

# Trinity Mirror plc

29 July 2010

## Half-Yearly Financial Report for the 26 weeks ended 4 July 2010

### Summary

- Operating profit<sup>(1)(2)</sup> up by 25.7% to £61.7 million (2009: £49.1 million)
- Group revenue<sup>(2)</sup> flat at £382.2 million (2009: £383.0 million)
- Operating margin<sup>(1)(2)</sup> increased by 3.3 percentage points to 16.1%
- Significantly earnings enhancing acquisition of GMG Regional Media completed on 28 March 2010 for cash consideration of £7.4 million
- Total costs<sup>(1)</sup>, excluding GMG Regional Media operating costs of £15.5 million, reduced by £29.0 million
- Structural cost savings target increased by £5 million to £25 million of which £15 million delivered in the period
- Material improvement in earnings per share<sup>(1)(2)</sup> up 58.6% from 8.7 pence to 13.8 pence
- Strong cash generation contributed to net debt<sup>(3)</sup> falling by £15.6 million from £324.0 million to £308.4 million

### Adjusted results<sup>(1)(2)</sup>

	2010	2009
	26 weeks	26 weeks
	£m	£m
Revenue	382.2	383.0
Operating profit	61.7	49.1
Profit before tax	50.4	31.3
Earnings per share	13.8p	8.7p

(1) Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings and the impact of fair value changes on derivative financial instruments. A reconciliation between the adjusted results and the statutory results is provided in note 15.

(2) Including revenue (£18.2 million), operating costs (£15.5 million) and operating profit (£2.7 million) relating to GMG Regional Media from completion of the acquisition on 28 March 2010.

(3) On a contracted basis assuming that the private placement loan notes and related cross-currency interest rate swaps are not terminated prior to maturity.

### Statutory results

	2010	2009
	26 weeks	26 weeks
	£m	£m
Revenue	382.2	383.0
Operating profit	87.2	32.9
Profit before tax	84.8	2.1
Earnings per share	26.2p	1.1p
Dividend per share	-	-

Commenting on the results, Sly Bailey, Chief Executive of Trinity Mirror plc said:

*"The continued execution of our clear and consistent strategy has enabled the Group to deliver a strong performance for the first half of the year with operating profit up 25.7% and earnings per share up 58.6%. This was achieved despite a fragile economy and volatile trading conditions. We have continued to invest in the business through the downturn in strengthening the portfolio and delivering IT led efficiencies, in addition to maintaining a keen focus on costs. We are now reaping the benefits of these actions with profits increasing and slowing rates of decline in underlying revenues. The acquisition of GMG Regional Media was a clear demonstration of our ability to lead consolidation in regional media in a way that adds substantial value for shareholders."*

*Looking ahead to the second half of the year we remain cautious on the economy but are confident of delivering a robust performance for the full year driven by stabilising revenues and continued cost efficiencies."*

### Enquiries

#### Trinity Mirror

Vijay Vaghela, Group Finance Director 020 7293 3000

Nick Fullagar, Director Corporate Communications 020 7293 3622

#### Conference call/Webcast

A webcast and teleconference for analysts will be held at 9.30am on Thursday, 29 July 2010. The presentation will be live on our website [www.trinitymirror.com](http://www.trinitymirror.com). If you wish to ask a question, the dial-in number is +44 (0)20 7138 0820, Confirmation Code: 6343307. A playback will be available from 2:00pm on the website.

## Interim Management Report

The management report, unless otherwise stated, is presented on an adjusted basis to provide a more meaningful comparison of the Group's business performance between 2009 and 2010. Adjusted results exclude the impact of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings and the impact of fair value changes on derivative financial instruments.

### Summary

The Group has delivered a strong performance in the period with operating profit growing by 25.7% and earnings per share up 58.6%. The Group also continued to generate strong cash flows delivering a further reduction in net debt of £15.6 million. The performance was delivered in a very fragile economic environment with low GDP growth and increased advertising volatility created by the general election.

Our enlarged portfolio of regional newspapers and websites (following the acquisition of GMG Regional Media) enabled the Group to deliver revenues of £382.2 million, down by £0.8 million on the £383.0 million achieved in 2009. Excluding the revenue contribution in the period from the acquired GMG Regional Media businesses, Group revenues were down by 5.0% to £364.0 million. This demonstrates a clear underlying improvement in revenue trends when compared to the decline of 12.4% experienced during the 2009 full year. The Group's complementary mix of advertising, circulation and other revenues continues to provide resilience through the downturn with advertising revenues now accounting for 46% of total revenues. Within advertising revenues, non classified advertising revenues accounted for 58% of revenue.

Throughout the period management has continued to take decisive action to maximise revenues and control costs to enhance profits and cash flows. In particular, we have continued with our investment in the modernisation of business processes and structures throughout the Group via the continued implementation of the new operating model. New IT systems are enabling us to re-engineer how we publish across editorial, advertising and pre-press. This has resulted in a step change in the way content is published across print and digital. Importantly we are not trying to do the same things with fewer people. Instead, the technology enables fundamental changes to the entire publishing process, achieving efficiencies at a significantly lower cost base without detriment to quality. As a result the business is already benefiting from successful modernisation with profits increasing. In addition the business is well positioned to take full advantage of any upturn in market conditions.

This continued focus on costs has resulted in substantial reductions in overheads across the business, leading to an increase in underlying Group operating margin from 12.8% to 16.2%, despite a 5% fall in underlying revenues. Group costs, including the acquisition of GMG Regional Media, fell by £13.5 million to £320.7 million and excluding GMG Regional Media's operating costs fell by £29.0 million to £305.2 million. During the period, the Group achieved £15 million of its targeted structural cost savings and has increased its target by £5 million to £25 million for the full year.

The Group remains highly cash generative with net debt falling by £15.6 million to £308.4 million reflecting robust operating performance coupled with tight management of working capital and cash flows. The reduction in net debt was achieved despite pension funding payments in excess of the income statement charge (excluding non-recurring items) of £30.8 million and £7.4 million expended on the acquisition of GMG Regional Media. The strong cash flows of the Group and the prudent management of financing facilities ensured that the Group maintains significant financial flexibility. There were no drawings on the Group's £178.5 million bank facility which is committed until June 2013 and the Group continues to hold a significant cash balance of £75.3 million.

The acquisition of GMG Regional Media, completed on 28 March 2010, has proved highly successful. The acquisition includes MEN Media comprising the Manchester Evening News and a number of weekly titles and associated websites plus S&B Media comprising weekly titles in the South. It extends the Group's reach across print and digital and is a further step towards our strategic goal of creating a local multi-media business of scale. Since completing the acquisition the business has delivered a strong revenue and profit performance with revenues of £18.2 million and operating profit of £2.7 million, achieving a margin of 14.8%.

We have made good progress in integrating the GMG Regional Media business into our Regionals division. S&B Media is now fully integrated into our business in the South. MEN Media is scheduled to relocate to our freehold building at our print plant in Chadderton, Greater Manchester in September, though the business will retain a city centre presence in Manchester. Our management teams are ensuring that best practice is shared between our existing and acquired Regionals businesses and that the new operating model is implemented.

The Group continues to focus on building quality digital audiences for advertisers and has grown average monthly unique users for the period by 34% year on year to 19 million for the period with unique users in June of 20 million. Importantly, our UK national digital platforms have the highest proportion of UK unique users compared with other publishers and these are highly valued by advertisers. The Group remains focused on achieving its target of 24 million unique users by the end of 2010.

The Group's investment in its printing presses over the past five years has enabled it to win print contracts from other publishers and the Group is now the largest contract printer of newspapers in the UK. Contract print revenues are more stable and resilient to the business cycle, with contracts typically running over several years. Continuing to grow revenues in this area is a key management objective. We do not anticipate a requirement for any further material investment in the Group's network of presses.

## Interim Management Report (continued)

### Summary (continued)

Our Nationals business increased profits by 3.4% and operating margin by 1.2 percentage points from 16.8% to 18.0%. A marginal fall in revenues of 3.4% was driven by declines in circulation revenues as no cover price increases were implemented in the period. Advertising revenue increased by 2.2%. Our UK Nationals titles achieved growth in advertising revenues every month during the period with particularly strong double digit growth achieved in June, in part driven by the World Cup. All three of the UK Nationals titles increased their advertising volume market share during the period, thereby continuing to demonstrate the relevance and importance of our national brands to advertisers and their agencies.

Following the investment and implementation of a new content management system in the UK Nationals titles, we recently announced proposals to create more efficient multi-media newsrooms for these titles. Proposed changes to editorial processes and structures will eliminate outdated working practices producing efficiencies while allowing us to maintain quality. It is envisaged that the proposals will reduce editorial headcount by around 200 positions, including 60 currently filled by casual workers. We are currently in consultation with our staff over these wide ranging proposals and plan to have the new structures in place by the end of September.

The Nationals business continues to invest in developing the portfolio across platforms. Mirrorfootball.co.uk has increased its audience to 3 million users in just under a year since launch, driven by compelling, original content and interest in the World Cup. The brand will be profitable in its first year since launch. We recently launched a paid for Mirrorfootball iPhone App which has been well received by consumers and already has a loyal and engaged user base.

Our Regionals business has substantially increased profits by 67.1% from £17.3 million to £28.9 million. Operating margin increased by 6.7 percentage points from 11.1% to 17.8%. The benefit of the GMG Regional Media acquisition contributed to revenues for the division growing by 4.5%. Excluding GMG Regional Media, revenues fell by 7.2%, which represents a material improvement from the 23.5% decline during the whole of 2009. Whilst revenues remain challenged due to cyclical pressures, the most cyclical categories of recruitment and property advertising now represent a smaller proportion of Regionals advertising revenues, with a significant proportion of those categories coming from digital. In the short term the impact on the business from these categories is much reduced and they are now better placed to benefit from a combination of recovery and any structural changes when market conditions improve.

The Group believes that scale in regional media can be an important driver of value for shareholders and the acquisition of GMG Regional Media during the period was a compelling demonstration of this. The Group will continue to seek further consolidation opportunities where there is a good commercial and strategic fit along with a strong financial case.

Whilst the Group is disappointed that the new Government will not progress with even the pilots for Independently Funded News Consortia, it notes with interest the recently announced plans to relax all local cross media ownership regulations. Any increase in flexibility provided by relaxation in media ownership rules presents potential opportunities to react to market changes and consider cross platform options in an era when traditional platform distinctions are increasingly irrelevant to the consumer.

Following an extensive consultation process the Group closed all its defined benefit pension schemes to future accrual on 31 March 2010. The closure of the defined benefit pension schemes ensures that the Group is no longer increasing pension obligations with the potentially uncapped, and increasing, costs associated with the provision of defined benefit pensions. This step will also eliminate the volatility in the income statement operating profit charge for pensions as this will be based on the actual contributions to the Group's defined contribution pension schemes and not the IAS 19 operating profit charge. All former members were given the option to join the Group's defined contribution pension scheme.

#### **Dividend**

The Board has seen a continued improvement in the cash flows generated by the Group which has contributed to a further fall in net debt for first half of the year. This continued improvement in the Group's financial position achieved against an improving but still challenging trading environment provides the Board with confidence that the Group is making progress towards the reinstatement of dividends. Nevertheless, the Board believes it prudent to preserve cash within the business until the strength of the trading environment is better established. The key factors that the Board will consider in assessing the trading environment are:

- year on year stability and improved visibility in advertising revenues; and
- clear evidence that the economy has returned to a sustainable period of growth.

#### **Outlook**

Having seen an improvement in the rate of decline in revenues in the first half of the year compared to 2009 we expect further modest improvement in the second half. As evidenced in the first half we continue to anticipate month on month volatility. In July revenues are expected to increase by 3%. Excluding the acquisition of GMG Regional Media, revenues are expected to fall by 6% with both advertising and circulation revenues declining by 6%. Advertising revenues in July are expected to be flat for the Nationals and decline by 9% for the Regionals. Circulation revenues in July are expected to fall by 6% for both Nationals and Regionals.

For 2010 we have increased our structural targeted costs savings by £5 million to £25 million. The Group continues to generate cash and anticipates positive cash flows in the second half which will contribute to a further reduction in net debt.

We remain cautious about the economic outlook. But our ongoing management action to drive revenues and our track record in delivering efficiencies gives the Board confidence to look forward to a robust performance for 2010.

## Interim Management Report (continued)

## Group Review

Group revenues including the acquisition of GMG Regional Media fell by £0.8 million from £383.0 million to £382.2 million. Excluding the acquisition, Group revenues fell by £19.0 million from £383.0 million to £364.0 million.

Group revenues by type, including and excluding GMG Regional Media, are set out below:

	Including GMG Regional Media			Excluding GMG Regional Media		
	2010 £m	2009 £m	Variance %	2010 £m	2009 £m	Variance %
Advertising	176.0	168.4	4.5	161.5	168.4	(4.1)
Circulation	161.4	169.8	(4.9)	158.8	169.8	(6.5)
Other	44.8	44.8	-	43.7	44.8	(2.5)
<b>Total</b>	<b>382.2</b>	<b>383.0</b>	<b>(0.2)</b>	<b>364.0</b>	<b>383.0</b>	<b>(5.0)</b>

Revenue declines in the first half were driven by the fragile UK economic conditions which continue to impact consumer facing businesses. Whilst month on month volatility prevails we continue to see an overall improvement in the rate of decline in advertising revenues. Excluding GMG Regional Media, advertising revenues declined by 2.8% in January and February, 6.1% in March and April and 3.3% in May and June which compares to declines of 22.2% during the whole of 2009. Lower circulation revenues reflect limited cover price increases in the Regionals and no cover price increases in the Nationals. The fall in other revenues is substantially driven by the impact of contract print revenues previously charged to GMG Regional Media now being classified as internal.

Group digital revenues fell by £0.3 million from £18.6 million to £18.3 million. Excluding the acquisition, Group digital revenues fell by £1.1 million from £18.6 million to £17.5 million. While the severity of the downturn continues to impact our key digital verticals of recruitment and property we are still seeing growth in other categories. Audience growth remains strong and the Group continues to increase its audience reach with average monthly unique users for the period including the acquisition increasing by 34% year on year and by 16% from the second half of 2009 to reach 19 million in the period. We remain committed to growing our digital business and have continued to invest appropriately in new launches and remain focused on achieving our target of 24 million unique users by the end of 2010.

Group operating profit increased by £12.6 million from £49.1 million to £61.7 million. Excluding the acquisition, Group operating profit increased by £9.9 million from £49.1 million to £59.0 million. Group costs including the acquisition of GMG Regional Media decreased by £13.5 million and excluding the acquisition decreased by £29.0 million. The significant reduction in costs is due to continuing cost actions and lower newsprint prices. Operating margins increased by 3.3 percentage points from 12.8% to 16.1% and excluding the acquisition increased by 3.4 percentage points from 12.8% to 16.2%.

Profit before tax improved by £19.1 million from £31.3 million to £50.4 million reflecting the improved operating profit, lower interest costs and a lower pension finance charge. The tax charge of £15.0 million for the period represents 29.7% of profit before tax. Profit after tax improved by £13.1 million from £22.3 million to £35.4 million with earnings per share growing by 58.6% from 8.7 pence to 13.8 pence.

Revenues on a statutory basis are the same as those on an adjusted basis. On a statutory basis operating profit improved by £54.3 million from £32.9 million to £87.2 million. The material increase in operating profit is driven by the improved adjusted performance and the impact of non-recurring items which are a £28.8 million credit compared to a £12.6 million charge in the prior period. The two items contributing to the non-recurring credit are an accounting gain on the acquisition of GMG Regional Media of £28.4 million and a gain of £9.0 million relating to defined benefit pension schemes principally as a result of the closure to future accrual.

Profit before tax on a statutory basis improved by £82.7 million from £2.1 million to £84.8 million due to the higher operating profit and the benefit from the retranslation of foreign currency borrowings and fair value changes on derivative financial instruments which were a credit of £8.9 million compared to a debit of £13.0 million in the prior period. The statutory tax charge for the period was £17.8 million reflecting a current year charge of £16.6 million and a prior year charge of £1.2 million together representing 21.0% of the statutory profit before tax. This is lower than the statutory rate of 28% primarily due to the accounting gain on acquisition of GMG Regional Media not being taxable. Profit after tax on a statutory basis improved by £64.3 million from £2.7 million to £67.0 million. Earnings per share on a statutory basis increased by 25.1 pence to 26.2 pence.

Cash flow was positive during the period after pension funding payments in excess of the income statement charge (excluding non-recurring items) of £30.8 million, capital expenditure of £6.1 million and the cash consideration of £7.4 million for the acquisition of GMG Regional Media.

Net debt on a contracted basis, assuming that the private placement loan notes and related cross-currency interest rate swaps are not terminated prior to maturity, decreased by £15.6 million from £324.0 million to £308.4 million. On a statutory basis, net debt fell by £23.0 million from £299.8 million to £276.8 million.

The Group continues to operate comfortably within its debt covenants and maintains significant financial flexibility with no cash drawings on the £178.5 million bank facility which is committed until June 2013.

## Interim Management Report (continued)

## Divisional Review

**Regionals**

The Regionals division publishes an extensive portfolio of brands across print and digital media in the UK. The print portfolio comprises over 150 paid for and free newspaper titles and includes 30 titles acquired with GMG Regional Media. In the majority of our geographical regions, our print titles reach over 60% of the adult population on a weekly basis. Our digital portfolio includes companion websites to our key newspaper titles, hyperlocal sites serving specific postcodes and communities, local sites in the key verticals of recruitment, property and motors and national sites in recruitment and property.

The GMG Regional Media acquisition was completed on 28 March 2010. The acquisition is a strong strategic fit with the existing portfolio and is performing ahead of our initial expectations. Revenue in the first three months of ownership was £18.2 million and operating profit was £2.7 million.

The revenue and operating profit, including and excluding the acquisition, of the Regionals division are as follows:

	Including GMG Regional Media			Excluding GMG Regional Media		
	2010 £m	2009 £m	Variance %	2010 £m	2009 £m	Variance %
Revenue						
– Print and other related activities	146.4	139.2	5.2	129.0	139.2	(7.3)
– Digital activities	16.0	16.2	(1.2)	15.2	16.2	(6.2)
<b>Total revenue</b>	<b>162.4</b>	<b>155.4</b>	<b>4.5</b>	<b>144.2</b>	<b>155.4</b>	<b>(7.2)</b>
Operating profit						
– Print and other related activities	23.7	13.5	75.6	21.5	13.5	59.3
– Digital activities	5.2	3.8	36.8	4.7	3.8	23.7
<b>Total operating profit</b>	<b>28.9</b>	<b>17.3</b>	<b>67.1</b>	<b>26.2</b>	<b>17.3</b>	<b>51.4</b>
<b>Operating margin</b>	<b>17.8%</b>	<b>11.1%</b>	<b>6.7%</b>	<b>18.2%</b>	<b>11.1%</b>	<b>7.1%</b>

Revenue increased by £7.0 million from £155.4 million to £162.4 million and costs fell by £4.6 million from £138.1 million to £133.5 million resulting in operating profit increasing by £11.6 million from £17.3 million to £28.9 million. Excluding the acquisition, revenue decreased by £11.2 million from £155.4 million to £144.2 million and costs fell by £20.1 million from £138.1 million to £118.0 million resulting in operating profit increasing by £8.9 million from £17.3 million to £26.2 million. The improved operating profit is being driven by both print and other related activities and digital activities.

Revenues by category, including and excluding the acquisition, of the Regionals division are as follows:

	Including GMG Regional Media			Excluding GMG Regional Media		
	2010 £m	2009 £m	Variance %	2010 £m	2009 £m	Variance %
Advertising	110.2	104.0	6.0	95.7	104.0	(8.0)
Circulation	36.4	36.5	(0.3)	33.8	36.5	(7.4)
Other	15.8	14.9	6.0	14.7	14.9	(1.3)
<b>Total revenue</b>	<b>162.4</b>	<b>155.4</b>	<b>4.5</b>	<b>144.2</b>	<b>155.4</b>	<b>(7.2)</b>

Regionals advertising revenues excluding the acquisition of GMG Regional Media fell by 8.0% representing a significant improvement compared to the declines of 34.5% experienced in the first half of 2009 and 22.8% for the second half of 2009. The monthly performance does, however, remain volatile with January and February declining by 5.6%, March and April declining by 9.6% and May and June declining by 8.6%. By category the performance for the period showed display advertising up 2.0%, recruitment down 20.0%, property down 9.0%, motors down 14.9% and other classified categories down 11.0%. Recruitment and property advertising now represent 19.1% (2009: 21.8%) and 11.4% (2009: 11.5%) respectively of Regionals advertising revenues with 35.6% and 18.6% of these categories respectively coming from digital activities.

Regionals circulation revenues excluding the acquisition of GMG Regional Media fell by 7.4% with volume declines partially offset by limited cover price increases which continue in line with our 'little and often' cover price policy. During the period we experienced volume declines of 8.2% for paid for dailies, 8.8% for paid for Sundays and 9.1% for paid for weeklies reflecting the impact of consumers curtailing discretionary spend.

Regionals other revenues excluding the acquisition of GMG Regional Media fell marginally by 1.3% reflecting lower leaflet revenue.

Digital revenues across the Regionals have declined by £0.2 million from £16.2 million to £16.0 million including the acquisition of GMG Regional Media and by £1.0 million from £16.2 million to £15.2 million excluding the acquisition. The fall in revenue is driven by falling recruitment and property advertising revenues with growth seen in other categories. Whilst revenues are under pressure due to the cyclical impact of the recession, average monthly unique users across the Regionals websites continue to grow, demonstrating clear growth in audience reach. Average monthly unique users in the period rose by 39% year on year to 9 million per month including the acquisition and by 12% year on year to 8 million per month excluding the acquisition.

## Interim Management Report (continued)

## Divisional Review (continued)

**Nationals**

The Nationals division publishes five national newspaper titles which are among the UK's leading media brands. In the UK we publish the Daily Mirror, the Sunday Mirror and The People while in Scotland we publish the two best read national titles, the Daily Record and the Sunday Mail. All our newspapers are complemented by a fast growing portfolio of digital brands plus other commercial activities which include an event marketing division, a growing business enterprise unit and a portfolio of business titles in Scotland.

The national newspaper market remains highly competitive with continued cover price discounting by our competitors during the period coupled with the impact of fragile economic conditions. Our titles continued to perform well in this challenging trading environment. During the period we completed the installation of the new editorial IT system in the Nationals division.

The revenue and operating profit of our Nationals division are as follows:

	<b>2010</b>	<b>2009</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
Revenue	219.8	227.6	(3.4)
Operating profit	39.5	38.2	3.4
Operating margin	18.0%	16.8%	1.2%

Revenue fell by £7.8 million from £227.6 million to £219.8 million. The benefits of tight cost management resulted in operating profit increasing by £1.3 million from £38.2 million to £39.5 million.

The revenues by category in the Nationals division are as follows:

	<b>2010</b>	<b>2009</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
Advertising	65.8	64.4	2.2
Circulation	125.0	133.3	(6.2)
Other	29.0	29.9	(3.0)
<b>Total revenue</b>	<b>219.8</b>	<b>227.6</b>	<b>(3.4)</b>

The advertising revenue performance for the Nationals has seen marked improvement during the period with overall growth of 2.2% for the period compared to a decline of 14.4% in the first half of 2009 and 1.4% for the second half of 2009. The trends during the period were January and February up 1.0%, March and April declining by 0.6% and growth of 5.3% in May and June. The advertising performance across the period reflected a strong performance from the UK Nationals titles which achieved growth in advertising revenues every month during the period with particularly strong double digit growth achieved in June, in part driven by the World Cup. This was partially offset by a weaker performance by the Scottish Nationals titles which have a higher proportion of the more cyclical classified advertising revenues. All three of the UK Nationals titles increased their advertising volume market share during the period.

Nationals circulation revenues were down by 6.2%. There have been no cover price increases during the period to support circulation revenues in a challenging trading environment where consumers are curtailing discretionary spend. Circulation volumes declines for the period were Daily Mirror down 7.2%, Sunday Mirror down 7.2%, The People down 9.4%, Daily Record down 6.4% and the Sunday Mail down 8.1%.

Other revenue for the period declined by 3.0% reflecting the impact of contract print revenues previously charged to GMG Regional Media now being internal.

Digital revenues across the Nationals have declined by £0.1 million from £2.4 million to £2.3 million. The decline has been driven by a fall in Bingo revenues substantially offset by growth in other revenues which grew by 17.9%. Audience reach continues to grow, with average monthly unique users in the period growing by 29% year on year to 10 million per month. We continue to focus on building a quality audience which is relevant to our UK advertisers and have the largest proportion of UK unique users, at over 50%, in the market.

**Central**

Central includes costs not allocated to the operational divisions and the share of results of associates. The result for the period was a loss of £6.7 million compared to a loss of £6.4 million in the prior period. Costs not allocated to the operational divisions increased marginally by £0.2 million to £6.9 million from £6.7 million and the share of results of associates reduced by £0.1 million to £0.2 million from £0.3 million.

## Interim Management Report (continued)

## Other Items

**Non-recurring items**

During the first half of 2010, the Group had a net non-recurring credit of £28.8 million (2009: £12.6 million charge) comprising a net gain of £27.3 million on the acquisition of GMG Regional Media and a credit of £9.0 million relating to pensions partially offset by £7.5 million of restructuring charges.

On 28 March 2010 the Group acquired GMG Regional Media resulting in an accounting gain of £28.4 million representing negative goodwill of £23.6 million and a gain on a cancelled print contract of £4.8 million partially offset by transaction costs of £1.1 million.

The pension scheme non-recurring gain of £9.0 million (2009: £nil) relates to a curtailment gain following the closure of the defined benefit scheme to future accrual and as a result of redundancies.

Restructuring charges in connection with the delivery of cost reduction measures and implementation of the new operating model for the Group amounted to £7.5 million (2009: £8.3 million). We expect total restructuring charges in 2010 to be around £15 million.

**Pension costs**

Following an extensive consultation process the Group closed all of its defined benefit pension schemes to future accrual on 31 March 2010. From 1 April 2010 all active members of the defined benefit pension schemes have the option to join the Trinity Mirror Pension Plan, a defined contribution pension scheme. Following this change, the operating profit charge for pension provision in 2010 including the cost of other benefits previously provided with the defined contribution pension scheme and increased National Insurance contributions due to the defined contribution pension scheme being contracted into the state second pension, is expected to remain at a similar level to 2009.

The IAS 19 pension finance charge in the period was £3.3 million (2009: £5.4 million). The charge for the full year is expected to be £7.1 million.

The IAS 19 pension net scheme deficit has increased by £28.1 million from £296.6 million to £324.7 million during the first half. This reflects the impact of an increase in liabilities of £60.7 million partially offset by an increase in assets of £21.0 million and a reduction in the asset ceiling of £11.6 million. The increase in liabilities has been driven by a fall in the real discount rate from 2.20% to 2.05% due to a fall in the corporate bond rate only partially offset by a fall in inflation. The impact of the reduced real discount rate has been marginally offset by the non-recurring gain of £9.0 million recognised in the consolidated income statement. The increase in assets reflects the cash funding during the period and an increase in asset values partially offset by the payment of pensions.

The mortality assumptions applied in calculating liabilities are consistent with those adopted at 3 January 2010. The life expectancy increases marginally over time as a 1% future improvement has been assumed in the mortality assumptions. The assumed life expectancy from age 65 for members aged 65 and 55 in 2010 is shown below:

	Future life expectancy (years) for a pensioner currently aged 65		Future life expectancy (years) at age 65 for a non-pensioner currently aged 55	
	Male	Female	Male	Female
<b>At 4 July 2010</b>	<b>21.6</b>	<b>24.0</b>	<b>23.4</b>	<b>25.7</b>
At 3 January 2010	21.6	24.0	23.4	25.7
At 28 June 2009	21.4	23.8	23.2	25.6
At 28 December 2008	21.4	23.8	23.2	25.6

The Group continues to fund pension scheme deficits in accordance with funding schedules agreed with the pension scheme trustees. Valuations are undertaken on a triennial basis. In 2008, the valuations of all of the significant schemes, except the Trinity Retirement Benefit Scheme, were completed. The Trinity Retirement Benefit Scheme valuation has a valuation date of 30 June 2009 and was agreed in the period.

For the full year, pension funding payments in excess of the income statement charge (excluding non-recurring items) is expected to be around £30 million (2009: £16.6 million). Further details relating to the Group's pension schemes are shown in note 12.

**Interim Management Report (continued)****Other Items (continued)****Financing**

Net debt, on a statutory basis, decreased by £23.0 million from £299.8 million to £276.8 million. The fair value of the Group's cross-currency interest rates swaps at the period end was an asset of £24.6 million (2009: £2.9 million liability). The period end sterling amount of the US\$ denominated and the sterling loan notes was £375.1 million (2009: £355.0 million).

Net debt, on a contracted basis, assuming that the private placement loan notes and the cross-currency interest rate swaps are not terminated prior to maturity, decreased by £15.6 million from £324.0 million to £308.4 million during the period as follows:

	<b>£m</b>
<b>Net debt as at 3 January 2010</b>	<b>324.0</b>
Pension funding in excess of the income statement charge (excluding non-recurring items)	30.8
Capital expenditure	6.1
Acquisition of GMG Regional Media	7.4
Corporation tax and net interest payments	17.2
Net other cash inflows	(77.1)
<b>Net debt as at 4 July 2010</b>	<b>308.4</b>

An analysis of net debt on a statutory and contracted basis together with a reconciliation between statutory and contracted net debt is shown in note 11.

On a contracted basis, the Group has £382.1 million of drawn debt funded through the US private placement markets. No material repayments are due until October 2011 when £145 million is repayable and which is expected to be predominantly repaid through surplus cash balances with the remainder drawn from our bank facility. Repayments on the US private placement loan notes beyond 2011 are £70 million in June 2012, £55 million in October 2013, £44 million in June 2014 and £68 million in June 2017.

The Group had no drawings as at 4 July 2010 on its £178.5 million committed bank facility which expires in June 2013.

Net debt is expected to continue fall further for the remainder of 2010 and the Group continues to operate comfortably within the financial covenants attached to the Group's financing facilities.

**Capital expenditure**

Capital expenditure in the period was £6.1 million against depreciation of £16.3 million. Capital expenditure is expected to be maintained at around £15 million per annum going forward and will remain below depreciation as the Group has already invested in new presses in all but one of the Group's print plants.

**Related party transactions**

There have been no changes in the nature of the related party transactions and no material transactions during the period.

**Principal risks and uncertainties**

The principal risks and uncertainties that affect the Group on an ongoing basis are described in the Group's Annual Report and Accounts for the 53 weeks ended 3 January 2010. These are still considered the most relevant risks and uncertainties at this time. They could have an impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ from expected or historical results.

The principal risks and uncertainties that affect the Group on an ongoing basis are that advertising and circulation revenues, representing the core revenue streams for the Group, are materially affected by the challenging economic conditions. The economy though showing signs of improvement remains fragile.

**Interim Management Report (continued)****Other Items (continued)****Going concern**

In determining whether the Group's half-yearly financial report can be prepared on a going concern basis, the directors considered factors likely to affect future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to business activities. These are set out in this Interim Management Report and further detail is provided in the Group's Annual Report and Accounts for the 53 weeks ended 3 January 2010. The key factors considered by the directors were as follows:

- the implications of the challenging economic environment on the Group's revenues and profits. The Group undertakes forecasts and projections of trading and cash flows on a regular basis. This is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook and also provides projections of working capital requirements;
- the impact of the competitive environment within which the Group's businesses operate. In particular, the Nationals operate in a highly competitive market place characterised by high levels of marketing expenditure and cover price discounting;
- the impact on our business of key suppliers (in particular newsprint) being unable to meet their obligations to the Group;
- the impact on our business of key customers being unable to meet their obligations for services provided by the Group;
- the continued fragmentation of media and the implications for our business;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- the committed finance facilities available to the Group. The Group has access to overdraft facilities and a committed bank facility to meet day to day working capital requirements, which at the period end had undrawn committed headroom of £178.5 million. The bank facility is committed to June 2013 and drawings can be made with 24 hours notice.

Having considered the factors impacting the Group's businesses, including downside sensitivities, the directors are satisfied that the Group will be able to operate within the terms and conditions of the Group financing facilities for the foreseeable future. The Group continues to operate comfortably within its debt covenants and does not expect to have to refinance or renegotiate its facilities during the next 12 months.

**Statement of directors' responsibilities**

The directors are responsible for preparing the half-yearly financial report in accordance with applicable laws and regulations.

The directors confirm to the best of their knowledge:

- a) the condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union; and
- b) the half-yearly financial report includes a fair review of the information required by the Financial Services Authority's Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and 4.2.8R (disclosure of related parties transactions and changes therein).

By order of the Board of directors

Sly Bailey  
Chief Executive

Vijay Vaghela  
Group Finance Director

*This Interim Management Report is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this Interim Management Report is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. Statements contained in this Interim Management Report are based on the knowledge and information available to the Company's directors at the date it was prepared and therefore the facts stated and views expressed may change after that date. By their nature, the statements concerning the risks and uncertainties facing the Company in this Interim Management Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. To the extent that this Interim Management Report contains any statement dealing with any time after the date of its preparation such statement is merely predictive and speculative as it relates to events and circumstances which are yet to occur. The Company undertakes no obligation to update these forward-looking statements.*

**Condensed consolidated income statement**

for the 26 weeks to 4 July 2010

	notes	26 weeks to 4 July 2010 (unaudited) £m	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
<b>Revenue</b>	3,4	<b>382.2</b>	383.0	763.3
Cost of sales		<b>(186.8)</b>	(200.3)	(390.4)
<b>Gross profit</b>		<b>195.4</b>	182.7	372.9
Distribution costs		<b>(40.3)</b>	(42.4)	(81.1)
Administrative expenses:				
Non-recurring items	5	<b>28.8</b>	(12.6)	(11.3)
Amortisation of other intangible assets		<b>(3.3)</b>	(3.6)	(7.1)
Other administrative expenses		<b>(93.6)</b>	(91.5)	(186.9)
Share of results of associates		<b>0.2</b>	0.3	0.5
<b>Operating profit</b>	4	<b>87.2</b>	32.9	87.0
Investment revenues	6	<b>0.2</b>	0.1	0.2
Pension finance charge	12	<b>(3.3)</b>	(5.4)	(10.5)
Finance income/(costs)	7	<b>0.7</b>	(25.5)	(34.7)
<b>Profit before tax</b>		<b>84.8</b>	2.1	42.0
Tax (charge)/credit	8	<b>(17.8)</b>	0.6	(12.7)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>67.0</b>	2.7	29.3
<b>Earnings per share</b>		<b>Pence</b>	Pence	Pence
Adjusted earnings per share* – basic	9	<b>13.8</b>	8.7	20.0
Adjusted earnings per share* – diluted	9	<b>13.7</b>	8.7	19.8
<b>Earnings per share – basic</b>	9	<b>26.2</b>	1.1	11.5
<b>Earnings per share – diluted</b>	9	<b>26.1</b>	1.1	11.4

\* Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings and the impact of fair value changes on derivative financial instruments. A reconciliation between the adjusted results and the statutory results is provided in note 15.

**Condensed consolidated statement of comprehensive income**

for the 26 weeks to 4 July 2010

		26 weeks to 4 July 2010 (unaudited) £m	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
<b>Profit for the period</b>		<b>67.0</b>	2.7	29.3
Actuarial losses on defined benefit pension schemes taken to equity	12	<b>(64.6)</b>	(79.1)	(105.7)
Tax on actuarial losses on defined benefit pension schemes taken to equity	8	<b>18.1</b>	22.1	29.6
Share of items recognised in equity by associates		<b>(1.6)</b>	(1.7)	(1.7)
<b>Other comprehensive costs for the period</b>		<b>(48.1)</b>	(58.7)	(77.8)
<b>Total comprehensive income/(costs) for the period</b>		<b>18.9</b>	(56.0)	(48.5)

**Condensed consolidated statement of changes in equity**

for the 26 weeks to 4 July 2010

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
<b>At 3 January 2010 (audited)</b>	<b>(25.8)</b>	<b>(1,120.5)</b>	<b>(4.3)</b>	<b>661.4</b>	<b>(489.2)</b>
Profit for the period	-	-	-	(67.0)	(67.0)
Other comprehensive costs	-	-	-	48.1	48.1
Total comprehensive income for the period	-	-	-	(18.9)	(18.9)
Credit to equity for equity settled share-based payments	-	-	-	(1.2)	(1.2)
Purchase of own shares	-	-	-	3.5	3.5
<b>At 4 July 2010 (unaudited)</b>	<b>(25.8)</b>	<b>(1,120.5)</b>	<b>(4.3)</b>	<b>644.8</b>	<b>(505.8)</b>
	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 28 December 2008 (audited)	(25.8)	(1,120.5)	(4.3)	615.9	(534.7)
Profit for the period	-	-	-	(2.7)	(2.7)
Other comprehensive costs	-	-	-	58.7	58.7
Total comprehensive costs for the period	-	-	-	56.0	56.0
Credit to equity for equity settled share-based payments	-	-	-	(1.5)	(1.5)
At 28 June 2009 (unaudited)	(25.8)	(1,120.5)	(4.3)	670.4	(480.2)
	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 28 December 2008 (audited)	(25.8)	(1,120.5)	(4.3)	615.9	(534.7)
Profit for the period	-	-	-	(29.3)	(29.3)
Other comprehensive costs	-	-	-	77.8	77.8
Total comprehensive costs for the period	-	-	-	48.5	48.5
Credit to equity for equity settled share-based payments	-	-	-	(3.0)	(3.0)
At 3 January 2010 (audited)	(25.8)	(1,120.5)	(4.3)	661.4	(489.2)

## Condensed consolidated balance sheet

at 4 July 2010

	notes	4 July 2010 (unaudited) £m	28 June 2009 (unaudited) £m	3 January 2010 (audited) £m
<b>Non-current assets</b>				
Goodwill		74.5	76.4	74.5
Other intangible assets		898.1	874.9	871.4
Property, plant and equipment		420.6	434.0	423.2
Investment in associates		4.9	6.1	6.3
Retirement benefit assets		16.3	-	-
Deferred tax assets		91.0	77.2	83.4
Derivative financial instruments	11	24.6	-	-
		<b>1,530.0</b>	<b>1,468.6</b>	<b>1,458.8</b>
<b>Current assets</b>				
Inventories		5.5	6.2	5.9
Trade and other receivables		107.0	113.1	95.6
Cash and cash equivalents	11	75.3	22.0	61.2
		<b>187.8</b>	<b>141.3</b>	<b>162.7</b>
<b>Total assets</b>		<b>1,717.8</b>	<b>1,609.9</b>	<b>1,621.5</b>
<b>Non-current liabilities</b>				
Borrowings	11	(375.1)	(348.0)	(355.0)
Obligations under finance leases		-	(4.9)	-
Retirement benefit obligations	12	(341.0)	(275.2)	(296.6)
Deferred tax liabilities		(331.8)	(321.4)	(318.8)
Provisions		(6.4)	(9.4)	(7.2)
Derivative financial instruments	11	-	(11.2)	(2.9)
		<b>(1,054.3)</b>	<b>(970.1)</b>	<b>(980.5)</b>
<b>Current liabilities</b>				
Borrowings	11	-	(0.6)	-
Trade and other payables		(126.5)	(134.5)	(115.6)
Current tax liabilities		(19.2)	(12.7)	(23.0)
Obligations under finance leases		-	(2.3)	-
Provisions		(10.4)	(7.0)	(10.1)
Derivative financial instruments	11	(1.6)	(2.5)	(3.1)
		<b>(157.7)</b>	<b>(159.6)</b>	<b>(151.8)</b>
<b>Total liabilities</b>		<b>(1,212.0)</b>	<b>(1,129.7)</b>	<b>(1,132.3)</b>
<b>Net assets</b>		<b>505.8</b>	<b>480.2</b>	<b>489.2</b>
<b>Equity</b>				
Share capital	14	(25.8)	(25.8)	(25.8)
Share premium account	14	(1,120.5)	(1,120.5)	(1,120.5)
Capital redemption reserve	14	(4.3)	(4.3)	(4.3)
Retained earnings and other reserves	14	644.8	670.4	661.4
<b>Total equity attributable to equity holders of the parent</b>		<b>(505.8)</b>	<b>(480.2)</b>	<b>(489.2)</b>

**Condensed consolidated cash flow statement**  
for the 26 weeks to 4 July 2010

	notes	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
<b>Cash flows from operating activities</b>				
Cash generated from operations	10	<b>48.3</b>	27.2	97.6
Income tax paid		<b>(9.1)</b>	(3.7)	(8.0)
<b>Net cash inflow from operating activities</b>		<b>39.2</b>	23.5	89.6
<b>Investing activities</b>				
Interest received		<b>0.2</b>	0.1	0.2
Proceeds on disposal of property, plant and equipment		-	8.6	8.9
Purchases of property, plant and equipment		<b>(6.1)</b>	(5.5)	(14.8)
Acquisition of business	13	<b>(7.4)</b>	-	-
<b>Net cash (used in)/from investing activities</b>		<b>(13.3)</b>	3.2	(5.7)
<b>Financing activities</b>				
Interest paid on borrowings		<b>(8.3)</b>	(13.0)	(22.9)
Interest paid on finance leases		-	(0.3)	(0.6)
Repayment of borrowings		-	(10.0)	(10.0)
Repayment of obligations under finance leases		-	(2.6)	(9.8)
Increase on bank overdrafts		-	0.6	-
Purchase of own shares		<b>(3.5)</b>	-	-
<b>Net cash used in financing activities</b>		<b>(11.8)</b>	(25.3)	(43.3)
<b>Net increase in cash and cash equivalents</b>	11	<b>14.1</b>	1.4	40.6
Cash and cash equivalents at the beginning of period	11	<b>61.2</b>	20.6	20.6
<b>Cash and cash equivalents at the end of period</b>	11	<b>75.3</b>	22.0	61.2

## Notes to the condensed consolidated financial statements

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

### 1. General information

The financial information in respect of the 53 weeks ended 3 January 2010 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and is available at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP and on the Company's website at [www.trinitymirror.com](http://www.trinitymirror.com). The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the 26 weeks ended 4 July 2010 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies. This half-yearly financial report constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules.

The auditors have carried out a review of the condensed consolidated financial statements and their report is set out on page 26.

The condensed consolidated financial statements were approved by the directors on 29 July 2010. This announcement will be made available at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP and on the Company's website at [www.trinitymirror.com](http://www.trinitymirror.com).

### 2. Accounting policies

#### Basis of preparation

The Group's annual consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. The condensed consolidated financial statements included in this financial report have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

#### Going concern

Having considered all the factors impacting the Group's businesses, including downside sensitivities, the directors are satisfied that the Group will be able to operate within the terms and conditions of the Group financing facilities for the foreseeable future. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial report.

#### Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated financial statements as applied in the Group's latest annual consolidated financial statements, except as listed below.

The Group has adopted new, revised and amended standards during the current financial period which have had the following impact on the Group:

- IAS 1 (Amended) 'Presentation of Financial Statements'. This is a presentational change only, affecting the titles and positioning of items within the financial statements. It has no impact on reported profits or total equity.
- IFRS 3 (Revised) 'Business Combinations'. IFRS 3 introduces a number of changes in a number of areas, including the requirement to recognise changes in contingent consideration in the income statement rather than as an adjustment to goodwill, the requirement to recognise contingent liabilities at fair value and the requirement to expense acquisition costs as incurred rather than treating them as part of the costs of the acquisition. Business combinations executed prior to the current financial period and the resolution of related issues, are dealt with under the preceding version of the standard as previously applied by the Group. The revised standard has been applied to the acquisition of GMG Regional Media.
- IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and chief operating decision maker to allocate resources to the segments and to assess their performance. This has not led to a change in the operating segments but has impacted disclosure.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**2. Accounting policies (continued)****Changes in accounting policy (continued)**

The Group has adopted new, revised and amended standards and interpretations during the current financial period which have had no material impact on the Group:

- IFRS 2 (Revised) Share-Based Payment: Vesting Conditions and Cancellations
- IFRS 5 (Revised) Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 (Revised) Financial Instruments: Disclosure
- IAS 7 (Amended) Statement of Cash Flows
- IAS 16 (Amended) Property, Plant and Equipment
- IAS 17 (Amended) Leases
- IAS 19 (Amended) Employee Benefits
- IAS 20 (Amended) Government Grants and Disclosure of Government Assistance
- IAS 23 (Amended) Borrowing Costs
- IAS 27 (Revised) Consolidated and Separate Financial Statements
- IAS 28 (Amended) Investments in Associates
- IAS 29 (Amended) Financial Reporting in Hyperinflationary Economies
- IAS 31 (Amended) Investments in Joint Ventures
- IAS 32 (Amended) Financial Instruments: Presentation
- IAS 36 (Amended) Impairment of Assets
- IAS 38 (Amended) Intangible Assets
- IAS 39 (Amended) Financial Instruments: Recognition and Measurement
- IAS 40 (Amended) Investment Property
- IAS 41 (Amended) Agriculture
- IFRIC 14 (Issued) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 (Issued) Agreements for the Construction of Real Estate
- IFRIC 17 (Issued) Distributions of Non-cash Assets to Owners
- IFRIC 18 (Issued) Transfers of Assets from Customers

At the date of approval of these condensed consolidated financial statements the following new and revised standards and interpretations, which have not been applied and when adopted will have no material impact on the Group, were in issue but not yet effective:

- IFRS 9 (Issued) 'Financial Instruments' - effective for periods starting on or after 1 January 2013
- IAS 24 (Revised) 'Related Party Disclosures' - effective for periods starting on or after 1 January 2011
- IFRIC 19 (Issued) 'Extinguishing Financial Liabilities with Equity Instruments' - effective for periods starting on or after 1 July 2010

**Critical judgements in applying the Group's accounting policies**

In applying the entity's accounting policies, management has made certain judgements in respect of the identification of intangible assets based on pre-acquisition forecasts and market analysis. The initial valuations of acquired intangible assets are reviewed for impairment at each reporting date or more frequently if necessary. These judgements have the most significant effect on the amounts recognised in the Group's annual consolidated financial statements.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and the other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been consistently applied to all the periods presented and are set out in the Group's annual consolidated financial statements.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**3. Revenue**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Circulation	161.4	169.8	339.3
Advertising	176.0	168.4	331.8
Other	44.8	44.8	92.2
<b>Total</b>	<b>382.2</b>	<b>383.0</b>	<b>763.3</b>

**4. Business and geographical segments**

The Group has adopted IFRS 8 which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and chief operating decision maker to allocate resources to the segments and to assess their performance. The segments reported under IFRS 8 are no different to those previously reported as they reflect the operating segments of the Group about which financial information is regularly reviewed by the Board and chief operating decision maker in assessing performance and allocating resources. The Board and chief operating decision maker are not provided with an amount for total assets by segment.

The Regionals division publishes a large portfolio of newspaper and online brands across the UK. The Nationals division publishes two daily and three Sunday newspapers and related online brands and activities primarily in the UK. Central includes costs not allocated to the operational divisions and the share of results of associates. The revenues and costs of each segment are clearly identifiable and allocated according to where they arise. The Group is not subject to significant seasonality during the year.

**Segment revenue and results**

<b>26 weeks to 4 July 2010 (unaudited)</b>	<b>Regionals 2010 £m</b>	<b>Nationals 2010 £m</b>	<b>Central 2010 £m</b>	<b>Total 2010 £m</b>
<b>Revenue</b>				
Segment sales	166.5	225.8	-	392.3
Inter-segment sales	(4.1)	(6.0)	-	(10.1)
<b>Total revenue</b>	<b>162.4</b>	<b>219.8</b>	<b>-</b>	<b>382.2</b>
Segment result	28.9	39.5	(6.7)	61.7
Amortisation				(3.3)
Non-recurring items				28.8
<b>Operating profit</b>				<b>87.2</b>
Investment revenues				0.2
Pension finance charge				(3.3)
Finance income				0.7
<b>Profit before tax</b>				<b>84.8</b>
Tax charge				(17.8)
<b>Profit for the period</b>				<b>67.0</b>

26 weeks to 28 June 2009 (unaudited)	Regionals 2009 £m	Nationals 2009 £m	Central 2009 £m	Total 2009 £m
<b>Revenue</b>				
Segment sales	159.8	231.1	-	390.9
Inter-segment sales	(4.4)	(3.5)	-	(7.9)
<b>Total revenue</b>	<b>155.4</b>	<b>227.6</b>	<b>-</b>	<b>383.0</b>
Segment result	17.3	38.2	(6.4)	49.1
Amortisation				(3.6)
Non-recurring items				(12.6)
<b>Operating profit</b>				<b>32.9</b>
Investment revenues				0.1
Pension finance credit				(5.4)
Finance costs				(25.5)
<b>Profit before tax</b>				<b>2.1</b>
Tax credit				0.6
<b>Profit for the period</b>				<b>2.7</b>

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**4. Business and geographical segments (continued)****Segment revenue and results (continued)**

53 weeks to 3 January 2010 (audited)	Regionals 2009 £m	Nationals 2009 £m	Central 2009 £m	Total 2009 £m
Revenue				
Segment sales	311.8	467.8	-	779.6
Inter-segment sales	(8.9)	(7.4)	-	(16.3)
<b>Total revenue</b>	<b>302.9</b>	<b>460.4</b>	<b>-</b>	<b>763.3</b>
Segment result	35.9	83.6	(14.1)	105.4
Amortisation				(7.1)
Non-recurring items				(11.3)
Operating profit				87.0
Investment revenues				0.2
Pension finance credit				(10.5)
Finance costs				(34.7)
Profit before tax				42.0
Tax charge				(12.7)
<b>Profit for the period</b>				<b>29.3</b>

**Segment geographical**

The Group's operations are located in the United Kingdom. The Group's revenue by geographical market is set out below:

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
United Kingdom and Republic of Ireland	<b>379.4</b>	380.1	757.0
Continental Europe	<b>2.3</b>	2.6	5.4
Rest of World	<b>0.5</b>	0.3	0.9
<b>Total revenue</b>	<b>382.2</b>	<b>383.0</b>	<b>763.3</b>

**5. Non-recurring items**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Gain on acquisition of business (a)	<b>27.3</b>	-	-
Restructuring charges (b)	<b>(7.5)</b>	(8.3)	(17.9)
Defined benefit scheme liabilities (c)	<b>9.0</b>	-	9.9
Impairment of receivables (d)	-	(7.0)	(6.0)
Profit on disposal of land and buildings (e)	-	5.1	5.1
Loss on disposal of business (f)	-	(2.4)	(2.4)
<b>Total non-recurring items</b>	<b>28.8</b>	<b>(12.6)</b>	<b>(11.3)</b>

- (a) The gain on acquisition of business consists of an accounting gain of £28.4 million representing negative goodwill of £23.6 million together with a gain on a cancelled contract of £4.8 million less transaction costs of £1.1 million.
- (b) Restructuring charges of £7.5 million (26 weeks to 28 June 2009: £8.3 million and 53 weeks to 3 January 2010: £17.9 million) were incurred in delivery of cost reduction measures and implementation of a new operating model for the Group.
- (c) Defined benefit scheme liabilities were reduced by £9.0 million in respect of the curtailment gain relating to the Group closing the schemes to future accrual and redundancies (26 weeks to 28 June 2009: £nil and 53 weeks to 3 January 2010: £9.9 million reduction in respect of the curtailment gain relating to redundancies and the Group indicating that it will no longer exercise discretion in providing enhancements to past service on redundancy).
- (d) In 2009, there was an impairment of receivables which related to the write off of circulation receivables following a wholesale distributor going into administration (26 weeks to 28 June 2009: £7.0 million and 53 weeks to 3 January 2010: £6.0 million).
- (e) In 2009, the Group disposed of surplus land and buildings releasing a profit on disposal of £5.1 million.
- (f) In 2009, the Group disposed of Globespan Media Limited incurring a loss on disposal of £2.4 million.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**6. Investment revenues**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Interest income on bank deposits	<b>0.2</b>	0.1	0.2

**7. Finance income/(costs)**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Interest on bank overdrafts and borrowings	<b>(8.2)</b>	(12.2)	(21.8)
Interest on obligations under finance leases	-	(0.3)	(0.6)
<b>Total interest expense</b>	<b>(8.2)</b>	(12.5)	(22.4)
Fair value gain/(loss) on cross-currency interest rate swaps	<b>29.0</b>	(53.3)	(45.6)
Foreign exchange (loss)/gain on retranslation of borrowings	<b>(20.1)</b>	40.3	33.3
<b>Finance income/(costs)</b>	<b>0.7</b>	(25.5)	(34.7)

**8. Tax**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
<b>Current tax</b>			
Corporation tax charge for the period	<b>(13.2)</b>	(5.5)	(18.0)
Prior period adjustment	<b>(0.7)</b>	0.4	(1.6)
<b>Current tax charge</b>	<b>(13.9)</b>	(5.1)	(19.6)
<b>Deferred tax</b>			
Deferred tax (charge)/credit for the period	<b>(3.4)</b>	4.9	6.0
Prior period adjustment	<b>(0.5)</b>	0.8	0.9
<b>Deferred tax (charge)/credit</b>	<b>(3.9)</b>	5.7	6.9
<b>Tax (charge)/credit</b>	<b>(17.8)</b>	0.6	(12.7)
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Reconciliation of tax charge</b>			
Standard rate of corporation tax	<b>28.0</b>	28.0	28.0
Tax effect of items that are not deductible in determining taxable profit/(loss)	<b>1.1</b>	11.6	4.9
Tax effect of items that are not taxable in determining taxable profit/(loss)	<b>(9.4)</b>	(7.1)	(4.0)
Tax effect of share of results of associates	<b>(0.2)</b>	(4.0)	(0.4)
Prior period adjustment	<b>1.5</b>	(57.1)	1.7
<b>Tax charge rate</b>	<b>21.0</b>	(28.6)	30.2

The standard rate of corporation tax is the UK prevailing rate of 28% (2009: 28%). The current tax liabilities amounted to £19.2 million (28 June 2009: £12.7 million and 3 January 2010: £23.0 million) at the reporting date.

The tax on actuarial losses on defined benefit pension schemes taken to the statement of comprehensive income of £18.1 million (26 weeks to 28 June 2009: £22.1 million and 53 weeks to 3 January 2010: £29.6 million) comprises current tax of £8.6 million (26 weeks to 28 June 2009: £4.7 million and 53 weeks to 3 January 2010: £4.6 million) and deferred tax of £9.5 million (26 weeks to 28 June 2009: £17.4 million and 53 weeks to 3 January 2010: £25.0 million).

The change in the standard rate of corporation tax from 28% to 27% from 1 April 2011 was substantively enacted on 27 July 2010. The estimated impact on the opening deferred tax position being recalculated is a £10 million credit in the income statement and a £2 million debit taken directly to equity.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**9. Earnings per share**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
<b>Profit after tax before adjusted items*</b>	<b>35.4</b>	22.3	51.1
Adjusted items*:			
Non-recurring items (after tax)	<b>27.6</b>	(7.6)	(7.8)
Amortisation of intangibles (after tax)	<b>(2.4)</b>	(2.6)	(5.1)
Fair value gain/(loss) on derivative financial instruments (after tax)	<b>20.9</b>	(38.4)	(32.8)
Foreign exchange (loss)/gain on retranslation of borrowings (after tax)	<b>(14.5)</b>	29.0	23.9
<b>Profit for the period</b>	<b>67.0</b>	2.7	29.3

\*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings and the impact of fair value changes on derivative financial instruments. A reconciliation between the adjusted result and the statutory result is provided in note 15.

	<b>Thousand</b>	Thousand	Thousand
Weighted average number of ordinary shares for basic earnings per share	<b>255,293</b>	255,659	255,874
Effect of potential ordinary shares in respect of share options	<b>1,318</b>	31	1,989
Weighted average number of ordinary shares for diluted earnings per share	<b>256,611</b>	255,690	257,863

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares during the period. 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.

<b>Earnings per share</b>	<b>Pence</b>	Pence	Pence
Adjusted earnings* per share - basic	<b>13.8</b>	8.7	20.0
Adjusted earnings* per share - diluted	<b>13.7</b>	8.7	19.8
<b>Earnings per share – basic</b>	<b>26.2</b>	1.1	11.5
<b>Earnings per share – diluted</b>	<b>26.1</b>	1.1	11.4

\* Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings and the impact of fair value changes on derivative financial instruments. A reconciliation between the adjusted results and the statutory results is provided in note 15.

The basic earnings per share impact for each non-recurring item disclosed in note 5 is as follows:

	<b>Pence</b>	Pence	Pence
Gain on acquisition of business	<b>10.4</b>	-	-
Restructuring charges	<b>(2.1)</b>	(2.3)	(5.0)
Defined benefit scheme liabilities	<b>2.5</b>	-	2.8
Impairment of receivables	-	(2.0)	(1.7)
Profit on disposal of land and buildings	-	2.2	2.0
Loss on disposal of business	-	(0.8)	(1.1)
<b>Gain/(loss) per share</b>	<b>10.8</b>	(2.9)	(3.0)

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**10. Notes to the cash flow statement**

	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Operating profit	87.2	32.9	87.0
Depreciation of property, plant and equipment	16.3	18.0	36.8
Amortisation of other intangible assets	3.3	3.6	7.1
Share of results of associates	(0.2)	(0.3)	(0.5)
Charge for share-based payments	1.5	1.8	3.2
Profit on disposal of land and buildings	-	(5.1)	(5.1)
Loss on disposal of business	-	2.4	2.4
Gain on acquisition of business	(28.4)	-	-
Pension funding in excess of income statement charge*	(39.8)	(16.2)	(26.5)
Operating cash flows before movements in working capital	39.9	37.1	104.4
Decrease in inventories	0.7	1.4	1.7
Decrease in receivables	0.7	6.0	23.6
Increase/(decrease) in payables	7.0	(17.3)	(32.1)
<b>Cash flows from operating activities</b>	<b>48.3</b>	<b>27.2</b>	<b>97.6</b>

\* Including non cash gain of £9.0 million (26 weeks to 28 June 2009: £nil and 53 weeks to 3 January 2010: £9.9 million) described in note 5.

**11. Net debt**

The statutory net debt for the Group is as follows:

	<b>3 January 2010 (audited) £m</b>	<b>Cash flow £m</b>	<b>Consolidated income statement* £m</b>	<b>4 July 2010 (unaudited) £m</b>
<b>Non-current liabilities</b>				
Loan notes	(355.0)	-	(20.1)	(375.1)
Derivative financial instruments	(2.9)	-	2.9	-
	<b>(357.9)</b>	<b>-</b>	<b>(17.2)</b>	<b>(375.1)</b>
<b>Current liabilities</b>				
Derivative financial instruments	(3.1)	-	1.5	(1.6)
	<b>(3.1)</b>	<b>-</b>	<b>1.5</b>	<b>(1.6)</b>
<b>Non-current assets</b>				
Derivative financial instruments	-	-	24.6	24.6
	<b>-</b>	<b>-</b>	<b>24.6</b>	<b>24.6</b>
<b>Current assets</b>				
Cash and cash equivalents	61.2	14.1	-	75.3
	<b>61.2</b>	<b>14.1</b>	<b>-</b>	<b>75.3</b>
<b>Net debt</b>	<b>(299.8)</b>	<b>14.1</b>	<b>8.9</b>	<b>(276.8)</b>

\* The impact on the loan notes of translation into sterling at the reporting date exchange rate and the impact on the derivative financial instruments of being stated at fair value at the reporting date are included in the consolidated income statement within finance costs as set out in note 7.

The US private placement loan notes totalling US\$522 million and £26 million were issued in 2001 and 2002. On the issue date the capital repayments and fixed rate interest and on the US\$ denominated loan notes were swapped into floating rate sterling through the use of cross-currency interest rate swaps. As hedge accounting under IAS 39 has not been applied, the loan notes and cross-currency interest rate swaps are shown separately in accordance with IAS 39. The loan notes are disclosed at amortised cost and translated into sterling at the reporting date exchange rate and the cross-currency interest rate swaps are disclosed at fair value at the reporting date. These values do not represent the amounts required to repay the loan notes or cancel the related cross-currency interest rate swaps.

Cash and cash equivalents represents the sum of the Group's bank balances and cash in hand at the reporting date.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**11. Net debt (continued)**

The contracted net debt for the Group, assuming that the private placement loan notes and the cross-currency interest rate swaps are not terminated prior to maturity, is as follows:

	3 January 2010 (audited) £m	Cash flow £m	Consolidated income statement* £m	4 July 2010 (unaudited) £m
<b>Non-current liabilities</b>				
Loan notes	(382.1)	-	-	(382.1)
	<b>(382.1)</b>	-	-	<b>(382.1)</b>
<b>Current liabilities</b>				
Derivative financial instruments	(3.1)	-	1.5	(1.6)
	<b>(3.1)</b>	-	<b>1.5</b>	<b>(1.6)</b>
<b>Current assets</b>				
Cash and cash equivalents	61.2	14.1	-	75.3
	<b>61.2</b>	<b>14.1</b>	-	<b>75.3</b>
<b>Net debt</b>	<b>(324.0)</b>	<b>14.1</b>	<b>1.5</b>	<b>(308.4)</b>

\* The impact on the derivative financial instruments of being stated at fair value at the reporting date are included in the consolidated income statement within finance costs as set out in note 7.

The statutory net debt reconciles to the contracted net debt as follows:

	4 July 2010 (unaudited) £m	3 January 2010 (audited) £m
<b>Statutory net debt</b>	<b>(276.8)</b>	(299.8)
Loan notes at period end exchange rate	375.1	355.0
Loan notes at swapped exchange rate	(382.1)	(382.1)
Cross-currency interest rate swaps	(24.6)	2.9
<b>Contracted net debt</b>	<b>(308.4)</b>	(324.0)

**12. Retirement benefit schemes****Defined benefit pension schemes**

The Group operates 10 defined benefit pension schemes for certain employees which were closed to new entrants with effect from 1 January 2003 and closed to future accrual from 31 March 2010. All employees are entitled to join the Trinity Mirror Pension Plan, a defined contribution pension scheme.

Formal valuations of the defined benefit pension schemes are carried out regularly. The actuarial methods and assumptions used to calculate each scheme's assets and liabilities vary according to the actuarial and funding policies adopted by their respective trustees. All of the schemes are being funded in accordance with the recommendations of the respective actuaries. The most significant of the schemes are the Mirror Group Pension Scheme (the 'Old Scheme'), the MGN Past Service Pension Scheme (the 'Past Service Scheme'), the MGN Pension Scheme (the 'MGN Scheme'), the Trinity Retirement Benefit Scheme (the 'Trinity Scheme') and the Midland Independent Newspapers Pension Scheme (the 'MIN Scheme') which together represent the majority of the aggregate value of the scheme's assets and liabilities.

The full actuarial valuation of the Trinity Scheme was agreed in the first half of 2010. The Old Scheme, the Past Service Scheme and the MGN Scheme were completed in October 2008 and the MIN Scheme was completed in June 2008. The next full actuarial valuation dates for these schemes are: Trinity Scheme 30 June 2012, the Old Scheme, the Past Service Scheme and the MGN Scheme 31 December 2010 and the MIN Scheme 31 March 2010. The valuations of the Old Scheme, the Past Service Scheme, the MGN Scheme and the MIN Scheme are likely to be completed in 2011.

For the purposes of the Group's condensed consolidated financial statements, valuations have been performed in accordance with the requirements of IAS 19 with scheme liabilities calculated using a consistent projected unit valuation method and compared to the value of the scheme assets at 2 July 2010, the last day prior to the period end for which such values were available. IFRIC 14 has been adopted and has had no impact on the retirement benefit assets or obligations. Following detailed consideration and legal advice on the recoverability of pension scheme surpluses we are no longer applying the asset ceiling.

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**12. Retirement benefit schemes (continued)****Defined benefit pension schemes (continued)**

The assets and liabilities of the most significant schemes included above as at the reporting date are:

	Old Scheme/Past Service Scheme £m	MGN Scheme £m	Trinity Scheme £m	MIN Scheme £m
Present value of scheme liabilities	(758.5)	(413.5)	(325.4)	(196.1)
Fair value of scheme assets	574.3	293.8	329.2	159.0
<b>Scheme (deficit)/surplus</b>	<b>(184.2)</b>	<b>(119.7)</b>	<b>3.8</b>	<b>(37.1)</b>

Based on actuarial advice, the assumptions used in calculating the scheme liabilities and the actuarial value of those liabilities and the actual return on scheme assets are:

	4 July 2010 %	28 June 2009 %	3 January 2010 %
<b>Principal annual actuarial assumptions used:</b>			
Discount rate	5.30	6.25	5.70
Inflation rate	3.25	3.25	3.50
Expected return on scheme assets	5.00-6.90	4.80-6.70	5.00-6.90
Expected rate of salary increases	-	3.50	3.75
Pension increases:			
Pre 6 April 1997 pensions	2.50-5.00	3.15-5.00	3.00-5.00
Post 6 April 1997 pensions	3.15-3.65	3.15-5.00	3.40-3.75
In deferment	3.25	3.25	3.50
	4 July 2010 £m	28 June 2009 £m	3 January 2010 £m
Actuarial value of scheme liabilities	1,743.8	1,485.3	1,683.1
Actual return on scheme assets	17.6	16.7	213.0

Post-retirement mortality tables and future life expectancies at age 65 are:

	Future life expectancy (years) for a pensioner currently aged 65		Future life expectancy (years) at age 65 for a non-pensioner currently aged 55	
	Male	Female	Male	Female
At 28 December 2008	21.4	23.8	23.2	25.6
At 28 June 2009	21.4	23.8	23.2	25.6
At 3 January 2010	21.6	24.0	23.4	25.7
<b>At 4 July 2010</b>	<b>21.6</b>	<b>24.0</b>	<b>23.4</b>	<b>25.7</b>

The amount included in the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	4 July 2010 (unaudited) £m	28 June 2009 (unaudited) £m	3 January 2010 (audited) £m
Present value of scheme liabilities	(1,743.8)	(1,485.3)	(1,683.1)
Fair value of scheme assets	1,419.1	1,239.9	1,398.1
Effect of asset ceiling	-	(29.8)	(11.6)
<b>Net scheme deficit</b>	<b>(324.7)</b>	<b>(275.2)</b>	<b>(296.6)</b>
Non-current assets – retirement benefit assets	16.3	-	-
Non-current liabilities – retirement benefit obligations	(341.0)	(275.2)	(296.6)
<b>Net scheme deficit</b>	<b>(324.7)</b>	<b>(275.2)</b>	<b>(296.6)</b>

**Notes to the condensed consolidated financial statements**

for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**12. Retirement benefit schemes (continued)****Defined benefit pension schemes (continued)**

	<b>4 July 2010 (unaudited) £m</b>	28 June 2009 (unaudited) £m	3 January 2010 (audited) £m
<b>Fair value of scheme assets:</b>			
UK equities	281.7	241.6	290.2
US equities	72.3	67.2	76.4
Other overseas equities	210.4	177.6	227.2
Property	12.9	2.8	3.1
Corporate bonds	495.7	418.3	461.0
Fixed interest gilts	39.4	64.5	31.0
Index-linked gilts	210.7	169.7	177.4
Cash	96.0	98.2	131.8
<b>Fair value of scheme assets</b>	<b>1,419.1</b>	<b>1,239.9</b>	<b>1,398.1</b>
	<b>26 weeks to 4 July 2010 (unaudited) £m</b>	26 weeks to 28 June 2009 (unaudited) £m	53 weeks to 3 January 2010 (audited) £m
Current service cost	(4.4)	(8.2)	(14.6)
Past service costs	-	(0.9)	(0.9)
<b>Total included in staff costs</b>	<b>(4.4)</b>	<b>(9.1)</b>	<b>(15.5)</b>
Curtailment gains	9.0	-	4.3
Past service costs	-	-	5.6
<b>Total included in non-recurring items</b>	<b>9.0</b>	<b>-</b>	<b>9.9</b>
Expected return on scheme assets	43.1	38.1	76.7
Interest cost on pension scheme liabilities	(46.4)	(43.5)	(87.2)
<b>Pension finance charge</b>	<b>(3.3)</b>	<b>(5.4)</b>	<b>(10.5)</b>
<b>Total included in the consolidated income statement</b>	<b>1.3</b>	<b>(14.5)</b>	<b>(16.1)</b>
Effect of changes in actuarial assumptions on scheme liabilities	(64.2)	(92.4)	(294.1)
Experience adjustments on scheme liabilities	13.5	2.8	2.0
Experience adjustments on scheme assets	(25.5)	(21.4)	136.3
Effect of asset ceiling	11.6	31.9	50.1
<b>Consolidated statement of comprehensive income</b>	<b>(64.6)</b>	<b>(79.1)</b>	<b>(105.7)</b>
<b>Movement in net scheme deficit during the period:</b>			
Opening net deficit	(296.6)	(206.9)	(206.9)
Contributions	35.2	25.3	32.1
Total included in the consolidated income statement	1.3	(14.5)	(16.1)
Consolidated statement of comprehensive income	(64.6)	(79.1)	(105.7)
<b>Closing net scheme deficit</b>	<b>(324.7)</b>	<b>(275.2)</b>	<b>(296.6)</b>

**Defined contribution pension schemes**

The Group operates two defined contribution pension schemes for qualifying employees, the Southnews Money Purchase Scheme which is closed to new members and the Trinity Mirror Pension Plan. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The current service cost charged to the consolidated income statement of £2.3 million (26 weeks to 28 June 2009: £0.6 million and 53 weeks to 3 January 2010: £1.1 million) represents contributions payable to these schemes by the Group at rates specified in the scheme rules. Contributions that were due have been paid over to the schemes at all reporting dates.

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for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**13. Acquisition of business**

On 28 March 2010 the Group acquired the trade and assets of GMG Regional Media.

	<b>Total £m</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Financial assets	12.3
Inventory	0.3
Property, plant and equipment	10.3
Identifiable intangible assets	30.0
Financial liabilities	(15.1)
<b>Total identifiable assets</b>	<b>37.8</b>
Negative goodwill	(23.6)
<b>Total consideration</b>	<b>14.2</b>
<b>Satisfied by:</b>	
Cash consideration	7.4
Working capital	2.0
Contract cancellation	4.8
<b>Total consideration</b>	<b>14.2</b>
<b>Total consideration transferred:</b>	
Cash consideration	7.4

The financial assets include trade receivables with a gross value of £10.1 million reduced by a bad debt provision of £0.4 million and prepayments of £2.6 million.

The negative goodwill of £23.6 million arising on the acquisition has been taken to non-recurring items included in administrative expenses in the condensed consolidated income statement. The negative goodwill arises due to the value of the identifiable assets acquired and liabilities assumed are less than the total consideration. The negative goodwill is not taxable for income tax purposes.

The contract cancellation of £4.8 million relates to the value ascribed to a pre-existing print contract which was terminated as part of the acquisition consideration and has been taken to non-recurring items included in administrative expenses in the condensed consolidated income statement. The accounting gain is not taxable for income tax purposes.

GMG Regional Media contributed £18.2 million to the Group's revenue and £2.7 million to the Group's profit for the period between the date of acquisition and the reporting date. If the acquisition had been completed on the first day of the reporting period, the Group's revenue for the period would have been £398.8 million and the Group's operating profit for the period would have been £87.2 million. Acquisition related transaction costs, included in non-recurring items within administrative expenses in the condensed consolidated income statement, amounted to £1.1 million.

**14. Share capital and reserves**

The share capital comprises 257,690,520 allotted, called-up and fully paid ordinary shares of 10p each. The share premium account reflects the premium on issued ordinary shares. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buy-back programmes. No interim dividend is declared for the 52 weeks ending 2 January 2011 (53 weeks ended 3 January 2010: no dividend).

Shares purchased by the Trinity Mirror Employees' Benefit Trust (the 'Trust') are included in retained earnings and other reserves at £13.0 million (28 June 2009: £11.9 million and 3 January 2010: £10.6 million).

During the period the Trust purchased 4,000,000 shares for a cash consideration of £4.1 million. The Trust received a payment of £3.5 million from the Company and utilised £0.6 million of cash held by the Trust to purchase these shares. During the period 274,165 shares were released to senior managers relating to the grant made in 2007 under the Deferred Share Award Plan approved in 2006.

Cumulative goodwill written off to retained earnings and other reserves in respect of continuing businesses acquired prior to 1998 is £25.9 million (28 June 2009: £25.9 million and 3 January 2010: £25.9 million). On transition to IFRS, the revalued amounts of freehold properties were deemed to be the cost of the asset and the revaluation reserve has been transferred to retained earnings and other reserves.

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for the 26 weeks to 4 July 2010 (26 weeks to 28 June 2009 and 53 weeks to 3 January 2010)

**14. Share capital and reserves (continued)**

During the period 1,724,887 (26 weeks to 28 June 2009 and 52 weeks to 3 January 2010: 1,327,364) share awards were granted to senior managers on a discretionary basis under the Long Term Incentive Plan approved in 2004. The exercise price of the granted awards is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

During the period 1,629,898 (26 weeks to 28 June 2009 and 52 weeks to 3 January 2010: 30,977) share awards were granted to senior managers on a discretionary basis under the Deferred Share Award Plan approved in 2006. The exercise price of the granted awards is £1 for each block of awards granted. The awards vest after three years, subject to continued employment of the participant.

**15. Reconciliation of statutory results to adjusted results**

26 weeks ended 4 July 2010 (unaudited)	Statutory results £m	Non-recurring items (a) £m	Amortisation (b) £m	Finance costs (c) £m	Adjusted results £m
Revenue	382.2	-	-	-	382.2
Operating profit	87.2	(28.8)	3.3	-	61.7
Profit before tax	84.8	(28.8)	3.3	(8.9)	50.4
Profit after tax	67.0	(27.6)	2.4	(6.4)	35.4
Basic earnings per share (pence)	26.2	(10.8)	0.9	(2.5)	13.8

26 weeks ended 28 June 2009 (unaudited)	Statutory results £m	Non-recurring items (a) £m	Amortisation (b) £m	Finance costs (c) £m	Adjusted results £m
Revenue	383.0	-	-	-	383.0
Operating profit	32.9	12.6	3.6	-	49.1
Profit before tax	2.1	12.6	3.6	13.0	31.3
Profit after tax	2.7	7.6	2.6	9.4	22.3
Basic earnings per share (pence)	1.1	2.9	1.0	3.7	8.7

53 weeks ended 3 January 2010 (audited)	Statutory results £m	Non-recurring items (a) £m	Amortisation (b) £m	Finance costs (c) £m	Adjusted results £m
Revenue	763.3	-	-	-	763.3
Operating profit	87.0	11.3	7.1	-	105.4
Profit before tax	42.0	11.3	7.1	12.3	72.7
Profit after tax	29.3	7.8	5.1	8.9	51.1
Basic earnings per share (pence)	11.5	3.0	2.0	3.5	20.0

(a) Details of non-recurring items are set out in note 5.

(b) Amortisation of other intangible assets.

(c) Impact of the translation of foreign currency borrowings and fair value changes on derivative financial instruments.

## **INDEPENDENT REVIEW REPORT TO TRINITY MIRROR PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 4 July 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 4 July 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditors  
London, United Kingdom  
29 July 2010