Trinity Mirror plc

15 March 2012

Preliminary Results Announcement
for the 52 weeks ended 1 January 2012

Key Highlights

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

- **Maintained strong cash flows and supported profitability in a challenging economic environment**
  "Rigorous management of the business has supported profitability and delivered resilient cash flows in a challenging economic environment whilst ensuring we appropriately position the business for growth."

- **Transformation of our publishing infrastructure nearing completion**
  "Our investment in the technology led transformation of our publishing infrastructure is well advanced and on budget and will be completed by the end of 2013. The creation of a scalable industry leading publishing platform enables us to reduce costs through increased efficiencies and to develop and launch new digital products and services for our customers across multiple platforms."

- **Increased focus on driving revenues in new and growing digital sectors**
  "We are continuing to develop revenues in both B2C and B2B sectors. Today we have launched 'happli', a new brand and business proposition in the fast growing daily deals market, which we expect to deliver revenues of circa £20 million by 2014. In B2B, our digital marketing services offering has been strengthened through the acquisition of Communicator Corp where, alongside our existing business Rippleffect and our plans for SME's, we anticipate revenues in excess of £10 million in 2012."

- **Group revenue (2) lower at £746.6 million with operating profit (2)(3) lower at £104.5 million**
  "In response to the cyclical market pressures we have undertaken a series of measures to support both revenues and profitability including the delivery of structural cost savings of £25 million during the year. Without the impact of £22 million of additional costs due to newsprint price increases, adjusted operating profit would have increased year on year."

- **Reduction in net debt(1) and secure financing through to August 2015 agreed**
  "Our strong operating cash flow has enabled us to reduce net debt in the year by £44.7 million to £221.2 million. We have also announced today a new £110 million bank facility through to August 2015 together with agreed reduced pension funding obligations for the next three years. Our resilient cash flows, improving financial position and secure longer term financing underpin the value proposition of the business."

Results

	Statutory results (2)		Adjusted results (2) (3)	
	2011	2010	**2011**	2010
	52 weeks	52 weeks	**52 weeks**	52 weeks
	£m	£m	**£m**	£m
Revenue	**746.6**	761.5	**746.6**	761.5
Operating profit	**92.4**	138.0	**104.5**	123.3
Profit before tax	**74.4**	123.7	**91.9**	108.6
Earnings per share	**31.4p**	44.6p	**27.0p**	30.6p

(1) On a contracted basis assuming that the private placement loan notes and related cross-currency interest rate swaps are not terminated prior to maturity.
(2) Including revenue and operating profit of GMG Regional Media for 52 weeks in 2011 versus 40 weeks in 2010.
(3) Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 18.

Enquiries

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Chairman and Chief Executive Statement

We are pleased to report that the Group has delivered a creditable performance and remained highly cash generative during 2011, whilst remaining on-track with its restructuring programme, demonstrating the strength of our portfolio, the power of our brands and the quality of our journalistic content.

Total revenues during the year were £746.6 million; £14.9 million lower than in 2010, with adjusted operating profit declining by £18.8 million to £104.5 million. The decline in operating profit was higher than the fall in revenues reflecting the impact of input cost increases, in particular newsprint prices which increased by some £22 million and incremental investment of some £5 million. The increase in costs has been partially mitigated by structural cost savings of £25 million during the year and other cost reductions across the business. Without the newsprint price increase, operating profit would have increased year on year. Continued strong cash flow management ensured net debt fell by £44.7 million to £221.2 million.

Strategy

The three key management actions we have been driving to deliver our strategic goal of building a growing multi-platform media business are:

- a reduction in fixed costs, portfolio management and leveraging our print assets;
- the technology led transformation of our publishing capabilities to support a multi-platform media business, ensuring we have the appropriate infrastructure in place to efficiently publish and drive revenues across print and digital; and
- investing for growth through the combination of organic development and acquisition.

These three key management actions are well embedded in the culture of the business and provide the appropriate day-to-day focus and direction to deliver our strategic goal. Our focused management of the business over the last four years has supported profitability and delivered resilient cash flows in a challenging economic environment, whilst ensuring we appropriately position the business for growth. This, coupled with stability and improved visibility in the economic environment, will ensure that we are well positioned to drive shareholder value.

The advertising market has been impacted by both cyclical pressures due to the very weak economy and challenges driven by media fragmentation. However, our most cyclical advertising revenues are expected to return to growth when the economic environment stabilises with an improvement in both consumer and corporate confidence. In addition, we are well placed to take advantage of the structural changes in our markets through the strength of our digital brands, both nationally and regionally and in key sectors such as recruitment.

Reduction in fixed costs, portfolio management and leveraging our print assets

Our approach to managing the business through the difficult trading environment has included taking significant steps to reduce the fixed cost base of the business and active portfolio management. We have delivered structural cost savings of £120 million over the past four years and have contributed to the underlying cost base falling by over £160 million. We are targeting a further £15 million of structural cost savings in 2012.

Key areas of focus have been: implementation of our new operating model, consolidation of back-office functions, reduction in the number of properties, simplification of management structures and careful management of the print portfolio with the closure of unprofitable titles and moving a number of titles from daily to weekly publication, including the Birmingham Post and the Liverpool Post.

In December 2011, the Group announced the creation of Media Scotland with the integration of the Scottish Daily Record and Sunday Mail and sister company Scottish and Universal Newspapers to form Scotland's biggest publishing business. The portfolio of Media Scotland comprises the iconic national titles the Daily Record and Sunday Mail, a portfolio of 20 local newspapers including the Ayrshire Post and Stirling Observer, our Scottish Metro, our Business Insider magazine, an events division and 36 vibrant local and commercial websites. Media Scotland delivers unrivalled scale and reach across the Scottish market reaching 1.5 million readers each weekday and 1.1 million readers on a Sunday. In addition it will reach 2.6 million unique digital users a month. We envisage clear revenue and efficiency savings from this change and these will begin to accrue throughout 2012.

In addition, we have leveraged our print assets to drive new revenues. Revenues from contract print were £47 million in 2011 which is £13 million or 40% higher than in 2007 and we are anticipating further growth in 2012.

Chairman and Chief Executive Statement (continued)

Strategy (continued)

Technology led transformation of our publishing capabilities to support a multi-platform media business

We are two thirds of the way through our investment in new state of the art publishing systems across the business. Our technology led investment programme provides the business with a new publishing platform which enables seamless multi-platform publishing across print and digital. Having already invested £30 million over the past four years, the full rollout of these systems to all businesses will be completed by the end of 2013, with additional investment of £15 million during 2012 and 2013. This additional investment is included within our normalised capital expenditure of £15 million per annum.

The publishing platform includes new editorial, advertising and production systems across the business together with new digital content management and customer relationship management systems. The new platform underpins our ability to drive revenue while achieving efficiencies and significantly reduced costs without impacting the quality of our content. We are also implementing a new telecommunications platform, due for completion in 2013, which will integrate with the new publishing platform and will improve functionality and operational flexibility.

Overall, the completion of the transformation of our publishing infrastructure will ensure that each of our businesses operate from a unified and digitally enabled technology infrastructure across all our publishing platforms. The benefits this drives are: fast development and implementation of new products and services, highly efficient sharing of resource and content and significantly lower costs.

Investing for growth

The Group will seek opportunities to grow the business, both organically and through acquisition, where there is a good commercial and strategic fit along with a strong financial case. Whilst the initial impact of organic investment will be to reduce profitability in the short-term, it will drive significant revenue and profit growth in the coming years.

Since 2007, the Group has launched or acquired 300 digital brands, acquired two digital marketing services businesses and acquired GMG Regional Media. In January 2012, the Group had over 36 million unique users across its digital brands attracting a new and younger audience who are predominantly at the higher end of the socio-economic scale than our traditional newspaper audiences.

Building on our investments to date and utilising the new publishing platform, our investment priorities are focussed on diversifying our revenues in both B2B and B2C sectors which complement our existing strengths: digital marketing services, developing existing digital brands by increasing audience engagement and monetisation, launching new digital products across multiple platforms and a significant launch of a new brand happli into the strategically important daily deals market.

In B2B, increasingly we are seeing that in addition to print and website advertising our clients want help in using digital marketing services to develop and market their businesses. We are building our expertise in areas such as website design and build, search engine optimisation, email marketing, social media and web analytics to support our clients. We are investing in providing a full suite of these digital products, clearly targeted to meet specific customer needs and budgets which we anticipate will deliver revenues in excess of £10 million in 2012. Key areas are as follows:

- having acquired Rippleffect, an award winning online web design and development agency in 2008, we have invested in staff and infrastructure to grow the business and expand its service offering into ecommerce, social media and online advertising;
- in December 2011, we acquired Communicator Corp, which sits alongside Rippleffect, adding email and mobile communications to our offering. Personalisation and targeted content are increasingly sought after in a multi-channel world and Communicator Corp is recognised in the industry for its ability to meet this demand; and
- we are also piloting digital marketing services targeted specifically at small and medium size enterprises to capture a share of this growing marketplace. Working with third parties we will offer small businesses value for money digital solutions to help promote their businesses. This will include being an official re-seller of Google AdWords, a pay per response mechanism with a proven track record.

In B2C, throughout 2012 we will be making further enhancements to the design and technology of our existing portfolio of websites to drive increased audience engagement and revenues. Whilst retaining their unique identities, the refreshed portfolio of sites, built on our new digital content management system, will enable us to efficiently publish across multiple platforms and present a consistent advertising inventory for national advertising customers.

Chairman and Chief Executive Statement (continued)

Strategy (continued)

Key developments are:

- MirrorOnline has had a significant refresh to its design and underpinning technology enabling us to provide an improved range of advertising formats for display advertisers as it continues to evolve as a leading destination site for premium news, entertainment and sport. This technology will be deployed across our B2C portfolio of sites during the year;
- mobile devices are increasingly used by consumers to access content. We are developing multi-device mobile products, both mobile sites and apps, to accompany our key newspaper brands. We will commence by launching an advertising funded MirrorOnline app on iPhone and Android platforms in the second quarter of the year;
- we are developing paid for e-editions for tablet devices for The Daily Mirror, Daily Record and our key regional metropolitan brands. These new products will launch as our core Contentwatch publishing technology is implemented in each market. The publishing of these new e-editions will be enabled by the Contentwatch publishing technology; and
- this intensive period of activity will be enabled by a new organisational structure and the creation of a new Trinity Mirror Digital consumer unit with a Group wide remit to accelerate delivery of these and other new digital initiatives. The new unit will be headed up by Chris Ellis, currently MD of our UK Nationals digital business. Chris joined us in May 2011 having previously worked at IGN Entertainment, MySpace, AOL and BT.

Our digital recruitment business of specialist websites and fish4, which we took full control of at the end of 2010, have been fully integrated during 2011 and we are investing in new technology and staffing levels to ensure we are well positioned to further drive revenues. Online recruitment represents almost half of our recruitment revenues and we are well positioned to benefit from improving economic conditions.

Today we have announced our launch into the daily deals market with a new brand and business proposition 'happli'. The daily deals market is about simple, clear, high value local and national offers marketed to consumers in the city they live in. There are significant opportunities to drive new digital revenues from this market, where the gross value of deal vouchers was estimated to be circa £100 million in 2011 rising to over £1 billion by 2016. We expect the market to evolve, especially on mobile, from being email-centric to mobile/location-based, and individually targeted.

This market is strategically important as it increasingly forms a key part of the marketing mix of small and medium size enterprises. Strengthening our relationships with those SME advertisers through the provision of a diversified range of digital products and services is a core strategic imperative. We are well placed to succeed in this market as daily deals fit well with existing Trinity Mirror strengths – our portfolio of national and regional brands in print and online, our scale audiences, our existing customer relationships, and our local infrastructure.

We are highly committed to the deals business and are investing £10 million over the next two years with over half of this investment in 2012. A thirty-person launch team is in place and will increase in size through the year. We have developed a new brand 'happli' and a business proposition which we believe is clearly differentiated. happli has already been successfully piloted in Manchester and Newcastle. As of today happli is available nationally and is being rolled out locally in a further three cities – Liverpool, Glasgow and Edinburgh. By the end of the year happli will have been rolled out to a further 20 cities. By early 2014 local deals will be available in over 50 cities. The business is expected to become profitable during 2014 when we expect it to deliver net revenues in the region of circa £20 million.

Financing

The Group maintains significant financial flexibility with no drawings on the Group's bank facility and £15.5 million of cash at the year end. On 14 March 2012 the £178.5 million bank facility was reduced to £135 million and remains committed until June 2013. On the same date the Group procured a new £110 million bank facility which is committed until August 2015. The new facility is available from the earlier of the current £135 million facility being cancelled or June 2013. The new facility amount reduces to £102 million in March 2014 and further reduces to £94 million in March 2015.

This new £110 million bank facility covers the period over which the Group has £168 million of repayments of the existing US private placement loan notes. These debt repayments will be substantially met through cash generated by the business with minimal drawings required from the Group's bank facilities.

The Group's financing facilities provide sufficient financial flexibility for the foreseeable future.

Chairman and Chief Executive Statement (continued)

Pensions

On 14 March 2012, the Group reached agreement with the Trustees of the Group's defined benefit pension schemes to reduce deficit funding payments for 2012, 2013 and 2014 to £10 million per annum, phased monthly, with normalised contributions of some £33 million per annum re-instated from 2015. This agreement assisted in securing a new £110 million bank facility and we thank the Trustees of the pension schemes for their support.

As part of this agreement, the Group is required to pay additional contributions equal to 50% of the amount by which EBIDTA is greater than £145 million in 2012 and 2013 or greater than £130 million in 2014. Additional contributions are also payable in the event the Group pays dividends over this period. The additional contributions would match the dividend payments.

Employees

We remained committed to attracting and retaining a talented workforce during 2011 and have continued to invest in supporting and developing our staff. During 2011, the key elements of our Training and Development programme centered on the establishment of a Sales Academy to drive sales performance across the Group and to build on the success of the inspirational Leadership and Management Development programmes which were introduced in 2010.

Board Changes

The Board announced on 5 December 2011 the appointment of David Grigson as a non-executive director and Chairman designate with effect from 1 January 2012. Mr Grigson will become Chairman on 3 August 2012 after the announcement of the Group's interim results. Sir Ian Gibson will retire as a non-executive director and Chairman on that day.

The Board announced on 10 February 2012 the appointment of Donal Smith as a non-executive director who joined the Board on 1 March 2012 and that Laura Wade-Gery will not seek re-election as a non-executive director and will retire from the Board at the conclusion of the Annual General Meeting on 10 May 2012.

Key Operating Trends 2012

In the first quarter of 2012, Group revenues are expected to fall by 3% year on year with advertising revenues declining by 12% partially offset by growth in circulation and other revenues of 4% and 10% respectively. Group revenues in January were marginally ahead year on year with February declining by 3% and March expected to decline by 5%.

In our Nationals division, revenues for the first quarter of 2012 are expected to be marginally up year on year with advertising revenue declines of 10% more than offset by growth in circulation and other revenue of 6% and 5% respectively. In our Regionals division, revenues for the first quarter are expected to decline by 7% year on year with advertising and circulation revenues falling by 12% and 4% respectively partially offset by growth in other revenues of 18%.

Outlook

Advertising markets are expected to remain challenging, showing year on year declines and month on month volatility, during 2012. Circulation revenues will be volatile with the impact of the launch of the new Sunday title in the national market. We have already seen the impact of this with circulation revenues for our Nationals division increasing year on year in January and February by 13% and 7% respectively and are expected to decline year on year by 1% in March. We anticipate continued growth in other revenues throughout 2012. Whilst trading remains challenging, we have the benefit of a marginal fall in newsprint prices, a salary freeze across the Group and targeted structural cost savings of £15 million. We will continue to robustly manage the cost base while increasing investment across our digital portfolio.

Our three key management actions: the reduction in costs and leveraging of our print assets, the technology led transformation of our publishing capabilities and our investment for growth through organic development and acquisition are well embedded in the culture of the business and provide the appropriate day-to-day focus and direction to deliver our strategic goal of building a growing multi-platform media business. These management actions provide the Board with confidence that we will drive value over time whilst helping to support profitability and cash flows during 2012.

Management Report

The Management Report, unless otherwise stated, is presented on an adjusted basis to provide a more meaningful comparison of the Group's performance between 2010 and 2011. Adjusted results exclude the impact of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 18. The Management Report has been prepared for the 52 weeks ended 1 January 2012 (2011) and the comparative period has been prepared for the 52 weeks ended 2 January 2011 (2010).

Group Review

Statutory results

Group revenue in 2011 fell by 2.0% or £14.9 million from £761.5 million to £746.6 million with operating profit falling by £45.6 million from £138.0 million to £92.4 million. The fall in operating profit is distorted by the prior year benefiting from a non-recurring credit of £20.7 million compared to a non-recurring charge of £9.3 million in the current year. Before non-recurring items, statutory operating profit fell by £15.6 million from £117.3 million to £101.7 million.

Profit before tax on a statutory basis fell by £49.3 million from £123.7 million to £74.4 million. This reflects the reduced operating profit and increased interest related costs due to the net impact of the pension finance charge or credit, the retranslation of foreign currency borrowings and fair value changes on derivative financial instruments which were a charge of £5.4 million in the current year compared to a credit of £0.4 million in the prior year.

The statutory tax credit for the year was £3.4 million reflecting a current year tax charge of £20.5 million more than offset by a prior year credit of £0.3 million and a credit of £23.6 million relating to the impact on opening deferred tax balances of the change in the rate of corporation tax.

Profit after tax on a statutory basis fell by £35.5 million from £113.3 million to £77.8 million with statutory earnings per share falling by 13.2 pence from 44.6 pence to 31.4 pence.

Adjusted results

Group revenue in 2011 fell by 2.0% or £14.9 million from £761.5 million to £746.6 million. The 2011 Group results include the year on year impact of the acquisition of GMG Regional Media on 28 March 2010. Excluding the acquisition, underlying revenues fell by 3.8% or £26.8 million from £710.6 million to £683.8 million. Underlying revenue in the second half declined by 0.5% compared to 6.9% in the first half.

Group revenue by type, including and excluding GMG Regional Media, is set out below:

	Including GMG Regional Media			**Excluding GMG Regional Media**		
	2011	**2010**	**Variance**	**2011**	**2010**	**Variance**
	£m	**£m**	**%**	**£m**	**£m**	**%**
Advertising	326.8	351.3	(7.0)	277.4	311.0	(10.8)
Circulation	322.6	317.4	1.6	313.4	310.2	1.0
Other	97.2	92.8	4.7	93.0	89.4	4.0
Total	**746.6**	**761.5**	**(2.0)**	**683.8**	**710.6**	**(3.8)**

Advertising markets have remained difficult throughout the year resulting in underlying advertising revenue declining by 10.8% reflecting a decline of 11.1% in the first half and a decline of 10.4% in the second half. We are pleased that our national titles broadly maintained advertising volume market share and that our regional titles continue to perform in line with market trends.

Circulation volumes and revenues have performed strongly across the Group with underlying circulation revenue increasing by 1.0%. Underlying circulation revenue grew by 7.8% in the second half compared to a decline of 5.4% in the first half. The second half circulation revenue performance reflects the increase in circulation volumes and revenues of our national Sunday titles following the closure of the News of the World in July 2011. Additionally our circulation volume performance trend across the remainder of the portfolio has improved relative to last year for the majority of our national and regional titles. We are particularly pleased with the circulation volume performance of the Daily Mirror and Daily Record which performed ahead of the market. The improved revenue performance has been achieved despite limited cover price increases.

Management Report (continued)

Group Review (continued)

Other revenue grew strongly, increasing by 4.7%. On an underlying basis other revenue increased by 4.0% with growth of 3.7% in the first half improving to growth of 4.4% in the second half. This has been driven by growth in contract print and contract publishing for football clubs.

Digital revenues increased by 1.3% or £0.5 million from £37.1 million to £37.6 million. Underlying digital revenues fell marginally by 1.1% or £0.4 million from £34.9 million to £34.5 million. Whilst digital revenues have not been immune to the overall slowdown in economic activity we are encouraged that display advertising has grown by 19.2% which has been offset by cyclical declines in recruitment and property advertising revenues driven by high levels of unemployment and a sluggish property market, in particular the new homes market. Our focus on building engaged, quality digital audiences for advertisers ensured that average monthly unique users for the year grew by 27% year on year to over 27 million.

Management have continued to take decisive action to control costs. Total costs have only increased by £4.5 million despite being impacted by the full year effect of the acquisition of GMG Regional Media in March 2010, newsprint price increases, salary inflation, investment in the business and the increased costs associated with the increase in the circulation volumes and revenues of our national Sunday titles. Excluding these factors we have delivered a material reduction in costs, including £25 million of structural cost savings.

The difficult trading environment has contributed to revenues declining which, coupled with the ongoing investment in our business and the significant increase in newsprint prices, has put pressure on operating profit which fell by £18.8 million from £123.3 million to £104.5 million with the operating margin falling by 2.2 percentage points from 16.2% to 14.0%.

Profit before tax during the year fell by £16.7 million from £108.6 million to £91.9 million reflecting the reduced operating profit partially offset by lower debt interest costs. The tax charge of £25.0 million for the year represents 27.2% of profit before tax. Profit after tax fell by £10.8 million from £77.7 million to £66.9 million with adjusted earnings per share declining by 3.6 pence from 30.6 pence to 27.0 pence.

The Group continues to address the pension deficit and made pension deficit funding payments of £33.0 million in 2011. During the year £338.4 million of liabilities, representing some 19.8% of total scheme liabilities, were secured through the purchase of insurance policies by the pension Trustees resulting in the removal of future exposure relating to these liabilities. Despite the progress in reducing overall exposures, a falling stock market and lower discount rates have resulted in the IAS 19 pension deficit (net of deferred tax) increasing by £55.1 million from £117.5 million to £172.6 million in the year. Going forward we have agreed with the pension scheme Trustees reduced deficit funding payments for 2012 to 2014 with payments made in monthly instalments.

The Group remains highly cash generative with contracted net debt falling by £44.7 million from £265.9 million to £221.2 million and no drawings on the bank facility at the year end. The next repayment of the private placement loan notes of £69.7 million is due in June 2012 and will be repaid through cash balances and a drawing on the bank facility.

The Group is very well placed for the future when we are through the tough economic environment.

Management Report (continued)

Divisional Review

The Group operates across the UK and has two trading divisions: Nationals and Regionals. Following the transfer of management control of the Scottish regionals business from Regionals, the Nationals division now includes all our activities in Scotland. This has no impact on total Group numbers but has resulted in a restatement of the prior year reporting at a divisional level with revenue of £30.6 million and operating profit of £8.3 million previously reported in Regionals now reported in Nationals.

Nationals

Our Nationals division publishes five national newspaper titles: the Daily Mirror, the Sunday Mirror and The People across the UK and the Daily Record and the Sunday Mail predominantly in Scotland and our regional titles and the Metro in Scotland. The titles are complemented by a portfolio of digital businesses, events and business conferences.

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

	2011	**2010 (Restated)**	**Variance**
	£m	**£m**	**%**
Advertising	135.1	152.1	(11.2)
Circulation	256.6	251.1	2.2
Other	61.3	57.7	6.2
Revenue	**453.0**	**460.9**	**(1.7)**
Operating profit	**83.1**	**94.4**	**(12.0)**
Operating margin	18.3%	20.5%	(2.2)

Revenue in 2011 fell by 1.7%. This is significantly improved from the fall of 6.2% in revenues during the prior year and reflects an increase of 3.5% in the second half compared to a decline of 6.7% in the first half.

Advertising revenue fell by 11.2% reflecting a decline of 11.3% in the first half and 11.1% in the second half. This compared to a decline of 2.6% in the prior year. Whilst advertising markets have been challenging we are encouraged that we have broadly maintained advertising volume market share for all our national titles.

The circulation revenue performance reflects the increased circulation volumes of the national Sunday titles following the closure of the News of the World in July 2011. The circulation revenue performance is despite there having been no cover price increases in the core Monday to Friday editions of the Daily Mirror and the Daily Record, the Saturday edition of the Daily Mirror, the Sunday Mirror and the Sunday Mail. Circulation revenue increased by 2.2% in 2011 reflecting a decline of 5.4% in the first half and an increase of 10.2% in the second half. This compared to a decline of 8.3% in the prior year. Year on year volume changes for the daily national titles were a decline of 5.5% for the Daily Mirror and 6.5% for the Daily Record. Our Sunday titles saw an increase of 27.4% for the Sunday Mirror and 23.9% for The People with a small decline of 2.0% for the Sunday Mail. The Scottish regional titles declined by 6.9%.

Other revenue increased by 6.2% driven by contract print revenues.

Digital revenue fell by 1.9% with continued growth in advertising revenue more than offset by declines in other revenue, in particular bingo revenues. We increased our audience reach with average monthly unique users across our websites growing by 34.2% year on year to 14.3 million per month.

Operating profit fell by 12.0% from £94.4 million to £83.1 million with operating margin falling by 2.2 percentage points from 20.5% to 18.3%. The fall in operating margin is largely driven by the material increase in newsprint prices during the year.

Management Report (continued)

Divisional Review (continued)

Regionals

Our Regionals division publishes a portfolio of market leading brands across England and Wales which are complimented by companion and local websites. The division also includes our national digital brands in recruitment and property and our growing digital marketing services and contract publishing activities.

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

	2011	2010 (Restated)	Variance
	£m	£m	%
Revenue	293.6	300.6	(2.3)
Operating profit	36.5	43.4	(15.9)
Operating margin	12.4%	14.4%	(2.0)

Revenue in 2011 fell by 2.3%. The 2011 Regionals results include the year on year impact of the acquisition of GMG Regional Media on 28 March 2010. Excluding the acquisition, underlying revenues fell by 7.6% which is a marginal improvement from the fall of 8.2% in underlying revenues during the prior year. Underlying revenue in the second half declined by 8.0% compared to 7.2% in the first half.

Our Regionals division revenue by type, including and excluding GMG Regional Media, is set out below:

	Including GMG Regional Media			Excluding GMG Regional Media		
	2011	2010 (Restated)	Variance	2011	2010 (Restated)	Variance
	£m	£m	%	£m	£m	%
Advertising	191.7	199.2	(3.8)	142.3	158.9	(10.4)
Circulation	66.0	66.3	(0.5)	56.8	59.1	(3.9)
Other	35.9	35.1	2.3	31.7	31.7	-
Total	**293.6**	**300.6**	**(2.3)**	**230.8**	**249.7**	**(7.6)**

Advertising revenue fell by 3.8%. Excluding the acquisition of GMG Regional Media, advertising revenue fell by 10.4% reflecting a decline of 11.0% in the first half and 9.8% in the second half. This compared to a decline of 9.5% in the prior year. Advertising revenue by category excluding the acquisition, year on year, was as follows: display down 8.0%, recruitment down 14.7%, property down 6.2%, motors down 13.5% and other classified categories down 12.7%.

Although we continue to experience year on year declines in circulation volumes we have seen an encouraging improvement in the rate of decline for a number of key paid-for titles during the year. Whilst we had limited cover price increases during the year, circulation revenues only fell by 0.5%. Excluding GMG Regional Media, circulation revenue fell by 3.9% reflecting a decline of 5.3% in the first half and 2.4% in the second half. This compared to a decline of 9.8% in the prior year. Volume declines, year on year were 6.7% for paid-for dailies, 2.1% for paid-for Sundays and 9.2% for paid-for weeklies.

Other revenue increased by 2.3%. Excluding GMG Regional Media, other revenue was in line with 2010 reflecting increased revenue from contract publishing for football clubs and digital marketing services offsetting declines in print publishing related revenues such as leaflets.

Digital revenue increased by 1.9% and fell by 1.0% excluding GMG Regional Media. Digital activities now represent 11.1% of revenues of the division. We increased our audience reach with average monthly unique users across our websites growing by 18.4% year on year to 13.1 million per month.

Operating profit fell by 15.9% from £43.4 million to £36.5 million with operating margin falling by 2.0 percentage points from 14.4% to 12.4%.

Divisional Review (continued)

Central

Central includes costs not allocated to the operational divisions and the share of results of associates. The result for the year was a loss of £15.1 million compared to £14.5 million in the prior year. Costs not allocated to the operational divisions increased to £16.4 million from £15.2 million including costs associated with the Leveson inquiry. The share of results of associates was an operating profit of £1.3 million compared to £0.7 million in the prior year.

Other Items

Non-recurring items

During 2011, the Group had a net non-recurring charge of £9.3 million (2010: £20.7 million credit) including restructuring charges in connection with the delivery of cost reduction measures and the implementation of the new operating model for the Group which amounted to £10.7 million (2010: £11.1 million) and a £1.4 million receipt from the liquidators of Dawson, the circulation distribution company which went in to liquidation in 2009. We expect total restructuring charges in 2012 to be around £15 million.

Pension schemes

The IAS 19 pension deficit has increased during the year by £69.1 million from £161.0 million (£117.5 million net of deferred tax) to £230.1 million (£172.6 million net of deferred tax). This reflects the impact of a fall in assets of £48.4 million and an increase in liabilities of £20.7 million. The increase in liabilities is impacted by a fall in the real discount rate from 1.95% to 1.85% due to a fall in the corporate bond rate only partially offset by a fall in inflation and other changes.

During the year the Trustees of certain schemes have purchased insurance contracts relating to £338.4 million of liabilities which represent 19.8% of the total liabilities in the schemes. This, in addition to the closure to future accrual, further reduced the exposure the Group has to pension schemes.

The mortality assumptions applied in calculating liabilities are consistent with those adopted in the prior year. The life expectancy increases marginally over time as a 1% future improvement has been assumed in the mortality assumptions.

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 1 January 2012	**21.8**	**24.2**	**23.5**	**25.9**
At 2 January 2011	21.7	24.1	23.5	25.8

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. Deficit funding payments during 2011 were £33.0 million (2010: £31.9 million). As part of the refinancing of its bank facilities, the Group has agreed with the pension scheme Trustees to reduce the annual payments for 2012, 2013 and 2014. Further details of the refinancing and the agreement regarding pensions are set out in the Chairman and Chief Executive Statement.

Further details relating to the Group's defined benefit pension schemes including an estimate of the sensitivity of the deficit to key assumptions are shown in note 15.

Cash flow and net debt

The Group continued to generate strong cash flows during the year which enabled 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, to fall by £44.7 million from £265.9 million to £221.2 million. The Group had a cash balance of £15.5 million at the year end.

Management Report (continued)

Other Items (continued)

Cash flow and net debt (continued)

The net debt movement on a contracted basis during the year was as follows:

	£m
Net debt as at 2 January 2011	**265.9**
Pension deficit funding	33.0
Net capital expenditure	7.5
Acquisition of subsidiary	7.5
Corporation tax paid	17.7
Net interest payments	13.2
Net other cash inflows	(123.6)
Net debt as at 1 January 2012	**221.2**

Net debt on a contracted basis is different to the statutory net debt which includes the US$ denominated loan notes at the year end exchange rate and the related cross-currency interest rate swaps at fair value. 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 14.

On a statutory basis, net debt fell by £36.6 million from £237.3 million to £200.7 million. The fair value of the Group's cross-currency interest rate swaps at the period end was an asset of £10.6 million (2010: £10.4 million). The year end Sterling amount of the US$ denominated and the Sterling loan notes was £226.8 million (2010: £363.9 million).

The Group repaid the maturing £145.4 million of private placement loan notes in October 2011. The next repayment of the private placement loan notes of £69.7 million is due in June 2012 and is expected to be repaid through cash balances and a drawing on the bank facility. Repayments on the private placement loan notes beyond 2012 are £54.5 million in October 2013, £44.2 million in June 2014 and £68.3 million in June 2017.

Our strong cash flows and prudent management of our financing facilities ensured that the Group maintained significant financing flexibility with no drawings at the year end on the Group's bank facility. The Group secured a new £110 million bank facility on 14 March 2012 as set out in the Chairman and Chief Executive Statement.

Principal risks and uncertainties

The principal risks and uncertainties that affect the Group on an ongoing basis are described in the Annual Report and Accounts. The key risk is that advertising and circulation revenues, representing the core revenue streams for the Group, are materially affected by the challenging economic conditions and competitor activity in 2012. The fragile economy and uncertain outlook significantly impacted advertising markets during 2011 and this is expected to continue as we proceed through 2012. Circulation revenues for the national Sunday titles in 2012 are expected to be adversely affected due to the launch of a new Sunday title in the national tabloid market.

Following the disclosure of the activities of certain journalists at the News of the World, the Government has asked Lord Justice Leveson to hold an inquiry into various matters including the regulation of the press. The Group continues to fully cooperate with the Leveson inquiry and it is too early to determine what, if any, impact there will be on our businesses from the review.

In July 2011, the Company sought and received formal written confirmation from senior editorial executives across both Nationals and Regionals, that since the commencement of the Regulation of Investigatory Powers Act in October 2000 and whilst an employee of the Group they have not nor, to their knowledge, have any of their staff or anyone on their behalf, intercepted any telephone messages, made payments to serving police officers or accessed the police national computer.

At the same time, and in part as a consequence of the introduction of the Contentwatch editorial system and the re-organisation and re-structuring of many of our news rooms across the Group, we undertook a review of editorial controls and procedures. The review, which was informed by the governance standards applicable to quoted companies, was completed in the final quarter of 2011 and found that, in general, controls are robust. However, there are a number of areas where controls can be strengthened and where practices and procedures can be updated. These include training, legal oversight, expectations of third party suppliers and digital controls. The review and its recommendations have been approved by the Board and are now part of Group policies.

Management Report (continued)

Other Items (continued)

Related party transactions

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

Dividend

With the backdrop of a difficult trading environment and uncertain outlook for the UK economy, the Board continues to believe that it is prudent to maintain financial flexibility and therefore the Board is not declaring a dividend until there is an improvement in the trading environment. The consistent factors that the Board continue to consider in assessing the health of 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.

Going concern

In determining whether the Group's annual consolidated financial statements can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its 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 Management Report and further detail is provided in the Annual Report and Accounts.

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 which distorts underlying performance across the market and the launch of the Sun on Sunday in the national Sunday newspaper market on 26 February 2012;
- 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 committed bank facilities to meet day-to-day working capital requirements. The bank facilities are committed to August 2015 and drawings can be made with 24 hours notice.

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 Group does not expect to have to refinance or renegotiate its facilities during the next 12 months.

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 Annual Report and Accounts and the condensed consolidated financial statements for the 52 weeks ended 1 January 2012.

Management Report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Preliminary Results Announcement in accordance with applicable laws and regulations. The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the 52 weeks ended 1 January 2012. Certain points thereof are not included within this Preliminary Results Announcement.

The directors confirm to the best of their knowledge:

a) the condensed consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
b) the Chairman and Chief Executive Statement and Management Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board of directors

Sly Bailey
Chief Executive

Vijay Vaghela
Group Finance Director

Forward looking statements

Statements contained in this Preliminary Results Announcement 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 Preliminary Results Announcement involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. To the extent that this Preliminary Results Announcement 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 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

	notes	**2011 £m**	2010 £m
Revenue	3,4	**746.6**	761.5
Cost of sales		**(393.8)**	(393.2)
Gross profit		**352.8**	368.3
Distribution costs		**(90.1)**	(80.8)
Administrative expenses:			
Non-recurring items	5	**(9.3)**	20.7
Amortisation of other intangible assets		**(2.8)**	(6.0)
Other administrative expenses		**(159.5)**	(164.9)
Share of results of associates		**1.3**	0.7
Operating profit	4	**92.4**	138.0
Investment revenues	6	**0.7**	1.4
Pension finance credit/(charge)	15	**2.7**	(7.1)
Finance costs	7	**(21.4)**	(8.6)
Profit before tax		**74.4**	123.7
Tax credit/(charge)	8	**3.4**	(10.4)
Profit for the period attributable to equity holders of the parent		**77.8**	113.3

Statutory earnings per share		**Pence**	Pence
Earnings per share – basic	10	**31.4**	44.6
Earnings per share – diluted	10	**31.4**	44.5

Adjusted* earnings per share		**Pence**	Pence
Adjusted earnings per share – basic	10	**27.0**	30.6
Adjusted earnings per share – diluted	10	**27.0**	30.5

* Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 18.

Condensed consolidated statement of comprehensive income
for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

	notes	**2011 £m**	2010 £m
Profit for the period		**77.8**	113.3
Actuarial (losses)/gains on defined benefit pension schemes	15	**(104.8)**	112.5
Tax on actuarial (losses)/gains on defined benefit pension schemes	8	**26.2**	(30.4)
Deferred tax charge resulting from the future change in tax rate	8	**(3.2)**	(3.0)
Share of items recognised in equity by associates		**0.5**	(1.6)
Other comprehensive (costs)/income for the period		**(81.3)**	77.5
Total comprehensive (costs)/income for the period		**(3.5)**	190.8

Condensed consolidated statement of changes in equity

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**	**Retained earnings and other reserves £m**	**Total £m**
At 2 January 2011	**(25.8)**	**(1,121.6)**	**(4.3)**	**472.1**	**(679.6)**
Profit for the period	-	-	-	(77.8)	(77.8)
Other comprehensive costs for the period	-	-	-	81.3	81.3
Total comprehensive costs for the period	-	-	-	3.5	3.5
Credit to equity for equity settled share-based payments	-	-	-	(2.3)	(2.3)
Purchase of own shares	-	-	-	3.0	3.0
At 1 January 2012	**(25.8)**	**(1,121.6)**	**(4.3)**	**476.3**	**(675.4)**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 3 January 2010	(25.8)	(1,120.5)	(4.3)	661.4	(489.2)
Profit for the period	-	-	-	(113.3)	(113.3)
Other comprehensive income for the period	-	-	-	(77.5)	(77.5)
Total comprehensive income for the period	-	-	-	(190.8)	(190.8)
Credit to equity for equity settled share-based payments	-	-	-	(2.0)	(2.0)
Purchase of own shares	-	-	-	3.5	3.5
Refund of VAT on share issue costs	-	(1.1)	-	-	(1.1)
At 2 January 2011	(25.8)	(1,121.6)	(4.3)	472.1	(679.6)

Condensed consolidated balance sheet

at 1 January 2012 (2 January 2011)

	notes	**2011 £m**	2010 £m
Non-current assets			
Goodwill		**77.8**	74.5
Other intangible assets		**897.9**	895.4
Property, plant and equipment		**381.7**	410.3
Investment in associates		**7.2**	5.4
Retirement benefit assets	15	**78.5**	61.1
Deferred tax assets		**58.0**	43.8
Derivative financial instruments	13	**13.0**	12.6
		1,514.1	1,503.1
Current assets			
Inventories		**9.7**	7.3
Trade and other receivables		**101.8**	99.4
Cash and cash equivalents	14	**15.5**	116.2
		127.0	222.9
Total assets		**1,641.1**	1,726.0
Non-current liabilities			
Borrowings	12	**(160.9)**	(226.1)
Retirement benefit obligations	15	**(308.6)**	(222.1)
Deferred tax liabilities		**(291.2)**	(318.3)
Provisions		**(8.3)**	(8.1)
		(769.0)	(774.6)
Current liabilities			
Borrowings	12	**(65.9)**	(137.8)
Trade and other payables		**(105.2)**	(106.5)
Current tax liabilities		**(17.4)**	(18.9)
Provisions		**(5.8)**	(6.4)
Derivative financial instruments	13	**(2.4)**	(2.2)
		(196.7)	(271.8)
Total liabilities		**(965.7)**	(1,046.4)
Net assets		**675.4**	679.6
Equity			
Share capital	16	**(25.8)**	(25.8)
Share premium account	16	**(1,121.6)**	(1,121.6)
Capital redemption reserve	16	**(4.3)**	(4.3)
Retained earnings and other reserves	16	**476.3**	472.1
Total equity attributable to equity holders of the parent		**(675.4)**	(679.6)

Condensed consolidated cash flow statement

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

	notes	**2011 £m**	2010 £m
Cash flows from operating activities			
Cash generated from operations	11	**93.6**	110.1
Income tax paid		**(17.7)**	(19.1)
Net cash inflow from operating activities		**75.9**	91.0
Investing activities			
Interest received		**0.7**	1.4
Purchases of property, plant and equipment		**(7.5)**	(14.2)
Proceeds on disposal of property, plant and equipment		**-**	2.7
Acquisition of subsidiary undertaking	17	**(7.5)**	-
Cash consideration on acquisition of business		**-**	(7.4)
Cash acquired on transfer of business		**-**	0.2
Net cash used in investing activities		**(14.3)**	(17.3)
Financing activities			
Interest paid on borrowings		**(13.9)**	(16.3)
Repayment of borrowings		**(145.4)**	-
Purchase of own shares	16	**(3.0)**	(3.5)
Refund on share issue costs	16	**-**	1.1
Net cash used in financing activities		**(162.3)**	(18.7)
Net (decrease)/increase in cash and cash equivalents		**(100.7)**	55.0
Cash and cash equivalents at the beginning of period	14	**116.2**	61.2
Cash and cash equivalents at the end of period	14	**15.5**	116.2

Notes to the condensed consolidated financial statements

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

1. General information

The financial information in the Preliminary Results Announcement is derived from but does not represent the full statutory accounts of Trinity Mirror plc. The statutory accounts for the 52 weeks ended 2 January 2011 have been filed with the Registrar of Companies and those for the 52 weeks ended 1 January 2012 will be filed following the Annual General Meeting on 10 May 2012. The auditors' reports on the statutory accounts for the 52 weeks ended 2 January 2011 and for the 52 weeks ended 1 January 2012 were unqualified, do not include reference to any matters to which the auditors drew attention by way of emphasis of matter without qualifying the reports and do not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. This Preliminary Results Announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules (DTR). The 2011 Annual Report and Accounts for the 52 weeks ended 1 January 2012 will be available on the Company's website at www.trinitymirror.com and at the Company's registered office at One Canada Square, Canary Wharf, London E14 5AP and will be sent to shareholders by early April 2012.

The financial information has been prepared for the 52 weeks ended 1 January 2012 and the comparative period has been prepared for the 52 weeks ended 2 January 2011. Throughout the financial information the 52 weeks ended 1 January 2012 is referred to and headed 2011 and the 52 weeks ended 2 January 2011 is referred to and headed 2010.

2. Accounting polices

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These are subject to ongoing amendment by the International Accounting Standards Board and by the European Union and are therefore subject to change. As a result, the financial information contained herein will need to be updated for any subsequent amendment to IFRS or any new standards that the Group may elect to adopt early. The financial information has been prepared under the historical cost convention as modified by the revaluation of freehold properties which on transition to IFRS were deemed to be the cost of the asset.

The accounting policies used in the preparation of the condensed consolidated financial statements for the 52 weeks ended 1 January 2012 have been consistently applied to all the periods presented and except for the changes in accounting policy noted below, are as set out in the Annual Report and Accounts for the 52 weeks ended 2 January 2011. These condensed consolidated financial statements have been prepared on a going concern basis as set out in the Management Report in this Preliminary Results Announcement.

Changes in accounting policy

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:

- IAS 24 (Revised) 'Related Party Disclosures' - effective for periods starting on or after 1 January 2011
- IAS 32 (Amended) 'Classification of Rights Issues' - effective for periods starting on or after 1 February 2010
- IFRIC 14 (Amended) 'Prepayments of a Minimum Funding Requirement' - 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

In addition, improvements to IFRS (2010) are effective for periods starting on or after 1 January 2011, and have had no material impact on the Group.

At the date of approval of these condensed consolidated financial statements the following new and revised standards, which have not been applied and when adopted, except for IAS19 (Amended) 'Employment Benefits', will have no material impact on the Group, were in issue but not yet effective:

- IFRS 1 (Amended) 'First-time Adoption of International Financial Reporting Standards' – effective for periods beginning on or after 1 July 2011
- IFRS 7 (Amended) 'Financial Instruments' - effective for periods beginning on or after 1 July 2011
- IFRS 9 (Issued) 'Financial Instruments' - effective for periods beginning on or after 1 January 2015
- IFRS 10 (Issued) 'Consolidated Financial Statements' – effective for periods beginning on or after 1 January 2013
- IFRS 11 (Issued) 'Joint Arrangements' – effective for periods beginning on or after 1 January 2013
- IFRS 12 (Issued) 'Disclosure of Interests in Other Entities' – effective for periods beginning on or after 1 January 2013
- IFRS 13 (Issued) 'Fair Value Measurement' – effective for periods beginning on or after 1 January 2013
- IAS 1 (Amended) 'Presentation of Financial Statements' – effective for periods beginning on or after 1 July 2012

Notes to the condensed consolidated financial statements
for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

2. Accounting policies (continued)

Changes in accounting policy (continued)

- IAS 12 (Amended) 'Deferred Tax'– effective for periods beginning on or after 1 January 2012
- IAS 19 (Amended) 'Employment Benefits' – effective for periods beginning on or after 1 January 2013
- IAS 27 (Revised) 'Separate Financial Statements' – effective for periods beginning on or after 1 January 2013
- IAS 28 (Revised) 'Investments in Associates' – effective for periods beginning on or after 1 January 2013
- IFRIC 20 (Issued) 'Stripping Costs in the Production Phase of a Surface Mine' – effective for periods beginning on or after 1 January 2013

In addition, improvements to IFRS (2011) are effective for periods starting on or after 1 January 2013, and will have no material impact on the Group.

IAS19 (Amended) 'Employment Benefits' changes the calculation of the finance charge through the income statement which could be materially different from the previous calculation. It is too early to quantify the impact of this non cash change.

Changes in classification

During the year our regional activity in Scotland, which was previously included in the Regionals segment, was transferred to the Nationals segment following a change in management structure. The comparative segment results have been restated to reflect this change with revenue of £30.6 million and segment result of £8.3 million reported in Regionals in 2010, now reported in Nationals.

The Group has revised the classification of items of expenditure between cost of sales, distribution costs and administrative expenses to better reflect the nature of the costs. In the current period, £10.8 million of costs have been included in distribution costs which would have previously been reported in cost of sales and administrative expenses.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Acquisitions and intangible assets
Judgements have been made 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.

Key sources of estimation uncertainty

The key assumptions concerning the future and 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, are discussed below:

Impairment of goodwill and other intangible assets
Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which these have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Retirement benefits
Actuarial assumptions adopted and external factors can significantly vary the surplus or deficit of defined benefit pension schemes. Advice is sourced from independent actuaries in selecting suitable assumptions.

Derivative financial instruments
Derivative financial instruments are recognised at fair value and can change significantly from period to period.

Notes to the condensed consolidated financial statements
for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

3. Revenue

	2011 £m	2010 £m
Advertising	**326.8**	351.3
Circulation	**322.6**	317.4
Other	**97.2**	92.8
Total	**746.6**	761.5

4. Operating segments

Operating segments are 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 Board and chief operating decision maker are not provided with an amount for total assets by segment.

The Group operates in three operating segments: Regionals, Nationals and Central. During the year our Scottish regionals business, which was previously included in the Regionals segment, was transferred to the Nationals segment following a change in management structure. The comparative segment results have been restated to reflect this change as explained in note 2.

The Regionals division publishes a portfolio of newspaper and online brands in England and Wales. The Nationals division publishes two daily and three Sunday national newspapers, regional newspapers in Scotland 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.

The accounting policies used in the preparation of each segment's revenue and results are the same as the Group's accounting policies described in note 2.

Segment revenue and results

	Regionals 2011 £m	**Nationals 2011 £m**	**Central 2011 £m**	**Total 2011 £m**
Revenue				
Segment sales	**294.0**	**477.7**	**-**	**771.7**
Inter-segment sales	**(0.4)**	**(24.7)**	**-**	**(25.1)**
Total revenue	**293.6**	**453.0**	**-**	**746.6**
Segment result	**36.5**	**83.1**	**(15.1)**	**104.5**
Amortisation				**(2.8)**
Non-recurring items				**(9.3)**
Operating profit				**92.4**
Investment revenues				**0.7**
Pension finance credit				**2.7**
Finance costs				**(21.4)**
Profit before tax				**74.4**
Tax credit				**3.4**
Profit for the period				**77.8**

	Regionals (Restated) 2010 £m	Nationals (Restated) 2010 £m	Central 2010 £m	Total (Restated) 2010 £m
Revenue				
Segment sales	300.9	486.8	-	787.7
Inter-segment sales	(0.3)	(25.9)	-	(26.2)
Total revenue	300.6	460.9	-	761.5
Segment result	43.4	94.4	(14.5)	123.3
Amortisation				(6.0)
Non-recurring items				20.7
Operating profit				138.0
Investment revenues				1.4
Pension finance charge				(7.1)
Finance costs				(8.6)
Profit before tax				123.7
Tax charge				(10.4)
Profit for the period				113.3

Notes to the condensed consolidated financial statements

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

4. Operating segments (continued)

The Group's operations are located in the United Kingdom. The Group's revenue by location of customers is set out below:

	2011 £m	2010 £m
United Kingdom and Republic of Ireland	**742.0**	756.1
Continental Europe	**3.7**	4.4
Rest of World	**0.9**	1.0
Total revenue	**746.6**	761.5

5. Non-recurring items

	2011 £m	2010 £m
Restructuring charges (a)	**(10.7)**	(11.1)
Receipt from impairment of receivables (b)	**1.4**	-
Gain on acquisition of business (c)	**-**	27.3
Release of accruals (d)	**-**	3.6
Profit on disposal of land and buildings (e)	**-**	1.3
Defined benefit pension schemes (f)	**-**	(0.4)
Total non-recurring items	**(9.3)**	20.7

(a) Restructuring charges of £10.7 million (2010: £11.1 million) were incurred in delivery of cost reduction measures and implementation of a new operating model for the Group.

(b) During the year a receipt of £1.4 million was received relating to an impairment of receivables in 2009.

(c) In 2010, the gain on acquisition of business consisted 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.

(d) In 2010, the Group released accruals of £3.6 million for which no further costs were expected.

(e) In 2010, the Group disposed of surplus land and buildings releasing a profit on disposal of £1.3 million.

(f) In 2010, defined benefit pension scheme liabilities increased by £0.4 million in respect of a past service cost of £8.3 million in relation to the clarification of certain members' benefits less a curtailment gain of £7.9 million relating to the Group closing the schemes to future accrual and the impact of redundancies.

6. Investment revenues

	2011 £m	2010 £m
Interest income on bank deposits and other interest receipts	**0.7**	1.4

Other interest receipts in 2010 included £0.9 million of interest received during the period on the refund of VAT on share issue costs in prior periods.

7. Finance costs

	2011 £m	2010 £m
Interest on bank overdrafts and borrowings	**(13.3)**	(16.1)
Total interest expense	**(13.3)**	(16.1)
Fair value (loss)/gain on derivative financial instruments	**(10.1)**	16.4
Foreign exchange gain/(loss) on retranslation of borrowings	**2.0**	(8.9)
Finance costs	**(21.4)**	(8.6)

Notes to the condensed consolidated financial statements

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

8. Tax

	2011 £m	2010 £m
Current tax		
Corporation tax charge for the period	**(24.5)**	(25.9)
Prior period adjustment	**0.1**	4.7
Current tax charge	**(24.4)**	(21.2)
Deferred tax		
Deferred tax credit for the period	**4.0**	0.1
Deferred tax rate change	**23.6**	11.4
Prior period adjustment	**0.2**	(0.7)
Deferred tax credit	**27.8**	10.8
Tax credit/(charge)	**3.4**	(10.4)

	%	%
Reconciliation of tax credit/(charge)		
Standard rate of corporation tax	**(26.5)**	(28.0)
Tax effect of items that are not deductible in determining taxable profit/(loss)	**(1.6)**	(1.4)
Deferred tax rate change	**31.7**	9.3
Prior period adjustment	**0.5**	3.2
Tax effect of share of results of associates	**0.5**	0.3
Utilisation of tax losses	**-**	0.9
Tax effect of items that are not taxable in determining taxable profit/(loss)	**-**	7.3
Tax credit/(charge) rate	**4.6**	(8.4)

The standard rate of corporation tax reduced from 28% to 26% on 1 April 2011 and will reduce from 26% to 25% from 1 April 2012. The blended rate for the accounting year is 26.5% being a mix of 28% up to 31 March 2011 and 26% from 1 April 2011 (2010: 28%). The current tax liabilities amounted to £17.4 million (2 January 2011: £18.9 million) at the reporting date.

The opening deferred tax position is recalculated in the period in which a change in the standard rate of corporation tax has been substantively enacted by parliament. The change in rate from 28% to 27% was substantively enacted and accounted for in 2010 and the further changes to 25% were substantively enacted during 2011 resulting in a £23.6 million (2010: £11.4 million) credit in the income statement and a £3.2 million (2010: £3.0 million) debit taken directly to equity.

The tax on actuarial (losses)/gains on defined benefit pension schemes taken to the statement of comprehensive income is a credit of £26.2 million (52 weeks to 2 January 2011: £30.4 million charge) comprising a current tax credit of £8.2 million (52 weeks to 2 January 2011: £6.2 million credit) and a deferred tax credit of £18.0 million (52 weeks to 2 January 2011: £36.6 million charge).

9. Dividends

No dividend was declared for both 2011 and 2010.

Notes to the condensed consolidated financial statements

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

10. Earnings per share

	2011 £m	2010 £m
Profit after tax before adjusted items*	**66.9**	77.7
Adjusted items:		
Non-recurring items (after tax)	**(6.5)**	28.2
Amortisation of intangibles (after tax)	**(2.1)**	(4.4)
Pension finance credit/(charge) (after tax)	**2.0**	(5.1)
Fair value (loss)/gain on derivative financial instruments (after tax)	**(7.6)**	12.0
Foreign exchange gain/(loss) on retranslation of borrowings (after tax)	**1.5**	(6.5)
Tax legislation changes	**23.6**	11.4
Profit for the period	**77.8**	113.3

*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted result and the statutory result including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 18.

Weighted average number of ordinary shares	**Thousand**	Thousand
Weighted average number of ordinary shares for basic earnings per share	**247,933**	253,736
Effect of potential ordinary shares in respect of share options	**25**	718
Weighted average number of ordinary shares for diluted earnings per share	**247,958**	254,454

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. The number of potentially dilutive ordinary shares not currently dilutive was 10,889,717 (2010: 7,339,255).

Statutory earnings per share	**Pence**	Pence
Earnings per share – basic	**31.4**	44.6
Earnings per share – diluted	**31.4**	44.5

Adjusted* earnings per share	**Pence**	Pence
Earnings per share - basic	**27.0**	30.6
Earnings per share - diluted	**27.0**	30.5

*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted result and the statutory result including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 18.

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

	Pence	Pence
Restructuring charges	**(3.0)**	(3.1)
Receipt from impairment of receivables	**0.4**	-
Gain on acquisition of business	**-**	12.3
Release of accruals	**-**	1.4
Profit on disposal of land and buildings	**-**	0.5
Defined benefit pension schemes	**-**	(0.1)
(Loss)/gain per share	**(2.6)**	11.0

11. Notes to the cash flow statement

	2011 £m	2010 £m
Operating profit	**92.4**	138.0
Depreciation of property, plant and equipment	**33.3**	33.9
Amortisation of other intangible assets	**2.8**	6.0
Share of results of associates	**(1.3)**	(0.7)
Charge for share-based payments	**2.5**	2.1
Profit on disposal of land and buildings	**-**	(1.3)
Loss on disposal of fixed assets	**0.8**	-
Gain on acquisition of business	**-**	(28.4)
Pension funding in excess of income statement charge*	**(33.0)**	(30.2)
Operating cash flows before movements in working capital	**97.5**	119.4
Increase in inventories	**(2.4)**	(1.1)
(Increase)/decrease in receivables	**(1.7)**	9.1
Increase/(decrease) in payables	**0.2**	(17.3)
Cash flows from operating activities	**93.6**	110.1

*Including non-recurring charge of £0.4 million in 2010 described in note 5.

12. Borrowings

	2011 £m	2010 £m
Loan notes	**(226.8)**	(363.9)
Derivative financial instruments (note 13)	**(2.4)**	(2.2)
	(229.2)	(366.1)
The borrowings are repayable as follows:		
On demand or within one year	**(68.3)**	(140.0)
In the second year	**(51.7)**	(65.8)
In the third year	**(42.7)**	(51.5)
In the fourth year	**-**	(42.7)
In the fifth year	**-**	-
After five years	**(66.5)**	(66.1)
	(229.2)	(366.1)
The borrowings are included in the consolidated balance sheet as follows:		
Amount included in non-current liabilities	**(160.9)**	(226.1)
Amount included in current liabilities	**(68.3)**	(140.0)
	(229.2)	(366.1)

The amount included in non-current liabilities represents borrowings of £160.9 million (2010: £226.1 million) and in current liabilities represents borrowings of £65.9 million (2010: £137.8 million) and derivative financial instruments of £2.4 million (2010: £2.2 million). Non-current assets include £13.0 million (2010: £12.6 million) relating to derivative financial instruments which is deducted from borrowings to calculate net debt in note 14.

	2011 £m	2010 £m
Loan notes movement in the period:		
Opening balance	**(363.9)**	(355.0)
Foreign exchange gain/(loss) on retranslation	**2.0**	(8.9)
Repayments	**135.1**	-
Closing balance	**(226.8)**	(363.9)
Composition of loan notes:		
US$350 million loan notes	**(51.8)**	(173.3)
US$252 million loan notes	**(165.0)**	(164.6)
£22 million loan notes	**-**	(16.0)
£10 million loan notes	**(10.0)**	(10.0)
	(226.8)	(363.9)

The US private placement loan notes totalling US$602 million and £32 million were issued in 2001 and 2002. On the issue date the capital repayments and fixed rate interest on the US$ 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.

At the reporting date US$80 million of the US$350 million loan notes and £nil of the £22 million loan notes were outstanding following repayments made in 2008 and 2011. All of the US$252 million loan notes and £10 million loan notes were outstanding as at the reporting date.

12. Borrowings (continued)

At 1 January 2012 the Group had available £178.5 million (2010: £178.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These borrowing facilities were reduced to £135.0 million on 14 March 2012.

All borrowings are denominated in Sterling unless otherwise indicated. The bank facility and the US private placement loan notes are unsecured.

The effective interest rates at the reporting date are as follows:

	2011	2010
	%	%
US$ denominated loan notes	**6.75**	6.75
£ denominated loan notes	**7.22**	7.22

The fair value of the Group's borrowings is estimated by discounting their future cash flows at the market rate. The estimate at the reporting date is as follows:

	2011	2010
	£m	£m
US$ denominated loan notes	**(216.8)**	(337.9)
£ denominated loan notes	**(10.0)**	(26.0)

In estimating the fair value of the loan notes the future cash flows have been discounted using an appropriate discount factor that includes credit risk.

The fair value of other financial assets and liabilities, excluding derivative financial instruments in note 13, are not materially different from the book values and are not repeated in this analysis.

13. Derivative financial instruments

The movement in the derivative financial instruments is as follows:

	2011	2010
	£m	£m
Opening asset/(liability)	**10.4**	(6.0)
Repayments	**10.3**	-
Movement in fair value	**(10.1)**	16.4
Closing asset	**10.6**	10.4

The derivative financial instruments are included in the consolidated balance sheet as follows:

	2011	2010
	£m	£m
Current liabilities	**(2.4)**	(2.2)
Non-current assets	**13.0**	12.6
Closing asset	**10.6**	10.4

The Group has cross-currency interest rate swaps to manage its exposure to foreign exchange movements and interest rate movements on the US private placement loan notes. Fair value is calculated using discounted cash flows based upon forward rates available to the Group. The cross-currency interest rate swaps are classed in level three of the financial instruments hierarchy.

14. Net debt

The statutory net debt for the Group is as follows:

	2 January 2011 £m	Cash flow £m	Derivative financial instruments* £m	Foreign exchange* £m	Loans repaid £m	Transfer to current £m	1 January 2012 £m
Non-current liabilities							
Loan notes	(226.1)	-	-	1.0	-	64.2	(160.9)
	(226.1)	**-**	**-**	**1.0**	**-**	**64.2**	**(160.9)**
Current liabilities							
Loan notes	(137.8)	-	-	1.0	135.1	(64.2)	(65.9)
Derivative financial instruments	(2.2)	-	(7.3)	-	10.3	(3.2)	(2.4)
	(140.0)	**-**	**(7.3)**	**1.0**	**145.4**	**(67.4)**	**(68.3)**
Non-current assets							
Derivative financial instruments	12.6	-	(2.8)	-	-	3.2	13.0
	12.6	**-**	**(2.8)**	**-**	**-**	**3.2**	**13.0**
Current assets							
Cash and cash equivalents	116.2	44.7	-	-	(145.4)	-	15.5
	116.2	**44.7**	**-**	**-**	**(145.4)**	**-**	**15.5**
Statutory net debt	**(237.3)**	**44.7**	**(10.1)**	**2.0**	**-**	**-**	**(200.7)**

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

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

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:

	2 January 2011 £m	Cash flow £m	Loans repaid £m	Transfer to current £m	1January 2012 £m
Non-current liabilities					
Loan notes	(236.7)	-	-	69.7	(167.0)
	(236.7)	**-**	**-**	**69.7**	**(167.0)**
Current liabilities					
Loan notes	(145.4)	-	145.4	(69.7)	(69.7)
	(145.4)	**-**	**145.4**	**(69.7)**	**(69.7)**
Current assets					
Cash and cash equivalents	116.2	44.7	(145.4)	-	15.5
	116.2	**44.7**	**(145.4)**	**-**	**15.5**
Contracted net debt	**(265.9)**	**44.7**	**-**	**-**	**(221.2)**

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

	2011 £m	2010 £m
Statutory net debt	**(200.7)**	(237.3)
Loan notes at period end exchange rate	226.8	363.9
Loan notes at swapped exchange rate	(236.7)	(382.1)
Cross-currency interest rate swaps	(10.6)	(10.4)
Contracted net debt	**(221.2)**	(265.9)

15. 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 schemes assets and liabilities.

Following a period of consultation with the Trustees of the Past Service Scheme, the MGN Scheme, the Trinity Scheme, the MIN Scheme and the Trinity Mirror Retirement Plan (the 'TMRP Plan'), in conjunction with the refinancing completed on 14 March 2012, these schemes agreed to extend their recovery plans with reduced deficit funding payments for 2012, 2013 and 2014. Normalised levels of contributions will recommence from 2015. As part of this consultation process the formal valuations for the Past Service Scheme and the MGN Scheme were completed on 14 March 2012. The Trinity Scheme, the MIN Scheme and the TMRP Plan revised their previous schedules of contributions and recovery plans on 14 March 2012 (13 March 2012 for the TMRP Plan). These revised documents take into consideration their respective Scheme Actuary's latest estimate of the schemes' shortfall of assets when measured against their technical provisions allowing for changes in market conditions.

The Old Scheme and the Past Service Scheme cover the liabilities for service up to 13 February 1992 for employees and former employees who worked regularly on the production and distribution of Mirror Group's newspapers. The Old Scheme was closed on 13 February 1992 and The Past Service Scheme was established to meet the liabilities, which are not satisfied by payments from the Old Scheme and the Maxwell Communications Pension Plan or by the State. The last formal valuation of these schemes was completed on 14 March 2012 for valuation date as at 31 December 2010 and showed a deficit of £192.5 million. During 2011, £14.1 million was paid into the Past Service Scheme (2010: £14.1 million). For 2012, 2013 and 2014 agreement has been reached with the Trustees to pay £5.8 million per annum into the Past Service Scheme. No contributions have been paid to the Old Scheme since 1992.

The last formal valuations were completed in March 2012 for valuation date as at 31 December 2010 for the MGN Scheme, in May 2011 for valuation date as at 31 March 2010 for the MIN Scheme and in June 2010 for valuation date as at 30 June 2009 for the Trinity Scheme. These valuations showed deficits of £68.8 million, £13.3 million and £102.2 million respectively. During 2011 deficit funding payments were £7.0 million (2010: £7.0 million) to the MGN Scheme, £3.0 million (2010: £2.5 million) to the MIN Scheme and £6.2 million (2010: £6.2 million) to the Trinity Scheme. For 2012, 2013 and 2014 agreement has been reached with the trustees to pay annual contributions of £2.0 million to the MGN Scheme, £0.8 million to the MIN Scheme and £0.5 million to the Trinity Scheme. The next full actuarial valuation dates for these schemes are: the MGN Scheme 31 December 2013, the MIN Scheme 31 March 2013 and the Trinity Scheme 30 June 2012.

For the purposes of the Group's annual 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 30 December 2011, the last day prior to the reporting date for which such values were available.

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	(757.4)	(409.7)	(307.2)	(177.8)
Fair value of scheme assets	546.9	337.0	367.8	154.0
Scheme (deficit)/surplus	**(210.5)**	**(72.7)**	**60.6**	**(23.8)**

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

Principal annual actuarial assumptions used:	**2011 %**	2010 %
Discount rate	**4.90**	5.40
Retail price inflation rate	**3.05**	3.45
Consumer price inflation rate	**1.85**	2.70
Expected return on scheme assets	**2.65-5.75**	4.80-6.40
Pension increases:		
Pre 6 April 1997 pensions	**2.15-5.00**	2.60-5.00
Post 6 April 1997 pensions	**2.85-3.70**	3.10-3.75
In deferment	**1.85-3.05**	2.70-3.45

15. Retirement benefit schemes (continued)

Defined benefit pension schemes (continued)

The impact on the defined benefit deficit at the reporting date to variations in key assumptions are: a 0.25% decrease in the discount rate would increase the deficit by £55 million, a 0.25% increase in the inflation assumptions would increase the deficit by £42 million and the effect of a 1 year increase in assumed life expectancy would increase the deficit by £50 million.

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 1 January 2012	**21.8**	**24.2**	**23.5**	**25.9**
At 2 January 2011	21.7	24.1	23.5	25.8

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:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of scheme liabilities	**(1,705.8)**	(1,685.1)	(1,683.1)	(1,378.8)	(1,538.5)
Fair value of scheme assets	**1,475.7**	1,524.1	1,398.1	1,233.6	1,458.9
Effect of asset ceiling	**-**	-	(11.6)	(61.7)	(45.2)
Net scheme deficit	**(230.1)**	(161.0)	(296.6)	(206.9)	(124.8)
Non-current assets – retirement benefit assets	**78.5**	61.1	-	-	-
Non-current liabilities – retirement benefit obligations	**(308.6)**	(222.1)	(296.6)	(206.9)	(124.8)
Net scheme deficit	**(230.1)**	(161.0)	(296.6)	(206.9)	(124.8)
Net scheme deficit included in consolidated balance sheet	**(230.1)**	(161.0)	(296.6)	(206.9)	(124.8)
Deferred tax included in consolidated balance sheet	**57.5**	43.5	83.0	57.9	34.9
Net scheme deficit after deferred tax	**(172.6)**	(117.5)	(213.6)	(149.0)	(89.9)

	2011 £m	2010 £m
Current service cost	**-**	(4.6)
Total included in staff costs	**-**	(4.6)
Curtailment gains	**-**	7.9
Past service costs	**-**	(8.3)
Total included in non-recurring items	**-**	(0.4)
Expected return on scheme assets	**91.5**	85.5
Interest cost on pension scheme liabilities	**(88.8)**	(92.6)
Pension finance credit/(charge)	**2.7**	(7.1)
Total included in the consolidated income statement	**2.7**	(12.1)

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Effect of changes in actuarial assumptions on scheme liabilities	**(24.5)**	16.7	(294.1)	231.9	12.9
Experience adjustments on scheme liabilities	**16.2**	8.1	2.0	(23.0)	9.1
Experience adjustments on scheme assets	**(96.5)**	76.1	136.3	(349.5)	(6.0)
Effect of asset ceiling	**-**	11.6	50.1	(16.5)	(20.3)
Consolidated statement of comprehensive income	**(104.8)**	112.5	(105.7)	(157.1)	(4.3)

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of comprehensive income since adoption of IFRS is losses of £163.5 million (2010: £58.7 million). Pension schemes assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group for any year.

The movement in liabilities in the prior year included a £80.1 million benefit due to the government announced change in state pension increases being linked to CPI instead of RPI which impacted most deferred pensions in the Group's schemes.

Up to 31 March 2010, prior to closure of the schemes to future accrual, the contribution rates for the Group's most significant schemes ranged from 15.0% to 20.0% of pensionable salaries. The contributions made during the year totalled £33.0 million (2010: £35.2 million). Having reached agreement with the various Trustees, the Group expects to contribute approximately £10 million to its defined benefit pension schemes in 2012.

15. Retirement benefit schemes (continued)

Defined benefit pension schemes (continued)

	2011 £m	2010 £m
Changes in the fair value of scheme assets:		
Opening fair value of scheme assets	**1,524.1**	1,398.1
Expected return	**91.5**	85.5
Actuarial (losses)/gains	**(96.5)**	76.1
Contributions by employer	**33.0**	35.2
Employee contributions	**-**	1.2
Benefits paid	**(76.4)**	(78.0)
Annuity contract	**-**	6.0
Closing fair value of scheme assets	**1,475.7**	1,524.1

The actual return on scheme assets was a loss of £5.0 million (2010: a gain of £161.6 million).

	2011 £m	2010 £m
Changes in the present value of scheme liabilities:		
Opening present value of scheme liabilities	**(1,685.1)**	(1,683.1)
Current service cost	**-**	(4.6)
Past service costs	**-**	(8.3)
Curtailment gain	**-**	7.9
Interest cost	**(88.8)**	(92.6)
Actuarial (losses)/gain	**(8.3)**	24.8
Employee contributions	**-**	(1.2)
Benefits paid	**76.4**	78.0
Annuity contract	**-**	(6.0)
Closing present value of scheme liabilities	**(1,705.8)**	(1,685.1)

	2011 £m	2010 £m
Fair value of scheme assets:		
UK equities	**205.4**	299.4
US equities	**79.6**	98.3
Other overseas equities	**289.9**	252.7
Property	**17.3**	20.6
Corporate bonds	**221.1**	487.3
Fixed interest gilts	**114.7**	43.1
Index-linked gilts	**167.8**	231.3
Cash and other	**41.5**	91.4
Insurance contracts	**338.4**	**-**
Fair value of scheme assets	**1,475.7**	1,524.1

	2011 %	2010 %
Expected nominal rates of return on plan assets:		
Equities	**7.50**	8.10
Property	**5.75**	6.30
Corporate bonds	**4.90**	5.40
Fixed interest gilts	**2.80**	4.20
Index linked gilts	**2.85**	4.00
Cash and other	**2.70**	4.10
Insurance contracts	**4.90**	-

For each scheme, the expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets as suggested by the yields available and the views of investment organisations.

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 is in the process of being wound up 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 £14.1 million (2010: £7.0 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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16. 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. During 2010, £1.1 million was credited to share premium for a cash receipt relating to a refund of VAT on share issue costs relating to prior periods. The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buy-back programmes.

Cumulative goodwill written off to retained earnings and other reserves in respect of continuing businesses acquired prior to 1998 is £25.9 million (2 January 2011: £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.

Shares purchased by the Trinity Mirror Employees' Benefit Trust (the 'Trust') are included in retained earnings and other reserves at £14.1 million (2 January 2011: £12.8 million). During the year the Trust purchased 6,339,118 shares for a cash consideration of £3.0 million. The Trust received a payment of £3.0 million from the Company to purchase these shares. During the year 699,273 shares were released to senior managers relating to the grant made in 2008 under the Deferred Share Award Plan approved in 2006.

During the year 2,212,443 (52 weeks to 2 January 2011: 1,724,886) 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 year 3,660,097 (52 weeks to 2 January 2011: 1,629,900) 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.

17. Acquisition of subsidiary undertaking

In December 2011, the Group acquired 100% of the issued share capital of The Communicator Corporation Limited for a cash consideration of £8.0 million. Including a payment for working capital and deducting cash in the business at the date of acquisition, the net cash outflow was £7.5 million. The acquisition will be included in the Regionals segment in continuing operations.

The net assets acquired and the goodwill arising, are as follows:

The Communicator Corporation Limited	Provisional fair value £m
Fixed assets	0.3
Current assets	0.9
Current liabilities	(2.2)
Cash and cash equivalents	1.9
	0.9
Other intangible assets	5.3
Goodwill	3.3
Total consideration	**9.5**

There were no provisional fair value adjustments. Goodwill arising on the acquisition is attributed to the anticipated profitability and market share of the acquiree in its new markets and the anticipated synergies with other acquisitions.

	£m
Satisfied by:	
Cash consideration paid	9.4
Accrued payment	0.1
Total consideration	**9.5**

Net cash outflow arising on acquisition is as follows:

	£m
Cash consideration paid	9.4
Cash and cash equivalents acquired	(1.9)
Net cash outflow	**7.5**

The acquisition of The Communicator Corporation Limited had no impact on the 2011 results. The revenue and operating profit of the Group would have increased by £3.9 million and £1.1 million respectively if the acquisition had been made at the beginning of the year.

Notes to the condensed consolidated financial statements

for the 52 weeks ended 1 January 2012 (52 weeks ended 2 January 2011)

18. Reconciliation of statutory results to adjusted results

The pension finance credit or charge is now excluded from the adjusted results. This accounting adjustment has no cash flow impact and can materially distort underlying earnings. Also, having closed the defined benefit pension schemes to future accrual from 1 April 2010 there is no corresponding impact of a defined benefit operating charge for future accrual. The adjusted results comparative for 2010 have been restated to reflect this change. This has no impact on the statutory results for either year.

52 weeks ended 1 January 2012	**Statutory results £m**	**Non-recurring items (a) £m**	**Amortisation (b) £m**	**Finance costs (c) £m**	**Pension finance credit (d) £m**	**Tax legislation changes (e) £m**	**Adjusted results £m**
Revenue	**746.6**	**-**	**-**	**-**	**-**	**-**	**746.6**
Operating profit	**92.4**	**9.3**	**2.8**	**-**	**-**	**-**	**104.5**
Profit before tax	**74.4**	**9.3**	**2.8**	**8.1**	**(2.7)**	**-**	**91.9**
Profit after tax	**77.8**	**6.5**	**2.1**	**6.1**	**(2.0)**	**(23.6)**	**66.9**
Basic earnings per share (pence)	**31.4**	**2.6**	**0.8**	**2.5**	**(0.8)**	**(9.5)**	**27.0**

52 weeks ended 2 January 2011	Statutory results £m	Non-recurring items (a) £m	Amortisation (b) £m	Finance costs (c) £m	Pension finance charge (d) £m	Tax legislation changes (e) £m	Adjusted Results (Restated) £m
Revenue	761.5	-	-	-	-	-	761.5
Operating profit	138.0	(20.7)	6.0	-	-	-	123.3
Profit before tax	123.7	(20.7)	6.0	(7.5)	7.1	-	108.6
Profit after tax	113.3	(28.2)	4.4	(5.5)	5.1	(11.4)	77.7
Basic earnings per share (pence)	44.6	(11.0)	1.7	(2.2)	2.0	(4.5)	30.6

(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.
(d) Pension finance credit or charge.
(e) Tax legislation changes relate to the change in the corporation tax rate on the opening deferred tax position.