TRINITY MIRROR plc, Sunday, 30th December 2001

EXTRA EXTRA

Hungry

Reflecting world events, not non-events. Winning ways at The Mirror.

In December 2001, The Mirror became the first red-top tabloid to be named Newspaper of the Year since 1981. (We won then, too.) At the awards ceremony, the judges described The Mirror as 'the tabloid home for serious foreign news coverage'.

We couldn't put it better ourselves. At The Mirror we take a more responsible approach to news-gathering. To us, the latest non-event on or off the set of EastEnders is not frontpage news. Tittle-tattle surrounding cast-offs from Big Brother, celebrity or otherwise, is not news. Trivia is not news.

Our readers share the same point of view. Since September 11th, every edition of The Mirror has featured a hard-news story on the front page. And the figures for each day's sale have continued to close the gap between The Mirror and its rivals. We out-punched our weight. We sold an extra 1.7 million copies*.

While tragic world events have proved that our readers share our appetite for real news, this is no overnight change of emphasis. The Mirror has always been the tabloid paper that people turn to for the big story. It's always represented the people in a campaigning, challenging way.

Since September 11th, sadly, world-shattering events have given us the opportunity to reinforce our journalistic

*12th September — 30th September

Inside the hot house

Revealing the intense conditions inside Trinity Mirror's Training Centre.

Tony Johnston Head of Editorial Staff Development

People who think a training course means a jolly in some posh hotel get a rude awakening when they turn up for our Journalism Foundation Course. It's jolly hard work.

The 16-week full-time course is held at the offices of the Newcastle Chronicle. When they're not attending the compulsory lectures, the students are on the streets searching for stories. It's a hands-on, full-on course.

Getting onto the course is an achievement in itself as competition for places is intense. Getting through the course requires dedication, hard work and homework. If a student's slow in shorthand, for instance, the 8.30am start for 'extra work' class is a must.

'Vocational' is hardly the word for it. It's about 'Getting Stories' not 'Media Studies'. It's about developing an instinct for a story. It's about pushing a student's natural curiosity to the limit.

The tutors, all ex-News Editors, pass on the tricks of the trade that aren't taught in college. They test the students' ability to gather real news by sending them out with notebook and pen. Sometimes a student's scoop makes the local paper. Sometimes it makes the front page.

At all times, any tendency towards preciousness is driven from their minds. We turn out professionals, not prima donnas.

Eighteen months after the course, our trainees come back to take a Final Certificate of Journalism. They're judged by a panel of working Editors.

Then they get back to work, to be judged by their readers.

Not reporting. Not responding. Crusading.

We don't wait for local news, we create it.
Neil Benson Editorial Director, Regional Newspapers

A 'circulation area' is one way to describe the market for each of our regional titles. It may seem sentimental, but to us they're not 'areas' but 'communities'.

Each regional newspaper is at the heart of its community. At the same time, it also acts as the community's voice.

Editorially, each paper takes a proactive stance, taking the lead on local issues. During the foot and mouth crisis, for instance, our regional titles spoke out in vehement support of local farmers and local businesses. The Western Mail fought a fierce campaign against the closure of the Llanwern steel plant. And our editors were in the front line during battles to save local hospitals. We didn't always win, but we reinforced our commitment to local people and local problems.

As well as raising issues, we raise money. Whether the aim is to improve local medical facilities or local sports facilities, our appeals reach their targets. Financial and emotional.

We recognise our local titles' campaigns in our new annual editorial awards. These celebrate the store of journalistic talent in the regions.

While our journalists take a proactive approach to reporting, we take a proactive approach to their career development, holding seminars for news, sports and features editors. Recently we've launched skills development initiatives covering investigations and computer-assisted reporting.

Computers have a role to play, of course. Sometimes though, a good old-fashioned crusade is exactly what's needed.

…for news. Real news. Not hype. Not spin. Not trivia. Hard news

stance. Day after day, the paper has proved that it's a more serious-minded popular quality paper. Serious, but not stodgy.

We've broken story after story. We were the first British paper into Jalalabad. Our reporter Gary Jones spent 8 weeks with the Northern Alliance. We surprised Fleet Street and shocked our immediate rivals.

Despite the downturn in advertising revenue caused, in part, by the events we were reporting, the Group ploughed more money into news-gathering. In an important collaboration between Birmingham's Sunday Mercury and The Sunday Mirror, we broke another 'World Exclusive' when we travelled to Afghanistan and exposed a British recruiting-sergeant for the Taliban.

Fortunately our range of titles, regional and national, serves to attract top reporting talent. And the news that we run the industry's most respected Training Centre is another attractive feature.

Our courses regularly draw students from other newspaper groups, all eager to study the essentials of news-gathering.

The students could do a lot worse than study The Mirror of September 20th 2001. It featured a broadsheet special on the aftermath of September 11th, written by Tony Parsons. According to the Newspaper of the Year judges, this was "some of the most vigorous writing of the year".

A tabloid becoming a broadsheet for a day? They don't teach that on media studies courses.

S★★

"When we unleashed the full firepower of The Mirror's journalistic force, Fleet Street snapped its eyelids back and said 'Oh my God, look at this'"

Piers Morgan Editor, The Mirror

"It's pointless writing the greatest story in the world if it doesn't get into the paper. Being there on time with a good product is better than not being there with a great product. On time and great is best"

Neil Benson Regional Editorial Director

seriously sparky

How The Mirror found its true voice.
Jonathan Freedland, Paul Foot and John Pilger all write for The Guardian. Recently they've also written for The Mirror. They've been surprised that everything they write goes into the paper and our readers enjoy it.

We weren't so surprised. We've long believed that the difference between titles is not the content but the way it's presented.

Our readers' reaction to the paper since September 11th has proved that we can present the news in a more serious manner so long as it looks exciting and attractive.

We make sure it does. And our readers make sure they get it.

This doesn't mean that we've lost our sense of fun. Far from it. Our 3am girls still get up to all manner of mischief. Strictly in the line of duty, of course.

continued on page 04 ►

As The Mirror's 'intelligent popularism' continues to strike a chord, we've become more confident. We're 'up for it'. We have a new sense of independence. More than ever, we're keen to prick balloons and challenge the establishment. Our stance is that everyone in authority is essentially wrong unless they can prove otherwise.

Forever on the side of the people, we're anti-spin and pro-social justice. We're happy to give the Government a bit of a battering when necessary.

We've created our own place in the market.

Just as we've found our voice on the big issues, we've done the same on the incidentals. We've stopped giving the right of copy approval to so-called 'celebrities'. Now they feature in the paper on our terms, or not at all.

Our renewed energy comes across in our use of language. With our unique attitude, we're now moving The Mirror's values through to Sunday.

Tina Weaver, former Deputy Editor of the daily, now heads up the Sunday Mirror. Alongside Piers Morgan, Tina is working to develop a seven-day Mirror brand. The two papers are already showing greater alignment.

We've no intention of making The Sunday Mirror a clone of its Monday-Saturday partner, of course. People consume Sunday papers in very different ways from dailies. We're simply giving them similar family characteristics.

As The Mirror titles come together, the Sunday Mirror and The People are moving apart. We're giving The People greater distinctiveness to make sure our Sunday papers don't fight for the same readers.

On weekdays and Saturday, the Voice of The Mirror has never spoken with such confidence and authority. Whether it's unravelling spin or helping to point the government in the right direction, the paper's editorial direction is clear.

It's the more serious-minded popular paper. Or, putting it another way, it's the more popular-packaged serious paper.

Targeting talent

Content sharing makes everyone content.
Neil Benson Editorial Director, Regional Newspapers

> "To realise our goals we'll need a disproportionate share of top talent in the industry. We've moved most quickly to make this happen in Editorial"
>
> **Stephen Parker**
> Managing Director, Regional Newspapers

When the England football team fly to Japan and South Korea, who should we send with them? Reporters from each of our regional morning and evening titles? Or a crack team of two or three?

The first option will eat into our resources and end up with reporters from the same newspaper group jostling for the best vantage points and the best access to the people who matter.

The second option will allow us to send the most informed, incisive reporters with the clout to get close to England's key players. The readers of our regional titles will obtain better match reports and behind-the-scenes news, while our regional editors will obtain savings to plough into truly local news-gathering.

You can guess who'll we'll be sending. The crack team. It's a no-brainer.

Similarly, news of the Queen's Golden Jubilee will be brought to our regional readers via a combination of local and shared reporting. Local connections will naturally be covered by local reporters, while 'generic' aspects of the Jubilee will be covered by our most informed Royal Watchers. Wherever they happen to be.

In this way, our readers will enjoy the best coverage and we'll enjoy the benefits that flow from the optimum use of resources.

Avoiding duplication of our reporting talent is an important aspect of our 'from Biggest to Best' initiative. This three-year programme will look at all aspects of our regional business. The aim is to improve quality across all titles across all areas.

By freeing up reporting resources, we're allowing our regional editors to focus on local priorities. Embedding their titles further into the local community. Investigating local wrong-doing. Crusading on behalf of local groups under threat.

Local issues sell local issues. Always have, always will.

Share more. Sell more.

Jane Nugent Marketing Director, Regionals

How do you market 240 separate products, each with its own personality, customer base and set of product characteristics?

We need to focus on the end game: delivering customer satisfaction and sales through strong brands that are at the heart of their community. We need a touch of ingenuity. And we need more than our fair share of vision.

We also need to recognise that although our newspapers all serve different markets, many of the challenges and answers are the same.

If marketing is an interaction between brand and consumer, it obviously covers a whole range of activity. In this context, every page of every paper is doing a marketing job for that paper. Its front page also acts as a point-of-sale poster, catching the eye of potential purchasers.

It follows that any investment in the papers is an investment in marketing. Hire a cutting-edge columnist – marketing. Add a free wedding supplement – marketing. Increase the pagination – marketing. Multiply each of these options by 240 – mayhem.

Actually, it's not mayhem at all. We're helping to bring order, structure, focus and profile to the job of marketing our regional titles.

One of our guiding principles is 'Invest once. Use often'. If someone in the group has a great marketing idea (which they frequently do) we roll it out everywhere. We don't waste time and resources trying to reinvent the wheel every time.

Using the scale of the group in this way has three important benefits. First, it frees up time for us to think of the next excellent initiative. Secondly, it helps drive performance forward faster. And thirdly it saves money. When we implement a marketing idea the second time it's

Ideas that

What if?

Not even The Mirror astrologer could get this forecast right.

Wally Cowley Circulation Sales Director, MGN

Imagine that Manchester United are playing non-league Enfield in the FA Cup. If United win, what will happen to The Mirror sales in Manchester the following day? They'll rise a couple of percentage points.

Now imagine that giant-killers Enfield win. What will be the effect on The Mirror sales in Enfield? They'll shoot up. And how many extra sales will the title put on across the country as the soccer world clamours to read about this footballing fairy tale?

And what if The Mirror front page features a free scratchcard promotion? What if the lead story concerns the death of a top TV soap star? What if? What if?

Organising the circulation and sales of The Mirror, Sunday Mirror and Sunday People means answering a whole series of What if?s. The hardest part is not transporting copies from the printer to the wholesaler, but calculating how many copies to transport.

Fortunately, we have some valuable resources to help us answer the 'What if?' questions. We have talented Circulation Managers and a posse of Pure Maths graduates. And we have algorithms. Our problem-solving programs help us predict the effect on sales of just about any combination of eventualities.

At the moment they're toying with a couple of tricky ones. What will happen to The Mirror sales next June, when two Bank Holidays fall back to back? And if we run a promotion offering a can of Pepsi, a bag of Walker's crisps and The Mirror for £1, how many Mirrors should we print?

Of course, not all eventualities are possible to predict. The night Diana, Princess of Wales, died, we took a hunch and doubled the print run of both Sunday titles. All copies were sold.

On the night of September 11th we put the maximum number of copies on the newsstands and sold more extra copies than our red-topped rival.

In the future, we hope our 'What if?' questions will concern more happy events such as 'What if England win the World Cup?'

It's happened before. Once.

sell

Cardiff
'Business Yearbooks' have been a great success. We held a business to business seminar to share the format around the group.

Birmingham
Research is now standardised to produce consistent, comparative information.

Tyneside
We launched Tyneside Vision, a magazine promoting the regeneration of the region. This was adapted from Teesside Vision.

Liverpool
'I Can Do That', our magazine for disabled people, won awards. We took the format and launched it in Newcastle.

obviously more profitable, as most of the costs have already been accounted for.

The question is (it's all questions in this job) how do we make sure that all our great ideas are shared around the group, not used once then forgotten?

One way is through the Ideas Box on our intranet site. This resource contains all our accumulated knowledge on various initiatives. If a local weekly is planning a classic car supplement they head for the Ideas Box and take a few short-cuts. Who's run a similar supplement elsewhere? How did it perform? What editorial content is available? What about advertising opportunities? The Ideas Box is full of answers.

Another, more human, mechanism to share marketing ideas around the group is our central marketing team. Our team members act as catalysts to get things moving. We run team forums with the functional experts from the various businesses to think about hot topics. Are we serving the needs of minority groups? How can we attract more young families? Should we plough marketing funds into more pages or more advertising?

(The answer to the first question, by the way, is 'Not as well as we should be, but we've recognised the problem and we're working on it'.)

The danger with all this sharing is that we might do something that was right for one title but totally wrong for another. This can't happen. Our first question is always 'What does this do for the brand?' If it's inconsistent with that brand's values we don't do it.

Our readers' holidays are a case in point. They reinforce the values of our regional brands and drive extra revenue. However, if the quality of a cruise or coach tour fell short of expectations it would damage the brand, not exploit its strengths. We make sure the trips are up to scratch.

As we continue to milk the benefits of scale we continue to learn more about our markets. At the moment we're planning the biggest readership survey in regional newspaper history. This will give us consistent information on the lifestyles, needs and attitudes of all our products' users. More than ever before, we'll be able to compare like with like.

The plan is not to apply national marketing solutions to local situations. No way. It's simply to apply proven local ideas in other localities.

The plan is working.

Mirror marketing?

Reflecting readers' needs
An interview with new MGN Marketing Director
Alisdair Luxmoore.

Q. How do you see your job?
A. Hard work. Marketing has an image of blue sky thinking and creative inspiration, but 9 times out of 10 the best marketing campaigns come from a deep and hard-won understanding of consumer needs. In other words, the marketing planning process starts with the customer, or reader in the case of a national newspaper. This is true whether the plan is for a reader offer or a high-profile ad campaign.

Q. OK. So what are Mirror readers looking for?
A. They're looking for help in unravelling an increasingly complex world. Our research shows that, more and more, newspapers can play an important role in readers' lives. Although they rarely get frontline headlines from their paper these days, they rely on their paper to steer them through all the spin, hype and news management.

Q. Right. So The Mirror's role is to tell people what's really going on?
A. Exactly. Ordinary British people have to make decisions about schools, money, housing and work that their parents and grandparents didn't face. Our job is to help them through this maze by telling the truth, not what the spin doctors and PR people would have them believe. We must do this in a light and palatable way, without trivialising the issues.

Q. So how can marketing help?
A. We've defined The Mirror's unique position. We have the marketing proposition. The marketing team's job now is to make sure that everything we do supports this proposition. We must communicate why people should buy The Mirror. Every day.

Quick wins

An overnight excess

More copies. More pages. More news.

Norman Walker, Managing Director, Mirror Colour Print

The night of September 11th was a testing time for many people around the world. In our own small way, we faced a two-fold test. The Mirror editorial team had to tell a world-shattering story. The sales and circulation team had to push their sales planning techniques to the limit.

Editorially, as even our competitors admit, we delivered.

Logistically, we also delivered. We produced 20% more copies of a 72-page paper dominated by the news from America. And we still managed to hit all our nightly deadlines and sales went up by 20%.

As our print plants in the UK were rising to the challenge, our partner printers in mainland Spain, Majorca, the Canary Islands and Greece were also running at extra capacity. In many Spanish resorts, we were the only English language paper with the story.

The next night we pulled off the same feat. And the next. And the next…

Piers Morgan, The Mirror editor, made a far-reaching decision. He drastically cut down the number of pre-printed pages featuring 'timeless' content and replaced them with hard news.

While this pleased our readers and advertisers (they had more time to deliver their copy) it severely challenged our printers. Instead of printing 24 pages during the afternoon and adding them to 48 news pages later, they had to produce all 72 pages overnight.

They delivered.

Our regional titles came to our aid. Plants in Chester and Coventry took some regional print jobs from our main presses and the southern regional titles took a more flexible approach to deadlines.

Those testing times in September produced a smooth-running spirit of co-operation between our national and regional businesses. In a seamless print operation, we became adept at juggling the varying needs of each title.

As we've proved, this new flexibility allows us to react quickly, producing more pages and more papers. More efficiently.

And slower wins. Pressing ahead with 'Biggest to Best' reforms

As the UK's largest newspaper publisher, we're the UK's largest buyer of newsprint. In fact, after labour costs, newsprint is our single largest expense.

To make matters worse, newsprint prices, after staying stable for the last few years, rose by 12% during 2001.

How can we make matters better? Obviously, by using our considerable clout in the marketplace. Post merger, one of our first moves was to bring in centralised buying of newsprint.

Not all our wins will be as quick. In fact, a major initiative in the Midlands won't start to pay off until the end of 2004.

We're investing in a new print site in Birmingham. The state-of-the-art press hall will replace our existing print works in Coventry and Birmingham. It will print the Birmingham Evening Mail, Coventry Evening Telegraph, Birmingham Post and Sunday Mercury as well as over 30 weekly newspapers in the Midlands.

The investment is an example of how our 'from Biggest to Best' programme is raising efficiency and quality. It will bring major benefits to our operations in the Midlands, particularly in our ability to serve the needs of our readers and advertisers in terms of colour and print quality.

Cardiff, too, is receiving extra investment in print capacity.

As our change programme continues, our process-mapping and performance management techniques may well identify other efficiency savings and quality gains. Not all will be as spectacular as the Birmingham and Coventry partnership, as few of our circulation areas are as close together. No problem. Our plans are coming together in other ways.

The rel pursuit EXC

Moving 'from Biggest to Best'

A journey of discovery, with few pitfalls and potentially rich pickings.

Gavin Steacy Regionals' Change Development Director

Should horoscopes be local? Surely, by definition, they're astrological. Should a Lord of the Rings review be local? Surely it's mythical. And what about crosswords? Any clues why they need to be local? Isn't it more important that each of them is the best they can possibly be?

Using our local resources to get the best results is what 'from Biggest to Best' is all about. It's about getting the best editorial content, the best marketing campaigns, the best circulation performance and the best productivity.

It's about lifting the top line and the bottom line.

The programme aims to turn a mixture of businesses into one cohesive unit. This sounds simple enough, but to make it happen, a lot needs to change.

A disparate collection of regional businesses need to move into alignment. We're talking about a major manoeuvre, not a tweak or two.

We started the move with a bit of philosophy. Within the regional newspaper group we decided that we'd no longer be content to be good. We set ourselves the ambition to be the very best. Not just the biggest, but the best.

We wrote a Strategic Intent Statement setting out where we intend to be by 2005:

'Trinity Mirror is the clear leader of the regional information industry, with a disproportionate share of top talent, offering unique and high-quality publications and services to readers and advertisers, and delivering top quartile profit growth relative to peers, while relentlessly pursuing successful new businesses.'

A bit of a tall order perhaps (and a bit of a mouthful) which is why we've given ourselves three years to get there.

Before we embarked on the journey we spent a lot of time considering the basics. We worked hard to get the foundations right, taking the first steps towards establishing a common IT system and common financial reporting. Without the right support functions, we knew that the change programme would be hard-pressed to get moving.

Before setting off we naturally made sure everyone was on board. Our September conference was an opportunity for the top 180 managers to get together and study the route. All agreed that it made sense to take our collection of assets and transform them into something bigger and better.

No-one was content to maintain the status quo, operating as a loose federation of fiefdoms. They wanted to learn from each other, sharing ideas and sharing the rewards.

Everyone was impressed by the seniority of the people and the seriousness of the budgets being devoted to the programme. And the fact that it would be driven centrally but delivered locally.

With everyone enthused and raring to go, we set about planning an itinerary. The change programme needed a clear sense of direction. We needed some maps. It was time to call the experts in 'process mapping'.

The team of process consultants began to 'process map' across all our regional businesses. They mapped the way each company handles editorial, advertising, circulation, pre-press operations and everything else. Working out in the field alongside the local management, they mapped out the best processes. We're now analysing the results, looking for opportunities from the process point of view.

Obviously, by improving our processes we can improve our business.

We're also using other techniques such as benchmarking, so we can find examples of best practice. As we find them, we share them. When we're all adopting the best practice we'll be well on the way to becoming the best.

Biggest is good. Biggest and best is better.

> "'from Biggest to Best' is a radical top-to-bottom review of Trinity Mirror Regionals, designed to make us industry leaders by 2005"
>
> **Stephen Parker**
> Managing Director, Trinity Mirror Regionals

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14 businesses. 240 titles. Our regionals division is big. In fact, we're the largest regional newspaper group in the country. Not a bad start. Now we need to become the best. We need to add quality to quantity.

Across the division, we're examining every facet of our business to find ways of doing things better. Journalism. Editorial. Marketing. Printing and Distribution. Advertising. Circulation. IT. HR.

An important aim of the programme is to further increase our share of top industry talent. We're putting in place the best career opportunities and the best on-the-job training.

Another important objective is to assemble the mechanisms for us to benefit from our size and diversity. In other words, we need to start 'acting our size'. Looking at our businesses and functions, we're finding many opportunities to realise the advantages of sharing our very best practices between ourselves.

Naturally, we expect 'best practice' to lead to greater efficiency, although this is not our overriding aim. Cost savings are the by-product, not the by-word of 'from Biggest to Best'.

Having said that, the more savings we gain, the more we can invest in our people and our product. We intend to increase the organic growth of our newspapers through brand extensions and product developments. We plan to enter high growth areas, leveraging our assets via various channels.

Although 'from Biggest to Best' means taking a hard look at ourselves, we're also looking outwards. For our readers, we're improving our understanding of the things they appreciate and taking successful editorial ideas from one local market to others.

For our advertisers, we're getting to know our key segments well, delivering better solutions than our competitors and giving customers what they value most.

Our people. Our readers. Our advertisers. All are included in 'from Biggest to Best'. After all, why should anyone settle for second best?

Financial highlights

	2001 £m	2000 [3] £m	% change
Turnover from continuing operations			
actual	**1,131.1**	1,079.1	4.8%
like-for-like [1]	**1,131.1**	1,130.5	0.1%
Group operating profit from continuing operations [2]			
actual	**204.4**	201.4	1.5%
like-for-like [1]	**204.4**	202.5	0.9%
Profit before tax [2]	**155.5**	154.1	0.9%

Per share	**pence**	pence	
Earnings [2]	**37.4p**	38.1p	(1.8)%
Dividend	**17.6p**	17.6p	–

1 adjusted to exclude Belfast Telegraph Newspapers (sold July 2000) and include Southnews (acquired November 2000) for the full year in 2000
2 before exceptional items which comprise £168.0 million exceptional operating costs, including £150.0 million impairment of the publishing rights and titles of the former Mirror Group, included within intangible fixed assets, and £1.2 million exceptional non-operating credit
3 restated to reflect the adoption in 2001 of FRS 19, Deferred Taxation
4 excludes savings from integration of Southnews and merger of Trinity and Mirror Group

Year's highlights

- clear strategies determined for all businesses during 2001 whilst delivering robust results in turbulent market
- advertising revenue growth of 0.6%[1] despite volatile and difficult advertising market throughout the year and significant deterioration during last four months
- profit protected by Groupwide cost reduction initiatives introduced in first half of year and implementation of business stategies – over £11.0 million saved in 2001, leading to in excess of £32.0 million in 2002 and £42.0 million per annum by 2003[4] – ahead of previous targets
- approximately £25.0 million, incremental to investment in 2001, to be reinvested in product, editorial and marketing in 2002 to support strategies, excluding one-off exceptional costs
- successful commencement of regional newspaper strategy – significant revenue (£1.5 million) and cost improvements (£5.4 million) already realised in 2001
- revitalisation of Mirror titles aimed at relaunching the Mirror brand, encouraging increased loyalty and attracting new, younger readers
- Scottish national titles' new marketing strategy aimed at readership retention and improved advertising management
- racing and betting industries receiving substantial financial boost and increased media exposure – thereby stimulating market for sports betting newspapers
- digital media restructured and costs substantially reduced

Group at a glance

Regionals

With a weekly circulation of nearly 14.5 million* (almost 21% of the total regional newspaper market) our regional newspapers have a reputation amongst their customers and competitors for innovation, creativity, quality, value and customer service. Our 240 newspapers, each with a strong, trusted and local brand, are at the core of the local communities that they serve.

*Last year's figure of 18.0 million included the Daily Record and Sunday Mail

Turnover £m

2000	465.3
2001	530.7

Operating Profit £m

2000	114.8
2001	120.2

Advertising Revenue by Category £m

	2000	2001
Display	112.7	**133.1**
Recruitment	96.2	**123.8**
Property	33.4	**44.7**
Motors	37.4	**41.0**
Other	57.8	**65.9**

Largest Regional Titles	Daily Circulation[1]	Average Readers
Morning		
Daily Post (Liverpool)	66,049	174,257[2]
Western Mail	52,760	214,299[2]
The Journal (Newcastle)	47,928	123,436[2]
Evening		
Liverpool Echo	150,940	417,377[2]
Birmingham Evening Mail	127,983	441,193[2]
Evening Chronicle (Newcastle)	101,458	234,598[2]
Sunday		
Sunday Mercury (Birmingham)	100,407	329,047[3]
Sunday Sun (Newcastle)	95,672	238,556[2]

[1] ABC Jan-June 2001; [2] JICREG Sept 2001; [3] RSGB 2000

Nationals

Our five national newspapers are for people who are interested in both the serious and entertaining side of life and want an easy but balanced, informative and intelligent read. The Mirror is Europe's 4th largest selling newspaper. Almost a quarter of the entire British adult population read at least one copy of the Mirror or Sunday Mirror over the course of a week.

Turnover £m

2000	532.4
2001	519.7

Operating Profit £m

2000	111.0
2001	88.9

Revenue by Title £m

	2000	2001
The Mirror	260.3	**261.7**
Sunday Mirror	72.9	**73.3**
Sunday People	49.5	**48.7**
Daily Record	81.0	**78.0**
Sunday Mail	28.0	**27.3**
Other	40.7	**30.7**

National Titles	Daily Circulation[1] '000	Average Readers[2] '000	Market Share[3] %
The Mirror	2,188	5,706	21.0
Sunday Mirror	1,836	5,409	16.1
Sunday People	1,382	3,089	12.1
Daily Record	525[4]	1,613	43.6[4]
Sunday Mail	614[4]	1,769	38.2[4]

[1] Average circulation for six months to December 2001; [2] NRS July-Dec 2001
[3] Share of tabloid market for the six months to December 2001; [4] Within Scottish market only

Sports

Our five brand-leading sports newspaper titles, complemented by two leading websites, are the pre-eminent suppliers of comprehensive, compelling betting information and impartial advice and statistics to an expanding global audience of sports betting enthusiasts, particularly in the field of horseracing.

Turnover £m

2000	31.8
2001	34.9

Operating Profit £m

2000	7.9
2001	8.4

Sports Titles	Daily Circulation[1]
Racing Post	77,283
Racing and Football Outlook	No ABCs
Raceform Update	No ABCs
Weekender	19,851
Raceform on Saturday	No ABCs

[1] ABC July-Dec 2001

Magazines and exhibitions

The diverse portfolio of specialist business-to-consumer and business-to-business magazines and exhibitions provides readers, advertisers, exhibitors and attendees with an in-depth understanding of current trends within their respective markets.

Turnover £m

2000	35.3
2001	32.5

Operating Profit £m

2000	6.8
2001	6.4

Principal Magazines	Average Readers
Back Street Heroes	25,978
Build It	20,571
Interviewer	24,424
Classic Car Mart	22,401

Principal Exhibitions	Average Attendees
National Boat, Caravan and Leisure Show	103,053
National Wedding Shows	16,663
National Self Build Show	12,578

Digital

Our regional digital portals, positioned alongside our regional and local newspapers, ensure that the Group remains the leading local provider of information. A key aspect of our strategy is the flexible, highly productive technology platform that we have developed providing an integrated network for all our regional portals.

Voice media

An audiotext company servicing our own newspaper promotions and teledating services. It additionally sells its services to third party customers (primarily TV programme producers or operators).

Chairman's statement

"Trinity Mirror has emerged from a year of extreme market turbulence, economic uncertainty and international human disaster as a significantly stronger and focused group, reflecting the real quality and strengths of our core businesses and people"

There were many adversities thrown at us during 2001. These included the effects of a significant increase in newsprint prices at the beginning of the year; the terrible implications of the foot and mouth crisis on many of the communities and industries that our titles support; a volatile advertising market that showed all the signs of slowdown during the first eight months before plummeting in certain areas after the appalling terrorist attack on the United States on 11th September; a need to reconsider our digital media strategy and investment as the market for online revenues became almost a figment of imagination instead of a reality; the United Kingdom being on the verge of recession but the economy never quite deteriorating to that extent but causing great uncertainty; and a lack of progress and clarity in the improvement of the regulatory framework within which we operate and grow.

Against this background we have, nevertheless, achieved a profit before tax and exceptional items ahead of last year, at £155.5 million (growth of 0.9%). We are, however, writing down the carrying value of the former Mirror Group's publishing rights and titles by £150.0 million to reflect the directors' views on the future cash flows of these titles. This impairment in the carrying value of these assets is included within exceptional operating costs. We have also put in place strategies that will ensure that the Group can react positively to any significant changes in economic or trading conditions in 2002 and beyond. And we successfully completed the integration of Southnews, acquired in November 2000, with our existing regional operation in the South East, realising £5.0 million of benefits during the year and creating the biggest regional newspaper operation in London and the South East.

Last March the senior management team began a fundamental review of all businesses within the Group. The intention was to identify a bold but achievable strategy that would take Trinity Mirror forward with a significant improvement in performance and provide all stakeholders with enhanced value and pride in being associated with the Group. We needed to make the assets and businesses that we own work far more effectively and to focus on achieving organic growth before being in a position to develop the Group beyond this.

In July we updated you on the progress of the review. In particular, we outlined our plans to reconfigure our many regional newspaper businesses and digital media activities into a clearly structured, single and cohesive division, focused on a relentless pursuit of industry-leading performance. Our stated aim, to be the clear regional information industry leader by 2005, has been endorsed and willingly bought into by our management team within the regional newspaper and digital division. Fantastic progress has been made in the implementation of the many strands of the 'from Biggest to Best' initiative. Everyone concerned in those businesses has understood and enthusiastically adopted the four cornerstones of the strategy – performance, excellence, scale and ambition. Our financial performance in 2001 has already benefited from this initiative. With the division in a fundamentally stronger position, the completion of the integration of our digital activities with the regional newspaper operations and the continued implementation of the strategy, 2002 and beyond will see even greater benefits.

During the past six months or so, the senior management team has continued to develop exciting strategies for our national titles. Although a disappointing year financially, as the significant downturn in the display advertising market took its toll on our national titles, the national newspapers' management team in London and Scotland has made good progress in establishing an organisation and culture committed to change, essential to the delivery of the strategies for the national titles. The brand, quality and editorial proposition of The Mirror is being refocused, providing the base for the investment and support that the two Mirror titles will require in their endeavour to encourage increased loyalty in an increasingly competitive and difficult market. The success of The Mirror in its reporting of the 'War against Terror' has provided us with the evidence and confidence required to invest in this strategy. The most tangible evidence of improving quality, supporting our belief that this will benefit readers, advertisers and the Group alike, is The Mirror's outstanding achievement of being voted 'Newspaper of the Year' by the newspaper industry. This is the first time in 20 years that a red-top has won such a prestigious award. This award demonstrates how conviction, with skill and creativity, are a successful formula. It is these strengths that will be built upon in the implementation of the radical integrated marketing strategy for the two Mirror newspapers.

The Daily Record and Sunday Mail have a detailed plan to optimise the benefits of being industry leaders in their local environment. In the past, we have not always acted to the strengths of these businesses. Our strategy for the Scottish titles is resolutely focused on preserving and improving our relationship with our large group of loyal readers and buyers and asserting clear leadership of the advertising market in Scotland.

The Board believes that it has now put in place the strategies required for a winning formula for the next few years. Once the success of these strategies is recognised, the Board wants to be able to participate in further consolidation in the sector. In this context, it is our belief that the combination of capital market forces, regulatory changes and technological development over the next three years will lead to a fundamental restructuring of the UK and the European newspaper industry. It would be pre-emptive to speculate either when or how this might happen. However, we intend that Trinity Mirror will be in a position to shape events as and when they occur to the benefit of our shareholders, employees, customers and suppliers. To this end, it is important for our future that the existing regulatory regime is changed. At present it appears to penalise newspaper publishers more than any other media form. The Group undertakes active and determined lobbying of Government to amend the regulation of media ownership, particularly in respect of newspapers.

Finally I would like to pay tribute to our people. We are committed to growing our businesses in a way that requires significant change throughout the Group. We have set clear objectives for change. The burden of this change falls, as ever, on the shoulders of our staff. That we have come so far since the merger of the two previous groups is a testament to their willingness to embrace new ideas and new practices and to work together as a team (from top to bottom) and I thank them warmly. It is their effort during 2001 that has enabled us to move forward into 2002 with strength, conviction and determination to succeed.

We have delivered a robust financial performance in 2001. The current economy makes forecasting future performance very difficult but we have developed clear and ambitious plans for all parts of the Group. We have the team and the determination to deliver these plans. In doing so, we expect to create value for shareholders and fulfilment for all of our people.

Sir Victor Blank, Chairman
28 February 2002

Chief Executive's review

2001 was a dramatic and challenging year for anyone in the newspaper business. The awful events of 11th September provided particular journalistic challenges, especially for our national newspapers. It also presented major financial challenges to us as a Group as reaction to those events caused a sharp downturn in advertising at a national level, although our regional newspaper businesses, outside the South East, remained remarkably resilient.

As a whole the year saw a steady slowdown in underlying economic growth, an increasingly fragile advertising market and continuing uncertainty on the regulatory front. We also had to cope with the implications of the foot and mouth epidemic. However, these external factors did not detract from the enormous progress that has been made in moving the Group forward.

The management team undertook a major review of the business in the first quarter of the year. This focused on how to drive the best value for shareholders. As you will read later in this report, the regional businesses developed from this review the concept of 'from Biggest to Best'. This strategy involves completely rethinking the way we manage our regional businesses, the reconfiguration and closer alignment of the operations and the relentless pursuit of industry-leading performance through the adoption of best practice and benchmarks. We have made an excellent start to this initiative.

We realise that the Mirror newspapers operate in a very competitive marketplace; the review clearly indicated that we need to market them more effectively and efficiently. This, in turn, has led to the production of a very detailed and integrated marketing strategy for the two Mirror titles, which will be implemented during the coming year. In Scotland we conducted a thorough review of the circulation and advertising strategies for the Daily Record and Sunday Mail. Once again the results of this review will become evident in the coming year.

Our regional businesses provided a very strong financial performance in 2001 as the benefits of the introduction of the 'from Biggest to Best' initiative, the implementation of stretching cost reduction plans, the integration of Southnews with our existing South East regional business and the integration of our digital media activities started to produce positive financial benefits. The regional team is to be congratulated on its remarkable performance.

The Mirror drew great praise for its coverage of the aftermath of 11th September and the subsequent war in Afghanistan. The Sunday Mirror has been reinvigorated under new editorship and will benefit from the integrated marketing strategy. The editor of the Sunday People has performed remarkably well under some very tight constraints. The paper remains a profitable and valuable part of the Group.

The Racing Post, and its sister publications and web sites, had another excellent year and showed strength and resilience by coming out of the foot and mouth epidemic with an excellent circulation performance and a remarkable level of growth in advertising revenue. The online virtual betting ring, Smartbet, was also successfully launched.

Operationally, the slowing economic environment provided some real challenges. Strong management of our infrastructure and costs meant we were well positioned to take early and swift action. This has meant that we have not only protected 2001's profits but, together with certain of the initiatives from the strategic review, we have implemented significant cost savings (anticipated to realise at least £32.0 million in 2002), that will benefit the businesses going forward.

"Throughout the business, the passion and commitment of our people has been outstanding"

In addition to these initiatives, we are continuing to make good progress in delivering the £15.0 million per annum of merger benefits and we generated £5.0 million of integration savings during 2001 from the Southnews acquisition which will increase to £6.5 million per annum in 2002.

Whilst it is vital that we manage costs prudently in this current environment, it is essential that we seek opportunities to improve our revenue growth and continue to invest in those areas crucial to our business success in the medium term. Digital media is still regarded by us as an important enabler for our future growth and it is vital that we continue to invest in this area. However, during 2001 we had to take some tough decisions. Clearly the digital media strategy we announced in March 2000 was not working. We therefore cut back our ongoing level of gross investment to just over £10.0 million per annum from the beginning of 2002 and integrated our digital media activities fully into our regional newspaper businesses. This process, which was completed in December, will further underpin our 'from Biggest to Best' initiative by ensuring that we protect and develop our classified and local information franchises, providing a high quality, locally based service to advertisers and consumers. It further enhances the range of options that we offer our local markets.

We announced another major investment in 2001, this time in new presses. We are committed to spending £90.0 million between 2001 and 2004 to replace 15- to 20-year-old presses in the Midlands, Cardiff and the North East. This not only gives us opportunities to further improve our services to advertisers and readers, by providing better colour and higher quality printing, but also will allow us to progress significantly in the "regional clustering" of our Midland businesses. It fits perfectly with our 'from Biggest to Best' strategy.

We made it clear in March that, as a result of our strategic review, our focus over the next two years would be on improving the quality and growth potential of our existing businesses. Whilst focusing on these, we will continue to investigate potential external developments that will, in the medium term, complement our existing businesses and deliver the greatest opportunity for growth.

We also said in March that we would dispose, where we could get value, of non-core assets. In July we sold our internet service provider, ic24. This was followed in August with the disposal of our investment in Reed Aviation and in October we sold our 50% interest in PA Sporting Life.

We also looked to sell our magazine and exhibition business. However, it was clear from the final prices being offered that it was not going to give value to shareholders in the light of the slow economic climate. We have, therefore, retained this business, appointed new management, and are confident of delivering value from these businesses over the next 2 to 3 years.

As this report is being written, we are in the process of seeking clearance to dispose of a number of free newspapers in the East Midlands for £16.1 million to Johnston Press. The Secretary of State for Trade and Industry is expected to conclude his review, and that of the Competition Commission, by the end of April.

Within this annual report we are publishing, for the first time, a Corporate Social Responsibility Review. 2001 was not, however, the first time that Trinity Mirror has taken its social responsibilities seriously. Many aspects of our social responsibility policy are deeply embedded in the culture of the Group and have been evident for many years. Whilst we are far from perfect, I welcome this opportunity to shine a light on some of our activities which, in the past, we have been too bashful to highlight.

Finally, as I said at the beginning, 2001 was a dramatic and challenging year. It is, however, a year which has established a very firm basis for the Group to move forward.

Philip Graf, Chief Executive
28 February 2002

Regionals

A vision of transformation

The vision for the Group's regional businesses is that *'in 2005 Trinity Mirror will be the clear leader of the regional information industry, with a disproportionate share of top talent, offering unique and high quality publications and services to readers and advertisers, and delivering top quartile profit growth relative to peers, while relentlessly pursuing successful new businesses'*.

At the beginning of 2001 a radical top-down and bottom-up review, involving an in-depth analysis of all areas of performance, laid down the foundations to transform our many regional newspaper operations and digital media activities into a cohesive regional information industry leader by 2005. To realise this vision, we need to:

- grow our market share significantly (subject to the relaxation of appropriate regulatory restrictions);
- offer unique and high quality publications and services which give great value and response;
- achieve top quartile revenue, profit and margin growth relative to our peers;
- increase our share of the top talent in the industry; and
- grow new businesses out of the existing ones.

These are stretching, but realistic, goals for the division that will enable delivery of the required transformation, 'from Biggest to Best'.

Whilst we are currently the biggest regional newspaper operator in the UK, we are not the best in a number of key areas and we are only now beginning to act our size.

We have much to be proud of. We have a highly motivated, talented and professional team with a commitment to improvement. Many of our regional titles are award-winning. Our regional businesses, with their strong individual brands, are at the heart of the communities they serve, not just reporting on events but also taking a lead on community issues. However, the challenges and changes facing our local communities and our customers, and the media choices they now have, mean that it is essential that we address the areas where we are not the best. The current trading environment has made us even more determined and reinforced the need to be even more efficient and fitter for the future. By doing so, we will secure the best long-term prospects for the division and our stakeholders.

This initiative has four cornerstones – performance, excellence, scale and ambition – that reflect the activities that will enable the division to develop even more successfully in the future. Being the best means changing many of our work practices, processes, policies and systems. It means creating a culture of continuous improvement and competition, eagerness to learn from others and to share ideas and innovation – in other words, a relentless pursuit of industry-leading performance.

July saw the commencement of implementation of the strategy ('from Biggest to Best') to realise the vision. To ensure the success of the strategy, considerable emphasis has been put on coordination and planning. Underpinning all projects and functions of the initiative are four foundation workstreams (covering regionalisation; information technology; organisation, HR and communication; and, most importantly, performance management) staffed by dedicated senior management appointed from within the Group. These four workstreams, focusing on either a single issue common to all businesses or a group of related subjects that benefit from being examined by one team, are liaising with functional teams (covering editorial, advertising, circulation, marketing and operations) and every business. This ensures maximum teamwork and co-operation, drives best practice and quality initiatives and identifies further opportunities to improve performance.

During 2001, early implementation of a number of conclusions from the workstreams (and the introduction of the Groupwide cost reduction plans) resulted in revenue enhancement of more than £1.5 million and cost savings of £5.4 million within the regional newspapers division. The division is anticipating realising a further £4.0 million revenue enhancement and £13.0 million incremental cost savings in 2002 (excluding the reduction in the Group's investment in digital media as a consequence of the full integration of these activities with the regional newspaper operation). Improved processes, best practice and benchmarking will lead to more efficient use of the division's resources and reduction in its cost base as well as new opportunities for revenue growth.

The effective integration of digital with the regional newspaper operations provides a key platform to support the division's objective to be the regional information industry leader by 2005. The integration provides the ability to enter synergistic high growth areas, to develop existing franchises through brand extensions and new channels and creates an important opportunity for the maximisation of performance in print and online.

The delivery of our strategy for the regional information division requires not only change to ensure we get our business practices right, but also a commitment to significant investment. This includes £90.0 million on new and improved press facilities, approximately £10.0 million gross investment per annum in the provision of digital media services within the regions, £4.0 million in the continued implementation of a common financial and management reporting system, approximately £6.0 million over three years on new marketing initiatives and £3.0 million in direct support in the implementation of the 'from Biggest to Best' initiative, plus a range of people development strategies.

The revenue enhancements and cost savings derived from the implementation of the strategy, and investment that supports it, are fundamental to the achievement of the ambition of the division to be the biggest and the best. We now have the experience and the teams in place to create the leading business by which all others are judged.

Strong financial performance

During 2001 there has been a series of major initiatives implemented within the regional division, including the commencement of the 'from Biggest to Best' initiative, the implementation of the cost reduction plans, the integration of Southnews with TNS to form the division's largest regional business, Trinity Mirror Southern ('TMS'), and the complete integration of the digital media activities (ongoing since September). The strong financial performance of the division reflects the impact of this activity, despite volatile and worsening trading conditions throughout the year.

The division's performance in each of the four quarters was varied, with strong revenue and profit performance in the first quarter in all areas other than the North and Scotland (which were affected by local competition issues and the foot and mouth epidemic respectively). The second quarter saw slowly deteriorating advertising revenue growth rates across the division, particularly marked in the South East as the downturn in the technology and IT industries started to have an impact on recruitment in the region. Until 11th September, the third quarter continued the trend established during the second quarter. The terrible events of that day led to an acceleration in the fourth quarter in the slowdown in advertising revenue growth and a dramatic deterioration in parts of the South East (particularly in our market-leading titles published around Heathrow and Gatwick).

A slowly improving circulation trend towards the end of the year, early implementation of aspects of the division's strategy ('from Biggest to Best' initiative) and tight cost control meant that the division was able to mitigate the 12.0% increase in the price of newsprint and the slowing advertising market. On an adjusted basis[1] the regional newspapers division achieved a 2.7% growth in revenue, 3.7% improvement in operating profit (including a £4.5 million net cost of the three Metro titles, £4.0 million in 2000) and an increase in operating margin from 22.4% to 22.6%.

Regional newspapers – revenue and operating profit

	2001	2000 actual	change	2000 adjusted [1]	change
Core titles:	£m	£m	%	£m	%
Revenues	522.4	462.7	12.9%	514.1	1.6%
Operating profit	124.7	118.8	5.0%	119.9	4.0%
Operating margin	23.9%	25.7%		23.3%	
Metro titles:	£m	£m		£m	
Revenues	8.3	2.6		2.6	
Operating loss	(4.5)	(4.0)		(4.0)	
Total division:	£m	£m		£m	
Revenues	530.7	465.3	14.1%	516.7	2.7%
Operating profit	120.2	114.8	4.7%	115.9	3.7%
Operating margin	22.6%	24.7%		22.4%	

Regional newspapers – revenue by type

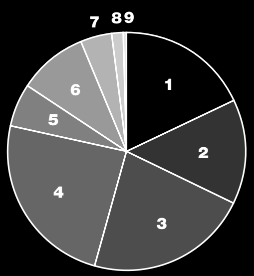
	2001 £m	2000 actual £m	change %	2000 adjusted(1) £m	change %
Advertising	408.5	337.5	21.0%	392.8	4.0%
Circulation	83.8	87.0	(3.7)%	83.8	-
Other	38.4	40.8	(5.9)%	40.1	(4.2)%
Total revenue	**530.7**	**465.3**	**14.1%**	**516.7**	**2.7%**

Despite the clear slowdown towards the end of the year, particularly in the South and Midlands, the division still achieved total advertising revenue growth[1] of 4.0%. Recruitment advertising revenue grew (on a like for like basis[1]) by 10.3%, with certain businesses achieving growth in excess of 20.0%. Property classified advertising was reasonably strong throughout the year, achieving growth of 4.4% . Motor advertising remained weak throughout the year, with a decline of 4.0%, although there were signs of gradual improvement towards the end of the year. In display advertising, despite low visibility and difficult retail markets particularly in national display, growth of 2.6% was achieved.

The Group's regional titles remain amongst the highest 'actively purchased' in the industry. The division's paid-for weekly titles performed well with circulation growth in many of the titles and overall growth across the division. Three of the division's six morning daily paid-for titles achieved very creditable year on year growth.

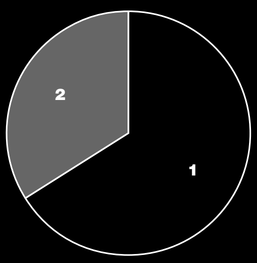
1 adjusted to exclude Belfast Telegraph (sold July 2000) and include Southnews (acquired November 2000) for the full year in 2000

Regional newspapers – revenue by region (£m)

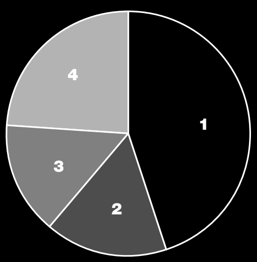


1	North West	95.2
2	North East	75.5
3	Midlands	117.6
4	South	128.0
5	Scotland	31.1
6	Cardiff	50.0
7	Ireland	22.6
8	Metro titles	8.3
9	Other	2.4

Regional newspapers – advertising revenue by category (£m)

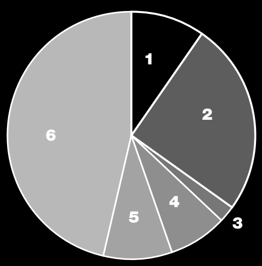


	Display	**133.1**
1	Local	87.9
2	National	45.2



	Classified	**275.4**
1	Recruitment	123.8
2	Property	44.7
3	Motors	41.0
4	Other	65.9

Regional newspapers – weekly circulation



	Paid-for	**'000**
1	Morning daily	1,392
2	Evening daily	3,649
3	Sunday	312
4	Weekly	1,102
	Free	
5	Daily	1,296
6	Weekly and Sunday	6,698

North West Taking full advantage of the £10.0 million investment in prior periods, the region ended the year with strong profit growth (up 12.5%) as a result of circulation increases in a number of the region's titles, product innovation, excellent control over costs and creative solutions to providing advertising revenue growth. Despite economic uncertainty in 2002, the North West regional business is in a strong position with a broad based economy, the Commonwealth Games being held in Manchester during the summer (thereby benefiting the entire region) and the ability to take advantage of the early implementation of the 'from Biggest to Best' strategy.

North East After a difficult start to the year, revenue improvements and a series of cost saving measures meant that the region finished strongly in the second half. Advertising revenues grew in 2001 by 3.7% with strong improvements in recruitment and motors underpinning the growth. 2001 also saw the rapid expansion of new products and business initiatives, the successful completion of a number of cost saving plans and continued improvement in the infrastructure of the business – all significant elements of the implementation of the 'from Biggest to Best' strategy.

A lot of work has been undertaken in 2001 in preparing people, systems and operating procedures for a more regional approach to business, the benefits of which will be realised over the next couple of years.

Midlands The key focus of the region's management during 2001 has been on modernising the business to improve productivity and operating efficiency and to seek improved revenue opportunities. This focus will continue into 2002, with the implementation of many of the 'from Biggest to Best' initiatives, the investment in building a single press centre to serve all businesses in the region, the continued growth of the icBirmingham and icCoventry sites, revenue opportunities and the relaunch in February of the Birmingham Evening Mail (with a clear aim to reflect the emerging needs and dynamics of the increasingly vibrant 'Second City').

South During 2001, our existing business and the former Southnews business were merged to form Trinity Mirror Southern ('TMS'), the biggest regional newspaper company in Greater London.

In trading terms 2001 was a difficult year; however, £5.0 million of acquisition benefits were realised and the division achieved an increase of 0.3% in advertising revenue. In contrast to the employment situation, property advertising in the South East remained very buoyant throughout the year. Considerable progress has been made since the Southnews acquisition to build a strong, integrated business able to perform excellently in the important, competitive South East market.

Scotland Circulation performed well in the second half of the year for the majority of titles, with volumes ahead of last year. Circulation revenue increased by 4.3% with a 2p cover price rise on all titles. Advertising revenue remained flat in the year with recruitment revenue relatively strong until it declined slightly in the last quarter. The outbreak of the foot and mouth epidemic also adversely affected the region's revenues.

South Wales 2001 was a record year for the Group's regional business in Cardiff, with overall revenue growth of 8.7%, including advertising revenue growth of 12.5% (underpinned by strong growth in all categories, in particular, increases of 23.9% in recruitment and 15.3% in property) and 20.8% improvement in operating profit.

2002 will see the conclusion of the investment in a new press facility, the installation of a new editorial system and the implementation across the region of the 'from Biggest to Best' initiative. These initiatives and the general economic strength of the region should allow Cardiff to continue its excellent trend of strong profit growth.

Ireland The foot and mouth crisis had a major impact on operating conditions during 2001. Although Ireland largely escaped the disease, restrictions on animal movements, stringent border controls and the closure of livestock markets had a major impact on advertising revenues. The decline in recruitment advertising and business confidence post 11th September adversely impacted the results of the Sunday Business Post.

Metro Trinity Mirror publishes three of the six Metro titles launched during the past three years. These free morning titles are distributed via transport networks in major city conurbations (for Trinity Mirror, in Edinburgh, Glasgow, Newcastle and Birmingham) to a fixed template of 40 pages in regional cities and 48 pages in London. In 2001, the Group realised £8.3 million of Metro advertising revenue at a net cost of £4.5 million, including the cost of purchasing the Morning News title in Newcastle. Significant cost reductions are targeted for 2002. In total, the Group distributes approximately 259,000 copies per day of the Metro.

Digital media In March the Board announced a change to its digital media strategy, involving the closure of its three central portals, the intention to sell the ISP, ic24 (subsequently sold in July), and a realignment and refocusing of its investment in digital. The 13 regional ic sites were subsequently launched and, during 2001, fully integrated with the regional newspaper operations, further strengthening the regional franchises and ensuring the Group's ability to participate in digital and other new media platforms. These regional sites are fundamental aspects of the regional division's vision to become the regional information industry leader by 2005. The continued investment in Fish4, the regional newspaper industry's leading national online classified sites, also serves to strengthen the regional franchise of the Group.

In 2001, a net £23.5 million was invested in the Group's 'ic' digital activities and Fish4 (£15.0 million of which was incurred in the first half of the year) plus a further £4.6 million of closure costs (primarily redundancies incurred in March and October as the activities were significantly scaled back). The level of ongoing annual investment has been capped for 2002 at approximately £10.0 million, including £2.5 million in Fish4.

Nationals

2001: a year of change and achievement

Up until 11th September, despite the occasional difficult month, advertising revenues within The Mirror, Sunday Mirror and Sunday People had remained surprisingly buoyant and circulation performance of The Mirror was stronger than that of its biggest rival title. The Daily Record and Sunday Mail had started the year in a tough trading environment, with both circulation and advertising revenues under pressure, but there were positive signs of an improvement in the market as we moved through the year. However, the terrible events of 11th September brought with them a completely different trading environment for our national titles.

Whilst temporarily improving the circulation of national newspapers, the appalling terrorist attack on the United States appears to have been the catalyst for a collapse in display advertising revenues during the remainder of 2001. What is not clear is whether this is a temporary setback – certain pundits consider the benign economic conditions in the UK (significant growth in consumer spending, low interest rates and almost no inflation) indicate 2002 will be a year of recovery and growth. Other commentators believe this is the start of a longer-term trend, with the UK likely to enter recession.

Whichever theory proves to be correct, there is a consensus view that the early months of 2002 will be difficult from an advertising perspective for national newspapers. Newspaper advertising is already being adversely impacted by the desperate state of the TV advertising market throughout 2001, which has led to lower rates being offered for TV advertising. Finance and telecoms advertising has declined significantly due to the structural changes that have taken place in those markets. In addition, consumer spending has remained buoyant since 11th September, leading to reticence on the part of retailers to advertise whilst stocks are moving but future profits are uncertain. In this environment, it is essential to the longer-term prosperity of our national titles and the Group that we continue to diligently implement the division's strategic plans and investment that commenced in 2001.

Putting aside the events of 11th September and the difficult advertising environment, 2001 was a year of significant operational change and achievement for the Group's national titles – ensuring that the businesses are now well placed to deliver on their strategic objectives.

During the year the senior management teams of both the UK and the Scottish national newspaper businesses were reshaped and strengthened. New heads of advertising, operations and human resources were appointed for the UK national titles at the beginning of 2001 and a new marketing director appointed in September. New heads of advertising, circulation and human resources were also appointed in Scotland during this period. The editor of the Sunday Mirror was changed in May and 2001 was the first full year of stewardship by the editors of both the Daily Record and Sunday Mail. These three editors strengthened their teams during 2001, leading to improved and focused newspapers that have stabilised in terms of editorial positioning.

The culture change programme, essential to the delivery of the strategy and the development of a culture of innovation and radical thinking, got underway. A revamped training and development programme for all staff was launched early in the year. In October, company forums for the UK and Scottish national titles were established with the intention of introducing staff consultation and involvement in major decisions affecting the businesses.

The Mirror's outstanding coverage of the events of 11th September and the 'War on Terror' gained new readers and many plaudits. In December, The Mirror won the highly coveted 'Newspaper of the Year' award – the first time in 20 years that a popular tabloid newspaper has won this prestigious award. There is no doubt that the events of 2001 have helped to refine the editorial positioning of The Mirror. Its editorial stance as a more campaigning, more questioning and ultimately more serious tabloid has helped to strengthen The Mirror brand. The move of M magazine to the Saturday edition of the paper has also contributed positively to the brand positioning. The change in editorship of the Sunday Mirror presented the opportunity to more closely align the two Mirror titles. The ability to share marketing activity and to achieve greater consistency in tone and presentation across the week has been particularly beneficial. The key for the future is to build on the work of 2001 and to successfully implement an integrated marketing strategy for the Mirror titles, including the further development of a motivating brand proposition and a strengthening of the performance of The Mirror on Mondays to Fridays.

Whilst the key focus has been on building the brand, culture and infrastructure of our national titles, a thorough review of the businesses' cost base has also been undertaken. Not only has this review driven efficiencies, it has also provided funds for reinvestment into marketing activity and product enhancements – a pre-requisite for ensuring that the titles operate from a platform of robust circulation and readership performance.

Implication of trading conditions

Circulation: During 2001 the circulation performance of four of our national titles remained robust in what was another intensely competitive year. The Mirror launched its major product and marketing activity in February 2001 and circulation performance saw a sustained improvement from that time. Over the full 12 months circulation fell by 2.7% (the same rate of decline as 2000). From February onwards, however, the fall was 2.5%. New initiatives included moving the award-winning M Magazine to create the biggest value Saturday package in the popular sector. This not only helped to drive circulation retention but also provided a value proposition to support a 5p Saturday cover price increase. A further 5p increase was introduced in January this year with no impact on sale.

This success on Saturday contributed to the significantly improved performance of The Mirror against its main competitor and a tabloid market share for the six months to December of 21.0% (compared to 21.3% in the same period in 2000). Other key features included strong circulation gains in Ireland and, of course, the significant sales uplift following the events of 11th September.

The Sunday Mirror and Sunday People continue to operate in a competitive and difficult market. A change in editorship of the Sunday Mirror certainly helped stabilise sale for most of the second half of the year. Circulation market share, however, declined slightly in the second half. The Daily Record and Sunday Mail also saw an improved circulation performance during the second half of the year. The full year circulation decline of 3.0% and 3.9% respectively compared favourably to the 3.3% and 4.6% seen in the first six months.

Circulation revenue for the UK national titles grew by 0.6% (to £222.9 million) as a result of the cover price increase of 5p on the Saturday Mirror and 5p on both the Sunday Mirror and Sunday People. In Scotland, the Daily Record and Sunday Mail held cover prices and thereby reduced their price premium to their major competitors. As a consequence circulation revenue of these two titles fell by 1.7% to £57.3 million.

National newspapers – revenue by type

	Total national newspapers			UK national newspapers			Scottish national newspapers		
	2001 £m	2000 £m	change %	2001 £m	2000 £m	change %	2001 £m	2000 £m	change %
Circulation	282.1	282.3	(0.1)%	222.9	221.6	0.6%	59.2	60.7	(2.5)%
Advertising	200.9	209.8	(4.2)%	150.6	156.4	(3.7)%	50.3	53.4	(5.8)%
Other	36.7	40.3	(8.9)%	32.0	36.7	(12.8)%	4.7	3.6	30.6%
Total revenue	**519.7**	**532.4**	**(2.4)%**	**405.5**	**414.7**	**(2.2)%**	**114.2**	**117.7**	**(3.0)%**

National newspapers – circulation

	Revenue			Volume(1)			Market share(2)
	2001 £m	2000 £m	change %	2001 '000	2000 '000	change %	%
The Mirror	149.0	148.8	0.1%	2,188	2,244	(2.5)%	34.2%
Sunday Mirror	41.6	40.7	2.2%	1,836	1,905	(3.6)%	24.9%
Sunday People	32.3	32.1	0.6%	1,382	1,499	(7.8)%	19.4%
Daily Record	40.9	41.9	(2.4)%	510(3)	544(3)	(6.2)%	53.9%(3)
Sunday Mail	16.4	16.4	–	614(3)	637(3)	(3.6)%	43.5%(3)
Other Scottish national related titles	1.9	2.4	(20.8)%	–	–	–	–
	282.1	**282.3**	**(0.1)%**	**6,530**	**6,829**	**(4.4)%**	**–**

1 average circulation for six months to December
2 share of popular element of tabloid market at 30 December 2001
3 within Scottish market only

Advertising: For the first eight months of 2001, the three UK national titles delivered advertising revenue growth of 2.6%, despite trading conditions being the most difficult and volatile seen for many years. Retail and public sector display, mail order, magazine/supplement and classified advertising saw strong growth during this period.

At the same time, the Scottish national newspapers business saw advertising revenues starting to improve in July and August (with growth of 2.0% in August), after a tough first half of the year.

All that changed from 11th September. The immediate cancellation by a number of clients of planned advertising campaigns was to be expected in the short term. The longer-term impact of a period of uncertainty was more profound. In the run up to Christmas, retail, telecoms and computing remained particularly depressed. As a consequence, full year advertising revenues of the national newspapers division declined by 4.2% to £200.9 million.

In the UK titles classified, magazine and supplement advertising continued to grow despite the fall in display revenues. In Scotland, although impacted since September, the severity of the decline was not as great due to the strength of the local market.

Operating profit: Improved circulation revenues for the UK titles combined with effective management of the national operations' cost base (with total gross reductions of £4.5 million in the second half of the year) were not sufficient to offset the decline in advertising revenue and other adverse movements in the year, which took their toll on the financial performance of our national newspaper operations.

The cost of newsprint increased by £13.3 million in 2001 due to the 12% increase in prices at the beginning of the year. The need to retain competitive positioning means that absorption of this newsprint price increase by national newspapers, through reduced utilisation, is impractical. The division also suffered from the loss of £4.1 million revenue contribution from services previously provided to Independent News & Media. These factors have contributed significantly to the 19.9% (£22.1 million) fall in the operating profit of the division in 2001 to £88.9 million and the operating margin declining from 20.8% to 17.1%.

Despite the difficult trading environment, detailed strategies have been developed in the past 12 months to enable the Mirror titles and Scottish Nationals to establish a firm foundation for improved business performance. Against this background of a difficult advertising environment, careful and considered implementation is now underway.

The Mirror titles – strategy for delivering value

The first strategic concern for any national newspaper is to get the editorial proposition consistent and right. Considerable progress has been achieved on this front over the last year. This progress has laid the foundation to provide the support that the two Mirror titles will need to tackle the challenge of maintaining sale in a difficult market.

Analysis of the strategic challenge of the Mirror titles over the past year reveals that they are well placed to make progress:

- the Mirror remains one of the UK's most powerful media franchises. In-depth consumer research completed over the last few months has served only to strengthen confidence in this fact;
- further research amongst readers of popular titles has demonstrated clearly the deep bonds that Mirror readers feel with the paper and how unlikely they are to switch allegiance. The issue with existing readers is not that they are being lost to competitors but that they are not reading and buying as often as they used to;
- by any product content comparison, The Mirror is a truly competitive daily title; and
- detailed analysis has also shown that the UK national titles are highly competitive with other titles on costs and have become more so during the last year.

Within this context it is clear that there are four possible ways that the Mirror management team could choose to tackle the circulation challenge:

- attract readers from competitors;
- encourage non-newspaper readers to buy The Mirror;
- encourage the loyalty of our current readers; and
- recruit new younger readers who are entering the market.

Analysis has shown that significantly more shareholder value is generated by encouraging existing readers to read more than by chasing after loyal readers of competitive titles.

Equally for the long-term value growth, it is important that the Mirror titles are meeting the needs of today's younger consumers as they start buying papers. Research has demonstrated that progress can be achieved in both of these areas.

The starting point for this is to clarify to consumers The Mirror's brand proposition. A brand relaunch will take place later this year and will include a range of bold and innovative activities designed to achieve the business's consumer objectives. This will be backed with significant above and below the line support and a refocusing of marketing and editorial resources.

At the same time a plan has been developed to communicate the benefits of a revitalised Mirror brand to our advertisers. The plans for the development of advertising for the Nationals are wide-ranging. Included in these plans is a proposed initiative with Telegraph Group Ltd to form a sales house to sell advertising space on behalf of both companies.

The investment required for this strategy will be funded in part by improvements in the effectiveness of advertising sales, reallocation of a considerable portion of the existing marketing spend and a continuing process of cost reduction. The balance (approximately £12.0 million in 2002) is to be provided from the resources of the Group. This investment is expected to be fully recovered by early 2005. The successful execution of this strategy will increase the combined operating margin of the two Mirror titles considerably and provide an investment return significantly in excess of the Group's weighted average cost of capital.

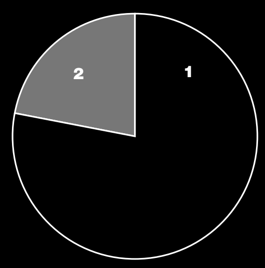
For competitive reasons it is not appropriate to describe in detail the wide range of activities that underpin the delivery of the strategy for the Mirror titles. However, clear evidence of the strategic objectives of the plan will be evident in the actions scheduled to be implemented. Achievement of the objectives will be easily measurable in terms of circulation, advertising and financial performance in the longer term.

Sunday People – increasing focus

We have made it clear that our priority at this time is to focus our energy, investment and resource into achieving a turn-around in the fortunes of our Mirror titles and Scottish national papers.

In these circumstances, the immediate task for the Sunday People is to maintain its profit contribution to Trinity Mirror. It achieved this in 2001 and will do so again in 2002. In addition to this, a significant restructuring of the editorial team has taken place in recent weeks to free up money to reinvest in the marketing and promotion of the title. As the results of the strategy for the Mirror titles start to flow through, we will be in a position to turn our attention increasingly to the Sunday People.

National newspapers – revenue by business (£m)



Scotland – asserting leadership

The vision for the business is to offer *'the essential daily read, faithfully serving the people of Scotland, constantly striving for excellence and increasing value by capturing the benefits and exploiting the opportunities of market leadership'.* This vision, whilst stretching, is deliverable and will provide a sound platform for further growth within the Scottish media industry. The two clear priorities are:

(i) a sustained effort to retain loyal readers, particularly in the regions and sectors where the majority of the loyalty decline is occurring. No other major newspaper has more to gain from improving retention of its most loyal (and hence valuable) readers, given the profile of the Daily Record's and Sunday Mail's readership; and

(ii) a significant improvement in advertising performance.

A detailed strategic plan (including an increase and refocus in marketing spend, strengthening the product content to deepen the appeal to target segments of readership, and improving distribution channels) is currently being implemented to improve retention amongst readers. A new management team has been appointed to drive the advertising improvement strategy by enhancing the sales force and adopting a more strategic approach to understanding and meeting customer needs. Greater discipline in operational performance and improved collaboration between functions has been adopted by the entire organisation to ensure delivery of the vision.

A successful implementation of this strategy, focused on revenue development and growth, despite a predicted tough economic period, will allow the business to outperform the overall Scottish media market by accelerating when everyone else is slowing down. Delivery of this strategy will lead to a 10% increase in operating margin by 2005, as a result of improving advertising and circulation revenue performance and production efficiencies.

Sport

Year of many hurdles

The Racing Post, and its four ancillary betting-related newspapers and two online sites, are as essential and valuable a read to people interested in horseracing or sports betting as the Financial Times is to people interested in City matters. The sports betting newspapers and sites provide a mix of strong, often unique, data content supported by incisive analysis, thought-provoking comment and must-read news. They provide all the news and essential data required by those who earn their living from the various aspects of the industry, as well as meeting the needs of those interested in gaining knowledge of the industry to inform their bet.

Following the suspension of horseracing on 28 February, as a result of the foot and mouth epidemic, the Cheltenham Festival (due to be held in March and the biggest horseracing event of the year) was cancelled. Racing later resumed that month, but only at certain courses. In April the Grand National took place as scheduled but racing remained severely restricted until 3 May when the restrictions were lifted at all but 9 (15%) of the UK's racecourses. By then, 121 fixtures had been lost from the racing calendar, representing approximately 10% of the annual fixtures. Our sports betting titles lost nearly £1.0 million of revenue and £0.8 million of profit contribution as a result of the foot and mouth crisis.

However, despite this, the business achieved an excellent performance in 2001. Excluding the online sites, revenue from the sports betting newspapers increased by 8.2% and operating profit grew by 9.8% to £9.0 million. The virtual betting ring, smartbet (now with seven participating bookmakers and approximately 250,000 visitors and 3 million page impressions per month) was launched during the year and, along with the other web site provided by the sports betting division, achieved revenues of £0.7 million from online advertising and betting commissions.

Sports betting – revenue and operating profit

	2001 £m	2000 £m	change %
Revenue			
Publications	34.2	31.6	8.2%
Online	0.7	0.2	
	34.9	**31.8**	**9.7%**
Operating profit			
Publications	9.0	8.2	9.8%
Online	(0.6)	(0.3)	
	8.4	**7.9**	**6.3%**
Operating margin			
Publications	26.3%	25.9%	

Sports betting – revenue analysis

	2001 £m	2000 £m	change %
Publications			
Advertising	8.9	7.6	17.1%
Circulation	23.5	23.4	0.4%
Other	1.8	0.6	
	34.2	**31.6**	**8.2%**
Online			
Commissions and advertising	0.7	0.2	
Total revenues	**34.9**	**31.8**	**9.7%**

First to the post

2001 was a year of many hurdles but also of significant progress for the betting industry and, therefore, significant opportunities for our sports betting publications and sites.

On 17 July, the conclusions of the Government-sponsored review of gambling were published in the Budd report and were broadly favourable to the gambling industry. The report recommended a relaxation of many of the existing laws surrounding gambling. There is now a period of consultation prior to a response from the Government.

Betting duty was finally removed from gambling on 6 October and replaced by a tax on bookmakers' gross profits. It is anticipated that the reform of betting duty will stimulate a substantial increase in betting turnover, principally through recycling. This should increase betting frequency amongst occasional and regular bettors, which will hopefully lead to an increase in the demand for betting information supplied by the Racing Post and its sister titles and sites. The Racing Post's audience may also expand as the removal of tax broadens the appeal for racing and sports betting.

This growth in betting turnover will result in substantially increased funding to racing, via the levy, thus helping to further stimulate interest in the racing industry by increasing prize money and investment, inevitably benefiting our sports betting titles and sites.

The racing and betting industries are on the verge of being provided with a substantial fiscal boost which, combined with increased media exposure, should help increase the level of interest in horseracing. Together with the steady growth in the demand for other sports betting, particularly football, this is the start of a very exciting period of expansion and opportunity for our sports betting titles and sites.

Magazines, Exhibitions and Voice Media

Magazines and exhibitions

The division currently comprises two separate businesses – TPL, a small collection of Mart and other advertising-led magazine titles, and ICL, a diverse portfolio of magazines and related events (primarily shows or exhibitions) that dominate small market sectors. In both businesses there is a mixture of consumer and trade publications.

The economic and trading environment for the magazines and exhibitions industries was unfavourable throughout 2001, and our titles and events were not immune to this. Many of them were adversely affected during the first half of the year by the foot and mouth epidemic. The NEC imposed restrictions on the number of events that the Group was able to hold at that venue, thereby causing disruption and cancellation. The downturn in the IT and technology industries also negatively impacted many of the titles throughout the year. And, finally, the decline in travel and related businesses post 11th September meant that a number of the events due to be held in the last quarter of the year were either cancelled or affected by low attendance rates.

Given these conditions and factors, the division has performed robustly.

Magazines and exhibitions – revenue and operating profit

	2001 £m	2000 £m	change %
Revenues	32.5	35.3	(7.9)%
Operating profit	6.4	6.8	(5.9)%
Operating margin	19.7%	19.3%	

Magazines and exhibitions – revenue analysis

	2001 £m	2000 £m	change %
Advertising	15.8	18.0	(12.2)%
Circulation	4.3	4.1	4.9%
Other	12.4	13.2	(6.1)%
Total revenue	**32.5**	**35.3**	**(7.9)%**

During 2000 a new Managing Director was appointed to drive forward the TPL business. At the beginning of 2001 he improved the operational management of the business, took initial steps to rationalise the portfolio and reduced the cost base. Computer Trade Only (a business-to-business title) was relocated from Liverpool to the TPL offices in Birmingham and a number of the loss-making Mart titles were closed. These actions resulted in lower revenues but a 2001 operating profit in line with the previous year, despite the difficult trading circumstances faced by the three key titles in the portfolio, Micro Mart, Computer Trade Only and Classic Cars.

The magazines and events within ICL generally traded in tough, very competitive conditions throughout the year, but the two original product groups, housing and leisure, continued to perform strongly. Display advertising revenue, particularly from dotcom businesses, suffered from the difficult trading conditions across a number of markets. However, the public sector housing title contributed strong recruitment advertising growth that offset the second half deterioration from the recruitment industry title. The motorbike titles achieved good circulation revenue growth. Exhibition revenue was mixed, with strong performances on the leisure shows unable to fully compensate for the difficulties experienced by other consumer shows. A successful motorbike show was launched in Scotland during the year. More effective use of technology, including PDF technology in pre-press, enabled the business to reduce its cost base.

Set against this difficult trading environment, 2001 was an important and productive period of change and development for the magazines and exhibitions division.

The aborted sale process highlighted that the division had significant operational issues that needed to be addressed before the business could achieve revenue and profit growth.

New divisional management was appointed at the end of 2001 with a brief to create a strong, well structured and profitable business.

Implementation of the necessary restructuring and rationalisation plans has already begun with promising results to date. However, it will take 12 to 18 months to reshape the business in a way that does not lose the confidence of advertisers and the industry and does not depress the value of those assets that have been identified for sale. This restructuring will also realise significant savings in occupancy, staff and management overheads.

Voice Media

Voice Media is an audiotext company servicing our own newspaper promotions and teledating services and additionally selling its services to third party customers (primarily TV programme producers or operators).
The Company's long-term strategic intent is to become the pre-eminent supplier of interactive telephone services to the media sector.

Voice Media's revenue for the year was £12.4 million, resulting in an increase in revenue for the year of 3.3%. Stringent cost control and improved internal revenues saw operating profit increase from £2.9 million in 2000 to £4.0 million.

In July 2001, Voice Media lost the ITV contract for 'This Morning' show. Other contracts have been gained, including the new Channel 4 'Richard and Judy' show. However, it is unlikely that they will fully replace the lost contribution from the 'This Morning' show. The management of Voice Media is currently pursuing other media-related contracts for the business.

Financial review

Accounting standards, policies and disclosures
This annual report complies with all accounting standards issued by the Accounting Standards Board applicable to financial statements at 30 December 2001. The Group's accounting policies remain consistent with those adopted in 2000, as amended by the adoption in 2001 of two new Financial Reporting Standards, FRS 18, Accounting Policies, and FRS 19, Deferred Taxation. The adoption of FRS 19 has required the restatement of the 2000 profit and loss account, balance sheet, reconciliation of movements in shareholders' funds and associated notes. Notes 1 and 33 to the accounts detail the effects of the restatement. The commentary on pages 14 to 23 and below reflects the 2000 restated financial information. The adoption of FRS 18 has not had an impact on the 2000 or 2001 profit and loss account or balance sheet.

In November 2000 the Accounting Standards Board issued FRS 17, Retirement Benefits. The Group will adopt this reporting standard with effect from the beginning of 2002. However, certain disclosures are required in advance of the full adoption of FRS 17. The disclosure required in respect of the accounting period ended 30 December 2001 is set out in Note 27 to the accounts, on pages 48 and 49. The Group's charge in respect of retirement benefits to the profit and loss account in 2002 under FRS 17 will be £18.5 million (and would have been £11.4 million in 2001). The Group's regular cost in 2001 was £13.6 million less £5.1 million SSAP 24 net credit adjustment.

Consistent with the presentation adopted in past financial statements, exceptional items of the Group in 2001 and 2000 are disclosed on the face of the profit and loss account.

Overview of operating performance
Group turnover Group turnover from continuing activities increased by 4.8% to £1,131.1 million (2000: £1,079.1 million). Adjusted Group revenue[1] from continuing activities increased by 0.1% from £1,130.5 million in 2000, with advertising revenue growth of 0.6% to £634.1 million (considerable growth in the first quarter offsetting the volatility throughout 2001 and the downturn across the Group in the final quarter) and revenue from newspaper and magazine sales flat at £393.7 million. Contract print and other revenues (from continuing activities) declined by 3.3% (£3.5 million) to £103.3 million, as a result of the £4.1 million revenue loss of the Independent News & Media services contract at the beginning of 2001.

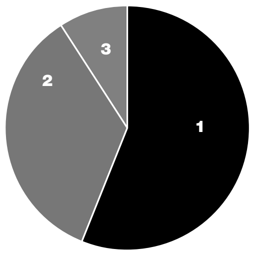
Group operating profit The operating results of the Group were adversely impacted by a 12% increase in the price of newsprint from January 2001 (giving rise to an additional cost in excess of £20.0 million) and the £4.1 million lost revenue contribution from Independent News & Media. Despite these two factors, Group operating profit, before exceptional items, increased by £3.0 million (1.5%) to £204.4 million and adjusted Group operating profit[1] grew by £1.9 million (0.9%). The adjusted operating margin (including the net cost of digital media activities) increased from 17.9% to 18.1%.

Group operating profit by division (before exceptional items) (£m)

	2001 £m	2000 actual £m	2000 adjusted[1] £m
Regional	120.2	114.8	115.9
National	88.9	111.0	111.0
Sports	8.4	7.9	7.9
Magazines and exhibitions	6.4	6.8	6.8
Digital media	(23.5)	(42.0)	(42.0)
Other	4.0	2.9	2.9
Total Group operating profit	**204.4**	**201.4**	**202.5**

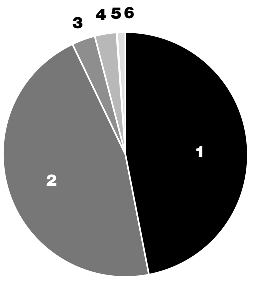
1 adjusted to exclude Belfast Telegraph (sold July 2000) and include Southnews (acquired November 2000) for the full year in 2000

Turnover by nature (£m)



Total Group turnover	**1,131.1**
1 Advertising	634.1
2 Circulation	393.7
3 Other	103.3

Turnover by division (£m)



Total Group turnover	**1,131.1**
1 Regional	530.7
2 National	519.7
3 Sports	34.9
4 Magazines and exhibitions	32.5
5 Digital Media	0.9
6 Other	12.4

Contribution from associates The Group's share of profits from associated companies was £0.3 million (2000: £nil), reflecting the Group's share of profits from The Press Association and Reed Aviation (until its disposal in August 2001), offset by the share of losses from PA Sporting Life (until its disposal in October 2001).

Net interest charge Net interest payable increased by £1.9 million (4.0%) in 2001 due to 2000 benefiting from the interest received on the Belfast Telegraph Newspapers' disposal proceeds, partially offset by the benefit of lower interest rates during 2001. Group operating profit before exceptional items covers the net interest cost 4.2 times.

Exceptional items Net exceptional costs, before tax, of £166.8 million (2000: exceptional profit £147.7 million) were incurred during the period. Note 5 to the financial statements provides a detailed analysis of the exceptional items.

2001 exceptional items

	£m
Impairment of publishing rights	150.0
Finance function restructuring costs	3.1
Digital media restructuring costs	4.6
Strategy and cost reduction plan determination and implementation costs	12.3
Profit on disposal of associates	(1.2)
Pension recovery	(2.0)
Net exceptional items	**166.8**

During 2001, the Group undertook a detailed analysis of the strategic options in respect of its businesses. The results of the strategic analysis were incorporated into the annual impairment review of the carrying value of the Group's acquired publishing rights and titles. This impairment review assessed whether the carrying value of the intangible assets was supported by the net present value of future cash flows to be derived from the relevant assets. The review indicated that an impairment charge of £150.0 million was required in respect of the carrying value of the acquired former Mirror Group publishing rights and titles. There was no impairment to any other asset.

In 2001 £12.3 million of costs were incurred (including £7.0 million of severance costs) in determining the strategy of the Group and the commencement of the implementation of the strategic and cost reduction plans. It is anticipated that a further £12.0 million of exceptional related implementation costs will be incurred during this current year.

The strategic and cost reduction plans gave rise to £11.1 million of gross saving in 2001. These savings, estimated to rise to at least £32.0 million in 2002 and £42.0 million per annum by 2003, are stated before £25.0 million incremental reinvestment in product, editorial and marketing activity in 2002 (including the additional £12.0 million investment in the Mirror titles strategy) to ensure the Group's newspapers retain their competitive position and brand strength. They are also in addition to the increase in benefits arising from the merger of Trinity plc and Mirror Group PLC in September 1999, the synergy savings arising from the acquisition of Southnews and the reduced level of gross investment in digital media activities.

Total Group cost savings

	Cost base com-parison	2001 actual saving £m	2002 incre-mental £m	2002 target saving £m
Trinity Mirror merger benefits	1999	11.3	2.7	14.0
Southnews integration benefits	2000	5.0	1.5	6.5
Implementation of strategy and cost reduction plans	budget 2001	11.1	20.9	32.0

Profit before tax Profit before tax and exceptional items was £155.5 million (2000: £154.1 million). After exceptional items, loss before tax in 2001 was £11.3 million (2000: profit £301.8 million).

Profit before tax

	2001 £m	2000 £m	change %
Group turnover	**1,131.1**	**1,080.3**	**4.7%**
Operating costs:			
Employment costs	(328.8)	(312.0)	(5.4)%
Newsprint	(187.8)	(161.7)	(16.1)%
Depreciation	(43.1)	(40.8)	(5.6)%
Other costs	(367.0)	(364.4)	(0.7)%
Associates' contribution	0.3	–	–
Interest charge	(49.2)	(47.3)	(4.0)%
Profit before tax and exceptional items	**155.5**	**154.1**	**0.9%**
Exceptional items	(166.8)	147.7	–
(Loss)/profit before tax	**(11.3)**	**301.8**	

Taxation The Group tax charge for 2001 of £46.6 million before exceptional items represents 30.0% of profit before tax (and exceptional items) of £155.5 million. The effective tax rate of 30.0% has increased from 28.4% (before exceptional items) in 2000.

Basic earnings per share Earnings per share, before exceptional items, were 37.4p (2000: 38.1p). After exceptional items, earnings per share has decreased from 88.0p in 2000 to a loss per share of 18.2p, the earnings in 2000 reflecting the net exceptional profit (before tax) of £147.7 million, primarily arising from the profit on the disposal of Belfast Telegraph Newspapers. The loss per share in 2001 reflects the £166.8 million of net exceptional costs.

Dividends A final dividend of 12.3p per share is proposed, giving a total for the year of 17.6p per share, thereby retaining the dividend at the 2000 level. The dividend is covered 2.1 times by pre-exceptional earnings and will be fully funded from operating cash flow.

Balance sheet

Balance sheet structure

	2001 £m	2000 £m
Intangible assets	1,866.9	2,018.4
Other fixed assets	407.6	420.3
	2,274.5	**2,438.7**
Equity shareholders' funds	1,362.1	1,462.4
Short term debt (net of cash)	82.1	207.5
Medium term debt	652.9	560.7
Net current liabilities	76.2	107.4
Provisions and minority interests	101.2	100.7
	2,274.5	**2,438.7**

Fixed assets Total fixed assets have decreased during the year by £164.2 million. This movement primarily reflects the £150.0 million impairment of the carrying value of publishing rights and the depreciation charge for the year of £43.4 million exceeding net capital expenditure of £30.4 million.

Finalisation of the fair value adjustments in respect of the Southnews acquisition has led to no further adjustments to the carrying value of the Southnews intangible assets. The carrying value of the Group's acquired newspaper titles is subject to an annual impairment review, in accordance with FRS 10, Goodwill and Intangible Assets, as the directors consider the titles to have indefinite economic lives. Any impairment to value is charged to the profit and loss account. A charge of £150.0 million was made during the year for the impairment of the publishing rights created on the acquisition of the former Mirror Group.

Net capital expenditure in 2001 was £30.4 million (2000: £37.5 million) against a depreciation charge of £43.4 million (2000: £39.8 million, excluding the exceptional depreciation charge of £7.5 million in respect of the impairment of value of certain press plant). The net capital expenditure of £30.4 million in 2001 included £10.4 million in respect of the regional press replacement project (total expenditure between 2001 and 2004 is estimated to be approximately £90.0 million). Planned capital expenditure for 2002 is approximately £75.0 million, including £43.0 million in respect of the press replacement project. All capital expenditure is expected to be financed from operating cash flow.

Fixed assets (net book value)

	2001 £m	2000 £m
Intangible assets:		
Publishing rights and titles	1,855.3	2,005.3
Goodwill	11.6	13.1
	1,866.9	2,018.4
Tangible assets:		
Land and buildings	177.4	179.7
Plant and vehicles	206.5	223.2
Assets under construction	5.8	1.4
	389.7	404.3
Investments:		
Share of net assets of associates	17.4	15.5
Investments	0.5	0.5
	17.9	16.0
Net book value of fixed assets	**2,274.5**	**2,438.7**

Net debt At 30 December 2001, as a consequence of the cash flow movements detailed below, the Group's net debt was £735.0 million (net of £43.5 million of cash and £9.2 million of bank overdrafts) compared to £768.2 million at 31 December 2000.

Net debt repayment profile

	2001 £m	2000 £m
Less than one year	82.1	207.5
Between 1 and 2 years	78.7	108.9
Between 2 and 5 years	289.8	425.1
More than 5 years	284.4	26.7
Total net debt	**735.0**	**768.2**

Equity shareholders' funds Total equity shareholders' funds at 30 December 2001 were £1,362.1 million, compared to £1,462.4 million at 31 December 2000. This reflects £104.2 million retained loss for the financial year (as a result of the £150.0 million impairment charge) after providing for £51.2 million dividends paid and proposed.

Cash flow and treasury

Cash flow Cash generated by operations during 2001 (after the investment in digital media activities and exceptional items) decreased by £15.0 million to £204.9 million. This primarily reflects the adverse working capital movement of £28.0 million (as a result of the timing of the period end in 2001 and payments against provisions).

Cash flow movements

	2001 £m	2000 £m
Operating cash flow	204.9	219.9
Net interest payments	(49.9)	(40.7)
Tax paid	(40.1)	(41.6)
Capital expenditure (net)	(28.0)	(37.5)
Equity dividends paid	(51.4)	(48.3)
Net cash flow from acquisitions and disposals	(6.8)	(52.6)
Other sundry movements	4.5	11.1
Reduction in net debt	33.2	10.3

Funding and liquidity At 30 December 2001 committed facilities of £964.3 million were available to the Group (of which £173.6 million were undrawn).

In October 2001 the Group issued $350.0 million and £22.0 million US$ and sterling private placement unsecured loan notes respectively, with an average maturity of approximately 10 years. The proceeds from these loan notes were utilised in the repayment and cancellation of the £200.0 million 364-day bank facility (with a one year term out option), procured in January 2001, and to repay drawings and cancel £50.0 million of Tranche A of the £1,050.0 million syndicated bank facility.

Committed financing facilities

	2001 £m	2000 £m
Balance of £1,050m syndicated bank facility	580.0	840.0
Balance of US$160m 8.16% fixed rate, unsecured US$ private placement loan	44.8	59.7
US$350m fixed rate, unsecured US$ private placement loan	236.8	–
£16m fixed rate, unsecured sterling private placement loan	16.0	–
£6m floating rate, unsecured sterling private placement loan	6.0	–
Finance leases	45.5	47.7
Acquisition loan notes and other bank loans	35.2	39.0
Total	**964.3**	**986.4**
Drawn facilities (including bank guarantees)	790.7	822.8
Undrawn facilities	**173.6**	**163.6**

Treasury The key risks arising from the Group's activities and its financing facilities are funding and liquidity, interest rate, foreign currency and covenants. The treasury policies for managing these risks were approved by the Board in March 2001 and are summarised below.

Liquidity risk The Group's policy is to ensure continuity of funding and flexibility. Debt maturities are spread over a wide range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year. The maturity profile of debt outstanding at 30 December 2001 is summarised above.

The Group's liquidity risk arises from timing differences between cash inflows and outflows. The Group manages these risks through unutilised committed and uncommitted credit facilities. It is the Group's policy to maintain sufficient cash balances and committed facilities to meet anticipated funding requirements for the next two years. These resources, together with the expected future cash flows to be generated by the business, are regarded as sufficient to meet the anticipated funding requirements of the Group for at least the next twelve months.

Financing and interest rate risk The Group's exposure to interest rate risk is managed through the use of interest rate swaps, options, caps and forward rate agreements. Hedging transactions are undertaken after a review of the effect on profit after tax of a range of interest rate assumptions and probabilities, determined by reference to the general economic climate and market forecasts for interest rates. Approximately 12.8% of net debt is hedged through interest rate swaps.

Foreign currency risk Less than 1% of the Group's turnover and operating costs are generated in currencies other than sterling. Given the minimal impact on profit after tax of fluctuations in foreign currencies, the Group trades foreign currency at spot rates.

The payment of interest and underlying capital repayments denominated in foreign currencies are all fully hedged through cross-currency interest rate swaps.

Covenant risk The Group seeks to standardise the terms of its financial covenants where possible.

The Group's covenants are monitored on an ongoing basis with formal testing of financial covenants at each half year end. The Company continues to comply with all borrowing obligations and financial covenants.

Margaret Ewing, Group Finance Director
28 February 2002

Board of directors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Executive

1. **Philip Graf (55)◆**
   Chief Executive
   Joined the Board in 1987 and was appointed Chief Executive in February 1993.

2. **Margaret Ewing (46)**
   Group Finance Director
   Joined the Board in January 2000. She was previously a senior partner of Deloitte & Touche where she was head of the UK Corporate Finance Transaction Services Group.

3. **Mark Haysom (48)**
   Managing Director, National Newspapers
   Joined the Board in January 1998 and was appointed Executive Director, Regional Newspapers (Midlands, South Wales and Southern England) in September 1999 and to his current position in September 2000.

4. **Stephen Parker (49)**
   Managing Director, Regional Newspapers
   Joined the Board in 1993 and was appointed Executive Director, Regional Newspapers (North) in September 1999. He was appointed to his current position in September 2000.

5. **Joe Sinyor (44)**
   Chief Executive, Newspapers
   Joined the Board in November 2000 having previously held the joint roles of Managing Director, Sony United Kingdom Limited and Vice President, Sony Personal Audio Europe. He is a non-executive director of Channel Four Television.

6. **Paul Vickers (42)**
   Secretary and Group Legal Director
   Joined the Board in September 1999 having been a director of Mirror Group since 1994. He has responsibility for corporate affairs and all legal and regulatory matters.

Non-Executive

7. **Sir Victor Blank (58)†◆**
   Chairman
   Joined the Board in September 1999 having been Chairman of Mirror Group since July 1998. Formerly Chairman of Charterhouse plc, currently Chairman of Great Universal Stores plc, Deputy Chairman of Coats Viyella plc and a director of Chubb plc. Chairman of Nomination Committee.

8. **Peter Birch CBE (64)*◆**
   Senior Independent Director
   Joined the Board in March 1998 and was Chairman until September 1999. He is also Chairman of Land Securities plc, Legal Services Commission, Kensington Group plc and UCTX Limited. He is a non-executive director of N M Rothschild & Sons Ltd, Travellers Exchange Corporation Limited and Dah Sing Financial Holdings Limited.

9. **Sir Angus Grossart (64)*◆**
   Non-Executive Director
   Joined the Board in September 1999 having been a director of Mirror Group since 1998. He is non-executive Chairman of Scottish Daily Record and Sunday Mail Limited. He is Chairman of the merchant bank Noble Grossart, Vice Chairman of Royal Bank of Scotland plc, Chairman of Scottish Investment Trust plc, and a director of Scottish and Newcastle plc and other public companies.

10. **Roger Harrison (68)†**
    Non-Executive Director
    Joined the Board in 1991. He is a director of Sterling Publishing plc and was previously Deputy Chairman of Capital Radio plc, a director of LWT and Chief Executive of the Observer.

11. **Penny Hughes (42)†**
    Non-Executive Director
    Joined the Board in September 1999 having been a director of Mirror Group since 1997. She was President of Coca-Cola Great Britain and Ireland until January 1995. She is Chairman of web-angel and also serves as a non-executive director on the boards of Vodafone Group and Skandiaviska Enskilda Banken. She is also Chairman of the Remuneration Committee.

12. **David Marlow (66)***
    Non-Executive Director
    Joined the Board in 1992 and is Chairman of the Audit Committee. He is also a director of Brixton plc and was previously Chief Executive of 3i Group plc.

Committees
*Member of Audit Committee
†Member of Remuneration Committee
◆Member of Nomination Committee

Corporate governance

The Board is committed to maintaining high standards of Corporate Governance in line with the Combined Code issued by the UK Listing Authority, which sets out the Principles of Good Governance and Code of Best Practice. This statement, together with the Directors' Report and the Remuneration Report set out on pages 31 to 34, describes how the Company has applied the relevant principles of the Combined Code.

Directors
The Board, which is responsible and accountable for the Group's operations, meets regularly throughout the year and currently comprises Chairman, Chief Executive, five other executive directors and five other non-executive directors. Peter Birch served through the year as Senior Independent Director. The directors' biographies (set out on page 26) illustrate the directors' breadth of experience, which should ensure an effective Board to lead and control the Group.

The non-executive directors, all of whom the Company believes to be independent, are appointed for an initial term of three years and may be invited to serve subsequent terms. Roger Harrison and David Marlow have served as directors for 11 and 10 years respectively. Every director is subject to re-election by shareholders every three years. An assessment is made of any training needs on a director's appointment and appropriate training provided.

All directors have access to the Company Secretary and, in the furtherance of their duties, may take independent professional advice if necessary at the Company's expense.

The Board reserves to itself certain key matters to approve or monitor, such as the Group's strategic plans, acquisitions or disposals, capital expenditure, all financing matters, annual operating plan and budget and the Group's operating and financial performance. The Board also delegates specific responsibilities to committees, each of which has clear terms of reference, as described below:

Audit Committee
The Audit Committee is chaired by David Marlow and comprises two other non-executive directors, Sir Angus Grossart and Peter Birch. The Committee meets to review the Group's interim and annual financial statements before their submission to the Board, to review the appropriateness and effectiveness of the Group's internal controls, accounting policies and procedures and financial reporting, and otherwise as necessary. The Group has an internal audit function to enhance the rolling programme of review and improvement to the Group's internal controls.

The Group Finance Director, other directors, the Group's external auditors and the internal auditors, as appropriate, attend meetings of the Committee.

Remuneration Committee
The Remuneration Committee comprises three non-executive directors and is chaired by Penny Hughes. The Committee meets as required during the year to review the Company's general policy on executive remuneration and the application of the policy to the remuneration and benefits of the executive directors.

The Remuneration Report (set out on pages 31 to 33) contains a more detailed description of the Company's policies and procedures for executive remuneration. The Chief Executive and the Company Secretary, as appropriate, attend meetings of the Committee but they do not participate in discussions on their own remuneration.

Nomination Committee
The Nomination Committee is chaired by the Chairman and comprises in addition the Chief Executive, the Senior Independent Director and Sir Angus Grossart. The Committee meets as required to select and propose to the Board suitable candidates of appropriate calibre for appointment as directors.

Administration Committee
The Administration Committee consists of the Chief Executive, Group Finance Director and Company Secretary and meets as necessary to deal with administrative matters of a day to day nature.

Relations with shareholders
The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received orally or in writing. The Chief Executive and the Group Finance Director meet regularly with analysts and institutional shareholders. At the Annual General Meeting all directors, including Committee chairmen, are introduced and available for questions.

Accountability and audit

Operating and financial review
Through the detailed reviews of the performance and financial position in the Chief Executive's review (page 17), review of Group activities (pages 18 to 23) and financial review (pages 24 and 25), together with the Directors' Report (pages 33 and 34), the Board seeks to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibility for the financial statements is described on page 33.

Internal control

Internal financial control

The directors are responsible for the Company's established system of internal financial control. No system of internal financial control can provide absolute assurance against material misstatement or loss. Such a system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and designed to provide effective internal financial control are:

- *Management and organisational structure* – the existing organisational structure is considered appropriate to the size of the Group. This clearly identifies levels of delegated responsibility to operational management. The performance of senior management is regularly evaluated and individual employees' responsibilities are clearly defined and communicated.

- *Financial reporting* – part of the comprehensive management reporting discipline involves the preparation of detailed annual budgets by all operating units. These budgets are reviewed by the executive management and are ultimately summarised and submitted to the Board for approval. Weekly revenue and profit returns are received from all operating units followed by monthly management accounts, which are prepared promptly and reported against the approved budget. Consolidated monthly management accounts are prepared, including detailed profit analysis (with comparisons to budget, latest forecasts, prior year and consensus market opinion), cashflow statement and treasury report (including comparison to the Group's financial covenants), providing relevant, reliable and up-to-date financial and other information to the Board. Revised profit and cashflow forecasts for the current year are prepared and submitted to the Board at quarterly intervals during the year.

- *Investment appraisal* – the Group has a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorisation levels and limits beyond which such expenditure requires the prior approval of the Group Finance Director or Chief Executive or, in certain circumstances, the Board, are clearly set. There is a prescribed format for capital expenditure applications which places a high emphasis on the overall Group strategy or logic for the expenditure, and demands a comprehensive and sound financial representation of the business case being put forward. All significant corporate acquisitions or investments are controlled by the Board or a Board sub-committee and are subject to detailed investment appraisal and performance of due diligence procedures prior to approval by the Board.

- *Functional reporting* – a number of the Group's key functions, including treasury, taxation, internal audit and risk management, litigation, IT strategy and development, environmental issues and insurance, are dealt with centrally. Each of these functions reports to the Board on a regular basis, through the Chief Executive, Group Finance Director or Company Secretary, as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that the Group is not exposed to any unnecessary risk and that there is appropriate hedging against foreign currency and interest rate risks. The Audit Committee reviews reports from management, the internal audit department and the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Risk management

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has remained in place throughout the financial year and up to the approval date of the annual report and accounts. The process is subject to regular review by the Board directly and via the workings of both the Audit Committee and Risk Management Group. This accords with the Turnbull guidance on Internal Control for Directors.

Although the Board's overall responsibility for internal control is recognised, the positive contribution made by senior management to the establishment and ongoing development of risk management within the Group is acknowledged.

In reviewing the effectiveness of the Group's system of internal control, the Board has taken into consideration a number of key elements which include: financial and investment controls; management reporting; and the role and activities of the Risk Management Group and the various review, steering, policy and Board committees.

The following illustrate how the risk management process and the system of internal control operated during the 52-week period ended 30 December 2001:

- *Group internal audit* – the remit of the Group's internal audit function has continued to expand to meet the needs and requirements of the Group. The conclusions from the function's work are reported on a regular basis to the Audit Committee, the Chief Executive and the Group Finance Director.

- *Audit Committee* – the role of the Audit Committee includes the review, update and approval of the annual internal audit plan; provision of direction to the internal audit function, external auditors and management in the review of internal controls; alerting the Board to any emerging issues; and consideration of the draft papers prepared for the annual review of effectiveness of the risk management procedures adopted by the Company prior to being submitted to the Board for approval.

- *Risk Management Group* – chaired by the Group Finance Director, the Risk Management Group meets regularly to review and direct further the development and operation of the risk management process within the Group. As a result of a review of the Risk Management Group's composition, the membership was revised, rationalised and strengthened during 2001 to support further its role in Groupwide risk management.

Corporate governance

continued

- *Divisional and Group functional key risks* – to enable consistent and focused monitoring, reporting, evaluation and management of significant Group risks, the key risks for the Group functions and major operational divisions of the business have been identified and, going forward, will constitute the basis for a revised reporting process.

- *Year end compliance reporting* – a formal process exists for year-end risk management compliance reporting, requiring senior operating company, divisional and Group executive management to confirm compliance with Board policies on internal control and adherence to the risk management process outlined by the Board in March 2000 (and updated in October 2000). Ultimate compliance reporting is required of each and every Board member.

Steps have been taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Further relevant information is included in the Corporate Social Responsibility Review, published on pages 28 to 30.

Corporate governance compliance statement
The Company has complied throughout the financial year with the provisions set out in section 1 of the Combined Code.

Going concern basis
After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Corporate social responsibility review

Chief Executive's statement
This is the first time that Trinity Mirror has published a corporate social responsibility review. 2001 was not, however, the first year in which Trinity Mirror took its social responsibilities seriously. Elements of our Corporate Social Responsibility policy are deeply embedded in the culture of the Group and have been evident for many years. If asked to sum up our approach to corporate social responsibility I often say that it is simply one of respect. That is respect for our readers, advertisers, suppliers, staff, the local communities in which we operate, the environment and, of course, our shareholders.

However, we are far from perfect and have a long way to go in developing robust systems, particularly an environmental management system, and we undertake to introduce improved systems over the course of the next year.

This year we are publishing various figures for our energy and water consumption. These figures are robust and have been subject to verification by our internal auditors. We do, however, commit that in future years we will publish targets for consumption and waste and will report on our performance against those targets. We also commit to establishing systems that are capable of independent external verification.

Similarly, this is the first year that we will publish information on our health and safety record. Whilst it is, of course, true that any accident is one too many, I am pleased that our record is generally pretty good. We do commit, however, that if in the future we are prosecuted for any health and safety failings, any such prosecution will be recorded in this report. We make a similar commitment for any prosecutions for any breach of environmental regulation.

We have now included social ethical and environmental ("SEE") issues on the agenda for every Board meeting and will provide SEE training for all our directors.

We hope that you take value from this report and we would welcome your comments. The web-based version of this report has a feedback facility and readers are invited to send their comments to our Company Secretary at the address below.

Philip Graf, Chief Executive
28 February 2002

Environment

Environmental policy
The Company's environmental policy is stated below:
'Trinity Mirror, as a major media company and a member of the wider business community, recognises its corporate responsibilities towards the environment. We believe in the importance of environmental protection and improvement. We believe that the pursuit of best environmental practice makes sound commercial sense.

We recognise that our business activities have direct and indirect environmental impacts and endeavour to manage these in a responsible manner.

The Company is committed to achieving improvement in its entire environmental performance and sees compliance with the relevant laws and regulations as a minimum standard the Company intends to improve upon. It now collects information on its energy and water consumption with the intention of setting targets for the reduction of such consumption. The Company's policy is to use energy and other natural resources carefully with the objective of improving efficiency in the consumption of such resources and to take environmental considerations into account in its procurement decisions. The Company's policy is to reduce its usage of non-renewable resources. We factor efficiency in resource utilisation into procurement decisions for plant and machinery. Through our paper procurement policy we seek to protect, improve and develop the environment through a continuous liaison and discussion with paper mills. The Company encourages paper suppliers to have long-term environmental policies on substantial forestry which have credible independent auditing to preserve biological diversity and recreational activities applicable to their original world.

The Company is committed to collecting and recycling the maximum amount of its "specialist waste".

The Company has appointed the Company Secretary and Group Legal Director as the Board's representative with responsibility for promoting its environmental policy and ensuring its compliance.'

2001 performance

Electricity usage	146,000,000 kwh	CO_2 equivalent 60,000 tonnes
Gas usage	39,000,000 kwh	CO_2 equivalent 73,000 tonnes
Water usage	396,892 cubic metres	

Waste
During 2001 the Company commenced negotiations for a Groupwide contract with specialist waste contractors. The Company had been concerned that for many years it had, with the knowledge and consent of relevant authorities, been using the drainage system to dispose of certain specialist waste. The Company was committed to end this practice and send all contaminated water to offsite specialists for the extraction of chemical waste. We did not achieve our ambition of introducing a Groupwide collection system during 2001, however, all but one site had converted by the date of this report.

Other initiatives
The Company has during 2001 undertaken a very wide review of its printing press requirements and has embarked on a major re-pressing project. This project will require not only the purchase of a significant number of new presses but there will also be construction of new press halls to house them. A key consideration in the choice of press and system were the environmental implications. In each of the tender requirements, when choosing the architects, designers and contractors of the new press halls, the need for the most energy-efficient buildings was a major factor.

Corporate social responsibility review

continued

Health and safety

The Board of the Company collectively takes overall responsibility for health and safety issues throughout the Group. On a day to day level the Board devolves responsibility to the Managing Directors of each business unit whom, in most cases, in turn rely upon support from a dedicated health and safety manager. During the course of 2001, the Company improved its system by nominating the Group's Legal Director and Company Secretary as the director responsible for ensuring that the whole Board focuses on health and safety issues. In addition, the Company appointed a Group Health and Safety manager to monitor the activities of the business units and coordinate the work of their health and safety managers. A Groupwide health and safety audit has been implemented and the Company now has the ability to produce accurate Groupwide statistics.

The Board is well aware of its legal and moral obligations for health and safety at work and is committed to preventing accidents, and reducing occupational ill health. As a media group we are involved in reporting to the public serious incidents and consequently we are acutely aware of our responsibilities.
The Board believes that staff are our most valuable business asset. Protecting them and others from harm is essential for our future and makes good business sense.

In newspaper printing and publishing our staff can be exposed to a wide variety of occupational hazards, e.g. contact with/exposure to moving machinery, fire, injury in materials handling, noise, mobile transport and hazardous substances.

In accordance with statutory requirements, health and safety policies and procedures are in place to eliminate and reduce the risks associated with newspaper production, so far as reasonably practicable. Our staff are encouraged to become involved with accident prevention through their elected representatives and by participating in various health and safety committee meetings. Health and safety specialists are employed to provide practical advice, guidance and support to local managers. They are also involved with the provision of health and safety training and monitoring health and safety standards.

Group health and safety statistics

The following statistics provide a retrospective, but nevertheless important, measure of our health and safety performance. It is against this benchmark and other targets that the Group sets for itself in the future that any improvements will be measured.

Health and safety performance indicator	**2001**
Fatalities	**–**
RIDDOR* major injuries	**7**
RIDDOR over 3 day injuries	**72**
RIDDOR occupational ill health/diseases/conditions	**4**
RIDDOR dangerous occurrences	**–**
Total number of accidents	**869**
RIDDOR events frequency rate†	**0.38**
All accidents frequency rate†	**4**
Total days lost – accidents and occupational ill health	**1,773.5‡**

*RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995
†Frequency rate = number of accidents per 100,000 hours worked
‡This figure represents 0.06% of the total number of days worked by the employees of the Group

Breakdown of accidents by type of event

	RIDDOR accidents 2001 (%)	**All accidents 2001 (%)**
Slips and falls (same level)	**29**	**23**
Struck by moving vehicle	**14**	**3**
Lifting and handling of materials	**13**	**12**
Contact with machinery	**8**	**4**
Contact with sharp/abrasive material	**8**	**14**
Stepping on or striking fixed object	**6**	**14**
Use of hand tools	**5**	**4**
Struck by flying or falling object	**4**	**6**
Falls from a height	**3**	**2**
Contact with hazardous substance	**1**	**4**
Contact with electricity	**–**	**–**
Object collapsing or overturning	**–**	**1**
Contact with hot material/substance	**–**	**2**
Others	**9**	**11**
Total	**100**	**100**

Whilst the nature of our business and the numbers employed means that these accident statistics are not unexpected, they are not considered by the Board to be acceptable.

Health and safety enforcement activity

Details of health and safety enforcement notices issued in 2001 are as follows:

Date	Notice type	Enforcement action required	Action taken
October	HSE improvement notice	Carry out machinery safety risk assessments and improve safety where necessary	Assessments completed and remedial work is now underway. The notice has been lifted
October	HSE improvement notice	Carry out a review of all pedestrian and vehicle circulation routes and transport safety risk assessments	Assessments completed and remedial work is now underway. The notice has been lifted

There were no legal proceedings taken against Trinity Mirror business units by health and safety enforcement agencies during the year and there are none pending at the time of preparing this report.

Ethics

For many years the Company has had a policy on Standards of Business Conduct which we regularly review. The introduction to the current policy states:

'Trinity Mirror plc is the largest newspaper publisher in the UK and a major UK plc. The continuing development and well-being of our business depends on all of us maintaining the highest standards of integrity and personal conduct in all matters which involve the Company.

The Company recognises its obligations to those with whom it has dealings, namely its employees, shareholders, readers and advertisers, suppliers and the communities in which its businesses operate. Its reputation is one of the most vital resources of the Company, and depends for its protection upon the honesty and integrity of each and every one of us. This document gives guidance on how the essential standards of integrity and conduct are to be maintained. It is not intended as a statement of new beliefs or the creation of new rules of conduct. Rather, it is a reaffirmation of our continuing values and practices.

Finally, this document should be read in conjunction with any specific code issued to individual groups of employees (e.g. Financial Dealings by Journalists) or any provisions of individual contracts of employment.'

The policy itself is available on the Company's website and gives guidance on conflicts of interest, the acceptance of gifts and entertainment, confidential information, insider information, and political and civic activities.

Corporate social responsibility review
continued

Charities
The Company's policy with regard to charitable donations and other such payments is as follows:

'Trinity Mirror believes that it can best support charities through the pages of its newspapers. This support will either be through appeals to readers for donations or through editorial content, describing the aims and activities of various charities. In every case the decision as to whether or not to support a charity appeal or whether to run editorial comment will be one for the editor of each newspaper.

Trinity Mirror plc will make direct cash donations to charities in certain limited circumstances. The Company will, at a Group level, support various charities connected with or associated with the newspaper, printing or advertising industries.

A second category of direct cash support will be to charities operating in the communities immediately surrounding Trinity Mirror's offices and print sites. The charities that are likely to receive support are smaller community-based charities where a modest donation will make a big impact. It is unlikely that a major national charity that just happens to be based very close to one of our offices would receive a donation.

There will be a further limited general pool of funds out of which donations will be made to legitimate and supportable causes that fall outside the above two criteria. There will, however, need in each case to be a demonstrable business/commercial reason why such support should be given.

Each of our regional newspaper companies will have a small budget out of which they will make direct cash donations to charities working in the community in which the newspaper is based. Scottish Daily Record and Sunday Mail Limited will similarly make a number of donations to appropriate charities based in Scotland.

The national titles of The Mirror, Sunday Mirror and Sunday People are most unlikely to make direct cash donations. They will do so only where they are asked to make a payment to charity in lieu of a fee for an interview or some form of support. Any "corporate" donations requested from the national titles are likely to be redirected to the Group, as the Company's headquarters share the same office location as that of the national titles.

All "Group" donations need the prior agreement of the Company Secretary and Group Legal Director. Any local business donations require the prior agreement of the relevant Managing Director.

In addition to cash donations, the Company is active in making donations in kind in the form of used computer equipment, furniture, books, etc. Through its community involvement programmes, the Company makes available members of its staff for volunteering and mentoring programmes.

The Company is actively investigating the introduction of a payroll-giving programme.'

In line with this policy, the Group has made donations to 184 separate charities during 2001. These range from small sums (such as £75 to the Whistable RNLI and £50 to each of Merseyside Tuesday Club and the Aintree League of Hospital & Community Friends) to more substantial sums (such as £1,000 to the Solihull Mayor's Charity, £650 for Northumbria Coalition Against Crime and £500 to the Kirkwood Hospice from Huddersfield). The five most substantial payments during the year were £12,820 towards the Index on Censorship, £10,000 to WellBeing, £10,000 to the Science Media Centre at the Royal Institution, £7,500 towards the Hugh Cudlipp Archive at the Centre for Journalism Studies at Cardiff University, and £4,000 to St Bride's Church.

Many of our newspapers run their own annual appeal. For example, the Evening Telegraph in Coventry has been running its Snowball Appeal for the last 16 years, having raised over £1.5 million to be used for facilities for local disabled children. Individuals regularly receive money towards the purchase of equipment to enhance their lives and special schools have installed play and educational equipment to benefit their pupils. A hospital ward devoted to the intensive care of children in Coventry was paid for from the fund and is now known as the Snowball Ward. In partnership with the local Mercia radio station Coventry Newspapers pays for the administration of the Snowball Charity Fund and the editor is a member of the charity's trustees.

Community engagement
Trinity Mirror's newspapers, particularly its regional and local newspapers, know that they are nothing if they are not of the community and for the community. Part of their very raison d'être is to champion local causes.

Over recent years the newspapers have been showing their support for their local communities by running a series of awards which are promoted through the newspapers and celebrated with awards ceremonies. They include The Sunday Mercury's *Wonder Kid Awards*, The Birmingham Evening Mail's *Carer's Award*, the *Pride of Coventry and Warwickshire Community Awards*, the *Mersey Marvels* and Teesside *Community Champions*. Of course, The Mirror also runs its highly acclaimed *Pride of Britain Awards* recognising extraordinary achievement from all areas of the country. As a separate initiative many regional newspapers promote initiative and best practice amongst local businesses through award programmes and ceremonies such as *The Birmingham Post Business Awards*.

For a number of years various of the Group's operating companies have been active within "Business in the Community" in their local areas. During the course of 2001 we decided that the Group should join "Business in the Community" at a national level as a demonstration of our support to their principles. We take a particular interest in their regeneration programmes. The Group is also a member of the East London Business Alliance (formerly the East London Partnership), the Phoenix Initiative in Coventry, the Newcastle Gateshead Initiative, Dorset Business Partners and the New Addington Education Action Zone.

Risks and opportunities
Trinity Mirror is not a multinational nor is it engaged in 'heavy' industry. It is not, therefore, exposed to some of the risks faced by those who operate in developing countries or at the sharp end of environmental exposure. The greatest exposure for the Group would, therefore, be a systems failure that led to a domestic failure of its environmental, health and safety or ethical policies. It is unlikely that a failure in any of these three areas would be catastrophic.

The Board believes that the Company's main exposure would be one of reputational damage. The procedure that the Company employs to control and manage these risks is through a regular review of its standards and systems and through training of relevant employees and managers.

The Company's Standards of Business Conduct are embedded within the culture of the Group. More recently the Company's health and safety policies and systems have been put under review and are in the process of being consolidated and codified. Less attention has been paid in the past to environmental matters (other than the sourcing of newsprint). That area too is under review.

The Company believes that opportunities in these areas are, similarly, reputational. We believe that there are advantages as being seen as the employer of choice for those entering our industry, that decision having been made on an assessment, amongst many other things, of our corporate social responsibility programmes. Those programmes will also be key in the retention of staff. We also believe that there are obvious commercial advantages from being seen as a socially responsible company.

Comments to: Paul Vickers
Secretary and Group Legal Director
Trinity Mirror plc
One Canada Square
Canary Wharf
London E14 5AP

Remuneration report

Remuneration Committee
The Remuneration Committee (the 'Committee') consists of Penny Hughes (Chairman), Sir Victor Blank and Roger Harrison, each of whom are independent non-executive directors, free of any business or other relationship which could interfere with their judgement.

The Committee is a committee of the Board of directors and has been established with formal terms of reference approved by the Board. The Committee has authority to determine the appropriate remuneration, benefits and employment conditions for the executive directors.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, including the Chief Executive, and has access to professional advice from both inside and outside the Company. Its principal external advisers are New Bridge Street Consultants and the Top Pay Research Group.

Remuneration policy
The aim is to provide remuneration packages to ensure that directors are rewarded competitively in relation to other relevant companies. The Company's policy is to provide remuneration of a median level for median performance and at an upper quartile level for upper quartile performance.

The main components of each remuneration package are basic annual salary and benefits, an annual bonus scheme based on performance, share-based incentives and pensions.

Basic annual salary
Basic salaries are reviewed annually by the Committee and are set relative to comparable jobs in selected relevant companies. The Committee takes advice from independent professional remuneration consultants.

Annual bonus
The Company operates an annual performance-related bonus scheme for a number of executives, including executive directors. This provides for annual cash bonuses up to a maximum of 75% of base salary, subject to the achievement of challenging earnings, profit and personal business targets. These payments do not form part of pensionable salary.

The Committee considers that the performance conditions applying to the annual bonus scheme are relevant and stretching and that this results-driven approach is in the interests of shareholders. The details of bonuses earned by executive directors in the period are shown in the table on page 32.

Share option schemes
The Committee approves the terms, conditions and allocation of share options to senior executives. The Committee believes that share-based incentives are an important part of aligning the interests of shareholders and employees in enhancing the long-term performance of the Company.

The Company operates an Inland Revenue-approved savings related share option scheme. The scheme is open to all employees, including executive directors.

At the Annual General Meeting in 2000 shareholders approved new executive share option schemes. The schemes are designed as long-term incentives for senior executives. Grants of options over shares worth up to 200% of base salary will be made annually and will be exercisable between three and ten years from the date of grant subject to the satisfaction of performance conditions. No options will be exercisable unless the Company's earnings per share growth exceeds inflation, measured by reference to the Retail Prices Index, plus an average of 2% per annum over a period of three years. 50% of each grant of an option to each individual is subject to a total shareholder return comparison against the FTSE mid-250 index of companies. The other 50% is subject to a comparison of total shareholder return with a group of about 20 other media companies. No vesting will take place on either measure unless the Company's ranking is at least median. For executive directors and other senior executives 37.5% of the option will become exercisable at median performance with a sliding scale to full vesting at 20th percentile performance.

Directors' pension arrangements
Each of the executive directors participates in the main Trinity contributory occupational pension scheme as well as the non-contributory Trinity plc Retirement Benefits Scheme, which together provide final salary-based pensions on retirement at age 60 of up to 2/3 of their pensionable earnings subject to Inland Revenue limits. A spouse's pension is also payable on the death of a director and a lump sum is payable if death occurs in service. Philip Graf and Stephen Parker are not subject to the Inland Revenue pensions cap. Margaret Ewing, Mark Haysom, Joe Sinyor and Paul Vickers, who are subject to the cap, receive an annual cash sum equivalent to 30% of their salary in excess of the cap.

The following disclosure of directors' pensions is in line with the latest requirements of the Financial Services Authority. The figures for each director give the increase in accrued pension over the year and the transfer value of that increase representing a liability of the pension scheme where funded or the Company where unfunded – they are not sums due to be paid to the directors. Also disclosed is the total accrued pension entitlement to which each director would have been entitled had he left service at the end of 2001.

Directors' pension entitlements

	Total accrued pension entitlement at 30 December 2001 £000 p.a.	Increase in accrued pension entitlement during 2001 £000 p.a.	Transfer value of increase in accrued pension £000	Contributions by director £000
Margaret Ewing	6	3	22	6
Philip Graf	232	9	91	26
Mark Haysom	35	3	25	6
Stephen Parker	125	17	172	16
Joe Sinyor	4	3	22	6
Paul Vickers	6	3	20	6

Notes:
1. The pension entitlement shown is that which would be paid annually on retirement at normal pension age based on service to the end of the year.
2. The increase in accrued pension during the year excludes any increase arising from inflation.
3. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less directors' contributions.
4. Members of the scheme have the right to pay additional voluntary contributions. Neither the contributions nor the resulting benefits are shown.

Contracts of service
Each of the executive directors has a service contract with the Company which can be terminated by either party giving one year's written notice. If any executive director leaves service at the request of the Company (other than for gross misconduct) they will be entitled to receive predetermined compensation equal to 12 months' base salary and pension loss.

If Joe Sinyor's employment is terminated by the Company, other than for cause, any time prior to 31 December 2002 he will, in addition, be entitled to receive a sum equivalent to the value of his benefits over a 12-month period and, subject to all the personal and Company performance targets which will have made him eligible for any bonus being met, an amount equal to the bonus which he would have been paid on a pro-rata basis to the date of termination.

Policy on external appointments
The Company acknowledges that its directors are likely to be invited to become non-executive directors of other companies. The Committee believes that these non-executive duties can broaden the directors' knowledge and experience to the benefit of the Company. Executive directors are, therefore, with the Board's permission, allowed to accept these appointments as long as there is no conflict of interest and to retain any fees.

Non-executive directors
The remuneration of non-executive directors is determined by the Board. No director plays a part in any discussion about his or her own remuneration. The current remuneration consists of annual fees of £32,500 for each non-executive director. The Chairman, Senior Independent Director and Committee Chairmen receive additional remuneration for providing these services to the Company. The Chairman and non-executive directors do not have service contracts and cannot participate in the annual bonus scheme or the executive share option schemes.

Remuneration report
continued

Directors' remuneration
The aggregate remuneration of the directors of the Company for the year to 30 December 2001 was as follows:

	Basic salary £000	Annual bonuses £000	Taxable benefits £000	* Compensation £000	Fees £000	Total excluding pensions 2001 £000	Total excluding pensions 2000 £000	Pension contributions 2001 £000	Pension contributions 2000 £000
Executive Directors									
John Allwood	–	–	–	–	–	–	944	–	68
Roger Eastoe	–	–	–	–	–	–	987	–	18
Margaret Ewing	**318**	**49**	**15**	–	–	**382**	448	**101**	80
Philip Graf	**441**	**55**	**33**	–	–	**529**	599	**118**	89
Mark Haysom[1]	**303**	**32**	**65**	–	–	**400**	382	**86**	60
Michael Masters	–	–	–	–	–	–	562	–	65
Stephen Parker[1]	**303**	**63**	**69**	–	–	**435**	419	**74**	44
Joe Sinyor	**350**	**118**[4]	**10**	–	–	**478**	182	**101**	14
Paul Vickers	**318**	**44**	**21**	–	–	**383**	427	**97**	86
Non-executive Directors									
Peter Birch	–	–	–	–	**60**	**60**	60	–	–
Sir Victor Blank (Chairman)[2]	–	–	–	–	**175**	**175**	187	–	–
Sir Angus Grossart[3]	–	–	–	–	**40**	**40**	40	–	–
Roger Harrison	–	–	–	–	**33**	**33**	32	–	–
Penny Hughes	–	–	–	–	**40**	**40**	40	–	–
David Marlow	–	–	–	–	**40**	**40**	40	–	–
Total	**2,033**	**361**	**213**	–	**388**	**2,995**	5,349	**577**	524
Total 2000	2,362	849	270	1,469	399	5,349		524	

* for loss of office or additional remuneration on appointment, as appropriate.

1 taxable benefits include relocation expenses and payment of other related costs for Mark Haysom (£49,280; 2000: £40,115) and Stephen Parker (£57,478; 2000: £92,488). The Company has paid the tax due on all amounts on behalf of the directors.
2 Sir Victor Blank receives the base fee of £32,500 as a non-executive director and £142,500 as Chairman.
3 the fees for the services of Sir Angus Grossart as non-executive director and as Chairman of Scottish Daily Record and Sunday Mail Limited are invoiced by Noble Grossart Limited.
4 includes a guaranteed bonus of £87,500 for the period 1 January 2001 to 5 May 2001.

Interest in shares
The following directors held options to purchase shares under a number of the Group's share option schemes:

	Option price	31 December 2000	(Exercised)/ granted in year	Lapsed in year	30 December 2001	Exercisable between
Executive Share Options						
Margaret Ewing	544.0p	113,970	–	–	113,970	May 2003 to May 2010
	452.5p	–	140,441	–	140,441	April 2004 to April 2011
Philip Graf	372.6p	30,009	–	–	30,009	April 1997 to April 2004
	294.3p	34,897	–	–	34,897	March 1998 to March 2005
	352.7p	45,300	–	–	45,300	January 1999 to January 2006
	524.5p	39,037	–	–	39,037	April 2002 to April 2009
	544.0p	158,088	–	–	158,088	May 2003 to May 2010
	452.5p	–	194,806	–	194,806	April 2004 to April 2011
Mark Haysom	352.7p	46,500	–	–	46,500	January 1999 to January 2006
	524.5p	20,686	–	–	20,686	April 2002 to April 2009
	544.0p	77,205	–	–	77,205	May 2003 to May 2010
	452.5p	–	137,016	–	137,016	April 2004 to April 2011
Stephen Parker	372.6p	17,148	–	–	17,148	April 1997 to April 2004
	294.3p	19,704	–	–	19,704	March 1998 to March 2005
	352.7p	28,300	–	–	28,300	January 1999 to January 2006
	524.5p	21,687	–	–	21,687	April 2002 to April 2009
	544.0p	77,205	–	–	77,205	May 2003 to May 2010
	452.5p	–	137,016	–	137,016	April 2004 to April 2011
Joe Sinyor	454.0p	154,185	–	–	154,185	Nov 2003 to Nov 2010
	452.5p	–	154,696	–	154,696	April 2004 to April 2011
Paul Vickers	436.0p	49,894	–	–	49,894	March 2000 to March 2004
	544.0p	113,970	–	–	113,970	May 2003 to May 2010
	452.5p	–	140,441	–	140,441	April 2004 to April 2011
Savings Related Options						
Margaret Ewing	428.0p	2,263	–	–	2,263	August 2003 to February 2004
Philip Graf	330.0p	818	–	–	818	January 2004 to July 2004
	428.0p	1,901	–	–	1,901	August 2003 to February 2004
Mark Haysom	330.0p	1,174	–	–	1,174	January 2004 to July 2004
	428.0p	905	–	–	905	August 2003 to February 2004
Stephen Parker	401.0p	1,032	–	–	1,032	December 2002 to June 2003
	330.0p	1,534	–	–	1,534	January 2004 to July 2004
	428.0p	1,813	–	–	1,813	August 2005 to February 2006
Paul Vickers	358.1p	4,816	–	–	4,816	August 2001 to January 2002

Remuneration report
continued

Interest in shares (continued)

Restricted Share Plan	**Value at date of grant**	**31 December 2000**	**Release in year**	**Lapsed in year**	**30 December 2001**	**Lapsed date**
Philip Graf	532.0p	15,395	–	15,395	–	April 2001
Mark Haysom	532.0p	7,895	–	7,895	–	April 2001
Stephen Parker	532.0p	8,289	–	8,289	–	April 2001

The interests of the directors, all of which are beneficial, in the ordinary shares of the Company are shown below:

	30 December 2001	31 December 2000
Executive directors		
Margaret Ewing	1,500	1,500
Philip Graf	64,471	64,471
Mark Haysom	2,830	2,830
Stephen Parker	9,154	9,154
Joe Sinyor	1,400	1,400
Paul Vickers	27,863	27,863
Non-executive directors		
Peter Birch	10,702	10,702
Sir Victor Blank	30,000	30,000
Sir Angus Grossart	–	–
Roger Harrison	15,276	15,276
Penny Hughes	1,275	1,275
David Marlow	25,000	25,000

There have been no changes in the interests of the directors in the ordinary shares of the Company since 30 December 2001.

Directors' report

Statement of directors' responsibilities
Under the Companies Act 1985 the directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

The directors consider that in preparing the financial statements on pages 35 to 50, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Principal activities and future development
The principal activity of the Group is the publication and printing of newspapers, primarily in the United Kingdom. The analyses of turnover and operating profit are included as note 3 to the financial statements. A review of the Group's business and activities during the period is contained in the Chief Executive's review on page 17, the operating review of each of the Group's principal businesses on pages 18 to 23 and the financial review on pages 24 and 25.

The Group's strategic intent is to create a more broadly based leading media and information Group by growing organically, by acquisition and by developing opportunities for expansion in new information markets. The directors will develop opportunities in print and electronic form.

Result and dividends
The loss for the 52 weeks ended 30 December 2001 attributable to the shareholders after taxation and minority interest was £53.0 million. The loss for the period is stated after the provision of £150.0 million impairment charge in respect of the Group's acquired publishing rights and titles of the former Mirror Group. The comparative for 2000 was a profit of £255.0 million (restated for the adoption of FRS 19, Deferred Tax). An interim dividend of 5.3p per share has been paid on the ordinary shares. The directors now recommend a final dividend of 12.3p per share making a total dividend for the year of 17.6p per share. Payment of the recommended final dividend will be made on 5 June 2002 to shareholders registered at the close of business on 3 May 2002. The payment of these dividends requires £51.2 million (2000: £51.2 million), as disclosed in note 9 to the financial statements, leaving a loss of £104.2 million (2000: profit of £203.8 million) to be retained in the Group.

Charitable and political contributions
During the year contributions for charitable purposes totalled £105,000 (2000: £168,000). No direct political contributions were paid during the year.

The editorial stance of the Group's national titles, and in particular that of The Mirror, is politically left of centre and often supportive of the Labour Party. Although the Group does not make direct political donations, it has been in the commercial best interests of The Mirror to sponsor, on commercial terms, certain events in aid of the Labour Party. This is a practice that has been followed for many years. In 2001 MGN Limited, the publisher of The Mirror, paid £55,250 (including VAT) in sponsorship to the Labour Party (2000: £65,000). At the Company's AGM held in 2001, various of the Group's subsidiaries received authority from shareholders under the Political Parties, Elections and Referendums Act 2000 to make donations to political parties of up to £75,000 per annum. During the relevant period 5 May 2001 to 30 December 2001 MGN Limited made donations to the Labour Party equal to £6,923 (£5,000 for sponsorship of the Welsh Labour Party and £1,923 as two weeks' salary of an employee seconded to the Labour Party HQ during the General Election).

Employment policies
The Group pursues a policy of equal opportunities to all employees and potential employees. The Group has continued its policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, the Group strives to ensure that disabled employees receive maximum possible benefits, including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities for training are also provided for employees who become disabled. Within the limitations of commercial confidentiality and security, it is the policy of the Company to take views of employees into account in making decisions and, wherever possible, to encourage the involvement of employees in the Group's performance. Group companies evolve their own consultative policies. Methods of communication used include advisory committee meetings, newsletters, bulletins, pension trustee reports and management briefings. The Group has operated a Savings-Related Share Option scheme since 1987 and all eligible employees are encouraged to participate.

Payment of suppliers
The Group has a supplier payment policy which provides for payment of all suppliers (other than those with agreed alternative terms) at the month end following the month of receipt of invoice. All companies within the Group are encouraged to make payments in accordance with those terms and conditions provided that the supplier has also complied with them.

At 30 December 2001, the Company had an average of 28 days (2000: 30 days) purchases outstanding in trade creditors.

Directors' report
continued

Share capital
Details of the movements in the Company's share capital are included as note 24 to the financial statements.

Substantial shareholdings
So far as is known the only persons interested in 3% or more of the ordinary shares of the Company at 18 February 2002 were:

	Number of shares	Holding in Company
Capital Group Companies Inc	34,982,622	12.00%
Fidelity International Ltd	32,068,123	11.00%
Tweedy, Browne Company LLC	12,919,094	4.43%
Standard Life Group	11,821,872	4.06%
Britel Fund Trustees Limited	11,737,902	4.03%

Directors' and officers' liability insurance
During the year, the Company has maintained cover for its directors and officers and those of its subsidiary companies under a directors' and officers' liability insurance policy, as permitted by section 310(3) of the Companies Act 1985.

Directors
The directors of the Company during the 52 weeks ended 30 December 2001 and their remuneration are summarised on page 32 of the remuneration report.

On 15 January 2002 it was announced that Margaret Ewing would resign as a director and leave the Company's employment on 30 June 2002.

In accordance with the Articles of Association, the directors are required to retire every three years. Philip Graf, David Marlow and Stephen Parker retire and stand for re-election at the Annual General Meeting.

Directors' interests
The directors' interests in the shares of the Company are shown on pages 32 and 33 of the remuneration report.

Auditors
In accordance with section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Deloitte & Touche as auditors to the Company will be put to the Annual General Meeting.

By order of the Board

Paul Vickers
Company Secretary
28 February 2002

Independent auditors' report to the members of Trinity Mirror plc

We have audited the financial statements of Trinity Mirror plc for the year ended 30 December 2001 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 33 together with the reconciliation of movements in consolidated shareholders' funds. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 circumstances of the Company and the Group, 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 affairs of the Company and the Group as at 30 December 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR

28 February 2002

Consolidated profit and loss account

for the 52 weeks ended 30 December 2001 (52 weeks ended 31 December 2000)

	notes	Before exceptional items £m	Exceptional items (note 5) £m	Total 2001 £m	Before exceptional items (restated) £m	Exceptional items (note 5) (restated) £m	Total 2000 (restated) £m
Turnover	2&3						
Continuing operations		**1,131.1**	**-**	**1,131.1**	1,079.1	-	1,079.1
Discontinued operations		**-**	**-**	**-**	1.2	-	1.2
Total turnover		**1,131.1**	**-**	**1,131.1**	1,080.3	-	1,080.3
Net operating expenses	2	**(926.7)**	**(168.0)**	**(1,094.7)**	(878.9)	(34.3)	(913.2)
Group operating profit	2,3,&4						
Continuing operations		**204.4**	**(168.0)**	**36.4**	201.4	(35.0)	166.4
Discontinued operations		**-**	**-**	**-**	-	0.7	0.7
Group operating profit		**204.4**	**(168.0)**	**36.4**	201.4	(34.3)	167.1
Share of results of associated undertakings		**0.3**	**-**	**0.3**	-	-	-
Total operating profit		**204.7**	**(168.0)**	**36.7**	201.4	(34.3)	167.1
Share of exceptional items of associated undertaking (2000: continuing)	5	**-**	**-**	**-**	-	17.5	17.5
Profit on sale of operations (2000: continuing)	5	**-**	**-**	**-**	-	164.5	164.5
Profit on disposal of associated undertakings (continuing)	5	**-**	**1.2**	**1.2**	-	-	-
Profit on ordinary activities before interest		**204.7**	**(166.8)**	**37.9**	201.4	147.7	349.1
Net interest payable	6	**(49.2)**	**-**	**(49.2)**	(47.3)	-	(47.3)
(Loss)/profit on ordinary activities before taxation		**155.5**	**(166.8)**	**(11.3)**	154.1	147.7	301.8
Tax on (loss)/profit on ordinary activities	8	**(46.6)**	**5.2**	**(41.4)**	(43.8)	(3.0)	(46.8)
(Loss)/profit on ordinary activities after taxation		**108.9**	**(161.6)**	**(52.7)**	110.3	144.7	255.0
Non-equity minority interest		**(0.3)**	**-**	**(0.3)**	-	-	-
(Loss)/profit for the financial year		**108.6**	**(161.6)**	**(53.0)**	110.3	144.7	255.0
Ordinary dividends on equity shares	9			**(51.2)**			(51.2)
Retained (loss)/profit for the financial year	26			**(104.2)**			203.8
Earnings per share (pence)	10						
Before digital media activities				**43.0**			48.5
Digital media activities				**(5.6)**			(10.4)
Underlying earnings per share				**37.4**			38.1
Exceptional items				**(55.6)**			49.9
(Loss)/earnings per share – basic				**(18.2)**			88.0
(Loss)/earnings per share – diluted				**(18.2)**			87.4

Notes 1 to 33 form part of these accounts.

Movements in reserves are set out in notes 25 and 26 to these accounts.

There is no material difference between the reported loss and the historical cost loss on ordinary activities before taxation for the financial year or the profit for the preceding financial year.

There were no recognised gains and losses other than the loss for the financial year or the profit for the preceding year. Consequently no statement of total recognised gains and losses has been presented.

Consolidated balance sheet

at 30 December 2001 (31 December 2000)

	notes	2001 £m	2000 (restated) £m
Fixed assets			
Intangible assets	11	**1,866.9**	2,018.4
Tangible assets	12	**389.7**	404.3
Investments	13	**17.9**	16.0
		2,274.5	2,438.7
Current assets			
Stocks	14	**8.7**	7.7
Debtors	15	**172.9**	179.3
Cash at bank and in hand		**43.5**	57.7
		225.1	244.7
Creditors: amounts falling due within one year			
Bank loans, loan notes and overdrafts	16	**(119.3)**	(259.4)
Obligations under finance leases	17	**(6.3)**	(5.8)
Other creditors	18	**(257.8)**	(294.4)
		(383.4)	(559.6)
Net current liabilities		**(158.3)**	(314.9)
Total assets less current liabilities		**2,116.2**	2,123.8
Creditors: amounts falling due after more than one year			
Bank loans and loan notes	16	**(613.7)**	(518.8)
Obligations under finance leases	17	**(39.2)**	(41.9)
		(652.9)	(560.7)
Provisions for liabilities and charges	21	**(97.5)**	(97.0)
Non-equity minority interest	22	**(3.7)**	(3.7)
Net assets		**1,362.1**	1,462.4
Equity capital and reserves			
Called-up share capital	24	**29.1**	29.1
Share premium account	25	**1,078.7**	1,074.3
Revaluation reserve	26	**5.0**	5.0
Profit and loss account	26	**249.3**	354.0
Equity shareholders' funds		**1,362.1**	1,462.4

These financial statements were approved by the Board of Directors on 28 February 2002 and signed on its behalf by:

Philip Graf — Chief Executive
Margaret Ewing — Group Finance Director

Notes 1 to 33 form part of these accounts.

Consolidated cash flow statement

for the 52 weeks ended 30 December 2001 (52 weeks ended 31 December 2000)

	notes	2001 £m	2000 £m
Net cash inflow from operating activities	30(a)	**204.9**	219.9
Dividends received from associated undertakings		**2.6**	8.7
Interest received from associated undertakings		**0.4**	-
Cash inflow from associated undertakings		**3.0**	8.7
Returns on investments and servicing of finance			
Interest received		**2.0**	5.6
Interest paid		**(49.8)**	(42.7)
Investment income		**-**	0.1
Interest element of finance lease rental payments		**(2.1)**	(3.7)
Net cash outflow from returns on investments and servicing of finance		**(49.9)**	(40.7)
Taxation paid		**(40.1)**	(41.6)
Net cash flow before investing activities		**117.9**	146.3
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(28.9)**	(38.9)
Sale of tangible fixed assets		**0.9**	1.4
Net cash outflow from capital expenditure and financial investment		**(28.0)**	(37.5)
Net cash flow before acquisitions and disposals		**89.9**	108.8
Acquisitions and disposals			
Purchase of subsidiary and associated undertakings (including deferred consideration)		**(7.4)**	(275.2)
Net overdraft acquired		**-**	(0.2)
Sale of subsidiary undertakings net of loan repaid		**0.6**	169.6
Net cash outflow from acquisitions and disposals		**(6.8)**	(105.8)
Dividends paid		**(51.4)**	(48.3)
Net cash inflow/(outflow) before financing		**31.7**	(45.3)
Financing			
Issue of shares		**3.9**	2.4
New unsecured loans		**258.8**	65.1
Repayment of unsecured loans		**(288.7)**	-
Principal payments under finance leases		**(4.6)**	(5.3)
Net cash (outflow)/inflow from financing		**(30.6)**	62.2
Increase in cash	30(b,c)	**1.1**	16.9

Notes 1 to 33 form part of these accounts.

Reconciliation of movements in consolidated shareholders' funds

for the 52 weeks ended 30 December 2001 (52 weeks ended 31 December 2000)

	2001 £m	2000 £m
(Loss)/profit for the financial year attributable to shareholders – as previously reported	**(53.0)**	268.3
Goodwill arising as a result of implementation of FRS 19 written off to the profit and loss account (a)	**-**	(13.5)
Effect of implementation of FRS 19 on the tax charge for the period (b)	**-**	0.2
(Loss)/profit for the financial year attributable to shareholders – as restated	**(53.0)**	255.0
Dividends	**(51.2)**	(51.2)
Retained (loss)/earnings	**(104.2)**	203.8
New share capital subscribed	**4.4**	2.4
Effect of share options expensed by parent company	**(0.5)**	-
Net (decrease)/increase in shareholders' funds	**(100.3)**	206.2
Opening shareholders' funds – as previously reported	**1,462.4**	1,283.7
Effect of implementation of FRS 19 (c)	**-**	(4.3)
Goodwill created on implementation of FRS 19 written off to the profit and loss account in 1999 (a)	**-**	(23.2)
Opening shareholders' funds – as restated	**1,462.4**	1,256.2
Closing shareholders' funds	**1,362.1**	1,462.4

(a) Goodwill totalling £36.7 million resulted from the implementation of FRS 19. Due to the impairment of this goodwill at the date of acquisition and following revisions to the provisional fair value adjustments on acquisition, £23.2 million was written off to the profit and loss account in 1999 and a further £13.5 million was written off in 2000.

(b) The increase in profit attributable to shareholders for the 52 weeks to 31 December 2000 of £0.2 million arises as a result of the implementation of FRS 19, which requires deferred tax to be provided on a full provision basis.

(c) The fall in opening shareholders' funds for the 52 weeks to 31 December 2000 of £4.3 million arises as a result of the implementation of FRS 19, which requires a prior year adjustment to make full provision for deferred tax in prior periods.

Holding company balance sheet

at 30 December 2001 (31 December 2000)

	notes	2001 £m	2000 (restated) £m
Fixed assets			
Tangible assets	12	**0.2**	1.7
Investments	13	**1,886.9**	1,653.0
		1,887.1	1,654.7
Current assets			
Debtors	15	**1,022.8**	431.2
Investment	15	**1.4**	1.6
Cash at bank and in hand		**5.5**	3.0
		1,029.7	435.8
Creditors: amounts falling due within one year			
Bank loans, loan notes and overdrafts	16	**(84.8)**	(235.8)
Other creditors	18	**(914.4)**	(346.0)
		(999.2)	(581.8)
Net current assets/(liabilities)		**30.5**	(146.0)
Total assets less current liabilities		**1,917.6**	1,508.7
Creditors: amounts falling due after more than one year			
Bank loans and loan notes	16	**(613.7)**	(291.7)
Net assets		**1,303.9**	1,217.0
Equity capital and reserves			
Called-up equity share capital	24	**29.1**	29.1
Share premium account	25	**1,078.7**	1,074.3
Profit and loss account	26	**196.1**	113.6
Equity shareholders' funds		**1,303.9**	1,217.0

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £133.7 million (2000: £156.3 million).

These financial statements were approved by the Board of Directors on 28 February 2002 and signed on its behalf by:

Philip Graf Chief Executive
Margaret Ewing Group Finance Director

Notes 1 to 33 form part of these accounts.

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards.

The particular accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold properties.

The financial statements reflect the adoption of Financial Reporting Standards ('FRS') 18 'Accounting Policies' and 19 'Deferred Tax'.

The profit and loss account, balance sheet, reconciliation of movements in consolidated shareholders' funds and associated notes have been amended to reflect the adoption of FRS 19. The prior period figures have been restated to reflect the full provision for deferred tax on timing differences and no provision for deferred tax on investment revaluations. Adjustments amounting to £36.7 million have been made to goodwill to reflect the effect of the implementation of FRS 19 for acquisitions in prior periods. Due to impairment at the date of acquisition, this goodwill has been written off – £23.2 million was written off in 1999 and the balance remaining of £13.5 million was written off during 2000. The Group has elected not to discount the deferred tax assets and liabilities.

The adoption of FRS 18 has not had an impact on the profit and loss account or balance sheet.

The Group has also made the necessary disclosures in respect of FRS 17 'Retirement Benefits' under the transitional arrangements. There has been no impact on the profit and loss account or balance sheet in 2001. FRS 17 will be fully implemented in 2002. The Group's retirement benefits charge to the profit and loss account in 2002 under FRS 17 will be £18.5 million (and would have been £11.4 million in 2001). Under SSAP 24 the Group's regular cost in 2001 was £13.6 million less a £5.1 million SSAP 24 net credit adjustment.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Trinity Mirror plc and all its subsidiaries.

On the acquisition of a business, including an interest in an associated undertaking or a joint venture, fair values are attributed to the Group's share of the identifiable assets and liabilities of the business existing at the date of acquisition and reflecting the conditions as at that date.

Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet. Prior to the implementation of FRS 10, purchased goodwill was written off directly to reserves and has not been reinstated.

Results of businesses are included in the consolidated profit and loss account up to the date of relinquishing control. A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the Group's activities, represents a material reduction in the Group's operating facilities and either its sale is completed or, if a termination, its former activities have ceased permanently prior to the approval of the financial statements.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition to the date of disposal.

Intangible fixed assets

Intangible fixed assets comprise goodwill and acquired publishing rights and titles.

On the acquisition of a business, including an interest in an associated undertaking, the cost of the investment is allocated between net tangible assets, goodwill and publishing rights and titles on a fair value basis. The fair value of publishing rights and titles is assessed by the directors at the date of acquisition based on discounted cash flow valuations.

In the opinion of the directors, publishing rights and titles have an indefinite economic life and are not, therefore, subject to annual amortisation. The carrying values of these assets are reviewed annually and provision made for any impairment in the carrying value if required.

Goodwill in respect of subsidiaries and associated undertakings is capitalised in the year of acquisition and amortised over the directors' assessment of its useful economic life up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the useful economic life of goodwill, since it is difficult to make projections beyond this period.

Any goodwill arising from acquisitions prior to the implementation of FRS 10 was written off to reserves as a matter of accounting policy, remains eliminated in reserves and will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

Notes to the financial statements
continued

Tangible fixed assets
Freehold land and tangible fixed assets not yet in use are not depreciated. Depreciation on assets qualifying for investment and regional development grants is calculated on their full cost. The basis and the annual rates of depreciation relating to tangible fixed assets are:

i) Freehold buildings and leasehold properties with over 50 years unexpired – 2% straight line;

ii) Other leasehold buildings – over the life of the lease;

iii) Plant, fixtures and motor vehicles – appropriate rates with reference to the expected life of the individual classes of assets, or the lease term if shorter, resulting in the assets being written off over periods varying from 3 to 25 years.

Investments
Investments held as fixed assets are stated at cost less provision for any impairment. Listed current asset investments are stated at the lower of cost and market value, and other current asset investments are stated at the lower of cost and estimated net realisable value.

Associated undertakings and joint ventures
Investments, excluding those classified as subsidiaries, are regarded as associated undertakings where the Group has a long-term interest in more than 20% of the equity and exercises a significant influence over their affairs on a continuing basis, or as joint ventures where the Group shares control. These are stated in the consolidated balance sheet as the Group's share of net assets after adjustment for goodwill or discount on acquisition.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads.

Deferred taxation
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. The Group has elected not to discount the deferred tax assets and liabilities.

Foreign currency
Assets and liabilities of foreign subsidiaries, denominated in foreign currencies, are translated into sterling at rates of exchange ruling at balance sheet dates; differences arising therefrom are taken directly to reserves. Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Other exchange differences are taken through the profit and loss account.

Finance and operating leases
Where the Group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset values recorded in tangible fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments. Operating lease payments are charged to the profit and loss account in equal annual amounts over the period of the leases.

Pension scheme arrangements
The Group charges the regular cost of providing pension benefits under the various pension schemes in operation throughout the Group against profits so that the charge represents a substantially level percentage of the current and expected future pensionable payroll over the average expected service lives of scheme employees, in accordance with the recommendations of qualified actuaries. Variations from this regular cost are allocated over the average estimated remaining service lives of current employees after allowing for interest on the unamortised surplus or deficiency.

Capital instruments
Capital instruments are accounted for in accordance with the principles of FRS 4 'Capital Instruments' and are classified as equity share capital, non-equity share capital, minority interest or debt as appropriate.

Financial instruments
Any premium or discount associated with the purchase of interest rate instruments is amortised over the life of the transaction. Interest receipts and payments are accrued to match the net income or cost with the related finance expense. No amounts are recognised in respect of future periods. Gains and losses on early termination or on repayment of borrowings, to the extent that they are not replaced, are taken to the profit and loss account.

Deferred income
Investment and development grants received are credited to revenue over the life of the relevant tangible fixed assets.

Turnover
Turnover excludes inter-company sales, VAT and similar sales-based taxes.

Exceptional items
Exceptional items relating to profits or losses on the sale or termination of an operation and costs of a fundamental reorganisation or restructuring, having a material effect on the nature and focus of the Group, are disclosed in accordance with FRS 3 'Reporting Financial Performance'.

Other items which are deemed to be exceptional by virtue of their size are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the profit and loss account.

Libel litigation
Accruals are made for legal costs in respect of libel litigation in progress. Provision is made for estimated damages where it is judged probable that damages will be payable.

2 Continuing and discontinued operations and acquisitions

	2001 Continuing £m	Continuing (restated) £m	Discontinued £m	2000 Total (restated) £m
Turnover	**1,131.1**	1,079.1	1.2	1,080.3
Cost of sales	**608.7**	542.5	0.8	543.3
Distribution costs	**79.8**	70.2	-	70.2
Administrative expenses	**407.4**	303.3	(0.4)	302.9
Other operating income	**(1.2)**	(3.3)	0.1	(3.2)
Net operating expenses after exceptional items	**1,094.7**	912.7	0.5	913.2
Operating profit	**36.4**	166.4	0.7	167.1

Included in the 2001 administrative expenses are exceptional costs amounting to £168.0 million for continuing operations (2000: £34.3 million continuing operations), including £150.0 million impairment charge in respect of the acquired publishing rights and titles of the former Mirror Group.

The prior period figures have been restated to reflect the adoption of FRS 19. Goodwill totalling £36.7 million resulted from the implementation of FRS 19. Due to the impairment of this goodwill at the date of acquisition and following revisions to the provisional fair value adjustments on acquisition, £23.2 million was written off to the profit and loss account in 1999 and a further £13.5 million was written off in 2000.

Notes to the financial statements
continued

3 Analysis of turnover, operating profit and net assets

	2001 Continuing £m	2000 (restated) Continuing £m	2000 (restated) Discontinued £m	2000 (restated) Total £m
a) Turnover				
By geographical destination:				
United Kingdom and Republic of Ireland	**1,126.0**	1,073.2	1.2	1,074.4
Continental Europe	**4.7**	5.3	-	5.3
Rest of the World	**0.4**	0.6	-	0.6
	1,131.1	1,079.1	1.2	1,080.3
By type:				
Circulation	**393.7**	396.8	-	396.8
Advertising	**634.1**	574.8	-	574.8
Other	**103.3**	107.5	1.2	108.7
	1,131.1	1,079.1	1.2	1,080.3
By division:				
Regional newspapers	**530.7**	465.3	-	[1]465.3
National newspapers	**519.7**	532.4	-	532.4
Sports newspapers	**34.9**	31.8	-	[2]31.8
Magazines and exhibitions	**32.5**	35.3	-	35.3
Digital media	**0.9**	2.3	-	[2]2.3
Other	**12.4**	12.0	1.2	13.2
	1,131.1	1,079.1	1.2	1,080.3

[1]Includes turnover relating to Belfast Telegraph Newspapers of £31.4 million (sold 30 July 2000) and Southnews of £6.6 million (acquired 28 November 2000).

[2]The comparative for the 52 weeks to 31 December 2000 has been restated to incorporate revenue of Racing Post Online (£0.2 million) within sports newspapers. This was previously reported within digital media.

b) Group operating profit

The analysis of the Group's operating profit (before exceptional items) is as follows:

By division:	2001 Continuing £m	2000 (restated) Continuing £m	2000 (restated) Discontinued £m	2000 (restated) Total £m
Regional newspapers	**120.2**	114.8	-	[1]114.8
National newspapers	**88.9**	111.0	-	111.0
Sports newspapers	**8.4**	7.9	-	[2]7.9
Magazines and exhibitions	**6.4**	6.8	-	6.8
Digital media	**(23.5)**	(42.0)	-	[2](42.0)
Other	**4.0**	2.9	-	2.9
	204.4	201.4	-	201.4

[1]Includes operating profit relating to Belfast Telegraph Newspapers of £13.2 million and Southnews £0.1 million.

[2]The comparative for the 52 weeks to 31 December 2000 has been restated to more appropriately incorporate the net costs of Racing Post Online (£0.3 million) within sports newspapers. These were previously reported within digital media.

	2001 £m	2000 (restated) £m
c) Net assets employed		
By division:		
Regional newspapers	**1,235.6**	1,294.7
National newspapers	**797.0**	871.8
Sports newspapers	**38.6**	38.7
Magazines and exhibitions	**11.7**	13.1
Digital media	**-**	-
	2,082.9	2,218.3
Net borrowings	**(735.0)**	(768.2)
Associated undertakings and non-equity minority interests	**14.2**	12.3
	1,362.1	1,462.4

The prior period figures have been restated to reflect the adoption of FRS 19 (which requires the full provision for deferred tax on timing differences), the reclassification of provisions to the operating divisions and the offset of cash against borrowings to more appropriately reflect the assets employed of the Group's businesses. The increase in the deferred tax provision for 2000 totalled £40.8 million and has been allocated to regional newspapers (£4.3 million) and national newspapers (£36.5 million).

Notes to the financial statements

continued

4 Operating profit	**2001 £m**	2000 £m
Operating profit is stated after charging:		
Depreciation of tangible assets:		
Owned assets (2000: including £7.5 million accelerated depreciation – note 5)	**38.7**	43.1
Leased assets	**4.7**	4.2
Amortisation of goodwill (including £nil write off of goodwill; 2000: £13.5 million)	**1.5**	14.1
Operating lease rentals:		
Plant and machinery	**8.7**	7.2
Other	**7.5**	5.5
Impairment of publishing rights and titles	**150.0**	-
Other exceptional items (see note 5)	**16.8**	13.3
Auditors' remuneration		
Group audit fees	**0.5**	0.5
Circulation audit	**0.4**	0.3
Other	**0.4**	0.9

In addition, in 2001 fees of £nil (2000: £0.1 million) payable to the auditors have been included within acquisition costs and £0.2 million included within the profit on sale of investments (2000: £0.2 million within the profit on disposal of Belfast Telegraph Newspapers). No audit fee is borne by the Company (2000: £nil).

5 Exceptional items	**2001 £m**	2000 (restated) £m
Operating exceptional items		
Impairment of carrying value of publishing rights and titles (a)	**150.0**	-
Restructuring costs (b)	**20.0**	13.3
Impairment of goodwill arising from the implementation of FRS 19 (c)	**-**	13.5
Accelerated depreciation in respect of press impairment (d)	**-**	7.5
Recovery from Maxwell Works Pension Scheme (e)	**(2.0)**	-
Total exceptional items charged against operating profit	**168.0**	34.3
Profit on sale of operations (f)	**-**	(164.5)
Share of exceptional items of associated undertaking (g)	**-**	(17.5)
Profit on sale of investment in associated undertakings (h)	**(1.2)**	-
Net exceptional items before taxation	**166.8**	(147.7)

(a) An annual impairment review of the carrying value of the Group's publishing rights and titles, undertaken in accordance with FRS 10, has indicated that an impairment charge of £150.0 million was required. The impairment reduces the carrying value of the former Mirror Group's publishing rights and titles to the net present value of future cashflows to be derived from these assets, discounted at 7.3%.

(b) Restructuring costs of £20.0 million (2000: £13.3 million) relate primarily to the closure of the central digital media sites and integration of the regional sites with the regional newspaper businesses (£4.6 million), ongoing restructuring of the Group's finance systems (£3.1 million) and costs incurred in the formulation and implementation of strategic and profit improvement plans, including cost reduction measures, amounting to £12.3 million.

(c) Goodwill of £36.7 million arising on the implementation of FRS 19 has been written off due to an impairment in its value. £23.2 million was written off in 1999 and the balance remaining of £13.5 million was written off during 2000.

(d) Following an assessment of the Group's future press policy undertaken during 2000, accelerated depreciation of £7.5 million was applied to certain press facilities reflecting their impairment.

(e) In 1992 Mirror Group lent the Trustees of the Maxwell Works Pension Scheme sufficient money to pay the benefits due under that scheme. Mirror Group was the principal company under the scheme's trust. The terms of the loan specified that it would only be repaid when the scheme had settled all of its other debts, including monies owed to the Government. Mirror Group wrote off the loan in 1992. In December 2001 a repayment of £2.0 million was made by the scheme.

(f) The sale of Belfast Telegraph Newspapers in July 2000 resulted in a net profit on disposal of £164.5 million.

(g) The share of associated undertaking's exceptional items relates to the net profit on disposal of businesses during 2000 by The Press Association.

(h) In August 2001, the Group sold its investment in Reed Aviation, realising a profit on disposal of £0.5 million. The Press Association and Trinity Mirror disposed of PA Sporting Life in October, thereby realising a profit on disposal for the Group of £0.7 million. No material tax liability arose on these disposals.

6 Net interest payable	**2001 £m**	2000 £m
Interest on bank loans, loan notes and overdrafts		
Wholly repayable within five years	**(45.2)**	(50.5)
Repayable after five years	**(3.0)**	-
Interest on finance leases		
Repayable within five years	**(0.8)**	(1.0)
Repayable after five years	**(1.8)**	(2.2)
Interest payable and similar charges	**(50.8)**	(53.7)
Interest receivable and other similar income	**1.6**	6.4
Net interest payable	**(49.2)**	(47.3)

7 Staff costs	**2001 Number**	2000 Number
The average number of full time equivalents, including executive directors, employed by the Group in the year was:		
Production and editorial	**6,424**	6,898
Sales and distribution	**3,792**	3,826
Administration	**1,971**	2,278
	12,187	13,002

All employees are employed in the United Kingdom and the Republic of Ireland.

Notes to the financial statements
continued

7 Staff costs (continued)
2000 numbers include the effects of 7 months of Belfast Telegraph employees and only 1 month of Southnews employees.

	2001 £m	2000 (restated) £m
Staff costs, including directors' emoluments, incurred during the year were:		
Wages and salaries	**292.0**	264.7
Employers' national insurance contributions	**24.5**	21.1
Pension costs	**8.5**	6.7
	325.0	292.5

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are shown in the tables in the remuneration report on pages 31 to 33 and form part of these financial statements.

The 2000 pension costs have been restated from £12.3 million to £6.7 million to include the SSAP 24 variation from regular cost.

8 Tax on profit on ordinary activities	**2001 £m**	2000 (restated) £m
Profit before tax on ordinary activities before exceptional items	**155.5**	154.1
Corporation Tax		
Corporation tax charge for the year	**40.5**	46.8
Prior year adjustment	**(1.8)**	(3.6)
Total current tax charge	**38.7**	43.2
Deferred Tax		
Deferred tax charge for the year	**3.6**	0.6
Prior year adjustment	**4.3**	-
Total deferred tax	**7.9**	0.6
Total tax on profit on ordinary activities before exceptional items	**46.6**	43.8
Exceptional:		
UK corporation tax on exceptional items	**(5.2)**	3.8
Deferred taxation on exceptional items	**-**	(0.8)
Tax on (loss)/profit on ordinary activities	**41.4**	46.8

Reconciliation of current tax charge
The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2000: 30%). The current tax rate for the year is less than 30% (2000 was also less than 30%) for the reasons set out in the following reconciliation.

	2001 %	2000 %
Standard rate of corporation tax	**30.0**	30.0
Permanent items	**(2.0)**	1.0
Depreciation in excess of capital allowances for the period	**1.0**	(0.3)
Deferred tax on short term and other timing differences	**(3.0)**	(0.4)
Prior year adjustment corporation tax	**(1.1)**	(2.3)
Total current tax charge rate	**24.9**	28.0

The prior period figures have been restated to reflect the adoption of FRS 19.

9 Dividends	**2001 Per Share**	2000 Per Share	**2001 £m**	2000 £m
Interim, paid	**5.3p**	5.3p	**15.4**	15.4
Final, proposed	**12.3p**	12.3p	**35.8**	35.8
Equity dividends payable on ordinary shares	**17.6p**	17.6p	**51.2**	51.2

10 Earnings per ordinary share	**2001**	2000 (restated)
(Loss)/profit for the financial year (£million)	**(53.0)**	255.0
Basic and diluted (loss)/earnings attributable to ordinary shareholders (£million)	**(53.0)**	255.0
Weighted average number of ordinary shares used for basic EPS calculation ('000)	**290,636**	289,793
Effect of dilutive share options ('000)	**347**	2,124
Weighted average number of ordinary shares used for diluted EPS calculation ('000)	**290,983**	291,917

To assist comparison, an underlying earnings per share has also been calculated to exclude the impact of exceptional items as shown below:

	2001 £m	2000 (restated) £m
Profit on ordinary activities before digital media investment and exceptional items and after tax and non-equity minority interest	**125.1**	140.5
Loss on ordinary activities from digital media activities after tax	**(16.5)**	(30.2)
Profit on ordinary activities before exceptional items and after taxation and non-equity minority interest	**108.6**	110.3
Exceptional items before taxation	**(166.8)**	147.7
Exceptional tax effect	**5.2**	(3.0)
Exceptional items after tax	**(161.6)**	144.7
(Loss)/profit after tax and exceptional items	**(53.0)**	255.0

Earnings per share (pence)	**2001 pence**	2000 (restated) pence
Earnings per share before digital media activities	**43.0**	48.5
Loss per share from digital media activities	**(5.6)**	(10.4)
Earnings per share – underlying	**37.4**	38.1
Exceptional items	**(55.6)**	49.9
(Loss)/earnings per share – basic	**(18.2)**	88.0
(Loss)/earnings per share – diluted (pence)	**(18.2)**	87.4

Basic earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of shares during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

Notes to the financial statements
continued

11 Intangible fixed assets	Publishing rights/titles £m	Goodwill £m	Group Total 2001 £m	Total 2000 (restated) £m
Cost				
At 1 January 2001	**2,005.3**	**51.2**	**2,056.5**	1,805.6
Acquisition of Southnews	**-**	**-**	**-**	345.7
Other acquisitions	**-**	**-**	**-**	2.5
Disposals	**-**	**-**	**-**	(110.8)
Finalisation of fair values of Mirror Group	**-**	**-**	**-**	13.5
At 30 December 2001	**2,005.3**	**51.2**	**2,056.5**	2,056.5
Accumulated amortisation				
At 1 January 2001	**-**	**(38.1)**	**(38.1)**	(24.0)
Charge for the period	**-**	**(1.5)**	**(1.5)**	(0.6)
Goodwill written off	**-**	**-**	**-**	(13.5)
Impairment of publishing rights and titles	**(150.0)**	**-**	**(150.0)**	-
At 30 December 2001	**(150.0)**	**(39.6)**	**(189.6)**	(38.1)
Net book value				
At 30 December 2001	**1,855.3**	**11.6**	**1,866.9**	2,018.4
At 1 January 2001	2,005.3	13.1	2,018.4	1,781.6

Details of acquisitions are included within note 31. Details of disposals are included within note 32.

During 2001 the directors undertook a detailed analysis of the strategic options in respect of the Group's businesses. The results of this strategic analysis were incorporated into the annual impairment review of the carrying value of the Group's acquired publishing rights and titles. This impairment review assessed whether the carrying value of the intangible assets was supported by the net present value of future cash flows to be derived from the relevant assets. The review indicated that an impairment charge of £150.0 million was required in respect of the carrying value of the former Mirror Group's publishing rights and titles. There was no impairment to any other assets.

The directors have assessed the expected future impact of acquisitions in previous periods and have attributed useful economic lives of between 5 and 20 years to the goodwill arising.

Goodwill totalling £36.7 million was created in 1999 on the implementation of FRS 19. £23.2 million was written off to the profit and loss account in 1999 and a further £13.5 million was written off in 2000 (as detailed in note 33).

12 Tangible fixed assets	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and vehicles £m	Assets under construction £m	Group Total £m	Company plant and vehicles £m
At cost or valuation						
At 1 January 2001	169.1	22.8	356.3	1.4	549.6	3.2
Additions	0.8	0.4	24.9	5.2	31.3	0.3
Disposals	(0.3)	-	(6.9)	-	(7.2)	(1.8)
Reclassification	0.1	-	0.4	(0.8)	(0.3)	-
Write off of fully depreciated assets	(3.6)	-	(15.3)	-	(18.9)	-
Transfer to stock	-	-	(2.1)	-	(2.1)	-
At 30 December 2001	**166.1**	**23.2**	**357.3**	**5.8**	**552.4**	**1.7**
Accumulated depreciation						
At 1 January 2001	6.2	6.0	133.1	-	145.3	1.5
Charge for period	2.8	0.7	39.9	-	43.4	0.1
Disposals	-	-	(6.8)	-	(6.8)	(0.1)
Reclassification	(0.2)	-	(0.1)	-	(0.3)	-
Write off of fully depreciated assets	(3.6)	-	(15.3)	-	(18.9)	-
At 30 December 2001	**5.2**	**6.7**	**150.8**	**-**	**162.7**	**1.5**
Written down book value						
At 30 December 2001	**160.9**	**16.5**	**206.5**	**5.8**	**389.7**	**0.2**
At 1 January 2001	162.9	16.8	223.2	1.4	404.3	1.7

Written down book value of land and buildings comprises:	£m
Freehold land and buildings	160.9
Leases with more than 50 years to run	11.6
Leases with less than 50 years to run	4.9
	177.4

Tangible fixed assets at historical cost	Group Total £m	Company plant and vehicles £m
Cost	547.4	1.7
Depreciation	(162.7)	(1.5)
Written down value	384.7	0.2

Modified historic cost
Following adoption of FRS 15 'Tangible Fixed Assets', the value of certain of the Group's land and buildings has been frozen at modified historic costs. The valuation of £32.9 million has not been updated since the last revaluation in 1988.

	£m
Cost	23.3
Valued in 1988	9.6
	32.9

Plant, equipment and vehicles are all shown at cost.

Included within the total net book value of tangible assets is £33.1 million (2000: £35.5 million) in respect of assets acquired under finance leases. Depreciation for the year on those assets was £4.7 million (2000: £8.3 million).

No provision is made for tax that would arise on any excess of sale proceeds over the cost of land and buildings if they were to be sold at their revalued amounts.

Capital commitments	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Capital expenditure contracted for but not provided in the accounts	**15.0**	4.8	**-**	-

Notes to the financial statements
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13 Investments held as fixed assets	Group Share of net assets of associates £m	Investments £m	Total £m
At 1 January 2001	15.5	0.5	16.0
Disposals (accumulated losses)	4.6	-	4.6
Dividends received	(2.6)	-	(2.6)
Interest received	(0.4)	-	(0.4)
Retained profit for the year	0.3	-	0.3
At 30 December 2001	**17.4**	**0.5**	**17.9**

The Group's interests in joint ventures have not been accounted for under the gross equity basis on the grounds of immateriality. During 2001 the Group disposed of its interests in Reed Aviation Limited and PA Sporting Life.

Included within investments is £0.4 million (2000: £0.4 million) in respect of the Company's own shares held in an employee share ownership trust as described in note 24.

	Company Shares £m	Subsidiary loans £m	Investments £m	Total £m
Cost				
At 1 January 2001	1,612.9	42.1	0.9	1,655.9
Additions	655.2	-	-	655.2
Disposals	(410.4)	-	-	(410.4)
Costs written off	(6.4)	-	-	(6.4)
At 30 December 2001	**1,851.3**	**42.1**	**0.9**	**1,894.3**
Provisions				
At 1 January 2001	2.0	-	0.9	2.9
Provision in year	4.5	-	-	4.5
At 30 December 2001	**6.5**	**-**	**0.9**	**7.4**
Net book value				
At 30 December 2001	**1,844.8**	**42.1**	**-**	**1,886.9**
At 1 January 2001	1,610.9	42.1	-	1,653.0

As part of a Group reorganisation, the Company acquired a number of subsidiaries from Group companies for a consideration of £655.2 million and disposed of a number of subsidiaries to Trinity Mirror Regionals PLC, the holding company for the Group's regional newspaper interests, for £410.4 million. The consideration for all subsidiaries acquired has been held on inter-company account, and the consideration for disposals was satisfied by the issue of shares in Trinity Mirror Regional PLC at par value. A loss on disposal of £5.5 million was realised on the subsidiaries disposed.

A list of principal subsidiaries and associated undertakings is shown on page 51.

14 Stocks	Group 2001 £m	Group 2000 £m
Raw materials and consumables	**8.7**	7.7

During the year £2.1 million (2000: £nil) has been transferred from fixed assets to stock.

15 Debtors	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Trade debtors	**120.1**	120.4	**0.2**	1.2
Amounts owed by subsidiary companies	**-**	-	**1,004.8**	423.5
Amounts owed by associated undertakings	**-**	-	**-**	4.1
Other debtors	**9.7**	21.2	**3.4**	0.7
Prepayments and accrued income	**43.1**	37.7	**14.4**	1.7
	172.9	179.3	**1,022.8**	431.2

Included within amounts owed by subsidiary companies is a £200.0 million convertible bond, repayable in 2030, and £14.7 million (2000: £1.1 million) of associated accrued discount.

Included in prepayments (Group) is an amount of £19.0 million (2000: £13.0 million) that relates to defined benefit pension debtors that are due after more than one year.

Current asset investments
The Group has current asset investments in shares in UK listed companies with a book value of £47,000 (2000: £67,000) which had a market value of £2,458,900 at 30 December 2001 (2000: £4,806,000).

The Company has current asset investments in shares in UK listed companies with a book value of £1,438,000 (2000: £1,577,000) which had a market value of £1,438,000 at 30 December 2001 (2000: £2,887,000).

16 Bank loans, loan notes and overdrafts	2001 Within 1 year £m	2001 After 1 year £m	2000 Within 1 year £m	2000 After 1 year £m
Group				
Bank overdrafts	**9.2**	**-**	24.5	-
Bank loans	**62.0**	**325.0**	212.0	447.0
Loan notes	**48.1**	**288.7**	22.9	71.8
	119.3	**613.7**	259.4	518.8
Company				
Bank overdrafts	**4.2**	**-**	4.9	-
Bank loans	**62.0**	**325.0**	212.0	247.0
Loan notes	**18.6**	**288.7**	18.9	44.7
	84.8	**613.7**	235.8	291.7

Further analysis of finance debt is provided in note 19 of the financial statements.

Notes to the financial statements

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17 Finance lease obligations and operating lease commitments	Group 2001 £m	Group 2000 £m
Finance lease obligations are repayable as follows:		
Within one year	**6.3**	5.8
Between one and two years	**3.8**	4.9
Between two and five years	**9.8**	10.3
After five years	**25.6**	26.7
	45.5	47.7

	Land and buildings		Other		Total	
	2001 £m	2000 £m	2001 £m	2000 £m	Group 2001 £m	Group 2000 £m
Operating lease commitments for the coming year are as follows:						
Leases expiring:						
Within one year	**0.5**	0.8	**1.9**	1.8	**2.4**	2.6
Between one and five years	**1.4**	1.5	**7.5**	4.8	**8.9**	6.3
After five years	**10.7**	10.0	**0.1**	0.1	**10.8**	10.1
	12.6	12.3	**9.5**	6.7	**22.1**	19.0

The Company had no finance lease obligations or operating lease commitments.

18 Other creditors: amounts falling due within one year	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Trade creditors	**49.6**	41.9	**1.3**	0.6
Amounts owed to subsidiary companies	**-**	-	**859.2**	287.8
Amounts owed to associated undertakings	**-**	-	**-**	0.6
Corporate taxation	**22.3**	29.0	**-**	0.2
Other taxation and social security	**23.0**	27.3	**-**	-
Other creditors	**25.9**	13.0	**0.2**	-
Accruals and deferred income	**101.2**	147.4	**17.9**	21.0
Proposed dividends	**35.8**	35.8	**35.8**	35.8
	257.8	294.4	**914.4**	346.0

19 Borrowings	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Bank overdrafts (unsecured)	**9.2**	24.5	**4.2**	4.9
Syndicated unsecured bank loan	**385.0**	655.0	**385.0**	455.0
Unsecured fixed rate bank loan	**2.0**	4.0	**2.0**	4.0
US$68.6m unsecured loan notes	**44.8**	59.7	**44.8**	59.7
Unsecured commercial rate loan notes	**33.2**	35.0	**3.7**	3.9
US$350m unsecured loan notes	**236.8**	-	**236.8**	-
£22m unsecured loan notes	**22.0**	-	**22.0**	-
Obligations under finance leases	**45.5**	47.7	**-**	-
	778.5	825.9	**698.5**	527.5
Due within one year	**125.6**	265.2	**84.8**	235.8
Due after more than one year	**652.9**	560.7	**613.7**	291.7
	778.5	825.9	**698.5**	527.5

An analysis of the maturity is shown in note 20(a).

Syndicated loan facilities

The Group has a £1,050 million unsecured syndicated loan facility dated 28 July 1999. The facility incorporated a £350 million five-year revolving credit tranche, a £400 million five-year amortising term loan tranche and a £300 million 364-day revolving credit tranche with a one-year term out option. The £350 million revolving credit tranche is fully repayable on 28 July 2004 and the £400 million amortising term loan is repayable by semi annual instalments of £30 million commencing 20 June 2000 with the remaining £130 million repayable on 28 July 2004. On 21 December 2001, £50 million of the £350 million five-year revolving credit tranche was cancelled. During 2000 £150 million of the £300 million 364-day revolving credit facility was cancelled and the remaining £150 million termed out to July 2001.

On 24 January 2001 the Group procured an additional £200 million 364-day revolving credit facility with a one-year term out option to refinance the £150 million termed out under the £1,050 million facility and to provide additional working capital. On 26 January 2001 the £150 million termed out under the £1,050 million loan facility was fully repaid. On 25 October 2001 the £200 million facility was repaid and cancelled.

Unsecured fixed rate bank loan

This represents a £2.0 million (2000: £4 million) 7.5% loan repayable in 2002.

US$68.6 million unsecured loan notes

US$68.6 million (2000: US$91.4 million) represents the outstanding obligations under a US$160 million US$ private placement undertaken in September 1994. The notes are repayable in equal annual instalments of US$22.9 million on 15 September. Both the interest and capital repayments under the notes have been swapped into sterling through the use of cross-currency interest rate swaps. As at 30 December 2001, £44.8 million (2000: £59.7 million) remains outstanding under these loan notes.

US$350 million and £22 million unsecured loan notes

On 24 October 2001 the Group issued unsecured loan notes totalling $350 million and £22 million through a private placing in the United States and the UK respectively. The placing consisted of 5 Series with different interest rates and maturities as follows:

US$80 million 6.6% fixed rate Series A notes due 24 October 2008
US$190 million 7.04% fixed rate Series B notes due 24 October 2011
US$80 million 7.19% fixed rate Series C notes due 24 October 2013
£16 million 7.3% fixed rate Series D notes due 24 October 2011
£6 million floating rate Series E notes due 24 October 2008

All the notes are repayable in full on maturity. Both the interest and capital repayments under US$-denominated notes has been swapped into sterling through the use of cross-currency interest rate swaps. At 30 December 2001 £258.8 million (net of costs) remains outstanding under these loan notes. The costs of the issue are being written off over the term of the notes.

Notes to the financial statements
continued

19 Borrowings (continued)
Unsecured commercial rate loan notes
The Group has issued unsecured loan notes as part consideration for various acquisitions undertaken in the past. Interest on the loan notes is linked to LIBOR or base rate.

Obligations under finance leases
The Group has a number of assets at its printing plants which have been funded through finance leases. Substantially all the leases are at variable rates of interest linked to LIBOR.

20 Financial instruments
The Group's policies as regards derivatives and financial instruments are set out in the financial review on pages 24 and 25 and the accounting policies on pages 37 and 38. The Group does not trade in financial instruments.

a) Maturity profile of financial liabilities excluding short-term debtors and creditors	**Group 2001 £m**	Group 2000 £m
Repayable by instalments as follows:		
Overdrafts		
Repayable within one year	**9.2**	24.5
Bank loans		
Repayable within one year	**62.0**	212.0
Between one and two years	**60.0**	62.0
Between two and five years	**265.0**	385.0
Loan notes		
Repayable within one year	**48.1**	22.9
Between one and two years	**14.9**	42.0
Between two and five years	**15.0**	29.8
After five years	**258.8**	-
Obligations under finance leases		
Repayable within one year	**6.3**	5.8
Between one and two years	**3.8**	4.9
Between two and five years	**9.8**	10.3
After five years	**25.6**	26.7
	778.5	825.9
Other financial liabilities		
Within one year	**-**	1.7
Between one and two years	**-**	1.2
	778.5	828.8

The Group has the following undrawn committed borrowing facilities at the year end:

	Group 2001 £m	Group 2000 £m
Expiry date		
In one year or less	**-**	163.6
Between two and five years	**173.6**	-
	173.6	163.6

b) Interest rate profile excluding short-term debtors and creditors
The following interest rate and currency profiles of the Group's financial assets and liabilities are after taking into account interest rate swaps entered into by the Group.

	Fixed rate £m	Floating rate £m	Total £m	Weighted average rate* %	Weighted average period* Years
At 30 December 2001					
Sterling	118.0	376.6	494.6	6.3%	3.3
US$ swapped into sterling	-	281.6	281.6	-	-
Gross sterling borrowings	**118.0**	**658.2**	**776.2**	**6.3%**	**3.3**
At 1 January 2001					
Gross sterling borrowings	104.0	721.9	825.9	8.0%	1.8

*In respect of fixed rate borrowings.

Interest on the floating rate liabilities is based on LIBOR and base rates. Other financial liabilities of £nil (2000: £2.9 million) do not bear interest. During 2001 an interest rate swap on a notional £100.0 million was cancelled at a cost of £2.8 million.

Financial assets
The only financial assets held by the Group comprise cash at bank and in hand of £43.5 million (2000: £57.7 million). Interest on deposits held at bank is received at the prevailing overnight deposit rate.

Notes to the financial statements

continued

20 Financial instruments (continued)

c) Fair value of financial assets and liabilities excluding short-term debtors and creditors

Primary financial instruments held or issued to finance the Group's operations	**2001 Carrying amount £m**	**2001 Estimated fair value £m**	2000 Carrying amount £m	2000 Estimated fair value £m
Bank overdrafts (unsecured)	**9.2**	**9.2**	24.5	24.5
Syndicated unsecured bank loan	**385.0**	**385.0**	655.0	655.0
Unsecured fixed rate bank loans	**2.0**	**2.0**	4.0	4.0
US$68.6m unsecured loan notes	**44.8**	**52.4**	59.7	66.0
Unsecured commercial rate loan notes	**33.2**	**33.2**	35.0	35.0
US$350m unsecured loan notes	**236.8**	**270.1**	-	-
£22m unsecured loan notes	**22.0**	**24.9**	-	-
Obligations under finance leases	**45.5**	**45.5**	47.7	47.7
	778.5	**822.3**	825.9	832.2

Financial assets				
Cash at bank and in hand	**43.5**	**43.5**	57.7	57.7

Derivative financial instruments held to manage interest rate and currency profile				
Interest rate swaps	**-**	**0.9**	2.9	2.7
Cross-currency interest rate swaps	**1.2**	**5.7**	2.0	(1.5)
	1.2	**6.6**	4.9	1.2

Market values have been used to determine the fair values of all interest rate swaps, cross-currency interest rate swaps and interest rate caps. With the exception of the US$68.6 million unsecured loan notes, all sterling financial liabilities have a market value equivalent to the book value as the underlying interest costs are at variable market rates. The fair value of the US$68.6 million and US$350 million unsecured loan notes has been calculated by discounting the underlying cash flows and using the year-end exchange rate to convert the US$ value to sterling.

d) Currency profile

The Group has no material foreign currency exposures as the US$68.6 million and US$350 million unsecured loan notes detailed in note 19 are hedged through cross-currency interest rate swaps.

e) Hedges

As at 30 December 2001 there were unrecognised losses on financial instruments used as hedges of £11.3 million (2000: £nil) and losses carried forward in the balance sheet of £1.2 million (2000: £4.9 million), of which £0.9 million (2000: £nil) and £0.6 million (2000: £0.8 million) respectively are expected to be recognised in the financial year ending 29 December 2002.

As at 30 December 2001, there were unrecognised gains on financial instruments used as hedges of £4.6 million (2000: £3.7 million) of which £nil (2000: £0.1 million) is expected to be recognised in the financial year ending 29 December 2002.

Losses of £2.8 million (2000: £nil) arising on hedges recognised in the financial year ended 30 December 2001 related to previous financial periods.

There are no gains arising on hedges recognised in the financial year ended 30 December 2001 which related to previous financial periods.

21 Provisions

Provisions for liabilities and charges	Deferred taxation £m	Property provision £m	Pension provision £m	Other provisions £m	**Total £m**
At 1 January 2001 – as previously reported	1.2	19.0	32.8	3.2	**56.2**
Reclassification	(3.1)	3.1	-	-	**-**
Effect of implementation of FRS 19	40.8	-	-	-	**40.8**
At 1 January 2001 – as restated	38.9	22.1	32.8	3.2	**97.0**
Utilised (within the profit and loss account)	-	(4.2)	-	(3.2)	**(7.4)**
Charged to the profit and loss account	7.9	-	-	-	**7.9**
At 30 December 2001	**46.8**	**17.9**	**32.8**	**-**	**97.5**

The £3.1 million reclassified from deferred tax to property provision relates to deferred tax on property provisions which was previously allocated against property provisions.

The adoption of FRS 19, 'Deferred Taxation', has required full provision to be made for deferred tax on timing differences and no provision to be made for deferred tax on investment revaluations.

The principal changes arise from full provision for deferred tax on the acquisition of the Mirror Group in 1999 and the reversal of deferred tax assets on fair value adjustments created under FRS 7.

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. During the year £4.2 million was utilised in respect of this provision.

The pension provision relates to valuation deficits in respect of Mirror Group and Southnews pension schemes arising on application of FRS7 'Fair Values in Acquisition Accounting' to the assets and liabilities of the schemes at the respective dates of acquisition of Mirror Group and Southnews by Trinity and Trinity Mirror respectively.

Other provisions, which relate primarily to interest rate swaps acquired with Mirror Group, were utilised during the year.

The movements in provisions in 2001 relate to utilisation of property and other provisions and charges to deferred tax in the profit and loss account.

22 Non-equity minority interest

The non-equity minority interest comprises 3.7 million 7.8% cumulative convertible redeemable preference shares of £1 each in a subsidiary company, The Adscene Group Limited. They are redeemable at the Company's option at par, after January 2016. The preference shares carry a dividend payable half yearly in arrears.

Dividends paid during the year of £0.3 million (2000: £nil) are included in the profit and loss account.

Notes to the financial statements
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23 Deferred taxation	2001 £m	2000 £m
Accelerated capital allowances	**55.8**	61.0
Short-term timing differences	**(4.0)**	(15.2)
	51.8	45.8
Pension provision	**(5.0)**	(6.9)
Total provision	**46.8**	38.9

Provision for tax on capital gains payable on the disposal of revalued properties is made only when it is decided in principle to dispose of the asset.

The tax liability on capital gains if all properties had been sold at their book values, and without taking advantage of rollover relief, is estimated to be £0.2 million (2000: £0.3 million).

Other deferred taxation not provided is in respect of gains deferred by rollover and held-over relief of £8.2 million (2000: £5.2 million).

24 Called-up share capital	2001 Number	2001 £m	2000 Number	2000 £m
Authorised				
Ordinary shares of 10p each	**450,000,000**	**45.0**	450,000,000	45.0

	2001 Number	2001 £m	2000 Number	2000 £m
Allotted, called-up and fully paid ordinary shares of 10p each				
At 1 January 2001	**290,103,205**	**29.1**	289,375,396	29.1
Issued on exercise of options	**1,115,787**	**-**	727,809	-
At 30 December 2001	**291,218,992**	**29.1**	290,103,205	29.1

£4,426,000 was raised in 2001 (2000: £2,501,000) on the exercise of share options, including share premium of £4,426,000 (2000: £2,442,000).

Share option schemes
Under the terms of the Group's various share option schemes, the following options to subscribe for ordinary shares were outstanding:

Scheme	Grant dates	Number of shares	Exercise prices	Exercise dates
Executive	1991-1996	262,463	294p-438p	Apr 1997-Sep 2006
Savings-related	1993-2000	3,984,031	330p-428p	Dec 2000-Feb 2006
Executive approved	1997-1999	345,110	426p-620p	May 2000-Dec 2009
Executive unapproved	1996-1999	1,640,631	339p-620p	Sep 1998-Dec 2009
Mirror Group Savings Related (Rollover)	1996	466,614	358p	Aug 2001-Feb 2004
Mirror Group Executive Share Option Scheme (Rollover)	1994-1999	213,806	369p-437p	Apr 1997-Mar 2005
TM Exec Approved	2000-2001	1,149,073	453p-544p	May 2003-Apr 2011
TM Exec Unapproved	2000-2001	4,536,317	453p-544p	May 2003-Apr 2011

In accordance with UITF 13 'Accounting for ESOP Trusts' the assets and liabilities of the employee benefit trust administered by the trustee, Kleinwort Benson (Guernsey) Trustees Limited, have been brought into the balance sheet of the Group. The Trust holds the shares of the Company for the subsequent transfer to employees under a restricted share plan. At 30 December 2001 the Trust held 90,855 (2000: 90,855) shares, with a carrying value of £369,700 (2000: £369,700) and a market value of £372,500 (2000: £416,000) in the Company of which nil (2000: 52,500) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence per share. The costs associated with the Trust are included in the profit and loss account as they accrue. The lowest price of the shares during the year was 341.5p and the highest price was 498.5p. The share price as at 30 December 2001 was 410p. These shares have been excluded from the weighted average number of shares used in the calculation of earnings per share.

25 Share premium account	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
At 1 January 2001	**1,074.3**	1,071.9	**1,074.3**	1,071.9
Premium on ordinary shares allotted in the year	**4.4**	2.4	**4.4**	2.4
At 30 December 2001	**1,078.7**	1,074.3	**1,078.7**	1,074.3

26 Other reserves	Group revaluation reserve £m	Group profit and loss account £m	Company profit and loss account £m
At 1 January 2001 – as previously reported	5.0	394.8	113.6
Implementation of FRS 19	-	(40.8)	-
At 1 January 2001 – as restated	5.0	354.0	113.6
Transfer of retained (loss)/profit for the period	-	(104.2)	82.5
Effect of share options expensed by parent company	-	(0.5)	-
At 30 December 2001	**5.0**	**249.3**	**196.1**

Cumulative goodwill written off to reserves in respect of continuing businesses acquired prior to 1998 is £25.9 million.

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27 Pensions
Pension schemes
The Group operates a number of funded final salary pension schemes including two executive arrangements, all of which have been set up under trusts that hold their financial assets separately from those of the Group. In addition, a number of defined contribution arrangements are currently operated, however, the cost of these is not material and is not, therefore, separately disclosed within the pension costs for the Group.

Two of the schemes, namely the Mirror Group Pension Scheme (the 'Old Scheme') and the MGN Past Service Pension Scheme (the 'Past Service Scheme') cover the liabilities in respect of service up to 13 February 1992, the date when the Old Scheme was closed. The Past Service Scheme was established to meet the liabilities for service up to 13 February 1992 for employees and former employees, who worked regularly on the production and distribution of Mirror Group's newspapers, which are not satisfied by payments from the Old Scheme or by Guaranteed Minimum Pension provided by the State.

Following an actuarial valuation of these pension schemes as at 31 December 2000, which showed that they have sufficient assets to meet their liabilities for members' benefits, no contributions were necessary during 2001.

In addition to the above schemes, the Group operates a further eight final salary schemes. Formal valuations of schemes are carried out every three years, the actuarial methods and assumptions used to calculate each scheme's assets and liabilities varying according to the actuarial and funding policies adopted by their respective trustees.

At the dates of the last full valuations, the aggregate market value of the assets of these further Group schemes was £450.4 million with the actuarially determined value of these assets being 109% of their liabilities. The most significant of the schemes are the Trinity Retirement Benefit Scheme (the 'Trinity Scheme'), the MGN Pension Scheme (the 'MGN Scheme') and the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme'), which together represent 94.1% of the aggregate market value. The last formal valuation of these three schemes was undertaken on 30 June 2001 for the Trinity Scheme, 31 December 2000 for the MGN Scheme and 5 April 1999 for the MIN Scheme. These valuations showed a surplus of £44.4 million in the Trinity Scheme and deficits of £8.3 million and £0.4 million in the MGN and MIN Schemes, respectively. All of the schemes are being funded in accordance with the recommendations of the respective actuaries.

There are currently a number of different valuation bases and valuation dates being used. It has, therefore, been necessary to carry out a review in order to standardise the bases used for accounting purposes. The principal assumptions adopted for this purpose are price inflation of 3.5% per annum; real rate of return on assets of 4.5% per annum; real pay inflation of 1.75% per annum; real increase in equity dividends of 0.75% per annum; and changes in the real level of pensions from 0% to –0.5% per annum.

In accordance with the requirements of FRS 7, fair values have been calculated as at the date of acquisition in respect of the pension schemes formerly operated by Mirror Group and Southnews. Details of the fair value provisions held at 30 December 2001 are disclosed in note 21.

A net pension cost of £8.5 million (2000: £6.7 million) has been charged in arriving at the operating profit for the year.

FRS 17 'retirement benefits'
In November 2000 the Accounting Standards Board issued FRS 17, 'Retirement Benefits', replacing SSAP 24, 'Accounting for Pension Costs'. FRS 17 is fully effective for periods ending on or after 22 June 2003, though certain disclosures are required during the transition period, for periods ending on or after 22 June 2001. The Group will be adopting FRS 17 in full for the year ending 29 December 2002. The transitional disclosures are detailed below.

Group
The actuarial valuations of the Group's defined benefit pension schemes were prepared on dates ranging from 5 April 1999 to 30 June 2001 by the appropriate scheme actuary as appointed by the schemes' respective trustees.

These valuations have been updated to 30 December 2001 to take account of the FRS 17 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the schemes' assets at their 30 December 2001 market values.

Based on actuarial advice, the financial assumptions used in calculating the schemes' liabilities and the total value of those liabilities under FRS 17 are:

	Assumptions as at 30 December 2001 (%)
Discount rate	5.75
Inflation rate	2.50
Pension increases:	
Pre 6 April 1997 pensions	2.50 to 5.00
Post 6 April 1997 pensions	2.50
Salary progression	4.25
Actuarial value of scheme liabilities at 30 December 2001 (£ million)	**1,036.9**

The future contribution rates for the Group's most significant schemes range from 9% to 12% of pensionable salaries. Under the above projected unit method of valuing scheme liabilities, the cost of the Group's closed schemes will increase as the schemes' membership matures.

The market value of assets in the Group's schemes and the expected rates of return on each class of assets are:

	Expected rate of return at 30 December 2001 (%)	Market value at 30 December 2001 £m
UK equities	7.90	329.0
US equities	7.90	55.0
Other overseas equities	8.10	120.2
Property	6.90	0.7
Corporate bonds	5.75	37.7
Fixed-interest gilts	5.00	421.2
Index-linked gilts	5.00	9.4
Cash	4.50	26.7
		999.9

Notes to the financial statements
continued

27 Pensions (continued)
FRS 17 'retirement benefits' (continued)

The overall net deficit between the assets of the Group's defined benefit pension schemes and the actuarial liabilities of those schemes that would be included in the accounts at 30 December 2001, under FRS 17, is as follows:

	Defined benefit assets £m	Defined benefit liabilities £m	**Total at 30 December 2001 £m**
Fair value of schemes' assets			999.9
Actuarial value of schemes' liabilities			(1,036.9)
Scheme surpluses/(deficits)	41.2	(78.2)	(37.0)
Deferred tax	(12.4)	23.5	11.1
Net schemes' assets/(liabilities)	**28.8**	**(54.7)**	**(25.9)**

The inclusion of these net schemes' liabilities within the Group's balance sheet would have the following effect on the Group's profit and loss reserve at 30 December 2001:

	At 30 December 2001 £m
Profit and loss account as reported	249.3
Release of SSAP 24 prepayment	(19.0)
Deferred tax thereon	5.1
Release of FRS 7 fair value provisions	32.8
Deferred tax thereon	(10.1)
	8.8
Pension reserve under FRS 17	(25.9)
Profit and loss account as restated	**232.2**

The restated Group profit and loss reserve of £232.2 million is stated after a net deficit of £25.9 million arising on the Group's pension schemes.

Company
The Company contributes to a number of the Group's defined benefit pension schemes and charges the cost of providing pension benefits to the profit and loss account as incurred, in accordance with the recommendations of the schemes actuaries.

As the Group's pension schemes operate for employees of a number of Trinity Mirror companies, the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Under FRS 17 the actual cost of providing pensions to the Company will be charged to the profit and loss account as incurred during the year.

The pension cost charged to the Company's profit and loss account in 2001 is £0.9 million.

28 Contingent liabilities
The Company has undertaken to provide financial support as required by, and has guaranteed the borrowings of, a number of its subsidiaries. At 30 December 2001 this amounted to £79.8 million (2000: £299.8 million).

29 Related party transactions
The Group traded with the following associated undertakings and joint ventures: Reed Aviation Limited, The Press Association Limited, All4U Limited, Scottish Opinion Limited and PA Sporting Life Limited. This trade generated sales of £2.7 million (2000: £2.9 million) and costs for services provided of £4.6 million (2000: £5.9 million). Financial support of £1.8 million (2000: £1.8 million) was provided during the period. The amounts outstanding at the year end amounted to £0.7 million (2000: £4.1 million) owed by associated undertakings and £0.4 million (2000: £0.6 million) owed to associated undertakings.

30 Consolidated cash flow statement
The following information is supplementary to the consolidated cash flow statement:

a) Reconciliation of operating profit to net cash flow from operating activities	**2001 Total £m**	2000 Total £m
Operating profit	**36.4**	167.1
Depreciation	**43.4**	47.3
Amortisation/impairment of goodwill and publishing rights and titles	**151.5**	14.1
Profit on disposal of fixed assets	**(0.5)**	(0.8)
Decrease in stocks	**1.1**	1.5
Decrease/(increase) in trade and other debtors and prepayments	**2.3**	(7.4)
Decrease in trade and other creditors and accruals	**(29.3)**	(1.9)
Net cash inflow from operating activities	**204.9**	219.9

Net cash inflow from operating activities for 2000 includes cash inflow relating to Belfast Telegraph Newspapers of £14.2 million.

b) Analysis of net debt	At 1 January 2001 £m	Cash flow £m	Loans repaid £m	Loan notes issued £m	Other non-cash changes £m	**At 30 December 2001 £m**
Cash at bank and in hand	57.7	(14.2)	-	-	-	43.5
Bank overdrafts	(24.5)	15.3	-	-	-	(9.2)
Net cash balances	33.2	1.1	-	-	-	34.3
Debt due within one year	(234.9)	29.9	258.8	-	(163.9)	(110.1)
Debt due after one year	(518.8)	-	-	(258.8)	163.9	(613.7)
Finance leases	(47.7)	4.6	-	-	(2.4)	(45.5)
Bank loans, loan notes and finance leases	(801.4)	34.5	258.8	(258.8)	(2.4)	(769.3)
Net debt	**(768.2)**	**35.6**	**258.8**	**(258.8)**	**(2.4)**	**(735.0)**

Notes to the financial statements
continued

30 Consolidated cash flow statement (continued)

c) Reconciliation of net cash flow to movement in net debt	**2001 £m**	2000 £m
Increase in cash in the period	**1.1**	16.9
Cash outflow/(inflow) from movement in debt and lease financing	**34.5**	(59.8)
Change in net debt resulting from cash flows	**35.6**	(42.9)
Debt acquired with Southnews	**-**	(40.1)
Debt disposed with Belfast Telegraph Newspapers	**-**	120.4
New finance leases	**(2.4)**	-
New loan notes issued on acquisition of subsidiary	**-**	(27.1)
Movement in net debt in the period	**33.2**	10.3
Net debt at 1 January 2001	**(768.2)**	(778.5)
Net debt at 30 December 2001	**(735.0)**	(768.2)

d) Non-cash movements
During the year, the Group entered into finance lease arrangements with a total capital value at the inception of the leases of £2.4 million (2000: £nil).

31 Acquisitions
Acquisition of Southnews
On 28 November 2000 the Group acquired the entire issued ordinary share capital of Southnews plc and provisional fair value adjustments were made in the 2000 accounts. No further revisions to the provisional fair value adjustments have been made in 2001.

Acquisitions of investments and associated undertakings
Cash outflows in respect of acquisitions comprise £7.4 million (2000: £6.8 million) of deferred consideration in respect of prior period acquisitions of subsidiary companies and associated undertakings (2001: £5.0 million deferred consideration for Thomson Regional Newspapers and £2.4 million further costs in respect of the acquisition of Southnews).

On 21 December 2000 the Company acquired a 25% stake in All4U Limited for a cash consideration of £2.5 million. The book and fair value of net assets acquired being £nil, £2.5 million was capitalised as goodwill.

32 Sale of operations/associates
The Group disposed of its 45% interest in Reed Aviation on 17 August 2001 for a net consideration of £0.8 million, realising a profit of £0.5 million, and its 50% interest in PASL on 12 October 2001 for £nil consideration (before disposal costs of £0.2 million), realising a profit of £0.7 million.

The Group disposed of Belfast Telegraph Newspapers on 30 July 2000 for a net consideration of £295.8 million (including loans acquired by the purchaser of £120.4 million), realising a profit of £164.5 million.

33 Restatement of comparatives
The adoption of FRS 19, 'Deferred Taxation', has required full provision to be made for deferred tax on timing differences and no provision to be made for deferred tax on investment revaluations. In addition a reclassification from deferred tax to property provisions has reduced the deferred tax balance by £3.1 million.

As a result of these changes in accounting policy, the comparatives have been restated as follows:

a) Consolidated balance sheet	Intangible assets £m	Deferred tax provision £m	Profit and loss reserves £m	Shareholders' funds £m
2000 as previously reported	2,018.4	1.2	394.8	1,503.2
Adoption of FRS 19 at 3 January 2000 (a) (b)	36.7	41.0	(4.3)	(4.3)
Goodwill written off in 1999	(23.2)	-	(23.2)	(23.2)
Goodwill written off in 2000	(13.5)	-	(13.5)	(13.5)
Tax charge for 2000 (c)	-	(0.2)	0.2	0.2
Reclassification (d)	-	(3.1)	-	-
2000 restated	**2,018.4**	**38.9**	**354.0**	**1,462.4**

(a) Goodwill totalling £36.7 million resulted from the implementation of FRS 19. Due to the impairment of this goodwill at the date of acquisition and following revisions to the provisional fair value adjustments on acquisition, £23.2 million was written off to the profit and loss account in 1999 and a further £13.5 million was written off in 2000.

(b) The fall in opening shareholders' funds for the 52 weeks to 31 December 2000 of £4.3 million arises as a result of the implementation of FRS 19, which requires a prior year adjustment to make full provision for deferred tax.

(c) The increase in profit attributable to shareholders for the 52 weeks to 31 December 2000 of £0.2 million arises as a result of the implementation of FRS 19, which requires deferred tax to be provided on a full provision basis.

(d) The £3.1 million reclassified from deferred tax to property provisions relates to deferred tax on property provisions which was previously allocated against property provisions.

b) Consolidated profit and loss account	Taxation £m
Year to 31 December 2000 reported	47.0
Adoption of FRS 19	(0.2)
2000 restated	**46.8**

The impact of the adoption of FRS 19 on the 2001 results amounted to a credit of £2.1 million (2000: £0.2 million credit).

Principal subsidiaries and associated undertakings

Name of entity and country of registration and operation	Principal activity	Portion of ordinary shares held %
Subsidiary undertakings		
United Kingdom		
Century Press and Publishing Limited	Newspaper publishing	100
The Chester Chronicle and Associated Newspapers Limited	Newspaper publishing	100
The Derry Journal Limited	Newspaper publishing	100*
Ethnic Media Group Limited	Newspaper publishing	100
Examiner News & Information Services Limited	Newspaper publishing	100
Gazette Media Company Limited	Newspaper publishing	100
Inside Communications Limited	Magazines and exhibitions	100*
The Liverpool Daily Post and Echo Limited	Newspaper publishing	100
Mediaserve Limited	National advertising saleshouse	100
MGN Limited	Newspaper publishing	100
Middlesex County Press Limited	Newspaper publishing	100
Midland Independent Newspapers Limited	Newspaper publishing	100
Midland Newspapers Limited	Newspaper publishing	100
Mirror Colour Print Limited	Contract printers	100
Mirror Colour Print (Oldham) Limited	Contract printers	100
Mirror Colour Print (Watford) Limited	Contract printers	100
Mirror Group Limited	Holding company	100*
Newcastle Chronicle and Journal Limited	Newspaper publishing and commercial contract printers	100
Raceform Limited	Newspaper publishing	100
Scottish Daily Record and Sunday Mail Limited	Newspaper publishing	100
Scottish and Universal Newspapers Limited	Newspaper publishing	100
Trinity Mirror Southern Limited	Newspaper publishing	100
Trinity Mirror Regionals plc	Holding company	100*
Trinity Newspapers Southern Limited	Newspaper publishing	100
Trinity Publications Limited	Magazine publishing	100*
Western Mail & Echo Limited	Newspaper publishing	100
Yellow Advertiser Newspaper Group Limited	Newspaper publishing	100
Republic of Ireland		
Post Publications Limited	Newspaper publishing	100
The Donegal Democrat Limited	Newspaper publishing	100

*Direct subsidiaries of Trinity Mirror plc as at 30 December 2001

Associated undertakings		
All4U Limited (trading through Jobs4U Limited)	Internet sites	25
The Press Association Limited	News agency	21.54

Group Five-Year Summary

	2001 £m	2000* (restated) £m	1999* (restated) £m	1998 £m	1997 £m
Profit and loss account					
Turnover	**1,131**	1,080	596	342	325
Operating profit					
Continuing operations	**37**	166	58	74	70
Acquisitions	**-**	-	47	-	-
Discontinued operations	**-**	1	(1)	3	4
	37	167	104	77	74
Share of exceptional item of associated undertaking	**-**	17	1	-	-
Net interest payable	**(49)**	(47)	(19)	(10)	(10)
(Loss)/profit before disposal of businesses and taxation	**(12)**	137	86	67	64
Sale or termination of businesses	**1**	165	(5)	17	-
(Loss)/profit before taxation	**(11)**	302	81	84	64
Taxation	**(42)**	(47)	(28)	(21)	(20)
(Loss)/profit for the financial year	**(53)**	255	53	63	44
Ordinary dividends	**(51)**	(51)	(46)	(20)	(18)
Retained (loss)/profit transferred to reserves	**(104)**	204	7	43	26

	pence	pence	pence	pence	pence
(Loss)/earnings per share – basic	**(18.2)**	88.0	28.4	45.4	31.9
Dividends per share	**17.6**	17.6	16.0	14.5	13.2

Balance sheet					
Intangible assets	**1,867**	2,018	1,782	349	354
Tangible fixed assets	**390**	404	433	123	118
Other assets and liabilities	**(160)**	(192)	(180)	(26)	(24)
	2,097	2,230	2,035	446	448
Less net borrowings	**(735)**	(768)	(779)	(66)	(118)
Net assets	**1,362**	1,462	1,256	380	330
Capital and reserves	**1,362**	1,462	1,256	380	330

*Includes the impact of the acquisition of Mirror Group on 6 September 1999.

The comparatives for 1999 and 2000 have been restated following the adoption of FRS 19 to reflect the full provision of deferred tax on timing differences and no provision for deferred tax on investment revaluations.

Adjustments amounting to £36.7 million have been made to goodwill in 1999 to reflect the effect of the implementation of FRS 19 for acquisitions in prior periods. Due to impairment at the date of acquisition, this goodwill has been written off – £23.2 million was written off in 1999 and the balance remaining of £13.5 million was written off in 2000.

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