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Trinity Mirror plc Annual Report and Accounts 2000

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Trinity Mirror plc is the largest newspaper publisher in the UK. The Group has unique assets in its portfolio of titles and on-line sites, content, distribution network, people and population reach. Our objective is to drive value through growing and developing these assets.

CONTENTS

FINANCIAL HIGHLIGHTS

	Statutory 2000 £m	Statutory 1999 £m	Pro forma 1999 £m
Turnover [1 2]	**1,048**	541	995
Group operating profit [1 3]			
Ongoing, before digital media activities	**230**	119	212
Belfast Telegraph	**13**	21	21
Digital media activities	**(42)**	(4)	(7)
Profit before taxation [3 4]	**196**	120	175
Earnings per share [3]			
Before digital media activities	**48.4p**	46.8p	44.5p
Digital media activities	**(10.4)p**	(1.7)p	(1.9)p
Underlying	**38.0p**	45.1p	42.6p
Dividend per share	**17.6p**	16.0p	

- Turnover growth of 5.3% to £1.05bn [1 2]
- Operating profit increased by 10.6% to £234.4m and operating margin up from 21.3% to 22.6% [1 2 3 4 5]
- Profit before tax up 12.2% to £196.4m [3 4]
- EPS growth of 8.8% to 48.4p [3 4] and decrease after digital media activities of 10.8% to 38.0p [3]
- Dividend up 10% to 17.6p

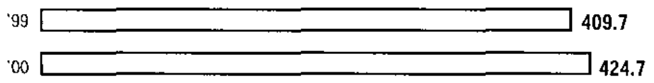
All financial information in respect of 1999 is presented on a pro forma basis unless stated otherwise and assumes the merger of Trinity with Mirror Group occurred on 28 December 1998.
1 Excludes discontinued activities; 2 Excludes turnover and operating profit of Belfast Telegraph Newspapers; 3 Before exceptional items; 4 Excludes digital media activities; 5 Excludes Metro net start-up costs and Southnews.

TRINITY MIRROR - NUMBER 1

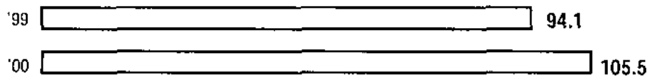
REGIONALS

With a weekly circulation of nearly 18 million (almost 26% of the total regional newspaper market) our regional newspapers have a reputation amongst their customers and competitors for innovation, creativity, quality, value and customer service. Our 244 newspapers, each with a strong, trusted and local brand, are at the core of the local communities that they serve.

TURNOVER* £m

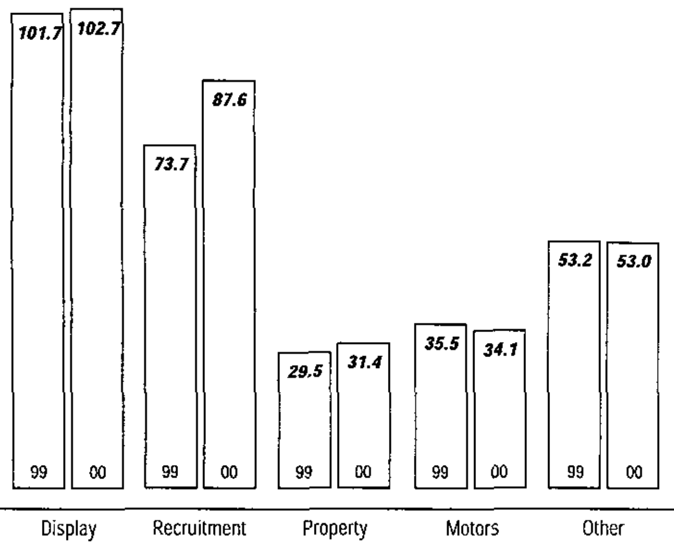


OPERATING PROFIT* £m



	Largest Regional Titles	Daily Circulation[1]	Average Readers
Morning	Daily Post (Liverpool)	66,261	169,336[2]
	Western Mail	53,474	234,217[2]
	The Journal (Newcastle)	48,598	128,844[2]
Evening	Liverpool Echo	151,229	432,873[2]
	Birmingham Evening Mail	130,405	489,000[3]
	Evening Chronicle (Newcastle)	101,835	250,083[2]
Sunday	Sunday Mercury (Birmingham)	103,653	365,000[3]
	Sunday Sun (Newcastle)	100,556	241,254[2]

ADVERTISING GROWTH* £m

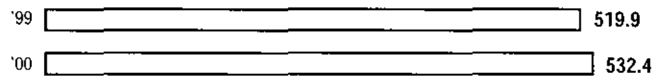


*Excludes Belfast Telegraph Newspapers, Southnews and Metro titles
1 ABC July – Dec 2000; 2 JICREG Sept 2000; 3 RSGB 1999.
1999 pro forma

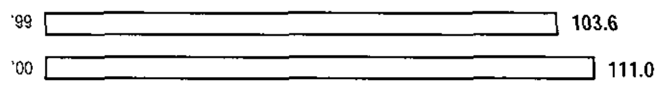
NATIONALS

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

TURNOVER £m

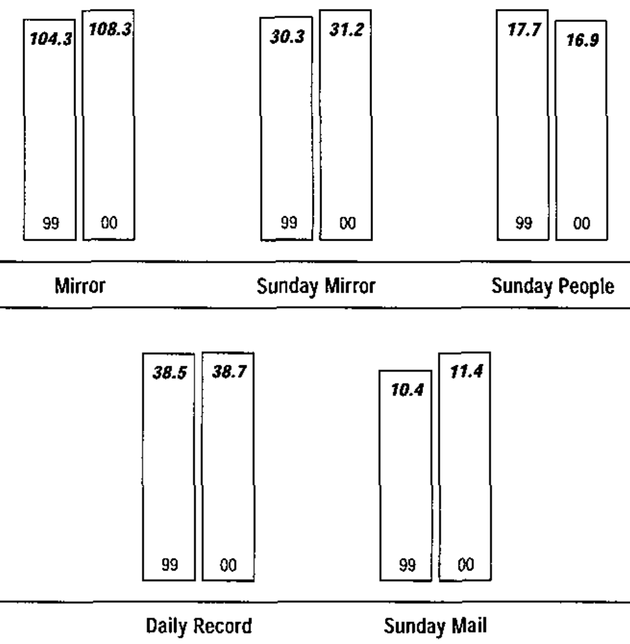


OPERATING PROFIT £m



National Titles	Daily Circulation[1]	Average Readers[2]	Market Share[3]
The Mirror	2,244,274	5,700,000	34.9%
Sunday Mirror	1,904,858	5,800,000	25.7%
Sunday People	1,499,224	3,500,000	20.3%
Daily Record	613,927	1,600,000	53.3%[4]
Sunday Mail	725,234	1,700,000	42.5%[4]

ADVERTISING GROWTH £m

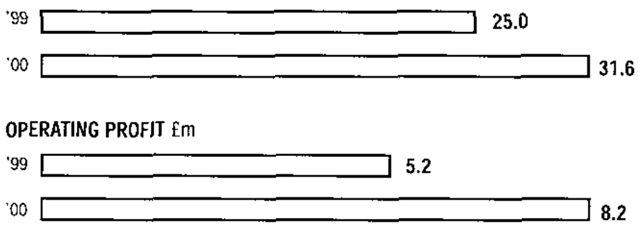


1 ABC July – Dec 2000; 2 NRS July – Dec 2000; 3 "Popular" circulation market; 4 Within Scottish market only

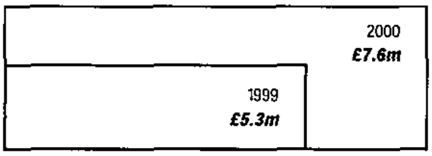
SPORTS

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

TURNOVER £m

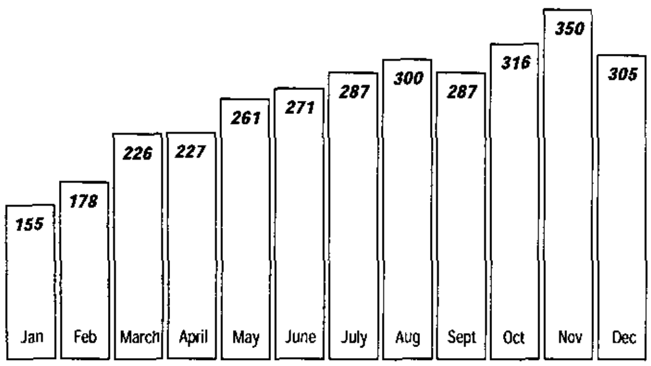


Sports Titles	Daily Circulation	Market Share
Racing Post	74,913[1]	100%
Racing and Football Outlook	25,801[1]	
Raceform Update	20,099[1]	
Weekender	22,353[1]	
Raceform on Saturday	17,141[1]	



43% increase in advertising revenues

VISITOR GROWTH



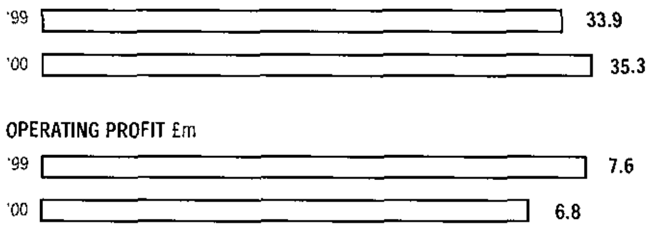
racingpost.co.uk visitors (000s)

1 ABC July – Dec 2000

MAGAZINES & EXHIBITIONS

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

TURNOVER £m



Principal Magazines	Average Readers
Back Street Heroes	28,320
Build It	21,456[3]
Interviewer	23,158[3]
Classic Car Mart	22,228[2]

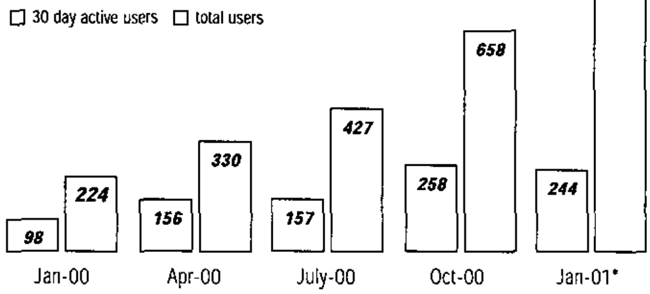
Principal Exhibitions	Visitors
National Boat, Caravan and Leisure Show	116,273
National Wedding Shows	67,000
National Self Build Show	12,373

1 ABC Jan – Dec 2000 copies weekly; 2 ABC Jan – Dec 2000 copies monthly.
1999 pro forma

DIGITAL

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

IC24 REGISTERED USERS (000s)



**removed "9-5 weekend" free telephony offer*

"TRINITY MIRROR'S FIRST FULL YEAR HAS BEEN A PERIOD OF ACHIEVEMENT AND ENCOURAGING PERFORMANCE."

SIR VICTOR BLANK Chairman

The merger of Trinity and Mirror Group created the largest newspaper publishing group in the UK. The results for our first full year as Trinity Mirror easily met our expectations – we delivered good growth in the operating profit of our ongoing businesses of 10.6% (before the investment in digital media, the Metro titles and Southnews). Although the competitive environment remains challenging, and we have seen a major hike in newsprint prices from the beginning of the year, our regional strength and the vitality of our national titles should ensure another satisfactory year. Our plans for both our national and regional newspaper estates are robust, both in terms of cost rationalisation and revenue generation. However, we have revised our plans for digital media, as the opportunities for revenue and profit generation in this area shifted quite dramatically during the past year.

A key feature of the Group's future direction is to be the principal information provider for local communities across all platforms. This will involve heightened co-operation and co-ordination among our strong regional businesses. The strengths of our regional franchises, the acquisition of Southnews and the close alignment of our digital media activities with those of our regional newspapers will ensure that we are suitably positioned to be a leading player in the developing local information and multi media world.

Despite our national titles operating in a highly competitive and mature market, they continue to be very profitable assets. They provide a valuable and improved proposition for advertisers, and their creativity and innovation are attractive to readers.

BOARD CHANGES The expertise of our people is essential to our success. During the year, the management team has been reshaped and we have now assembled the right team to drive our progress. In September, we announced three new appointments. I am pleased to welcome Joe Sinyor to the Board as Chief Executive, Newspapers. His skills in consumer products, brand management and strategy will be of considerable value to the Group as we move forward. Stephen Parker is progressively restructuring our regional titles into a cohesive business, and rolling out best practice. Mark Haysom is adding new shape and 'bite' to our national titles.

I would like to extend my sincere thanks to John Allwood, Roger Eastoe and Mike Masters, who resigned from the Board as Executive Directors during 2000. All three provided enormous loyalty and contribution to the former Mirror Group or Trinity and subsequently to the merged entity and I wish them well in their future endeavours.

PEOPLE Change is never easy or comfortable but I believe that the entire team at Trinity Mirror understands the success that comes from improved focus and clear direction – which inevitably leads to the need for change. The Board is extremely appreciative of the great commitment, creativity and dedication shown by our people.

MEDIA OWNERSHIP The Government's White Paper on Communications, published last December, recognised the need for change to the current restrictions on cross-media ownership. It also envisaged a 'lighter touch' approach to the regulation of newspaper mergers. Trinity Mirror strongly supports proposals for a relaxation of the current restrictions on cross-media ownership, but has argued, alongside the Newspaper Society and others, for the removal of the regulatory regime specifically relating to newspaper mergers. We will continue to play an active role in the ongoing consultative process with the Government prior to the introduction of new legislation. We share the Government's belief that UK media businesses such as ours must be able to compete with global media players. We are excited by the opportunities that may be created by a new, more open environment.

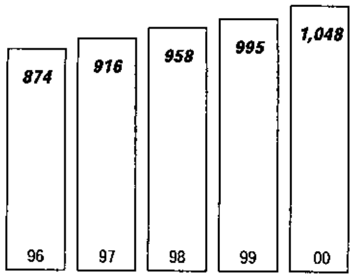
GOING FORWARD We start the year in good order and in good heart. Our plans for the regional papers are coming together very well; our national titles are performing encouragingly; and our new digital media strategy is now settled. We also have creative and committed teams throughout the Group capable of driving growth and success.

Our commitment is straightforward – to build value for our shareholders and to create an exciting and fulfilling environment for all those who work for the Group. I believe we will make further progress towards both goals during the current year.

SIR VICTOR BLANK Chairman

"FOLLOWING THE RECENT MANAGEMENT CHANGES, WE ARE DEVELOPING AND EXECUTING STRATEGIES TO EXPLOIT OPPORTUNITIES FOR GROWTH ACROSS OUR ENTIRE PORTFOLIO. OUR GEOGRAPHICAL AND PRODUCT REACH IS MORE POWERFUL THAN EVER. OUR DEPTH OF CONTENT AND RANGE OF PRODUCTS DELIVER UNBEATABLE VALUE FOR READERS AND ADVERTISERS."

PHILIP GRAF Chief Executive



PRO FORMA TURNOVER £m

Excludes discontinued activities and turnover of Belfast Telegraph Newspapers

" STRONG FINANCIAL PERFORMANCE WHILE PUTTING IN PLACE THE BUILDING BLOCKS FOR FUTURE GROWTH."

PHILIP GRAF Chief Executive

With a new team and a new organisational structure, we are equipped to exploit synergies and growth areas, to find new ways of using our rich content and to be more aggressive in our strategic ambitions. We have been focusing on exploiting maximum value from our assets more effectively. The management reorganisation will help us to realise the full benefits of our individual businesses, their combined strength and underlying assets – through improved advertising revenues, greater printing flexibility, shared promotional activity where appropriate and an exchange of content and ideas. All of these are important elements of our strategy for growth.

The Group has had a successful year, with improved revenue and profit performance throughout our newspapers and the development of a digital media technology platform and regional portals critical to the future growth of our business. Our strong network of established brands, geographical reach and close links with the communities and customers we serve give us a unique platform for real growth and success.

THE WORD ON THE STREET Nearly 25% of the British adult population read at least one copy of The Mirror or Sunday Mirror every week. In the regions nearly 85% of the adult population read a regional or local newspaper every week. Our titles account for approximately 22% of the industry's circulation revenue and 17% of advertising revenue. Across the newspaper industry, the rate of decline in circulation has been slowing in recent years, despite increasing news availability on alternative media platforms.

The UK population has become more aspirational, demanding higher quality journalism and new and original products across a broader range of genres. Our regional newspaper businesses are close to their communities and are therefore able to respond quickly to their readers' and advertisers' requirements – indeed recent research highlights that our titles continue to be the local market leaders in meeting communities' information needs. Our launch of three regional Metro titles over the past 15 months demonstrates our ability to introduce innovative products quickly into local markets. These titles should break even within three years of launch. Across our national newspapers – with their wide-ranging readerships and geographical reach – we continue to invest in improving editorial content and providing promotional support for the titles. In February this year we introduced the successful M magazine into the Saturday edition of The Mirror, offering added value in the most important edition of the paper and extending the title's appeal to a wider consumer audience. This emphasises our commitment to providing readers with value added products that are relevant to their daily lives.

GETTING THE MESSAGE ACROSS Newspapers continue to be a reliable, huge-scale medium, read by over 73% of adults every week – therefore, they provide one of the most effective forms of advertising. In fact, newspapers account for over 30% of all UK advertising expenditure, with regional newspapers representing approximately 17% of spend, primarily local classified advertising, and national newspapers accounting for 13%, predominantly national display.

Consequently, our national titles benefited during 2000 from the growth in new or rapidly growing advertising sectors such as mobile telephones and computers. However, unlike other national titles, we did not benefit (and are now not suffering) from the rapid growth and subsequent decline in dot.com advertising. Over the past four or five months, the retail advertising sector has reversed its period of decline and shown strong growth. Our regional titles achieved strong classified advertising growth during 2000, driven by recruitment advertising. While the demand for property classified advertising strengthened, certain classified categories, such as motors, were affected by problems within their respective industries.

The much-hyped migration of advertising to the internet has only happened to a very limited extent, and primarily in specialist sectors, with little impact on our titles. However, our market-leading sports newspapers did benefit from the significantly increased utilisation of the internet for betting, resulting in greatly enhanced advertising revenues from online betting operators and giving us the opportunity to further develop our own online sports information and betting sites.

THE FUTURE - NOW Digital media and traditional publishing make ideal partners. The digital market needs high-quality, attractive content to drive user traffic and to exploit its advertising potential – and we own that content. We have made substantial progress in developing our "ic" network of portals – we are currently rolling out 12 local ic portals (which will have close links to our regional publishing businesses). Now almost fully operational, this network will benefit from our considerable strengths in content generation and promotion. We have formulated an integrated media strategy for our regional operations, which will significantly enhance our proposition to readers and advertisers across every media platform. The content of the ic vertical portals will be used to enhance the sites of our national titles. We will build on the digital media technology and expertise developed during 2000. Our investment during this coming year will be refocused. The cost of investment in 2001 will be approximately £25 million (net) and £15 million on an annual ongoing basis. This includes £3.5 million of further investment in strengthening Fish4, which is one of the most successful recruitment and property sites with a strong motors proposition.

FOCUSING ON WHAT MATTERS The acquisition of Southnews significantly improves the geographical and economic balance of the Group's regional business. It is an excellent fit with the Group's existing business in the South of England (Trinity Newspapers Southern).

A review of our diverse magazines and exhibitions portfolio concluded that its potential could not be fully exploited within the Group. Consequently, we are currently seeking to dispose of these assets.

During the past year, our internet service provider, ic24, has been an important element in the development of our digital media activities. It has enabled us to attract traffic to our sites and has promoted brand awareness of ic. However, having delivered in excess of 800,000 gross subscribers, the ISP itself is no longer critical and, given the significant change in this marketplace, we are looking to dispose of this asset.

LOOKING AHEAD In addition to financial and operational success, 2000 also saw a number of key building blocks being put in place across the business. For instance, our finance, human resources and IT functions have been reorganised to improve our internal capabilities and to give us a structure with which to deliver a challenging strategy.

The next 12 months are likely to be just as demanding as the last and the recent sharp rise in newsprint prices has not helped. In recent months we have seen an improved advertising performance in our national titles and continued strong recruitment advertising. Much depends, as ever, on how the UK economy performs but, given the current environment, the Board remains confident of the outlook for the year. Recent circulation trends have been, and will continue to be, a key area of focus for the newspaper management team who place increasing importance on marketing, the creation of targeted editorial content, print quality and brand development. To further improve quality, we have begun a press enhancement programme to maximise colour opportunities throughout the Group and to enable us to offer our customers products that are at the forefront of technology. This will be a progressive programme, rolled out over a period of three to four years.

Our established network of newspapers – the content they generate and the nationwide relationships they represent – together with complementary digital sites are crucial assets in a multimedia age. Our strong performance during 2000 provides a robust and stable platform for future growth.

PHILIP GRAF Chief Executive

"The management and leadership of the newspaper assets of Trinity Mirror – the largest newspaper publisher in the UK – present me with an extraordinary opportunity and challenge. The Group produces 254 titles with a weekly circulation in excess of 35 million – so it is no surprise that one in four newspapers sold in the UK are Trinity Mirror titles.

Over the past 12 months Trinity Mirror has made considerable progress in a challenging environment – a reflection of the strength of its brands, its stable and loyal readership and its resilience in tough conditions. My background is in consumer products, brand management and strategic planning. Stephen Parker and Mark Haysom have strong newspaper industry experience. Together, we have the expertise to assist and direct the newspaper management team in formulating and delivering a compelling, bold strategy – to drive both the future growth of the newspaper business and the long-term advancement of the Group as a whole.

Trinity Mirror is a strong Group with vast potential, in an industry and business environment that is changing rapidly, and we are poised for powerful future growth. There are many opportunities for the Group, both in existing and new markets. I am excited by these opportunities and confident about the future of Trinity Mirror and the sector."

JOE SINYOR Chief Executive, Newspapers

GETTING TO THE *HEART* OF THE MATTER

Trinity Mirror's regional titles are at the very heart of the communities they serve. We are local and proud of it. Our titles have more journalists in the field than any other medium, producing an unrivalled breadth, depth and consistency of content. But we are more than simply reporters. Our staff have a passionate belief in the regions they cover. They live and work locally, and they frequently roll up their sleeves to become involved with the community activities our titles initiate.

The universal quality our 244 regional titles share is an understanding of their readers' and advertisers' needs. Our shared strategy is to grow even closer to our customers, providing relevant, high-quality news, information and advertising which helps our readers in their daily lives, and to deliver an outstanding local response to advertisers.

Our newspapers provide a platform for healthy debate of the issues which matter to our communities. We campaign on a wide range of relevant topics, from employment to health and the local environment. Readers look to us to lead the fight for positive change in the places where they live.

Our "localness" means we are locally accountable, which helps us to hone our judgement of the key issues affecting our communities, the editorial stances we take and the commercial services we offer.

At a time when consumers are confronted with a bewildering array of media choice, they will turn to the brands they know and trust. Trinity Mirror's regional titles are those trusted brands. And they are totally focused on delivering the complete, local service to readers and advertisers.

"Trinity Mirror's campaigning Birmingham Evening Mail helped to save the city's famous Longbridge car works from closure during 2000. When BMW announced its plans for Rover, the paper printed its front page in black with a furious 'Stabbed in the Back!' comment. The decision threatened 50,000 jobs across the West Midlands and, in another forthright comment, readers were urged to join us in a 'Great March for Longbridge', which resulted in the biggest public demonstration ever staged in the city, with 80,000 responding.

'Don't let Rover die' was the message emblazoned across the Evening Mail's huge banner carried by me and my team. Over 5,000 rally edition copies of the paper were sold to marchers. The paper also supported Phoenix's blueprint to save Longbridge. We predicted that the Longbridge plant would be saved in a stance proved right on 8 May."

IAN DOWELL Editor, Birmingham Evening Mail

"The acquisition of Southnews enabled us to significantly improve our presence in the South East of England. Our focus now is to take advantage of the many opportunities for revenue and profit growth available to us as a result of the depth, reach and contacts within our business and to extend our local leading brands across other revenue-driving activities."

STEPHEN PARKER Managing Director, Regional Newspapers

CREATING VALUE The Group's regional newspaper operation is a strong, profitable business based on a robust and sustainable financial model. In November 2000, the portfolio was further strengthened, with the acquisition of Southnews, demonstrating the Group's desire to enhance the breadth and depth of its regional portfolio in areas in which it already has a significant presence.

The Group is further seeking to improve revenues and profits from the expanded portfolio, so that by the end of 2004 its performance will be "best in class" amongst its regional newspaper peers. This entails managing the division as a more cohesive business rather than strong, individual or regional business units. This includes a closer alignment of the regional newspaper operations with the Group's digital media activities, ensuring that maximum advantage is gained from the growing number of electronic platforms ideally suited to extract value from the depth and breadth of the Group's regional content. With 12 regional "ic" sites launched by the end of March, the strengthening of the Fish4 site (an integral part of the Group's classified advertising strategy, providing an extension in the range of local online services which can be offered to the newspapers' advertisers), and an investment in All4U Limited (a company managing classified advertising using new and innovative internet controlled telephony to the mutual benefit of readers and advertisers), the regional newspaper operations are well placed to benefit from the additional online revenue opportunities.

The application of "best practice" and "benchmarking" across the division will enable the Group to minimise costs and drive revenues. The roll-out of brand extension initiatives that have been tried and tested in certain of the regional businesses will continue and the Group will more closely align the regional clusters of businesses, so that resources and ideas can be shared, new regional products developed and cost synergies maximised.

The Metro concept, launched in 1999, further demonstrates the potential for growth and capturing new markets across the industry. The Group now operates Metro titles in Birmingham, Newcastle and Scotland under the terms of a franchise agreement with Associated Newspapers.

The three to four-year regional press enhancement programme will provide increased printing capacity and flexibility (for regional and national titles), allow increased pagination, increase the colour opportunities throughout the Group and improve the newspaper offering to customers.

CONTINUED STRONG PERFORMANCE 2000 was a successful year for the regional newspaper operations, with many businesses recording double-digit profit growth, driven primarily by strong advertising revenues throughout the division.

The business benefited from excellent growth in the recruitment advertising market and the demand for property classified advertising (which became increasingly stronger during the year). However, certain classified and display categories, such as motors and retail, were affected by problems within their respective industries.

The Group's regional titles remain amongst the highest "actively purchased" in the industry. The division's weekly paid-for titles performed well with circulation growth in a high proportion of titles. The Paisley Daily Express retained its position as the UK's fastest growing regional morning newspaper despite industry-wide circulation challenges for daily regional titles. This challenge did impact a number of the Group's daily titles. Overall these titles saw an average year-on-year 3% decrease in circulation.

The extension of the brands of the regional titles and the opening up of new revenue streams remains a high priority for the regional operations going forward.

North East The North East achieved a 13% operating profit increase (excluding Metro start-up costs) and recruitment advertising revenue growth in excess of 20%. This was a pleasing performance in the light of the weakness in the Teesside economy and the distribution of two free morning newspapers in Newcastle.

The newspaper sales performance of The Journal and the Evening Chronicle compared favourably with other regional titles given the increased competition in the area. The Evening Gazette also performed well, delivering strong circulation figures.

North West The new management team in Liverpool delivered an impressive performance, and favourable operating and economic conditions prevailed in Chester and Huddersfield, resulting in the North West region achieving a 17% increase in operating profit. Recruitment advertising revenues grew by more than 20% across all centres, with a spectacular growth of 35% in Huddersfield.

The circulation performance of the Liverpool Echo was encouraging, being ahead of the average top 20 regional evening titles, but the Daily Post suffered from heavy promotion and discounting from national titles. Circulation of the Huddersfield Daily Examiner held up well. The Crewe Chronicle was successfully launched and further editions of the North Wales Weekly News were introduced during 2000.

Midlands Business confidence was high across most of the Midlands region throughout the year and this was reflected by 16% growth

REGIONAL NEWSPAPERS*			
£ million	2000	1999	Change
Revenues	424.7	409.7	+3.7%
Operating profit	105.5	94.1	+12.1%
Operating margin %	24.8	23.0	+7.8%

REGIONAL NEWSPAPERS REVENUE* %

REVENUE BY REGION* %

REGIONAL NEWSPAPERS

		Number of titles	Weekly circulation (m)
Paid for titles	Daily	12	8.9
	Sunday	3	0.3
	Weekly	75	1.1
Free titles	Daily	3	0.3
	Weekly and Sunday	151	7.1

* Excludes Belfast Telegraph Newspapers, Metro and Southnews

in operating profit (excluding the costs of publishing the Birmingham Metro). Growth in advertising revenues was the key driver, with recruitment advertising up 14%. In Birmingham, property advertising increased by 13%, primarily as a result of a City Centre regeneration programme.

The Sunday Mercury consistently gained sales following its re-launch and recorded five consecutive monthly increases to December 2000. However, the Evening Mail, Birmingham Post and Coventry Evening Telegraph were slow to recover from the seasonal decline in sales over the summer.

Southern The combined Southern regional operation should contribute at least 25% of the division's profit in 2001 by providing critical mass in the important South East market and the opportunity for synergistic benefits.

TNS benefited in 2000 from continuing favourable economic conditions in the South East of England, resulting in healthy advertising revenue increases, particularly in recruitment (18%) and property (23%), and recorded a 32% improvement in profit (aided by the transfer of its newspaper printing from third parties to the Group's print site at Watford).

Although it is still early days, the performance of Southnews has been strong since acquisition and is in line with expectations.

The integration is proceeding apace. Operating units within Southnews have been reduced from 16 to 7 and added to the existing TNS operation to enable efficient use of resources. Finance, marketing, IT and human resource functions have been merged and restructured.

Scotland Despite facing considerable competition from the national titles, Scottish and Universal Newspapers launched nine additional community titles, achieved a 22% increase in recruitment advertising revenues and saw circulation increase in 12 of its weekly titles.

Ireland Having enjoyed a generally favourable economy, profits across the region improved by 22%. Strong advertising revenue growth was achieved in all three titles. The Northern Ireland titles achieved an improvement in market share whilst the Sunday Business Post significantly grew circulation revenues and profit.

South Wales Cardiff continued its excellent trend of revenue and profit growth. Advertising revenue increased by 5% with recruitment increasing by nearly 18%, assisted by the launch of "Saturday Jobs" in the South Wales Echo. Motors advertising turned the corner in the autumn and is now showing growth on last year.

The average issue readership of both The Western Mail and Celtic Weeklies has grown since 1997 by an impressive 11% and 9% respectively.

Metro The Group invested £4 million during the year in launching and publishing the Metro title in Birmingham and Newcastle and establishing its operations ready to publish the Scottish Metro. In December, the competing title in Newcastle ceased publication, thereby improving the prospects of our own free morning title in that city. Improved advertising revenues and reduced costs are anticipated during 2001 for the original two titles. In January this year we commenced publication of the Metro in Scotland.

Have you looked in ***The Mirror*** *lately?*

"The rejuvenation of The Mirror in recent years has been very successful. Five years ago the paper was considered to have become out-dated, dull and increasingly irrelevant in the modern marketplace. Circulation was falling sharply, confidence was low, advertisers unimpressed. Drastic changes were required to reinvent the title and that is exactly what happened. As a result of a carefully planned and skillfully executed reshaping of the paper, The Mirror has re-established itself, over the past two or three years, as a compelling proposition. Our market share against our competitors has improved significantly, and we've won a string of major awards."

PIERS MORGAN Editor, The Mirror

The first step of the rejuvenation included the beefing up of the paper's sports coverage to appeal to a brighter, more information hungry, male sports fan. The Mirror is now one of the most popular sources of sports news in the market place.

In addition, we recognised the value in appealing to women. We refocused the content of The Mirror to capture the attention of the modern woman, with a lively opinionated mind, a young family and a hunger to be better informed and entertained. We introduced a new Saturday TV magazine, The Look. And last year we added M magazine, a bold departure from normal red-top newspaper editorial. It was instantly voted Supplement of the Year in the 2000 British Press Awards, and was recently moved to Saturday's paper to create a powerful two magazine package. To further appeal to young, female readers – one of the fastest growth markets in newspapers – we also introduced a 12 page "Little" M section on Tuesdays, a health and lifestyle section on Thursdays and Homelife, a 12 page homes section, on Saturdays.

To complement the changes in the focus of The Mirror, we also enhanced the quality of our staff and built a strong stable of columnists. Tony Parsons, Victor Lewis-Smith, Brian Reade, Jonathan Ross, Carol Vorderman, Miriam Stoppard, Jonathan Cainer, Alan Sugar, Marco Pierre White, Lily Savage, Sue Carroll, James Whitaker and our 3am gossip girls must represent one of the most impressive combinations of writers on any paper and illustrate the broad appeal of The Mirror. The paper has never been stronger editorially and the future looks positive and exciting.

"The success of our titles will be built on long-term value enhancement to provide a competitive advantage. The hallmarks of our approach will be energy, imagination, focus and innovation. The first most important steps in meeting our objectives have already been taken."

MARK HAYSOM Managing Director, National Newspapers

RISING TO THE CHALLENGE

The objective is to grow circulation market share and drive revenue growth, develop the brand of the Group's titles through sustainable added value, ideas and content and release resources for marketing through more efficient management. These objectives are at the heart of the Group's strategy for its national titles.

There is no doubt that the market for the Group's national titles is a tough, competitive one, which has been challenging during the past year and will continue to be so. Maintaining circulation market share was a particularly demanding task. Revenue growth was hard won. Despite this, 2000 was a year in which the business continued to deliver growth and improved margins. Our national titles have a great heritage and remain extremely profitable.

Significantly, the final part of the year was the time the Group commenced laying the foundations for future growth.

Following the appointment of Mark Haysom in September, the Group's national newspaper operation was strengthened with new senior level appointments in advertising, operations and human resources. These changes are contributing to the development of a strategy designed to deliver sustainable growth across the portfolio of titles.

The success of the titles will be built on long-term value enhancement to provide real competitive advantage. Rather than forego quality for short-term gain, the businesses will work hard at ensuring the newspapers have the characteristics of leading titles with sustainable circulation performance improvement, through relevant and creative investment in content and marketing. Effective cost management and maximisation of profit will also be features of the strategy going forward, and will be balanced against the need to enhance the brands.

UK NATIONAL NEWSPAPERS

PROFITABLE PERFORMANCE The UK national titles continue to deliver some of the highest operating margins in the national newspaper industry. Operating profit grew by 6.3%, driven by an increased advertising volume share of the popular tabloid daily and Sunday markets. Total advertising revenue for the UK nationals was £156.4 million, with strong performances from motors (as manufacturers increased the level of brand advertising during the latter part of the year), travel, computers, mobile phones and classified. In common with the national newspaper market as a whole, retail advertising volumes declined as a result of supermarkets putting greater emphasis on television. However, towards the end of 2000 and through to the current year, the Group has seen strong growth in retail advertising.

The circulation performance of the UK national titles, particularly in the second half, was disappointing. Over the year both the Sunday Mirror and the Sunday People saw a decline of 0.1% and 0.5% respectively in their share of the popular tabloid market. Despite declining circulation, they are still very profitable operations and the Group is focusing on how best to move them forward in a difficult and competitive Sunday market. The Mirror's year-on-year decline in circulation volume of 2.7%, reflected the reduced marketing and promotional expenditure in the latter part of the year.

BUILDING COMPETITIVE ADVANTAGE The first most important steps in meeting the objectives for the UK national titles have already been taken. In recent years a considerable investment has been made in the editorial content of the Group's national newspapers. This has resulted most noticeably in a strengthening of the flagship title, The Mirror, but perception of the brand has continued to lag reality. Consequently, the new management team has investigated the positioning of The Mirror brand and is focused on developing a co-ordinated brand enhancement campaign based on a thorough understanding of the market. The team's conclusions from this review are reflected in the initiatives planned (and budgeted) for 2001.

An early move that demonstrates the Group's strategic thinking on how to re-invigorate the sale of The Mirror is the recent move of the successful M magazine from Tuesday to Saturday. This move has been designed to create a very strong proposition for consumers on the biggest sales day of the week for daily newspapers, and has been backed by an aggressive marketing campaign. Although it is early days, evidence to date indicates improved circulation volumes on Saturday and the new enhanced package appears to have expanded the market. In addition, the Group has launched two further major campaigns; one in Ireland designed to build on the existing success of the title in that market by encouraging sampling, and the second in the Midlands designed to strengthen the brand. A clear illustration of how the Group can leverage the strength of The Mirror brand as a springboard to new activity is the annual "The Mirror Pride of Britain Awards". In April, the second event was held and broadcast the following evening by ITV during peak hours, gaining an average of 9.8 million viewers (more than 40% of the entire TV audience). This was the first time a national newspaper had created a programme for national television, and industry commentators described the audience figures as "exceptional". Due to public demand, ITV repeated the televised event on Christmas Day.

UK NATIONAL NEWSPAPERS

£ million	2000	1999	Change
Revenues	414.7	402.9	+2.9%
Operating profit	84.2	79.2	+6.3%
Operating margin %	20.3	19.7	+3.0%

NATIONAL NEWSPAPERS REVENUE %

Sunday People **9**
Sunday Mirror **14**
Other **8**
The Mirror **49**
Daily Record & Sunday Mail **20**

UK NATIONAL NEWSPAPERS REVENUE %

Advertising **38**
Other **9**
Circulation **53**

SCOTTISH NATIONAL NEWSPAPERS

£ million	2000	1999	Change
Revenues	117.7	117.0	+0.6%
Operating profit	26.8	24.4	+9.8%
Operating margin %	22.8	20.9	+9.1%

SCOTTISH NATIONAL NEWSPAPERS REVENUE %

Other **3**
Advertising **45**
Circulation **52**

SCOTTISH NATIONAL NEWSPAPERS

FOCUSING ON OUR CUSTOMERS The Scottish national newspapers operation focused its strategy on meeting customers' demands. The high levels of market penetration achieved by the Daily Record and Sunday Mail came from a constant reassessment of the needs, opinions and aspirations of their readership. This resulted in the Daily Record being voted "Scottish Newspaper of the Year" in the Scottish Press awards in 2000. The award-winning "Saturday" magazine helped the Daily Record differentiate itself further in the highly crowded Saturday market while the Sunday Mail launched the first monthly sports magazine for a British tabloid in January this year. New editors were appointed to both titles during the year to enhance journalistic and commercial focus.

ACHIEVING RECORD RESULTS 2000 was a record profit year for the Scottish national newspapers operation, as performance improved significantly during the latter six months to produce operating profit for the year 9.8% ahead of 1999 at an operating margin of 22.8%.

Continued strong local advertising, improved management within the magazine businesses and prudent cost reduction measures were the main contributors to this growth. The business moved into new purpose-built headquarters during the summer, which will result in further cost reduction and operating efficiencies in the year ahead.

The Daily Record's and Sunday Mail's market leading positions were consolidated in 2000 as both titles increased market share in Scotland (Daily Record to 53.3%, Sunday Mail to 42.5%) in what is widely regarded as Europe's most competitive newspaper market. With price cutting activity in Scotland beginning to subside, circulation of both titles is now showing signs of stabilisation compared to that of their nearest competitors.

Advertising revenue grew by 2.3% locally with strong growth in recruitment and retail. Motors advertising growth reduced in the final quarter of the year. After a slow first half, national advertising accelerated in the final third of the year to provide growth of 2.2%. Total advertising growth was 2.1% for the year.

The magazine operations of the Scottish national newspaper business were strategically repositioned during 2000. The cost bases of both First Press Publishing and Insider Publications were rationalised to provide greater efficiency. First Press Publishing established itself as a major force in events marketing in Scotland, complementing and building upon its core business of sports publishing. It is anticipated that management action in 2000 and into 2001 will deliver improved profitability, product quality and enhanced efficiency.

A SAFE BET

Significant advertising growth for the Racing Post and Weekender

There are more betting opportunities now than ever before. Where once greyhound and horseracing dominated, there is now a vast array of markets on every sport. The growth in betting on all other sports has been phenomenal and the Racing Post (both newspaper and website) has expanded its coverage to reflect those changes.

The newspaper and the website owe their success to the quality of the Racing Post staff and the strength of the paper's reputation for providing first-class data backed by a high-quality editorial mix. Happily, this has earned us a committed following among racing professionals and betting enthusiasts alike.

These are exciting times in racing and betting. The racing industry is within reach of an historic agreement on future funding of the sport. The betting industry could soon be transformed, both by changes expected as a result of the Government's Gambling Review and by the recent changes to the tax regime. Some estimates are that UK betting turnover may increase by up to 50%. The Racing Post, its sister titles and its websites will be at the forefront of changes in the industry.

"The aim is to make our betting-related newspapers and sites as essential and as valuable to people interested in horseracing or sports betting as the Financial Times is to people interested in City matters. Just like the Financial Times, our sports newspapers provide a mix of strong, often unique, data content supported by incisive analysis, thought-provoking comment, and must-read news.

Our plan now is to build on that – specifically, to exceed the expectations of our audience by providing further innovative data and statistics allied to the best editorial coverage. We will continue to provide all the news and essential data required by those who earn their living from the various aspects of the industry, as well as meeting the needs of those interested in turning their knowledge of sport into a profit via a shrewd bet."

ALAN BYRNE Editor, Racing Post

> "If you can bet on it, Trinity Mirror's sports division has it covered. Alongside our flagship title – the Racing Post – we publish a range of newspapers and websites providing vital information for the horseracing and sports betting enthusiast."
>
> **JEREMY REED** Managing Director, Sports Newspapers

PROFITABLE PRE-EMINENT POSITION Over the past year, the Group has continued to invest in its sports publications and online activities, catering extensively and exclusively for the needs of sports bettors that take a keen interest in betting on British sports. The Racing Post (including its sister title, Racing Post Weekender) is the only national daily newspaper specialising in horseracing and sports betting and is the pre-eminent supplier of comprehensive betting information. The Group's three other weekly national sports newspapers acquired in October 1999, Racing and Football Outlook, Raceform Update and Raceform on Saturday, further complement the daily paper with their editorial coverage of betting on horseracing and other sports. Together with the Racing Post, they deliver a combined weekly circulation of over 550,000 copies (the Racing Post reversing a long-term trend and increasing year-on-year circulation in 2000 by 1.6%) and have achieved exceptional increases in revenue and operating profit of 26% and 58% respectively (13% and 48% on a like-for-like basis).

CAPTURING THE ONLINE BETTOR Online betting is gaining a strong following from the younger, more affluent internet user. All the major bookmakers have developed bespoke websites and many new bookmakers have emerged, in the virtual sense, on the web. There are predictions that the online betting market in the UK will generate gross revenues of £200 million in 2001 and £1 billion by 2004. This environment obviously provides great opportunities for the Group's sports-related businesses – to capture the advertising revenues of those bookmakers seeking to promote their online sites and to transfer its print media dominance to the internet and other digital media.

With racingpost.co.uk, the Group already provides the leading sports betting information site in the UK, delivering fast, accurate sports results and information with an unbeatable range of betting statistics and analysis.

racingpost.co.uk had an exceptional year with visitors to the site increasing from around 11,000 visitors per month in October 1999 to over 300,000 visitors per month one year later (having peaked in November 2000 at 350,000). Unique registered users rose from around 1,000 users to over 90,000 by December. As a result, Racing Post is beginning to realise advertising revenues from the website.

SMARTBET.CO.UK Racing Post will soon launch a first in Europe, with smartbet.co.uk – a virtual betting ring. Initially, five major bookmakers will supply smartbet with live odds feeds direct from their own betting engines. smartbet will enable the user to compare the live odds from the five bookmakers and the technology will enable a dynamic interactive opportunity for the placement of a bet at the odds displayed.

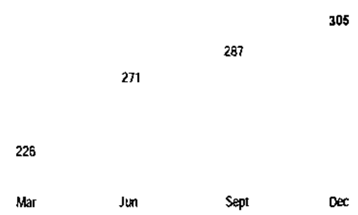
This facility, to compare live odds from five bookmakers together with the capability to access detailed sports statistics, horse form, betting advice and tips delivered from the resources of the Group's sports businesses, will prove compelling to any informed sports bettor. The business will benefit directly from commissions received from each bookmaker on the traffic and betting turnover generated through the smartbet site. It is anticipated that other major bookmakers will agree to supply smartbet with odds once it is fully operational.

SPORT NEWSPAPERS

£ million	2000	1999	Change
Revenues	31.6	25.0	+26.4%
Operating profit	8.2	5.2	+57.7%
Operating margin %	25.9	20.8	+24.5%

SPORTS NEWSPAPERS REVENUE %

RACINGPOST.CO.UK Visitors ('000)



EXTERNAL INFLUENCES The ongoing interruption to UK and Irish racing, and the postponement of the Cheltenham Festival, as a result of the foot and mouth crisis will inevitably have a negative effect on the performance of Racing Post and its sister titles. The length and depth of the partial suspension are currently unknown but the strength of the brands and their unique market position will ensure that the titles are well placed to recover quickly once racing resumes fully. The growth in recent years of sports betting and Racing Post's pre-eminence in this field will ensure that opportunities continue to be provided for both readers and advertisers during the partial suspension.

"Go Racing", a consortium of BSkyB, Channel 4 and Arena Leisure, will soon secure the media rights to televise horseracing from UK racecourses. As a result, horseracing and, more importantly, betting on horseracing (which accounts for around 70% of all monies wagered on sports gaming in the UK) will receive greater coverage on both terrestrial and digital TV. Racing Post, its sister titles and online sites should benefit from the increased TV coverage and anticipated revitalisation of the horseracing industry.

The Government announced on 7 March a change in its approach to betting duty (currently a 6.75% tax levied on turnover) to a tax on bookmakers' gross profits from 1 January 2002. It is widely felt within the betting industry that this shift away from the current betting duty to a more reasonable tax on profits will result in a significant increase in betting turnover. In addition, it is thought likely that many bettors will return to onshore bookmakers rather than, as currently occurs, seeking preferential trading terms (tax free) off-shore. The Group is, therefore, well placed to win a share of the sports betting marketplace and achieve long-term growth.

PA SPORTING LIFE The Group is a joint venture partner in PA Sporting Life. Its sports information site, sportinglife.com has seen page impressions increase from less than 14 million in January 2000 to a peak of almost 28 million in August (influenced by sporting events during that month), with an average 23 million pages viewed for each of the last six months. totalbet.com, a joint venture between PA Sporting Life and the Tote, offers a comprehensive range of bets, capitalising on its unique offering of online UK horserace pool betting. This site realised gross betting stakes of £10.8 million during 2000, with 40% of its customer base (32,360 users at December) actively betting on the site.

Both Trinity Mirror and its joint venture partner in PA Sporting Life, The Press Association, have decided to maximise shareholder value by seeking a disposal of the venture. Given that the Group has other sports and new media assets that overlap with the activities of PA Sporting Life, the directors believe that PA Sporting Life would be best managed by a single owner, better placed to focus on growing the business to its maximum potential. In addition, The Press Association's strategy is to focus on its core activity of business-to-business news information supply.

MAGAZINES AND EXHIBITIONS

MAGAZINES 2000 saw a mixed performance from the portfolio of magazine titles. The extensive portfolio of motorbike titles had an excellent year with advertising and circulation revenue growth from several key titles. A new product, AWOL, was successfully launched during the year and is an excellent addition to the already strong portfolio of titles in this key area of the leisure market.

The business-to-business title, Computer Trade Only, had a satisfactory year despite extensive competitive activity and a less than buoyant market. The year saw the successful launch of Computer Trade Only online.

Although the Build It magazine experienced a circulation decline, initiatives are underway to broaden its appeal in associated areas and develop both advertising and circulation revenues on the back of these initiatives.

Following a solid performance throughout the year, free private, full-colour, photo advertisements were introduced in a number of the "Mart" titles, which will greatly aid circulation development in 2001. The consumer IT-based Mart titles, however, experienced difficult trading conditions throughout 2000 and three Mart titles were closed, providing significant cost savings and allowing management to focus on those markets with the greatest potential.

EXHIBITIONS The biggest conference of the year, "The Chartered Institute of Housing", at Harrogate, was well received by both attendees and exhibitors.

The Group's biggest exhibition of the year, "The Boat and Caravan Show", at the NEC in Birmingham also experienced excellent attendance figures and extra space has been reserved for the 2001 show due to increased demand from exhibitors.

The Bridal and Wedding shows acquired in the latter part of 1999 have been fully integrated into the division and there are good opportunities to develop this area of the business.

FUTURE During the latter half of 2000, the Group undertook a strategic review of this non-core business and concluded that, due to its diverse nature, its potential could not be fully exploited within the Group. Consequently, the Group is currently seeking to dispose of these assets.

MAGAZINES AND EXHIBITIONS

£ million	2000	1999	Change
Revenues	35.3	33.9	4.1%
Operating profit	6.8	7.6	(10.5)%
Operating margin %	19.3	22.4	(13.8)%

MAGAZINES AND EXHIBITIONS REVENUE %

DIGITAL

THE DIGITAL CHALLENGE World-wide, online advertising revenues during 2000 were considerably lower than initial expectations. In December (traditionally a busy month), online advertising expenditure in the UK actually fell. This has caused forecasts in respect of the online advertising market to be reduced significantly. The period also saw considerable consolidation amongst both the major international internet service providers and portals.

These events have led the Board to reconsider the most appropriate digital media strategy for the Group and its ongoing level of investment. By building on the significant skills, technology and infrastructure that have been developed over the past 18 months, the Group's ongoing investment in digital media is to be refocused. The network of regional sites (on one technology platform and with one brand) will be repositioned so that they are complementary to the Group's existing traditional regional media platform. The content of the "ic" vertical portals will be used to provide more breadth and depth to the sites of the Group's national newspapers. The technology platform will continue to be enhanced to ensure that the Group can pursue the option to play a leading role in subsequent market and technology developments such as broadband and wireless media at both a local and national level.

The Board is committed to further strengthening the Group's regional franchises and providing local communities with the ability to access information and news on a range of media platforms – newsprint and the internet being just two of these platforms. Consequently the ic regional sites are to be repositioned alongside the regional newspaper operations. There will be a stronger, more integrated approach adopted between the regional digital media and newspaper activities to improve the advantage of cross-marketing and selling opportunities and other synergies. A national organisational infrastructure will be maintained to support the regional digital media activities and the ic network and technology.

icScotland (a portal and service provider) was launched in April and was recently voted "Best Consumer ISP". In January 2001 the roll-out of the other 11 ic regional sites commenced with the launch of icBirmingham and icCoventry. This roll-out will be complete by the end of this month. The ic-branded sites provide the most comprehensive regional online communities in the UK, feeding from existing content from the Group's newspaper titles and generating innovative and original material. Each ic-branded portal focuses on local news, sports, arts, entertainment, community news and local advertising.

In December 2000 the Group launched its first national vertical site, icShowbiz, a comprehensive show business and entertainment website. icSport, a multi sport and betting site has also been developed. In creating these websites Trinity Mirror Digital has invested in its own staffing and resources, as well as drawing upon the wealth of information from the Group's vast collection of newspaper titles. Much of the content from these sites is of interest to a typical reader of the Group's national titles. Although the penetration of the internet is relatively low amongst readers, it is growing rapidly. Much of this content will be used to enhance the national newspaper sites and provide further opportunities for brand extension.

THE IC NETWORK During 2000 the Group put in place the key building blocks for an effective and efficient combination of digital and traditional media businesses in the regions and at national level.

The regional sites are integrated into one overall portal, the icNetwork, which features the Group's unique content. The Group has developed its own flexible, highly productive technology platform that allows presentation of local content in a very sophisticated, effective and customer-oriented way. Using the latest object-oriented development techniques, new functionality is easily added and modified. All sites using the platform include "geo-coding" capability at every level. This technology allows content to be delivered specifically targeted by postcode, an essential capability when delivering local content. Mapping technology has been incorporated into all sites, allowing customers to be guided to any venue. The Group has created its own information architecture to ensure it is ahead of the game in terms of consumer usage requirements.

Regional digital teams have been established with responsibility for developing the critical local content elements of the Group's strategy – enhancing its local newspaper-derived content and making the sites the core of the local internet community they serve.

Of the total spend of £42.3 million (net of £2.5 million of revenue), £39.7 million was incurred in 2000 primarily in developing the technology platform, creating the organisational infrastructure, marketing and free telephony costs (associated with the offering of the Group's internet service provider, ic24). In addition, £2.6 million was invested in Fish4, which, through the combination of its strong brand (both locally and nationally), and the scale of its online inventory, consistently ranks amongst the most successful property and recruitment sites, as well as being a strong player in the motors market.

Having now fulfilled its objective in delivering over 800,000 subscribers, the Group is currently looking to dispose of its ISP, ic24.

FINANCIAL REVIEW

"Strong financial controls and disciplines applied throughout the year have contributed to the robust performance of the operating businesses. The Group's established activities are excellent generators of cash, allowing further investment in growing these businesses and in the development and alignment of the digital media activities with those of the newspaper operations."

MARGARET EWING Group Finance Director

INTRODUCTION

To provide shareholders with a relevant and meaningful comparison with the results for the 52 weeks to 31 December 2000 ("2000"), pro forma results for the 53 weeks to 2 January 2000 ("1999"), the previous financial year, have been prepared. The 1999 pro forma financial information assumes that the merger of Trinity and Mirror Group became effective on 28 December 1998, being the first day of the relevant financial period.

The results for 2000 reflect 52 weeks' trading for all businesses. The pro forma results for 1999 include 53 weeks for the former Trinity businesses and 52 weeks for the former Mirror Group. The statutory profit and loss account for 1999 includes the former Trinity Group's results for the 53 weeks ended 2 January 2000 and those of the former Mirror Group from 6 September 1999 (the effective date of the merger of the two groups) to 2 January 2000.

The commentary on pages 1 to 21 and below in respect of the profit and loss account is based on comparison of the results for 2000 with the 1999 pro forma financial information, except for the commentary highlighted in italics below which is in respect of the key items within the 1999 statutory profit and loss account.

The Group's accounting policies remain consistent with those adopted in 1999, except in respect of the adoption of new Financial Reporting Standards, FRS 15 "Measurement of Tangible Fixed Assets" and FRS 16 "Current Tax", neither of which had an impact on the profit and loss account. Three additional Financial Reporting Standards, FRS 17 "Retirement Benefits", FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax", were issued by the Accounting Standards Board in November and December and are likely to have a significant reporting impact. They will be adopted in accordance with the timetable outlined in each of the Reporting Standards.

The revenue and operating profit of Belfast Telegraph Newspapers for the period to 30 July 2000 (the date of its disposal) are included within the reported results of the regional newspapers division. The results of Southnews for the period since acquisition, being 29 November to 31 December 2000, are included within the consolidated results of the Group (as part of the regional newspapers division) for 2000. The revenue and operating losses of the closed Live TV operations have been disclosed as discontinued operations within the consolidated and pro forma profit and loss accounts for 2000 and 1999 respectively.

Consistent with the presentation adopted last year, exceptional items of the Group in 2000 and 1999 are disclosed on the face of the statutory and pro forma profit and loss accounts.

PROFIT AND LOSS ACCOUNT

GROUP TURNOVER Group turnover increased by 1.7% from £1,062.6 million in 1999 to £1,080.3 million. Ongoing Group turnover increased by 5.3% to £1,047.7 million.

Compared to the statutory reported turnover in 1999, Group turnover increased from £595.8 million to £1,080.3 million (81.3%) reflecting primarily the inclusion of a full year's revenues of the former Mirror Group in 2000 but only 16 weeks in 1999.

GROUP OPERATING PROFIT Group operating profit, before digital media activities and exceptional items, increased by 6.8% from £228.1 million in 1999 to £243.7 million. Adjusted to exclude Belfast Telegraph Newspapers' operating profit, the start-up costs of the Metro titles, Southnews profit and losses of discontinued operations in 1999 and 2000, the increase in like-for-like established activities was 10.6%.

The net investment of £42.3 million (1999: £7.0 million) incurred in developing the Group's digital media activities is net of £2.5 million of revenues, and includes £16.3 million in respect of supporting ic24, an internet service provider, £10.0 million network platform development costs, £2.6 million further investment in Fish4 and costs incurred in establishing the organisational framework and developing and promoting the sites and their content.

The overall Group operating profit, before exceptional items, has decreased from £221.1 million to £201.4 million.

SALES BY DIVISION			
£ million	2000	1999	Change
Regional newspapers	465.3	462.5	+0.6%
Established – ongoing	424.7	409.7	+3.7%
Metro titles	2.6	–	
Southnews	6.6	–	
Belfast Telegraph	31.4	52.8	
National newspapers	532.4	519.9	+2.4%
Sports newspapers	31.6	25.0	+26.4%
Magazines	35.3	33.9	+4.1%
Digital media	2.5	1.5	+66.7%
Other	12.0	5.4	
Discontinued operations	1.2	14.4	
Total group sales	1,080.3	1,062.6	+1.7%
Less: discontinued	(1.2)	(14.4)	
Belfast Telegraph	(31.4)	(52.8)	
Ongoing Group Sales	1,047.7	995.4	+5.3%

SALES BY NATURE - ONGOING %

Advertising **53**

Other **10**

Circulation **37**

OPERATING PROFIT BY DIVISION*			
£ million	2000	1999	Change
Regional newspapers	114.8	114.6	
Established – ongoing	105.5	94.1	+12.1%
Metro titles	(4.0)	(0.3)	
Southnews	0.1	–	
Belfast Telegraph	13.2	20.8	
National newspapers	111.0	103.6	+7.1%
Sports newspapers	8.2	5.2	+57.7%
Magazines	6.8	7.6	-10.5%
Other	2.9	1.4	
Discontinued activities	–	(4.3)	
Pre digital media profit	243.7	228.1	+6.8%
Digital media	(42.3)	(7.0)	
Group operating profit	201.4	221.1	
Less: digital media costs	42.3	7.0	
Belfast Telegraph	(13.2)	(20.8)	
discontinued	–	4.3	
Adjusted operating profit	230.5	211.6	+8.9%

* *Before exceptional items*

On a statutory basis, pre exceptional Group operating profit from continuing activities increased by 48.7% to £201.4 million (1999: £135.4 million) reflecting a full year's contribution from Mirror Group offset by the investment in digital media activities.

CONTRIBUTION FROM ASSOCIATES The Group's net contribution from associates before exceptional items was £nil million in 2000, reflecting the share of profits in The Press Association and Reed Aviation offset by PA Sporting Life (which continued to realise losses due to the significant promotional expenditure). In 1999, the Group's contribution from associates of £3.0 million included the Group's profit share from its Scottish Media Group investment until its disposal in March 1999.

NET INTEREST CHARGE Net interest payable, before exceptional items, decreased by £8.7 million in 2000, due primarily to the cash inflow from operations of £219.9 million (net of £42.3 million investment in digital media activities) and £290.0 million net proceeds (including repayment of a loan) from the disposal of Belfast Telegraph Newspapers offset by the Southnews total cost of acquisition of £293.0 million plus assumed net debt of £40.1 million. The net interest cost is covered 4.3 times by Group operating profit before exceptional items.

EXCEPTIONAL ITEMS In 2000 a total net exceptional gain before tax of £161.2 million was realised. Gains (pre tax) of £164.5 million and £17.5 million were realised by the Group on the disposals of Belfast Telegraph Newspapers and a subsidiary of the Group's associate, The Press Association, respectively.

An exceptional charge of £13.3 million was made against Group operating profit in respect of the costs of restructuring of management and operations following the Trinity Mirror merger in 1999 (£9.8 million) and the acquisition of Southnews (£3.5 million). The Group has also provided an exceptional £7.5 million of accelerated depreciation against the book value of certain press facilities, as a result of the press replacement programme.

PROFIT BEFORE TAX Profit before tax, digital media activities and exceptional items was £196.4 million (1999: £175.1 million), an increase of 12.2%. After the net investment in digital media activities, but before exceptional items, profit before tax was £154.1 million (1999: £168.1 million). Overall, profit before tax increased by 74.4% to £315.3 million.

Profit before tax, stated on a statutory basis, in 1999 was £103.0 million, reflecting only 16 weeks of profit contribution from the former Mirror Group businesses and net exceptional charges of £12.3 million.

TAXATION The tax charge of £47.0 million represents 14.9% of profit before tax of £315.3 million, the low rate being primarily due to the tax treatment of the disposal of Belfast Telegraph Newspapers. The effective tax rate before exceptional items increased to 28.6% from 26.7% in 1999.

DIVIDENDS A final dividend of 12.3p is proposed giving a total for the year of 17.6p, a 10% increase on the 1999 dividend. The recommended total dividend is covered 2.2 times by pre-exceptional earnings and will be fully funded by cash flow from operations.

BASIC EARNINGS PER SHARE Earnings per share, before exceptional items and the losses of digital media activities, were 48.4p, reflecting an increase of 8.8% from 44.5p. After the net investment in digital media activities, but before exceptional items, earnings per share decreased by 10.8% to 38.0p (1999: 42.6p).

Statutory basic earnings per share, before exceptional items, were 45.1p in 1999.

MERGER BENEFITS Cost savings arising from the 1999 merger of £6.5 million have been recognised in the Group operating profit for the year. On an annualised basis these ongoing savings will realise £11.3 million. The Group remains on track to achieve a minimum of £15 million annual cost savings by the end of 2002 as it continues to implement purchasing efficiencies and realises the benefits of the press replacement programme and the Group finance function restructuring.

BALANCE SHEET

FIXED ASSETS Total fixed assets have increased during the year from £2,212.6 million to £2,438.7 million at 31 December 2000. This movement reflects, primarily, the disposal of Belfast Telegraph Newspapers, the acquisition of Southnews, continued capital investment in the Group's operations and the finalisation of the fair value adjustments in respect of the Mirror Group net assets acquired.

Fixed assets at the year end include £2,018.4 million in respect of intangible assets, reflecting the carrying value of the Group's acquired newspaper titles of £2,005.3 million and goodwill, net of amortisation, of £13.1 million. Finalisation of the fair value adjustments in respect of the Mirror Group has given rise to a £13.5 million increase in the carrying value of the Group's intangible assets. £345.7 million of the total intangible asset is in respect of the provisional fair value of the Southnews' newspaper titles. The carrying values of the Group's acquired newspaper titles are subject to an annual impairment review, in accordance with FRS 10 "Goodwill and Intangible Assets", as the directors consider the titles to have indefinite economic lives. Any impairment to value is charged to the profit and loss account. There was no charge in 2000 or 1999.

CAPITAL EXPENDITURE Net capital expenditure in 2000 was £37.5 million (1999: pro forma £34.6 million) against a depreciation charge of £39.8 million (1999: pro forma £42.4 million) excluding exceptional depreciation. Planned capital expenditure for 2001 is approximately £65.0 million, including an amount in respect of the commencement of the press replacement project. All capital expenditure is expected to be financed out of operating cash flow.

PROFIT BEFORE TAX

£ million	2000	1999	Change
Ongoing Group sales	1,047.7	995.4	+5.3%
Less: digital media	(2.5)	(1.5)	
Southnews	(6.6)	–	
	1,038.6	993.9	+4.5%
Operating costs			
Employment costs	(294.2)	(277.6)	-6.0%
Newsprint	(157.2)	(158.2)	+0.6%
Depreciation	(39.5)	(38.7)	-2.1%
Other	(317.3)	(307.8)	-3.1%
Associates contribution	–	3.0	–
Interest charge	(47.3)	(56.0)	+15.5%
	183.1	158.6	+15.4%
Southnews	0.1	–	
Belfast Telegraph	13.2	20.8	
Discontinued activities	–	(4.3)	
Profit before tax[1]	196.4	175.1	+12.2%

BALANCE SHEET STRUCTURE

£ million	2000	1999
Intangible assets	2,018	1,768
Other fixed assets	421	445
	2,439	2,213
Equity shareholders' funds	1,503	1,284
Short-term debt	265	130
Medium-term debt	561	698
Net current liabilities	50	45
Provisions and minority interests	60	56
	2,439	2,213

1 Excludes digital media and exceptional items

NET DEBT REPAYMENT PROFILE	£ million
Less than one year	207.5
Between 1-2 years	108.9
Between 2-5 years	425.1
More than 5 years	26.7
Total	768.2

COMMITTED FINANCING FACILITIES at 31 December 2000	£ million
Balance of £1,050m syndicated bank	840.0[1]
Balance of US$160m 8.16% fixed rate, unsecured US$ private placement loan	59.7
Finance leases	47.7
Acquisition loan notes and other bank loans	39.0
Total	986.4
Drawn facilities (including bank guarantees)	822.8
Undrawn facilities	163.6

1 £150 million cancelled in January 2001

EQUITY SHAREHOLDERS' FUNDS Total equity shareholders' funds at 31 December 2000 had increased to £1,503.2 million, compared with £1,283.7 million at 2 January 2000, reflecting £217.1 million retained profit for the financial year, including £159.9 million profit after tax arising from the disposal of Belfast Telegraph Newspapers and dividends paid and proposed of £51.2 million.

CASH FLOWS AND NET BORROWINGS Cash generated by operating activities (excluding digital media) increased by £65.2 million (33.1%), due primarily to the inclusion of a full year's operating cash flows of Mirror Group and the growth in 2000's operating profit (excluding digital media). The other principal cash inflows are the net cash proceeds from the disposal of Belfast Telegraph Newspapers, which amounted to £290.0 million (including £120.4 million loan repayment), and a dividend receipt from The Press Association. The principal cash outflows, other than interest, taxation and dividends, related to the acquisition of Southnews, net investment in digital media activities and net capital expenditure of £37.5 million.

As a consequence of the above cash flow movements, the Group's debt at 31 December 2000 was £768.2 million (net of £33.2 million of cash and overdrafts) compared to £778.5 million at 2 January 2000. At 31 December 2000 committed facilities of £986.4 million were available to the Group (of which £163.6 million was undrawn).

The Group procured a new £200 million 364-day facility with a one-year term out option in January 2001.

The Group's liquidity risk arises from timing differences between cash inflows and cash outflows. The Group manages these risks through unutilised committed and uncommitted credit facilities.

FINANCING AND INTEREST RATE RISK The Group's exposure to interest rate risk is managed through the use of interest rate swaps, options, caps and forward rate agreements. Hedging transactions are undertaken after a review of the effect on profit after tax of a range of interest rate assumptions and probabilities, determined by reference to the general economic climate and market forecasts for interest rates. Approximately 25% of debt is hedged through interest rate swaps and interest rate caps.

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

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

DIRECTORS

EXECUTIVE

1 **Philip Graf (age 54)**
Chief Executive ■
Joined the Board in 1987 and was appointed Chief Executive in February 1993.

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

3 **Mark Haysom (age 47)**
Managing Director, National Newspapers
Joined the Board in January 1998 and was appointed Executive Director, Regional Newspapers (Midlands, South Wales and Southern England) in September 1999 and to his current position in September 2000.

4 **Stephen Parker (age 48)**
Managing Director, Regional Newspapers
Joined the Board in 1993 and was appointed Executive Director, Regional Newspapers (North) in September 1999. He was appointed to his current position in September 2000.

5 **Joe Sinyor (age 43)**
Chief Executive, Newspapers
Joined the Board in November 2000 having previously held the joint roles of Managing Director, Sony United Kingdom Limited and Vice President, Personal Audio Europe, Sony Europe. He is a non-executive director of Channel Four Television.

6 **Paul Vickers (age 41)**
Secretary and Group Legal Director
Joined the Board in September 1999 having been a director of Mirror Group since 1994. He has responsibility for corporate affairs and all legal and regulatory matters.

NON-EXECUTIVE

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

8 **Peter Birch CBE (age 63) • ■**
Senior Independent Director
Joined the Board in March 1998 and was Chairman until September 1999. He is also Chairman of Land Securities plc, Legal Services Commission, Kensington Group plc and UCTX Limited. He is a non-executive director of N M Rothschild & Sons Ltd, Travellers Exchange Corporation Limited and Dah Sing Financial Holdings Limited.

9 **Sir Angus Grossart (age 63) • ■**
Non-Executive Director
Joined the Board in September 1999 having been a director of Mirror Group since 1998. He is non-executive Chairman of Scottish Daily Record and Sunday Mail Limited. He is Chairman of the merchant bank Noble Grossart, Vice Chairman of Royal Bank of Scotland plc, Chairman of Scottish Investment Trust plc, and a director of Scottish and Newcastle plc and other public companies.

10 **Roger Harrison (age 67) •**
Non-Executive Director
Joined the Board in 1991. He is a director of Sterling Publishing plc and was previously Deputy Chairman of Capital Radio plc, a director of LWT and Chief Executive of the Observer.

11 **Penny Hughes (age 41) •**
Non-Executive Director
Joined the Board in September 1999 having been a director of Mirror Group since 1997. She was president of Coca-Cola Great Britain and Ireland until January 1995. She is Chairman of web-angel and also serves as a non-executive director on the boards of Vodafone plc and Skandiaviska Enskilda Banken. She is also Chairman of the Remuneration Committee.

12 **David Marlow (age 65) •**
Non-Executive Director
Joined the Board in 1992 and is Chairman of the Audit Committee. He is also a director of Brixton Estate plc and was previously Chief Executive of 3i Group plc.

Committees
Member of Audit Committee •
Member of Remuneration Committee •
Member of Nomination Committee ■

Corporate Governance

The Board is committed to maintaining high standards of Corporate Governance in line with the Combined Code issued by the UK Listing Authority, which sets out the Principles of Good Governance and Code of Best Practice. This statement, together with the Directors' Remuneration Report set out on pages 30 to 34, describes how the Company has applied the relevant principles of the Combined Code.

Directors The Board, which is responsible and accountable for the Group's operations, meets regularly throughout the year and currently comprises Chairman, Chief Executive, five other executive directors and five other non-executive directors. Peter Birch served through the year as Senior Independent Director. The directors' biographies (set out on pages 26 and 27) illustrate the directors' breadth of experience which should ensure an effective Board to lead and control the Group.

The non-executive directors, all of whom are independent, are appointed for an initial term of three years and may be invited to serve subsequent terms. Every director is subject to re-election by shareholders every three years. An assessment is made of any training needs on a director's appointment and appropriate training provided.

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

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

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

Meetings of the Committee are attended by the Group Finance Director, other directors, the Group's external auditors and the internal auditors as appropriate.

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

The Directors' Remuneration Report (set out on pages 30 to 34) contains a more detailed description of the Company's policies and procedures for executive remuneration. Meetings of the Committee are attended by the Chief Executive and the Company Secretary, as appropriate, but they do not participate in discussions on their own remuneration.

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

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

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

Accountability and audit

Operating and Financial Review Through the detailed reviews of the performance and financial position in the Chief Executive's Review (pages 5 to 7), Review of Group Activities (pages 8 to 21) and Financial Review (pages 22 to 25), together with the Directors' Report (pages 35 and 36), the Board seeks to present a balanced and understandable assessment of the Group's position and prospects. The Directors' Responsibility for the Financial Statements is described on page 35.

Internal control

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

- *Management and Organisational Structure* – the existing organisational structure is considered appropriate to the size of the Group. This clearly identifies levels of delegated responsibility to operational management. The performance of senior management is regularly evaluated and individual employees' responsibilities are clearly defined and communicated.
- *Financial Reporting* – part of the comprehensive management reporting disciplines involves the preparation of detailed annual budgets by all operating units. These budgets are reviewed by the executive management and are ultimately summarised and submitted to the Board for approval. Weekly profit returns are received from all operating units followed by monthly management accounts, which are prepared promptly and reported against the approved budget. Consolidated monthly management accounts are prepared, including detailed profit analysis (including comparisons to budget, latest forecasts, prior year and consensus market opinion), cashflow statement and treasury report, providing relevant, reliable and up-to-date financial and other information to the Board. Revised forecasts are prepared and submitted to the Board at quarterly intervals during the year.
- *Investment Appraisal* – the Group has a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorisation levels and limits beyond which such expenditure requires the prior approval of the Group Finance Director or Chief Executive or, in certain circumstances, the Board, are clearly set. There is a prescribed format for capital expenditure applications which places a high emphasis on the overall Group strategy or logic for the expenditure, and demands a high quality financial representation of the

business case being put forward. All significant corporate acquisitions or investments are controlled by the Board or a Board sub-committee and are subject to detailed investment appraisal and performance of due diligence procedures prior to approval by the Board.

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

Risk management An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was put in place progressively during the second half of the financial year and has remained in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party. During the preceding part of the financial year procedures were established to meet the requirements for the system of internal control determined by the Board. Whilst the Board acknowledges its overall responsibility for internal control, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. Acquisitions in the year have been integrated into the established Group risk management framework.

In carrying out their review of the effectiveness of internal control in the Group the Board has taken into consideration the financial and investment controls described above and the following key features of the risk management process and system of internal control:

- each business has held a risk management workshop for senior managers to identify and assess their key issues and controls. This assessment encompassed operational, compliance, financial and business risk and is updated on an ongoing basis. A risk assessment has similarly been prepared for the Group covering corporate functions and strategic risks;
- the Group has expanded the resource and remit of the internal audit function whose audit plan is reviewed, updated and approved by the Audit Committee. The conclusions from the function's work are reported to the Audit Committee, the Chief Executive and the Group Finance Director; and
- at the year end the Group adopts a formal risk management sign off process for senior management in each of the business units and corporate functions. This is operated in order to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures, policies and standards.

The whole process is subject to regular review by the Risk Management Group, chaired by the Group Finance Director, and the Board. Reports on matters arising are received regularly by the Board and the draft papers prepared for the annual review of effectiveness are reviewed by the Audit Committee prior to being approved by the Board. Steps have been taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

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

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

Remuneration Report

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

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

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, including the Chief Executive, and has access to professional advice from both inside and outside the Company.

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

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

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

Annual bonus The Company operates an annual performance related bonus scheme for a number of executives, including executive directors. This provided for annual cash bonuses up to a maximum of 50% of base salary subject to the achievement of challenging earnings and profit and personal business targets. The upper level will be increased to 75% from 2001 against even more stretching targets. These payments do not form part of pensionable salary.

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

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

The Company operates an Inland Revenue approved Savings Related Share Option Scheme. The scheme is open to all employees, including executive directors.

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

In 1996 the Company's shareholders approved the introduction of a Restricted Share Scheme for executive directors and certain senior employees. The scheme was reviewed in 1998 and no further awards have been made since then. Under this scheme the vesting of shares is subject to two separate criteria so that the ability of participants to obtain vested benefits depends on a combination of the level of annual real total shareholder return (including dividends) over the three year vesting period and the performance of the Company over this period as compared with other companies forming part of the FTSE mid-250 index. As a result of the criteria there will be no vesting unless the total shareholder return over the vesting period is at least as high as inflation and at least as high as the top 60% of the companies in the FTSE mid-250 index at the start of the vesting period. There will only be full vesting if there is a total shareholder return at a level of 15% per annum in excess of inflation during the vesting period and the return is at least as high as the top 10% of companies in the FTSE mid-250 index at the start of the vesting period. Vesting between these points will occur on a sliding scale.

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

Michael Masters and John Allwood were members of the Trinity schemes, Michael Masters on an uncapped basis and John Allwood capped plus salary supplement.

Roger Eastoe was a participant in the main Mirror Group contributory occupational pension schemes which provide a pension calculated at a rate of 1/60th per year of service of his pensionable earnings.

The following disclosure of directors' pensions is in line with the latest requirements of the UK Listing Authority. The figures for each director (including those directors who retired or resigned during 2000) give the increase in accrued pension over the year and the transfer value of that increase representing a liability of the pension scheme where funded or the Company where unfunded - they are not sums due to be paid to the directors. Also disclosed is the total accrued pension entitlement to which each director would have been entitled had he left service at the end of 2000.

Directors' pension entitlements

	Total accrued pension entitlement at 31 December 2000 £000 p.a.	Increase in accrued pension entitlement during 2000 £000 p.a.	Transfer value of increase in accrued pension £000	Contributions by director £000
John Allwood (to 31 July 2000)	**2**	**2**	**21**	**3**
Roger Eastoe (to 30 September 2000)	**129**	**9**	**83**	**14**
Margaret Ewing (from 4 January 2000)	**3**	**3**	**30**	**5**
Philip Graf	**219**	**11**	**146**	**19**
Mark Haysom	**31**	**2**	**18**	**5**
Michael Masters (to 31 December 2000)	**166**	**8**	**113**	**14**
Stephen Parker	**106**	**29**	**358**	**10**
Joe Sinyor (from 6 November 2000)	**1**	**1**	**5**	**-**
Paul Vickers	**3**	**3**	**22**	**5**

Notes:

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

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

If Margaret Ewing's employment is terminated by the Company other than for cause any time prior to 4 January 2002 she will in addition receive a sum equivalent to the value of her benefits over a 12 month period.

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

The Company agreed in 1999 to reduce the periods of notice in the service contracts of John Allwood, Roger Eastoe and Paul Vickers. With effect from 1 November 1999 the notice period reduced day by day until 1 November 2000, at which point they became subject to one year's notice. No compensation was paid for this reduction.

John Allwood and Roger Eastoe left the Board on 20 July and 30 September respectively. Michael Masters took early retirement on 31 December. Details of any compensation payments are given on page 32.

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

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

Remuneration Report

continued

Directors' remuneration The aggregate remuneration of the directors of the Company for the year to 31 December 2000 was as follows:

	Basic salary £000	Annual bonuses £000	Taxable benefits £000	**Compen-sation £000	Fees £000	Total excluding pensions 2000 £000	Total excluding pensions 1999 £000	Pension contributions 2000 £000	Pension contributions 1999 £000
Executive directors									
[1]* John Allwood	**239**	**66**	**10**	**629**	-	**944**	157	**68**	33
Leo Coligan	-	-	-	-	-	-	91	-	18
[2]* Roger Eastoe	**256**	**93**	**14**	**624**	-	**987**	124	**18**	6
[3] Margaret Ewing	**303**	**127**	**18**	-	-	**448**	–	**80**	–
Philip Graf	**430**	**154**	**15**	-	-	**599**	352	**89**	45
[6] Mark Haysom	**227**	**105**	**50**	-	-	**382**	206	**60**	19
[4][6] Michael Masters	**310**	**99**	**37**	**116**	-	**562**	292	**65**	37
[6] Stephen Parker	**227**	**87**	**105**	-	-	**419**	196	**44**	25
* Cornel Riklin	-	-	-	-	-	-	524	-	17
[5] Joe Sinyor	**60**	**22**	-	**100**	-	**182**	–	**14**	–
* Paul Vickers	**310**	**96**	**21**	-	-	**427**	127	**86**	25
Non-executive directors									
Peter Birch	-	-	-	-	**60**	**60**	60	-	–
[7]* Sir Victor Blank (Chairman)	-	-	-	-	**187**	**187**	54	-	–
Louise Botting	-	-	-	-	-	-	16	-	–
[8]* Sir Angus Grossart	-	-	-	-	**40**	**40**	13	-	–
Roger Harrison	-	-	-	-	**32**	**32**	25	-	–
* Penny Hughes	-	-	-	-	**40**	**40**	13	-	–
David Marlow	-	-	-	-	**40**	**40**	27	-	–
Malcolm Murray	-	-	-	-	-	-	7	-	–
Total	**2,362**	**849**	**270**	**1,469**	**399**	**5,349**	2,284	**524**	225
Total 1999	1,254	295	70	450	215	2,284			

* each of these directors commenced service on 6 September 1999 and the "1999" figures only include their salary, bonus, pension or fees from that date.

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

[1] resigned as a director with effect from 20 July 2000 and as an employee on 31 July 2000.

[2] resigned with effect from 30 September 2000. The compensation for Roger Eastoe includes the sum of £262,000 as the current best estimate of the cost of effecting a contractual obligation to augment his pension. The precise amount will depend on when Mr Eastoe draws his pension.

[3] appointed 4 January 2000

[4] resigned with effect from 31 December 2000

[5] appointed 6 November 2000

[6] taxable benefits include relocation expenses and payment of other costs for Mark Haysom (£40,115), Michael Masters (£23,750) and Stephen Parker (£92,488) following the acquisition of the Mirror Group and the subsequent management restructuring. The Company has paid the tax due on all amounts on behalf of these directors.

[7] Sir Victor Blank receives the base fee of £32,500 as a non-executive director and £142,500 as Chairman. The figure in the table reflects the fact that he received in January 2000 fees that should have been paid in 1999.

[8] The fees for the services of Sir Angus Grossart as non-executive director and as Chairman of Scottish Daily Record and Sunday Mail Limited are invoiced by Noble Grossart Limited.

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

Executive Share Options	Option price	2 January 2000	(Exercised)/ granted in year	Lapsed in year	31 December 2000	Exercisable between
Margaret Ewing	544.0p	–	113,970	–	113,970	May 2003 to May 2010
Philip Graf	372.6p	30,009	–	–	30,009	April 1997 to April 2004
	294.3p	34,897	–	–	34,897	March 1998 to March 2005
	352.7p	45,300	–	–	45,300	January 1999 to January 2006
	524.5p	39,037	–	–	39,037	April 2002 to April 2009
	544.0p	–	158,088	–	158,088	May 2003 to May 2010
Mark Haysom	352.7p	46,500	–	–	46,500	January 1999 to January 2006
	524.5p	20,686	–	–	20,686	April 2002 to April 2009
	544.0p	–	77,205	–	77,205	May 2003 to May 2010
Stephen Parker	372.6p	17,148	–	–	17,148	April 1997 to April 2004
	294.3p	19,704	–	–	19,704	March 1998 to March 2005
	352.7p	28,300	–	–	28,300	January 1999 to January 2006
	524.5p	21,687	–	–	21,687	April 2002 to April 2009
	544.0p	–	77,205	–	77,205	May 2003 to May 2010
Joe Sinyor	454.0p	–	154,185	–	154,185	Nov 2003 to Nov 2010
Paul Vickers	436.0p	49,894	–	–	49,894	March 2000 to March 2004
	544.0p	–	113,970	–	113,970	May 2003 to May 2010

John Allwood retains, until 31 July 2001, the right to exercise options over 55,055 and 145,221 shares at 436p and 544p respectively and until 19 November 2003 over 5,514 shares at 544p.

Roger Eastoe retains, until 30 September 2001, the right to exercise options over 51,729 and 108,456 shares at 436p and 544p respectively and until 19 November 2003 over 5,514 shares at 544p.

Michael Masters retains, until 30 June 2001, the right to exercise an option over 32,030 shares at 524.5p.

Savings Related Options	Option price	2 January 2000	(Exercised)/ granted in year	Lapsed in year	31 December 2000	Exercisable between
Margaret Ewing	428.0p	–	2,263	–	2,263	August 2003 to February 2004
Philip Graf	330.0p	818	–	–	818	January 2004 to July 2004
	428.0p	–	1,901	–	1,901	August 2003 to February 2004
Mark Haysom	401.0p	486	(486)[1]	–	–	December 2000 to May 2001
	330.0p	1,174	–	–	1,174	January 2004 to July 2004
	428.0p	–	905	–	905	August 2003 to February 2004
Stephen Parker	401.0p	1,032	–	–	1,032	December 2002 to June 2003
	330.0p	1,534	–	–	1,534	January 2004 to July 2004
	428.0p	–	1,813	–	1,813	August 2005 to February 2006
Paul Vickers	358.1p	4,816	–	–	4,816	August 2001 to January 2002

[1] Date of exercise 1 December 2000, market price at date of exercise 477.5p

Remuneration Report

continued

In accordance with the Rules of the Company's Restricted Share Plan 1997 ("the Plan"), and following satisfaction of applicable performance conditions, the trustees of the Plan, on 24 October 2000, transferred ordinary 10p shares of the Company to those directors set out below.

Restricted Share Plan	Value at date of grant	2 January 2000	Release in year	Lapsed in year	31 December 2000	First release date
Philip Graf	498.0p	15,662	2,654	13,008	–	April 2000
	532.0p	15,395	–	–	15,395	April 2001
Mark Haysom	498.0p	7,550	1,279	6,271	–	April 2000
	532.0p	7,895	–	–	7,895	April 2001
Stephen Parker	498.0p	8,433	1,429	7,004	–	April 2000
	532.0p	8,289	–	–	8,289	April 2001

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

	31 December 2000	2 January 2000
Executive directors		
Margaret Ewing	1,500	-
Philip Graf	64,471	54,317
Mark Haysom	2,830	1,065
Stephen Parker	9,154	7,725
Joe Sinyor	1,400	-
Paul Vickers	27,863	27,863
Non-executive directors		
Peter Birch	10,702	702
Sir Victor Blank	30,000	30,000
Sir Angus Grossart	-	-
Roger Harrison	15,276	15,276
Penny Hughes	1,275	-
David Marlow	25,000	5,000

There have been no changes in the interests of the directors in the ordinary shares of the Company since 31 December 2000.

Directors' Report

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

The directors consider that in preparing the financial statements on pages 38 to 67, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

Principal activities and future development The principal activity of the Group is the publication and printing of newspapers, primarily in the United Kingdom. The analyses of turnover and operating profit are included as note 3 in the financial statements. A review of the Group's business and activities during the period is contained in the Chief Executive's review on pages 5 to 7, the operating review of each of the Group's principal businesses on pages 8 to 21 and the financial review on pages 22 to 25.

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

Profit and dividends The profit for the 52 weeks ended 31 December 2000 attributable to the shareholders after taxation was £268.3 million. The comparative for 1999, a 53 week period, was £74.8 million on a statutory basis. An interim dividend of 5.3p per share has been paid on the ordinary shares. The directors now recommend a final dividend of 12.3p per share making a total dividend for the year of 17.6p per share. Payment of the recommended final dividend will be made on 31 May 2001 to shareholders registered at the close of business on 4 May 2001. The payment of these dividends requires £51.2 million (1999: £46.4 million), as disclosed in note 9 in the financial statements, leaving £217.1 million (1999: £28.4 million) to be retained in the Group.

Charitable and political contributions During the year contributions for charitable purposes totalled £168,000 (1999: £90,000). No political contributions were paid during the year (1999: £nil).

The editorial stance of the Group's national titles, and in particular that of The Mirror, is politically left of centre and often supportive of the Labour Party. Although the Group does not make direct political donations, it has been in the commercial best interests of The Mirror to sponsor, on commercial terms, certain events in aid of the Labour Party. This is a practice that has been followed for many years. In 2000 MGN Limited, publisher of The Mirror, paid £65,000 in sponsorship to the Labour Party (1999: £55,000). The Mirror is sponsoring the Labour Party Gala Dinner on 15th March 2001 for £15,000 and in addition buying £30,000 of brand advertising at the event.

The Political Parties, Elections and Referendums Act 2000 would deem any such future sponsorship a donation and subject to prior shareholder consent. The directors believe that it is in the best commercial interests of the Group for The Mirror to be able to continue to sponsor such events and are, therefore, placing an enabling resolution before the Annual General Meeting.

Environment The Group recognises that as a major media group it has a responsibility to the environment. Its business activities have both direct and indirect environmental impacts. Also as a media group it is well placed to communicate good environmental practice outside the Group.

The Group is committed to achieving improvement in its environmental performance; compliance with relevant laws and regulations is a minimum standard which the Group intends to improve upon.

The Group's policy is to use energy and natural resources carefully with the objective of improving efficiency in the consumption of such resources and to take environmental considerations into account in its procurement decisions. In particular, through its paper procurement policy, it seeks to protect, improve and develop the environment through continuous liaison and discussion with paper mills. The Group encourages paper suppliers to have long term environmental policies on sustainable forestry which has credible, independent auditing to preserve biological diversity and recreational activities applicable to their region of the world.

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

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

At 31 December 2000, the Company had an average of 30 days (1999: 29 days) purchases outstanding in trade creditors.

Directors' Report

continued

Share capital Details of the movements in the Company's share capital are included as note 25 to the financial statements.

Acquisitions and disposals On 28 November 2000 the Company acquired Southnews Plc. The details of this and other acquisitions of subsidiaries are given in note 32 to the financial statements. During the year the Company disposed of Belfast Telegraph Newspapers. Details of this disposal are given in note 33 to the financial statements.

Substantial shareholdings So far as is known the only persons interested in 3% or more of the ordinary shares of the Company at 3 March 2001 were:

	Number of shares	Holding in Company
Philips & Drew Fund Management Limited	34,828,779	11.99%
Capital Group Companies Inc	27,326,734	9.41%
Sanford C. Bernstein & Co Inc	15,106,087	5.20%
Standard Life Group	11,821,872	4.07%
Britel Fund Trustees Limited	11,737,902	4.04%
Universities Superannuation Scheme Limited	9,163,512	3.15%

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

Directors The directors of the Company during the 52 weeks ended 31 December 2000, together with their dates of appointment or resignation where relevant, are summarised in the directors' remuneration table on page 32 of the Directors' Remuneration Report.

In accordance with the Articles of Association, directors are required to retire every three years. Peter Birch, Roger Harrison and Mark Haysom stand for re-election. Joe Sinyor, having commenced service as a director since the last Annual General Meeting, retires pursuant to the Articles and offers himself for election.

Directors' interests The directors' interests in the shares of the Company are shown on pages 33 and 34 of the Remuneration Report.

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

By order of the Board

Paul Vickers
Company Secretary
15 March 2001

Auditors' report to the members of Trinity Mirror plc

We have audited the financial statements on pages 38 to 67 which have been prepared under the accounting policies set out on pages 43 to 45.

Respective responsibilities of directors and auditors The directors are responsible for preparing the annual report, including, as described on page 35, preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance compliance statement on page 29 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting polices are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall presentation of information in the financial statements.

Opinion In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street, London EC4A 3TR
15 March 2001

Consolidated profit and loss account

for the 52 weeks ended 31 December 2000 (53 weeks ended 2 January 2000)

	notes	**Before exceptional items £m**	**Exceptional items (note 5) £m**	**Total 2000 £m**	Before exceptional items £m	Exceptional items (note 5) £m	Total 1999 £m
Turnover	*2 & 3*						
Continuing operations		**1,072.5**	**-**	**1,072.5**	593.8	–	593.8
Acquisitions		**6.6**	**-**	**6.6**	–	–	–
		1,079.1	**-**	**1,079.1**	593.8	–	593.8
Discontinued operations		**1.2**	**-**	**1.2**	2.0	–	2.0
Total turnover		**1,080.3**	**-**	**1,080.3**	595.8	–	595.8
Net operating expenses	*2*	**(878.9)**	**(20.8)**	**(899.7)**	(461.3)	(8.3)	(469.6)
Group operating profit	*2,3 & 4*						
Continuing operations		**201.3**	**(18.0)**	**183.3**	135.4	(8.3)	127.1
Acquisitions		**0.1**	**(3.5)**	**(3.4)**	–	–	–
		201.4	**(21.5)**	**179.9**	135.4	(8.3)	127.1
Discontinued operations		**-**	**0.7**	**0.7**	(0.9)	–	(0.9)
Group operating profit		**201.4**	**(20.8)**	**180.6**	134.5	(8.3)	126.2
Share of results of associated undertakings		**-**	**-**	**-**	0.3	–	0.3
Total operating profit		**201.4**	**(20.8)**	**180.6**	134.8	(8.3)	126.5
Share of exceptional items of associated undertaking (continuing)	*5*	**-**	**17.5**	**17.5**	–	0.6	0.6
Profit/(loss) on sale/termination of operations (continuing/1999: discontinued)	*5*	**-**	**164.5**	**164.5**	–	(4.6)	(4.6)
Profit on ordinary activities before interest		**201.4**	**161.2**	**362.6**	134.8	(12.3)	122.5
Net interest payable	*6*	**(47.3)**	**-**	**(47.3)**	(19.5)	–	(19.5)
Profit on ordinary activities before taxation		**154.1**	**161.2**	**315.3**	115.3	(12.3)	103.0
Tax on profit on ordinary activities	*8*	**(44.0)**	**(3.0)**	**(47.0)**	(31.0)	2.8	(28.2)
Profit on ordinary activities after taxation		**110.1**	**158.2**	**268.3**	84.3	(9.5)	74.8
Ordinary dividends on equity shares	*9*			**(51.2)**			(46.4)
Retained profit for the financial year	*27*			**217.1**			28.4
Earnings per share (pence)	*10*						
Before digital media activities				**48.4**			46.8
Digital media activities				**(10.4)**			(1.7)
Underlying earnings per share				**38.0**			45.1
Exceptional items				**54.6**			(5.1)
Earnings per share - basic				**92.6**			40.0
Earnings per share - diluted				**92.0**			39.7

Movements in reserves are set out on page 62.

The notes on pages 43 to 67 form part of these accounts.

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

There were no recognised gains and losses other than the profit for the financial year or the preceding year. Consequently no Statement of Total Recognised Gains and Losses has been prepared.

Consolidated balance sheet

at 31 December 2000 (2 January 2000)

	notes	2000 £m	1999 £m
Fixed assets			
Intangible assets	11	**2,018.4**	1,768.1
Tangible assets	12	**404.3**	433.2
Investments	13	**16.0**	11.3
		2,438.7	2,212.6
Current assets			
Stocks	14	**7.7**	13.7
Debtors	15	**179.3**	162.2
Cash at bank and in hand		**57.7**	50.2
		244.7	226.1
Creditors: amounts falling due within one year			
Bank loans, loan notes and overdrafts	16	**(259.4)**	(123.6)
Obligations under finance leases	17	**(5.8)**	(7.5)
Other creditors	18	**(294.4)**	(266.3)
		(559.6)	(397.4)
Net current liabilities		**(314.9)**	(171.3)
Total assets less current liabilities		**2,123.8**	2,041.3
Creditors: amounts falling due after more than one year			
Bank loans and loan notes	16	**(518.8)**	(647.7)
Obligations under finance leases	17	**(41.9)**	(49.9)
Other creditors	19	**-**	(4.3)
		(560.7)	(701.9)
Provisions for liabilities and charges	22	**(56.2)**	(55.7)
Non-equity minority interest	23	**(3.7)**	–
Net assets		**1,503.2**	1,283.7
Equity capital and reserves			
Called up share capital	25	**29.1**	29.1
Share premium account	26	**1,074.3**	1,071.9
Revaluation reserve	27	**5.0**	5.0
Profit and loss account	27	**394.8**	177.7
Equity shareholders' funds		**1,503.2**	1,283.7

These financial statements were approved by the Board of Directors on 15 March 2001 and signed on its behalf by:

Philip Graf Chief Executive
Margaret Ewing Group Finance Director

The notes on pages 43 to 67 form part of these accounts.

Consolidated cash flow statement

for the 52 weeks ended 31 December 2000 (53 weeks ended 2 January 2000)

	notes	2000 £m	1999 £m
Net cash inflow from operating activities	*31(a)*	**219.9**	192.6
Dividends received from associated undertakings		**8.7**	–
Returns on investments and servicing of finance			
Interest received		**5.6**	2.0
Interest paid		**(42.7)**	(21.7)
Investment income		**0.1**	–
Interest element of finance lease rentals payments		**(3.7)**	(6.0)
Net cash outflow from returns on investments and servicing of finance		**(40.7)**	(25.7)
Taxation paid		**(41.6)**	(53.2)
Net cash flow before investing activities		**146.3**	113.7
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(38.9)**	(34.6)
Sale of tangible fixed assets		**1.4**	–
Net cash outflow from capital expenditure and financial investment		**(37.5)**	(34.6)
Net cash flow before acquisitions and disposals		**108.8**	79.1
Acquisitions and disposals			
Purchase of subsidiary and associated undertakings		**(275.2)**	(421.1)
Net overdraft acquired		**(0.2)**	(1.1)
Sale of subsidiary undertakings net of loan repaid		**169.6**	3.9
Net cash outflow from acquisitions and disposals		**(105.8)**	(418.3)
Equity dividends paid		**(48.3)**	(27.6)
Net cash outflow before financing		**(45.3)**	(366.8)
Financing:			
Issue of shares		**2.4**	5.6
New unsecured loans		**65.1**	645.0
Repayment of unsecured loans		**-**	(290.7)
Principal payments under finance leases		**(5.3)**	(4.3)
Net cash inflow from financing		**62.2**	355.6
Increase/(decrease) in cash	*31(b,c)*	**16.9**	(11.2)

The notes on pages 43 to 67 form part of these accounts.

Reconciliation of movements in consolidated shareholders' funds

for the 52 weeks ended 31 December 2000 (53 weeks ended 2 January 2000)

	2000 £m	1999 £m
Profit for the financial year attributable to shareholders	**268.3**	74.8
Dividends	**(51.2)**	(46.4)
Retained earnings	**217.1**	28.4
New share capital subscribed	**2.4**	875.4
Net increase in shareholders' funds	**219.5**	903.8
Opening shareholders' funds	**1,283.7**	379.9
Closing shareholders' funds	**1,503.2**	1,283.7

Holding company balance sheet

at 31 December 2000 (2 January 2000)

	notes	2000 £m	1999 £m
Fixed assets			
Tangible assets	12	**1.7**	2.4
Investments	13	**1,653.0**	1,666.7
		1,654.7	1,669.1
Current assets			
Debtors	15	**431.2**	113.6
Investments	15	**1.6**	1.6
Cash at bank and in hand		**3.0**	–
		435.8	115.2
Creditors: amounts falling due within one year			
Bank loans, loan notes and overdrafts	16	**(235.8)**	(88.9)
Other creditors	18	**(346.0)**	(175.2)
		(581.8)	(264.1)
Net current liabilities		**(146.0)**	(148.9)
Total assets less current liabilities		**1,508.7**	1,520.2
Creditors: amounts falling due after more than one year			
Bank loans and loan notes	16	**(291.7)**	(410.7)
Net assets		**1,217.0**	1,109.5
Equity capital and reserves			
Called up equity share capital	25	**29.1**	29.1
Share premium account	26	**1,074.3**	1,071.9
Profit and loss account	27	**113.6**	8.5
Equity shareholders' funds		**1,217.0**	1,109.5

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £156.3 million (1999: £36.7 million).

These financial statements were approved by the Board of Directors on 15 March 2001 and signed on its behalf by:

Philip Graf Chief Executive
Margaret Ewing Group Finance Director

Margaret Ewing

The notes on pages 43 to 67 form part of these accounts.

Notes to the financial statements

1 Accounting policies

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

The particular accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements reflect the adoption of Financial Reporting Standards ("FRS") 15 "Measurement of Tangible Fixed Assets" and FRS 16 "Current Tax", neither of which had an impact on the profit and loss account. The transitional arrangements of FRS 15 are being adopted in respect of certain freehold buildings included within "land and buildings" where the valuation has been frozen as modified historical cost.

Basis of consolidation

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

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

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

On 6 September 1999 the merger of Trinity and Mirror Group became effective and Trinity changed its name to Trinity Mirror plc. Trinity Mirror plc accounted for the transaction as an acquisition in accordance with FRS 6. On this basis the audited statutory consolidated profit and loss account for the 53 weeks ended 2 January 2000 comprises the results of Trinity for the full 53 week period and the results of Mirror Group for the period from 6 September 1999 to 2 January 2000.

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

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

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

Intangible fixed assets

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

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

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

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

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

Notes to the financial statements

continued

1 Accounting policies *continued*

Tangible fixed assets

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

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

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

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

Investments

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

Associated undertakings and joint ventures

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

Stocks

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currency

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

Finance and operating leases

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

Pension scheme arrangements

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

Capital instruments

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

Financial instruments

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

1 Accounting policies *continued*

Deferred income

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

Turnover

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

Exceptional items

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

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

Libel litigation

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

Notes to the financial statements

continued

2 Continuing and discontinued operations and acquisitions

	Continuing £m	Acquisitions £m	Dis-continued £m	2000 Total £m	Continuing £m	Dis-continued £m	1999 Total £m
Turnover	**1,072.5**	**6.6**	**1.2**	**1,080.3**	593.8	2.0	595.8
Cost of sales	**538.4**	**4.1**	**0.8**	**543.3**	305.4	2.0	307.4
Distribution costs	**69.4**	**0.8**	**-**	**70.2**	36.0	–	36.0
Administrative expenses	**284.6**	**5.2**	**(0.4)**	**289.4**	126.3	0.9	127.2
Other operating income	**(3.2)**	**(0.1)**	**0.1**	**(3.2)**	(1.0)	–	(1.0)
Net operating expenses after exceptional items	**889.2**	**10.0**	**0.5**	**899.7**	466.7	2.9	469.6
Operating profit/(loss)	**183.3**	**(3.4)**	**0.7**	**180.6**	127.1	(0.9)	126.2

Included in the 2000 administrative expenses are exceptional costs amounting to £18.0 million for continuing operations, £3.5 million relating to acquisitions and (£0.7) million relating to discontinued operations (1999: £3.3 million continuing operations, £5.0 million acquisitions and £nil discontinued operations).

3 Analysis of turnover, operating profit and net assets

	Continuing £m	Acquisitions £m	Dis-continued £m	2000 Total £m	Continuing £m	Dis-continued £m	1999 Total £m
a) Turnover							
By geographical destination:							
United Kingdom and Republic of Ireland	**1,067.2**	**6.6**	**1.2**	**1,075.0**	589.1	2.0	591.1
Continental Europe	**5.3**	**-**	**-**	**5.3**	4.4	–	4.4
Rest of the World	**-**	**-**	**-**	**-**	0.3	–	0.3
	1,072.5	**6.6**	**1.2**	**1,080.3**	593.8	2.0	595.8
By type:							
Circulation	**396.5**	**0.3**	**-**	**396.8**	173.6	–	173.6
Advertising	**569.1**	**5.7**	**-**	**574.8**	332.0	–	332.0
Other	**106.9**	**0.6**	**1.2**	**108.7**	88.2	2.0	90.2
	1,072.5	**6.6**	**1.2**	**1,080.3**	593.8	2.0	595.8
By division:							
Regional newspapers*	**458.7**	**6.6**	**-**	**465.3**	375.7	–	375.7
National newspapers	**532.4**	**-**	**-**	**532.4**	189.8	–	189.8
Sports newspapers	**31.6**	**-**	**-**	**31.6**	8.3	–	8.3
Magazines and exhibitions	**35.3**	**-**	**-**	**35.3**	18.2	–	18.2
Digital media	**2.5**	**-**	**-**	**2.5**	0.4	–	0.4
Other	**12.0**	**-**	**1.2**	**13.2**	1.4	2.0	3.4
	1,072.5	**6.6**	**1.2**	**1,080.3**	593.8	2.0	595.8

* Regional newspapers includes turnover relating to Belfast Telegraph Newspapers of £31.4 million (1999: £52.8 million) and the Metro titles of £2.6 million (1999: £nil). Belfast Telegraph Newspapers was sold on 30 July 2000 (note 33).

3 Analysis of turnover, operating profit and net assets *continued*

b) Group operating profit

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

By division:	Continuing £m	Acquisitions £m	Dis-continued £m	2000 Total £m	Continuing £m	Dis-continued £m	1999 Total £m
Regional newspapers*	**114.7**	**0.1**	**-**	**114.8**	94.1	–	94.1
National newspapers	**111.0**	**-**	**-**	**111.0**	39.0	–	39.0
Sports newspapers	**8.2**	**-**	**-**	**8.2**	2.2	–	2.2
Magazines and exhibitions	**6.8**	**-**	**-**	**6.8**	3.9	–	3.9
Digital media	**(42.3)**	**-**	**-**	**(42.3)**	(4.4)	–	(4.4)
Other	**2.9**	**-**	**-**	**2.9**	0.6	(0.9)	(0.3)
	201.3	**0.1**	**-**	**201.4**	135.4	(0.9)	134.5

* Regional newspapers includes operating profit relating to Belfast Telegraph Newspapers of £13.2 million (1999: £20.8 million) and start up costs of the Metro titles of £4.0 million (1999: £0.3 million).

c) Net assets employed

By division:	2000 £m	1999 £m
Regional newspapers	**1,244.3**	991.4
National newspapers	**1,111.8**	1,123.3
Sports newspapers	**48.6**	42.7
Magazines and exhibitions	**3.5**	7.1
Digital media	**(34.6)**	(4.4)
Other	**-**	(2.6)
	2,373.6	2,157.5
Less: borrowings	**(825.9)**	(828.7)
provisions	**(56.2)**	(55.7)
Associated undertakings and non-equity minority interests	**11.7**	10.6
	1,503.2	1,283.7

4 Operating profit

	2000 £m	1999 £m
Operating profit is stated after charging:		
Depreciation of tangible assets:		
Owned assets (including £7.5 million accelerated depreciation – note 5)	**43.1**	17.4
Leased assets	**4.2**	6.1
Amortisation of goodwill	**0.6**	0.8
Operating lease rentals:		
Plant and machinery	**7.2**	7.1
Other	**5.5**	4.0
Other exceptional items (see note 5)	**13.3**	8.3
Auditors' remuneration		
Group audit fees	**0.5**	0.4
Other services – UK	**1.2**	0.4

In addition, fees of £0.1 million (1999: £0.5 million) payable to the auditors have been included within acquisition costs and £0.2 million (1999: £nil) within the profit on disposal of Belfast Telegraph Newspapers. No audit fee is borne by the Company (1999: £nil)

Notes to the financial statements

continued

5 Exceptional items	2000 £m	1999 £m
Operating exceptional items		
Restructuring costs (a)	**13.3**	8.3
Accelerated depreciation in respect of press impairment (b)	**7.5**	–
Total exceptional items charged against operating profit	**20.8**	8.3
(Profit)/loss on sale/termination of operations (c)	**(164.5)**	4.6
Share of exceptional item of associated undertaking (d)	**(17.5)**	(0.6)
Net exceptional items before taxation	**(161.2)**	12.3

a) Restructuring costs of £9.8 million have been incurred as a result of the integration and restructuring of management and operations following the Trinity Mirror merger in 1999. Further restructuring costs, including those in respect of management changes, of £3.5 million have been incurred in respect of the acquisition of Southnews.

b) Following an assessment of the Group's future press policy undertaken during the year, accelerated depreciation of £7.5 million has been applied to certain press facilities reflecting their impairment.

c) The sale of Belfast Telegraph Newspapers, as detailed in note 33, resulted in a net profit on disposal of £164.5 million. The loss on termination of operations in 1999 related primarily to the closure of Live TV in November 1999, which resulted in a net loss of £5.6 million, and the costs of the cancelled launch of the new Sporting Life title.

d) The share of associated undertaking's exceptional item relates to the net profit on disposal of businesses in 2000 and 1999 by The Press Association.

6 Net interest payable	2000 £m	1999 £m
Interest on bank loans, loan notes and overdrafts		
Wholly repayable within five years	**(50.5)**	(17.1)
Interest on finance leases		
Repayable within five years	**(1.0)**	(0.8)
Repayable after five years	**(2.2)**	(2.4)
Interest payable and similar charges	**(53.7)**	(20.3)
Interest receivable and other similar income	**6.4**	0.8
Net interest payable	**(47.3)**	(19.5)

7 Staff costs

The average number of full time equivalents, including executive directors, employed by the Group in the year was:

	2000 Number	1999 Number
Production and editorial	**6,898**	4,018
Sales and distribution	**3,826**	2,531
Administration	**2,278**	1,530
	13,002	8,079

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

Staff costs, including directors' emoluments, incurred during the year were:	2000 £m	1999 £m
Wages and salaries	**264.7**	161.2
Employers' national insurance contributions	**21.1**	13.2
Pension costs	**12.3**	5.6
	298.1	180.0

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the UK Listing Authority are shown in the tables in the Remuneration Report on pages 30 to 34 and form part of these financial statements.

8 Tax on profit on ordinary activities

	2000 £m	1999 £m
The charge for taxation is as follows:		
Underlying:		
UK corporation tax at 30% (1999: 30.25%)	**43.2**	32.6
Deferred taxation	**0.8**	(1.6)
	44.0	31.0
Exceptional:		
UK corporation tax on exceptional items	**3.8**	(2.8)
Deferred taxation on exceptional items	**(0.8)**	–
	47.0	28.2

The underlying tax charge is less than the UK corporation tax rate of 30% because of different treatments of certain items for accounting and taxation purposes.

Included in the UK corporation tax charge on exceptional items is £4.6 million in respect of the profit on disposal of Belfast Telegraph Newspapers and £4.6 million in respect of the Group's share of tax on exceptional items of associated undertakings. The tax charge in respect of Belfast Telegraph Newspapers is less than the UK corporation tax rate of 30% due to the tax effective disposal of this subsidiary.

9 Dividends

	2000 Per share	1999 Per share	2000 £m	1999 £m
Interim, paid	**5.3p**	4.8p	**15.4**	13.9
Final, proposed	**12.3p**	11.2p	**35.8**	32.5
Equity dividends payable on ordinary shares	**17.6p**	16.0p	**51.2**	46.4

Notes to the financial statements

continued

10 Earnings per ordinary share

	2000	1999
Profit on ordinary activities after taxation (£million)	**268.3**	74.8
Basic and diluted earnings attributable to ordinary shareholders (£million)	**268.3**	74.8
Weighted average number of ordinary shares used for basic EPS calculation ('000)	**289,793**	186,919
Effect of dilutive share options ('000)	**2,124**	1,703
Weighted average number of ordinary shares used for diluted EPS calculation ('000)	**291,917**	188,622

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

	2000 £m	1999 £m
Profit on ordinary activities before digital media investment	**140.3**	87.5
Loss on ordinary activities from digital media activities	**(30.2)**	(3.2)
Profit on ordinary activities before exceptionals and after taxation	**110.1**	84.3
Exceptional items before taxation	**161.2**	(12.3)
Exceptional tax effect	**(3.0)**	2.8
Exceptional items after tax	**158.2**	(9.5)
Profit after tax after exceptional items	**268.3**	74.8

Earnings per share (pence)	2000 pence	1999 pence
Earnings per share before digital media activities	**48.4**	46.8
Loss per share from digital media activities	**(10.4)**	(1.7)
Earnings per share – underlying	**38.0**	45.1
Exceptional items after tax	**54.6**	(5.1)
Earnings per share – basic	**92.6**	40.0
Earnings per share – diluted (pence)	**92.0**	39.7

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

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

11 Intangible fixed assets

	Publishing rights/titles £m	Goodwill £m	Group Total 2000 £m	Total 1999 £m
Cost				
At 3 January 2000	**1,756.9**	**12.0**	**1,768.9**	348.5
Acquisition of Mirror Group	-	-	-	1,407.6
Acquisition of Southnews	**345.7**	-	**345.7**	–
Other acquisitions	-	**2.5**	**2.5**	12.8
Disposals	**(110.8)**	-	**(110.8)**	–
Finalisation of fair values of Mirror Group	**13.5**	-	**13.5**	–
At 31 December 2000	**2,005.3**	**14.5**	**2,019.8**	1,768.9
Accumulated amortisation				
At 3 January 2000	-	**(0.8)**	**(0.8)**	–
Charge for the period	-	**(0.6)**	**(0.6)**	(0.8)
At 31 December 2000	-	**(1.4)**	**(1.4)**	(0.8)
Net book value				
At 31 December 2000	**2,005.3**	**13.1**	**2,018.4**	1,768.1
At 3 January 2000	**1,756.9**	**11.2**	**1,768.1**	348.5

Details of acquisitions are included within note 32. Details of disposals are included within note 33.

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

Notes to the financial statements

continued

12 Tangible fixed assets	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant & vehicles £m	Assets under construction £m	Group Total £m	Company Plant & vehicles £m
At cost or valuation						
At 3 January 2000	164.2	17.5	356.0	13.2	550.9	3.7
Additions	5.3	0.4	28.4	4.8	38.9	0.9
Disposals	–	–	(1.4)	–	(1.4)	(1.4)
Subsidiary sold	–	(8.5)	(27.7)	–	(36.2)	–
Acquisition of Southnews	0.2	1.4	2.6	–	4.2	–
Reclassification	–	12.0	4.6	(16.6)	–	–
Finalisation of fair values of Mirror Group tangible fixed assets	(0.6)	–	(6.2)	–	(6.8)	–
At 31 December 2000	**169.1**	**22.8**	**356.3**	**1.4**	**549.6**	**3.2**
Accumulated depreciation						
At 3 January 2000	3.4	4.4	109.9	–	117.7	1.3
Charge for period	2.1	0.5	37.2	–	39.8	0.2
Accelerated depreciation	0.7	–	6.8	–	7.5	–
Disposals	–	–	(0.8)	–	(0.8)	–
Subsidiary sold	–	(1.9)	(17.0)	–	(18.9)	–
Reclassification	–	3.0	(3.0)	–	–	–
At 31 December 2000	**6.2**	**6.0**	**133.1**	**-**	**145.3**	**1.5**
Written down book value						
At 31 December 2000	**162.9**	**16.8**	**223.2**	**1.4**	**404.3**	**1.7**
At 3 January 2000	160.8	13.1	246.1	13.2	433.2	2.4

Written down book value of land and buildings comprises:	£m
Freehold land and buildings	**162.9**
Leases with more than 50 years to run	**15.4**
Leases with less than 50 years to run	**1.4**
	179.7

12 Tangible fixed assets *continued*

Tangible fixed assets at historical cost	Group Total £m	Company Plant & vehicles £m
Cost	**544.6**	**3.2**
Depreciation	**(145.3)**	**(1.4)**
Written down value	**399.3**	**1.8**

Modified historic cost

Following adoption of the transitional arrangements of FRS 15 "Tangible Fixed Assets", the value of certain of the Group's land and buildings has been frozen at modified historic costs. The valuation of £32.9 million has not been updated since the last revaluation in 1988. Plant, equipment and vehicles are all shown at cost.

	£m
Cost	**23.3**
Valued in 1988	**9.6**
	32.9

Included within the total net book value of tangible assets is £39.1 million (1999: £57.7 million) in respect of assets acquired under finance leases; depreciation for the year on those assets was £4.2 million (1999: £6.1 million).

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

Capital commitments	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Capital expenditure contracted for but not provided in the accounts	**4.8**	15.3	**-**	–

Notes to the financial statements

continued

13 Investments held as fixed assets

	Group		
	Share of net assets of associates £m	Investments £m	Total £m
Cost			
At 3 January 2000	10.1	0.7	10.8
Investments written off	–	(0.1)	(0.1)
Disposals	–	(0.1)	(0.1)
Finalisation of fair values of Mirror	0.5	–	0.5
At 31 December 2000	**10.6**	**0.5**	**11.1**
Share of profits/(losses) retained			
At 3 January 2000	0.5	–	0.5
Retained profit/(loss) for the year	4.4	–	4.4
At 31 December 2000	**4.9**	**-**	**4.9**
Net book value			
At 31 December 2000	**15.5**	**0.5**	**16.0**
At 3 January 2000	10.6	0.7	11.3

The Group's interests in joint ventures have not been accounted for under the gross equity basis on the grounds of immateriality.

Included within investments is £0.4 million (1999: £0.4 million) in respect of the Company's own shares held in an employee share ownership trust as described in note 25.

	Company			
	Shares £m	Subsidiary loans £m	Investments £m	Total £m
Cost				
At 3 January 2000	1,626.4	42.1	0.9	1,669.4
Additions	102.5	–	–	102.5
Disposals	(116.0)	–	–	(116.0)
At 31 December 2000	**1,612.9**	**42.1**	**0.9**	**1,655.9**
Provisions				
At 3 January 2000	1.8	–	0.9	2.7
Provision in year	0.2	–	–	0.2
At 31 December 2000	**2.0**	**-**	**0.9**	**2.9**
Net book value				
At 31 December 2000	**1,610.9**	**42.1**	**-**	**1,653.0**
At 3 January 2000	1,624.6	42.1	–	1,666.7

On 30 July 2000 the Company disposed of its entire issued share capital of TIH Belfast (the immediate holding company of Belfast Telegraph Newspapers). On 21 December 2000 the Company acquired 25% of the issued share capital of All4U Limited (the immediate holding company of Jobs4U Limited). During the year, the Company subscribed for £100 million of additional share capital in Trinity Mirror Regionals plc in advance of its acquisition of the entire issued ordinary share capital of Southnews on 28 November 2000. These transactions are detailed in notes 32 and 33.

A list of principal subsidiaries and associated undertakings is shown on page 67.

14 Stocks

	Group 2000 £m	Group 1999 £m
Raw materials and consumables	**7.7**	13.7

15 Debtors

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Trade debtors	**120.4**	123.6	**1.2**	–
Amounts owed by subsidiary companies	**-**	–	**423.5**	109.2
Amounts owed by associated undertakings	**-**	–	**4.1**	2.4
Other debtors	**21.2**	6.7	**0.7**	2.0
Prepayments and accrued income	**37.7**	31.9	**1.7**	–
	179.3	162.2	**431.2**	113.6

Included within amounts owed by subsidiary companies is a £200 million convertible bond, repayable in 2030, and £1.2 million of associated accrued discount.

Included in prepayments (Group) is an amount of £13.0 million (1999: £12.0 million) that relates to defined benefit pension debtors that are due after more than one year.

Current asset investments

The Group has current asset investments in shares in UK listed companies with a book value of £67,000 (1999: £51,000) which had a market value of £4,806,000 at 31 December 2000 (1999: £3,507,000).

The Company has current asset investments in shares in UK listed companies with a book value of £1,577,000 (1999: £1,561,000) which had a market value of £2,887,000 at 31 December 2000 (1999: £2,112,000).

16 Bank loans, loan notes and overdrafts

	2000 Within 1 year £m	2000 After 1 year £m	1999 Within 1 year £m	1999 After 1 year £m
Group				
Bank overdrafts	**24.5**	**-**	33.9	–
Bank loans	**212.0**	**447.0**	63.0	588.0
Loan notes	**22.9**	**71.8**	26.7	59.7
	259.4	**518.8**	123.6	647.7
Company				
Bank overdrafts	**4.9**	**-**	5.0	–
Bank loans	**212.0**	**247.0**	63.0	351.0
Loan notes	**18.9**	**44.7**	20.9	59.7
	235.8	**291.7**	88.9	410.7

Further analysis of finance debt is provided in note 20 of the financial statements.

17 Finance lease obligations and operating lease commitments

Finance lease obligations are repayable as follows:	**Group 2000 £m**	Group 1999 £m
Within one year	**5.8**	7.5
Between one and two years	**4.9**	5.7
Between two and five years	**10.3**	11.4
After five years	**26.7**	32.8
	47.7	57.4

Operating lease commitments for the coming year are as follows:	**Land and buildings Group 2000 £m**	Land and buildings Group 1999 £m	**Other Group 2000 £m**	Other Group 1999 £m	**Total Group 2000 £m**	Total Group 1999 £m
Leases expiring:						
Within one year	**0.8**	0.7	**1.8**	1.9	**2.6**	2.6
Between one and five years	**1.5**	0.6	**4.8**	7.1	**6.3**	7.7
After five years	**10.0**	9.3	**0.1**	–	**10.1**	9.3
	12.3	10.6	**6.7**	9.0	**19.0**	19.6

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

18 Other creditors: amounts falling due within one year	**Group 2000 £m**	Group 1999 £m	**Company 2000 £m**	Company 1999 £m
Trade creditors	**41.9**	34.8	**0.6**	–
Amounts owed to subsidiary companies	**-**	–	**287.8**	133.6
Amounts owed to associated undertakings	**-**	–	**0.6**	0.5
Corporate taxation	**29.0**	34.0	**0.2**	–
Other taxation and social security	**27.3**	6.5	**-**	–
Other creditors	**13.0**	28.0	**-**	2.5
Accruals and deferred income	**147.4**	130.5	**21.0**	6.1
Proposed dividends	**35.8**	32.5	**35.8**	32.5
	294.4	266.3	**346.0**	175.2

19 Other creditors: amounts falling due after more than one year	**Group 2000 £m**	Group 1999 £m	**Company 2000 £m**	Company 1999 £m
Accruals and deferred income: Investment and development grants	**-**	4.3	**-**	–

20 Borrowings

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Bank overdrafts (unsecured)	**24.5**	33.9	**4.9**	5.0
Syndicated unsecured bank loan	**655.0**	644.0	**455.0**	407.0
Unsecured fixed rate bank loans	**4.0**	7.0	**4.0**	7.0
US$91.4m unsecured loan notes	**59.7**	74.6	**59.7**	74.6
Unsecured commercial rate loan notes	**35.0**	11.8	**3.9**	6.0
Obligations under finance leases	**47.7**	57.4	**-**	–
	825.9	828.7	**527.5**	499.6
Due within one year	**265.2**	131.1	**235.8**	88.9
Due after more than one year	**560.7**	697.6	**291.7**	410.7
	825.9	828.7	**527.5**	499.6

An analysis of the maturity is shown in note 21(a).

Syndicated loan facility

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

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

Unsecured fixed rate loans

These represent a £4.0 million (1999: £6.0 million) 7.5% loan repayable in annual instalments of £2.0 million.

The 8.75% loan was fully repaid during the year (1999: £1.0 million).

US$91.4 million unsecured loan notes

The US$91.4 million (1999: $114.3 million) represents the outstanding obligations under a $160 million 8.16% fixed rate US$ private placement undertaken in September 1994. The notes are repayable in equal annual instalments of $22.9 million commencing 15 September 1998. Both the interest and capital repayments under the notes have been swapped into sterling through the use of cross-currency interest rate swaps. As at 31 December 2000, £59.7 million (1999: £74.6 million) remains outstanding under these loan notes.

Unsecured commercial rate loan notes

The Group had issued unsecured loans as part consideration for various acquisitions undertaken in the past. During the year £27.1 million loan notes were issued as part consideration for the acquisition of Southnews and the Group assumed liability for £2.0 million loan notes issued by Southnews prior to acquisition by Trinity Mirror. Interest on the loan notes is linked to LIBOR or base rate.

Obligations under finance leases

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

21 Financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the Financial Review on pages 22 to 25 and the accounting policies on page 44. The Group does not trade in financial instruments.

a) **Maturity profile of financial liabilities** excluding short-term debtors and creditors	**Group 2000 £m**	Group 1999 £m
Repayable by instalments as follows:		
Overdrafts		
Repayable within one year	**24.5**	33.9
Bank loans		
Repayable within one year	**212.0**	63.0
Between one and two years	**62.0**	62.0
Between two and five years	**385.0**	526.0
Loan notes		
Repayable within one year	**22.9**	26.7
Between one and two years	**42.0**	14.9
Between two and five years	**29.8**	44.8
Obligations under finance leases		
Repayable within one year	**5.8**	7.5
Between one and two years	**4.9**	5.7
Between two and five years	**10.3**	11.4
After five years	**26.7**	32.8
	825.9	828.7
Other financial liabilities		
Within one year	**1.7**	5.5
Between one and two years	**1.2**	2.4
Between two and five years	**-**	3.1
After five years	**-**	0.6
	828.8	840.3

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

	Group 2000 £m	Group 1999 £m
Expiry date		
In one year or less	**163.6**	60.0
In more than one year but no more than two years	**-**	240.0
In more than two years	**-**	80.9
	163.6	380.9

21 Financial instruments *continued*

b) Interest rate profile excluding short-term debtors and creditors

The following interest rate and currency profiles of the Group's financial liabilities and assets are after taking into account interest rate swaps entered into by the Group.

	Fixed rate £m	Floating rate £m	Total £m	Weighted average rate* %	Weighted average period* Years
At 31 December 2000					
Sterling	**104.0**	**662.2**	**766.2**	**8.0**	**1.8**
US$ swapped into sterling	**-**	**59.7**	**59.7**	**-**	**-**
Gross sterling borrowings	**104.0**	**721.9**	**825.9**	**8.0**	**1.8**
At 3 January 2000					
Gross sterling borrowings	182.0	646.7	828.7	7.8	1.7

*In respect of fixed rate borrowings.

The above analysis does not consider an interest rate cap at 6.5% on a notional £100 million held by the Group which matures in December 2001. Interest on the floating rate liabilities is based on LIBOR and base rates. Other financial liabilities of £2.9 million (1999: £11.6 million) do not bear interest. During 2001 an interest rate swap on a notional £100.0 million was cancelled at a cost of £2.8 million.

Financial assets

The only financial assets held by the Group comprise cash at bank and in hand of £57.7 million (1999: £50.2 million). Interest on deposits held at bank is received at the prevailing overnight deposit rate.

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

Primary financial instruments held or issued to finance the Group's operations	2000 Carrying amount £m	2000 Estimated fair value £m	1999 Carrying amount £m	1999 Estimated fair value £m
Bank overdrafts (unsecured)	**24.5**	**24.5**	33.9	33.9
Syndicated unsecured bank loan	**655.0**	**655.0**	644.0	644.0
Unsecured fixed rate bank loans	**4.0**	**4.0**	7.0	7.0
US$91.4m unsecured loan notes	**59.7**	**66.0**	74.6	74.7
Unsecured commercial rate loan notes	**35.0**	**35.1**	11.8	11.8
Obligations under finance leases	**47.7**	**47.7**	57.4	57.4
	825.9	**832.3**	828.7	828.8
Other financial liabilities (excluding derivative financial instruments)	**-**	**-**	5.0	5.0
	825.9	**832.3**	833.7	833.8
Financial assets				
Cash at bank and in hand	**57.7**	**57.7**	50.2	50.2
Derivative financial instruments held to manage interest rate and currency profile				
Interest rate swaps	**2.9**	**2.7**	2.9	2.1
Cross currency interest rate swaps	**2.0**	**(1.5)**	2.9	5.5
Interest rate cap	**-**	**-**	-	(1.3)
	4.9	**1.2**	5.8	6.3

Market values have been used to determine the fair values of all interest rate swaps, cross currency interest rate swaps and interest rate caps. With the exception of the US$91.4 million unsecured loan notes, all sterling financial liabilities have a market value equivalent to the book value as the underlying interest costs are at variable market rates. The fair value of the US$91.4 million loan notes has been calculated by discounting the underlying cash flows and using the year end exchange rate to convert the US$ value to sterling.

Notes to the financial statements

continued

21 Financial instruments *continued*

d) Currency profile

The Group has no material foreign currency exposures as the US$91.4 million unsecured loan notes detailed in note 20 are hedged through cross-currency interest rate swaps.

e) Hedges

As at 31 December 2000 there were unrecognised losses on financial instruments used as hedges of £nil million (1999: £2.6 million) and losses carried forward in the balance sheet of £4.9 million (1999: £5.8 million), of which £nil (1999: £nil) and £0.8 million (1999: £2.0 million) respectively are expected to be recognised in the financial year ending 31 December 2001.

As at 31 December 2000, there were unrecognised gains on financial instruments used as hedges of £3.7 million (1999: £2.1 million) of which £0.1 million (1999: £1.0 million) is expected to be recognised in the financial year ending 31 December 2001.

There were no gains or losses arising on hedges recognised in the financial year ended 31 December 2000 which related to previous financial periods.

22 Provisions for liabilities and charges	**Deferred taxation £m**	**Property provision £m**	**Pension provision £m**	**Other provisions £m**	**Total £m**
At 3 January 2000	10.1	8.7	34.0	2.9	**55.7**
Acquisition of Southnews	(2.0)	4.4	3.2	–	**5.6**
Finalisation of fair value adjustments on acquisitions of Mirror Group	(6.9)	6.3	–	0.3	**(0.3)**
Utilised	–	(0.4)	(4.4)	–	**(4.8)**
At 31 December 2000	**1.2**	**19.0**	**32.8**	**3.2**	**56.2**

The property provision relates to onerous property leases and future committed costs related to occupied, let and vacant properties. This provision will be utilised over the remaining term of the leases.

The pension provision relates to valuation deficits in respect of the Mirror Group and Southnews pension schemes arising on application of FRS 7 "Fair Values in Acquisition Accounting" to the assets and liabilities of the schemes at the respective dates of acquisition of Mirror Group and Southnews by Trinity. This provision is being spread over the average service lives of employees in the respective schemes.

Other provisions relate primarily to interest rate swaps acquired with the Mirror Group.

23 Non-equity minority interest

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

No minority interest dividend is included in the profit and loss account since acquisition on the grounds of immateriality.

	2000		1999	
24 Deferred taxation	**Provided £m**	**Unprovided £m**	Provided £m	Unprovided £m
Capital allowances in excess of depreciation	**18.2**	**37.8**	9.1	28.6
Other timing differences	**(17.0)**	**1.4**	1.0	–
	1.2	**39.2**	10.1	28.6

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

The tax liability on capital gains if all properties had been sold at their book values, and without taking advantage of the law relating to rollover relief is estimated to be £0.3 million (1999: £0.4 million).

Other deferred taxation not provided is in respect of capital allowances – gains deferred by rollover relief – £5.2 million (1999: £6.0 million).

There is no unprovided deferred taxation in the Company.

25 Called up share capital

	2000 Number	2000 £m	1999 Number	1999 £m
Authorised				
Ordinary shares of 10p each	**450,000,000**	**45.0**	450,000,000	45.0

	2000 Number	2000 £m	1999 Number	1999 £m
Allotted, called up and fully paid ordinary shares of 10p each				
At 3 January 2000	**289,375,396**	**29.1**	139,183,197	13.9
Issued on exercise of options	**727,809**	**-**	1,399,656	0.1
Issued following merger with Mirror Group	**-**	**-**	148,792,543	15.1
At 31 December 2000	**290,103,205**	**29.1**	289,375,396	29.1

£2,501,000 was raised in 2000 (1999: £5,605,000) on the exercise of share options, including share premium of £2,442,000 (1999: £5,465,000).

Share option schemes

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

Scheme	Grant dates	Number of shares	Exercise prices	Exercise dates
Executive	1991-1996	369,544	210p-352p	Oct 1994-Jan 2006
Savings-related	1993-2000	5,189,343	380p-428p	Dec 2000-Feb 2006
Executive approved	1996-1999	381,656	426p-620p	Sep 1999-Dec 2009
Executive unapproved	1996-1999	1,482,810	426p-620p	Sep 1999-Dec 2009
Restricted share plan	1997-1998	52,500	532p	Apr 2001
Midland Independent Newspaper Savings Related (Rollover)	1996	152,341	235p	Jul 2001-Jan 2002
Mirror Group Savings Related (Rollover)	1996	942,454	358p	Aug 2001-Feb 2004
Mirror Group Executive Share Option Scheme (Rollover)	May 1991-March 1999	358,075	266p-437p	May 2001-Mar 2005
TM Exec Approved	2000	803,192	454p-544p	May 2003-Nov 2010
TM Exec Unapproved	2000	2,103,880	454p-544p	May 2003-Nov 2010

In accordance with UITF 13 "Accounting for ESOP Trusts" the assets and liabilities of TIH (Jersey) Limited operating as Trustee of the employee benefit trust have been brought into the balance sheet of the Group. The Trust holds the shares of the Company for subsequent transfer to employees under a restricted share plan. At 31 December 2000 the Trust held 90,855 (1999: 105,674) shares, with a carrying value of £369,700 (1999: £430,000) and market value of £416,000 (1999: £700,000) in the Company of which 52,500 (1999: 105,429) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence per share. The costs associated with the Trust are included in the profit and loss account as they accrue. The lowest price of the shares during the year was 422.5p and the highest price was 774p. These shares have been excluded from the weighted average number of shares used in the calculation of earnings per share.

26 Share premium account

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
At 3 January 2000	**1,071.9**	211.7	**1,071.9**	211.7
Premium on shares issued on acquisition of the Mirror Group	**-**	854.7	**-**	854.7
Premium on other ordinary shares allotted in the year	**2.4**	5.5	**2.4**	5.5
At 31 December 2000	**1,074.3**	1,071.9	**1,074.3**	1,071.9

Notes to the financial statements

continued

27 Other reserves

	Group revaluation reserve £m	Group profit and loss account £m	Company profit and loss account £m
At 3 January 2000	5.0	177.7	8.5
Transfer of retained profit for the period	–	217.1	105.1
At 31 December 2000	**5.0**	**394.8**	**113.6**

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

28 Pensions

Pension schemes

The Group (excluding Southnews) operates a number of funded final salary pension schemes including two executive arrangements, all of which have been set up under Trusts that hold their financial assets separately from those of the Group. In addition, a number of defined contribution arrangements are currently operated, however the cost of these is not material and is not therefore included in the pension costs for the Group.

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

Following an actuarial valuation of these pension schemes as at 31 December 1997 and subsequent reviews at 31 December 1998 and 31 December 1999, which showed that they have sufficient assets to meet their liabilities for members' benefits, no contributions were necessary during the year. Also during the year, recoveries of £3.5 million were made by the Old Scheme, further improving its financial position.

Formal valuations of the remaining final salary pension schemes are carried out every three years with such valuations being undertaken on 31 December 1997 for the MGN Pension scheme, (further reviews carried out at 31 December 1998 and 31 December 1999); 30 June 1998 and 31 December 1999 for the Trinity schemes and 31 March 1999 for the MIN schemes. The actuarial methods and assumptions used to calculate each schemes' assets and liabilities vary according to the actuarial and funding policies adopted by their respective trustees.

At the dates of the last full valuations, the aggregate market value of the assets of all the Group schemes was £860.1 million with the actuarially determined value of these assets on a weighted average basis being 108% of their liabilities. This figure includes three schemes which had deficiencies of £0.1 million, £0.4 million and £1.0 million respectively. These deficiencies are being funded in accordance with the recommendations of the respective actuaries. The other schemes are paying contribution rates in accordance with the recommendations of their respective actuaries.

There are currently a number of different valuation bases (primarily the projected unit credit method) and valuation dates being used. It has therefore been necessary to carry out a preliminary review in order to standardise the bases used for accounting purposes. The principal assumptions adopted for this purpose are price inflation of 3.5% per annum; real rate of return on assets of 4.5%; real pay inflation of 1.7%; real increase in equity dividends of 0.5%; and changes in the real level of pensions ranging from 0% to -0.5%.

Southnews operates three funded final salary pension schemes (two of which are closed to new entrants) and one defined contribution pension scheme. The final salary pension schemes are subject to independent actuarial valuations at least every three years by a qualified actuary and annual contributions to the schemes are paid in accordance with this advice. The most recent valuation of the three final salary pension schemes was undertaken in April 1999. At that date, the schemes had assets with a market value of £12.3 million which amounted to 92% of their accrued liabilities, because two of the schemes had deficits of £1.1 million and £0.5 million.

In accordance with the requirements of FRS 7, fair values have been calculated in respect of the pension schemes formerly operated by Mirror Group and Southnews. Details of the fair value adjustments are disclosed in notes 22 and 32.

Including the impact of fair value adjustments, a pension cost of £12.3 million (1999: £5.6 million) has been charged in arriving at the operating profit for the year.

29 Contingent liabilities

The Company has undertaken to provide financial support as required by, and has guaranteed the borrowings of, a number of its subsidiaries. At 31 December 2000 this amounted to £299.8 million (1999: £316.4 million).

30 Related party transactions

The Group traded with the following associated undertakings and joint ventures: Reed Aviation Limited, The Press Association Limited, All4U Limited, Scottish Opinion Limited and PA Sporting Life Limited. This trade generated sales of £2.9 million (1999: £2.2 million) and costs for services provided of £5.9 million (1999: £5.2 million). Financial support of £1.8 million (1999: £0.5 million) was provided during the period. The amounts outstanding at the year end amounted to £4.1 million (1999: £2.4 million) owed by associated undertakings and £0.6 million (1999: £0.5 million) owed to associated undertakings.

31 Consolidated cash flow statement

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

a) Reconciliation of operating profit to net cash flow from operating activities	2000 Total £m	1999 Total £m
Operating profit	**180.6**	126.2
Depreciation	**47.3**	23.5
Amortisation of goodwill	**0.6**	0.8
Profit on disposal of fixed assets	**(0.8)**	–
Decrease/(increase) in stocks	**1.5**	(1.6)
(Increase)/decrease in trade and other debtors and prepayments	**(7.4)**	28.3
(Decrease)/increase in trade and other creditors and accruals	**(1.9)**	15.4
Net cash inflow from operating activities	**219.9**	192.6

Net cash inflow from operating activities includes cash inflow relating to Belfast Telegraph Newspapers of £14.2 million (1999: £19.7 million).

b) Analysis of net debt	At 3 January 2000 £m	Cash flow £m	Acquisitions and disposals excluding cash and overdrafts £m	Loan notes issued £m	Other non-cash changes £m	At 31 December 2000 £m
Cash at bank and in hand	50.2	7.5	–	–	–	**57.7**
Bank overdrafts	(33.9)	9.4	–	–	–	**(24.5)**
Net cash balances	16.3	16.9	–	–	–	**33.2**
Debt due within one year	(89.7)	–	116.0	–	(261.2)	**(234.9)**
Debt due after one year	(647.7)	(65.1)	(40.1)	(27.1)	261.2	**(518.8)**
Finance leases	(57.4)	5.3	4.4	–	–	**(47.7)**
Bank loans, loan notes and finance leases	(794.8)	(59.8)	80.3	(27.1)	–	**(801.4)**
Net debt	(778.5)	**(42.9)**	**80.3**	**(27.1)**	-	**(768.2)**

c) Reconciliation of net cash flow to movement in net debt	2000 £m	1999 £m
Increase/(decrease) in cash in the period	**16.9**	(11.2)
Cash outflow from movement in debt and lease financing	**(59.8)**	(350.0)
Change in net debt resulting from cash flows	**(42.9)**	(361.2)
Debt acquired with Mirror Group	-	(341.5)
Debt acquired with Southnews	**(40.1)**	–
Debt disposed with Belfast Telegraph Newspapers	**120.4**	–
Finance leases acquired with Mirror Group	-	(9.0)
Other movements on finance leases	-	0.9
New loan notes issued on acquisition of subsidiary	**(27.1)**	(2.0)
Movement in net debt in the period	**10.3**	(712.8)
Net debt at 3 January 2000	**(778.5)**	(65.7)
Net debt at 31 December 2000	**(768.2)**	(778.5)

Notes to the financial statements

continued

32 Acquisitions

Acquisition of Southnews

On 28 November 2000 the Company acquired the entire issued ordinary share capital of Southnews plc.

Analysis of the net outflow of cash in respect of the Southnews acquisition	£m
Cash consideration (including the costs of acquisition)	265.9
Bank overdraft acquired	0.2
Net outflow of cash in respect of the Southnews acquisition	266.1

Amounts included in the Group's cash flow statement relating to Southnews since acquisition have not been separately disclosed on the grounds of immateriality.

The fair values attributed to the net assets acquired were:

Net assets acquired:	Book value £m	Provisional fair value adjustments £m	Provisional fair value to Group £m
Intangible fixed assets (i)	109.8	235.9	345.7
Tangible fixed assets	4.2	–	4.2
Current assets (ii)	16.6	0.2	16.8
Creditors falling due within one year (iii)	(18.5)	(5.8)	(24.3)
Creditors falling due after one year	(40.1)	–	(40.1)
Provisions (iv)	(2.8)	(2.8)	(5.6)
Minority interest	(3.7)	–	(3.7)
	65.5	**227.5**	**293.0**

i) The adjustment to intangible fixed assets represents the increase in carrying value of publishing rights and titles to reflect the directors' valuation of these assets at acquisition;

ii) Adjustments to current assets relate primarily to the alignment of the application of an accounting policy in respect of debtors;

iii) Adjustments to creditors falling due within one year represent an estimate of the liability likely to result from a pending legal case, various onerous contracts and corporation tax; and

iv) Adjustments to provisions are primarily in respect of future costs related to occupied, let and vacant properties, pension schemes valuation deficits and deferred tax.

The provisional nature of the fair value adjustments relates primarily to estimates used in arriving at the pension schemes' valuation and property provisions and accruals.

Fair value of the consideration

Satisfied by:	£m
Cash	257.8
Loan notes	27.1
Costs of acquisition	8.1
	293.0

32 Acquisitions *continued*

The following financial information relates to Southnews prior to its acquisition:	**1 April to 28 November 2000 £m**	Year ended 31 March 2000 £m
Turnover	**63.2**	75.9
Operating profit	**13.3**	15.3
Exceptional items	**-**	(0.7)
Profit before taxation	**10.6**	12.3
Taxation	**(3.2)**	(3.6)
Profit after taxation	**7.4**	8.7

The above results are shown using the accounting policies of Southnews prior to the acquisition. During the period ended 28 November 2000, Southnews had no recognised gains or losses other than those included in the profit and loss account.

Southnews acquired and retained the Kent and London operations of the former Adscene Group in March 2000.

Acquisition of Mirror Group

On 6 September 1999 the Company acquired the entire issued share capital of Mirror Group and provisional fair value adjustments were made in the 1999 accounts. Revisions to the provisional fair value adjustments have been made in 2000.

The fair values attributed to the net assets acquired were:

		Fair value adjustments			
Net assets acquired:	**Book value £m**	**Provisional 1999 £m**	**Revisions 2000 £m**	**Revised 2000 £m**	**Fair value to Group £m**
Intangible fixed assets (i)	213.6	1,194.0	13.5	1,207.5	1,421.1
Tangible fixed assets (ii)	351.4	(49.8)	(6.8)	(56.6)	294.8
Fixed asset investments	10.8	–	0.5	0.5	11.3
Current assets (iii)	155.5	(6.7)	(2.0)	(8.7)	146.8
Creditors falling due within one year (iv)	(184.3)	(13.6)	(5.5)	(19.1)	(203.4)
Creditors falling due after one year	(332.9)	–	–	–	(332.9)
Provisions (v)	(32.9)	(14.6)	0.3	(14.3)	(47.2)
	181.2	**1,109.3**	**-**	**1,109.3**	**1,290.5**

Revisions to the fair value adjustments are in respect of:

i) an increase in the carrying value of publishing rights and titles to reflect the directors' valuation of these assets at acquisition;

ii) professional independent valuations of plant and machinery on a value to the business basis as at the date of acquisition;

iii) the write off of items of slow moving stock, irrecoverable debtor balances and independent market valuations of assets for resale;

iv) future potential costs in relation to potential libel claims; and

v) future costs related to occupied, let and vacant properties and deferred tax.

Acquisitions of investments and associated undertakings

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

Other cash outflows in respect of acquisitions comprise £6.8 million of deferred consideration in respect of prior period acquisitions of subsidiary companies and associated undertakings.

Notes to the financial statements

continued

33 Sale of subsidiary undertakings

As a condition of the merger between Trinity and Mirror Group, the Secretary of State for Trade and Industry required the Group to dispose of Belfast Telegraph Newspapers. The disposal was completed on 30 July 2000. The results of the company up to the date of disposal have been included under continuing operations.

Net assets disposed of:	**2000 £m**
Intangible fixed assets	**110.8**
Tangible fixed assets	**17.3**
Current assets	**8.8**
Creditors falling due within one year	**(8.6)**
Creditors falling due after one year	**(2.0)**
	126.3
Costs of disposal	**5.0**
Profit on disposal	**164.5**
	295.8
Satisfied by:	
Cash	**175.4**
Loans repaid	**120.4**
	295.8

Analysis of the net cash inflow in respect of the Belfast Telegraph Newspapers disposal:

Cash consideration	**175.4**
Costs of disposal	**(5.0)**
Net cash balance transferred on disposal	**(0.8)**
	169.6

Principal subsidiaries and associated undertakings

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

*Direct subsidiaries of Trinity Mirror plc as at 31 December 2000

Joint venture		
PA Sporting Life Limited	Internet sites	50
Associated undertakings		
All4U Limited (trading through Jobs4U Limited)	Internet sites	25
The Press Association Limited	News agency	21.54
Reed Aviation Limited	Air freight and services	45

Group Five Year Summary

	2000* £m	1999* £m	1998 £m	1997 £m	1996 £m
Profit and loss account					
Turnover	**1,080**	596	342	325	333
Operating profit					
Continuing operations	**183**	81	74	70	57
Acquisitions	**(3)**	47	–	–	–
Discontinued operations	**1**	(1)	3	4	6
	181	127	77	74	63
Share of exceptional item of associated undertaking	**17**	1	–	–	–
Profit on sale of fixed assets	**-**	–	–	–	1
Net interest payable	**(47)**	(19)	(10)	(10)	(13)
Profit before disposal of businesses and taxation	**151**	109	67	64	51
Sale or termination of businesses	**164**	(5)	17	–	5
Profit before taxation	**315**	104	84	64	56
Taxation	**(47)**	(28)	(21)	(20)	(17)
Profit for the financial year	**268**	76	63	44	39
Ordinary dividends	**(51)**	(46)	(20)	(18)	(16)
Retained profit transferred to reserves	**217**	30	43	26	23
	pence	pence	pence	pence	pence
Earnings per share – basic	**92.6**	40.0	45.4	31.9	28.3
Dividends per share	**17.6**	16.0	14.5	13.2	11.8
Balance sheet					
Intangible assets	**2,018**	1,768	349	354	349
Tangible fixed assets	**404**	433	123	118	115
Other assets and liabilities	**(151)**	(139)	(26)	(24)	10
	2,271	2,062	446	448	474
Less net borrowings	**(768)**	(779)	(66)	(118)	(159)
Net assets	**1,503**	1,283	380	330	315
Capital and reserves	**1,503**	1,283	380	330	315

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

Unaudited pro forma consolidated financial information for 1999

The unaudited pro forma consolidated financial information for 1999 set out on pages 70 to 72 was prepared for the 53 weeks to 2 January 2000 to illustrate the effect of the merger of Trinity and Mirror Group on the 1999 profit and loss account of the Group as if the merger had occurred on 28 December 1998 (the first day of the relevant accounting period). This is to facilitate comparison with the statutory profit and loss account for the year ended 31 December 2000, the first full year as a merged Group. The unaudited pro forma consolidated financial information was prepared for illustrative purposes only. Because of its nature, it may not give a true picture of the profit and loss which would have been reported in 1999 if the merger had occurred on the date assumed.

The 1999 unaudited pro forma consolidated profit and loss account, prepared using acquisition accounting and derived from the consolidated financial statements of both Trinity Mirror and Mirror Group, includes 53 weeks of Trinity and 52 weeks of Mirror Group. The 2000 statutory profit and loss account is in respect of a 52 week period.

The unaudited pro forma financial information for 1999 was prepared using applicable accounting standards and contained such adjustments as Trinity Mirror management believed to be reasonable. The adjustments primarily reflected the impact of provisional fair value adjustments arising from the acquisition and the interest charge implications of the debt incurred from the assumed date of the merger. No further adjustments have been made since 17 March 2000.

No account was taken of any restructuring costs or any potential cost savings or other synergies that resulted from the merger, other than those actually realised or incurred during the period 6 September 1999 to 2 January 2000.

The report provided by the auditors, Deloitte & Touche on 17 March 2000 in respect of the pro forma financial information for 1999 and 1998 is reproduced below:

"Report by Deloitte & Touche to the Directors of Trinity Mirror plc on the pro forma financial information

We report on the pro forma financial information set out on pages 70 to 72 which has been prepared, for illustrative purposes only, to provide information about how the acquisition of Mirror Group PLC might have affected the financial information presented in respect of the 53 weeks ended 2 January 2000 had the transaction taken place on 28 December 1998.

Responsibilities

You have requested us to undertake a review of the bases of preparation of the pro forma financial information and to report to you whether, in our opinion, the pro forma financial information has been properly compiled on bases consistent with the accounting policies of Trinity Mirror plc.

It is the responsibility solely of the Directors of Trinity Mirror plc to prepare the pro forma financial information in accordance with the bases set out above.

Basis of opinion

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the nature of the adjustments made to arrive at the pro forma financial information and discussing the pro forma financial information with the Directors of Trinity Mirror plc.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the bases stated; and

b) such bases are consistent with the accounting policies of Trinity Mirror plc.

Deloitte & Touche
17 March 2000

Hill House
1 Little New Street
London
EC4A 3TR"

Consolidated profit and loss accounts (1999 pro forma)

	Notes	Statutory Before exceptional items £m	Statutory Exceptional items £m	Statutory Total 2000 £m	Pro forma (unaudited) Before exceptional items £m	Pro forma (unaudited) Exceptional items £m	Pro forma (unaudited) Total 1999 £m
Turnover							
Continuing operations		**1,079.1**	**-**	**1,079.1**	1,048.2	–	1,048.2
Discontinued operations		**1.2**	**-**	**1.2**	14.4	–	14.4
	1	**1,080.3**	**-**	**1,080.3**	1,062.6	–	1,062.6
Net operating expenses		**(878.9)**	**(20.8)**	**(899.7)**	(841.5)	(9.5)	(851.0)
Group operating profit	1						
Continuing operations		**201.4**	**(21.5)**	**179.9**	225.4	(9.5)	215.9
Discontinued operations		**-**	**0.7**	**0.7**	(4.3)	–	(4.3)
Group operating profit	1	**201.4**	**(20.8)**	**180.6**	221.1	(9.5)	211.6
Share of results of associated undertakings		**-**	**-**	**-**	3.0	–	3.0
Total operating profit		**201.4**	**(20.8)**	**180.6**	224.1	(9.5)	214.6
Share of exceptional items of associated undertaking (continuing)	2	**-**	**17.5**	**17.5**	–	2.2	2.2
Profit/(loss) on sale/termination of operations (continuing/1999: discontinued)	2	**-**	**164.5**	**164.5**	–	23.9	23.9
Profit on ordinary activities before interest		**201.4**	**161.2**	**362.6**	224.1	16.6	240.7
Net interest payable		**(47.3)**	**-**	**(47.3)**	(56.0)	(3.9)	(59.9)
Profit on ordinary activities before taxation		**154.1**	**161.2**	**315.3**	168.1	12.7	180.8
Tax on profit on ordinary activities	3	**(44.0)**	**(3.0)**	**(47.0)**	(44.8)	4.9	(39.9)
Profit on ordinary activities after taxation		**110.1**	**158.2**	**268.3**	123.3	17.6	140.9
Ordinary dividends on equity shares				**(51.2)**			(46.2)
Retained profit for the financial period				**217.1**			94.7
Earnings per share (pence)	4						
Before digital media activities				**48.4**			44.5
Digital media activities				**(10.4)**			(1.9)
Underlying earnings per share				**38.0**			42.6
Exceptional items				**54.6**			6.2
Earnings per share - basic				**92.6**			48.8
Earnings per share - diluted	4			**92.0**			48.6

Notes to the unaudited pro forma financial information

1 Turnover

i) the analysis of the Group's turnover is as follows:	Statutory 2000 £m	Pro forma (unaudited) 1999 £m
By geographical destination:		
United Kingdom and Republic of Ireland	**1,075.0**	1,047.1
Continental Europe	**5.3**	14.6
Rest of the World	**-**	0.9
	1,080.3	1,062.6
By type:		
Circulation	**396.8**	395.7
Advertising	**574.8**	557.0
Other	**108.7**	109.9
	1,080.3	1,062.6
By division:		
Regional newspapers*	**465.3**	462.5
National newspapers	**532.4**	519.9
Sports newspapers	**31.6**	25.0
Magazines and exhibitions	**35.3**	33.9
Digital media	**2.5**	1.5
Other	**13.2**	19.8
	1,080.3	1,062.6

* Regional newspapers includes turnover relating to Belfast Telegraph Newspapers of £31.4 million (1999: £52.8 million) and the Metro titles of £2.6 million (1999: £nil). Belfast Telegraph Newspapers was sold on 30 July 2000.

ii) the analysis of the Group's operating profit (before exceptionals) is as follows:	2000 £m	1999 £m
By division:		
Regional newspapers*	**114.8**	114.6
National newspapers	**111.0**	103.6
Sports newspapers	**8.2**	5.2
Magazines and exhibitions	**6.8**	7.6
Digital media	**(42.3)**	(7.0)
Other	**2.9**	(2.9)
	201.4	221.1

* Regional newspapers includes operating profit relating to Belfast Telegraph Newspapers of £13.2 million (1999: £20.8 million) and start up costs of the Metro titles of £4.0 million (1999: £0.3 million).

Notes to the unaudited pro forma financial information

continued

2 Exceptional items

Exceptional items were:	notes	Statutory 2000 £m	Pro forma (unaudited) 1999 £m
Restructuring costs	*(a)*	**13.3**	9.5
Accelerated depreciation in respect of press impairment	*(b)*	**7.5**	–
Total exceptional items charged against operating profit		**20.8**	9.5
(Profit)/loss on sale/termination of operations and investments	*(c)*	**(164.5)**	(23.9)
Share of exceptional item of associated undertaking	*(d)*	**(17.5)**	(2.2)
		(161.2)	(16.6)
Net interest payable	*(e)*	**-**	3.9
Net exceptional items before taxation		**(161.2)**	(12.7)

a) Restructuring costs of £9.8 million have been incurred as a result of the integration and restructuring of management and operations following the Trinity Mirror merger in 1999. Further restructuring costs, including those in respect of management changes, of £3.5 million have been incurred in respect of the acquisition of Southnews.

b) Following an assessment of the Group's future press policy undertaken during the year, accelerated depreciation of £7.5 million has been applied to certain press facilities reflecting their impairment.

c) The sale of Belfast Telegraph Newspapers, resulted in a net profit on disposal of £164.5 million. The loss on termination of operations in 1999 related primarily to the closure of Live TV in November 1999. In March 1999, Mirror Group disposed of its investment in Scottish Media Group, realising a net profit of £31.5 million.

d) The share of associated undertaking's exceptional item relates to the net profit on disposal of businesses in 1999 and 2000 by The Press Association.

e) Prior to the merger, interest rate swaps with a principal amount of £200 million were cancelled at a cost of £3.9 million.

3 Taxation

The charge for taxation is as follows:	Statutory 2000 £m	Pro forma (unaudited) 1999 £m
Underlying		
UK corporation tax	**43.2**	44.9
Deferred taxation	**0.8**	(1.8)
Tax in associated undertakings	**-**	1.7
	44.0	44.8
Exceptional		
UK corporation tax	**3.8**	(4.9)
Deferred taxation	**(0.8)**	–
Total	**47.0**	39.9

The underlying tax charge is less than the UK corporation tax rate of 30% because of different treatments of certain items for accounting and taxation purposes. Included in the UK corporation tax charge on exceptional items is £4.6 million in respect of the profit on disposal of Belfast Telegraph Newspapers and £4.6 million in respect of the Group's share of tax on exceptional items of associated undertakings. The tax charge in respect of Belfast Telegraph Newspapers is less than the UK corporation tax rate of 30% due to the tax effective disposal of this subsidiary.

4 Earnings per share

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

	Statutory 2000 No. of shares m	Pro forma (unaudited) 1999 No. of shares m
Basic	**289.8**	288.5
Diluted	**291.9**	290.3

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