the Daily Record, Sunday Mail, regional newspapers and websites.

Business review

Revenue fell by 7% from £64,779,000 to £60,307,000 with print revenue falling by 8% and digital revenue growing by 3%. The challenges in print advertising markets resulted in a decline in display advertising across a number of sectors. Circulation revenues declined 5% with volume declines partially mitigated by cover price increases. Growth in digital display and transactional revenue of 5% was partially offset by digital classified revenue declines of 19%.

The average monthly circulation volumes and average and readership of our national newspapers were as follows below:

	2018 Volume actual[a] 000	2017 Volume actual[a] 000	Change %
Daily Record	123	141	(12.7%)
Sunday Mail	126	148	(14.8%)

a Average ABC circulation for the 12 months to December 2018 and December 2017.

Page views for our key websites are set out below:

	2018 Page Views[b]	2017 Page Views[b]	Change %
Daily Record	32,224,094	35,547,017	(9%)
Glasgow Live	4,624,123	4,212,541	10%

b Google Analytics average monthly March to December 2018 and Omniture average monthly January and February 2018 verses Omniture average monthly January to December 2017. Page views excluding galleries.

Costs have been reduced through natural mitigation and cost reduction actions. Restructuring charges in respect of cost reduction measures were £1,737,000 (2017: £711,000).

Operating profit fell by 11.9% from £16,059,000 to £14,152,000 and operating margin decreased by 1.3 percentage points to 23.5%. In the short term the directors expect continued challenges in print while continuing to drive digital and tightly managing costs to protect profits.

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Principal risks and uncertainties

The principal risks and uncertainties outlined in the 2018 Reach plc Annual Report for strategy and Brexit are applicable to Scottish Daily Record and Sunday Mail Limited. Specifically, the principal risk to the company is that the structural challenges facing print media results in a faster than anticipated loss of print revenue, and the growth of other revenue streams including digital revenue is not sufficient, over time, to offset these declines. The directors look to mitigate this risk by the continuing focus on reducing costs as well as growing digital 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.

Strategic report (continued)

Financial risk management policies and objectives

The company's operations expose it to a variety of financial risks that include credit and liquidity risk. The company has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the company.

Credit risk management

Credit risk refers to the risk that a counter-party with the company will default on its contractual obligations resulting in a financial loss. Credit risk for the company considers both external and inter-group debt. In respect of external debt, the company has adopted a policy of only dealing with creditworthy counterparties and ongoing credit evaluation is performed on the financial condition of trade receivables. In respect of inter-group receivables, the position of the counter-party, and the level of support provided by the wider Reach plc group are considered.

Liquidity risk management

The company, taking into consideration the support of the Reach plc group as required, actively manages its finances to ensure that it has sufficient funds available for its operations and to meet its obligations.

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 Reach 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

Simon Fox
27 June 2019

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Daily Record and Sunday Mail Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of directors (continued)
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.

M. R. Lee-Amies.

Mark Lee-Amies FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 June 2019

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

Profit and loss account
for the 52 weeks ended 30 December 2018

	Notes	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Turnover	2	60,307	64,779
Cost of sales		(31,917)	(28,934)
Gross profit		28,390	35,845
Distribution costs		(3,193)	(9,420)
Administrative costs		(11,045)	(10,366)
Profit before taxation	3	14,152	16,059
Tax on profit	5	(2,870)	(3,060)
Profit for the period		11,282	12,999

All turnover and results arose from continuing operations.

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

Statement of changes in equity
for the 52 weeks ended 30 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,022	18	132,384	133,424
Profit for the period being total comprehensive income	-	-	12,999	12,999
Dividends paid	-	-	(76,000)	(76,000)
At 31 December 2017	1,022	18	69,383	70,423
Profit for the period being total comprehensive income	-	-	11,282	11,282
Dividends paid	-	-	(10,000)	(10,000)
At 30 December 2018	1,022	18	70,665	71,705

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

Balance sheet
at 30 December 2018

	Notes	30 December 2018 £'000	31 December 2017 £'000
Fixed assets			
Tangible fixed assets	7	-	1,922
Investments in subsidiary undertakings	8	18,521	18,521
Investments in associated undertakings	9	20	20
		18,541	20,463
Current assets			
Debtors	10	53,697	51,102
Cash at bank and in hand		-	43
		53,697	51,145
Creditors: amounts falling due within one year	11	(227)	(1,085)
Net current assets		53,470	50,060
Total assets less current liabilities		72,011	70,523
Provisions for liabilities	12	(306)	(100)
Net assets		71,705	70,423
Equity capital and reserves			
Called up share capital	13	1,022	1,022
Share premium account	13	18	18
Profit and loss account	13	70,665	69,383
Shareholders' funds		71,705	70,423

These financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019.

Signed on behalf of the Board of Directors

Simon Fox

Notes to the financial statements for the 52 weeks ended 30 December 2018

1. Basis of preparation and significant accounting policies

Basis of preparation

The financial statements of Scottish Daily Record and Sunday Mail Limited, a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in Scotland, have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain key accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The financial statements have been prepared on a going concern basis as set out on page 5. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 4 and 5. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Reach plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 16 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, disclosure of remuneration paid to auditors for non-audit services and related party transactions. Where required, equivalent disclosures are given in the group accounts of Reach plc. The group accounts of Reach plc are available to the public and can be obtained as set out in note 16.

The company has revised the classification of items of expenditure between cost of sales, distribution costs and administrative expenses in implementing a new accounting system across the Reach plc Group. This has resulted in inconsistency in current period classification compared to the prior period across the cost categories in the profit and loss statement.

Revenue

In the current year, the company has applied IFRS 15 'Revenue from Contracts with Customers' (as amended in April 2016). IFRS 15 establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so the standard applies a five step approach to the timing of revenue recognition and it applies to all contracts with customers, except those in the scope of other standards.

The Company has adopted IFRS 15 using the "modified" approach. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what have more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Company's accounting policies for its revenue streams are disclosed in detail below. Apart from providing additional disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a material impact on the financial position and/or financial performance of the Company.

The major sources of revenue for the company are circulation and advertising (print and digital) and printing. Additional, but not material, revenue streams are other income. Under the five step model of IFRS 15, revenue is recognised when the performance obligations identified in the contract are fulfilled, with revenue being measured as the transaction price allocated in respect of that performance obligation.

Circulation revenue

The Company sells newspapers and magazines through wholesalers and distributors. Revenue is recognised when the performance obligation has been fulfilled being when the goods have been purchased by a reader. A receivable is recognised by the Company when the wholesaler and distributor confirms the number of copies sold as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Notes to the financial statements for the 52 weeks ended 30 December 2018

1. **Basis of preparation and significant accounting policies (continued)**

Advertising revenue

Typically, within advertising revenue, the performance obligation is fulfilled, and revenue is recognised, on publication of the advert. If an advertising campaign is over a period of time revenue is recognised over the period of the online campaign reflecting the pattern in which the performance obligation is fulfilled.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the consolidated income statement for the period.

Tax

Corporation tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the company's financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. 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. No depreciation is provided on freehold land. The useful lives on which depreciation rates are based is: Freehold buildings 50 years, Leasehold properties over the term of the lease, Plant and machinery 5 to 15 years and Fixtures and fittings 5 to 15 years.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for any impairment. An impairment review is undertaken at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows of the cash-generating units relating to the investment are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of the cash-generating units relating to the investment is estimated to be less than its carrying amount, the carrying value of the investment is reduced to its recoverable amount. An impairment loss is recognised in the income statement in the period in which it occurs and may be reversed in subsequent periods.

Investments in associated undertakings

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

Notes to the financial statements for the 52 weeks ended 30 December 2018

1. Basis of preparation and significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company balance sheet when the company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Pensions

The company contributes to certain group defined contribution pension schemes.

The amount charged to the profit and loss account 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.

Key sources of estimation uncertainty and critical judgements in applying accounting policies
There were no key sources of estimated uncertainty in determining the carry amounts of assets and liabilities at the balance sheet date. In applying the company's accounting policies, described above, no critical judgements were identified.

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year
In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In the current year, the company has applied IFRS 9 'Financial Instruments'. IFRS 9 requires entities to recognise expected credit losses for all financial assets held at amortised cost, including qualifying intercompany loans (including intercompany receivables) from the perspective of the lender (intercompany counterparty). Under IFRS 9, lenders of intercompany loans are required to consider forward-looking information to calculate expected credit losses, regardless of whether there has been an impairment trigger. The adoption of the amendments has not resulted in any material impairment of the intercompany loans given by the company, thereby having no material impact on the financial statements.

Notes to the financial statements for the 52 weeks ended 30 December 2018

2. Turnover

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Circulation	37,680	39,781
Advertising	14,791	17,145
Other	2,253	2,418
Print	54,724	59,344
Display and transactional	5,141	4,890
Classified	442	545
Digital	5,583	5,435
Total revenue	60,307	64,779

The company's operations are located primarily in the United Kingdom. The company's revenue by location of customers is set out below:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
UK and Republic of Ireland	60,307	64,779

3. Result for the period

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Profit before taxation is stated after charging:		
Depreciation on owned assets	74	110
Operating lease rentals for land and buildings	84	65
Operating lease rentals for other	178	1,486
Restructuring costs	1,737	711

The auditor's remuneration of £21,000 (2017: £46,000) for the audit of the statutory financial statements of this company has been borne and not recharged by another group company.

Notes to the financial statements for the 52 weeks ended 30 December 2018

4. Information regarding directors and employees

The company has incurred the following staff costs in relation to employees within the Publishing division of Reach plc group:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Wages and salaries	12,657	14,145
Social security costs	1,319	1,471
Pension costs	643	686
	14,619	16,302

The average monthly number of employees whose costs are included in staff costs is set out below:

	52 weeks ended 30 December 2018 No.	52 weeks ended 31 December 2017 No.
Production and editorial	233	270
Selling and distribution	117	125
Administration	6	5
	356	400

The above average monthly number of employees excludes 43 (2017: 44) 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 (2017: nil).

Pensions

The company contributes to the Reach Pension Plan, a defined contribution scheme. Contributions to the Reach Pension Plan for the period were £643,000 (2017: £686,000). At 30 December 2018 there were no outstanding or prepaid contributions (2017: nil).

Notes to the financial statements for the 52 weeks ended 30 December 2018

5. Tax charge on profit

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Profit before taxation	14,152	16,059
Corporation tax charge for the period	-	2,170
Group relief payable	2,824	921
Prior period adjustment	-	(2)
Current tax charge	2,824	3,089
Deferred tax charge for the period	46	55
Prior period adjustment	-	(84)
Deferred tax charge/(credit)	46	(29)
Tax charge for the period	2,870	3,060

The standard rate of corporation tax for the period is 19% (2017: blended rate of 19.25% being a mix of 20% up to 31 March 2017 and 19% from 1 April 2017).

Reconciliation of tax charge

	52 weeks ended 30 December 2018 %	52 weeks ended 31 December 2017 %
UK effective rate of corporation tax	19.0	19.3
Expenses not deductible for tax purposes	1.3	0.3
Prior period adjustment	-	(0.5)
Tax charge rate	20.3	19.1

Notes to the financial statements for the 52 weeks ended 30 December 2018

6. Dividend paid

	52 Weeks ended 30 December 2018 per share	52 Weeks ended 31 December 2017 per share	52 Weeks ended 30 December 2018 £'000	52 Weeks ended 31 December 2017 £'000
Dividend paid to immediate parent undertaking	978p	7,436p	10,000	76,000

7. Tangible fixed assets

	Land and buildings		Plant and	Fixtures	
	Freehold £'000	Leasehold £'000	machinery £'000	and fittings £'000	Total £'000
Cost					
At beginning of the period	3,076	257	6,571	159	10,063
Transfer out through intercompany	(2,276)	(257)	(5,285)	-	(7,818)
Write-off of assets	(800)		(1,286)	(159)	(2,245)
At end of the period	-	-	-	-	-
Accumulated depreciation					
At beginning of the period	1,154	257	6,571	159	8,141
Charge for the period	74	-	-	-	74
Transfer out through intercompany	(1,228)	(257)	(5,285)	-	(6,770)
Write-off of assets	-	-	(1,286)	(159)	(1,445)
At end of the period	-	-	-	-	-
Net book value					
At end of the period	-	-	-	-	-
At beginning of the period	1,992	-	-	-	1,992

8. 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 at the reporting date of the company's investments was undertaken which indicated that no impairment charge was required (2017: nil). The investment impairment review compared carrying value to the net assets of subsidiary undertakings.

A full list of subsidiaries at the reporting date is appended on page 20 and forms part of these financial statements.

Notes to the financial statements for the 52 weeks ended 30 December 2018

9. 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 30 December 2018 are as follows:

Company	Principal activity	% holding of ordinary share capital	Registered address
PA Group Limited	News agency	1.00	PA Newscentre, 292 Vauxhall Bridge Road, London, SW1V 1AE

10. Debtors

	30 December 2018 £'000	31 December 2017 £'000
Amounts owed by fellow subsidiaries	53,697	50,869
Deferred tax asset	-	233
	53,697	51,102

Intercompany balances are non-interest bearing balances repayable on demand.

The movement in the deferred tax asset was as follows:

	30 December 2018 £'000	31 December 2017 £'000
At beginning of the period	233	204
Current period tax credit	(46)	(55)
Transfer out through intercompany	(187)	-
Prior period adjustment	-	84
At end of the period	-	233

The amounts provided in the financial accounts are as follows:		
Timing differences in respect of fixed assets	-	233

11. Creditors: amounts falling due within one year

	30 December 2018 £'000	31 December 2017 £'000
Corporation tax payable	227	1,085

Notes to the financial statements for the 52 weeks ended 30 December 2018

12. Provisions for liabilities

	Property £'000	Restructuring £'000	Total £'000
At beginning of the period	100	-	100
Transfer from fellow subsidiary	-	142	142
Charged in the period	-	1,737	1,737
Utilised in the period	(46)	(1,573)	(1,619)
Reversed in the period	(54)	-	(54)
At end of the period	-	306	306

The property provision relates to onerous property leases and future committed costs related to occupied, let and vacant properties. This provision will be utilised over the remaining term of the leases.

The restructuring provision relates to the non-recurring restructuring severance incurred in the delivery of cost reduction measures. This provision is expected to be utilised during the next period.

13. Capital and reserves

	30 December 2018 £'000	31 December 2017 £'000
Called up, allotted and fully paid:		
1,022,084 (2017: 1,022,084) ordinary shares of £1 each	1,022	1,022

The authorised share capital is 1,022,100 ordinary shares of £1 each (2017: same). The company has one class of ordinary shares which carry no right to fixed income.

The share premium reserve contains the premium arising on the issue of equity shares net of issue expenses. The profit and loss account reserve represents cumulative profit and losses net of dividends paid and other adjustments.

14. Operating lease commitments

The company has total commitments under non-cancellable operating leases as follows:

	30 December 2018			31 December 2017		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Within one year	92	102	194	-	-	-
Within two to five years	246	78	324	1,550	-	1,550
After more than five years	160	-	160	-	-	-
	498	180	678	1,550	-	1,550

15. Contingent liabilities

The company, together with certain of its fellow subsidiaries in the United Kingdom, has guaranteed the loans and bank overdraft of the group with certain of the group's bankers. At 30 December 2018 this amounted to £60,000,000 (2017: £25,000,000).

Notes to the financial statements for the 52 weeks ended 30 December 2018

16. Ultimate parent company and immediate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity at 30 December 2018 was Reach plc, a company incorporated and registered in England and Wales. Reach 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 is MGL2 Limited, a company incorporated and registered in England and Wales whose registered office is at One Canada Square, Canary Wharf, London E14 5AP.

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

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 30 December 2018. The following subsidiaries undertakings are 100% owned (all share classes) and are incorporated in Scotland with a registered office at One Central Quay, Glasgow, G3 8DA.

Company

Direct
First Press Publishing Limited
Insider Publications Limited
Metropolitan Free Newspapers Limited
Newsday Limited
Saltire Press Limited
Scotfree Limited

Indirect
Insider Group Limited
Aberdonian Publications Limited
Dundonian Publications Limited
Glaswegian Publications Limited
The Edinburgh And Lothians Post Limited