Registered no: 194502

The Western Morning News Company Limited

Annual report

for the year ended 27 September 1998

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Directors and advisers

Directors
A L Davidson (Chairman)
R E Campey
E P Glynn
A P Gough
I G Park
M P Pelosi
TAAD Randell (appointed 29 June 1998)
B C Williams

Auditors
PricewaterhouseCoopers
Cumberland House
35 Park Row
Nottingham
NG1 6FY

Solicitors
Foot & Bowden
The Foot & Bowden Building
21 Derry's Cross
Plymouth
Devon
PL1 2SW

Bankers
National Westminster Bank plc
PO Box 34
15 Bishopsgate
London
EC2P 2AP

Secretary and registered office
P S Collins
31 - 32 John Street
London
WC1N 2QB

Directors' report for the year ended 27 September 1998

The directors present their annual report and the audited financial statements for the year ended 27 September 1998.

Principal activities

The principal activities of the company are the printing and publishing of newspapers and have remained unchanged since last year. Payments and receipts in respect of purchases and sales are made through a fellow subsidiary undertaking, Westcountry Publications Limited.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividend

The profit and loss account for the year is set out on page 7.

The directors have recommended the payment of an ordinary dividend of £2,104,063 in respect of the year ended 27 September 1998.

Property values

In the opinion of the directors there was no significant difference between market and book values of property at 27 September 1998 (see note 8).

Supplier's payment policy

The company has no formal code or standard which deals specifically with the payment of suppliers. However, the company's policy on the payment of all creditors is to ensure that the terms of payment as specified by, and agreed with, the supplier are not exceeded.

Directors' report
for the year ended 27 September 1998 (continued)

Directors

The directors of the company who have served during the year ended 27 September 1998, all of whom have been directors for the whole of the year ended on that date except where noted, are listed below:

A L Davidson (Chairman)
R E Campey
E P Glynn
A P Gough
I G Park
M P Pelosi
TAAD Randell (appointed 29 June 1998)
B C Williams

Directors' interests

Of the directors at 27 September 1998, whose interests in shares and debentures of group companies require to be notified to the company, none had such interests at that date or at 29 September 1997, or at later date of appointment.

Employee involvement

The company has maintained its established lines of communication through departmental supervisors so that employees are kept informed about company developments and other matters of concern to them as employees.

Disabled employees

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing disabled employees and those who have become disabled during the period, the company has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Directors' report
for the year ended 27 September 1998 (continued)

Year 2000

The company has recognised that Year 2000 is a major issue and is part of a group-wide programme structure to co-ordinate the activities of the business and to facilitate the exchange of best practice. Regular reports are made to the board of directors on the status of the programme. The directors believe that all vulnerable systems have been identified and will be rectified in advance of critical dates and without disruption to the underlying businesses. However, given the complexity of the problem, it is not possible for any organisation to be certain that no Year 2000 problems will occur even if its own systems are fully compliant.

Compliance is being achieved through conversion or replacement of existing systems. A comprehensive series of procedures is in place to test thoroughly all systems to minimise any risk of failure. The cost of the work required specifically to correct this problem is not considered to be material to the future profitability or liquidity of the group and is being charged against profits as incurred. However, an element of the cost of Year 2000 compliance is not separately identifiable, as millennium modifications are often embodied in software purchased and developed in the normal course of business.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

P S Collins
Company Secretary
27 November 1998

Statement of directors' responsibilities for preparing the financial statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss and total recognised gains or losses of the company for that year.

The directors confirm that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 27 September 1998. The directors also confirm that applicable accounting standards have been followed and that the going concern basis is appropriate.

The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

By order of the board

P S Collins
Company Secretary

27th November 1998.

Report of the auditors to the members of Western Morning News Limited

We have audited the financial statements on pages 7 to 18, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 27 September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham
1 December 1998

Profit and loss account for the year ended 27 September 1998

	Notes	Continuing operations 1998 £	1997 £
Turnover	2	25,953,487	23,973,550
Net operating expenses	3	22,475,412	21,415,976
Operating profit and profit on ordinary activities before taxation	3	3,478,075	2,557,574
Taxation on profit on ordinary activities	6	924,313	(45,926)
Profit on ordinary activities after taxation		2,553,762	2,603,500
Dividend	7	2,104,063	2,027,385
Retained profit for the year	17	449,699	576,115

The company has no recognised gains and losses other the profits above and therefore no separate statement of total recognised gains and losses have been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Reconciliation of movements in equity shareholders' funds for the year ended 27 September 1998

	1998 £	1997 £
Profit on ordinary activities after taxation	2,553,762	2,603,500
Dividend	2,104,063	2,027,385
Retained profit for the financial year	449,699	576,115
Goodwill written off	(11,250)	(111,583)
Net additions to equity shareholders' funds	438,449	464,532
Opening equity shareholders' funds	2,560,684	2,096,152
Closing equity shareholders' funds	2,999,133	2,560,684

Balance sheet as at 27 September 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	8	**31,112,587**	32,070,893
Investments	9	**367**	367
		31,112,954	32,071,260
Current assets			
Stocks	10	**-**	689,790
Debtors	11	**5,410,454**	8,737,356
Cash at bank and in hand		**-**	725
		5,410,454	9,427,871
Creditors: amounts falling due within one year	12	**3,524,275**	8,938,447
Net current assets		**1,886,179**	489,424
Total assets less current liabilities		**32,999,133**	32,560,684
Creditors: amounts falling due after more than one year	13	**30,000,000**	30,000,000
Net assets		**2,999,133**	2,560,684
Capital and reserves			
Called up share capital	16	**250,000**	250,000
Profit and loss account	17	**2,749,133**	2,310,684
Equity shareholders' funds (see page 7)		**2,999,133**	2,560,684

The financial statements on pages 7 to 18 were approved by the board of directors on 27 November 1998 and were signed on its behalf by:

A P Gough
Director

Notes to the financial statements for the year ended 27 September 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of certain fixed assets.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings (excluding land)	2-4%
Plant and equipment	8-20%
Motor vehicles	25%
Fixtures and fittings	10%

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. Freehold land is not depreciated.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes to the financial statements for the year ended 27 September 1998 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased. The present value of minimum lease payments payable during the lease term is capitalised as a tangible asset and the corresponding leasing commitment is included in obligations under finance lease. Rentals payable are apportioned between interest, which is charged to the profit and loss account and capital, which reduces the outstanding commitment.

Rentals payable relating to all other leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Goodwill

Purchased goodwill is written off to reserves in the year of purchase.

Pension scheme arrangements

The cost of providing pensions is calculated using actuarial valuation methods which reflect the long term cost of providing pensions.

The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees.

The company provides no other post retirement benefits to its employees.

Cash flow statement

The company is a wholly owned subsidiary of Daily Mail and General Trust plc and the cash flows of the company are included in the consolidated cash flow statement of Daily Mail and General Trust plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Notes to the financial statements for the year ended 27 September 1998 (continued)

2 Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied and is stated after the deduction of trade discounts.

Turnover consists entirely of sales made in the United Kingdom.

3 Net operating expenses and profit before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	1998	1997
	£	£
Continuing operations		
Raw materials and consumables	5,557,345	4,994,840
Other external charges	1,220,783	1,313,628
Staff costs (see note 5)	8,543,086	6,896,819
Depreciation (see note 8)		
Tangible fixed assets owned by the company	1,776,766	1,711,222
Profit on disposal of tangible fixed assets	(2,250)	(6,724)
Other operating charges	5,293,570	6,321,573
Auditors' remuneration		
Audit fees	8,911	15,000
Other services	-	5,350
Severance costs	32,798	164,268
Rent payable in respect of operating leases		
Other	44,403	-
	22,475,412	21,415,976

4 Directors' remuneration

	1998	1997
	£	£
In respect of all directors:		
Aggregate emoluments	141,685	124,549
Pension scheme contributions	25,135	22,924
Pensions paid to former directors	1,193	1,168
	168,013	148,641

Of the directors who received emoluments during the year, retirement benefits are accruing to three directors at 27 September 1998 under defined benefit pension schemes.

Notes to the financial statements for the year ended 27 September 1998 (continued)

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1998 Number	1997 Number
All departments	**502**	454

	1998 £	1997 £
Staff costs (for the above persons)		
Wages and salaries	**7,698,607**	6,193,488
Social security costs	**507,012**	406,866
Other pensions costs (see note 15)	**337,467**	296,465
	8,543,086	6,896,819

6 Taxation on profit on ordinary activities

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 32%)		
Current	**974,915**	522,396
(Over) provision in respect of prior years:		
Current	**(50,602)**	(568,322)
	924,313	(45,926)

7 Dividend

	1998 £	1997 £
Dividend on equity shares:		
Ordinary proposed of £8.42 per share (1997: £8.11 per share)	**2,104,063**	2,027,385

Notes to the financial statements for the year ended 27 September 1998 (continued)

8 Tangible fixed assets

	Freehold land and buildings	Plant and fixtures	Motor vehicles	Total
	£	£	£	£
Cost				
At 29 September 1997	20,719,090	19,897,494	198,341	40,814,925
Additions	-	595,683	229,830	825,513
Disposals	(5,053)	(7,813)	(10,189)	(23,055)
Group transfer	-	(12,000)	10,812	(1,188)
At 27 September 1998	**20,714,037**	**20,473,364**	**428,794**	**41,616,195**
Depreciation				
At 29 September 1997	1,839,074	6,870,597	34,361	8,744,032
Charge for year	404,356	1,289,467	82,943	1,776,766
Disposals	-	(7,813)	(10,189)	(18,002)
Group transfers	-	(10,000)	10,812	812
At 27 September 1998	**2,243,430**	**8,142,251**	**117,927**	**10,503,608**
Net book value				
At 27 September 1998	**18,470,607**	**12,331,113**	**310,867**	**31,112,587**
At 28 September 1997	18,880,016	13,026,897	163,980	32,070,893

Notes to the financial statements for the year ended 27 September 1998 (continued)

9 Fixed asset investments

These represent shares held in listed companies in the UK.

10 Stocks

	1998 £	1997 £
Raw materials and consumables	-	689,790

11 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Amounts owed by group undertakings	**5,410,454**	8,674,787
Other debtors	-	1,314
Prepayments and accrued income	-	61,255
	5,410,454	8,737,356

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	-	423,053
Corporation tax	**1,420,212**	495,907
Other creditors	-	2,400
Accruals and deferred income	-	832,090
Dividends payable	**2,104,063**	2,027,385
Amounts owed to group undertakings	-	5,157,612
	3,524,275	8,938,447

Notes to the financial statements for the year ended 27 September 1998 (continued)

13 Creditors amounts falling due after more than one year

	1998	1997
	£	£
Long term loan - from group undertaking	**30,000,000**	30,000,000

The long term loan from a group undertaking represents a loan from Northcliffe Newspapers Group Limited. The loan carries no interest and is repayable on 4 October 1999.

14 Deferred taxation

No deferred taxation has been provided in the financial statements. The amounts unprovided of the total potential liability are as follows:

	1998	1997
	£	£
Tax effect of timing differences because of: excess of capital allowances over depreciation	**5,573,528**	5,801,699

Notes to the financial statements for the year ended 27 September 1998 (continued)

15 Pension arrangements

The Company operates pension schemes under which contributions are paid by the employer and employees.

The schemes are defined benefit arrangements providing service-related benefits based on final pensionable salary. The assets of the schemes are held independently from the Company's finances and are administered by Trustees. Pension costs are assessed on the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of the principal scheme was at 31 March 1998 although, at the date of preparation of these accounts, the valuation report was only available in draft form pending approval by Daily Mail and General Trust plc and the Trustees. The assumptions in the draft report having the most significant effect on the results of the valuations are shown in the following table:

Price Inflation	3% p.a.
Salary Increases	4.75% p.a.
Pension Increases	3% p.a.
Investment Return	7.25% p.a.
Dividend Growth	3.5% p.a.

The pension charge for the year ended 27 September 1998 was £377,467 (1997: £296,465).

On the advice of the actuary the 1998 valuation has been carried out using a market related approach. This change is prompted by the Minimum Funding Requirement valuation basis introduced by the Pensions Act 1995 and the change in the pattern of UK shareholder returns. The new method will not, by itself, alter the funding level materially. The market value of the principal scheme's assets was around £287million as at 31 March 1998.

The contribution rate paid by employees for the principal scheme is 5.5% of pensionable salaries. The Company's contribution to this scheme is 11% of pensionable salaries, with a review expected once the 1998 actuarial valuation has been finalised. Over the estimated average service life of employees the pension cost to the Company of its principal scheme is expected to represent 10% of pensionable salaries, before allowing for any benefit improvements which may be granted to members following the valuation.

Notes to the financial statements for the year ended 27 September 1998 (continued)

16 Called up share capital

	1998	1997
	£	£
Authorised, allotted, called up and fully paid		
250,000 ordinary shares of £1 each	**250,000**	250,000

17 Profit and loss account

	£
At 29 September 1997	2,310,684
Retained profit for the year	449,699
Goodwill written off	(11,250)
At 27 September 1998	**2,749,133**

18 Financial commitments

At 27 September 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings	**Other**	Land and buildings	Other
	£	£	£	£
Expiring within one year	-	**15,235**	-	17,567
Expiring between two and five years inclusive	-	**25,238**	-	66,509
Expiring in over five years	**40,000**	-	40,000	-
	40,000	**40,473**	40,000	84,076

Notes to the financial statements for the year ended 27 September 1998 (continued)

19 Ultimate parent company and controlling party

The Company is 100% owned by Northcliffe Newspapers Group Limited.

The directors regard the ultimate parent company as Rothermere Continuation Limited, a company incorporated in Bermuda. The ultimate controlling party is The Viscount Rothermere, the Chairman of Daily Mail and General Trust plc.

The largest and smallest group of which the company is a member and for which Group Accounts are drawn up is that of Daily Mail and General Trust plc, registered in England and Wales. Copies of the Report and Accounts are available from:

The Company Secretary
Daily Mail and General Trust plc
Northcliffe House
2 Derry Street
Kensington
London
W8 5TT

20 Related party transactions

The company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions between companies which are 90% owned by the ultimate parent company.