28 February 2002

Trinity Mirror plc - preliminary results for the 52 week period ended 30 December 2001

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 [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 carrying value of publishing rights and titles of the former Mirror Group, and £1.2 million exceptional non-operating credit

(3) restated to reflect the adoption of FRS 19, Deferred Taxation

Review of operations

2001 was a very tough trading period with a difficult and declining advertising market throughout most of the year. However, during the year, a thorough review of all businesses within the Group determined the strategies that would more effectively exploit maximum value from the Group's existing assets and position Trinity Mirror for future growth.

The successful implementation of the regional newspaper strategy is well underway. The Group's Scottish national titles are currently implementing a new marketing strategy aimed at enhancing circulation retention amongst loyal readers and improving advertising management. The two Mirror titles are to be revitalised and the brand relaunched. The strategic focus of these two titles is to encourage the loyalty of existing readers and to attract new younger readers. The Sunday People remains an important profit contributor to the Group, despite operating in a very competitive and difficult market.

The changes necessary throughout the Group, in order to deliver the strategic objectives, require a step-up in the investment programme. Approximately £25.0 million incremental (i.e. above the level of investment in 2001) is to be invested in 2002 in marketing, editorial and products, including the additional investment required for delivery of the Mirror titles strategy. £90.0 million will be invested during 2001 to 2004 in replacing four regional press facilities and a further £12.0 million exceptional one off costs will be incurred during 2002 in the implementation of the Group's strategies and plans. This is in addition to the significantly enhanced investment in staff training and development.

In 2001 £11.1 million of cost savings were realised from the implementation of the reduction plans and strategies. This is anticipated to rise to at least £32.0 million in 2002 and £42.0 million by 2003. This level of saving is £7.0 million ahead of the 2003 target set last July. The Southnews integration with the existing South East regional operation (Trinity Newspapers Southern - "TNS") also delivered savings of £5.0 million in 2001 (compared to the £4.0 million target announced at the time of the acquisition), which are expected to increase to at least £6.5 million in 2002. In addition to these initiatives, the Group is making good progress in delivering the £15.0 million per annum of merger integration savings. Newsprint supply contracts have also been renegotiated, realising a £17.5 million price saving in 2002.

Regional newspapers and digital media

Performance

There have been a series of major initiatives implemented within the regional division during 2001. These include the commencement of the "from Biggest to Best" initiative, the implementation of significant 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 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.

Operating profit The regional newspaper operations achieved revenue and operating profit growth in 2001 of 14.1% (to £530.7 million) and 4.7% (to £120.2 million) respectively. A slowly improving circulation trend towards the end of the year, early implementation of aspects of the division's strategy and tight cost control, including £5.4 million of cost reductions, 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 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%. Excluding the three Metro titles, the operating margin increased from 23.3% to 23.9%.

Revenue The regional newspaper division's revenue increased from £516.7 million(1) to £530.7 million (2.7% growth). Advertising revenue grew by 4.0% to £408.5 million, whilst circulation revenue was held firm at £83.8 million.

Advertising Despite the clear slowdown towards the end of the year, particularly in the South and Midlands, the division still achieved recruitment advertising revenue growth (on a like for like basis) of 10.3%, with certain businesses achieving growth in excess of 20.0% (Liverpool 24.1%, Teesside 22.9% and Cardiff 23.9%). Property classified advertising was reasonably strong throughout the year, achieving growth of 4.4% (certain regions achieved growth in excess of 10.0%). Motors 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. Growth of 2.6% was achieved in display advertising, despite adverse national display markets being impacted throughout the year by limited visibility and difficult retail advertising.

Circulation The Group's regional titles remain amongst the highest "actively purchased" in the industry. The division's paid-for weekly titles performed well with overall growth across the portfolio. Three of the division's morning daily paid for titles achieved year on year growth, however, the other three experienced a decline in circulation leading to an overall estimated decline of 2.6% in the last six months of the year. The evening titles' circulation performance was in line with the overall regional evening newspaper market. The Sunday regional newspapers faced highly competitive and weaker markets, similar to the experience of the national Sunday tabloid titles.

Digital media The 13 regional ic sites were launched during 2001 and fully integrated with the regional newspaper operations, further strengthening the Group's regional franchises and allowing participation in digital and other new media platforms. The level of ongoing annual investment has been capped for 2002 at approximately £10.0 million.

Strategic direction

The strategic intent of the Group's regional newspaper and digital media 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*."

Realisation of this vision requires:

- growth in market share, organically and, where appropriate, by acquisition;
- offering unique and high quality publications and services which give great value and response;
- achieving top quartile revenue, profit and margin growth relative to the Group's peers;
- an increase in share of the top talent in the industry; and
- growing new businesses out of the existing ones.

The achievement of these targets and industry leadership is to be attained through a strategic framework that is based around four cornerstones of performance, excellence, scale and ambition. These four drivers exploit a new way of thinking and, more importantly, a new way of focussing the delivery of the division's ambition for industry leadership. They are regarded as a new way of working, leading to a relentless pursuit of continuous improvement. The aim of the performance cornerstone activity is to focus on issues that drive revenue, improve efficiency and, therefore, ultimately grow profitability. By measuring performance consistently across all regional businesses and identifying and applying best practice, the division will significantly enhance its financial performance. These performance indicators are now in place and benefits are already being realised.

Excellence is to be attained by gaining an understanding of the division's consumer needs better than its competitors and delivering what they value most. This will be achieved by meeting readers' and advertisers' requirements through creative solutions and by ensuring that the business's staff are trained to be the best in the media sector. During 2002, the division is to commission the most comprehensive reader survey ever undertaken by the regional newspaper industry, aimed at providing greater insight into reader requirements. Extending the current regional clusters, sharing support functions and purchasing leverage and taking advantage of the wider customer base will ensure that the division's scale is used to the Group's advantage.

The effective integration of digital media with the regional newspaper operations provides a key platform to support the division's ambition to be the regional information industry leader by 2005. The integration provides the regional businesses with the ability to increase organic growth through brand extensions, distributing the division's unique assets through new channels and entering synergistic high growth areas. It will also lead to a greater share of the regional information business.

During 2001, early implementation of elements of the strategy and the introduction of the Group wide cost reduction plans resulted in revenue enhancement of almost £1.5 million and cost savings of £5.4 million within the regional newspapers division. The division expects to realise a further £4.0 million in incremental revenue enhancement and £13.0 million incremental cost savings in 2002 (excluding the reduction in the Group's investment in digital media). Improved processes, best practice and bench marking 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 delivery of the Group's strategy for its regional information division requires, not only changes to ensure best business practices, 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 during this year in direct support of the strategy implementation, plus a range of people development strategies.

National newspapers

Performance

Circulation The circulation performance of four of the Group's national titles remained robust in what was another intensely competitive year.

The Mirror launched its major product and marketing activity in February 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. Other key features included strong circulation gains in Ireland and, of course, the significant sales uplift following the events of 11 September. The Mirror's tabloid market share for the six months to December was 21.0% (compared to 21.3% in the same period in 2000).

The Sunday Mirror and Sunday People continued to operate in a competitive and difficult market. A change in editorship of the Sunday Mirror helped stabilise sale for most of the second half of the year. Circulation market share, however, declined slightly in the second half. The Sunday Mirror's share of the tabloid market in that period was 16.1% (compared to 16.4% in 2000) and the Sunday People's share was 12.1% (2000: 12.9%).

The Daily Record and Sunday Mail 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, the circulation revenue of these two titles fell by 1.7% to £57.3 million.

Advertising revenue For the first eight months of 2001, the three UK national titles performed strongly to deliver advertising revenue growth of 2.6%, despite this being the most difficult and volatile trading period seen for many years. At the same time, the Scottish national newspapers business saw advertising revenues starting to improve in July and August after a tough first half of the year.

All that changed from 11 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 The 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), was not sufficient to offset the decline in advertising revenue and other adverse movements in the year. Major factors included a substantial increase in newsprint costs (£13.3 million being due to the 12.0% price increase) and the loss of £4.1 million of revenue contribution from services previously provided to Independent News & Media. These factors resulted in the operating profit of the division falling by 19.9% (£22.1 million) to £88.9 million and the operating margin declining from 20.8% to 17.1%.

Development

Despite the difficult advertising environment in the final quarter, 2001 was a year of operational change and achievement for the Group's national titles – ensuring that the businesses are now well placed to deliver on their strategic objectives. In particular, the year saw a reshaping and strengthening of the senior management teams of both the UK and the Scottish national newspaper businesses.

The Mirror's outstanding coverage of the events of 11 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 also contributed positively to the brand positioning. The change in editorship of the Sunday Mirror presented the chance to more closely align the two Mirror titles. The opportunity to share marketing activity and to achieve greater consistency in tone and presentation across the week has been particularly beneficial.

Whilst the key focus has been on building the brand, culture and infrastructure of the Group's 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.

Strategic direction

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 the 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 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 Mirror titles are highly competitive with other national 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 encouraging existing readers to read more, rather than chasing after loyal readers of competitive titles, generates significantly more shareholder value. Equally for 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 the titles' advertisers. The plans for the development of advertising within 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 is to be funded by reallocation of a considerable portion of the existing marketing spend of the Mirror titles and a continuing process of cost reduction within the business, with the balance from Group resources. This investment is expected to be fully recovered by early 2005. The successful execution of this strategy is targeted to 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

The current priority of the Group is to focus its investment and resource into achieving an enhanced performance for the Mirror titles and Scottish national papers. In these circumstances, the immediate task for the Sunday People is to maintain its profit contribution to the Group. It achieved this in 2001 and is budgeted to do so again in 2002. In addition to this, a significant restructuring of the editorial team in January this year has meant that the title now has the resources to invest in its marketing and promotion. As the results of the strategy for the Mirror titles start to flow through, the management of the UK national titles will be in a position to turn its attention increasingly to the Sunday People.

Scotland – asserting leadership

The strategic objective 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."* The two clear priorities are a sustained effort to retain readers and 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 by 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 margins by 2005.

Other businesses

Sports newspapers and websites

The strategy for the sports betting newspaper business is to focus on exploiting its strong position in the UK horseracing market and sports betting industry. This strategy includes the continuous development and refinement of printed publications and the establishment of a leading position in the burgeoning online betting market.

2001 was a year of many hurdles but significant progress for the Group's sports betting publications and sites. Despite the loss of nearly £0.8 million of profit contribution as a result of the foot and mouth crisis, and the investment of £0.6 million (2000: £0.3 million) in the continued development of its betting websites, the business achieved operating profit growth of 6.3% to £8.4 million. Revenue from the six newspapers and two websites increased by 9.7% to £34.9 million. The newspapers increased circulation revenue by 0.4%, to £23.5 million, and advertising revenue by 17.1% to £8.9 million. The revenue from the two websites increased from £0.2 million to £0.7 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 in June, linked to the racingpost.co.uk site.

2001 was also a year of significant progress for the racing and betting industry. Betting duty was finally abolished on 6 October. This will provide the racing and betting industries with a substantial fiscal boost, which combined with increased media exposure, should help stimulate interest in horseracing and betting. Together with the steady growth in the demand for other sports betting, particularly football, this is the start of an exciting period of expansion and opportunity for the Group's betting related publications and sites.

Magazines and exhibitions

The economic and trading environment for the magazines and exhibitions industries was unfavourable throughout 2001, and the Group's portfolio was not immune to this. Many of the Group's titles and events 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 a number of titles throughout the year. And, finally, the decline in travel and related businesses post 11 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, the division performed robustly. With revenue of £32.5 million (a decline of 7.9% on 2000), the operating margin improved, increasing to 19.7% compared to 19.3% in 2000.

New management of the division was appointed at the end of 2001 to create a strong, well-structured and profitable business. Considerable progress has already been made in the first two months of this year in reshaping the business.

Voice Media

Voice Media is an audiotext company servicing internal newspaper promotions and teledating services and additionally selling its services to third party customers (primarily TV programme producers or operators). Despite the loss of a major contract in July, Voice Media achieved revenues of £12.4 million (an increase on 2000 of 3.3%) and operating profit growth of 37.9% to £4.0 million.

Other operating factors

People

After a year such as 2001, the Board has more than the usual pleasure in paying tribute to the people who work for Trinity Mirror. Throughout the business the passion, dedication and commitment of people has been outstanding.

Investment

Whilst it is vital that the Group manages its costs prudently, it is essential that it seeks opportunities to improve its revenue growth and continues to invest in those areas crucial to the business's future success. Digital media is still regarded by the directors as a critical enabler for the Group's future growth and it is important that investment continues in this area. The Group is also committed to spending £90.0 million in total between 2001 and 2004 to replace 15 to 20 year old presses in Cardiff, the Midlands and the North East. This not only gives opportunities to further improve services to advertisers and readers, by providing better colour and higher quality printing, but will also facilitate the progress towards "regional clustering" of the Midlands based businesses (a fundamental objective of the regional strategy).

It is also intended that approximately £25.0 million in excess of the level of investment in 2001 will be invested during 2002 in the Group's marketing, editorial and products (including the investment required for the delivery of the Mirror titles strategy). In addition, nearly £12.0 million of exceptional one off costs will be incurred during 2002 in the implementation of the Group's various business strategies and plans. However, offsetting this gross investment will be the £32.0 million of cost savings to be realised from the Group-wide cost reduction programme and the additional savings from the integration of Southnews and the merger benefits.

Organic and external development

As made clear in March, as a result of the strategic review, the Group's focus over the next two years will be on improving the quality and growth potential of its existing businesses. Whilst focusing on its existing businesses, the Group will also investigate potential external developments that will, in the medium term, complement its core operations.

Media ownership and regulation

Whilst in the short term the Group's focus has been internal, the directors remain disappointed at the lack of progress on the Government's Communications Review. Trinity Mirror will continue to lobby vigorously for more freedom to enable quality UK media companies, such as itself, to grow in the interests of its employees, readers, advertisers and shareholders.

The company is currently in the process of seeking clearance from the Secretary to the Department of Trade and Industry to dispose of a number of free newspapers in the East Midlands for £16.1 million to Johnston Press.

Outlook

In the first two months of 2002, the advertising market has remained tough. The directors believe it is prudent to plan on this remaining so throughout most of the year. However, the strategic initiatives and successful cost reduction programmes give the Board confidence in the underlying performance this year.

Financial summary

Accounting policies used in the preparation of the financial information for the 52 weeks ending 30 December 2001 are consistent with those set out in the Group's financial statements for 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 8 to the summarised financial information attached to this preliminary results statement detail the effects of the restatement. The commentary 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 2001 the Group made the necessary disclosures under the transitional arrangements in respect of FRS 17, Retirement Benefits. FRS 17 will be fully adopted in 2002, one year ahead of the required timetable. The Group's 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). The Group's regular cost in 2001 was £13.6 million, less £5.1 million SSAP 24 net credit adjustment.

Revenue of the Group, from continuing activities, increased by 4.8% to £1,131.1 million (2000: £1,079.1 million). Adjusted Group revenue(1) increased by 0.1% from £1,130.5 million in 2000 with advertising revenue growth of 0.6% to £634.1 million and revenue from newspaper and magazine sales level with 2000 at £393.7 million. Contract print and other revenues declined by 3.3% (£3.5 million) to £103.3 million, due to the loss of the Independent News & Media services contract at the beginning of 2001, resulting in a revenue loss of £4.1 million.

Group operating profit, from continuing operations and before exceptional items, increased by £3.0 million (1.5%) to £204.4 million. In 2001, Group operating profit was 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 the Independent News & Media services contract. Despite these two factors, 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%.

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

Net interest cost increased by £1.9 million, to £49.2 million. Group operating profit before exceptional items covers the net interest cost 4.2 times.

Exceptional items, before tax, of £166.8 million (2000: exceptional profit £147.7 million) were incurred during the period. Note 4 to the summary financial information attached to this preliminary results statement details the nature of the exceptional items.

These items include an impairment charge of £150.0 million in relation to the carrying value of the publishing rights and titles created on the acquisition of Mirror Group; £3.1 million finance function restructuring costs; £4.6 million of digital media restructuring costs (arising from the revised strategy announced in March and further refined in October); and £12.3 million of costs associated with the implementation of the Group's strategic and cost reduction plans, including £7.0 million of severance costs. The ongoing implementation of the strategic and cost saving plans are anticipated to result in a further £12.0 million of related one off exceptional costs during this current year.

During 2001, the Group undertook a detailed analysis of the strategic options in respect of all of its 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 publishing rights and titles. There was no impairment to any other asset.

Profit before tax, and exceptional items, was £155.5 million (2000: £154.1 million).

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.

Earnings per share, before exceptional items, were 37.4p (2000: 38.1p).

Dividend – subject to the approval of the shareholders at the Annual General Meeting, the directors propose a final dividend of 12.3p per share to be paid on 5 June 2002 to shareholders on the register at 3 May 2002. This will bring the full year dividend to 17.6p per share, 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. The Group's dividend strategy takes into account the Group's operating results, the investment required for delivering its corporate strategy, its financing requirements and the policy to retain the dividend at a level where it is covered more than twice by earnings.

Net assets of the Group at 30 December 2001 were £1,362.1 million. This reflects the total carrying value of the Group's acquired publishing and newspaper titles of £1,855.3 million (after the impairment charge of £150.0 million; 2000: £nil), goodwill of £11.6 million, tangible fixed assets of £389.7 million and net debt of £735.0 million.

Cash flow 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, due to the timing of the period end in 2001 and payments against provisions. Other principal cash outflows in 2001 related to £49.9 million interest (2000: £40.7 million, lower than 2001 due to the interest receipt from holding the Belfast Telegraph Newspapers disposal proceeds for three months), tax paid of £40.1 million (2000: £41.6 million), net capital expenditure payments of £28.0 million (2000: £37.5 million) and the £51.4 million payment of dividends (2000: £48.3 million). There were no material cash inflows, other than from operations, in 2001.

Net debt at 30 December 2001, as a consequence of the cash flow movements, 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.

Capital expenditure in 2001 was £30.4 million, net, (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 capital expenditure 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.

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). The committed facilities included £580.0 million of a £1,050.0 million syndicated bank facility (of which £60.0 million is due to be repaid in 2002), US$350.0 million and £22.0 million unsecured loan notes (representing the total obligations under a series of fixed rate, differing maturity private placement US dollar and sterling loan notes respectively and £6.0 million floating rate sterling Libor private placement loan notes issued in October 2001), US$68.6 million unsecured loan notes (representing the outstanding obligations under a US$160.0 million 8.16% fixed rate private placement), £2.0 million of fixed rate bank loan (to be repaid in 2002), obligations under finance leases of £45.5 million and £33.2 million of acquisition loan notes.

(1) adjusted to exclude Belfast Telegraph Newspapers (sold July 2000) and include Southnews (acquired November 2000) for the full year in 2000. This superscript also applies to the commentary in respect of "review of operations" above

Consolidated profit and loss account

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

	Before exceptional items £m	**Exceptional items £m**	**Total 2001 £m**	Before exceptional items £m	Exceptional items £m	Total 2000 (restated) £m
Turnover						
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
Group operating profit						
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)	**-**	**-**	**-**	-	17.5	17.5
Profit on sale of operations (2000: continuing)	**-**	**-**	**-**	-	164.5	164.5
Profit on disposal of associated undertakings (continuing)	**-**	**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	**(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	**(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			**(51.2)**			(51.2)
Retained (loss)/profit for the financial year			**(104.2)**			203.8
Earnings per share (pence)						
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

Consolidated balance sheet

at 30 December 2001 (31 December 2000)

	2001 £m	2000 (restated) £m
Fixed assets		
Intangible assets	**1,866.9**	2,018.4
Tangible assets	**389.7**	404.3
Investments	**17.9**	16.0
	2,274.5	2,438.7
Current assets		
Stocks	**8.7**	7.7
Debtors	**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	**(119.3)**	(259.4)
Obligations under finance leases	**(6.3)**	(5.8)
Other creditors	**(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	**(613.7)**	(518.8)
Obligations under finance leases	**(39.2)**	(41.9)
	(652.9)	(560.7)
Provisions for liabilities and charges	**(97.5)**	(97.0)
Non-equity minority interest	**(3.7)**	(3.7)
Net assets	**1,362.1**	1,462.4
Equity capital and reserves		
Called up share capital	**29.1**	29.1
Share premium account	**1,078.7**	1,074.3
Revaluation reserve	**5.0**	5.0
Profit and loss account	**249.3**	354.0
Equity shareholders' funds	**1,362.1**	1,462.4

Consolidated cash flow statement

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

	2001	2000
	£m	£m
Net cash inflow from operating activities	**204.9**	219.9
Dividends received from associated undertakings	**2.6**	8.7
Interest received from associated undertakings	**0.4**	-
Net cash outflow from returns on investments and servicing of finance	**(49.9)**	(40.7)
Taxation paid	**(40.1)**	(41.6)
Net cash outflow from capital expenditure and financial investment	**(28.0)**	(37.5)
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)
Net cash (outflow)/inflow from financing	**(30.6)**	62.2
Increase in cash	**1.1**	16.9

Reconciliation of net cash flow to movement in net debt

	2001	2000
	£m	£m
Increase in cash in the period	**1.1**	16.9
Cash outflow/(inflow) from movement in debt and leasing finance	**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)

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)**

Non cash movements

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

Notes to the 2001 preliminary statement

1. Change in accounting policies

The only changes to the Group's accounting policies during the financial year to 30 December 2001 were in respect of the adoption of financial reporting standards FRS 18, Accounting Policies and FRS 19, Deferred Taxation.

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. The FRS 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.

2. Turnover

	2001	2000 (restated)
	£m	£m
Regional newspapers	**530.7**	(1)465.3
National newspapers	**519.7**	532.4
Sports newspapers	**34.9**	(2)31.8
Magazines and exhibitions	**32.5**	35.3
Digital media	**0.9**	(2)2.3
Other	**12.4**	13.2
Group turnover by division	**1,131.1**	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 the revenue of Racing Post Online (£0.2 million) within sports newspapers. This was previously reported within digital media

3. Group operating profit

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

	2001	2000 (restated)
	£m	£m
Regional newspapers	**120.2**	(1)114.8
National newspapers	**88.9**	111.0
Sports newspapers	**8.4**	(2)7.9
Magazines and exhibitions	**6.4**	6.8
Digital media	**(23.5)**	(2) (42.0)
Other	**4.0**	2.9
Group operating profit by division	**204.4**	201.4

(1) Includes operating profit relating to Belfast Telegraph Newspapers of £13.2 million and Southnews of £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

Notes to the 2001 preliminary statement (continued)

4. 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 Pensions 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 (£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 remaining balance 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 loaned 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.

Notes to the 2001 preliminary statement (continued)

5. 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.

6. Earnings per share

Loss or earnings per share are based on the loss or profit on ordinary activities after taxation. They are calculated using the weighted average number of shares in issue (basic) increased by the number of share options in issue (diluted) as shown below.

	2001 No. of shares	2000 No. of shares
Basic (millions)	**290.6**	289.8
Diluted (millions)	**291.0**	291.9

Notes to the 2001 preliminary statement (continued)

7. 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.

8. 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, 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 reclassification from deferred tax to property provisions relates to deferred tax in respect of property provisions 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).

Notes to the 2001 preliminary statement (continued)

9. Issue of Annual Report and Accounts and Annual Review and Summary Financial Statement

The 2001 Annual Review and Summary Financial Statement will be posted to shareholders on 8 March 2002. Copies may be obtained after 15 March 2002 from the Company Secretary, Trinity Mirror plc at One Canada Square, Canary Wharf, London, E14 5AP. The Annual Report and Accounts will also be posted on 8 March 2002 to those shareholders that have requested a copy. Copies of the 2001 Annual Report and Accounts may also be obtained from the Company Secretary after 15 March 2002.

10. The financial information set out above does not constitute the Company's statutory accounts for the periods ended 31 December 2000 or 30 December 2001, but is derived from those accounts. Statutory accounts for 2000 have been delivered to the Registrar of Companies and those for the period ended 30 December 2001 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.