Company Registration No. 168660

Mirror Group Limited

Report and Financial Statements

52 weeks ended 31 December 2006

Mirror Group Limited

Report and financial statements for the 52 weeks ended 31 December 2006

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Report and financial statements for the 52 weeks ended 31 December 2006

Officers and registered office

Directors

T M Directors Limited

Secretary

T M Secretaries Limited

Registered Office

One Canada Square
Canary Wharf
London
E14 5AP

Mirror Group Limited

Director's report

The sole director presents its annual report and the audited financial statements for the 52 weeks ended 31 December 2006

Principal activity

The principal activity of the company during the period was that of a holding company of a group of companies involved in the publishing and printing of newspapers within the Trinity Mirror plc group and incurring certain management expenses of the Trinity Mirror plc group The ultimate parent company at 31 December 2006 was Trinity Mirror plc

Results, review of developments and future prospects

The company's results for the 52 weeks ended 31 December 2006 are set out on page 6 Details of a group reorganisation are set out in the subsequent events note below

Dividends and transfer to reserves

The profit on ordinary activities after taxation amounted to £64,639,000 (52 weeks ended 1 January 2006 £369,864,000) During the 52 weeks ended 31 December 2006, a dividend of £45,000,000 was paid to the immediate parent company (52 weeks ended 1 January 2006 £346,500,000) The retained profit for the financial period of £19,639,000 (52 weeks ended 1 January 2006 £23,364,000) has been transferred to reserves

Subsequent events

As part of a group reorganisation on 29 May 2007 the company

- entered into a business transfer agreement whereby another group company became responsible for incurring certain management expenses and entered into a intercompany netting agreement,
- transferred its benefits under operating leases to another group company,
- ceased to be the sponsoring company for the Mirror Group Pension Scheme, the MGN Past Service Pension Scheme and the MGN Pension Scheme,
- entered into an agreement in which it transferred at book value certain fixed assets to another group company for cash consideration,
- subscribed for additional share capital in subsidiary undertakings, and
- settled all intercompany balances and declared and paid in cash and in specie dividends to its immediate parent undertaking

Following the group reorganisation the company held investments in group companies within the Trinity Mirror plc group with a carrying value of £807,500,000 and no other assets or liabilities

Principal risks and uncertainties

Trinity Mirror plc manages the group's risk at a group level, rather than at an individual statutory entity level For this reason, the sole director believes that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of the business The principal risks and uncertainties of the group which include those of the company are discussed on page 25 of the Trinity Mirror plc annual report which does not form part of this report

Key performance indicators

Trinity Mirror plc manages the group's operations on a divisional basis For this reason the sole director believes that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance and position of the business The development, performance and position of Trinity Mirror plc, which includes the company, is discussed in the Business Review set out on pages 8 to 25 of the Trinity Mirror plc annual report, which does not form part of this report

Mirror Group Limited

Director's report (continued)

Director and its interests

The present membership of the Board is set out on page 1 There have been no changes to the membership of the Board during the 52 weeks ended 31 December 2006 or since the period end The sole director has had no interests in the shares of the company, its fellow subsidiaries or its ultimate parent company at any time

Director's and officers' liability insurance

During the 52 weeks ended 31 December 2006, the company has maintained cover for its director and officers under a director's and officers' liability insurance policy

Creditor payment policy

It is the policy of the Trinity Mirror plc group to agree suitable terms and conditions for its business transactions with suppliers These terms and conditions range from standard written terms to individually drafted contracts Once such terms are agreed it is the group's policy to fully adhere to them, including payment schedules provided the supplier has also complied with the terms and conditions The costs incurred by the company are paid by MGN Limited, a subsidiary undertaking, as part of a centralised accounts payable function The average payment period for the 52 weeks ended 31 December 2006 was 27 days (52 weeks ended 1 January 2006 42 days)

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the sole director considers relevant to the company are credit risk in respect to financial assets which are primarily amounts owed by fellow subsidiaries and liquidity risk in order to ensure that sufficient funds are available for ongoing operation These risks are mitigated by the nature of the debtor balances, owed being intercompany, and the sources of funding, which is due from other group companies who are able to repay these if required

Donations

During the 52 weeks ended 31 December 2006 contributions for charitable purposes totalled £47,000 (52 weeks ended 1 January 2006 £77,727) No political donations were made during either period

Auditors

The sole director at the date of this report confirms that

- so far as the sole director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the sole director has taken all the steps that ought to have been taken as a director in order to make itself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

The company has elected, pursuant to Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually Accordingly Deloitte & Touche LLP will continue in office as auditors

Approved and signed by the sole director

TM Directors Limited

V Vaghela 4th June 2007

Mirror Group Limited

Statement of director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial period Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 director is responsible for keeping proper accounting records that 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 1985 The director is 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

Independent auditors' report to the members of Mirror Group Limited

We have audited the financial statements of Mirror Group Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Reconciliation of Movements in Equity Shareholders' Funds, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors' 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 auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the director 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London 4 June 2007

Mirror Group Limited

Profit and loss account
52 weeks ended 31 December 2006

	Note	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Turnover	1	408	243
Cost of sales		-	-
Gross profit		408	243
Net operating expenses – administrative expenses		(24,769)	(13,184)
Net operating expenses – exceptional	3	-	(206)
Total net operating expenses		(24,769)	(13,390)
Operating loss	4	(24,361)	(13,147)
Interest receivable and similar income	5	420	548
Income from shares in group undertakings		75,000	380,500
Other finance credit/(charge)	13	3,200	(2,900)
Profit on ordinary activities before taxation		54,259	365,001
Tax credit on profit on ordinary activities	6	10,380	4,863
Profit on ordinary activities after taxation		64,639	369,864
Equity dividends	7	(45,000)	(346,500)
Retained profit for the financial period	15	19,639	23,364

All turnover and results arose from continuing operations

Subsequent to the period end, the trading, assets and liabilities of the company were transferred to another group company (see note 20 to these financial statements)

Mirror Group Limited

Reconciliation of movement in equity shareholders' funds
52 weeks ended 31 December 2006

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 (restated)* £'000
Profit for the financial period	64,639	369,864
Actuarial gains arising in pension schemes taken to equity	56,600	9,700
Tax attributable to actuarial gains arising in pension schemes taken to equity	(16,980)	(2,910)
Share-based payments credit in the period	29	-
Equity dividends	(45,000)	(346,500)
Net increase in equity shareholders' funds	59,288	30,154
Opening equity shareholders' funds	396,646	366,492
Closing equity shareholders' funds	455,934	396,646

* see note 1 to these financial statements

Statement of total recognised gains and losses
52 weeks ended 31 December 2006

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 (restated)* £'000
Profit for the financial period	64,639	369,864
Actuarial gains arising in pension schemes taken to equity	56,600	9,700
Tax attributable to actuarial gains arising in pension schemes taken to equity	(16,980)	(2,910)
Total recognised gains and losses in the period	104,259	376,654
Prior year adjustment (as explained in note 1)	(2,730)	
Total gains and losses recognised since the last financial statements	101,529	

* see note 1 to these financial statements

Mirror Group Limited

Balance sheet
31 December 2006

	Note	31 December 2006 £'000	31 December 2006 £'000	1 January 2006 (restated)* £'000	1 January 2006 (restated)* £'000
Fixed assets					
Tangible assets	8	25,218		26,539	
Investments in group undertakings	9	631,557		631,557	
Investments in associated undertakings	9	7,898		7,898	
			664,673		665,994
Current assets					
Debtors	10	39,816		148,949	
Creditors: amounts falling due within one year	11	(126,581)		(244,816)	
Net current liabilities			(86,765)		(95,867)
Total assets less current liabilities			577,908		570,127
Provisions for liabilities	12		(5,301)		(6,032)
Net assets excluding pension schemes' deficit			572,607		564,095
Pension schemes' deficit	13		(116,673)		(167,449)
Net assets including pension schemes' deficit			455,934		396,646
Equity capital and reserves					
Called up share capital	14		114,456		114,456
Share premium account	15		259,572		259,572
Profit and loss account	15		81,906		22,618
Total equity shareholders' funds			455,934		396,646

* see note 1 to these financial statements

These financial statements were approved by the sole director on 4th June 2007

Signed on behalf of the sole director

V. Vaghela

T M Directors Limited

V Vaghela

Mirror Group Limited

Notes to the accounts
52 weeks ended 31 December 2006

1. Accounting policies

The accountmg pohcies have all been apphed consistently throughout the penod and the precedmg penod except for the adoption of the amendment to FRS 17 as set out below The financial statements are prepared m accordance with applicable law and Umted Kmgdom accountmg standards The particular accountmg pohcies adopted are descnbed below

Basis of accounting

The financial statements are prepared under the histoncal cost convention unless stated otherwise below

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supphed ansmg wholly m the UK

Pensions

The company is the sponsormg company for certam group defined benefit pension schemes

The amounts charged to operatmg profit are the current service costs less contnbutions made by other participatmg compames and gams and losses on settlements and curtailments They are included as part of staff costs Past service costs are recogmsed immediately m the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recogmsed over the penod until vestmg occurs The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuanal gams and losses are recogmsed immediately m the statement of recogmsed gams and losses

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, m separately admmistered funds Pension scheme assets are measured at fair value and pension scheme liabilities are measured on an actuanal basis usmg a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability The actuanal valuations are obtained tnenmally and are updated at each balance sheets date Each pension scheme surplus (to the extent that it is recoverable) or deficit is recogmsed m full and presented on the face of the balance sheet

The provisions of the amendment to FRS17, "Retirement Benefits", issued m December 2006 have been adopted early by the company Accordmgly the pnor year scheme assets have been restated at the current bid pnce from the mid market value, which has mcreased the pension scheme deficit by £3,900,000 less deferred tax of £1,170,000

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 vestmg penod based on the estimate of shares that will eventually vest and adjusted for the effect of non-market based vestmg conditions The shares offered under such schemes are shares m Tnmity Mirror plc, the ultimate parent company

Consolidated financial statements and cash flows

The company is exempt under Section 228 of the Compames Act 1985 from preparing group financial statements for the company and its subsidianes, as the company is a wholly owned subsidiary of a company incorporated m Great Bntain 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 m the consolidated cash flow statement of its parent undertaking which is publicly available Consequently the company is exempt under the provisions of Financial Reportmg Standard 1, "Cash Flow Statements", from publishmg a separate cash flow statement

Income from shares in group undertakings

These amounts represent dividends from investments The dividends are recogmsed m the penod m which the dividend is approved

Mirror Group Limited

Notes to the accounts
52 weeks ended 31 December 2006

1 Accountmg policies (continued)

Taxation

Current tax compnsmg UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or subsequently 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 No provision is made for deferred tax on investment revaluations 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

Tangible 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 No depreciation is provided on freehold land Provision is made if appropriate for any impairment in value The useful lives on which depreciation rates are based is 67 years for freehold buildings and 5 years for plant and machinery

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment

Operating leases

Income and costs in respect of operating leases are credited/charged on a straight line basis over the lease term

2. Information regarding the director and employees

The company has no employees (52 weeks ended 1 January 2006 nil)

The company has incurred the following staff costs in relation to employees of other entities within the Trinity Mirror plc group

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Wages and salaries	5,335	4,273
Social security costs	702	652
Pension costs	7,680	(4,482)
	13,717	443

The average weekly number of administrative staff charged to the company during the period was 78 (52 weeks ended 1 January 2006 90) The pension costs are the current service cost and past service cost of the pension schemes that the company is the sponsoring company for less contributions made by other participating companies

Directors' emoluments

The corporate director received no remuneration in respect of services to the company (52 weeks ended 1 January 2006 £nil)

Mirror Group Limited

Notes to the accounts
52 weeks ended 31 December 2006

3. Exceptional items

Redundancy costs in the prior period related primarily to costs incurred in the formulation and implementation of strategic and profit improvement plans, including cost reduction measures

4 Operating loss

Operating loss is stated after charging/(crediting)

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Depreciation of owned tangible fixed assets	282	151
Operating lease rentals - property	2,915	4,283
Operating lease income - property	(4,011)	(3,968)

The auditors' remuneration of £5,000 for the statutory audit of the company's financial statements for the current and previous period have been borne and not recharged by another group undertaking

5. Interest receivable and similar income

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Amount received from external investments	420	548

6. Tax on profit on ordinary activities

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Current tax:		
Group relief receivable	14,597	6,064
Adjustment to prior period	-	209
Deferred tax:		
Deferred tax charge for current period	(4,217)	(1,511)
Adjustment to prior period	-	101
Tax credit in period	10,380	4,863

Included within the current tax credit is a credit of £nil (52 weeks ended 1 January 2006 £61,800) in respect of exceptional items Included within the deferred tax charge is a charge of £4,861,000 (52 weeks ended 1 January 2006 FRS 17 charge of £1,290,000) in respect of pensions schemes

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Notes to the accounts
52 weeks ended 31 December 2006

6. Tax on profit on ordinary activities (continued)

Reconciliation of current tax credit

The standard rate of current tax based on the UK standard rate of corporation tax is 30% (52 weeks ended 1 January 2006 30%) The current tax credit is less than 30% (52 weeks ended 1 January 2006 was also less than 30%) for the reasons set out in the following reconciliation

	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
UK standard rate of corporation tax	30 0%	30 0%
Permanent items	0 5%	0 1%
Non taxable items	(41 8)%	(31 2)%
Capital allowances in excess of depreciation	(0 4)%	(0 1)%
Movement in short term timing differences	(15 2)%	(0 4)%
Prior period adjustment	-	(0 1)%
Total current tax credit for the period	(26 9)%	(1 7)%

7. Dividends paid

	52 weeks ended 31 December 2006	52 weeks ended 1 January 2006	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000
Dividend paid to immediate parent company	9 8p	75 7p	45,000	346,500

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Notes to the accounts
52 weeks ended 31 December 2006

8. Tangible fixed assets

	Plant and machinery £'000	Freehold land and buildings £'000	Total £'000
Cost			
At beginning of period	1,190	25,500	26,690
Transfer to fellow subsidiary	(1,190)	-	(1,190)
At end of period	-	25,500	25,500
Depreciation			
At beginning of period	(151)	-	(151)
Charge for the period	-	(282)	(282)
Transfer to fellow subsidiary	151	-	151
At end of period	-	(282)	(282)
Net book value			
At 31 December 2006	-	25,218	25,218
At 1 January 2006	1,039	25,500	26,539

The freehold land and buildings are leased to another group company

9. Investments in group undertakings

	Investment in subsidiary undertakings £'000	Investment in associated undertakings £'000	Total £'000
Cost			
At beginning and end of period	1,004,795	7,898	1,012,693
Provisions for impairment			
At beginning and end of period	(373,238)	-	(373,238)
Net book value			
At 31 December 2006	631,557	7,898	639,455
At 1 January 2006	631,557	7,898	639,455

9. Investments in group undertakings (continued)

The principal subsidiary undertakings of the company at 31 December 2006 are as follows

Company	Activity	% holding of ordinary share capital	Country of registration and principal operation
MGN Limited	Newspaper publishing	100	England and Wales
Scottish Daily Record and Sunday Mail Limited	Newspaper publishing	100	Scotland
Trinity Mirror Printing Limited	Contract printing	100	England and Wales
Trinity Mirror Printing (Watford) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Oldham) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Saltire) Limited*	Contract printing	100	Scotland
Trinity Mirror Printing (Midlands) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Liverpool) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Newcastle) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Teeside) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Cardiff) Limited*	Contract printing	100	England and Wales
Trinity Mirror Printing (Blantyre) Limited*	Contract printing	100	England and Wales
Arrow Interactive Limited	Interactive services	100	England and Wales
Raceform Limited	Book publishing	100	England and Wales
Trinity Mirror (LI) Limited	Finance services	100	England and Wales
Midland Independent Newspapers Limited	Dormant	100	England and Wales

* Owned indirectly

The principal associated undertakings of the company at 31 December 2006 are as follows

Company	Activity	% holding of ordinary share capital	Country of registration and principal operation
PA Group Limited	News agency	18 27	England and Wales

10 Debtors

	31 December 2006 £'000	1 January 2006 £'000
Amounts owed by group undertakings		
- Fellow subsidiaries	36,503	146,092
Other debtors	84	213
Prepayments and accrued income	546	605
Deferred tax asset	2,683	2,039
	39,816	148,949

Mirror Group Limited

Notes to the accounts
52 weeks ended 31 December 2006

10. Debtors (continued)

The deferred tax asset included in the accounts comprises

	31 December 2006 £'000	1 January 2006 £'000
Depreciation in excess of capital allowances	600	488
Short term timing differences	2,083	1,551
	2,683	2,039

The movement in the deferred tax asset was as follows		
At beginning of period	2,039	2,159
Current period credit/(charge)	644	(221)
Prior period adjustment	-	101
At end of the period	2,683	2,039

In accordance with Financial Reporting Standard 19, "Deferred Tax", has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets This tax will become payable if the replacement assets are sold and further rollover relief is not obtained The estimated amount of tax that would become payable in these circumstances is £976,000 at 31 December 2006 (1 January 2006 £1,475,000)

11. Creditors: amounts falling due within one year

	31 December 2006 £'000	1 January 2006 £'000
Amounts owed to group undertakings		
- Ultimate parent company	80,623	112,752
- Fellow subsidiaries	30,448	114,976
Corporation tax payable	529	320
Other creditors including tax and social security	901	2,366
Accruals and deferred income	14,080	14,402
	126,581	244,816

12. Provisions for liabilities

	Provisions £'000
At beginning of the period	6,032
Created in the period	2,084
Utilised in period	(2,815)
At end of the period	5,301

Provisions comprise vacant property provisions amounting to £5,151,000 (1 January 2006 £5,001,000), a provision relating to PAYE on distribution staff £150,000 (1 January 2006 £150,000) and a profit share scheme provision of £nil (1 January 2006 £881,000) These are expected to be utilised over the next three years

13. Pensions

The company is the sponsoring company for the Mirror Group Pension Scheme, the MGN Past Service Pension Scheme and the MGN Pension Scheme The Mirror Group Pension Scheme and the MGN Past Service Pension Scheme provide pension benefits for members' pensionable service prior to 14 February 1992 The MGN Pension Scheme provides pension benefits for members' pensionable service from 14 February 1992, this scheme was closed to new entrants with effect from 1 January 2003 In 2006, employer's contributions to MGN Pension Scheme were increased to 12%

Valuations have been performed by an independent actuary in accordance with the requirements of Financial Reporting Standard 17, "Retirement Benefits", as at 31 December 2006 Schemes' liabilities have been calculated using a consistent projected unit valuation method and compared to the schemes' assets at their 31 December 2006 bid values The provisions of the amendment to FRS17, "Retirement Benefits", issued in December 2006 have been adopted early by the company Accordingly the prior year scheme assets have been restated at the current bid price from the mid market value, which has increased the pension scheme deficit by £3,900,000 less deferred tax of £1,170,000 in each of the prior two years Comparatives for the prior two years have been restated and disclosures have been amended to reflect the new requirements where the data is available

Principal actuarial assumptions	**At 31 December 2006 nominal (%pa)**	**At 1 January 2006 nominal (%pa)**	**At 2 January 2005 nominal (%pa)**
Inflation rate	3 00	2 80	2 75
Discount rate	5 10	4 75	5 30
Expected return on scheme assets	6 30 to 7 30	6 30 to 7 30	6 40 to 7 30
Expected rate of salary increases	4 00	4 10	4 00
Rate of pension increases in payment Pre 6/4/97 Pensions	3 00 to 5 00	3 00 to 5 00	3 00 to 5 00
Rate of pension increases in payment Post 6/4/97 Pensions	3 50	3 30	3 25
Rate of pension increases in deferment	3 00	2 80	2 75

The future life expectancy for a pensioner currently aged 65 is 19 0 years for males and 21 6 years for females The future life expectancy for a non pensioner currently aged 55 is 19 7 years for males and 22 3 years for females

Expected contributions for the period ending 30 December 2007 at 12% of pensionable salaries are £7,776,000 and deficit payments of £19,500,000

Reconciliation to the balance sheet	**At 31 December 2006 £'000**	**At 1 January 2006 (restated) £'000**	**At 2 January 2005 (restated) £'000**	**At 28 December 2003 £'000**	**At 29 December 2002 £'000**
Actuarial value of schemes' liabilities	(1,009,783)	(1,027,900)	(939,400)	(917,900)	(776,500)
Fair value of schemes' assets	843,100	788,600	686,100	643,500	595,400
Schemes' deficit	(166,683)	(239,300)	(253,300)	(274,400)	(181,100)
Deferred tax asset	50,010	71,851	75,990	82,294	54,330
Net schemes' liabilities	(116,673)	(167,449)	(177,310)	(192,106)	(126,770)

Mirror Group Limited

Notes to the accounts
52 weeks ended 31 December 2006

13. Pensions (continued)

Components of pension expense recognised in the profit or loss account	**52 weeks ended 31 December 2006 £'000**	**52 weeks ended 1 January 2006 £'000**	**53 weeks ended 2 January 2005 £'000**
Current service cost	15,400	13,800	14,400
Past service cost	400	1,100	400
Interest on scheme liabilities	47,900	48,700	48,600
Expected return on scheme assets	(51,100)	(45,800)	(42,700)
Total profit and loss account expense	12,600	17,800	20,700

The pension costs included in the operating loss of the company are the current service cost and past service cost less contributions made by other participating companies The amounts included as other finance credit/(charge) are the interest on scheme liabilities net of the expected return on scheme assets

Statement of Total recognised Gains and Losses (STRGL)	**52 weeks ended 31 December 2006 £'000**	**52 weeks ended 1 January (restated) 2006 £'000**	**53 weeks ended 2 January (restated) 2005 £'000**
Experience gain on scheme assets	(12,400)	(68,200)	(20,800)
Experience loss/(gain) on scheme liabilities	1,300	(29,700)	(13,900)
(Gain)/loss on change of assumptions	(45,500)	88,200	5,300
Actuarial gain recognised in STRGL	(56,600)	(9,700)	(29,400)
Cumulative amount of actuarial loss recognised in STRGL at beginning of period	155,200	164,900	194,300
Cumulative amount of actuarial loss recognised in STRGL at end of period	98,600	155,200	164,900

The experience (gain)/loss on scheme assets for the 52 weeks ended 28 December 2003 and 52 weeks ended 29 December 2002 was (£31,500,000) and £89,500,000 respectively and the experience loss on scheme liabilities for the 52 weeks ended 28 December 2003 and 52 weeks ended 29 December 2002 was £15,900,000 and £4,000,000 respectively

Actual return on scheme assets	**52 weeks ended 31 December 2006 £'000**	**52 weeks ended 1 January 2006 £'000**	**53 weeks ended 2 January 2005 £'000**
Expected return on scheme assets	51,100	45,800	42,700
Experience gain on scheme assets	12,400	68,200	20,800
Actual return on scheme assets	63,500	114,000	63,500

13. Pensions (continued)

Reconciliation of actuarial value of scheme liabilities	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000	53 weeks ended 2 January 2005 £'000
Actuarial value of scheme liabilities at beginning of the period	1,027,900	939,400	917,900
Current service cost	15,400	13,800	14,400
Interest on scheme liabilities	47,900	48,700	48,600
Employee contributions	4,500	4,400	4,500
Past service cost	400	1,100	400
(Gain)/loss on change of assumptions	(45,500)	88,200	5,300
Experience loss/(gain) on scheme liabilities	1,300	(29,700)	(13,900)
Actual benefits paid	(42,117)	(38,000)	(37,800)
Actuarial value of scheme liabilities at end of period	1,009,783	1,027,900	939,400

Categories of scheme assets	At 31 December 2006 £'000	At 1 January 2006 (restated) £'000	At 2 January 2005 (restated) £'000
UK equities	284,800	285,200	251,600
US equities	63,700	53,900	39,300
Other overseas equities	131,000	109,300	87,400
Corporate bonds	155,900	105,500	5,200
Fixed-interest gilts	72,900	120,700	280,500
Index-linked gilts	46,700	25,900	11,900
Cash	88,100	88,100	10,200
Total fair value of the schemes assets	843,100	788,600	686,100

Reconciliation of actuarial value of scheme assets	52 weeks ended 31 December 2006 £'000	52 weeks ended 1 January 2006 £'000	53 weeks ended 2 January 2005 £'000
Fair value of scheme assets at beginning of the period	788,600	686,100	640,300
Expected rate of return on scheme assets	51,100	45,800	42,700
Actuarial gain on scheme assets	12,400	68,200	20,800
Employer contributions	28,600	22,100	15,600
Employee contributions	4,500	4,400	4,500
Benefits paid	(42,100)	(38,000)	(37,800)
Fair value of scheme assets at end of period	843,100	788,600	686,100

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14. Called up share capital

	31 December 2006	1 January 2006
	£'000	£'000
Authorised:		
718,200,000 ordinary shares of 25p each (1 January 2006 718,200,000 ordinary shares of 25p each)	179,550	179,550
Called up, allotted and fully paid:		
457,823,273 ordinary shares of 25p each (1 January 2006 457,823,273 ordinary shares of 25p each)	114,456	114,456

15 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
At beginning of the period as previously reported	259,572	25,348	284,920
Prior year adjustment (as explained in note 1)	-	(2,730)	(2,730)
At beginning of the period restated	259,572	22,618	282,190
Retained profit for the financial period	-	19,639	19,639
Other net recognised gains and losses in the period	-	39,620	39,620
Share-based payments credit in the period	-	29	29
At end of the period	259,572	81,906	340,478

16 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 31 December 2006 this amounted to £467 million (1 January 2006 £457 million)

17. Operating lease commitments

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

	31 December 2006		1 January 2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
On operating leases which expire:				
Between one and five years	-	100	-	100
After five years	8,882	-	9,190	-
	8,882	100	9,190	100