Trinity Mirror plc Interim Report 2007

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Highlights

for the 26 weeks ended 1 July 2007

- Operating profit* increased by 5.9%, reflecting the benefit of a more stable advertising environment and tight cost management
- Group operating margin* up 1.2% to 20.8%
- Earnings per share* increased by 7.3% to 23.5 pence
- Revenue* broadly flat, reflecting improving market conditions, with underlying** digital revenues growing by 23.7%
- Delivered net cost savings of £6 million and remain on target to achieve at least £10 million in the full year
- Acquired totallylegal.com and totallyfinancial.com in May 2007 for £11.8 million thereby further expanding our portfolio of online recruitment sites
- Interim dividend maintained at 6.4p per share
- Impairment of the carrying value of Regional newspaper titles in the Midlands and London and the South East of £150 million before tax and £90 million after tax
- Progress continues to be made on the disposals with completion anticipated by the end of the third quarter

*Including the Sports division and excluding the Magazines and Exhibitions division and traditional recruitment consultancy business, non-recurring items (including the £150 million impairment of Regional newspaper titles), the amortisation of intangible assets and the impact of IAS 39. A reconciliation between the adjusted and the statutory numbers is provided in note 17 on page 28.
**Underlying includes the impact of acquisitions completed in 2006 and 2007 as if they had been owned by the Group in the current and corresponding periods.

Financial highlights

for the 26 weeks ended 1 July 2007

	Adjusted results*			Statutory results		
	2007 26 weeks £m	2006 26 weeks £m	**% Change**	**Continuing operations 2007 26 weeks £m**	Continuing operations 2006 26 weeks £m	**% Change**
Revenue	**526.3**	528.2	**(0.4)%**	**500.5**	521.7	**(4.1)%**
Operating profit/(loss)	**109.4**	103.3	**5.9%**	**(55.6)**	(159.7)	**65.2%**
Profit/(loss) before tax	**98.2**	91.4	**7.4%**	**(70.4)**	(186.5)	**62.3%**
Earnings/(loss) per share	**23.5p**	21.9p	**7.3%**	**(1.6)p**	(44.9)p	**96.4%**
Dividend per share				**6.4p**	6.4p	**–**

*Including the Sports division and excluding the Magazines and Exhibitions division and traditional recruitment consultancy business, non-recurring items (including the £150 million impairment of Regional newspaper titles), the amortisation of intangible assets and the impact of IAS 39. A reconciliation between the adjusted and the statutory numbers is provided in note 17 on page 28.

Chief Executive's statement

Within the following Chief Executive's Statement and Review of Operations, all figures are presented on an adjusted basis (including the Sports division and excluding the Magazines and Exhibitions division and the traditional recruitment consultancy business, non-recurring items (including the £150 million impairment of Regional newspaper titles), the amortisation of intangible assets and the impact of IAS 39) unless otherwise stated. A reconciliation between the adjusted and the statutory numbers is provided in note 17 on page 28. Underlying includes the impact of acquisitions completed in 2006 and 2007 as if they had been owned by the Group in the current and corresponding periods.

Overview

We have experienced a gradual improvement in advertising market conditions during the first half of 2007 with the rate of decline in advertising revenues slowing. Whilst the advertising environment remains volatile month on month we are encouraged by the more stable trends that are emerging as the rate of decline slows. This, together with our continued drive to deliver efficiencies across the Group, has contributed to a 5.9% increase in operating profit. The development of our strategy, to build a growing multi-platform media business, continues to progress via the launch of new products and services, acquisitions and the implementation of improved technology platforms.

Whilst Group revenues fell by £1.9 million to £526.3 million, the impact on profits was more than mitigated through tight cost management which contributed to operating profits increasing by £6.1 million to £109.4 million. On a statutory basis Group revenues fell by £21.2 million and operating losses reduced from £159.7 million to £55.6 million. The statutory operating losses reflect a charge of £150.0 million (2006: £250.0 million) for the impairment of the carrying value of the Group regional newspaper titles in the Midlands and London and the South East. This charge has been required as it has become clear from the disposals process for these businesses that the Group will not be able to crystalise their carrying value.

Whilst margins have been under pressure for the past two years due to the challenging advertising environment, our continued focus on efficiencies has enabled operating margins to improve by 1.2% to 20.8%. This improvement has been achieved despite the fall in revenues.

All of our businesses continued to show an improvement in performance with particularly strong results from our Nationals and Sports divisions which achieved operating profit growth of 21.7% and 29.0% respectively. This reflects improvements in the advertising environment, further efficiency gains and the benefits of having successfully defended our market positions for the Daily Record and Racing Post during 2006. Our Regionals division saw a significant reduction in the rate of decline in advertising revenues, which form a larger proportion of revenues relative to our other divisions. The improved revenue environment coupled with a tight focus on costs contained the fall in operating profits of our Regionals division to 4.1%. Further improvements to advertising revenues will continue to benefit the performance of the Regionals division.

Our digital businesses across the Group have achieved strong underlying revenue growth of 23.7% with Regionals growing by 25.4% and Nationals growing by 16.8%.

We delivered £6 million net cost savings in the period and remain on track to deliver at least £10 million in the full year and £20 million annualised cost savings by 2008.

The improved profit performance has resulted in earnings per share increasing by 7.3% to 23.5p per share and the interim dividend being maintained at 6.4p per share.

The Group continues to generate strong operating cash flows which ensured that net debt increased by only £26.9 million to £467.8 million despite paying £45.1 million for the 2006 final dividend, £26.1 million in net capital expenditure, £11.8 million for the acquisition of totallylegal.com and totallyfinancial.com and £16.1 million accelerated pension deficit funding payments.

We remain confident that the reorganisation we have started following the 2006 Business Review, the strength of our portfolio and our growing success at building and acquiring digital assets will all contribute to growth as the current cyclical advertising downturn comes to an end.

Strategy development

The first six months of the year have seen continued progress in the development of our strategy to build a multiplatform media business through:

- **Innovation.** We continue to focus on driving growth from new initiatives, deepening our presence in our core markets and geographies both in print and on-line. Examples include the launch of new regional print titles, strengthening our marketplaces with the launch of new local exhibitions and the continued development of our on-line portfolio with a number of new regional launches. In addition our newspaper companion sites, both regional and national, are benefiting from improved design, functionality and increased user-generated content.

- **Acquisition.** The acquisition of totallylegal.com and totallyfinancial.com expands our portfolio of on-line recruitment sites and further improves our share of the on-line recruitment market. We remain focused in building a market-leading portfolio of on-line brands through acquisition which complement our publishing skills and market positions.

- **Technology.** The implementation of our new technology-led operating model is progressing well, and is on time and on budget. Examples include the roll out of a standardised advertising booking system, new pre-press systems which reduce advertisement creation time, and the upgrading of our editorial systems to facilitate multi-media content creation across print and on-line.

- **Manufacturing.** Our programme of investment in colour presses is progressing to plan. Our Scottish Nationals site repressing programme completed on schedule in the first quarter of 2007. The repressing of our UK Nationals print site in Watford is scheduled to complete in the first quarter of 2008.

- **People.** During the period we strengthened the management team with the creation of a new role of Group Digital Publishing Director to accelerate the digital development of our core publishing activities, and the appointment of a new Head of Digital for our UK Nationals.

Disposals

During the period we have made progress on the disposals as envisaged following the conclusion of our review of our business during 2006. We have disposed of some of our businesses in London and the South East for a total consideration of £92.9 million.

The proceeds we expect from the disposals will be lower than our original expectations and therefore we reduced the carrying value of our regional newspapers in the Midlands and London and the South East by £150.0 million. We are in detailed negotiations for the remaining assets. These assets, together with the Sports division, are expected to realise total gross proceeds in the region of £450 million. We do not envisage a tax liability on these disposals.

The completion of the disposals will result in a group with increased focus on a streamlined portfolio of high quality media assets. These assets offer significant opportunities for growth in revenues, margins and earnings. The strong cash flows of our continuing businesses will support this growth through continued investment and selected acquisitions providing rewards to shareholders.

The process will be completed by the end of the third quarter, after which time we intend to optimise our capital structure by returning surplus capital to shareholders. We will confirm the details of this once we have completed the disposals.

Publishing activities

Regionals

Our Regionals division continued to benefit from a strong focus on portfolio development, with the launch of new print titles, new events and exhibitions and a number of on-line launches including 15 hyper local sites targeting specific postcodes. A further five hyper local sites are scheduled for launch in the coming months.

Circulation volumes remain broadly in line with the market. Circulation revenues increased by 0.7% and our little and often cover pricing policy remains in place.

We have seen a steady improvement in print advertising trends during the first half with revenues declining by 3.6% which compares favourably to declines of 10.1% in 2006.

Our digital platforms continued to see a strong performance with underlying revenues up 25.4% representing good growth across both our organic and acquired businesses. Unique users have grown by more than 40% during the first half to 2.9 million.

Nationals

Our Nationals division delivered strong operating profit growth on marginally increased revenues.

We are pleased with an improvement in the rate of circulation volume decline for the Daily Mirror despite the competitive marketplace which has seen continued cover price discounting and significant promotional activity by competitors, both of which contributed to a distortion of underlying circulation volumes across the market. The Sunday Mirror saw a strong circulation volume performance during the period, outperforming the market and improving its market share. In Scotland we achieved strong growth in circulation revenues following the cessation of vouchering undertaken during 2006 to protect our market position against a 10p Sun. Our five National titles continue to have the greatest proportion of full rate sales when compared to our competitors.

Advertising revenues saw a general improvement with the rate of decline slowing. For the Daily Mirror, whilst advertising revenues remain under pressure, we are seeing some stability in volume market share. The business saw a particularly strong performance from the Scottish Nationals with advertising revenue growth of 2.7% for the period. Record PM is now well established in the market and is providing advertisers with increased geographical and audience reach. Digital revenues for our National newspapers grew by 16.8% during the period with growth of 42.6% in Scotland.

Sports

Our Sports division delivered a strong advertising performance and stable circulation revenues. Circulation volumes have seen some pressure from inclement weather conditions resulting in some race meeting cancellations.

Board changes

On 10 May 2007, at the Group's Annual General Meeting, three non-executive directors, Peter Birch, Sir Angus Grossart and David Ross retired from the Board.

Gary Hoffman, Chairman of the Remuneration Committee, was appointed Senior Independent Director on 10 May 2007 and on 11 May 2007 Kathleen O'Donovan joined the Board as a non-executive director and was appointed Chairman of the Audit Committee.

Outlook

Whilst the advertising environment remains volatile from month to month we continue to see improved stability in our advertising markets as the rate of decline slows. The Board remains confident that our 2007 performance will be in line with expectations.

Sly Bailey
Chief Executive
2 August 2007

Review of operations

Group revenues fell by £1.9 million (0.4%) from £528.2 million to £526.3 million. Group advertising revenues decreased by £4.0 million (1.4%) from £289.7 million to £285.7 million while Group circulation revenue increased by £1.6 million (0.8%) from £196.8 million to £198.4 million and other revenue increased by £0.5 million. On a statutory basis Group revenues fell by £21.2 million (4.1%) from £521.7 million to £500.5 million. The statutory Group revenues in 2006 included the revenues of the disposed traditional recruitment consultancy business.

Although revenues fell, Group operating profit increased by £6.1 million (5.9%) from £103.3 million to £109.4 million. On a statutory basis operating losses fell by £104.1 million from a loss of £159.7 million to a loss of £55.6 million. The statutory operating loss reflects a charge of £150.0 million (2006: £250.0 million) for the impairment of the carrying value of the Regional newspaper titles in the Midlands and London and the South East.

Total operating costs have fallen by £9.1 million (2.1%) from £426.1 million to £417.0 million despite a 5% increase in the price of newsprint and other inflationary increases in costs.

Non-recurring items of £153.1 million (2006: £250.0 million) have been charged. This includes an impairment charge of £150.0 million (2006: £250.0 million), £3.9 million (2006: £nil million) of restructuring costs offset by £0.8 million (2006: £nil million) profit on disposal of property.

The Group's share of profits from associates was £0.1 million (2006: £1.2 million) and reflects the Group's share of profits in PA Group, net of taxation payable thereon. During the period dividends of £0.3 million (2006: £0.5 million) were received.

The IAS 19 "Employee Benefits" defined benefit current service cost and finance credit were £13.5 million (2006: £14.8 million) and £5.5 million (2006: £4.6 million) respectively. For the full year, the IAS 19 defined benefit operating charge is estimated to reduce by £2.9 million to £27.5 million with the finance credit estimated to increase by £2.4 million to £12.3 million. The IAS 19 pension deficit has fallen from £213.0 million to £154.2 million during the half year reflecting the benefit of increasing asset values due to the improved performance of the equity markets and deficit funding payments, and a marginal reduction in liabilities due to an increase in the real discount rate applied to liabilities from 2.10% to 2.55% offset by changed mortality assumptions.

Finance costs, excluding the impact of IAS 19 and IAS 39 "Financial Instruments: Recognition and Measurement", increased by £0.2 million from £16.5 million to £16.7 million. The increase in finance costs reflects higher interest rates partially offset by reduced debt levels. The IAS 39 impact during the half year, in relation to the US$ private placement and related cross currency interest rate swaps, was a £3.6 million charge (2006: £14.9 million). The IAS 39 impact reflects the fair value, exchange rate and amortisation adjustments on borrowings and associated financial instruments accounted for under IAS 39.

Group profit before tax increased by £6.8 million (7.4%) from £91.4 million to £98.2 million. On a statutory basis losses before tax fell by £116.1 million from £186.5 million to £70.4 million.

The tax charge for the period of £29.7 million (2006: £27.7 million) represents 30.2% (2006: 30.3%) of profit before tax of £98.2 million (2006: £91.4 million). On a statutory basis the tax credit of £65.8 million (2006: £55.7 million) includes a £42.0 million credit in respect of the impairment charge (2006: £75.0 million), £18.0 million (2006: £nil million) relating to the change in tax base of held for sale assets and a £30.0 million (2006: £nil million) credit relating to the impact on deferred tax of the corporation tax rate change from 1 April 2008.

Earnings per share were 23.5p per share (2006: 21.9p per share), an increase of 7.3%. On a statutory continuing operations basis losses per share fell by 96.5% from a 44.9p loss per share to a 1.6p loss per share.

An interim dividend of 6.4p per share (2006: 6.4p per share) will be paid on 30 October 2007 to shareholders on the register at 5 October 2007.

Regionals division

The Regionals division publishes over 200 local and regional newspapers which are complemented by more than 300 websites offering news, information and advertising and includes our acquired specialist recruitment and property websites businesses.

The revenue and operating profit of the Group's Regionals division are as follows:

	2007 £m	2006 £m	% Change
Revenue			
– Regional core	**234.3**	243.0	(3.6)%
– Metros	**9.8**	8.3	18.1%
– Digital media activities	**15.7**	11.8	33.1%
Total revenue	**259.8**	263.1	(1.3)%
Operating profit			
– Regional core	**55.6**	61.2	(9.2)%
– Metros	**1.9**	1.3	46.2%
– Digital media activities	**5.5**	3.2	71.9%
Total operating profit	**63.0**	65.7	(4.1)%
Operating margin	**24.2%**	25.0%	(0.8)%

Revenue fell by £3.3 million (1.3%) and operating profit fell by £2.7 million (4.1%). Excluding totallylegal.com and totallyfinancial.com acquired in May 2007, revenue fell by £3.7 million (1.4%) and operating profit fell by £2.9 million (4.4%).

Operating profit declines for the core Regional newspaper titles were partially offset by the continuing improvements from the Metro titles and our Digital media activities. The division's five Metros achieved a £0.6 million (46.2%) improvement in operating profit to £1.9 million. The division's Digital media activities continued to deliver further improvements with operating profits increasing by 71.9%. Continued focus on costs has partly mitigated the impact on operating profit of the shortfalls in Regional core revenues with Regional core operating profits falling by only £5.6 million despite revenue declines of £8.7 million.

The acquisition in May 2007 of totallylegal.com and totallyfinancial.com contributed revenues and operating profits before amortisation of intangible assets of £0.4 million and £0.2 million respectively.

Advertising revenue for the Regionals division fell by 1.4% from £201.0 million to £198.1 million. By category, Display was down by 0.4%, Recruitment was down by 1.3%, Motors was down by 10.3% and other classified categories were down by 3.9%, while Property increased by 4.0%. Recruitment excluding totallylegal.com and totallyfinancial.com was down by 2.1%.

Metros achieved strong advertising growth of £1.5 million (18.1%), driven by an increase in core advertising revenues and the benefit of an additional two Metro titles launched in March 2006. Excluding the Liverpool and Cardiff Metros advertising revenues for Metros increased by 9.4%.

Digital media activities, continued their growth trajectory with underlying revenues increasing by 25.4%. The newly acquired totallylegal.com and totallylfinancial.com achieved underlying growth of 22.1%.

Review of operations
continued

Circulation revenue increased by £0.3 million (0.7%). The division continued to drive circulation revenue through the ongoing policy to increase cover prices on a little and often basis. During the period, the division experienced circulation volume declines of 6.6% for Evening titles, 6.7% for Morning titles, 6.4% for Weekly titles and 4.3% for Sunday titles.

Other revenue fell by £0.7 million (3.5%) from £19.9 million to £19.2 million.

Nationals division

The Nationals division publishes three UK National titles (the Daily Mirror, the Sunday Mirror and The People) and two Scottish Nationals (the Daily Record and the Sunday Mail) complemented by a portfolio of digital assets.

The revenue and operating profit of the Group's Nationals division are as follows:

	2007 Actual £m	2006 Actual £m	% Change
Revenue	**240.7**	240.3	0.2%
Operating profit	**45.5**	37.4	21.7%
Margin	**18.9%**	15.6%	3.3%

The Nationals division achieved significant growth in operating profit of 21.7% on marginally increased revenues. Revenue for the UK Nationals declined by 1.1% and for the Scottish Nationals increased by 4.9%.

The improved operating profits have been achieved through the tight management of costs resulting in operating margin for the division increasing by 3.3%.

Circulation revenues for the Nationals division increased by 0.8% reflecting a decrease of 0.2% for the UK Nationals offset by an increase of 4.8% for the Scottish Nationals. The half year benefited from cover price increases in 2006 and in 2007 together with the absence of vouchering by the Daily Record. The Saturday editions of the Daily Mirror and Daily Record cover prices were increased by 5p to 60p and the Sunday Mirror cover price was increased by 5p to 90p during the period.

The six monthly year-on-year change in circulation volumes and the six monthly market share for our Nationals titles were as follows:

	Six monthly circulation volume change %	Six monthly market share %
Daily Mirror	(5.5)%	18.6%
Sunday Mirror	(4.3)%	15.9%
The People	(13.6)%	8.4%
Daily Record (Scotland only)	(8.4)%	33.8%
Sunday Mail (Scotland only)	(4.9)%	35.7%

Advertising revenues for the Nationals division fell by 2.3% with declines of 4.2% for the UK Nationals and an increase of 2.7% for the Scottish Nationals. The UK Nationals performance reflects an improving trend, however, the market remains challenging. The strong growth for the Scottish Nationals was driven by an improved advertising environment.

Digital revenues increased by 16.7% from £1.2 million to £1.4 million with increases of 4.0% for the UK Nationals and 42.6% for the Scottish Nationals.

Other revenue increased by £1.2 million (6.1%) from £19.8 million to £21.0 million with increases of 3.4% for the UK Nationals and 28.6% for the Scottish Nationals.

Sports division

The Sports division delivered a strong performance in the half year. Revenues increased by 4.0% from £24.8 million to £25.8 million and operating profits increased by 29.0% from £6.9 million to £8.9 million.

Advertising revenues achieved a strong growth of 12.5% from £6.4 million to £7.2 million. Circulation revenues increased by £0.2 million reflecting the impact of cover price increases off-setting volume declines. Other revenues were flat at £2.0 million.

Central costs

Central costs increased by £0.2 million from £7.9 million to £8.1 million.

Acquisition

During the half year, the Group completed the acquisition of Totallylegal.com Limited for a consideration of £11.8 million. In the 12 months prior to acquisition Totallylegal.com Limited and its subsidiary achieved revenues of £1.9 million and operating profit of £0.3 million.

Cash flow and net debt

Net cash from operating activities decreased by £7.8 million to £97.4 million with the increase in operating profit before impairment charge more than offset by accelerating £16.1 million of pension scheme deficit funding into the first half. Net debt increased by £26.9 million from £440.9 million to £467.8 million. The increase in net debt is after paying dividends of £45.1 million, net capital expenditure of £26.1 million, the £11.8 million acquisition of Totallylegal.com Limited and the £16.1 million accelerated pension deficit funding.

Capital expenditure in the half year was £26.1 million net of disposal proceeds (2006: £38.4 million) against a depreciation charge of £17.3 million (2006: £19.7 million). On 25 July 2007 the Group announced a further £23 million capital investment in presses to secure a 12 year printing contract for the Independent. This expenditure will be incurred over the next two years. Capital expenditure for 2007 is now estimated at £75 million and capital will be financed from operating cash flows.

At 1 July 2007 committed facilities of £725.9 million (2006: £728.2 million) were available to the Group, of which £244.5 million (2006: £259.5 million) was available for draw down. The committed facilities include a £269 million syndicated bank facility, US$602 million and £26 million unsecured fixed rate loan notes and £6 million floating rate loan notes (representing the total obligations under a series of private placement US dollar and sterling loan notes respectively), obligations under finance leases of £13.7 million and £0.6 million of acquisition loan notes. No new financing facilities were procured during the period and no debt facilities were repaid other than in accordance with their normal maturity date.

Consolidated income statement (unaudited)

for the 26 week period to 1 July 2007

	notes	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Continuing operations				
Revenue	2	**500.5**	521.7	1,003.5
Cost of sales		**(244.9)**	(260.3)	(503.8)
Gross profit		**255.6**	261.4	499.7
Distribution costs		**(55.8)**	(57.1)	(108.9)
Administrative expenses:				
Non-recurring				
Impairment of intangible assets	3	**(150.0)**	(250.0)	(250.0)
Other	3	**(3.1)**	–	2.0
Amortisation of intangible assets		**(3.0)**	(7.0)	(10.6)
Other		**(99.4)**	(108.2)	(195.9)
Share of results of associates		**0.1**	1.2	1.3
Operating loss	2	**(55.6)**	(159.7)	(62.4)
IAS 19 finance credit	4	**5.5**	4.6	9.9
IAS 39 impact	4	**(3.6)**	(14.9)	(4.9)
Other finance costs	4	**(16.7)**	(16.5)	(31.5)
Loss before tax		**(70.4)**	(186.5)	(88.9)
Tax credit	5	**65.8**	55.7	24.8
Loss for the period from continuing operations		**(4.6)**	(130.8)	(64.1)
Discontinued operations				
Profit for the period from discontinued operations	6	**6.2**	8.8	14.9
Profit on sale of discontinued operations		**–**	–	37.7
Profit/(loss) for the period attributable to equity holders of the parent		**1.6**	(122.0)	(11.5)

		Pence	Pence	Pence
Earnings/(loss) per share (pence)				
Adjusted earnings per share* – basic	8	23.5	21.9	43.6
Adjusted earnings per share* – diluted	8	23.4	21.8	43.5
Loss per share – continuing operations – basic	8	**(1.6)**	(44.9)	(22.0)
Loss per share – continuing operations – diluted	8	**(1.6)**	(44.9)	(22.0)
Earnings per share – discontinued operations – basic	8	**2.1**	3.0	18.0
Earnings per share – discontinued operations – diluted	8	**2.1**	3.0	18.0
Earnings/(loss) per share – total operations – basic	8	**0.5**	(41.9)	(4.0)
Earnings/(loss) per share – total operations – diluted	8	**0.5**	(41.9)	(4.0)

*Including the Sports division and excluding the Magazines and Exhibitions division and traditional recruitment consultancy business, non-recurring items (including the £150 million impairment of Regional newspaper titles), the amortisation of intangible assets and the impact of IAS 39. A reconciliation between the adjusted and the statutory numbers is provided in note 17 on page 28.

Consolidated statement of recognised income and expense (unaudited)

for the 26 week period to 1 July 2007

	notes	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Actuarial gains on defined benefit pension schemes taken to equity	13	**22.5**	55.9	62.7
Tax on actuarial gains on defined benefit pension schemes taken to equity		**(6.3)**	(16.8)	(18.8)
Share of pension scheme actuarial gains and currency gains recognised in equity by associates		**(0.7)**	1.3	1.3
Deferred tax charge resulting from the future change in tax rate	5	**(2.8)**	–	–
Net income recognised directly in equity		**12.7**	40.4	45.2
Profit/(loss) for the period		**1.6**	(122.0)	(11.5)
Total recognised income and expense for the period attributable to equity holders of the parent	14	**14.3**	(81.6)	33.7

Consolidated balance sheet (unaudited)

at 1 July 2007

	notes	1 July 2007 £m	2 July 2006 £m	31 Dec 2006 (audited) £m
Non-current assets				
Goodwill		**70.3**	69.6	61.1
Other intangible assets		**846.1**	1,367.9	1,357.3
Property, plant and equipment		**417.2**	405.9	420.5
Investments in associates		**9.3**	10.1	10.2
Deferred tax asset		**58.9**	76.5	74.3
		1,401.8	1,930.0	1,923.4
Current assets				
Inventories		**7.3**	7.3	7.0
Available-for-sale financial assets		**–**	0.5	–
Trade and other receivables		**114.1**	160.7	134.9
Cash and cash equivalents	11	**20.5**	27.2	32.8
		141.9	195.7	174.7
Held for sale assets	10	**407.7**	11.6	–
Total assets		**1,951.4**	2,137.3	2,098.1
Non-current liabilities				
Borrowings	11	**(338.6)**	(365.7)	(346.3)
Obligations under finance leases	11	**(10.2)**	(13.6)	(13.2)
Retirement benefit obligation	13	**(154.2)**	(232.8)	(213.0)
Deferred tax liabilities		**(306.9)**	(470.5)	(482.4)
Provisions		**(8.3)**	(13.2)	(8.9)
Derivative financial instruments	11	**(119.5)**	(97.9)	(107.4)
		(937.7)	(1,193.7)	(1,171.2)
Current liabilities				
Borrowings	11	**(16.5)**	(79.5)	(4.0)
Trade and other payables		**(161.1)**	(189.0)	(163.3)
Current tax liabilities		**(26.1)**	(33.1)	(31.1)
Obligations under finance leases	11	**(2.3)**	(2.7)	(2.8)
Provisions		**(0.3)**	(1.1)	(2.5)
		(206.3)	(305.4)	(203.7)
Held for sale liabilities	10	**(112.6)**	(8.7)	–
Total liabilities		**(1,256.6)**	(1,507.8)	(1,374.9)
Net assets		**694.8**	629.5	723.2
Equity				
Share capital	14	**(29.3)**	(29.3)	(29.3)
Share premium account	14	**(1,120.5)**	(1,120.0)	(1,120.0)
Revaluation reserve	14	**(4.9)**	(4.9)	(4.9)
Capital redemption reserve	14	**(0.8)**	(0.8)	(0.8)
Retained earnings and other reserves	14	**460.7**	525.5	431.8
Equity attributable to equity holders of the parent	14	**(694.8)**	(629.5)	(723.2)
Total equity		**(694.8)**	(629.5)	(723.2)

Consolidated cash flow statement (unaudited)

for the 26 week period to 1 July 2007

	notes	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 1 Dec 2006 (audited) £m
Cash flows from operating activities – continuing operations				
Cash generated from operations	9	**88.5**	92.5	203.7
Income tax paid		**(19.2)**	(22.6)	(40.6)
Net cash inflow from operating activities		**69.3**	69.9	163.1
Investing activities				
Interest received		**0.5**	0.1	0.3
Dividends received from associated undertakings		**0.3**	0.5	0.5
Proceeds on disposal of available-for-sale financial assets		**–**	–	2.1
Proceeds on disposal of subsidiary undertakings		**–**	–	8.5
Proceeds on disposal of property, plant and equipment		**1.0**	0.3	2.1
Purchases of property, plant and equipment		**(27.1)**	(38.7)	(75.0)
Acquisition of subsidiary undertakings	15	**(11.2)**	(4.2)	(4.2)
Net cash used in investing activities		**(36.5)**	(42.0)	(65.7)
Financing activities				
Dividends paid		**(45.1)**	(45.1)	(63.7)
Interest paid on borrowings		**(16.0)**	(15.7)	(31.0)
Interest paid on finance leases		**(0.4)**	(0.1)	(1.0)
Increase in borrowings		**14.9**	–	–
Repayment of borrowings		**–**	–	(40.1)
Repayment of obligations under finance leases		**(2.3)**	(2.1)	(2.4)
Issue of ordinary share capital		**0.5**	1.1	1.1
(Increase)/decrease in bank overdrafts		**(2.4)**	20.8	(14.6)
Net cash used in financing activities		**(50.8)**	(41.1)	(151.7)
Net cash from discontinued operations		**5.7**	9.5	53.9
Net decrease in cash and cash equivalents	11	**(12.3)**	(3.7)	(0.4)
Cash and cash equivalents at the beginning of period	11	**32.8**	33.2	33.2
Cash and cash equivalents at the end of period	11	**20.5**	29.5	32.8
Cash and cash equivalents in held for sale assets		**–**	(2.3)	
Cash and cash equivalents excluding held for sale assets		**20.5**	27.2	

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 1 Dec 2006 (audited) £m
Cash flow from discontinued operations			
Net cash flow from operating activities	**5.7**	9.0	14.7
Net cash flow from investing activities	**–**	0.5	39.2
Net cash flow from financing activities	**–**	–	–
Net movement in cash and cash equivalents	**5.7**	9.5	53.9

Notes to the interim financial report (unaudited)

1 General information

Following European regulation issued in 2002, the Group now presents its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Whilst the financial information included in this interim announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The condensed financial statements for the 26 weeks to 1 July 2007 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the 52 weeks ended 31 December 2006 has been produced using extracts from the statutory accounts for this period. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Sections 237 (2) or (3) of the Companies Act 1985.

The accounting policies used in the preparation of the interim financial statements for the 26 weeks to 1 July 2007 have been consistently applied to all the periods presented and are as set out in the Group's financial statements for the 52 weeks to 31 December 2006.

The auditors have carried out a review of the interim report and their report is set out on page 29.

The interim report was approved by the directors on 2 August 2007. This announcement is being sent to shareholders and will be made available at the company's registered office at One Canada Square, Canary Wharf, London, E14 5AP.

2 Business and geographical segments

For management purposes, the continuing operations of the Group are currently organised into the following divisions: Regionals, Nationals and Central costs. These divisions are the basis on which the Group reports its primary segment information. During the period the Sports division has been held for sale and is shown within discontinued operations. In the prior period the Magazines and Exhibitions division, which was disposed of in July 2006, was held for sale and is shown within discontinued operations. The Regional businesses in the Midlands and London and the South East which are held for sale are included within the Regionals division as continuing operations. The secondary reporting segment is a geographical destination analysis of revenue.

The Regionals division publishes a large portfolio of newspaper and on-line brands across the UK. The Nationals division, comprising the UK and Scottish Nationals, publishes five daily and Sunday newspapers. Central costs include costs not attributed to specific divisions. The revenues and costs of each segment are clearly identifiable and allocated according to where they arise. Segment information for these principal activities is presented on pages 17 and 18.

2 Business and geographical segments (continued)

Primary segments – business segment analysis

26 weeks to 1 July 2007

	Regionals 2007 £m	Nationals 2007 £m	Central costs 2007 £m	Continuing operations 2007 £m	Discontinued operations 2007 £m
Revenue					
Segment sales	**262.4**	**248.0**	**–**	**510.4**	**25.8**
Inter-segment sales	**(2.6)**	**(7.3)**	**–**	**(9.9)**	**–**
Total revenue	**259.8**	**240.7**	**–**	**500.5**	**25.8**
Result					
Segment result	**60.0**	**45.5**	**(8.1)**	**97.4**	**8.9**
Non-recurring items				**(153.1)***	**–**
Share of results of associates				**0.1**	**–**
Operating (loss)/profit				**(55.6)**	**8.9**
IAS 19 finance credit				**5.5**	**–**
IAS 39 impact				**(3.6)**	**–**
Other finance costs				**(16.7)**	**–**
(Loss)/profit before tax				**(70.4)**	**8.9**
Tax credit/(charge)				**65.8**	**(2.7)**
(Loss)/profit for the period				**(4.6)**	**6.2**

*The non-recurring items include a £150.0 million impairment charge against the carrying value of newspaper titles in Midlands and London and the South East which are part of the Regionals segment.

Discontinued operations relate to the Sports division.

26 weeks to 2 July 2006

	Regionals 2006 £m	Nationals 2006 £m	Central costs 2006 £m	Continuing operations 2006 £m	Discontinued operations 2006 £m
Revenue					
Segment sales	283.6	247.5	–	531.1	44.9
Inter-segment sales	(2.2)	(7.2)	–	(9.4)	–
Total revenue	281.4	240.3	–	521.7	44.9
Result					
Segment result	59.6	37.4	(7.9)	89.1	12.7
Non-recurring items				(250.0)*	–
Share of results of associates				1.2	–
Operating (loss)/profit				(159.7)	12.7
IAS 19 finance credit				4.6	–
IAS 39 impact				(14.9)	–
Other finance costs				(16.5)	–
(Loss)/profit before tax				(186.5)	12.7
Tax credit/(charge)				55.7	(3.9)
(Loss)/profit for the period				(130.8)	8.8

*The non-recurring items include a £250.0 million impairment charge against the carrying value of newspaper titles in Midlands and London and the South East which are part of the Regionals segment.

In 2006 discontinued operations relate to the Sports division (revenue £24.8 million, operating profit £6.9 million and tax charge £2.1 million) and the Magazines and Exhibitions division (revenue £20.1 million, operating profit £5.8 million and tax charge £1.8 million).

Notes to the interim financial report (unaudited)

continued

2 Business and geographical segments (continued)

Primary segments – business segment analysis (continued)

52 weeks to 31 December 2006 (audited)

	Regionals 2006 £m	Nationals 2006 £m	Central costs 2006 £m	Continuing operations 2006 £m	Discontinued operations 2006 £m
Revenue					
Segment sales	535.9	486.4	–	1,022.3	69.6
Inter-segment sales	(4.8)	(14.0)	–	(18.8)	–
Total revenue	531.1	472.4	–	1,003.5	69.6
Result					
Segment result	118.1	80.9	(14.7)	184.3	21.6
Non-recurring items				(248.0)*	37.7
Share of results of associates				1.3	–
Operating (loss)/profit				(62.4)	59.3
IAS 19 finance credit				9.9	–
IAS 39 impact				(4.9)	–
Other finance costs				(31.5)	–
(Loss)/profit before tax				(88.9)	59.3
Tax credit/(charge)				24.8	(6.7)
(Loss)/profit for the period				(64.1)	52.6

*The non-recurring items include a £250.0 million impairment charge against the carrying value of newspaper titles in Midlands and London and the South East which are part of the Regionals segment.

In 2006 discontinued operations relate to the Sports division (revenue £49.5 million, operating profit £15.8 million and tax charge £4.9 million) and the Magazines and Exhibitions division (revenue £20.1 million, operating profit £5.8 million and tax charge £1.8 million).

Secondary segments – geographical destination and source segment analysis

The Group's operations are located in the United Kingdom. The following tables provide an analysis of the Group's revenue by geographical market and source:

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
United Kingdom and Republic of Ireland	**497.7**	519.1	997.3
Continental Europe	**2.5**	2.6	5.8
Rest of World	**0.3**	–	0.4
Total – continuing operations	**500.5**	521.7	1,003.5
Circulation	**181.8**	180.4	358.6
Advertising*	**278.5**	283.3	543.2
Other*	**40.2**	58.0	101.7
Total – continuing operations	**500.5**	521.7	1,003.5

*The comparatives have been amended by £0.4 million (26 weeks to 2 July 2006) and by £1.0 million (52 weeks to 31 December 2006) to reflect a reclassification from other revenue to advertising revenue.

Revenue relating to discontinued operations was primarily from the United Kingdom and Republic of Ireland. For the 26 weeks to 1 July 2007 revenue relating to discontinued operations was split: £16.6 million circulation (26 weeks to 2 July 2006: £16.4 million and 52 weeks to 31 December 2006: £31.8 million), £7.2 million advertising (26 weeks to 2 July 2006: £6.4 million and 52 weeks to 31 December 2006: £13.3 million) and £2.0 million other (26 weeks to 2 July 2006: £2.0 million and 52 weeks to 31 December 2006: £4.4 million).

3 Non-recurring items

Non-recurring items	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Impairment of intangible assets[a]	**(150.0)**	(250.0)	(250.0)
Restructuring costs[b]	**(3.9)**	–	(2.4)
Profit on disposal of land and buildings[c]	**0.8**	–	0.8
Loss on disposal of subsidiary[d]	**–**	–	(1.8)
Release of accruals for which no further costs are expected[e]	**–**	–	3.8
Profit on disposal of available-for-sale financial assets[f]	**–**	–	1.6
Non-recurring items	**(153.1)**	(250.0)	(248.0)

[a]During the period, an impairment review of the carrying value of the Group's intangible assets undertaken in accordance with IAS 36 indicated that an impairment charge was required. Due to the significance of the intangible assets the review is performed at each reporting date. In addition the Group is currently completing a disposal programme. The impairment charge reduced the carrying value of the Regional newspaper titles in the Midlands and London and the South East by £150.0 million (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: £250.0 million) before tax. Net of tax, including changes in the tax base, the impairment reduced the carrying value of the Regional newspaper titles by £90.0 million (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: £175.0 million). The impairment charge was based on comparing carrying value with fair value less costs to sell in respect of these businesses.
[b]Restructuring costs of £3.9 million (52 weeks to 31 December 2006: £2.4 million) were incurred in delivery of cost reduction measures and implementation of a new operating model for the Group.
[c]The Group disposed of surplus land and buildings releasing a profit on disposal of £0.8 million (52 weeks to 31 December 2006: £0.8 million).
[d]In 2006 the Group disposed of the hotgroup traditional recruitment consultancy business realising a loss on disposal of £1.8 million.
[e]In 2006 the Group released accruals of £3.8 million for which no further costs were expected.
[f]In 2006 the Group disposed of an asset realising a profit on disposal of £1.6 million.

4 Finance costs

	IAS 19 £m[a]	**IAS 39 £m[b]**	**Other £m[c]**	**Total £m**
26 weeks to 1 July 2007				
Income	**43.4**	**8.5**	**0.5**	**52.4**
Expense	**(37.9)**	**(12.1)**	**(17.2)**	**(67.2)**
Total finance income/(cost)	**5.5**	**(3.6)**	**(16.7)**	**(14.8)**
26 weeks to 2 July 2006				
Income	40.5	0.6	0.1	41.2
Expense	(35.9)	(15.5)	(16.6)	(68.0)
Total finance income/(cost)	4.6	(14.9)	(16.5)	(26.8)
52 weeks to 31 December 2006 (audited)				
Income	81.6	45.9	0.3	127.8
Expense	(71.7)	(50.8)	(31.8)	(154.3)
Total finance income/(cost)	9.9	(4.9)	(31.5)	(26.5)

[a]IAS 19 finance income represents expected return on scheme assets net of expected expenses and IAS 19 finance expense represents the interest cost on scheme liabilities.
[b]Impact of fair value, exchange rate, and amortisation adjustments on borrowings and associated financial instruments accounted for under IAS 39.
[c]Other finance costs include interest on obligations under finance leases of £0.4 million (26 weeks to 2 July 2006: £0.5 million and 52 weeks to 31 December 2006: £1.0 million).

Notes to the interim financial report (unaudited)

continued

5 Tax

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Current tax			
Corporation tax charge for the period	**(20.4)**	(19.1)	(34.9)
Prior period adjustment	**(1.8)**	–	(0.9)
Current tax charge	**(22.2)**	(19.1)	(35.8)
Deferred tax			
Tax credit for the period	**36.4**	74.8	60.8
Change in tax rates	**30.0**	–	–
Change in tax base	**18.0**	–	–
Prior period adjustment	**3.6**	–	(0.2)
Deferred tax credit	**88.0**	74.8	60.6
Total tax credit – continuing operations	**65.8**	55.7	24.8

Tax charge on discontinued operations			
Tax on profit from operations	**(2.7)**	(3.9)	(6.7)
Total tax charge – discontinued operations	**(2.7)**	(3.9)	(6.7)

Reconciliation of tax charge – continuing operations	**%**	%	%
Standard rate of corporation tax	**30.0**	30.0	30.0
Tax effect of items that are not deductible in determining taxable loss	**(4.0)**	(0.4)	(2.8)
Tax effect of items that are not taxable in determining taxable loss	**–**	–	0.2
Tax effect of utilisation of tax losses not previously recognised in determining taxable loss	**–**	–	0.7
Tax effect of share of results of associate	**0.1**	0.1	0.4
Tax effect of rolled over and revaluation gains	**–**	0.1	0.6
Impact on the opening deferred tax provision of the future change in tax rate	**42.6**	–	–
Impact on the current period deferred tax charge of the future change in tax rate	**(3.7)**	–	–
Impact of the change in the tax base of assets held for sale	**25.7**	–	–
Prior period adjustment	**2.8**	–	(1.2)
Tax charge rate – continuing operations	**93.5**	29.8	27.9

The impact of the substantively enacted change in the standard rate of corporation tax to 28% from 1 April 2008 has resulted in the opening deferred tax provision being recalculated with a £30.0 million credit in the income statement and a £2.8 million debit taken directly to equity.

The deferred tax credit includes a credit of £42.0 million (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: £75.0 million) in relation to the impairment charge with respect to intangible assets and a credit of £18.0 million (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: £nil million) in respect of the impact of the change in the tax base of held for sale assets.

In addition to the amount charged to the income statement, deferred tax relating to the actuarial gains on defined benefit pension schemes of £6.3 million (26 weeks to 2 July 2006: £16.8 million and 52 weeks to 31 December 2006: £18.8 million) has been debited directly to equity.

6 Discontinued operations

During the period the Group discontinued its Sports division and in the prior period the Group discontinued its Magazines and Exhibitions division. The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Revenue	**25.8**	44.9	69.6
Cost of sales	**(11.9)**	(23.9)	(35.9)
Gross profit	**13.9**	21.0	33.7
Distribution costs	**(2.2)**	(3.8)	(6.4)
Administrative expenses:			
Non-recurring	**–**	–	–
Other	**(2.8)**	(4.5)	(5.7)
Operating profit	**8.9**	12.7	21.6
Tax charge	**(2.7)**	(3.9)	(6.7)
Profit for the period	**6.2**	8.8	14.9

7 Dividends

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Amounts recognised as distributions to equity holders in the period:			
Dividend paid[a]	**45.1**	45.1	63.7
	Pence	Pence	Pence
Dividend paid per share[a]	**15.5**	15.5	21.9
	£m	£m	£m
Dividend proposed but not paid nor included in the accounting records[b]	**18.8**	18.8	45.4
	Pence	Pence	Pence
Dividend proposed per share[b]	**6.4**	6.4	15.5

[a]The amount of £45.1 million is in respect of the final dividend for the 52 weeks to 31 December 2006 of 15.5p per share; the amount of £45.1 million is in respect of the final dividend for the 52 weeks to 1 January 2006 of 15.5p per share; the amount of £63.7 million is in respect of the final dividend for the 52 weeks to 1 January 2006 of 15.5p per share and the interim dividend for the 52 weeks to 31 December 2006 of 6.4p per share.

[b]The amount of £18.8 million represents the proposed interim dividend for the 26 weeks to 1 July 2007 of 6.4p per share, which had not been approved by the Board and as such is not reflected as a liability in this interim financial report; the amount of £18.8 million represents the proposed interim dividend for the 26 weeks to 2 July 2006 of 6.4p per share; the amount of £45.4 million represents the proposed final dividend for the 52 weeks to 31 December 2006 of 15.5p per share.

Notes to the interim financial report (unaudited)

continued

8 Earnings per share

Earnings	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Profit after tax before adjusted items*	**68.5**	63.7	127.1
Adjusted items*:			
Sports division profit (after tax)	**(6.2)**	(4.8)	(10.9)
Non-recurring items (after tax)	**(92.1)**	(175.0)	(173.0)
Disposed business profit (after tax)	**–**	0.6	0.6
Reduction in charge for share-based payments relating to 2004 and 2005 (after tax)	**–**	–	2.9
Amortisation of intangibles (after tax)	**(2.2)**	(4.9)	(7.4)
IAS 39 impact (after tax)	**(2.6)**	(10.4)	(3.4)
Tax credit resulting from the future change in tax rate	**30.0**	–	–
Loss for the period from continuing operations	**(4.6)**	(130.8)	(64.1)
Profit for the period from discontinued operations	**6.2**	8.8	52.6
Profit/(loss) for the period attributable to equity holders of the parent	**1.6**	(122.0)	(11.5)

Number of shares	**('000)**	('000)	('000)
Weighted average number of ordinary shares for the purpose of basic EPS	**291,338**	291,143	291,207
Effect of dilutive potential ordinary shares – share options	**780**	1,201	711
Weighted average number of ordinary shares for the purpose of diluted EPS	**292,118**	292,344	291,918

Discontinued operations relate to the Sports division for the 26 weeks to 1 July 2007 and the Sports and Magazines and Exhibitions divisions for the 26 weeks to 2 July 2006 and 52 weeks to 31 December 2006.

Basic earnings per share is calculated by dividing profit attributable to equity holders 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.

Earnings per share	**Pence**	Pence	Pence
Adjusted earnings per share* – basic	**23.5**	21.9	43.6
Adjusted earnings per share* – diluted	**23.4**	21.8	43.5
Loss per share – continuing operations – basic	**(1.6)**	(44.9)	(22.0)
Loss per share – continuing operations – diluted	**(1.6)**	(44.9)	(22.0)
Earnings per share – discontinued operations – basic	**2.1**	3.0	18.0
Earnings per share – discontinued operations – diluted	**2.1**	3.0	18.0
Earnings/(loss) per share – total operations – basic	**0.5**	(41.9)	(4.0)
Earnings/(loss) per share – total operations – diluted	**0.5**	(41.9)	(4.0)

*Including the Sports division and excluding the Magazines and Exhibitions division and traditional recruitment consultancy business, non-recurring items (including the £150 million impairment of Regional Newspaper titles), the amortisation of intangible assets and the impact of IAS 39. A reconciliation between the adjusted and the statutory numbers is provided in note 17 on page 28.

8 Earnings per share (continued)

The basic earnings/(loss) per share for each category of non-recurring items disclosed in note 3 is as follows:

	Pence	Pence	Pence
Impairment of intangibles	**(31.0)**	(60.1)	(60.1)
Restructuring costs	**(0.9)**	–	(0.6)
Profit on disposal of land and buildings	**0.2**	–	0.2
Loss on disposal of subsidiary	**–**	–	(0.5)
Release of accruals for which no further costs are expected	**–**	–	1.2
Profit on disposal of available-for-sale investments	**–**	–	0.4
Earnings per share – non-recurring items	**(31.7)**	(60.1)	(59.4)

9 Notes to the cash flow statement

	26 weeks to 1 July 2007 £m	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Operating loss from continuing operations	**(55.6)**	(159.7)	(62.4)
Depreciation of property, plant and equipment	**17.3**	19.7	39.8
Amortisation of other intangible assets	**3.0**	7.0	10.6
Share of result of associate	**(0.1)**	(1.2)	(1.3)
Impairment of other intangible assets	**150.0**	250.0	250.0
Charge for share-based payments	**1.6**	1.4	2.4
Charge for share-based payments in respect of 2004 and 2005	**–**	–	(4.2)
Profit on disposal of land and buildings	**(0.8)**	–	(0.8)
Profit on disposal of available-for-sale financial assets	**–**	–	(1.6)
Loss on disposal of subsidiary	**–**	–	1.8
Adjustment for IAS 19 pension funding	**(30.6)**	(12.3)	(19.3)
Operating cash flows before movements in working capital	**84.8**	104.9	215.0
(Increase)/decrease in inventories	**(0.3)**	(0.1)	0.2
(Increase)/decrease in receivables	**(11.8)**	(17.2)	6.7
Increase/(decrease) in payables	**15.8**	4.9	(18.2)
Cash generated from operations	**88.5**	92.5	203.7

Notes to the interim financial report (unaudited)

continued

10 Held for sale assets and liabilities

The assets and liabilities relating to the Regional businesses in the Midlands and London and the South East and the Sports division which are held for sale have been classified as held for sale assets and held for sale liabilities in the consolidated balance sheet at 1 July 2007. The held for sale assets and held for sale liabilities at 2 July 2006 related to the Magazines and Exhibitions division which was disposed of in July 2006.

The analysis of assets and liabilities included in held for sale assets and in held for sale liabilities is shown below:

	1 July 2007 £m	2 July 2006 £m	31 Dec 2006 £m
Held for sale assets:			
Non-current assets			
Intangible assets	**362.4**	1.6	–
Property, plant and equipment	**12.0**	0.2	–
Deferred tax asset	**–**	0.2	
Current assets			
Inventories	**0.1**	–	–
Trade and other receivables	**33.2**	7.3	–
Cash and cash equivalents	**–**	2.3	
	407.7	11.6	–
Held for sale liabilities:			
Non-current liabilities			
Obligations under finance leases	**(0.9)**	–	–
Deferred tax liabilities	**(82.1)**	–	–
Provisions	**(0.5)**	–	–
Current liabilities			
Trade and other payables	**(21.1)**	(8.7)	–
Current tax liabilities	**(7.5)**	–	–
Obligations under finance leases	**(0.3)**	–	–
Provisions	**(0.2)**	–	–
	(112.6)	(8.7)	–
Net held for sale assets and liabilities	**295.1**	2.9	–

11 Net debt

	31 Dec 2006 £m	**Cash flow £m**	**IAS 39 impact £m**	**Other non-cash charges £m**	**1 July 2007 £m**
Non-current					
Loan notes	(346.3)	–	8.5	(0.8)	**(338.6)**
Derivative financial instruments	(107.4)	–	(12.1)	–	**(119.5)**
Obligations under finance leases	(13.2)	2.1	–	–	**(11.1)**
	(466.9)	**2.1**	**(3.6)**	**(0.8)**	**(469.2)**
Current					
Bank overdrafts	(3.3)	2.4	–	–	**(0.9)**
Short term loans	–	(15.0)	–	–	**(15.0)**
Loan notes	(0.7)	0.1	–	–	**(0.6)**
Obligations under finance leases	(2.8)	0.2	–	–	**(2.6)**
	(6.8)	**(12.3)**	**–**	**–**	**(19.1)**
Cash and cash equivalents	32.8	(12.3)	–	–	**20.5**
Net debt	**(440.9)**	**(22.5)**	**(3.6)**	**(0.8)**	**(467.8)**

Included in net debt is £1.2 million of obligations under finance leases which have been included in held for sale liabilities in the consolidated balance sheet. Of this amount £0.9 million is non-current and £0.3 million is current.

11 Net debt (continued)
Cash and cash equivalents represents the sum of the Group's bank balances and cash in hand at the balance sheet date. Cash and cash equivalents at 1 July 2007 include £nil million (2 July 2006: £2.3 million and 31 December 2006: £nil million) of held for sale cash.

The US and UK private placement loan notes totalling US$602 million and £32 million were issued in 2001 and 2002. The fixed rate interest and capital repayments on the US$ denominated loan notes have been 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 swaps are shown separately in accordance with IAS 39. The loan notes are disclosed at amortised cost and translated into sterling at the prevailing period-end exchange rate and the cross-currency swaps are disclosed at fair value at the period-end date. These values do not represent the amounts required to repay the loan notes or cancel the related cross-currency interest rate swaps.

12 Share-based payments
During the period 745,552 (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: 757,971) share awards were granted to senior managers on a discretionary basis under the Long Term Incentive Plan approved in 2004. The exercise price of the granted awards is £1 for each block of awards granted. The awards vest after three years, subject to the continued employment of the participant and satisfaction of certain performance conditions.

During the period 343,196 (26 weeks to 2 July 2006 and 52 weeks to 31 December 2006: 206,369) 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.

Shares held for share-based payments are included in retained earnings and other reserves at £11.9 million (2 July 2006 and 31 December 2006: £11.9 million).

13 Retirement benefit schemes
The Group operates ten final salary pension schemes. All of these schemes are closed to new employees. All new employees are entitled to participate in a defined contribution plan, the Trinity Mirror Pension Plan.

Formal valuations of the defined benefit schemes are carried out regularly, the actuarial methods and assumptions used to calculate each scheme's assets and liabilities varying according to the actuarial and funding policies adopted by their respective trustees.

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 market value of the schemes' assets at 29 June 2007, the last day prior to the period end for which such values were available.

Based on actuarial advice, the financial assumptions used in calculating the schemes' liabilities and the total value of those liabilities under IAS 19 are:

Principal annual actuarial assumptions used:	**1 July 2007 %**	2 July 2006 %	31 Dec 2006 %
Discount rate	**5.80**	5.25	5.10
Inflation rate	**3.25**	3.00	3.00
Expected return on scheme assets	**4.40-7.30**	4.00-7.30	4.40-7.30
Expected rate of salary increases	**4.30**	4.30	4.00
Pension increases:			
Pre 6 April 1997 pensions	**3.00-5.00**	3.00-5.00	3.00-5.00
Post 6 April 1997 pensions	**3.25-3.75**	3.00-3.50	3.00-3.50
Actuarial value of scheme liabilities	**£1,509.8m**	£1,478.9m	£1,511.0m
Actual return on scheme assets	**£48.7m**	£15.6m	£97.1m

Notes to the interim financial report (unaudited)

continued

13 Retirement benefit schemes (continued)

Post-retirement mortality tables and future life expectancies at age 65	Future life expectancy (years) for a pensioner currently aged 65		Future life expectancy (years) at age 65 for a non-pensioner currently aged 55	
Average	Male	Female	Male	Female
At 1 July 2007	**20.1**	**23.0**	**21.6**	**24.4**
At 2 July 2006	18.6	21.3	19.6	22.4
At 31 December 2006	18.6	21.3	19.6	22.4

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows:

Defined benefit schemes	**1 July 2007 £m**	2 July 2006 £m	31 Dec 2006 (audited) £m
Net scheme liabilities:			
Present value of funded obligations	**(1,509.8)**	(1,478.9)	(1,511.0)
Fair value of schemes' assets	**1,390.6**	1,250.2	1,322.9
Effect of asset ceiling	**(35.0)**	(4.1)	(24.9)
Schemes' deficits included in non-current liabilities	**(154.2)**	(232.8)	(213.0)

Amounts recognised in the income statement	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Current service cost	**(13.5)**	(14.8)	(30.4)
Past service cost	**(0.7)**	–	(0.8)
Total included in staff costs	**(14.2)**	(14.8)	(31.2)
Expected return on scheme assets	**43.4**	40.5	81.6
Interest cost on pension schemes' liabilities	**(37.9)**	(35.9)	(71.7)
Net finance credit	**5.5**	4.6	9.9
Total included in the income statement	**(8.7)**	(10.2)	(21.3)
Movement in deficits during the period:			
Opening deficits	**(213.0)**	(305.6)	(305.6)
Contributions	**45.0**	27.1	51.2
Total charge to income statement	**(8.7)**	(10.2)	(21.3)
Actuarial gains	**32.6**	56.9	84.5
Effect of asset ceiling	**(10.1)**	(1.0)	(21.8)
Closing deficits	**(154.2)**	(232.8)	(213.0)
Movement not recognised in income statement:			
Actuarial gains	**32.6**	56.9	84.5
Effect of asset ceiling	**(10.1)**	(1.0)	(21.8)
Total included in statement of recognised income and expense (before tax)	**22.5**	55.9	62.7

Defined contribution schemes	**26 weeks to 1 July 2007 £m**	26 weeks to 2 July 2006 £m	52 weeks to 31 Dec 2006 (audited) £m
Amounts recognised in the income statement:			
Current service cost	**0.5**	0.4	1.0

14 Share capital and reserves

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 31 December 2006	(29.3)	(1,120.0)	(4.9)	(0.8)	431.8	(723.2)
Total recognised income and expense for the period	–	–	–	–	(14.3)	(14.3)
Dividends	–	–	–	–	45.1	45.1
New share capital subscribed	–	(0.5)	–	–	–	(0.5)
Credit to equity for equity-settled share-based payments	–	–	–	–	(1.6)	(1.6)
Tax on equity-settled share based payments	–	–	–	–	(0.3)	(0.3)
At 1 July 2007	**(29.3)**	**(1,120.5)**	**(4.9)**	**(0.8)**	**460.7**	**(694.8)**

Purchase of shares are included in retained earnings and other reserves at £11.9 million (2 July 2006 and 31 December 2006: £11.9 million), classified as Treasury Shares. Cumulative goodwill written off to reserves in respect of continuing businesses acquired prior to 1998 is £25.9 million (2 July 2006 and 31 December 2006: £25.9 million).

The capital redemption reserve was created when the Company embarked on the share buy-back programme in 2005 and represents the nominal value of the shares purchased and subsequently cancelled. The revaluation reserve relates to the revaluation surplus on property, plant and equipment that has been revalued to fair value from its historical cost.

15 Acquisition of subsidiary undertakings

On 4 May 2007, the Group acquired Totallylegal.com Limited and its subsidiary Totallyfinancial.com Limited for £11.8 million plus £0.2 million of transaction costs. The results of the acquisition have been included in the Regionals division in continuing operations.

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

	Acquiree's carrying amount before combination £m	Fair value adjustments £m	Provisional fair value £m
Net assets acquired:			
Cash and cash equivalents	**0.8**	–	0.8
Current assets	**0.7**	–	0.7
Current liabilities	**(1.2)**	(1.6)	(2.8)
Non-current liabilities	**–**	–	–
	0.3	(1.6)	(1.3)
Intangible assets			3.1
Goodwill			10.2
Total consideration			12.0

Fair value adjustments reflect the alignment of the acquiree's accounting policies with those of the Group. The 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.

The initial accounting for the acquisition has not been finalised, due to uncertainties regarding the valuation of acquired liabilities and provisions at the acquisition date. These uncertainties are expected to be resolved within six months of the acquisition date.

Net cash outflow arising on acquisition:	£m
Cash consideration paid	12.0
Cash and cash equivalents acquired	(0.8)
	11.2

The revenue and operating profit post acquisition of the subsidiary amounted to £0.4 million and £0.2 million respectively. Total consideration for the acquisition was satisfied in cash.

Notes to the interim financial report (unaudited)

continued

16 Post balance sheet events

Since 1 July 2007 the Group has announced the sale of seven businesses in London and the South East for a combined consideration of £92.9 million.

17 Reconciliation of Group statutory results to adjusted results

26 weeks to 1 July 2007	**Continuing operations statutory result[(a)] £m**	Sports division[(b)] £m	Non-recurring items[(c)] £m	Disposed business[(d)] £m	Share-based payments[(e)] £m	Amortisation[(f)] £m	IAS 39 impact[(g)] £m	Rate change[(h)] £m	**Adjusted result £m**
Revenue	**500.5**	25.8	–	–	–	–	–	–	**526.3**
Operating (loss)/profit	**(55.6)**	8.9	153.1	–	–	3.0	–	–	**109.4**
(Loss)/profit before tax	**(70.4)**	8.9	153.1	–	–	3.0	3.6	–	**98.2**
(Loss)/earnings per share: Basic (pence)	**(1.6)**	2.1	31.7	–	–	0.7	0.9	(10.3)	**23.5**

26 weeks to 2 July 2006	Continuing operations statutory result[(a)] £m	Sports division[(b)] £m	Non-recurring items[(c)] £m	Disposed business[(d)] £m	Share-based payments[(e)] £m	Amortisation[(f)] £m	IAS 39 impact[(g)] £m	Rate change[(h)] £m	Adjusted result £m
Revenue	521.7	24.8	–	(18.3)	–	–	–	–	528.2
Operating (loss)/profit	(159.7)	6.9	250.0	(0.9)	–	7.0	–	–	103.3
(Loss)/profit before tax	(186.5)	6.9	250.0	(0.9)	–	7.0	14.9	–	91.4
(Loss)/earnings per share: Basic (pence)	(44.9)	1.6	60.1	(0.2)	–	1.7	3.6	–	21.9

52 weeks to 31 Dec 2006	Continuing operations statutory result[(a)] £m	Sports division[(b)] £m	Non-recurring items[(c)] £m	Disposed business[(d)] £m	Share-based payments[(e)] £m	Amortisation[(f)] £m	IAS 39 impact[(g)] £m	Rate change[(h)] £m	Adjusted result £m
Revenue	1,003.5	49.5	–	(20.9)	–	–	–	–	1,032.1
Operating (loss)/profit	(62.4)	15.8	248.0	(0.8)	(4.2)	10.6	–	–	207.0
(Loss)/profit before tax	(88.9)	15.8	248.0	(0.8)	(4.2)	10.6	4.9	–	185.4
(Loss)/earnings per share: Basic (pence)	(22.0)	3.7	59.4	(0.2)	(1.0)	2.5	1.2	–	43.6

[(a)] Loss per share on continuing operations excluding discontinued operations (Sports and Magazines and Exhibitions divisions).
[(b)] Sports division has been included in adjusted as it had not been disposed of prior to the interim date while the Magazines and Exhibitions division has been excluded from adjusted as it was disposed of in July 2006.
[(c)] Details of non-recurring items are set out in note 3.
[(d)] Sale of hotgroup traditional recruitment consultancy business.
[(e)] Share-based payments charge for 2004 and 2005 has been adjusted to reflect non-market based performance criteria.
[(f)] Amortisation of intangible assets.
[(g)] Impact of fair value, exchange rate and amortisation adjustments on borrowings and associated financial instruments, accounted for under IAS 39.
[(h)] Impact of change in tax rate from 30% to 28% on the opening deferred tax position.

Independent review report to Trinity Mirror plc

Introduction
We have been instructed by the company to review the financial information for the 26 weeks ended 1 July 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by Law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 1 July 2007.

Deloitte & Touche LLP
Chartered Accountants
2 August 2007

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