Trinity Mirror plc

Annual Report & Accounts 2011

11

Our strategic goal is to build a growing multi-platform media business, by developing and sustaining strong positions across print and digital, with products and services which meet the needs of our customers.

Our business

Trinity Mirror is one of the largest multimedia publishers in the UK.

Our portfolio of iconic media brands span the length and breadth of the country, providing news, entertainment, information and services to a broad spectrum of national, regional and local audiences.

As a multi-platform publisher we reach our audiences through a variety of means: be that the traditional daily newspaper, the 24-hour presence of the rolling news site, through specialist digital products or the immediacy of mobile devices.

As the needs of our customers evolve then so must we evolve with them. We are diversifying our product offering to meet the needs of those customers in both B2C and B2B sectors, this now includes digital marketing services, the launch into the daily deals market, contract printing for publishers and contract publishing for football clubs.

Collectively our newspapers are read by over 16 million people each week while our digital brands reach over 27 million people every month.

Our portfolio

Our award winning portfolio includes five national newspapers: the Daily Mirror, the Daily Record, the Sunday Mirror, The People and the Sunday Mail as well as a leading portfolio of regional titles including household names such as: the Liverpool Echo, the Manchester Evening News, the Birmingham Mail, the Western Mail and the Newcastle Chronicle.

Our national brands provide news and analysis in a trusted format which is easy to consume and popular with advertisers. From news and sport to politics and showbiz, they provide our readers with compelling content and campaigning journalism seven days a week. Our strong portfolio of regional daily and weekly print titles stretches throughout England, Scotland and Wales, serving some of the biggest cities and metropolitan areas in the country. These iconic print brands sit at the heart of their communities, forming part of the fabric of everyday life for thousands of people across the UK.

We also own and manage national and regional events including the Daily Mirror Pride of Britain Awards and the Great Scot Awards just two of the many events and business conferences which extend the reach and influence of our brands.

The Group is the largest contract printer of newspapers in the UK and is establishing a strong position offering contract publishing for football clubs.

Our digital portfolio ranges from news and entertainment sites providing a regularly-updated rolling news service with specialist sites aimed at defined audiences such as sport and showbiz and interactive services such as bingo.

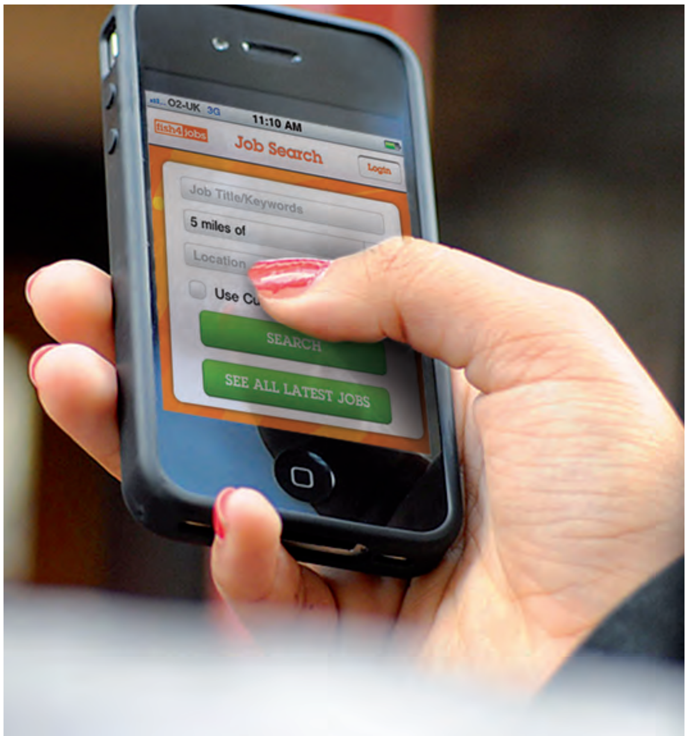
Our digital recruitment business publishes specialist national job sites including leading brands such as GAAPweb, TotallyLegal, TotallyFinancial, Secsinthecity and The Careerengineer and the generalist job site fish4 while our national property site, Smartnewhomes specialises in new homes.

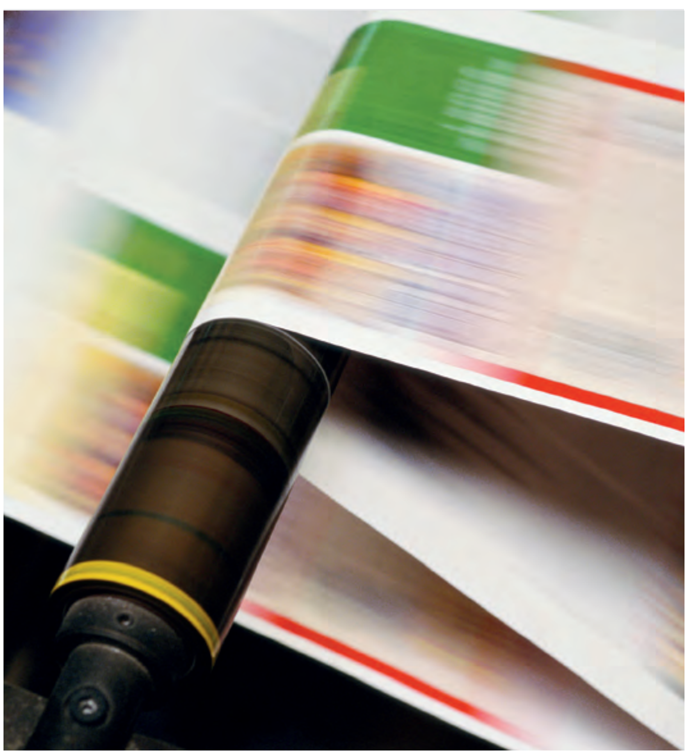
Locally, we have classified sites in the key areas of recruitment, property and motors plus important local services such as births, marriages and deaths.

We are building, through organic investment and acquisition, a digital marketing services business expanding our service offering to customers beyond traditional advertising services to new growing areas such as website development, internet marketing and email and mobile communications.

2012 will see further portfolio development with the launch of a number of paid for tablet e-editions and the launch of a daily deals business.

Who we are
Business review
Governance
Financials





Our strategy for growth

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

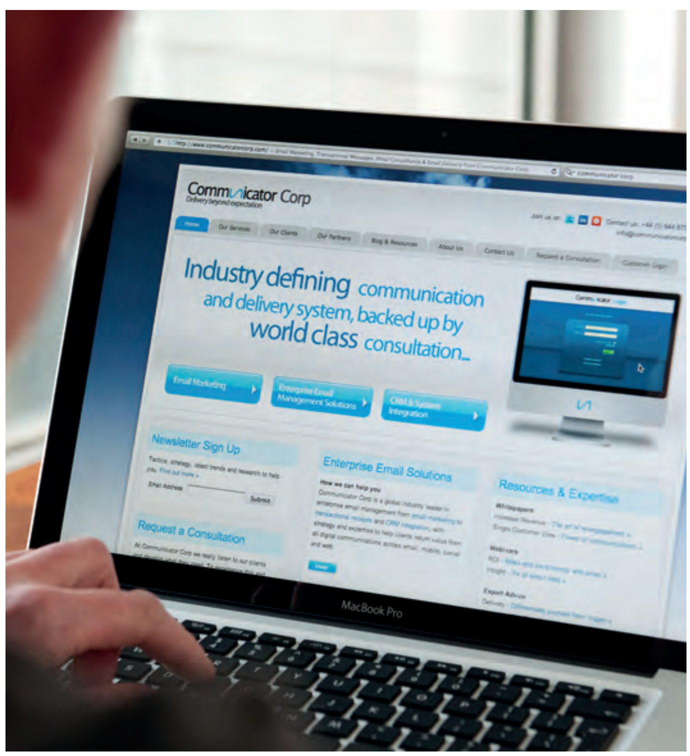
- a reduction in fixed costs, portfolio management and leveraging our print assets;
- the technology led transformation of our publishing capabilities to support a multi-platform media business, ensuring we have the appropriate infrastructure in place to efficiently publish and drive revenues across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

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


Mirror
NEWS
Real news, real entertainment
FRONT PAGE
NEWS
SPORT
3AM
LIFESTYLE
MONEY
PLAY
Hosepipe ban
In The Willo


PRIDE of
BRITAIN
AWARDS 2011
Monday 3rd October
Mirror


Bunny hired to be police interpreter!
"Well, even a rabbit's got to earn an honest buck..."
BIRMINGHAM
Mail
All club assets pledged to HSBC to secure loans
BLUES SIGN
SECRET


Communicator Corp
Industry defining communication and delivery system, backed up by world class consultation...
Newsletter Sign Up
Enterprise Email Solutions
Resources & Expertise
Request a Consultation
MacBook Pro

Our performance

- > Maintained strong cash flows and supported profitability in a challenging economic environment
  Rigorous management of the business has supported profitability and delivered resilient cash flows in a challenging economic environment whilst ensuring we appropriately position the business for growth.
- > Transformation of our publishing infrastructure nearing completion
  Our investment in the technology led transformation of our publishing infrastructure is well advanced and on budget and will be completed by the end of 2013. The creation of a scalable industry leading publishing platform enables us to reduce costs through increased efficiencies and to develop and launch new digital products and services for our customers across multiple platforms.
- > Increased focus on driving revenues in new and growing digital sectors
  We are continuing to develop revenues in both B2C and B2B sectors. Today we have launched 'happli', a new brand and business proposition in the fast growing daily deals market, which we expect to deliver revenues of circa £20 million by 2014. In B2B, our digital marketing services offering has been strengthened through the acquisition of Communicator Corp where, alongside our existing business Rippleffect and our plans for SME's, we anticipate revenues in excess of £10 million in 2012.
- > Group revenue (2) lower at £746.6 million with operating profit (2)(3) lower at £104.5 million
  In response to the cyclical market pressures we have undertaken a series of measures to support both revenues and profitability including the delivery of structural cost savings of £25 million during the year. Without the impact of £22 million of additional costs due to newsprint price increases, adjusted operating profit would have increased year on year.
- > Reduction in net debt(1) and secure financing through to August 2015 agreed
  Our strong operating cash flow has enabled us to reduce net debt in the year by £44.7 million to £221.2 million. We have also announced today a new £110 million bank facility through to August 2015 together with agreed reduced pension funding obligations for the next three years. Our resilient cash flows, improving financial position and secure longer term financing underpin the value proposition of the business.

	Statutory(2) 2009	Statutory(2) 2010	Statutory(2) 2011	Adjusted(2) (3) 2009	Adjusted(2) (3) 2010	Adjusted(2) (3) 2011
Revenue £m	763.3	761.5	746.6	763.3	761.5	746.6
Operating profit £m	87.0	138.0	92.4	105.4	123.3	104.5
Profit before tax £m	42.0	123.7	74.4	83.2	108.6	91.9
Earnings per share p	11.5	44.6	31.4	23.0	30.6	27.0

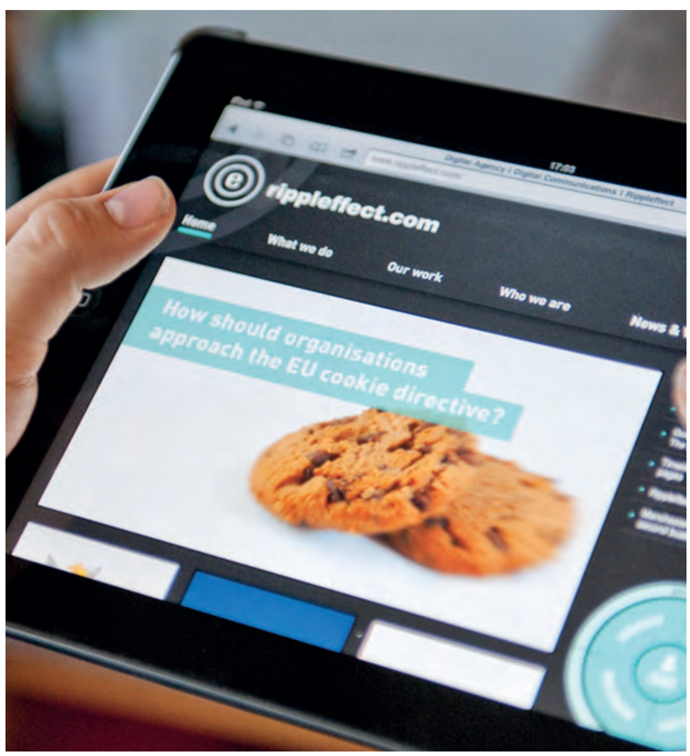
(1) On a contracted basis assuming that the private placement loan notes and related cross-currency interest rate swaps are not terminated prior to maturity.

(2) Including revenue and operating profit of GMG Regional Media for 52 weeks in 2011 versus 40 weeks in 2010.

(3) Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 37 on page 88.

Delivering quality journalistic news and analysis

24/7



Chairman and Chief Executive statement

Sir Ian Gibson CBE
Chairman

Sly Bailey
Chief Executive

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

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

Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

Investing for growth

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

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

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

Chairman and Chief Executive statement

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

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

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

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

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

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

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

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

Financing

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

The existing £135 million and the new £110 million bank facility cover the period over which the Group has £168 million of repayments of the existing US private placement loan notes. These debt repayments will be substantially met through cash generated by the business with minimal drawings required from the Group's bank facilities.

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

Pensions

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

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

Employees

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

Board Changes

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

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

Key Operating Trends 2012

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

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

Outlook

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

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

Board and management team

1. **Sly Bailey** 50

Chief Executive, Appointment date: February 2003

Committee membership: Sly is a member of the Nomination Committee and attends Audit & Risk and Remuneration Committee meetings at the invitation of the respective Committee Chairman.

Experience: Sly started her media career in advertising sales at The Guardian and then The Independent. In 1989 she joined IPC Media Limited as Head of Classified Advertising Sales and joined their Board in 1994 as Advertising Director. In 1997, Sly was appointed Managing Director of IPC tx, the TV listings division. In 1999, she was appointed Chief Executive of IPC Media Limited and subsequently led the sale of the business to AOL Time Warner.

External appointments: Sly is a non-executive director and Remuneration Committee member of Ladbrokes plc. She is also a Governor of The English National Ballet School and is a non-executive director of the Press Association and President of NewstrAid, a charity for the wholesale and retail news trade. Sly was previously Senior Independent Director and Remuneration Committee Chairman of EMI plc and a non-executive director of Littlewoods plc.

2. **Sir Ian Gibson CBE** 65

Chairman, Appointment date: May 2006

Committee membership: Chairman of the Nomination Committee and member of the Remuneration Committee. Sir Ian Gibson attends Audit & Risk Committee meetings at the invitation of its Chairman.

Experience: Previous appointments include President of Nissan Europe and Senior Vice President of Nissan Group and Chairman of BPB plc. He was also formerly a member of the Court of the Bank of England, Deputy Chairman of Asda Group plc, Senior non-executive director of Northern Rock plc and a non-executive director of GKN plc and Greggs plc.

External appointments: Chairman of Wm Morrison Supermarkets plc. Non-executive member of the Public Interest Body for PricewaterhouseCoopers LLP.

3. **David Grigson** 57

Chairman Designate, Appointment date: January 2012

Committee membership: Member of Audit & Risk, Nomination and Remuneration Committees.

Experience: David was appointed a non-executive director on 1 January 2012 and will succeed Sir Ian as Chairman on 3 August 2012. He is a Chartered Accountant and was the CFO of Emap plc, CFO of Reuters Group plc and non-executive director of Carphone Warehouse Group PLC.

External appointments: Non-executive director of Standard Life plc, Senior Independent Director and non-executive director at Ocado Group plc, non-executive Chairman at Creston plc, Chairman of Anobii Ltd and Director/Trustee at the Dolma Development Fund.

4. **Gary Hoffman** 51

Senior Independent Non-Executive Director, Appointment date: March 2005

Committee membership: Member of Audit & Risk, Nomination and Remuneration Committees.

Experience: Gary has extensive experience of the financial services industry having spent 26 years with the Barclays group. Gary has been Chief Executive of Northern Rock plc and Group Vice Chairman and Executive Director of Barclays plc. He was also Vice Chairman of Coventry City Football Club.

External appointments: Chief Executive of NBNK Investments plc (since May 2011). He is a Director of Visa Europe and non-executive Chair of the Football Foundation.

5. **Jane Lighting** 55

Non-Executive Director, Appointment date: January 2008

Committee membership: Chairman of the Remuneration Committee and member of the Audit & Risk and Nomination Committees.

Experience: Jane was Chief Executive of the television company, Five and of Flextech plc.

External appointments: Non-executive director of Paddy Power plc. Jane is a Trustee and Fellow of the Royal Television Society and Council and a member of the British Screen Advisory Council.

6. **Kathleen O'Donovan** 54

Non-Executive Director, Appointment date: May 2007

Committee membership: Chairman of the Audit & Risk Committee and member of the Nomination and Remuneration Committees.

Experience: Kathleen is a Chartered Accountant and was a partner at Ernst & Young. Kathleen has been Chairman of the Audit Committee of a number of public companies. Previously she was on the Court of the Bank of England and held non-executive directorships at O2 plc and EMI plc. Between 1998 and 2002, Kathleen was CFO of Invensys plc, having previously been the Finance Director of its legacy company BTR plc which merged with Siebe plc to create Invensys plc.

External appointments: Senior Independent Director of ARM Holdings plc and a non-executive director of Prudential plc.

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7. Donal Smith 50

Non-Executive Director, Appointment date: March 2012

Committee membership: Member of Audit & Risk, Nomination and Remuneration Committees.

Experience: Previously while at Thomson Reuters plc, Donal was the CEO of Thomson Financial Europe and Asia. Prior to that, he was the CEO of Financial Times Electronic Publishing and FT.com.

External appointments: Chief Executive Officer of Data Explorers and Chairman of Selerity Inc.

8. Vijay Vaghela 45

Group Finance Director, Appointment date: May 2003

Committee membership: Attends Audit & Risk Committee meetings by invitation of its Chairman.

Experience: Vijay is a chartered accountant and worked in private practice with Deloitte. He joined Mirror Group in 1994 as an Internal Auditor. He was subsequently Group Treasurer and then Director of Accounting and Treasury.

External appointments: An Independent Member of the Audit Committee of The Football Association.

9. Paul Vickers 52

Secretary and Group Legal Director, Appointment date: September 1999 (April 1994 Mirror Group plc)

Committee membership: Attends Audit & Risk, Nomination and Remuneration Committee meetings at the invitation of the respective Chairmen.

Experience: Paul qualified as a barrister and was in private practice at the Bar. He was Legal Manager of the London Daily News, which he left to join the breakfast television company TV-am where he subsequently became Assistant Managing Director. He was previously a non-executive director of Virgin Radio. In 1994 he became a Director of Mirror Group plc which merged with Trinity plc to form Trinity Mirror plc.

External appointments: Director of the Press Standards Board of Finance, the body that funds and sets the remit for the PCC.

10. Laura Wade-Gery 47

Non-Executive Director, Appointment date: August 2006

Committee membership: Member of Audit & Risk, Nomination and Remuneration Committees.

Experience: Laura was Chief Executive of Tesco.com until February 2011 and previously Group Strategy Director of Tesco plc. Prior to joining Tesco in 1997, Laura held various positions within Gemini Consulting and Kleinwort Benson.

External appointments: Executive Director of Multi-channel E-commerce at Marks and Spencer plc (since July 2011).

Executive Committee

Sly Bailey, Chief Executive
Vijay Vaghela, Group Finance Director
Paul Vickers, Secretary and Group Legal Director

11. Nick Fullagar

Director of Corporate Communications

Nick was appointed Director of Corporate Communications in 2001. He started his career in journalism on local and regional newspapers, including the Western Mail in Cardiff, before joining the Daily Mirror in 1980. After a number of roles, including news editing, Nick moved into communications in 1993 as Head of Public Relations for Mirror Group. Nick is a trustee of the Child Growth Foundation and a governor of Grove Park School, East Sussex.

12. Georgina Harvey

Managing Director, Regionals

Georgina joined the Company in February 2005. She started her media career at Express Newspapers where she was appointed Advertising Director in 1994. She joined IPC Media in 1995 as Group Advertising Sales Director for SouthBank and went on to form IPC Advertising in 1998 where she was Managing Director. Georgina became a member of the Board of IPC Media in 2000 and was subsequently appointed Managing Director of Wallpaper* Group in 2003. Georgina is a former President of the Newspaper Society. Georgina was appointed as a non-executive director of William Hill plc in November 2011.

13. Mark Hollinshead

Managing Director, Nationals

Mark was appointed as Managing Director of our Nationals division in September 2008. From 1998 he was Managing Director of the Scottish Daily Record and Sunday Mail Ltd, prior to which he was Managing Director of Midland Weekly Media Ltd. He was previously Business Development Director at Thomson Regional Newspapers Ltd, Marketing Director at MIN plc and Research Manager at the Wolverhampton Express & Star, having entered the newspaper industry in advertising sales at the Midland News Association Ltd in the mid 1980s. Mark spent the early part of his career working in advertising agencies. He is a director of the Newspaper Publishers Association Ltd and former Chairman of Scottish Athletics Ltd.

14. Tony Pusey

Group Information Technology Director

Tony was appointed Group IT Director in December 2000. Prior to joining Trinity Mirror, he was Group CIO and Business Change Director at Storehouse plc, which incorporates Bhs and Mothercare.

Business review

Group strategy

Our strategic goal is to build a growing multi-platform media business, by developing and sustaining strong positions across print and digital, with products and services which meet the needs of our customers.

Actions taken and progress on delivery of our strategic goal can be found on pages 8 to 10 of the Chairman and Chief Executive statement.

Group activities

Our award winning portfolio includes five national newspapers: the Daily Mirror, the Daily Record, the Sunday Mirror, The People and the Sunday Mail as well as a leading portfolio of regional titles including household names such as: the Liverpool Echo, the Manchester Evening News, the Birmingham Mail, the Western Mail and the Newcastle Chronicle.

Our national brands provide news and analysis in a trusted format which is easy to consume and popular with advertisers. From news and sport to politics and showbiz, they provide our readers with compelling content and campaigning journalism seven days a week. Our strong portfolio of regional daily and weekly print titles stretches throughout England, Scotland and Wales, serving some of the biggest cities and metropolitan areas in the country. These iconic print brands sit at the heart of their communities, forming part of the fabric of everyday life for thousands of people across the UK.

We also own and manage national and regional events including the Daily Mirror Pride of Britain Awards and the Great Scot Awards just two of the many events and business conferences which extend the reach and influence of our brands.

The Group is the largest contract printer of newspapers in the UK and is establishing a strong position offering contract publishing for football clubs.

Our digital portfolio ranges from news and entertainment sites providing a regularly-updated rolling news service with specialist sites aimed at defined audiences such as sport and showbiz and interactive services such as bingo.

Our digital recruitment business publishes specialist national job sites including leading brands such as GAAPweb, TotallyLegal, TotallyFinancial, Secsinthecity and The Careerengineer and the generalist job site fish4 while our national property site, Smartnewhomes specialises in new homes.

Locally, we have classified sites in the key areas of recruitment, property and motors plus important local services such as births, marriages and deaths.

We are building, through organic investment and acquisition, a digital marketing services business expanding our service offering to customers beyond traditional advertising services to new growing areas such as website development, internet marketing and email and mobile communications.

2012 will see further portfolio development with the launch of a number of paid for tablet e-editions and the launch of a daily deals business.

Our marketplace

The Group has been faced with challenging economic trading conditions during 2011 with low GDP growth and weak consumer and business confidence. The challenging economic environment continued to place pressure on the Group's key advertising and circulation revenues.

Key performance indicators

The key financial performance indicators for the Group are revenue, operating profit and operating margin and the key non-financial indicators for the Group are circulation volumes, unique users and reach. The Group seeks to target performance in line with or ahead of competitors or comparators taking account of our strategy and that of our competitors.

Relevant key performance indicators for each division are included in the respective sections of the Business review.

In addition the Group sets a number of targets for environmental and health and safety which can be found in the Corporate responsibility report on pages 24 and 31.

Group performance

	Statutory results [2]		Adjusted results [1] [2]	
	2011 52 weeks £m	2010 52 weeks £m	**2011 52 weeks £m**	2010 52 weeks £m
Revenue	**746.6**	761.5	**746.6**	761.5
Operating profit	**92.4**	138.0	**104.5**	123.3
Profit before tax	**74.4**	123.7	**91.9**	108.6
Earnings per share	**31.4p**	44.6p	**27.0p**	30.6p

(1) Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share, is provided in note 37.

(2) Including revenue and operating profit of GMG Regional Media for 52 weeks in 2011 versus 40 weeks in 2010.

Statutory results

The statutory results for the 52 weeks ended 1 January 2012 (2011) compared to the 52 weeks ended 2 January 2011 (2010) reflect the tough economic environment faced by the Group. Whilst trading conditions were difficult, the Group has continued to invest in the future and remains highly cash generative.

	2011 £m	2010 £m	Variance £m
Revenue	**746.6**	761.5	(14.9)
Operating costs	**(643.4)**	(638.9)	(4.5)
Amortisation of intangibles	**(2.8)**	(6.0)	3.2
Share of results of associates	**1.3**	0.7	0.6
Non-recurring items	**(9.3)**	20.7	(30.0)
Operating profit	**92.4**	138.0	(45.6)
Finance items	**(18.0)**	(14.3)	(3.7)
Profit before tax	**74.4**	123.7	(49.3)
Tax credit/(charge)	**3.4**	(10.4)	13.8
Profit after tax	**77.8**	113.3	(35.5)
Earnings per share	**31.4p**	44.6p	(13.2)p

Group revenue in 2011 fell by 2% or £14.9 million from £761.5 million to £746.6 million with operating profit falling by £45.6 million from £138.0 million to £92.4 million. The fall in operating profit is distorted by the prior year benefiting from a non-recurring credit of £20.7 million compared to a non-recurring charge of £9.3 million in the current year. Before non-recurring items, statutory operating profit fell by £15.6 million from £117.3 million to £101.7 million.

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

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

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

Non-recurring items

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

During 2011, the Group had a net non-recurring charge of £9.3 million (2010: £20.7 million credit).

Restructuring charges in connection with the delivery of cost reduction measures and the implementation of the new operating model for the Group amounted to £10.7 million (2010: £11.1 million). We expect total restructuring charges in 2012 to be around £15 million.

The Group received £1.4 million in distributions from the liquidators of Dawson, the circulation distribution company which went in to liquidation in 2009.

In 2010, the Group made a net gain of £27.3 million on the acquisition of GMG Regional media, released accruals of £3.6 million for which no further costs were expected, made a profit of £1.3 million from property disposals and a net loss of £0.4 million in relation to the defined benefit pension schemes.

Finance items

	2011 £m	2010 £m
Investment revenues	**0.7**	1.4
Interest expense	**(13.3)**	(16.1)
Pension finance credit/(charge)	**2.7**	(7.1)
Fair value (loss)/gain on derivative financial instruments	**(10.1)**	16.4
Foreign exchange gain/(loss) on retranslation of borrowings	**2.0**	(8.9)
Total finance items charge	**(18.0)**	(14.3)

Investment revenues fell to £0.7 million (2010: £1.4 million) reflecting 2010 benefiting from £0.9 million of interest on a refund of VAT on share issue costs.

The interest expense fell to £13.3 million (2010: £16.1 million) reflecting the £145.4 million repayment of maturing loan notes during the year and lower average interest rates.

The pension finance credit which represents an assumed return on assets and the unwinding of the discount on liabilities within the Group's defined benefit pension schemes was £2.7 million (2010: £7.1 million charge).

The impact of fair value changes in derivative financial instruments and the retranslation of foreign denominated borrowings resulted in a net charge of £8.1 million (2010: £7.5 million net credit).

Adjusted results

Adjusted results exclude the impact of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes.

A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year adjusted profit before tax and earnings per share, is provided in note 37 on page 88.

	2011 £m	2010 £m	Variance £m
Revenue	**746.6**	761.5	(14.9)
Labour	**(237.8)**	(248.8)	11.0
Newsprint	**(124.9)**	(105.0)	(19.9)
Depreciation	**(33.3)**	(33.9)	0.6
Other costs	**(247.4)**	(251.2)	3.8
Operating costs	**(643.4)**	(638.9)	(4.5)
Share of results of associates	**1.3**	0.7	0.6
Operating profit	**104.5**	123.3	(18.8)
Net interest costs	**(12.6)**	(14.7)	2.1
Profit before tax	**91.9**	108.6	(16.7)
Tax charge	**(25.0)**	(30.9)	5.9
Profit after tax	**66.9**	77.7	(10.8)
Earnings per share	**27.0p**	30.6p	(3.6)p

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

Following the transfer of management control of the Scottish regionals from Regionals, the Nationals division now includes all our activities in Scotland. This has no impact on total Group numbers but has resulted in a restatement of the prior year reporting at a segmental level. The impact of the restatement is revenue of £30.6 million and operating profit of £8.3 million reported in Regionals in 2010 is now reported in Nationals.

Business review

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

	Including GMG Regional Media			Excluding GMG Regional Media		
	2011 £m	2010 £m	Variance %	**2011 £m**	2010 £m	Variance %
Nationals	**453.0**	460.9	(1.7)	**453.0**	460.9	(1.7)
Regionals	**293.6**	300.6	(2.3)	**230.8**	249.7	(7.6)
Total revenue	**746.6**	761.5	(2.0)	**683.8**	710.6	(3.8)

Revenue for the Nationals fell by 1.7% to £453.0 million and for the Regionals fell by 2.3% to £293.6 million. Excluding GMG Regional Media, Regionals revenue fell by 7.6% to £230.8 million.

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

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

Group revenues have fallen by 2.0% with a fall in advertising revenues of 7.0% substantially offset by an increase in circulation revenues and other revenues of 1.6% and 4.7% respectively. Excluding the acquisition, advertising revenues fell by 10.8% with circulation revenues and other revenues increasing by 1.0% and 4.0% respectively. The overall decline in revenues reflects the fragility of the UK economy which continues to adversely affect our customers, both readers and advertisers.

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

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

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

Digital revenues, included in advertising and other revenue, increased by 1.3% or £0.5 million from £37.1 million to £37.6 million. Underlying digital revenues fell marginally by 1.1% or £0.4 million from £34.9 million to £34.5 million. Whilst digital revenues have not been immune to the overall slowdown in economic activity we are encouraged that display advertising has grown by 19.2% which has been offset by cyclical declines in recruitment and property advertising revenues driven by high levels of unemployment and a sluggish property market, in particular the new homes market. Our focus on building engaged, quality digital audiences for advertisers ensured that average monthly unique users for the year grew by 27% year on year to over 27 million. The number of unique users in December 2011 was nearly 29 million, a year on year increase of 34%.

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

Whilst tight control of costs has been crucial, we have continued with investment plans to transform our publishing infrastructure, in customer relationship management systems, in a new digital content management system and in our digital marketing services business.

The new customer relationship management system, providing tools for more effective marketing of sales initiatives through enhanced customer service and insight, remains on track and is being rolled out across the Group. Key areas of focus will include increasing customer numbers, improving customer retention and increasing customer value.

Good progress has been made with the implementation of a new digital content management system across the Group. The new system provides significantly enhanced functionality for all of the Group's digital platforms, including PC, mobile, smartphone and tablet. This will improve the customer experience thereby increasing audience growth and driving revenues. The system will be fully integrated with the Contentwatch editorial production system and with our contextual and behavioural targeting systems.

In digital marketing services we have strengthened the senior management team and increased our sales and development headcount at Rippleffect, which we acquired in 2008. This investment enables the development of new digital products and services in order to widen the customer base and increase revenues. This includes website design and development, e-commerce, social media and online advertising.

Alongside the investment in Rippleffect, we completed the acquisition of Communicator Corp in December 2011 which further strengthens our aim to build a network of digital marketing services businesses. The business is an industry leading digital communications company specialising in providing highly-targeted and sophisticated email and mobile communications in more than 178 countries in over 30 languages. Communicator Corp perfectly complements the Rippleffect business by adding email and mobile communications to the services currently offered.

The ongoing investment in our business, coupled with the difficult trading environment has contributed to operating profit falling by £18.8 million from £123.3 million to £104.5 million with the operating margin falling by 2.2 percentage points from 16.2% to 14.0%.

Group operating profit by division is set out below:

	Including GMG Regional Media		
	2011 £m	2010 £m	Variance %
Nationals	**83.1**	94.4	(12.0)
Regionals	**36.5**	43.4	(15.9)
Central	**(15.1)**	(14.5)	(4.1)
Total operating profit	**104.5**	123.3	(15.2)

Group operating profit fell by 15.2% from £123.3 million to £104.5 million. Both Nationals and Regionals operating profit fell by 12.0% and 15.9% respectively.

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

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

The Group remains highly cash generative with contracted net debt falling by £44.7 million from £265.9 million to £221.2 million. The next repayment of the private placement loan notes of £69.7 million is due in June 2012 and will be repaid through cash balances and a drawing on the bank facility.

The Group maintains significant financial flexibility with no drawings on the Group's bank facility and £15.5 million of cash at the year end. The Group refinanced the bank facility post year end whereby the £178.5 million bank facility was reduced to £135 million which is committed until June 2013. We have negotiated a new £110 million bank facility which is committed until August 2015. The new facility is available from June 2013 or earlier if the current £135 million facility is cancelled before June 2013. The new facility amount reduces to £102 million in March 2014 and further reduces to £94 million in March 2015.

Our continued focus, by both management and staff ensured a strengthening of our balance sheet with falling debt levels and financial flexibility, thereby creating headroom to fund investment and over time reinstate dividends. This provides a good backdrop for longer term shareholder value creation. Nevertheless, in the short term the Board believes it prudent to maintain financial flexibility for the time being and therefore the Board is not proposing a dividend until such time that we see an improvement in the trading environment.

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

The key operating trends and outlook can be found on page 11 of the Chairman and Chief Executive statement.

Divisional review

The Group operates across the UK and has two trading divisions: Nationals and Regionals. Central includes costs not allocated to the operational divisions and the share of results of associates.

Nationals

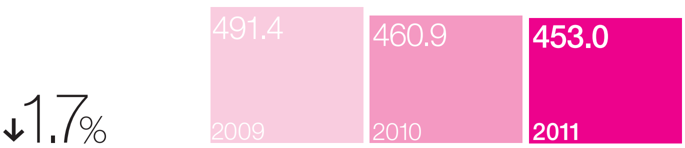
Our Nationals division publishes five national newspaper titles: the Daily Mirror, the Sunday Mirror and The People across the UK and the Daily Record and the Sunday Mail predominantly in Scotland and our regional titles and the Metro in Scotland. The titles are complemented by a portfolio of digital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

The strength of our newspapers is clear from the significant paid-for circulation volumes of our titles and the mass audience reach they provide in a fragmenting media landscape. The Daily Mirror and the Daily Record achieved a joint circulation in excess of 1.4 million copies per day during 2011 with readership per issue of 4.1 million. The majority of our titles achieved volume performance ahead of the market during 2011, further reinforcing the strength of our brands. Our national Sunday titles – the Sunday Mirror, The People and the Sunday Mail – achieved a joint circulation of over 2.4 million copies per week in 2011 with readership per issue of 5.9 million.

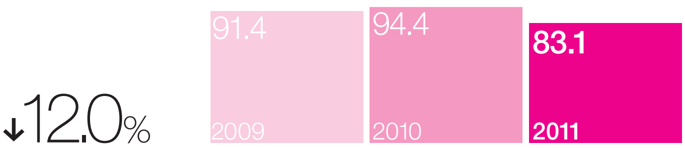
Our newspaper titles are complemented by a growing multi-platform digital business. Our digital portfolio comprises the established companion sites to our titles and also standalone sites such as mirrorfootball.co.uk and 3am.co.uk and a range of mobile sites. Interactive services such as Mirror Bingo add to the rich consumer experience. These sites attracted an average of 14.3 million monthly unique users during 2011.

We own and manage over 17 annual events and a number of exhibitions which extend the reach and influence our brands into a range of commercial markets. Events include the Daily Mirror Pride of Britain Awards, the most watched award ceremony of its kind on British television, the Great Scot Awards and the Scottish PLC Awards.

Revenue £m

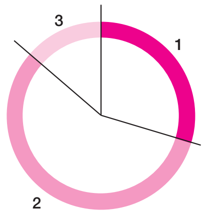


Operating profit £m

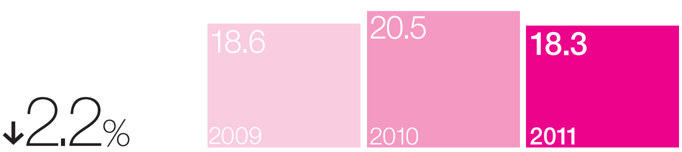


Revenue £m

1. Advertising £135.1m
2. Circulation £256.6m
3. Other £61.3m
Total £453.0m



Operating margin %



Business review

Revenue in 2011 fell by 1.7% or £7.9 million from £460.9 million to £453.0 million. This is significantly improved from the fall of 6.2% in revenues during the prior year. Revenue in the second half increased by 3.5% compared to a decline of 6.7% in the first half.

Operating profit fell by 12.0% from £94.4 million to £83.1 million with operating margin falling by 2.2 percentage points from 20.5% to 18.3%

Nationals revenue by type is set out below:

	2011 £m	2010 (Restated) £m	Variance %
Advertising	**135.1**	152.1	(11.2)
Circulation	**256.6**	251.1	2.2
Other	**61.3**	57.7	6.2
Total	**453.0**	460.9	(1.7)

Advertising revenue fell by 11.2% reflecting a decline of 11.3% in the first half and 11.1% in the second half. This compared to a decline of 2.7% in the prior year. We have broadly maintained advertising volume market share for all our national titles.

Circulation revenue increased by 2.2% reflecting a decline of 5.4% in the first half and an increase of 10.2% in the second half. This compared to a decline of 8.3% in the prior year. The circulation revenue performance reflects the increased circulation volumes of the national Sunday titles following the closure of the News of the World in July 2011. The circulation revenue performance is despite there being no cover price increases in the core Monday to Friday editions of the Daily Mirror and the Daily Record, the Saturday edition of the Daily Mirror, the Sunday Mirror and the Sunday Mail.

The average monthly circulation volumes and average readership of our national titles were as follows:

	2011 Volume actual[a] 000	2010 Volume actual[a] 000	Change %	**2011 Average readers[b] 000**	2010 Average readers[b] 000	Change %
Daily Mirror	**1,154**	1,221	(5.5)	**3,251**	3,012	7.9
Sunday Mirror	**1,436**	1,127	27.4	**3,698**	3,750	(1.4)
The People	**650**	524	23.9	**1,237**	1,264	(2.1)
Daily Record[c]	**276**	296	(6.5)	**861**	909	(5.3)
Sunday Mail[c]	**353**	360	(2.0)	**989**	1,131	(12.6)

[a] Average circulation for the 12 months to December 2011 and December 2010.
[b] NRS 12 months to September 2011 and September 2010.
[c] Within Scottish market only.

The Scottish regional titles declined by 6.9%.

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

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

Regionals

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

A strong portfolio of regional daily and weekly titles reaches the length and breadth of England and Wales serving some of the biggest cities and metropolitan areas. These include Liverpool, Manchester, Birmingham, Newcastle and Cardiff. We also publish the Metro in these cities. In our markets, our brands have a significant reach amongst the adult population reaching often in excess of 70%.

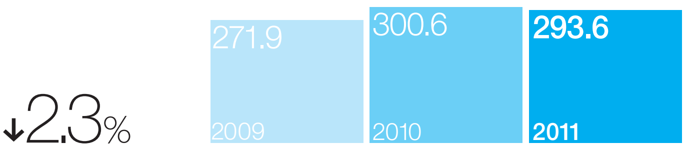
We publish 11 paid-for daily newspapers which have a daily circulation of 0.5 million copies and include three of the top 10 regional newspapers in the Liverpool Echo, the Manchester Evening News and the Newcastle Chronicle. We publish three of the five regional Sunday titles with the Sunday Sun in Newcastle, the Sunday Mercury in Birmingham and the Wales on Sunday covering the whole of Wales. We publish 46 paid-for weekly titles and 40 free weekly titles. Overall our regional newspapers have a circulation figure of 0.9 million copies and readership of 5.6 million.

Our digital portfolio complements our print titles and extends our reach across our markets. We publish a wide range of digital products including companion websites to our key newspapers titles, hyperlocal sites serving specific communities and local recruitment and property sites. These sites attracted an average of 10.3 million monthly unique users during 2011.

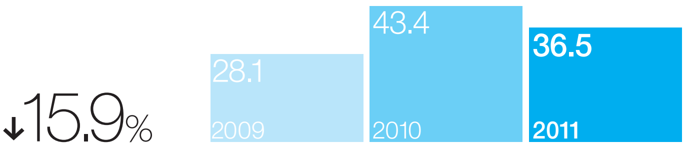
In the area of recruitment and property we have brands which have national reach. In the recruitment category, we publish a network of specialist job sites, including leading brands such as GAAPweb, TotallyLegal, TotallyFinancial, PlanetRecruit, Secsinthecity and The Careerengineer and generalist brands such as fish4. Our property sites include Smartnewhomes and email4property. These sites attracted an average of 2.8 million monthly unique users during 2011.

Our digital marketing services business, Rippleffect, provides services such as website design and build, search engine optimisation, email marketing, social media, online public relations and web analytics to clients across the UK. The acquisition of Communicator Corp in December 2011 has further strengthened our digital marketing services offering. The business is an industry-leading digital communications company specialising in providing highly-targeted and sophisticated email and mobile communications. In addition we provide contract publishing for an increasing number of football clubs.

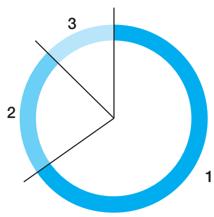
Revenue £m



Operating profit £m

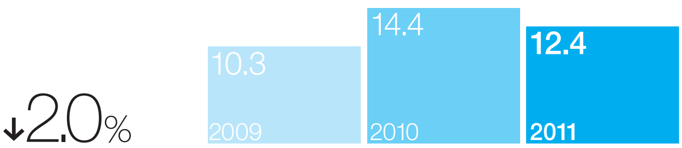


Revenue £m



1. Advertising £191.7m
2. Circulation £66.0m
3. Other £35.9m
Total £293.6m

Operating margin %



Revenue in 2011 fell by 2.3% or £7.0 million from £300.6 million to £293.6 million. The 2011 Regionals results include the year on year impact of the acquisition of GMG Regional Media on 28 March 2010. Excluding the acquisition, Regionals revenues fell by 7.6% or £18.9 million from £249.7 million to £230.8 million. This is marginally improved from the fall of 8.2% in underlying revenues during the prior year. Underlying revenue in the second half declined by 8.0% compared to 7.2% in the first half.

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

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

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

Advertising revenue fell by 3.8%. Excluding the acquisition of GMG Regional Media, advertising revenue fell by 10.4% reflecting a decline of 11.0% in the first half and 9.8% in the second half. This compared to a decline of 9.5% in the prior year.

Revenues by key advertising category, including and excluding GMG Regional Media, are set out below:

	Including GMG Regional Media			Excluding GMG Regional Media		
	2011 £m	2010 (Restated) £m	Variance %	**2011 £m**	2010 (Restated) £m	Variance %
Display	**88.4**	87.6	1.0	**62.2**	67.5	(8.0)
Recruitment	**32.7**	37.2	(12.2)	**25.9**	30.4	(14.7)
Property	**22.0**	22.2	(0.6)	**16.8**	17.9	(6.2)
Motors	**11.1**	11.9	(6.8)	**8.1**	9.4	(13.5)
Other classified	**37.5**	40.3	(6.9)	**29.3**	33.7	(12.7)
Advertising revenue	**191.7**	199.2	(3.8)	**142.3**	158.9	(10.4)

Although we continue to experience year on year declines in circulation volumes we have seen an encouraging improvement in the rate of decline for a number of key paid-for titles during the year. Whilst we had limited cover price increases during the year, circulation revenues only fell by 0.5%. Excluding GMG Regional Media, circulation revenue fell by 3.9% reflecting a decline of 5.3% in the first half and 2.4% in the second half. This compared to a decline of 9.6% in the prior year. Volume declines, year on year were 6.7% for paid-for dailies, 2.1% for paid-for Sundays and 9.2% for paid-for weeklies.

Business review

Circulation and readership volumes for our largest titles are set out below:

	2011 Daily circulation^	2011 Average readers*	2010 Daily circulation^	2010 Average readers*
South Wales Echo	**31,009**	**114,752**	33,725	123,984
Welsh Daily Post	**30,606**	**112,778**	31,946	114,949
Western Mail (Wales)	**25,898**	**98,080**	27,495	107,860
The Journal (Newcastle)	**24,106**	**84,961**	27,185	91,272
Huddersfield Daily Examiner	**19,249**	**55,926**	20,774	58,660
Liverpool Echo	**81,506**	**269,141**	87,198	280,337
Manchester Evening News<	**84,462**	**414,998**	93,348	351,983
Birmingham Mail	**44,330**	**124,336**	48,660	131,707
Evening Chronicle (Newcastle)	**50,748**	**196,224**	54,874	213,403
Coventry Telegraph	**32,619**	**91,484**	35,581	90,629
Evening Gazette (Teesside)	**38,606**	**132,226**	40,656	137,404
Wales on Sunday	**28,662**	**98,220**	28,613	112,967
Sunday Mercury (Birmingham)	**43,376**	**118,737**	43,610	130,272
Sunday Sun (Newcastle)	**59,865**	**173,420**	52,216	185,449

^ Actual average ABC July to December 2011 and actual average ABC July to December 2010.
* JIC REG January to June 2011 and January to June 2010.
< Daily circulation^ (Monday – Saturday) with average readers* (Thursday – Friday).

Other revenue increased by 2.3%. Excluding GMG Regional Media, other revenue was in line with 2010.

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

Central

Central includes costs not allocated to the operational divisions and the share of results of associates. The result for the year was a loss of £15.1 million compared to £14.5 million in the prior year. Costs not allocated to the operational divisions increased by £1.2 million from £15.2 million to £16.4 million including costs associated with the Leveson inquiry. The share of results of associates increased by £0.6 million from £0.7 million to £1.3 million.

Other significant items

Pension schemes

The IAS 19 pension deficit has increased during the year by £69.1 million from £161.0 million (£117.5 million net of deferred tax) to £230.1 million (£172.6 million net of deferred tax).

This reflects the impact of a decrease in assets of £48.4 million and an increase in liabilities of £20.7 million. The increase in liabilities is impacted by a fall in the real discount rate from 1.95% to 1.85% due to a fall in the corporate bond rate only partially offset by a fall in inflation and other changes.

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

The mortality assumptions applied in calculating liabilities are consistent with those adopted in the prior year. The life expectancy increases marginally over time as a 1% future improvement has been assumed in the mortality assumptions. Post-retirement mortality tables and future life expectancies at age 65 are:

	Future life expectancy (years) for a pensioner currently aged 65		Future life expectancy (years) at age 65 for a non-pensioner currently aged 55	
	Male	Female	Male	Female
At 1 January 2012	**21.8**	**24.2**	**23.5**	**25.9**
At 2 January 2011	21.7	24.1	23.5	25.8

The Group continues to fund pension scheme deficits in accordance with funding schedules agreed with the pension scheme trustees. Valuations are undertaken on a triennial basis. Deficit funding payments during 2011 were £33.0 million (2010: £31.9 million).

The deficit payments in 2012 are expected to be £10 million. This is significantly reduced from the current year due to agreement with the pension Trustees to reduce funding over the next three years as part of the process the Group undertook to extend its banking facilities.

Further details relating to the Group's pension schemes including an estimate of the sensitivity of the deficit to key assumptions are shown in note 33.

Cash flow and net debt

The Group continued to generate strong cash flows during the year which enabled net debt on a contracted basis, assuming that the private placement loan notes and the cross-currency interest rate swaps are not terminated prior to maturity, to fall by £44.7 million from £265.9 million to £221.2 million. The Group had a cash balance of £15.5 million at the year end.

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

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

The Group continues to make payments to fund the deficits in the defined benefit pension schemes which amounted to £33.0 million during the year.

We continued to tightly manage our capital expenditure which during the year was £7.5 million against depreciation of £33.3 million. Capital expenditure is expected to be maintained at around £15 million per annum for the foreseeable future and will remain below depreciation as the Group has already invested in new presses.

The Group acquired Communicator Corp in December 2011 for a cash consideration of £8.0 million. Including payment for working capital and deducting cash in the business at the date of acquisition, the net cash out flow was £7.5 million.

Net debt on a contracted basis is different to the statutory net debt which includes the US$ denominated loan notes at the year end exchange rate and the related cross-currency interest rate swaps at fair value. An analysis of net debt on a statutory and contracted basis together with a reconciliation between statutory and contracted net debt is shown in note 27.

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

The net debt, on a statutory basis, is as follows:

	2011 £m	2010 £m
US$ denominated loan notes	**216.8**	337.9
Sterling denominated loan notes	**10.0**	26.0
Cross-currency interest rate swaps included in liabilities	**2.4**	2.2
Cross-currency interest rate swaps included in assets	**(13.0)**	(12.6)
Cash and cash equivalents	**(15.5)**	(116.2)
Net debt on a statutory basis	**200.7**	237.3

The US$ and Sterling denominated loan notes are part of two US private placements issued during 2001 and 2002 totalling US$602 million and £32 million. In October 2008, US$80 million and £6 million of these loan notes were repaid on their maturity date with a total Sterling repayment of £60.4 million. In October 2011, US$190 million and £16 million of these loan notes were repaid on their maturity date with a total Sterling repayment was £145.4 million. The capital and interest repayments on the remaining US$ loan notes are hedged to maturity through cross-currency interest rate swaps with the same maturity profile as the loan notes with fixed US$ interest payments swapped into Sterling variable interest rates payments linked to six month Sterling Libor plus a margin. The key financial covenants for the US private placements are a minimum interest cover of two times and maximum debt to EBITDA ratio of four times throughout the term of the loan notes.

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

Our strong cash flows and prudent management of our financing facilities ensured that the Group maintained financing flexibility with no drawings on the Group's bank facility. The Group secured a new £110 million bank facility on 14 March 2012.

Net debt is expected to continue to fall further during 2012 and the Group continues to operate comfortably within the financial covenants attached to the Group's financing facilities.

Balance sheet

	2011 £m	2010 £m
Intangible assets	**975.7**	969.9
Property, plant and equipment	**381.7**	410.3
Investment in associates	**7.2**	5.4
Retirement benefit assets	**78.5**	61.1
Deferred tax assets	**58.0**	43.8
Derivative financial instruments	**13.0**	12.6
Non-current assets	**1,514.1**	1,503.1
Cash and cash equivalents	**15.5**	116.2
Short-term debt	**(65.9)**	(137.8)
Medium-term debt	**(160.9)**	(226.1)
Derivative financial instruments	**(2.4)**	(2.2)
Retirement benefit obligations	**(308.6)**	(222.1)
Deferred tax liabilities	**(291.2)**	(318.3)
Provisions	**(14.1)**	(14.5)
Net current other liabilities	**(11.1)**	(18.7)
Non-current liabilities and net current liabilities	**(838.7)**	(823.5)
Net assets	**675.4**	679.6

Intangible assets

	2011 £m	2010 £m
Publishing rights and titles	**887.8**	887.8
Other intangible assets	**10.1**	7.6
Goodwill	**77.8**	74.5
Intangible assets	**975.7**	969.9

Publishing rights and titles have not changed during the year. Other intangible assets have increased by £5.3 million reflecting the acquisition of Communicator Corp reduced by amortisation charged in the year of £2.8 million. Goodwill has increased by £3.3 million reflecting the acquisition of Communicator Corp.

Property, plant and equipment

	2011 £m	2010 £m
Land and buildings	**193.1**	197.5
Plant and equipment	**186.4**	209.0
Assets under construction	**2.2**	3.8
Property, plant and equipment	**381.7**	410.3

Property, plant and equipment has decreased due to the depreciation charge of £33.3 million (2010: £33.9 million) and £0.8 million (2010: £1.4 million) of disposals, being higher than additions of £5.2 million (2010: £13.0 million) and the acquisition of assets as part of Communicator Corp of £0.3 million.

Investment in associates

The carrying value of our 21.54% share in the PA Group Limited has increased by £1.8 million from £5.4 million to £7.2 million reflecting the profit of £1.3 million and actuarial gains of £0.5 million taken directly to equity.

Business review

Deferred tax

The deferred tax assets have increased by £14.2 million from £43.8 million to £58.0 million primarily due to the increase in the retirement benefit obligation included in liabilities.

Deferred tax liabilities have decreased by £27.1 million from £318.3 million to £291.2 million primarily due to the restatement of the opening liability following the reduction in the corporation tax rate from 27.0% to 25.0% partially offset by deferred tax on the acquisition of Communicator Corp.

Derivative financial instruments

Derivative financial assets of £13.0 million represent the surplus on valuation of cross-currency interest rate swaps calculated in accordance with IAS 39.

Derivative financial liabilities of £2.4 million represent the deficit on valuation of cross-currency interest rate swaps calculated in accordance with IAS 39.

Provisions

Provisions fell by £0.4 million from £14.5 million to £14.1 million due to the utilisation of restructuring provisions and property provisions for vacant property substantially offset by additional charges during the year.

Net current other liabilities

Net current other liabilities includes current assets excluding cash and cash equivalents less trade and other payables and current tax liabilities. Net current liabilities have reduced by £7.6 million from £18.7 million to £11.1 million reflecting an increase in working capital partially offset by a reduction in current tax.

Net assets

Total equity at the year end was £675.4 million, a decrease of £4.2 million from £679.6 million. The decrease reflects the £3.5 million total comprehensive costs for the period and £0.7 million of other movements. These comprise a charge for the purchase of own shares of £3.0 million less a credit to equity for equity-settled share-based payments of £2.3 million.

The total comprehensive income for the period includes the profit for the period and the actuarial losses on the defined benefit pension schemes.

Risks and uncertainties

There is an ongoing process for the identification, evaluation and management of the significant risks faced by the Group. This is described in the internal control section of the Corporate governance report on page 37.

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

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

The key risks and uncertainties are described below:

Risks and uncertainties	Management actions
Macro economy. The fragile economic environment may have an adverse effect on the Group's financial performance.	We have reviewed all aspects of our business and invested in the modernisation of business processes and structures, including new operating models and technology to provide a stronger platform for long-term growth. Together with tight management of the cost base, this has placed us in a robust financial position.
Advertising. The loss of major clients or reduction in a sector may adversely affect advertising, which is a significant proportion of our revenue.	We are not overly reliant on any single customer or sector but have been impacted by the downturn being experienced by the UK and by the potential long-term impact on key classified revenues arising from media fragmentation. We are investing in our advertising functions using state-of-the-art technology to improve customer service by offering increased flexibility such as online booking of advertisements. We have strengthened our online presence through acquisitions and the continuing launch of new digital brands.
Treasury and financing. The key risks arising from our activities and our financing facilities are liquidity, financing and interest rates, foreign currency and covenants.	The treasury policies for managing these risks were approved by the Board in March 2001. An updated Treasury Policy was issued in 2010. Further details are provided in note 34 to the consolidated financial statements, which outlines the policies and mitigating actions. The Group refinanced on 14 March 2012 as set out on page 11 of the Chairman and Chief Executive statement.
Key suppliers. We have a number of key suppliers (in particular newsprint) which if they were unable to meet their obligations to the Group could result in disruption.	We use a spread and mix of suppliers to reduce dependency on specific sources or locations. Where possible, longer term contracts are agreed to guarantee price and supply.
Circulation. We may experience loss of readership due to competitor activity and the impact of media fragmentation.	Our approach is to continue to focus on sustainable returns and appropriate levels of investment in our titles. We have invested in colour presses giving full colour across the network and continue to invest in editorial content and marketing.
Editorial. An editorial error may lead to loss of readership, damaged reputation, or legal proceedings.	The Chief Executive initiated an internal review of editorial controls and procedures within the Group, the Board sponsor being the Company Secretary and Group Legal Director. A report was presented to the Board in September 2011 and all recommendations were approved and an action plan put in place. The action plan includes policy review, enhanced legal training, and procedural actions to further strengthen financial controls. The CEO has established a compliance steering group to monitor progress.

Risks and uncertainties	Management actions
Brand reputation. Employee actions, supply chain risk or negative publicity may result in damage to our brands reputation.	Coverage of the Group and the main brands is monitored on an ongoing basis. The Group has in place a Code of Conduct, Standards of Business Conduct and Financial Dealings and Code of Practice for Journalists all of which have been updated for the Bribery Act. In July 2011, the Company sought and received formal written confirmation from senior editorial executives across both Nationals and Regionals, that since the commencement of the Regulation of Investigatory Powers Act in October 2000 and whilst an employee of the Group they have not nor, to their knowledge, have any of their staff or anyone on their behalf, intercepted any telephone messages, made payments to serving police officers or accessed the police national computer.
Pensions. Pension deficits may grow at such a rate so that the annual cash funding consumes a disproportionate level of operating cash flow.	Although this is carefully monitored and there are regular reviews with trustees, there are a number of factors which are outside our control, including interest rates, inflation rates, mortality and regulatory change. This, together with the slowdown in the global economy and its impact on our business and investment returns, has material implications for future pension scheme funding and could adversely impact the Group and its ability to fund past service provision. To reduce the volatility of pension scheme liabilities and achieve more certainty in the cost of future pension provision, the Group closed the defined benefit pension schemes to future accrual from 31 March 2010. In addition, working with the pension Trustees, we have been able to reduce the risk associated with our pension schemes through the purchase of insurance contracts which fully hedge the associated liabilities.

Other risks which are monitored as part of our risk management process include market and technological changes, business continuity, data security, and major projects. Key environmental risks are described in the Corporate responsibility report on pages 24 to 31.

Our environmental and social policy and statement, together with a review of our performance during 2011, is set out in the Corporate responsibility report on pages 24 to 31.

Employees

The commitment, innovation and drive of our staff are central to the ongoing development and success of our business.

During the year, the voluntary rate of employee turnover increased year on year to 8.5% (2010: 7.8%). During the same period the retention rate, defined as employees in the Group's employment for the full 12 months, improved to 92% compared to 88% in the previous year.

During the year the Group's absenteeism rate, which follows the common definition used by the Advisory, Conciliation and Arbitration Service (ACAS), was an average of 2.2% (2010: 1.9%). This compares favourably with the national average level of employee absence of 3.8% (2010: 3.4%).

The Group is committed to equality of opportunity in all its employment practices to ensure we attract and retain the best people. In 2011, women made up 38% of staff (2010: 38%) and the number of women occupying senior managerial roles was 19% (2010: 21%).

The difficult trading conditions have meant that senior management salaries have been frozen for the last four years. In 2009 the Group took the decision to freeze salaries throughout the Group and we have again announced this for 2012. In 2010 and 2011 staff below senior management received an annual pay award.

In addition to base salary all our employees have the opportunity to participate in performance related incentive schemes. For many staff this is through inclusion in the Group's Employee Bonus scheme.

We also provide a competitive range of benefits to employees, including the opportunity to join a Group-wide defined contribution pension scheme.

We continue to introduce initiatives enabling staff greater flexibility in their work-life choices.

Corporate responsibility report

Chief Executive's statement

We care for the safety of our staff, the environment and for the communities where we operate.

We have set ourselves some very high standards. Maintaining those standards becomes increasingly difficult but I am pleased to report that 2011 was another year of success.

For the third consecutive year all our major print sites maintained their ISO14001 Environmental Management status after rigorous internal and external audit. They achieved a similar feat with OHSAS 18001, the internationally recognised health and safety management systems specification.

We also achieved our third RoSPA Gold Medal for consistently improving health and safety standards. As the Medals follow four successive Gold Awards, we have been recognised for seven years' of consistent improvement.

It would be easy to become complacent and rest on our laurels. It is a testament to the commitment of all our staff that hasn't happened. None of these standards could be maintained without proper and full buy-in from all involved.

We also continue to care for the communities in which we publish and where our businesses operate. We do far too much to be able to give a fully comprehensive description but, to give a flavour of what we do, we have set out a number of examples in the report that follows.

Sly Bailey
Chief Executive

15 March 2012

Environmental report

Environmental management

The Board recognises that all of the Group's business activities have an impact on the environment, and takes management of these impacts seriously. Through a combination of environmental management systems and energy reduction projects the Group aims to become a more sustainable business every year.

Responsibility for environmental matters at director level rests with the Secretary and Group Legal Director. He chairs the Environmental Steering Committee ('ESC') which comprises key managers with specific day to day responsibility for environmental management, legal, health and safety, procurement and communications and reports to the Executive Committee. The ESC's remit is to ensure that the Group's environmental programme remains aligned with all relevant issues and developments.

Our full environmental policy can be found at our website: http://www.trinitymirror.com/our-responsibilities/environment/environmental-policy/ and is summarised below:

- Complying with all relevant environmental legislation and continuing to meet or improve upon existing industry standards and other requirements;
- Preventing pollution and continuously improving the Group's environmental performance through progressive environmental management systems including the BS8555 and ISO14001 standards;
- Reviewing the sustainability of all products throughout the supply chain and endeavouring to prioritise the utilisation of sustainable commodities within the production and publishing businesses;
- Working with our suppliers to ensure wood fibre for newsprint comes from well-managed sustainable forests and using a minimum of 75% newsprint manufactured from fibre using recycled materials or wood from certified sustainable forests;
- Setting environmental objectives and targets across a range of measures including the reduction of energy and volatile organic compound consumption and regularly reviewing these targets to ensure progress; and
- Recycling all non-hazardous press waste and striving towards zero general waste to landfill.

Targets and performance

The programme to implement the BS8555 environmental management system up to Phase 3 across the main publishing sites (Canary Wharf, Cardiff, Birmingham, Liverpool, Chadderton, Newcastle, Teesside, Glasgow and Hamilton) was completed on time, seeing an immediate improvement in environmental impacts on all sites and an uptake in staff involvement through awareness raising campaigns. Implementation was audited by an external group and the Group is now registered as compliant by the Institute of Environmental Management and Auditing (IEMA).

For the third consecutive year the Cardonald, Blantyre, Oldham, Watford, Birmingham, Cardiff, Newcastle and Teesside print sites have maintained their ISO14001 certification. Through a rigorous process of internal and external audits the print sites were able to build on previous successes to further improve upon the management of hazardous and non-hazardous press waste, use of volatile organic compounds and paper. Following an internal environmental audit the newest addition to the print portfolio, Reading will embark on a programme to improve its environmental management systems in 2012.

Watford was notified of a breach in the Environment Agency's recommended levels of Ammoniacal Nitrogen in water discharges by the water supplier. The source of the discharge was quickly identified and the problem rectified. No enforcement action was taken and testing since has shown that discharges are at approved levels. There were no other reported breaches of environmental legislation in 2011.

Alongside the formal audits for BS8555 and ISO14001 internal environmental reviews have been conducted throughout the year to ensure that Group targets are communicated effectively and that progress is being monitored. This programme will continue in 2012.

More information on the 2011 and 2012 targets and performance can be found in the Environmental targets table on page 27.

Suppliers

We carry out extensive work with paper suppliers to promote the use of recycled or Forest Stewardship Council certified paper. We work with our suppliers to measure and report the energy associated with contracted printing, contracted product distribution and business travel. The Group will only do business with print and distribution suppliers who have effective environmental policies and programmes and, wherever possible, are certified to either the ISO14001 or EMAS environmental management system standards.

The Group is a member of 'Two Sides', an initiative by companies from the graphic communications supply chain including forestry, pulp, paper, inks and chemicals, pre-press, press, finishing, publishing and printing. The common goal being to promote the responsible production and use of print and paper and dispel common environmental misconceptions by providing users with verifiable information on why Print and Paper is attractive, practical and sustainable.

Waste and recycling

Following the introduction of new legislation in the form of The Waste Hierarchy in 2011, more work is being done to ensure that the creation of waste is avoided wherever possible through effective management of purchasing. Where the generation of waste is unavoidable, we ensure it is segregated and recycled where practicable. The Group continues to strive towards zero general waste to landfill but recognises this will be a difficult target to achieve.

The print sites continued to recycle 100% of paper waste, comprising of reel ends, cores and printed waste. Recycling paper waste is an important component of ensuring a sustainable paper supply chain. Hazardous waste was disposed of through J&G Environmental in 2011. 100% of aluminium plates, solvents, mineral oil and inks were recycled.

Waste electronic equipment continues to be disposed of through Remploy, a registered charity and WEEE compliant contractor, ensuring none of this equipment ends up in landfill. In 2011, 91% of WEEE was recycled and 9% reused.

Paper sourcing and sustainable forestry

The Group takes its responsibility for sustainable paper sourcing very seriously, recognising that the proper management of the world's forests is integral to future sustainability. The newsprint we use is predominately made up of recycled paper and paper from sustainably managed forests and we are working to improve this percentage at all times. Paper can only be recycled a limited number of times before the quality of the fibres deteriorates making it unsuitable for printing and it is therefore necessary to introduce new fibres into the production process.

In 2011, we sourced 91% of newsprint from recycled or certified fibre, against our target of 75%. Several of the print sites have also gained certification with PEFC UK, an international organisation that 'works throughout the entire forest supply chain to ensure that timber and non-timber forest products are produced with respect for the highest ecological, social and ethical standards'. See http://www.pefc.co.uk.

Corporate responsibility report

Emissions and consumption

The Group's efforts to remove all R22 gas (a type of HCFC gas) from its major press and publishing locations by the end of 2011 has resulted in an increase in refrigerant gas losses compared to 2010. The replacement of this gas was a legislative requirement and at all times care was taken to ensure that the removed gas was properly disposed of.

The bulk of greenhouse gas emissions generated by Group activities come from gas combustion and grid electricity use. Through an extensive programme of energy reduction measures the Group has reduced its energy consumption for the fifth year in a row, from 93 million kWh in 2010 to 89 million kWh in 2011. These savings were achieved both through a process of office consolidations and the installation of more efficient lighting and heating/cooling systems. A breakdown of the Company's greenhouse gas emissions (in accord with the Greenhouse Gas (GHG) Protocol) during 2011 is set out in the table below.

2011 Greenhouse Gas Emissions

Trinity Mirror energy consumption and associated greenhouse gas emissions (CO_2 equivalent).

			GHG emissions (CO_2 equivalent tonnes)		
	Consumption	GHG conversion[4] factor (2011)	**2011**	2010	2009
SCOPE 1[1]					
Gas combustion (heating, all Trinity Mirror premises)	29,261,296 kWh	0.1836×10^{-3}	**5,372**	4,143	4,362
Oil combustion (electricity generation, all Trinity Mirror premises)	85,425 litres	2.5421×10^{-3}	**217**	316	115
Refrigerant gas loss (all Trinity Mirror premises)	751 kg	$1{,}526 \times 10^{-3}$	**1,146**	455	3,049
Commercial vehicles (all Trinity Mirror owned vehicles)	5,215,449 km	0.2519×10^{-3}	**1,314**	505	2,352
SCOPE 2[2]					
Grid electricity use (all Trinity Mirror premises)	89,428,629 kWh	0.52462×10^{-3}	**46,916**	49,021	52,276
SCOPE 3[3]					
Business travel (road, not involving company vehicles)	7,369,413 km	0.20864×10^{-3}	**1,538**	1,807	2,084
Business travel (rail)	3,100,234 km	0.05649×10^{-3}	**175**	121	96
Business travel (air)	3,940,219 km	0.16484×10^{-3}	**650**	851	858
Electricity for contracted printing	4,490,296 kWh	0.52462×10^{-3}	***2,356***	*2,899*	*2,515*
Gas for contracted printing	445,179 m^3	2.0196×10^{-3}	***899***	*2,236*	*1,911*
Vehicle fuel for contracted distribution	2,317,307 litres	2.6676×10^{-3}	***6,182***	*5,424*	*5,874*
Total Group			**66,765**	67,778	75,492
Total Group per million pages of printed output			**0.47**	0.45	0.52

Notes:
1 Scope 1 covers all direct greenhouse gas emissions, i.e. emissions from sources that are owned or under the direct management of the company *(Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, 2004).*
2 Scope 2 covers indirect greenhouse gas emissions associated with imported electricity use.
3 Scope 3 covers other indirect greenhouse gas emissions, i.e. where the emissions are from sources that are not owned by the Group and where the Group does not have management control.
4 GHG conversion factors have been taken from the latest guidance provided in the Defra/DECC's *GHG Conversion Factors for Company Reporting (Version 1.2, August 2011).*
5 All numbers in *italics* are based on numbers provided by contractors.

The carbon reduction commitment and energy savings scheme

The Group registered in 2010 for the Carbon Reduction Commitment: Energy Saving Initiative (CRC). 2011 was the first year for disclosure of carbon emissions under the CRC and the Group successfully completed registration in July 2011. Due to the attainment of The Carbon Trust Standard across the entire Group, as well as a rolling programme to install smart meters that take automatic electricity readings, the Group performed well in the first Performance League Table. Published in October 2011 and based on an early action metric the Performance League Table rates all companies participating in the CRC and the Group came in the top 16%. Our energy use reduction measures have enabled us to reduce our equivalent carbon dioxide emissions from 67,778 tonnes of CO_2 in 2010 to 66,765 tonnes in 2011.

Environmental targets

2011 TARGET →	PROGRESS	2012 TARGET →	ACTION
Achieve certification to Phase 3 of BS8555 at the major publishing offices by the end of 2011.	All the major publishing offices have now successfully attained BS8555 certification to Phase 3.	Achieve certification to ISO14001 in an integrated environmental management system for the major publishing offices by the end of 2013.	In early 2012 we will design an implementation plan to meet this objective and will start the management system mid-year.
Maintain ISO14001 certification at TMP Birmingham, Blantyre, Cardiff, Cardonald, Newcastle, Oldham, Teesside and Watford.	All eight print sites successfully maintained their ISO14001 certification in 2011.	Maintain ISO14001 certification.	Regularly review the requirements of ISO14001 and any observations to ensure compliance with the scheme.
Review current environmental management systems at Reading print plant.	An internal review of the Reading print plant environmental management systems was conducted in 2011.	Implement a programme of environmental improvements.	Involve local senior management, identify opportunities and put a plan in place.
Continue to use a minimum of 75% newsprint manufactured from fibre using recycled materials or wood from certified sustainable forests.	This target was surpassed in 2011 with 91% of newsprint coming from recycled or sustainable sources.	Continue to use a minimum of 75% newsprint manufactured from fibre using recycled materials or wood from certified sustainable forests.	We will continue to work with our suppliers in 2012 to ensure the supply of recycled and certified newsprint.
Continue to recycle 100% of all non-hazardous print plant paper waste.	All print plant paper waste was recycled in 2011.	Continue to recycle 100% of all non-hazardous print plant paper waste.	Maintain internal monitoring and quality control procedures to ensure recycling continues.
Replace all R22 HCFC gases in refrigeration equipment at the major print and office sites by the end of 2011.	All R22 HCFC gas has been removed from the print plants and major office sites.	Review regional offices to identify any remaining R22 gas still in use and plan for removal by government deadline of 2015.	Complete audit in quarter one of 2012 and agree action plan for removal and replacement.
Review water consumption at all major sites.	Progress is being made in the review of water consumption, with many sites identified as needing further investigation.	Conduct benchmarking exercise across comparable print and publishing sites.	Complete benchmarking in quarter one of 2012 and develop programme of improvements.
Reduce Group electricity consumption by 2% by the end of 2012.	This target was surpassed in 2011 with a year on year reduction of 4% in 2011 compared to 2010.	Continue to focus on energy reduction initiatives to ensure the 2% reduction target is maintained.	Even though this target has already been achieved in 2011 we will continue to focus on energy reduction in 2012.

Health and safety report

The overall number of accidents reported in 2011, including those reportable to enforcing authorities, was lower than in 2010. This marks nine consecutive years of continuing improvement in our health and safety performance and demonstrates the continued commitment to safety of our staff at every level.

Health and safety initiatives in 2011

In pursuit of our goal of continuing improvement, the following initiatives were taken during 2011:

- New arrangements were established for the provision of occupational health services throughout the Group. These were carefully monitored and have been adjusted to ensure that they are effective.
- A programme of internal and external health and safety audits continued at our printing plants to ensure compliance with legislation and conformity with OHSAS 18001, the internationally recognised health and safety management system specification. Workplace health and safety inspections were also carried out with follow up action as required.
- A behavioural safety initiative was successfully piloted at one of our printing plants, ahead of a planned wider rollout.
- The provision of stress awareness training for managers has continued, bringing to 261 the total number that have successfully completed this programme.
- A wide range of health and safety e-learning training modules has been made available to staff covering topical subjects. The take up of these modules has been very good and they will continue being used where appropriate.
- A web-based software package covering safe working with display screen equipment and workstation assessment was obtained. This will streamline the provision of information, training, risk assessment and record keeping for those working with computers. After an initial trial a wider rollout is planned.
- The Group has continued its involvement with the HSE Printing Industry Advisory Committee and Newspaper Publishers Association health and safety programmes.

Corporate responsibility report

Group health and safety statistics

The tables below provide statistics for occupational health and safety in 2011, with a comparison to the previous year. The data reveals a further reduction in the total number of accidents, including those reportable under RIDDOR. The print sites had a particularly good year achieving substantial reductions in both recorded injuries and working days lost. Regrettably, this significant achievement was offset to some extent by an increase in RIDDOR reportable injuries in the publishing businesses, contributing to a rise in working days lost. However, it should be noted that one single event, where delay in the provision of medical treatment has caused an extended period of absence, is the primary reason for this. There has not been any wider increase in either the volume or severity of workplace accidents and this is reflected in the accident frequency rates given below.

Health and safety performance indicator	2011	2010
Fatalities	**0**	0
RIDDOR major injuries	**4**	4
RIDDOR over 3 day injuries	**9**	12
RIDDOR occupational ill health/diseases/ conditions	**0**	0
RIDDOR dangerous occurrences	**0**	0
Total number of accidents	**148**	180
RIDDOR events frequency rate †	**0.13**	0.15
All accidents frequency rate †	**1.52**	1.70
Total days lost – accidents & occupational ill health	**483±**	437
	(0.03)‡	(0.03)

† Frequency Rate = number of accidents per 100,000 hours worked.
‡ Figure in brackets represents the percentage of total days worked by all employees in the Group.
± This figure includes part-time staff hours calculated as full-time equivalent.

(All percentages rounded to the nearest half decimal point)

Breakdown of accidents by type of event	All accidents 2011 (%)	All accidents 2010 (%)	RIDDOR accidents 2011 (%)	RIDDOR accidents 2010 (%)
Slips and falls (same level)	**29**	28	**38.5**	25
Lifting and handling of materials	**6**	9.5	**15.5**	44
Contact with machinery	**3**	12	**0**	6
Falls from a height	**2**	3	**0**	6
Stepping on or striking fixed object	**16.5**	11.5	**0**	0
Struck by moving vehicle	**2**	2	**15.5**	0
Contact with sharp/abrasive material	**14**	13.5	**7.5**	0
Struck by flying or falling object	**5**	4	**0**	6
Contact with hazardous substance	**5.5**	3	**0**	0
Contact with hot material/ substance	**1**	3	**0**	0
Object collapsing or overturning	**2**	0	**0**	0
Use of hand tools	**1**	2	**0**	6
Contact with electricity	**2**	0.5	**0**	0
Others	**11**	8	**23**	7
Total	**100**	100	**100**	100

Although the percentage of accidents involving slips trips and falls (same level) shows an increase on last year the total number of them has actually decreased. However, RIDDOR accidents in this particular category have risen slightly in 2011 confirming that it must remain a priority. In a similar trend the total number of accidents involving manual lifting and handling has decreased, but more of these types of event have also resulted in RIDDOR reportable injury. It is noticeable that quite a small variation in the number of accidents can cause a marked change in percentages, due to the small numbers involved.

There were five visits to our premises by health and safety enforcement officers in 2011 compared to six in the previous year. Two of these visits were from HSE noise specialists who requested an opportunity to carry out noise measurements at some of our printing plants. The other three were all routine visits/inspections carried out by local authority Fire Safety Officers. No enforcement action of any kind was required and where recommendations were made for follow up action this was promptly taken.

2012 targets for Health and Safety

To achieve our goal of continual improvement in 2012 the Group intends to:

– Carry out internal and external health and safety auditing to maintain conformity with OHSAS 18001, the internationally recognised health and safety management systems specification;

– Monitor the provision of occupational health services to ensure that they comply with legislation and meet business needs;

– Continue the rollout of behavioural safety programmes at printing plants in an effort to raise awareness, improve conformity with safe working procedures and reduce risk of injury;

– Promote the use of health and safety e-learning training modules, where they are relevant to the work of individual members of staff;

– Extend the use of web-based display screen equipment training and workstation assessment software;

– Introduce web-based software for the vetting of contractors to ensure that they are adequately trained and competent to work on our premises;

– Promote health and well-being at work through initiatives designed to ensure compliance with HSE stress management standards;

– Maintain good health and safety standards in planned engineering, construction and relocation projects;

– Revise and update health and safety policies and procedures, taking into account developments in legislation; and

– Continue our involvement with HSE in the development of their Industry Advisory Committee network and the Newspaper Publishers Association.

An overall improvement has been achieved again this year and while challenges remain, it is pleasing to report that in 2011 the Group was awarded a seventh ROSPA Occupational Health and Safety Gold Medal Award for its health and safety performance in 2010.

Business Ethics

The Group's reputation is fundamental to its operations and is dependent upon the honesty and integrity of each and every employee. We acknowledge that the continuing development and well-being of our employees depends upon maintaining the highest standards of integrity and personal conduct in all matters which involve the Group.

During the year, we reviewed all applicable policies in light of the Bribery Act 2010 which came into force in July 2011. Following this review we revised our Standards of Business Conduct policy, Procurement Policy and Expenses Policy. The Standards of Business Conduct policy gives guidance on conflicts of interest, the acceptance of gifts and entertainment, confidential information, insider information, and political and civic activities. The policy is available on the Group's website at http://www.trinitymirror.com/our-responsibilities/ethics/.

A training programme on compliance with the Bribery Act was developed and has been undertaken by 4,371 staff. All new starters will receive this training as part of the revised induction programme.

The Group has a Whistle-blowing Charter in place where employees may report any concerns about the integrity of the business. The charter is reviewed by the Audit & Risk Committee on a regular basis.

During the year a comprehensive review of editorial controls and processes was undertaken. That review led to a number of recommendations for changes in practice all of which were adopted and approved by the Board. A steering group under the chairmanship of the Chief Executive has been established to oversee the implementation of those recommendations and thereafter, to ensure their compliance.

We work hard to win and keep the trust of our readers. Recognising recent industry events, we have introduced a policy under which every newspaper title will carry a corrections and clarifications section on page 2 of every edition so that all such corrections are easy to find and are prominently displayed.

Charities

Trinity Mirror believes that it can best support charities through the pages of its newspapers. This support will either be through appeals to readers for donations or through editorial content, describing the aims and activities of various charities. In every case the decision as to whether or not to support a charity appeal or whether to run editorial comment will be one for the editor of each newspaper.

Trinity Mirror will make direct cash donations to charities in certain limited circumstances. The Group will, at a Group level, support various charities connected with or associated with the newspaper, printing or advertising industries. A second category of direct cash support will be to charities operating in the communities immediately surrounding the Group's offices and print sites. The charities that are likely to receive support are smaller community based charities where a modest donation will make a big impact. It is unlikely that a major national charity that just happens to be based very close to one of our offices would receive a donation.

There will be a further limited general pool of funds out of which donations will be made to legitimate and supportable causes that fall outside the above two criteria. There will, however, need in each case to be a demonstrable business or commercial reason why such support should be given. Each of our regional newspaper companies have a small budget out of which they will make direct cash donations to charities working in the community in which the newspaper is based. Scottish Daily Record and Sunday Mail Limited will similarly make a number of donations to appropriate charities based in Scotland. The national titles of the Daily Mirror, Sunday Mirror and The People are most unlikely to make direct cash donations. They will do so only where they are asked to make a payment to a charity in lieu of a fee for an interview or some form of support.

Any corporate donations requested from the national titles are likely to be redirected to the Group, as the Group's headquarters share the same office location as that of the national titles.

All Group donations need the prior agreement of the Secretary and Group Legal Director. Any local business donations require the prior agreement of the relevant Managing Director. In addition to cash donations, the Group is active in making donations in kind in the form of used computer equipment, furniture, books, etc. Through its community involvement programmes, the Group makes available members of its staff for volunteering and mentoring programmes.

Corporate responsibility report

Community engagement and fundraising

Community engagement programmes throughout the Group are very widespread and embedded across so many different regions of the UK, that we sometimes find it very challenging to keep track of the numerous community based activities that we are involved in. The main reason for this is that it is simply 'what we do'. Our newspapers are integral to the lives of our readers and, particularly for our local and regional titles, are a vital part of the fabric of their local communities.

Activities range from large scale national events, such as the Pride of Britain Awards, to small, but nonetheless important, local projects. This report provides a snapshot of some of the numerous activities undertaken in 2011 across the Group and provides an insight into the ability of communities to pull together, which is all the more impressive given these economically challenging times.

Below are just a few examples of the wide ranging fundraising and awareness campaigns led by our regional and national titles:

National titles:

The Daily Mirror's prestigious 'Pride of Britain Awards' returned for the thirteenth time in October 2011. The glittering event, which was once again sponsored by Littlewoods, has firmly established itself as the most popular awards show on television.

Almost 7 million ITV viewers tuned in to watch the emotionally charged ceremony. The viewing figures were once again much higher than for the BRITs and the BAFTAs. It also received huge coverage on national and regional TV and radio, newspapers and glossy magazines.

Children and adults who had performed acts of unbelievable courage, teachers, foster parents and charity fund-raisers were among those receiving awards. Cheryl Cole flew to Afghanistan to present the British Armed Forces, with a special recognition award following 10 years of service in the country.

The Company held its twenty first Annual Great Scot Awards at the Glasgow Hilton celebrating the best Scotland has to offer in the world of entertainment, music, business, charity and sport. The purpose of the event is to identify those unsung heroes and community champions of Scotland and to publicly acknowledge the contribution these individuals tirelessly make to their local communities. A small number of charities also benefit directly from the event through donations, some of whom include the Children's Hospice Association Scotland (Chas), Kidney Research, Royal National Institute of Blind People (RNIB), Nordoff Robbins, Calums Cabin and Spirit Aid.

The Pride of Northern Ireland Awards took place in Northern Ireland's iconic Parliament Buildings, Stormont, in 2011 with the support of The Big Lottery Fund, the Police Service of Northern Ireland, Lidl, Ecoventi and easyJet. The awards highlighted the efforts of young people in Northern Ireland who have achieved a great deal in their lives despite facing difficult circumstances. Hundreds of teenagers took part in the evening.

Following on from the success of the campaign in 2010, the Daily Mirror has again partnered with Age UK in the 'Spread The Warmth' Campaign working to reduce the number of preventable winter deaths. Readers were asked to donate unwanted winter clothes and celebrity coats were auctioned off to raise money for the charity.

The Daily Mirror 'Fair Price for Power' campaign is aimed at urging a review of power pricing practices in the UK. To date, over 20,000 readers have signed up to the scheme showing that this issue is of paramount importance to the readership.

The 'End Legal Loan Sharking' campaign was launched by the Daily Mirror in November 2011 to tackle the booming high-cost loan industry. One in three payday loans are taken out to pay off other payday loans, helping to create a growing number of 'zombie debtors' who only ever service the interest on their loans. Research suggests 3.5 million people will use payday lenders, who charge up to 4,000% APR on short loans. The Daily Mirror is leading a campaign calling for a cap on the total cost of lending to drive loan sharks out of the industry.

Regional and local titles:

Working with the local council and local business MEN Media has been encouraging readers to get involved in improving recycling in the Greater Manchester area, producing a quarterly supplement full of tips: 'The Smart Way to Recycle'. Recycling and composting rates increased from 16.5% in 2004/5 to 37.7% in 2010/11 working towards the aim of diverting 75% of waste from landfill by 2015.

Media Wales have continued to build on the success of the 'Go Green' campaign in 2011. Working with various partners including the Low Carbon Research Institute, the Energy Saving Trust and the Welsh Government, 'Go Green' aims to raise awareness of local and global environmental issues and provide energy saving tips to individuals and businesses. More information can be found at: http://www.walesonline.co.uk/go-green/.

The Harrow and Wembley Observer continued the 'Keep Our Libraries Local' campaign in 2011 in support of Brent campaigners fighting to save six local libraries. The papers have been highlighting the efforts by the Brent SOS (Save Our Six) campaign, including a high court battle, to preserve a much-valued community resource and bring into the consciousness of our readers and Brent Council the immense value of this local service.

The Paisley Daily Express 'Stop Knives and Save Lives' campaign continued in 2011. The campaign is highlighting the dangers of carrying knives and calling for a minimum mandatory jail sentence for anyone caught carrying a knife. An online survey found that 91% of readers were in favour of the introduction of mandatory jail sentences for knife carrying.

The Coventry Telegraph launched a dual campaign in 2011 to reduce food wastage and feed the homeless and hungry people in Coventry. The 'Waste Not Want Not' campaign in conjunction with the charity Anesis and running with the support of local businesses including Coventry Market and several supermarkets collects surplus food and distributes it at the Coventry Soup Kitchen.

The Evening Chronicle and Evening Gazette's 'Wish' Campaign will see just under 600 community groups receiving a share of £100,000. 'Wish' benefits not-for-profit organisations that serve the local community and range from schools and sports clubs to charities and community groups.

Digital campaigns:

In early 2011, fish4Jobs, the Group's national online recruitment site, launched the 'Get Britain Working' campaign. 'Get Britain Working' is comprised of a comprehensive job search website, providing details of thousands of available opportunities as well as tips and ideas to help people land a new job. From 5 to 10 September 2011, fish4Jobs in association with the Daily Mirror's 'Get Britain Working' campaign hosted a series of free pop up job fairs in key UK locations.

fish4Jobs brand ambassador, Channel 4's Fairy Jobmother Hayley Taylor and the roadshow team visited Kent, Birmingham, Liverpool, Manchester, Leeds and Newcastle in an orange double decker bus, setting up free one-day job fairs in central locations helping over 10,000 with CV and in interview tips.

Employee volunteering, youth projects and partnerships

The Group encourages staff to get involved in local charities and has an Employee Volunteering Policy. Every member of staff is entitled to a 'volunteering day' in addition to annual holiday allowance and can use this day to get involved in a voluntary activity in support of a good cause. Such volunteering is one of the key ways in which we strengthen the connection with our local communities.

As well as getting involved with local charities on an individual basis through the Employee Volunteering Policy the Group has been involved in various projects and partnerships aimed at supporting youth development.

Staff at MEN Media utilised the Employee Volunteering Policy to get involved with Business in the Community in 2011. In June a team attended the 'Building Brighter Futures' event at the Museum of Science and Industry to raise awareness amongst secondary school children of the different sorts of careers available.

Also, working with Business in the Community staff at MEN Media have become Reading Volunteers and have been helping children with their literacy in local primary schools, spending an hour a week helping children learn to read.

In Liverpool young people were given the chance to become illustrators for the day – with the help of the Liverpool ECHO's resident cartoonist. The results of the collaboration can be seen here: http://www.oldhallstrip.co.uk/2011/12/theatrical-obstructio/.

The Group continued its active support as co-sponsors of Catch 22, an initiative helping youngsters held back by a lack of qualifications or work experience obtain the opportunities they deserve. In 2011 we gave students work experience in our regional business in our Southern region offices and on the Daily Mirror. Further information of the initiative can be found at www.catch-22.org.uk.

Support of the charity Kids Company continued in 2011. Kids Company is a charity working with young people caught in difficult situations, providing counselling and other support services to get young people back into school or training, helping them find a safe place to live or helping them to live independently after leaving care or custody.

Another charity the Group has worked with in 2011, with the support of the East London Business Alliance, is the Canaan Project, an organisation which provides youth work in Tower Hamlets, East London. The Canaan Project offers educational, sporting and motivational opportunities – and emotional support – for young people who live in or near the Teviot Estate. The estate is in one of the most deprived areas in Britain. Employees on The Group's talent development programme worked with The Canaan Project to help give young people insight into the newspaper publishing and printing industry. As part of this new partnership, a group of young people spent a day visiting the Daily Mirror at Canary Wharf, meeting with staff from across many departments and visited the print site at Watford to find out what goes into producing a newspaper. More information on The Canaan Project can be found at www.canaanproject.co.uk.

Our people

We celebrate the hard work and talent of our employees throughout the Group and use the Company's intranet site to keep our staff updated on key Group developments and to celebrate success.

The Group has in place an Employee Assistance Programme which gives employees, partners and their immediate family 24 hours a day, 365 days per year access to independent advice and guidance across a whole spectrum of welfare issues. Additionally during 2011, new initiatives were implemented to help combat work-related stress, safe driving and specialist training in behavioural safety for Health & Safety managers.

We believe in being an employer of choice for those entering our industry. In pursuit of this aim, we feel that robust corporate responsibility programmes will be key in attracting and retaining highly skilled individuals.

Learning and development

Annual Performance and Development Reviews (PDRs) for all employees enable us to assess our whole team. These PDRs along with Succession Planning and Potential Reviews help us shape the management team and plan for the future.

During 2011, the key strands of our Training and Development programme centred on the establishment of a Sales Academy, building on the success of the Inspirational Leaders programme, Management Development, the Customer Service Promise, High Potential Development and senior executive development programmes, as appropriate.

During 2011, we have maintained a very full learning and development programme and we are reaping the benefits of having good people development processes.

Customer service promise

This Group-wide initiative was introduced to provide a first class service to all our customers, external and internal. It aims to ensure that customers are placed at the heart of everything we do as a business. The framework underpinning the Customer Service Promise has been reviewed by each part of the business and demonstrates a commitment to provide a top quality service to all of our customers.

Corporate responsibility: risks and opportunities

The Group is not a multinational nor is it engaged in 'heavy' industry. It is not, therefore, exposed to some of the risks faced by those who operate in developing countries or at the sharp end of environmental exposure. The greatest exposure for the Group would, therefore, be a procedural failure that led to a domestic failure of its environmental, health and safety or ethical policies. It is unlikely that a failure in any of these three areas would be catastrophic. The Group's principal risks and uncertainties can be found in the Business review on pages 22 and 23.

The Board believes that the Group's main exposure in the corporate responsibility area would be one of reputational damage. The procedure that the Group employs to control and manage these risks is through a regular review of its standards and systems and through training of relevant employees and managers.

The Group's Standards of Business Conduct are embedded within the culture of the Group.

The Group believes that opportunities in these areas are similarly reputational. We believe that there are advantages to being seen as the employer of choice for those entering our industry, that decision having been made on an assessment, amongst many other things, of our corporate social responsibility programmes. Those programmes will also be key in the retention of staff. We also believe that there are obvious commercial advantages from being seen as a socially responsible Group.

Paul Vickers
Secretary and Group Legal Director

15 March 2012

Corporate governance report

Chairman's statement

The report that follows gives a detailed but inevitably somewhat 'dry' account of the way in which Trinity Mirror implements corporate governance. Inevitably it follows closely the various provisions of the UK Corporate Governance Code. The purpose of this Chairman's statement is to pick up on one of the suggestions in the preamble to the code and to give a bit of extra colour to the way in which governance operates in the Company and at the Board in particular and to give my personal perspective on what we do.

The Board works well as a group of people. Boards should work in a unified way to promote shareholder interests and value but they must always be prepared to differ. They should be respectful, even friendly, but never cosy.

I believe we achieve that ambition. The non-executives are supportive of the management but we challenge them. The executives respect that right to challenge but are open and frank and supply the Board with the information that it needs to understand the business, what is working, what isn't and where we sit in a challenging and changing market place.

We are a relatively small board and I think that in this context size matters. There is no room for passengers and all directors make a full contribution. It should not go un-remarked that until the start of 2012, we had an equal split of men and women on the Board. That was not by design. We did not set a quota. We appointed the best people for the roles, both executive and non-executive.

Some boards are isolationists. The Board only ever meets the Board. We avoid that. We have a clear programme that ensures that executive committee members and other senior executives regularly make presentations to the Board and join its debates. We also ensure that the Board as a whole visits our businesses to meet management and staff on the ground in their markets.

We take succession planning seriously both for the Board and for the wider business. The changes at the Board with David and Donal joining are evidence of the first. For the second, once a year the Board holds a separate 'offsite' meeting where it reviews the potential and succession plans for over seventy of its senior managers. The more we follow this process the better it has become and the greater knowledge the board has developed of the team that actually runs the day-to-day business.

We also have a comprehensive risk mapping process that is 'best in class'. It has been described as a living tool that is regularly reviewed by both the senior management and the Audit & Risk Committee. And it changes. New risks are identified and different risks are prioritised. New actions are recommended and controls implemented.

No system is perfect. However, we do believe that we put governance into action and do not believe it is about ticking boxes or satisfying codes.

Sir Ian Gibson
Chairman

15 March 2012

Corporate governance

The Board is committed to maintaining high standards of corporate governance and recognises the importance of good corporate governance. Sound governance is central to achieving the directors' prime objective of maximising shareholder value and comprises, principally, the processes by which the Group is directed and managed and how risks are identified and controlled.

The FRC Combined Code was replaced by UK Corporate Governance Code (the 'UK Code') which applies to financial years beginning on or after 29 June 2010.

This statement, together with the Remuneration report on page 41, the Audit & Risk Committee report on page 36, the Nominations Committee report on page 39 and the Directors' report set out on pages 47 to 49 describes how the Company has applied the relevant principles of the UK Code.

The Board believes that the Company complied with all provisions of the UK Code during the financial year ended 1 January 2012.

The Role of the Board

The Board is responsible for promoting the long-term success of the Company and for providing leadership within a framework of prudent and effective controls that enable risk to be assessed and managed and is accountable for the Group's operations.

The Board has a formal schedule of matters reserved to it which includes:

- The Group's strategic plans;
- Acquisitions or disposals;
- Capital expenditure;
- All financing matters;
- The annual budget and the review of operating and financial performance;
- Annual and half year financial results, annual report and accounts and interim management statements;
- Board, Company Secretary and Committee Chairman appointments;
- Terms of reference for all Board Committees;
- Directors' conflicts of interest; and
- Dividend policy.

Other specific responsibilities are delegated to Board committees, each of which has clear written terms of reference. The terms of reference for the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website at www.trinitymirror.com/our-company/corporate-governance.

Directors

There are currently ten directors: Chairman, Sir Ian Gibson; Chief Executive, Sly Bailey; Senior Independent Director, Gary Hoffman; two other executive directors; and five other non-executive directors. The directors' biographies are set out on pages 12 to 13 and illustrate the directors' breadth of experience, which should ensure an effective Board to lead and direct the Group. At present, Sir Ian Gibson is Chairman of the Board and of the Nomination Committee (except where his own appointment is under discussion), Kathleen O'Donovan is Chairman of the Audit & Risk Committee and Jane Lighting is Chairman of the Remuneration Committee.

Sir Ian Gibson will retire as Chairman and director on 3 August 2012. David Grigson will be appointed Chairman on 3 August 2012. Laura Wade-Gery will retire as a director at the conclusion of the 2012 Annual General Meeting. Donal Smith was appointed as a non-executive director on 1 March 2012.

Committee membership

The Board has agreed that all non-executive directors should serve as members of the Audit & Risk, Nomination and Remuneration Committees. The Board believes that an increasing amount of work is undertaken by these committees and that a non-executive director can only properly fulfil his or her responsibilities if they are present during committee meetings and are able to follow the detail of discussion and debate held at those meetings. Similarly the Chairman, in addition to chairing the Nomination Committee, is a full member of the Remuneration Committee and attends meetings of the Audit & Risk Committee at the invitation of its chairman.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separated and their responsibilities are clearly established, set out in writing and agreed by the Board. The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information and cultivating a boardroom culture for honest and effective debate enabling constructive contribution of all the non-executive directors. The Chairman is responsible for setting the Board's agenda and ensures that sufficient time is allocated for the discussion of all agenda items.

The Chief Executive is responsible for the day-to-day leadership, operations, performance and management of the Company within the strategy and plans agreed by the Board. This is implemented through the executive directors, Executive Committee and the rest of the management team.

Company Secretary

All directors have access to the advice and services of the Secretary and Group Legal Director, Paul Vickers, who is responsible for ensuring that Board procedures and applicable rules are observed.

The Company Secretary's responsibilities include ensuring good information flows to the Board and its committees and between senior management and the non-executive directors.

The Board has considered the effect of Paul Vickers's roles as an executive director and Company Secretary and believes that Mr Vickers is able to maintain independence where required. The Chairman reviews Mr Vickers's performance regularly and appropriate procedures are in place enabling him to perform and fulfil his duties accordingly.

Independent advice

The directors may take independent professional advice if necessary at the Company's expense.

Board attendance

The Board meets regularly and a schedule of attendance is shown below in respect of all Board and committee meetings during the year.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	AGM
Sly Bailey	9/9	5/5	5/5	3/3	1/1
Sir Ian Gibson	9/9	5/5	5/5	3/3	1/1
Gary Hoffman	9/9	5/5	5/5	3/3	1/1
Jane Lighting	9/9	5/5	5/5	3/3	1/1
Kathleen O'Donovan	9/9	5/5	5/5	3/3	1/1
Vijay Vaghela	9/9	5/5	–	3/3	1/1
Paul Vickers	9/9	5/5	5/5	3/3	1/1
Laura Wade-Gery	9/9	5/5	5/5	2/3	1/1

Where a director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues with the Chairman and Chief Executive.

In 2011, the Board was scheduled to meet nine times. Additional time was spent reviewing strategy and governance. Additional Board meetings are called as required. No additional meetings were held during the year. The Board holds meetings in regional offices which provide a valuable opportunity for the directors to further their understanding of the Group's operations and key regions.

Board meetings are structured to allow open discussion and all directors participate in the discussion of strategy, trading, financial performance and risk management. Board papers are circulated in sufficient time before a meeting to enable full and informed discussion. Members of the wider Executive Committee attend Board meetings by invitation and make presentations regularly.

Director independence

The Board believes that all its non-executive directors are independent in character and judgement and are independent as defined by section B.1.1 of the UK Code.

The Board believes that the Chairman was independent at the date of his appointment. The Chairman has declared to the Company his other significant commitment, which is his Chairmanship of Wm Morrison Supermarkets plc. The Board believes that he devotes sufficient time to the Company to properly and fully fulfil his responsibilities.

Directors' conflicts

The Board adopted a Conflicts Policy in October 2008 which provides a formal system for directors to declare conflicts to be considered for authorisation by those directors who have no interest in the matter. In deciding whether to authorise a potential or actual conflict, the non-conflicted directors are required to act in the way they consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation or subsequently if appropriate.

The Board applied the Conflicts Policy throughout 2011 and the relevant procedures for authorisation of potential or actual conflicts were followed. The Board agrees that there is currently no compromise to the independence of any director arising from an external appointment or any outside commercial interest.

In addition to the availability of the Register of Conflicts at each Board meeting, an annual review has been conducted and the Board will continue to monitor and review potential conflicts of interest on a regular basis.

Corporate governance report

Board appointments and procedures

The appointment and replacement of directors is governed by the Company's Articles of Association (the 'Articles'), the UK Code, the Companies Act 2006 and related legislation. The Articles may be amended by a special resolution approved by shareholders.

In accordance with the Articles, every director is subject to reappointment by shareholders at the first opportunity following their appointment and subsequently must seek re-election at least once every three years. However, the Board is fully supportive of the UK Code and all directors will continue to seek re-election on an annual basis at future Annual General Meetings. Further information is included in the Notice of Meeting.

The non-executive directors are appointed for an initial term of three years and may be invited to serve subsequent terms. Prior to seeking re-election at the end of their initial term by shareholders, the Nomination Committee meets to consider whether his or her performance continues to be effective and whether they demonstrate a commitment to the role.

During the year, the Chairman and non-executive directors met without the executive directors being present. It is normal practice for the non-executive directors to meet without the Chairman being present at least once a year to review the performance of the Chairman and such a meeting took place in 2011.

The Chairman and the non-executive directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the Company's Annual General Meeting. The executive directors have service contracts which are similarly available for inspection at the registered office and at the Annual General Meeting.

Directors' indemnity and insurance

As approved by shareholders at the Annual General Meeting held in 2008, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006.

The Company maintains appropriate directors' and officers' liability insurance for its directors and officers.

Board training and effectiveness

An assessment is made of any training needs on a director's appointment and the appropriate training is provided. New directors are provided with background reading about the Group and details of Board procedures and other governance-related matters. A full and individually tailored induction programme is provided for all new directors.

Directors receive ongoing updates on relevant issues as appropriate, taking into account their individual qualifications and experience. The Secretary and Group Legal Director helps directors undertake any other professional development they consider necessary to assist them in carrying out their duties. The Board is satisfied that each director has the necessary time to effectively devote sufficient time in discharging their responsibilities.

The Board believes that the appointment of David Grigson as Chairman Designate and Donal Smith as a non executive director will continue to add to the breadth of skills and experience amongst its members.

The Board participate in visits to key operational sites during the year to gain a deeper insight into the Group's operating environment.

Board performance evaluation

The Board's performance and effectiveness is reviewed annually. It has adopted a policy of engaging with external evaluation every third year. In 2011, a formal external evaluation was undertaken by Dr Tracy Long of Boardroom Review. Dr Long also conducted an external evaluation in 2008. Aside from facilitating the external evaluation of the Board, Dr Long has no other connection or association with the Group. The outcome of the performance of the directors, the Board and its committees was presented and discussed at a Board meeting in January 2012. Overall, it was concluded that the Board and its committees continued to operate effectively with appropriate procedures in place.

Audit & Risk Committee

The Audit & Risk Committee is chaired by Kathleen O'Donovan. David Grigson, Gary Hoffman, Jane Lighting, Donal Smith and Laura Wade-Gery are members. The Chairman attends committee meetings at the invitation of Kathleen O'Donovan.

The Committee meets as required during the year to monitor, review and approve the internal audit plan, direct the internal audit function and meets with the external auditors to oversee the management of internal financial controls and risk management systems.

The Audit & Risk Committee report on page 36 contains a more detailed description of the Committees' role, responsibilities, activities and effectiveness during the year.

The Group Finance Director, other directors, the Group's external auditors, internal auditors and other management, as appropriate, attend meetings of the Committee.

The Committee has formal written terms of reference which are published on the Company's website.

Remuneration Committee

The Remuneration Committee is chaired by Jane Lighting. Other members of the Committee are: Sir Ian Gibson, David Grigson, Kathleen O'Donovan, Gary Hoffman, Donal Smith and Laura Wade-Gery.

The Committee meets as required during the year to review the Company's general policy on executive remuneration, the application of the policy to the remuneration and benefits of the executive directors, and to recommend and monitor the level and structure of remuneration for senior management.

The Remuneration report on pages 41 to 46 contains a more detailed description of the Company's policies and procedures for executive remuneration. During the year, as appropriate, the Chief Executive and the Secretary and Group Legal Director have attended meetings of the Committee but they do not participate in discussions on their own remuneration.

The Committee has formal written terms of reference which are published on the Company's website.

Nomination Committee

The Nomination Committee is chaired by the Chairman. All the non-executive directors and the Chief Executive are members. The Chairman does not chair any meeting where it deals with any matter concerning the chairmanship of the Board. In such circumstances, the meeting is chaired by a non-executive director elected by the remaining members of the committee. Members of the Nomination Committee do not take part in discussions when their own performance including that of their continued appointment is being considered.

The Committee meets as required to select and propose to the Board suitable candidates of appropriate calibre for appointment as directors. The Committee would normally expect to use the services of professional external head hunters to help in the search for and selection of candidates.

The Nominations Committee report on page 39 contains a more detailed description of the Committees' role, responsibilities, activities and effectiveness during the year.

The Committee has formal written terms of reference which are published on the Company's website.

Administration Committee

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

Shareholder engagement

The Company encourages two-way communication with both its institutional and private investors and responds promptly to all queries received orally or in writing. The Chief Executive and the Group Finance Director meet regularly with analysts and institutional shareholders.

The Board receive regular detailed reports on investor relations activities and any related issues concerning major shareholders.

Twice a year, the Investor Relations team produce a formal report for the Board giving details of comment and feedback received from analysts and institutional investors.

The Company's website is regularly updated and contains a wide range of information of interest to both institutional and private investors, including any announcements made by the Company to the London Stock Exchange as well as presentations of interim and annual presentations made to analysts.

In addition, on notification of a new substantial shareholder in the Company, the Chairman will write to the shareholder to offer a meeting. The Chairman meets with major shareholders as requested.

Accountability and audit operating and financial review

Through the reviews of the performance and financial position in the Chairman and Chief Executive Statement on pages 8 to 11 and the Business review on pages 14 to 23 together with the Directors' report on pages 47 to 49, the Board seeks to present a balanced and understandable assessment of our position and prospects.

The directors' responsibility for the financial statements is set out on page 49.

Actions taken and progress on delivery of the Group's strategic goal and shareholder value over the longer term can be found on pages 8 to 10 of the Chairman and Chief Executive statement.

Corporate governance compliance statement

The Company has complied throughout the financial year ended 1 January 2012 with the provisions set out in the UK Code.

Going concern basis

In accordance with LR 9.8.6(3) of the Listing Rules, and in determining whether the Group's annual consolidated financial statements can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities. These are set out in the Chairman and Chief Executive statement on pages 8 to 11, the Business review on pages 14 to 23 and in the notes to the consolidated financial statements, in particular notes 25, 26, 27 and 34.

The key factors considered by the directors were as follows:

- The implications of the challenging economic environment on the Group's revenues and profits. The Group undertakes forecasts and projections of trading and cash flows on a regular basis. Whilst this is essential for targeting performance and identifying areas of focus for management to improve performance and mitigate the possible adverse impact of a deteriorating economic outlook, they also provide projections of working capital requirements;
- The impact of the competitive environment within which the Group's businesses operate. In particular, the Nationals operate in a highly competitive marketplace characterised by high levels of marketing expenditure and cover price discounting;
- The impact on our business of key suppliers (in particular newsprint) being unable to meet their obligations to the Group;
- The impact on our business of key customers being unable to meet their obligations for services provided by the Group;
- The continued fragmentation of media and the implications for our business;
- The potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected; and
- The committed finance facilities available to the Group. The Group has access to overdraft facilities and committed bank facilities to meet day-to-day working capital requirements. The bank facilities are committed to August 2015 and drawings can be made with 24 hours' notice.

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

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's annual consolidated financial statements.

Paul Vickers
Secretary and Group Legal Director

15 March 2012

Corporate governance report

Audit & Risk Committee report

The Audit & Risk Committee is chaired by Kathleen O'Donovan. David Grigson, Gary Hoffman, Jane Lighting, Donal Smith and Laura Wade-Gery are members.

The Committee has identified its Chairman, Kathleen O'Donovan, as its primary member with recent and relevant financial experience. Kathleen is a Chartered Accountant and was a partner at Ernst & Young. She was for 12 years the Finance Director of BTR plc (subsequently Invensys). She has been Chairman of the Audit Committee of a number of public companies.

David Grigson is a Chartered Accountant and has extensive financial experience as Chief Financial Officer of Emap plc and Reuters Group plc. He also has extensive experience as a Chairman and non-executive director including Chairman at Creston plc and Chairman of Anobii Ltd and non-executive director at Ocado Group plc, Standard Life plc and Carphone Warehouse Group plc.

Gary Hoffman has extensive experience of the financial services industry having spent 26 years with the Barclays group. He was appointed Chief Executive of Northern Rock plc in October 2008 and is the former Group Vice Chairman of Barclays plc. He has recently been appointed Chief Executive of NBNK Investments plc, effective 1 May 2011.

Jane Lighting, Donal Smith and Laura Wade-Gery each have considerable commercial experience. Jane was Chief Executive of both Flextech plc and of the television company Five. Donal was previously at Thomson Reuters plc where he was CEO of Thomson Financial Europe and Asia and the CEO of Financial Times Electronic Publishing and FT.com. Laura was appointed Chief Executive of Tesco.com in January 2004 and a director of Tesco Personal Finance plc. Laura is executive director of multi-channel E-commerce at Marks and Spencer plc.

The Group Finance Director, other directors, the Group's external auditors and the internal auditors and other management, as appropriate, attend meetings of the Committee.

During the Board performance evaluation in 2011, the Board reviewed the composition and balance of the Committee and it is satisfied that the appropriate and relevant expertise and resources are available to effectively fulfil the accounting, audit and risk issues it has to address during the year. The terms of reference provide authorisation for obtaining independent external advice at the Company's expense.

The website and the Company's intranet sets out details of the Company's policy on whistleblowing, which has been approved and implemented by the Committee.

The Committee's principal responsibilities are to:

– Monitor the integrity of the financial statements of the Company including its annual and half year financial results, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;

– Review significant financial reporting issues and judgements;

– Recommend to the Board the appointment of the external auditor and approve their remuneration and terms of engagement;

– Monitor and review the external auditor's independence, objectivity and effectiveness including considering relevant UK professional and regulatory requirements;

– Develop and implement policy on non-audit services from the external auditors, taking into account relevant ethical guidance;

– Review the Company's procedures for handling allegations from whistleblowers;

– Review the Company's internal financial control system and risk management system;

– Monitor and review the effectiveness of the internal audit function;

– Review and approve the remit of the internal audit function and ensure the function has the necessary resources and is able to meet appropriate professional standards for internal auditors;

– Review and approve the internal audit plan; and

– Approve the appointment and termination of the Director of Risk and Audit who is responsible for internal audit (with the agreement of the Committee this approval may be delegated to the Committee Chairman).

The Committee receives any required information from management in a timely manner and in formats which are comprehensible and sufficient to fulfil its responsibilities to shareholders and investors alike.

The Committee monitors and reviews the effectiveness of internal audit activities, internal controls and risk management systems. The Committee has considered that the appropriate systems are in place, are adequate and are operating properly. The Committee has access to a risk map which details a description of the risks, an assessment of the impact on the business, probability of occurrence, management accountability, applicable policies, sources of assurance, risk factors and associated actions. It is a valuable source of information for reference and is regularly reviewed.

During 2011, principal risks were identified, assessed and reviewed by impact and probability. Further information is within this report under the headings Internal Controls and Risk Management. The principal risks and uncertainties facing the business can be found in the Business review on pages 22 and 23 under the heading 'Risks and uncertainties'.

During 2011, the following items were reviewed at the Audit & Risk Committee meetings:

– Reports and Financial Statements;

– Tax, Treasury and Contingent Liabilities;

– Internal Control and Risk Management;

– Review of External Auditors;

– Risk Map;

– Internal Audit Plan;

– Review of Results of Internal Audit reviews;

– External Audit Plan;

– Findings from the External Auditors on the 2010 year end audit;

– Findings from the External Auditors on the 2011 interim review;

– Review of Accounting Standards changes; and

– External Audit fees.

The internal audit function focuses on enhancing the Group's internal controls. It has a rolling programme of review which is approved by the Committee. The Director of Risk and Audit is highly qualified and has extensive experience of working at a senior level in large companies.

The Committee members are also members of the Remuneration Committee. The Committee believes that the Company's remuneration policy is adequate for a group of this size and nature and that compensation policies and practices are appropriate for maintaining a robust control environment and do not put the Company at risk.

External auditors' independence and non-audit work

The Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external auditors.

The Committee recommended the reappointment of Deloitte LLP as external auditors following the annual external audit effectiveness review where the Committee concluded that the audit was fit for purpose. Deloitte LLP audits all subsidiaries of the Group.

The current overall tenure of Deloitte LLP dates from 1999. Any decision to open the external auditor to tender is taken on the recommendation of the Committee based on the effectiveness review described below. There are no contractual obligations that restrict the Company's choice of auditor.

The external audit effectiveness review, which was carried out by the Committee with the help of the Director of Risk and Audit, dealt with external auditor independence, planning, expertise and resources, audit process and communication. The review was in the form of an extensive questionnaire which was sent to directors and senior managers across the Group. The results were analysed by the Director of Risk and Audit and a full report was submitted for review by the Committee. There were no adverse findings. The report as a whole was discussed with the external auditors.

The Committee is satisfied that there are no relationships between the Company and the auditor, its employees or its affiliates that may reasonably be thought to impair the auditors' objectivity and independence.

Private meetings were held with Deloitte LLP to ensure there were no restrictions on the scope of their audit and to discuss any items that the auditors did not wish to raise with the executive directors present.

The Committee reviews and agrees the engagement letter from Deloitte LLP and verifies their independence and objectivity. It also reviewed the scope of non-audit services provided by Deloitte LLP to ensure that their objectivity was not impaired.

The Committee is satisfied that the level of fees payable in respect of audit services is appropriate for a group of its size and that an effective audit was conducted during 2011. Further details concerning external audit fees can be found in note 6 to the consolidated financial statements.

Non-audit services

The Board has accepted the Committee's recommendation on a policy on the engagement of the external auditors to supply non-audit services. The policy has been adopted by the Board and as a general rule the auditor will not be engaged to provide any additional services other than tax or accountancy advice and circulation audits. There may, however, be circumstances where it could be in the Company's and shareholders' interests if the auditor was engaged. Such circumstances are likely to be relating to either exceptional transactions or deemed not to be of a material nature. In all cases, the engagement of the auditor for non-audit work must be approved in advance by the Committee Chairman.

Internal control

The directors are responsible for the Group's established system of internal control and for reviewing its effectiveness. During the year the Board has not been advised of any failings or weaknesses which were deemed to be significant. No system of internal 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 discipline involves the preparation of detailed annual budgets by all operating units. These budgets are reviewed by the Executive Committee and are ultimately summarised and submitted to the Board for approval. Weekly revenue and profit forecasts 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, including detailed profit analysis (with comparisons to budget, latest forecasts and prior year together with a treasury report (including comparison to our financial covenants)) are prepared providing relevant, reliable and up to date financial and other information to the Board. Profit and cash flow forecasts for the current year are prepared and submitted to the Board at quarterly intervals during the year.

Investment appraisal

We have 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 Capex Committee, consisting of the three executive directors and the Group Information Technology director, 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 support for the expenditure and requires a comprehensive and justified financial appraisal 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 our key functions, including treasury, taxation, internal audit, risk management, 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 Secretary and Group Legal Director, as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that we are not exposed to any unnecessary risk and that where appropriate there is hedging against foreign currency and interest rate risks. The Committee reviews reports from management, the internal audit department and the external auditors to provide reasonable assurance that internal 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.

Corporate governance report

Risk management

An ongoing process for identifying, evaluating and managing the significant risks we face has remained in place throughout the year and up to the date of approval of this report. The process is subject to regular review by the Board directly and by the Audit & Risk Committee.

The process accords with the Turnbull Guidance on Internal Control for directors, as applicable for this accounting period. Although the Board's overall responsibility for internal control is recognised, the positive contribution made by senior management to the establishment and ongoing development of risk management within the Group is acknowledged.

In reviewing the effectiveness of our system of internal control, the Board has taken into consideration a number of key elements, which include financial controls, investment controls, management reporting and the various review, steering, policy and Board committees.

The following illustrate how the risk management process and the system of internal control operated during 2011:

Group Internal Audit	The Director of Risk and Audit has recruited a skilled and experienced team to enable the agreed strategy to be fulfilled.
	The internal audit plan is risk based and has a focus on those areas which are critical to the achievement of business objectives.
Audit & Risk Committee	The role of the Committee includes the review, update and approval of the annual internal audit plan, direction to the internal audit function, to external auditors and to management in the review of internal financial controls.
	The Committee alerts the Board to any emerging issues and considers the draft papers prepared for the annual review of effectiveness of the risk management procedures adopted by the Company prior to being submitted to the Board for approval.
Risk Management Group	The Risk Management Group is formed of the Executive Committee together with invited senior executives.
	The Secretary and Group Legal Director co-ordinates the risk management activities of the Risk Management Group working closely with members of the internal audit department.
	The agreed objectives for the risk management framework have been achieved during the year and all significant risks have been reviewed. A risk map has been developed and regularly updated to show the actions taken to minimise risks throughout the Group, the policies in force and the other sources of assurance upon which reliance is placed to mitigate risk.
Divisional and Group functional key risks	To enable consistent and focused monitoring, reporting, evaluation and management of significant Group risks, the Executive Committee owner of each key risk and the relevant senior managers have reviewed the plans, actions and initiatives which have taken place or are underway and documented them in the risk map.
Year end compliance reporting	A formal process exists for year end risk management compliance reporting, requiring senior operating company, divisional and Group executive management to confirm their responsibilities for risk management and internal control. Ultimate compliance reporting is required of each and every Board member.

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 the attention of management and the Board. 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 and not absolute assurance against material misstatement or loss.

Kathleen O'Donovan
Chairman of the Audit & Risk Committee

15 March 2012

Nomination Committee report

The Nomination Committee's role is to:

– Review the Board's structure, size and composition, including the balance of skills;

– Make recommendations regarding any adjustments to the composition of the Board;

– Assess the time commitment required from non-executive directors and evaluate whether the non-executive directors are committing enough time to fulfil their duties; and

– Propose recommendations to the Board for the continuation in service (or not) of each director.

Procedures have been put in place by the Committee to maintain a formal, rigorous and transparent process for Board appointments. The Committee ensures that appointments to the Board are made on merit and assessed against a pre-set objective, assessing whether there is a correct balance of expertise and arranging an orderly plan for Board appointments.

The Committee has due regard to the benefits of diversity on the Board, including gender but also takes into account other aspects of diversity to achieve a proper balance. The overriding criterion is always, however, merit. The Board has a very good mixture of men and women but each person has been appointed solely because of what they bring to the Board and not to meet any quota.

In 2011, the Committee met formally on three occasions. There were also a number of informal briefings either at the start of Board meetings or on the telephone.

During the reporting period, as part of its rolling succession planning process, the Committee engaged Egon Zender International to help identify potential non-executive directors. A detailed job description and a list of required experience and capabilities were prepared to ensure that the Board maintained an appropriate balance of skills and experience. Egon Zender were also instructed to identify candidates solely on merit and suitability.

Donal Smith was identified as a candidate and following interviews by members of the Committee, he was proposed to the Board for appointment. The Board unanimously approved his appointment.

At the same time, David Grigson was identified as a suitable candidate for the role of Chairman, at which point Sir Ian Gibson withdrew from all aspects of this process. The process was overseen by the Senior Independent Director, Gary Hoffman. A list of alternative candidates for Chairman was prepared by Egon Zender against a separate set of required experience and capabilities appropriate for the role of Chairman. Mr Grigson was identified as the outstanding candidate. He was interviewed by members of the Committee and put forward to the Board for appointment. The Board unanimously approved his appointment.

Sir Ian Gibson
Chairman of the Nomination Committee

15 March 2012

Remuneration at a glance

Key points in 2011

– fourth consecutive pay freeze for executive directors and senior managers;

– review of current share scheme arrangements;

– the employee bonus scheme which had a Group operating profit target saw payments of 30% of potential to each participant; and

– senior managers and executive directors received bonus payments of up to 30% of potential for significant out performance of Group operating profit targets.

Remuneration policy

The Group aims to provide remuneration packages that comprise competitive fixed pay packages and variable pay which provides the potential for significant rewards related to performance aligned with the Group's strategic objectives and shareholder interests.

What are the principles of our remuneration policy?

Performance linked
A significant part of executive directors' reward is determined by the Group's success. Failure to achieve threshold levels of performance results in no payout under short or long-term incentives.

Shareholder aligned
Aligned with the Group's strategic objectives, a considerable part of the reward is related to share price performance and is paid in shares that have to be retained until minimum shareholding requirements have been met.

Competitive
The Group aims to provide remuneration packages that reward senior executives in relation to other relevant companies. The Company seeks to balance the 'package' for senior executives between rewarding short and long-term performance.

Who are our peer group companies?

In setting remuneration, the Remuneration Committee, with its advisers, currently reviews arrangements for other listed companies and companies of a broadly similar size.

Reward element	Group employees	Senior managers and executive directors only
Fixed base salary	✓	✓
Benefits including pensions	✓	✓
Variable annual bonus	✓	✓
Share awards	✗	✓

	2011 reward
Base salary	Held at 2008 levels
Annual cash bonus	No change to maximum % of base of 75% to 110% for executive directors and 50% to 75% for Executive Committee
Share awards	LTIP award and DSAP award maintained at 2010 percentages with LTIP sizes reduced and DSA potential increased against 2009 levels. Approximate value maintained.

What did executive directors receive in 2011?

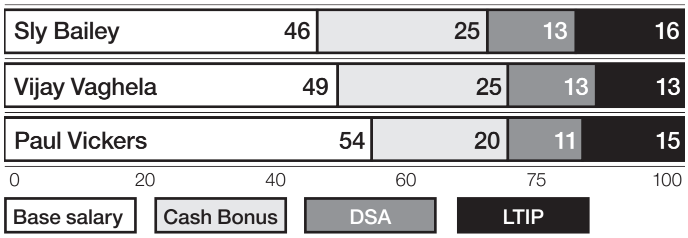
	Base salary £000	Benefits excluding pension contribution £000	Annual cash bonus Potential £000	Annual cash bonus Actual £000	Total cash and cash equivalents £000
Sly Bailey	750	11	825	248	1,009
Vijay Vaghela	430	11	430	129	570
Paul Vickers	375	23	281	84	482

	Pension contributions £000	Granted in 2011 Deferred shares	Granted in 2011 Performance shares
Sly Bailey	248	502,857	761,905
Vijay Vaghela	104	262,095	327,619
Paul VIckers	129	171,429	285,714

How are the rewards structured

The relative weighting of each of the key elements of executive director remuneration for 2011 (excluding pension and benefits) by fair value is included in the table below and discussed in greater detail in the remuneration report.

Reward structure (%)



The Company is currently consulting on possible changes to the structure of the executive directors' remuneration. If any changes are agreed and formal shareholder approval is necessary, appropriate resolutions will be put to the 2012 Annual General Meeting. Further details will be set out in the Notice of Annual General Meeting.

Remuneration report

The Remuneration Committee

During 2011, the Remuneration Committee consisted of Jane Lighting (Chairman), Sir Ian Gibson, Gary Hoffman, Kathleen O'Donovan and Laura Wade-Gery. David Grigson and Donal Smith joined on their respective appointments as directors.

The Committee is a committee of the Board of directors and has been established with formal terms of reference approved by the Board. A copy of the terms of reference is available on the Company's website www.trinitymirror.com/our-company/corporate-governance.

The Committee has authority to determine the appropriate remuneration, benefits and employment conditions for the executive directors. The Committee also monitors the level and structure of remuneration for senior management. The Committee sets the remuneration of the Chairman (the Chairman does not participate in any discussion of his remuneration). The Committee leads the Board's discussion of remuneration issues for all staff.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties internally, including the Chief Executive and the Secretary and Group Legal Director. Its principal external advisers are Kepler Associates, who were appointed by the Committee but who also provide remuneration advice to the Company. Kepler Associates do not provide any other services to the Group. During 2011, the Committee met on five occasions.

The Committee and the Board have continued to pursue their objective to ensure that the remuneration policy is fully consistent with and supportive of the main strategic objectives of the Group, and move the Group further towards a performance culture, whilst ensuring that potential risks arising from remuneration arrangements are appropriately reviewed and controlled. In addition, the Committee is sensitive to the levels of the remuneration packages of other employees within the Group when deciding executive director pay.

Remuneration policy

The Company's policy is to provide remuneration packages which comprise competitive fixed pay and variable pay which provides the potential for significant rewards related to performance which are aligned with the Group's strategic objectives and shareholder interests. The aim is to provide remuneration packages that attract, motivate and retain senior executives by rewarding competitively in relation to other relevant companies.

The main components of each executive director's remuneration package are basic annual salary and benefits, an annual bonus scheme linked to Group profit, share-based incentives linked to the delivery of shareholder value and pension. Each element of remuneration has a specific role in achieving the aims of the remuneration policy and aligning the interests of executive directors with the interests of shareholders. The combined potential remuneration from annual cash bonus and long-term share-based incentives ensures that the balance of the executive remuneration package is weighted towards 'at risk' performance pay.

The Company is currently consulting on possible changes to the structure of the executive directors' remuneration. If any changes are agreed and formal shareholder approval is necessary, appropriate resolutions will be put to the 2012 Annual General Meeting. Further details will be set out in the Notice of Annual General Meeting.

Committee activities

During 2011, the Committee met to consider the following remuneration matters:

- Review of best practice remuneration policy for executive directors, senior executives and all other staff;
- Review of long and short-term incentive arrangements;
- Review of executive director and senior executive pay arrangements;
- Approval of awards to be made under the Long Term Incentive Plan and Deferred Share Award Plan;
- Review of status of performance conditions attaching to outstanding awards;
- Approval of the 2010 remuneration report; and
- Consultation with shareholders on potential changes to the long-term incentive arrangements.

Basic annual salary

Basic salaries are reviewed annually by the Committee. This review takes into account individual performance, experience and market competitiveness.

In relation to the salaries paid to executive directors and the Executive Committee, we continue to engage with the Committee's principal advisers to conduct an annual in-depth review of the competitiveness of total remuneration in comparison to executive directors and senior executives at other listed media companies and other organisations of a broadly similar size. In considering such data, the Committee is conscious of and keen to avoid the 'ratchet' effect that can be created by an over reliance on such comparative work.

In light of the economic climate, the challenging trading environment and principal risks and uncertainties faced by the Group, a decision was taken not to increase base salaries for 2011. In addition, the executive directors requested that they did not receive salary increases in 2012. In 2012, base salaries of the executive directors will therefore remain at their 2008 level of: Sly Bailey £750,000, Vijay Vaghela £430,000 and Paul Vickers £375,000.

Remuneration report

Annual bonus

The Group operates an annual performance related bonus scheme for a number of senior executives including executive directors. This provides for annual cash bonuses up to a maximum of 110% of base salary for Sly Bailey, 100% for Vijay Vaghela and 75% for Paul Vickers. Other members of the Executive Committee participate in the scheme with maximum potential of either 50% or 75%. These payments do not form part of pensionable salary.

In 2011, to reflect the immediate and short-term issues facing the Group, the executive directors' bonus criteria were linked wholly to budgeted operating profit with the highly stretching budget figure being set significantly in excess of consensus market expectations at the time that it was approved by the Board. The operating profit of £104.5 million resulted in a bonus payment of 30% of potential. The Committee is satisfied that this level of bonus payment is justified by the Company's performance relative to both budget and market expectations.

Following a review and recognising the challenges facing the Group, the executive directors' bonuses for 2012 will continue to be linked to Group operating profit. The targets themselves are not being disclosed at this stage for reasons of commercial sensitivity, however, 20% of potential will be payable for threshold performance, 50% of potential will be payable at target with 100% only payable at stretch. Payment of any bonus earned from profit performance is also dependent upon the executive director having achieved a satisfactory level of personal performance during the year in their performance and development review.

Deferred Share Award Plan (DSAP)

The DSAP was approved by shareholders at the Annual General Meeting in 2006.

An eligible employee may be granted an award of Deferred Shares based on a percentage of their previous year's gross bonus. These shares are held in trust.

In 2011, each executive director received a grant of Deferred Shares equal in value to 60% of his or her 2010 cash bonus.

If the employee remains employed by the Group, their award of Deferred Shares will normally become exercisable on the third anniversary following its date of grant. The DSAP is for key executives with the Company and is designed to help align their interests with those of shareholders by awarding them a stake in the future success of the Company. At the point of vesting, all Deferred Share awards are capable of exercise at 'nil cost' to the participant.

Long Term Incentive Plan (LTIP)

The LTIP was originally approved by shareholders at the Annual General Meeting in 2004. Shareholder approval was given at the Annual General Meeting in 2006 to modify and simplify the LTIP.

In any financial year an employee may be granted an award over Performance Shares, the final vesting of which is subject to continued employment within the Group and satisfaction of a performance condition, as set out in the table below.

The normal maximum award of Performance Shares would be an award over shares not exceeding 100% of that person's base annual salary. However, in order to facilitate the recruitment of a particular eligible employee that higher figure may be increased to 200% of base annual salary. In 2011, the Chief Executive received a Performance Share award worth 80% of base salary and the other executive directors received awards worth 60% of base salary.

For the awards made in 2011, the vesting of the Performance Shares will be determined by the Company's three year Total Shareholder Return (TSR) performance compared to a group of 14 other media companies listed below:

Daily Mail and General Trust plc	Johnston Press plc
Euromoney Institutional Investor plc	Mecom Group plc
Gannett Co Inc	Pearson plc
Independent News & Media plc	Reed Elsevier plc
Informa plc	Rightmove plc
ITE Group plc	United Business Media plc
ITV plc	Yell Group plc

Prior to the grant of the 2011 awards, the Committee reviewed the constituents of the comparator group. Aegis plc, BSkyB plc, moneysupermarket.com Group plc and WPP plc were replaced with Gannet Co Inc., Independent News & Media plc, Mecom plc and Johnston Press plc as, in the Committee's view, the replacement companies were more relevant comparators to the Group.

To determine whether the performance condition has been met, the TSR of each of the companies will be measured. The companies will then be ranked, in descending order, according to their TSR, and the performance shares will vest depending on the Company's TSR ranking as follows:

TSR ranking of company	Percentage of shares vesting (%)
9th to 15th (below median)	0
8th (median)	35
7th	50
6th	65
5th	80
4th	90
1st to 3rd	100

TSR is independently calculated for the Committee by its external advisers. Irrespective of TSR performance, before any vesting can occur the Committee must be satisfied that the underlying performance of the Company has been satisfactory throughout the relevant performance period.

The relative weighting of DSAP awards and LTIP awards was amended in 2010 with an increase in DSAP awards and a corresponding reduction in LTIP awards and was maintained in 2011. This was to reflect the short-term nature of the issues facing the Group.

Directors' shareholding

A shareholding expectation was placed on the senior executives in conjunction with the LTIP. Within five years of the Annual General Meeting in 2004 or of the date of first appointment, senior executives are expected to build a holding in the Company's shares equal to the following value of their salaries:

– Chief Executive: 150% of her salary;

– other executive directors: 100% of their salaries; and

– members of the Executive Committee: 30% or 50% of their base salary depending on the level of their bonus potential.

Executive directors are required to retain at least 50% of shares vesting (after tax) under the LTIP and DSAP until guideline is achieved. The Committee has kept these guidelines under review. It has however noted that there has never been a vesting under the LTIP, that each executive director has retained all shares released under the DSAP (after the sale of shares by the Trustee to satisfy the Company's

PAYE obligations) and that each director has made market purchases of shares all of which have been retained.

The Board expects that non-executive directors will acquire shares equal in value to one times their annual fee during a period of three years from the date of their appointment.

Executive directors' pension arrangements

Sly Bailey receives an annual cash sum to use for pension purposes that is equivalent to 33% of base salary.

Until March 2010, Vijay Vaghela participated in the contributory MGN Pension Scheme, and accrued pension at the rate of 1/60th per year of service on salary up to the earnings cap referred to below until it closed to future accrual on 31 March 2010. From April 2010 until 31 March 2011 he participated in the Trinity Mirror Pension Plan (a defined contribution plan) to which he contributes 9% and the Company contributes 10% of his salary up to the earnings cap referred to below. From 1 April 2011 his contributions to the Plan are made under the terms of a salary sacrifice arrangement that was introduced from that date.

Until 31 March 2010, Paul Vickers participated in the contributory Trinity Retirement Benefit Scheme as well as the non-contributory Trinity Mirror plc Retirement Plan until they closed to future accrual on 31 March 2010. From April 2010 to March 2011 he participated in the Trinity Mirror Pension Plan (a defined contribution plan) to which he contributes 7% and the Company contributes 8% of his salary up to the earnings cap referred to below. From 1 April 2011 his contributions to the Plan are made under the terms of a salary sacrifice arrangement that was introduced from that date.

In addition to their pensions, Vijay Vaghela's and Paul Vickers's spouses are entitled to pensions and lump sums payable if death occurs in service. As Vijay Vaghela and Paul Vickers are subject to the earnings cap, they receive an annual cash sum equivalent to 30% of salary in excess of the cap.

Following 'A' day on 6 April 2006 the earnings cap applying to the pension benefits of Vijay Vaghela and Paul Vickers has been maintained by amending the rules of their respective pension schemes. The cap, currently £123,600, is normally increased every 6 April at the discretion of the Company by reference to the Retail Prices Index (RPI) for September in the previous year.

During 2009, the Committee received legal advice that the obligation to provide Paul Vickers a pension of two thirds pensionable salary at age 60 was a direct contractual commitment on the Company entered into for full consideration by Paul Vickers when his employment contract was renegotiated after the merger of Trinity plc and Mirror Group plc. Paul Vickers has agreed that following the closure of the schemes to future accrual, his pensions benefits are limited to his accrued benefits from the defined benefit schemes referred to above based on pensionable service to date of closure and his capped final pensionable salary. As part of that arrangement, the Company agreed to pay Paul Vickers a cash supplement of 35% of his annual salary that is below the cap as amended from time to time.

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. Sly Bailey's contract specifies that if the Company terminates her contract after six months of any financial year the prescribed sum will include an amount equivalent to her pro-rata bonus entitlement for that period (subject to satisfaction of performance criteria and to be paid at the same time as other employees).

Paul Vickers's contract is dated 28 April 2000, Sly Bailey's contract is dated 9 December 2002 and Vijay Vaghela's contract is dated 18 April 2003.

Policy on external appointments

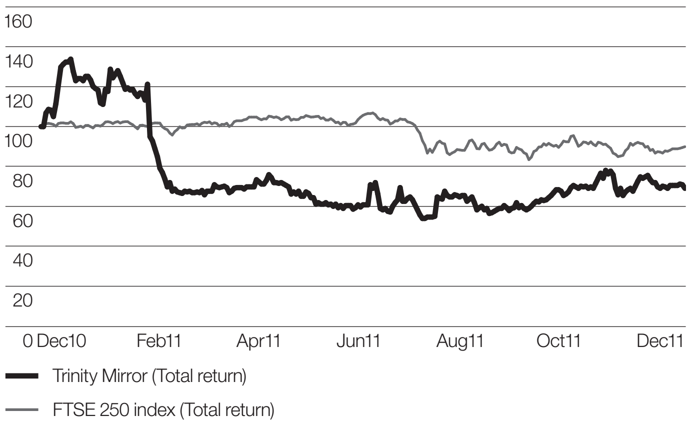
The Company acknowledges that its executive directors are likely to be invited to become non-executive directors of other companies. The Committee believes that these non-executive duties can broaden the directors' knowledge and experience to the benefit of the Company. Executive directors are therefore,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

Sly Bailey is a non-executive director and member of the remuneration committee of Ladbrokes plc for which she receives an annual fee of £50,000. Neither Vijay Vaghela or Paul Vickers currently hold any external directorships for which they receive any fees.

Performance graphs

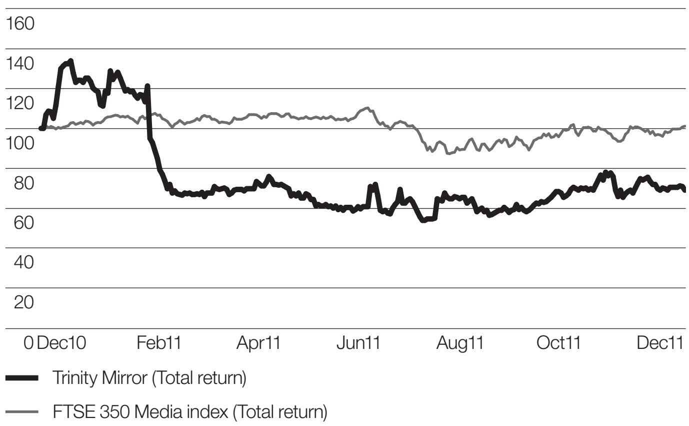
The following graph illustrates the Company's performance compared to the FTSE 250 Index, which is considered the most appropriate form of 'broad equity market index' against which the Company's performance should be measured. Performance, as required by legislation, is measured by TSR.

Company performance against FTSE 250 Media index



As the main comparator group for the Company shares is the FTSE 350 Media Index, relative TSR performance compared to that group is shown below.

Company performance against FTSE 350 Media index



Remuneration report

Audited information

Remuneration for the period

The aggregate remuneration of the directors of the Company was as follows:

	Base salary £000	Annual cash bonus £000	Taxable benefits[1] £000	Deferred Share Award[2] £000	Fees £000	Total excluding pensions 2011 £000	Total excluding pensions 2010 £000	Pension contributions 2011 £000	Pension contributions 2010 £000
Executive directors									
Sly Bailey	736[3]	248	11	53	–	**1,048**	1,465	**248**	248
Vijay Vaghela	422[4]	129	11	28	–	**590**	815	**112[4]**	106
Paul Vickers	369[5]	84	23	18	–	**494**	644	**135[5]**	126
Non-executive directors									
Sir Ian Gibson	–	–	–	–	220	**220**	220	**–**	–
Gary Hoffman	–	–	–	–	60	**60**	60	**–**	–
Jane Lighting	–	–	–	–	50	**50**	50	**–**	–
Kathleen O'Donovan	–	–	–	–	55	**55**	55	**–**	–
Laura Wade-Gery	–	–	–	–	40	**40**	40	**–**	–
Total	**1,527**	**461**	**45**	**99**	**425**	**2,557**		**495**	
Total 2010	1,541	1,229	48	106	425		3,349		480

1 Incorporates the value of all tax assessable benefits arising from employment with the Company related to the provision of car and fuel allowance and healthcare cover.
2 The Deferred Share awards granted in 2008 represent and relate to 2007 performance. Shares may be released under the DSAP within a period of six months from the third anniversary of the grant. The share price at the point of exercise was £0.47, therefore the values above relate to the share price at the point of exercise.
3 Base salary excludes the value of sacrificed salary under the Group's holiday purchase scheme amounting to £14,423.
4 Base salary excludes and pension contributions include the value of sacrificed salary under the Group's pension salary sacrifice scheme amounting to £8,343.
5 Base salary excludes and pension contributions include the value of sacrificed salary under the Group's pension salary sacrifice scheme amounting to £6,489.

Deferred Shares exercisable at nil cost in 2015 will be granted in March 2012 to each executive director equal in value to 60% of the 2011 cash bonus to be paid in March 2012.

Directors' pension entitlements

The following executive directors were deferred members of defined benefit schemes. All of the Group's defined benefit schemes were closed to future accrual on 31 March 2010. Pension entitlements and corresponding transfer values increased as follows during the year:

	Accrued pension at 1 January 2012[1] £000	Transfer value at 1 January 2012[2] £000	Real increase in accrued pension £000	Change in accrued pension £000	Transfer value of real increase in accrued pension (less director's contribution)[3] £000	Increase in transfer value (less director's contribution)[4] £000	Director's contributions[5] £000	Accrued pension at 2 January 2011[1] £000	Transfer value at 2 January 2011[2] £000
Vijay Vaghela	**33**	**437**	–	1	–	64	–	32	373
Paul Vickers	**38**	**919**	–	(7)	–	120	–	45	799
Total	**71**	**1,356**	–	(6)	–	184	–	77	1,172

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to 31 March 2010.
2 Transfer values have been calculated based on the bases adopted by the trustees following the introduction of new legislation of The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/1050) and The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/2450). In agreeing to the new bases trustees also had to consider the guidance issued by the Pensions Regulator 'Transfer Values – Guidance to the trustees of private sector occupational pension schemes providing defined benefits – September 2008' which came into effect from October 2008.
3 The transfer value of the real increase in accrued pension over the year is nil as only the increase in pension as a result of statutory revaluation applies to deferred pension.
4 The increase in the transfer value from 2 January 2011 to 1 January 2012 includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and directors such as stock market movements, changes to the yield of government stocks and changes to the transfer value basis adopted by the trustees.
5 Directors did not make any contributions to the defined benefit schemes during the year.

The above disclosure of directors' pensions is in line with the latest Companies Act 2006 requirements. The figures for each director give the accrued pension to which each director would have been entitled had they left service at 31 March 2010 (and the equivalent figure for the preceding year and the increase in accrued pension over the year). Also disclosed is the transfer value of the accrued pension at the end of 2011 (and the preceding year) and the increase in the transfer value during the year (net of directors' contributions). The transfer values represent a liability of the pension schemes. They are not sums due to be paid to the directors.

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 Board decided that the non-executive directors fees should remain unchanged at the current time.

The Chairman, Senior Independent Director and Committee Chairmen receive additional remuneration for providing these services to the Company, effective 1 July 2005, as set out below:

	£
Base fee	**40,000**
Additional fee for Chairman	**180,000**
Additional fee for Senior Independent Director	**20,000**
Additional fee for chairing committees:	
– Audit & Risk Committee	**15,000**
– Remuneration Committee	**10,000**

The table summarises the fee structure for 2011:

	£
Chairman	**220,000**
Senior Independent Director	**60,000**
Chairman of Audit & Risk Committee	**55,000**
Chairman of Remuneration Committee	**50,000**
Other non-executive directors	**40,000**

The Chairman and non-executive directors have letters of appointment which set out the terms of their appointment and are available for inspection at the Company's registered office and at the Annual General Meeting. They cannot participate in the annual bonus scheme or share schemes.

Interest in shares

Directors' activity 2 January 2011 to 1 January 2012

Share option schemes

The following directors held options to purchase shares under the Group's share option schemes. No grants have been made under these schemes since 2004 and no further grants will be made.

Options are exercisable between three and 10 years from the date of grant subject to the satisfaction of performance conditions. No options are exercisable unless the Group'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 TSR comparison against the FTSE Mid-250 index of companies on the date of grant. The other 50% is subject to a comparison of TSR 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 options to the value of 75% of base annual salary become exercisable at median performance with a sliding scale to full vesting at 80th percentile performance. If the performance criteria are not fully satisfied after three years then they can be retested over a period of four, five and six years from the date of grant. The calculation of TSR has been performed independently by the external principal advisers.

Name	Option price	Balance at 2 January 2011	Lapsed in year	**Balance at 1 January 2012**	Exercisable between[1]
Sly Bailey	395.5p	184,348	–	**184,348**	Feb 2006 to Feb 2013
Vijay Vaghela	470.5p	16,737	–	**16,737**	Apr 2005 to Apr 2012
Paul Vickers	470.5p	135,069	–	**135,069**	Apr 2005 to Apr 2012

[1] Exercisable between dates are the first possible exercisable date for these options – this does not mean that the options are exercisable as performance conditions have not necessarily been met.

Remuneration report

Long Term Incentive Plan (LTIP)

Sly Bailey, Vijay Vaghela and Paul Vickers held 270,270, 123,964 and 108,108 options respectively to purchase shares under the LTIP relating to the award made in 2008 which lapsed during the year. A total of 502,342 LTIP awards lapsed accordingly.

The following directors held 'nil cost' options to purchase shares under the LTIP relating to awards made in 2009, 2010 and 2011:

Performance share award	Number of shares	Share price at date of grant	Nominal vesting date
2009 Award			
Sly Bailey	270,270	28.5p	3 April 2012
Vijay Vaghela	123,964	28.5p	3 April 2012
Paul Vickers	108,108	28.5p	3 April 2012
2010 Award			
Sly Bailey	600,901	99.8p	28 May 2013
Vijay Vaghela	258,388	99.8p	28 May 2013
Paul Vickers	225,338	99.8p	28 May 2013
2011 Award			
Sly Bailey	761,905	78.7p	31 March 2014
Vijay Vaghela	327,619	78.7p	31 March 2014
Paul Vickers	285,714	78.7p	31 March 2014

The 2011 award was granted on 31 March 2011. For an explanation concerning the LTIP and performance criteria, further information can be found on page 42.

Deferred Share Award Plan (DSAP)

Sly Bailey, Vijay Vaghela and Paul Vickers held 114,321, 59,387 and 37,553 options respectively to purchase shares under the DSAP relating to the award made in 2008 which were exercised at 'nil cost' on 25 March 2011 at a share price of £0.467 at a total value of £53,445, £27,763 and £17,556 respectively.

The following directors held options to purchase shares under the Group's DSAP relating to awards made in 2010 and 2011:

Deferred share award	Number of shares	Share price at date of grant	Nominal vesting date
2010 Award			
Sly Bailey	268,693	99.8p	28 May 2013
Vijay Vaghela	140,046	99.8p	28 May 2013
Paul Vickers	91,600	99.8p	28 May 2013
2011 Award			
Sly Bailey	502,857	78.7p	31 March 2014
Vijay Vaghela	262,095	78.7p	31 March 2014
Paul Vickers	171,429	78.7p	31 March 2014

There were no awards granted under the DSAP in 2009 to Sly Bailey, Vijay Vaghela and Paul Vickers. All Deferred Share awards are made at 'nil cost' to the participant. For an explanation concerning the DSAP, further information can be found on page 42.

Beneficial interests

During the year, the following shares were retained by the following directors having satisfied the tax liability from the exercise of the 2008 DSAP:

Director	Date of release	Number of shares retained	Total beneficial holding following notification
Sly Bailey	25 March 2011	55,584	224,318
Vijay Vaghela	25 March 2011	28,873	98,803
Paul Vickers	25 March 2011	18,244	89,553

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

	1 January 2012	2 January 2011
Executive directors		
Sly Bailey	**224,318**	168,734
Vijay Vaghela	**98,803**	69,930
Paul Vickers	**89,553**	71,309
Non-executive directors		
Sir Ian Gibson	**63,404**	63,404
Gary Hoffman	**37,000**	37,000
David Grigson	**–**	–
Jane Lighting	**–**	–
Kathleen O'Donovan	**–**	–
Donal Smith	**–**	–
Laura Wade-Gery	**–**	–

As beneficiaries under the T I H Employee Benefit Trust, the directors are deemed to be interested in 90,855 ordinary shares held by the employee benefit trust at 1 January 2012.

There were no movements between the year end and the date of this report.

The lowest price of the shares during the year was 37.5 pence as at 4 August 2011 and the highest price was 93.0 pence as at 18 January 2011. The share price as at 3 January 2012 was 48.8 pence.

Approved by the Board of directors and signed on its behalf by:

Jane Lighting
Chairman of the
Remuneration Committee

15 March 2012

Directors' report

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group or Company and of the profit or loss of the Group or Company for that period.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that directors:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

– make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Business review

Section 417 of the Companies Act 2006 requires that the directors present a Business review in this report to inform shareholders of the Company and help them assess how the directors have performed their duty to promote the success of the Company. The information that fulfils this requirement can be found in the sections set out below and is incorporated by reference into this report:

– the Chairman and Chief Executive statement on pages 8 to 11;

– the Business review including key performance indicators for each business on pages 14 to 23; and

– the statements concerning internal controls and risk management on pages 37 and 38.

These sections have been prepared to provide the Company's shareholders with a fair review of the business of the Company and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

These sections of the annual report contain forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements. No assurance can be given that the forward-looking statements will be realised. Statements about the directors' expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Company's control.

The information contained in these sections of the annual report have been prepared on the basis of the knowledge and information available to directors at the date of its preparation and the Company does not undertake any obligation to update or revise the information during the financial year ahead. It is believed that the expectations set out in these forward-looking statements are reasonable, but they may be affected by a wide range of variables which could cause actual results or trends to differ materially. The forward-looking statements should be read in particular in the context of the specific risk factors identified.

Shareholders should note that these sections have not been audited or otherwise independently verified.

Principal activities and future development

The principal activity of the Group is the publication and printing of newspapers and a growing portfolio of online businesses, primarily in the United Kingdom. The analysis of turnover and operating profit are included in notes 4 and 5 to the consolidated financial statements.

A review of our business and activities during the period is contained in the Chairman and Chief Executive statement on pages 8 to 11 and the Business review on pages 14 to 23.

Our strategic goal is to build a growing multi-platform media business, by developing and sustaining strong positions across print and digital, with products and services which meet the needs of our customers, both readers and advertisers.

Directors' report

Results and dividends

The profit for the period attributable to equity holders of the parent was £77.8 million (2010: £113.3 million). The directors do not propose a final dividend for the year and no interim dividend was declared (2010: no dividend). Retained profit for the period was £77.8 million (2010: £113.3 million).

Charitable and political donations

During the year contributions for charitable purposes totalled £75,000 (2010: £50,000), principally to various charities connected or associated with the newspaper, printing or advertising industries and local charities serving the communities in which we operate. No direct political contributions were paid during the period (2010: £nil). The editorial stance of our national titles, and in particular that of the Daily Mirror and the Daily Record, is politically left of centre and often supportive of the Labour Party. Although we do not make direct political donations, it has been in the best interests of the Daily Mirror and Daily Record to sponsor, on commercial terms, certain events in aid of the Labour Party. This is a practice that has been followed for many years.

At the Company's Annual General Meeting held in 2011, the Company and its subsidiaries received authority from shareholders under the Companies Act 2006 to make donations to political parties of up to £75,000 in aggregate per annum. In 2011 there were no such payments (2010: £nil).

Employment policies and employees

The Group employs over 6,000 people in more than 60 locations across the UK, including nine print sites. The Company is committed to increasing the service quality, profitability and efficiency of the Company by attracting and recruiting the people who are best suited to meet the standards for the role and the Company without regard to race, creed, colour, nationality (subject to legal eligibility), ethnic origin, religion, gender, age, sex change, sexual orientation, marital status, connections with a national minority, membership or non-membership of a trade union or, unless justifiable, disability.

We pursue a policy of equal opportunities for all employees and potential employees. We have continued our 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, we strive to ensure that disabled employees receive maximum possible benefits including opportunities for promotion. Every effort is made to ensure that continuing employment and opportunities 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 within the Group include staff forums, advisory committee meetings, newsletters, bulletins, pension trustee reports, management briefings and staff surveys.

Since January 2009, Paul Vickers, Secretary and Group Legal Director, has been identified as the executive director with Human Resource responsibility.

Payment of suppliers

We have 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 1 January 2012, the Group had an average of 32 days (2010: 36 days) purchases outstanding in trade creditors.

Share capital

Details of the movements in the Company's called-up share capital including purchases of its own shares are included in note 29 to the consolidated financial statements.

Substantial shareholdings

In accordance with Rule 5 of the Disclosure and Transparency Rules, as at 15 March 2012, the Company had been notified of the following beneficial interests in its ordinary shares:

	Number of shares	Percentage of issued share capital*	Nature of holding
Schroders plc	40,812,700	15.84%	Indirect interest
Aviva plc	30,777,511	11.94%	Direct and indirect interest
Standard Life Investments Limited	23,249,691	9.02%	Direct and indirect interest
Royal London Asset Management Limited	13,609,355	5.28%	Direct interest
Legal & General Group plc	12,978,601	5.04%	Direct interest
Blackrock Inc.	12,817,868	4.97%	Indirect interest
JPMorgan Asset Management (UK) Limited	12,666,887	4.92%	Indirect interest
Old Mutual Asset Managers (UK) Limited	12,556,497	4.87%	Direct interest
Lloyds TSB Group plc	8,931,102	3.47%	Direct and indirect interest

*Percentage of ordinary shares in issue, excluding Treasury Shares as at 15 March 2012.

Dividend policy

Our dividend policy is to increase dividend progressively while maintaining a dividend cover (adjusted earnings per share/dividend per share) of at least 2x if earnings are increasing. However, in light of the challenging trading environment faced by the Group, the Board concluded at the 2008 preliminary results that it was prudent to retain maximum financial flexibility for the Group. Therefore, alongside actions being taken on costs and in other areas of the business, the Board did not pay a final dividend for 2008 or any dividend for 2009 and 2010, and is not declaring a dividend for 2011.

Corporate governance statement

The corporate governance statement, in accordance with Rule 7.2 of the Disclosure and Transparency Rules and Rule 9.8.6(5) and (6) of the Listing Rules, on page 35 forms part of this directors' report.

Directors

The directors of the Company who served during the period, unless stated otherwise, are listed below:

Executive

Sly Bailey
Vijay Vaghela
Paul Vickers

Non-executive

Sir Ian Gibson CBE
David Grigson (appointed 1 January 2012)
Gary Hoffman
Jane Lighting
Kathleen O'Donovan
Donal Smith (appointed 1 March 2012)
Laura Wade-Gery

Their remuneration is summarised on page 44 and details of the directors' beneficial and non-beneficial interests in shares can be found on pages 44 and 45 in the Remuneration report. Biographical details of each of the directors can be found on pages 12 and 13.

The Board has adopted the provision in the new UK Corporate Governance Code, whereby the entire Board should stand for re-election annually. Each director being eligible, with the exception of Laura Wade-Gery, offers himself or herself for re-election at the Annual General Meeting to be held on 10 May 2012.

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

Between 2000 and 2008, David served as the Chief Financial Officer for Reuters Group plc where he helped to lead the £8.7 billion merger between Reuters Group plc and The Thompson Corporation resulting in Thompson Reuters plc. Prior to that, David was Chief Financial Officer of Emap plc during a period when the business was expanding its base and geographical reach. Previously, David worked at Saatchi & Saatchi.

The Board believes that David's extensive financial and broad media experience together with his leadership qualities will help to strengthen the Board and contribute to the future success of the Company.

The Board announced on 10 February 2012 the appointment of Donal Smith as a non-executive director.

Donal brings to the Board both relevant industry knowledge and extensive experience in the digital media market. Amongst other achievements, he was responsible for the launch of FT.com. The Board believes that Donal's appointment will help the Company achieve its strategic goals in its existing markets whilst also enabling it to expand into new growth areas.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Issued share capital

As at the date of this report, the Company's issued share capital consists of 257,690,520 ordinary shares of 10 pence each.

Authorities granted at the Annual General Meeting in 2011

At the Annual General Meeting in 2011, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 25,769,052 shares (being 10% of the issued share capital) at prices not less than the nominal value of each share (being 10 pence each) and not exceeding 105% of the average mid-market price for the preceding five business days. No use was made of this authority during the period.

Annual General Meeting

The Annual General Meeting of Trinity Mirror plc will be held at the Hilton London Canary Wharf, Marsh Wall, London E14 9SH on 10 May 2012. The Notice is given, together with explanatory notes, in the booklet which accompanies this report.

Auditors

Each of the persons who are a director at the date of approval of this Annual Report and Accounts confirms that:

– so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

– the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors of the Company and their reappointment will be put to shareholders at the next Annual General Meeting.

Directors' responsibility statement

The directors confirm to the best of their knowledge:

– the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the Business review, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Paul Vickers
Secretary and Group Legal Director

15 March 2012

Group consolidated accounts

Independent auditor's report to the members of Trinity Mirror plc

We have audited the consolidated financial statements of Trinity Mirror plc for the 52 weeks ended 1 January 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibility on page 47, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

– give a true and fair view of the state of the Group's affairs as at 1 January 2012 and of its profit for the 52 weeks then ended;

– have been properly prepared in accordance with IFRS as adopted by the European Union; and

– have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS as issued by the IASB

As explained in note 3 to the Group's financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group's financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the 52 weeks ended 1 January 2012 for which the group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

– the directors' statement contained within the corporate governance report in relation to going concern; and

– the part of the corporate governance report relating to the Company's compliance with the nine provisions of the UK corporate governance code specified for our review; and

– certain elements of the report to shareholders by the Board of directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Trinity Mirror plc for the 52 weeks ended 1 January 2012 and on the information in the directors' remuneration report that is described as having been audited.

Kate Houldsworth
(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London,
UK

15 March 2012

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Consolidated income statement

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

	Notes	2011 £m	2010 £m
Revenue	4, 5	**746.6**	761.5
Cost of sales		**(393.8)**	(393.2)
Gross profit		**352.8**	368.3
Distribution costs		**(90.1)**	(80.8)
Administrative expenses:			
Non-recurring items	8	**(9.3)**	20.7
Amortisation of intangible assets	15	**(2.8)**	(6.0)
Other administrative expenses		**(159.5)**	(164.9)
Share of results of associates	17	**1.3**	0.7
Operating profit		**92.4**	138.0
Investment revenues	9	**0.7**	1.4
Pension finance credit/(charge)	33	**2.7**	(7.1)
Finance costs	10	**(21.4)**	(8.6)
Profit before tax		**74.4**	123.7
Tax credit/(charge)	11	**3.4**	(10.4)
Profit for the period attributable to equity holders of the parent		**77.8**	113.3

Statutory earnings per share		2011 Pence	2010 Pence
Earnings per share – basic	13	**31.4**	44.6
Earnings per share – diluted	13	**31.4**	44.5

Adjusted* earnings per share		2011 Pence	2010 Pence
Earnings per share – basic	13	**27.0**	30.6
Earnings per share – diluted	13	**27.0**	30.5

*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted results and the statutory results including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 37.

Consolidated statement of comprehensive income

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

	Notes	2011 £m	2010 £m
Profit for the period		**77.8**	113.3
Actuarial (losses)/gains on defined benefit pension schemes	33	**(104.8)**	112.5
Tax on actuarial (losses)/gains on defined benefit pension schemes	11	**26.2**	(30.4)
Deferred tax charge resulting from future change in tax rate		**(3.2)**	(3.0)
Share of items recognised in equity by associates	17	**0.5**	(1.6)
Other comprehensive (costs)/income for the period		**(81.3)**	77.5
Total comprehensive (costs)/income for the period		**(3.5)**	190.8

Consolidated statement of changes in equity

for the 52 weeks ended 1 January 2012

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

for the 52 weeks ended 2 January 2011

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

Consolidated balance sheet

at 1 January 2012 (2 January 2011)

	Notes	**2011 £m**	2010 £m
Non-current assets			
Goodwill	14	**77.8**	74.5
Other intangible assets	15	**897.9**	895.4
Property, plant and equipment	16	**381.7**	410.3
Investment in associates	17	**7.2**	5.4
Retirement benefit assets	33	**78.5**	61.1
Deferred tax assets	21	**58.0**	43.8
Derivative financial instruments	26	**13.0**	12.6
		1,514.1	1,503.1
Current assets			
Inventories	18	**9.7**	7.3
Trade and other receivables	19	**101.8**	99.4
Cash and cash equivalents	19	**15.5**	116.2
		127.0	222.9
Total assets		**1,641.1**	1,726.0
Non-current liabilities			
Borrowings	25	**(160.9)**	(226.1)
Retirement benefit obligations	33	**(308.6)**	(222.1)
Deferred tax liabilities	21	**(291.2)**	(318.3)
Provisions	22	**(8.3)**	(8.1)
		(769.0)	(774.6)
Current liabilities			
Borrowings	25	**(65.9)**	(137.8)
Trade and other payables	20	**(105.2)**	(106.5)
Current tax liabilities	11	**(17.4)**	(18.9)
Provisions	22	**(5.8)**	(6.4)
Derivative financial instruments	26	**(2.4)**	(2.2)
		(196.7)	(271.8)
Total liabilities		**(965.7)**	(1,046.4)
Net assets		**675.4**	679.6

Equity			
Share capital	28, 29	**(25.8)**	(25.8)
Share premium account	28, 30	**(1,121.6)**	(1,121.6)
Capital redemption reserve	28	**(4.3)**	(4.3)
Retained earnings and other reserves	28	**476.3**	472.1
Total equity attributable to equity holders of the parent		**(675.4)**	(679.6)

These consolidated financial statements were approved by the Board of directors and authorised for issue on 15 March 2012. They were signed on its behalf by:

Sly Bailey
Chief Executive

Vijay Vaghela
Group Finance Director

Consolidated cash flow statement

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

	Notes	**2011 £m**	2010 £m
Cash flows from operating activities			
Cash generated from operations	24	**93.6**	110.1
Income tax paid		**(17.7)**	(19.1)
Net cash inflow from operating activities		**75.9**	91.0
Investing activities			
Interest received		**0.7**	1.4
Purchases of property, plant and equipment		**(7.5)**	(14.2)
Proceeds on disposal of property, plant and equipment		**–**	2.7
Acquisition of subsidiary undertaking	36	**(7.5)**	–
Cash consideration on acquisition of business		**–**	(7.4)
Cash acquired on transfer of business		**–**	0.2
Net cash used in investing activities		**(14.3)**	(17.3)
Financing activities			
Interest paid on borrowings		**(13.9)**	(16.3)
Repayment of borrowings		**(145.4)**	–
Purchase of own shares		**(3.0)**	(3.5)
Refund of VAT on share issue costs		**–**	1.1
Net cash used in financing activities		**(162.3)**	(18.7)
Net (decrease)/increase in cash and cash equivalents		**(100.7)**	55.0
Cash and cash equivalents at the beginning of period	27	**116.2**	61.2
Cash and cash equivalents at the end of period	27	**15.5**	116.2

Notes to the consolidated financial statements

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

1 General information

Trinity Mirror plc is a company incorporated in England and Wales and listed on the London Stock Exchange. The Company's registered number is 82548. The address of the registered office is One Canada Square, Canary Wharf, London E14 5AP. The principal activities of the Group are discussed in the Business Review on pages 14 to 23.

These consolidated financial statements were approved for issue by the Board of directors on 15 March 2012. The 2011 Annual Report and Accounts will be available on the Company's website at www.trinitymirror.com, at the Company's registered office and sent to shareholders by early April 2012.

2 Adoption of new and revised standards

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

IAS 24 (Revised) 'Related Party Disclosures' – effective for periods starting on or after 1 January 2011

IAS 32 (Amended) 'Classification of Rights Issues' – effective for periods starting on or after 1 February 2010

IFRIC 14 (Amended) 'Prepayments of a Minimum Funding Requirement' – effective for periods starting on or after 1 January 2011

IFRIC 19 (Issued) 'Extinguishing Financial Liabilities with Equity Instruments' – effective for periods starting on or after 1 July 2010

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

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

IFRS 1 (Amended) 'First-time Adoption of International Financial Reporting Standards' – effective for periods beginning on or after 1 July 2011

IFRS 7 (Amended) 'Financial Instruments' – effective for periods beginning on or after 1 July 2011

IFRS 9 (Issued) 'Financial Instruments' – effective for periods beginning on or after 1 January 2015

IFRS 10 (Issued) 'Consolidated Financial Statements' – effective for periods beginning on or after 1 January 2013

IFRS 11 (Issued) 'Joint Arrangements' – effective for periods beginning on or after 1 January 2013

IFRS 12 (Issued) 'Disclosure of Interests in Other Entities' – effective for periods beginning on or after 1 January 2013

IFRS 13 (Issued) 'Fair Value Measurement' – effective for periods beginning on or after 1 January 2013

IAS 1 (Amended) 'Presentation of Financial Statements' – effective for periods beginning on or after 1 July 2012

IAS 12 (Amended) 'Deferred Tax'– effective for periods beginning on or after 1 January 2012

IAS 19 (Amended) 'Employment Benefits' – effective for periods beginning on or after 1 January 2013

IAS 27 (Revised) 'Separate Financial Statements' – effective for periods beginning on or after 1 January 2013

IAS 28 (Revised) 'Investments in Associates' – effective for periods beginning on or after 1 January 2013

IFRIC 20 (Issued) 'Stripping Costs in the Production Phase of a Surface Mine' – effective for periods beginning on or after 1 January 2013

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

IAS 19 (Amended) 'Employment Benefits' changes the calculation of the finance charge through the income statement which could be materially different from the previous calculation. It is too early to quantify the impact of this non-cash change.

3 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

International Financial Reporting Standards (IFRS)

The Group has adopted standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations as adopted by the European Union (EU).

Individual standards and interpretations have to be adopted by the EU and the process leads to a delay between the issue and adoption of new standards and interpretations and in some cases amendments by the EU.

The parent company financial statements of Trinity Mirror plc for the 52 weeks ended 1 January 2012, prepared in accordance with applicable law and United Kingdom Accounting Standards, are presented on pages 89 to 97.

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis as set out on page 35 of the corporate governance report.

For administrative convenience, the consolidated financial statements are made up to a suitable date near the end of the calendar year.

These consolidated financial statements have been prepared for the 52 weeks ended 1 January 2012 and the comparative period has been prepared for the 52 weeks ended 2 January 2011.

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

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

Notes to the consolidated financial statements continued

3 Accounting policies continued

Basis of accounting
These consolidated financial statements have been prepared in accordance with IFRS and IFRIC interpretations as adopted by EU and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold properties which on transition to IFRS were deemed to be the cost of the asset. A summary of the more important Group accounting policies is set out below.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Trinity Mirror plc and all entities controlled by it for the 52 weeks ended 1 January 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 necessary, adjustments are made to the financial statements of businesses acquired to bring their accounting policies in line with those used in the preparation of the consolidated financial statements.

Results of businesses are included in the consolidated income statement from the effective date of acquisition and in respect of disposals up to the effective date of relinquishing control.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit or loss account as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Investment in associates
Associates are all entities over which the Group has significant influence but not control and are accounted for by the equity method of accounting, initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of other comprehensive income is recognised in the consolidated statement of comprehensive income.

Joint ventures
The Group has joint venture arrangements where separate entities have been established. In each entity the Group or one of its subsidiaries has an interest and along with other ventures jointly controls these entities. When material, the Group reports its interest in jointly controlled entities using equity accounting and its share of the entities' profit or loss is accounted for as a single entry in the consolidated income statement. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement upon acquisition.

Goodwill is reviewed for impairment either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rated on the basis of the carrying amount of each asset in the unit, but subject to not reducing any asset below its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the remaining amount of goodwill is included in the determination of the profit or loss on disposal.

3 Accounting policies continued

Other intangible assets

Other intangible assets comprise acquired publishing rights and titles in respect of print publishing activities and other intangible assets in respect of online activities. On acquisition, the fair value of other intangible assets is calculated based on discounted cash flows. On disposal of an entity or closure of a title, the carrying amount of the related intangible asset is de-recognised and the gain or loss arising from de-recognition, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is recognised in the consolidated income statement.

Publishing rights and titles are initially recognised as an asset at fair value with an indefinite economic life. They are not subject to amortisation. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. Where the asset does not generate cash flows that are independent from other assets, value in use estimates are made based on the cash flows of the cash-generating unit to which the asset belongs. The publishing rights and titles are reviewed for impairment either at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use the estimated future cash flows of the cash-generating unit relating to the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying value of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement in the period in which it occurs and may be reversed in subsequent periods.

Other intangible assets in respect of online activities are amortised using the straight-line method over the expected life over which those assets will generate revenues and profits for the Group and are tested for impairment at each reporting date or more frequently where there is an indication that the recoverable amount is less than the carrying amount.

Costs incurred in the development and maintenance of websites are only capitalised if the criteria specified in IAS 38 are met.

Revenue recognition

Revenue is measured at the fair value of the consideration received, net of applicable discounts and value added tax. Advertising revenue is recognised upon publication. Circulation revenue is recognised at the time of sale. Printing revenue is recognised when the service is provided. Digital revenue is recognised over the period of the online campaign. Other revenue including leaflets and events revenue is recognised at the time of sale or provision of service. Rentals receivable under operating leases are credited to the consolidated income statement on a straight-line basis over the lease term. Interest income from bank deposits is recognised on an accruals basis. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, the present value of the minimum lease payments. The asset is recognised within property, plant and equipment and the corresponding liability to the lessor is included within obligations under finance leases. Lease payments are apportioned between finance charges which are charged to the consolidated income statement and reductions in the lease obligation.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease term. Benefits received as incentives to enter into the agreement are spread on a straight-line basis over the lease term.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions.

At each reporting date, items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on settlement and on retranslation are included in the consolidated income statement for the period.

Retirement benefits

The Group operates a number of defined benefit pension schemes, all of which have been set up under trusts that hold their financial assets separately from those of the Group and are controlled by the trustees.

The amount recognised in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the reporting date less the fair value of scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The resultant liability or asset of each scheme is included in non-current liabilities or non-current assets as appropriate. The defined benefit obligation is calculated at each reporting date by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds approximating to the terms of the related pension liability. Unrealised gains and losses are recognised in the consolidated statement of comprehensive income.

The Group operates two defined contribution pension schemes, both of which have been set up under trusts that hold their financial assets separately from those of the Group and are controlled by the trustees.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Notes to the consolidated financial statements continued

3 Accounting policies continued

Tax

The tax expense represents the sum of the corporation tax currently payable and deferred tax.

The corporation tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses.

Cost includes the purchase price and all directly attributable costs of bringing the asset to its location and condition necessary to operate as intended.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation commences when the assets are ready for their intended use.

Depreciation is charged so as to write-off the cost, other than freehold land and assets under construction which are not depreciated, using the straight-line method over the estimated useful lives of buildings (15–67 years) and plant and machinery (3–25 years).

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads. Cost is calculated using the first in first out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest. Conversion to a readily known amount of cash occurs over a short period and is subject to an insignificant risk of changes in value. Therefore balances are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Borrowings

Sterling interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Foreign currency interest bearing loans are recorded at the exchange rate at the reporting date. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Derivative financial instruments

The Group uses derivative financial instruments, including currency swaps, cross-currency interest rate swaps, interest rate swaps and other hedging instruments to minimise exposure to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments for speculative purposes. The Group has elected not to apply hedge accounting.

Derivative financial instruments are separately recognised at fair value in the consolidated financial statements. Changes in the fair value of derivative financial instruments are recognised immediately in the consolidated income statement.

Derivatives embedded in commercial contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the underlying contract, with unrealised gains or losses reported in the consolidated income statement.

Trade payables

Trade payables are not interest bearing. Payments occur over a short period and are subject to an insignificant risk of changes in value. Therefore balances are stated at their nominal value.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated based on prior experience and assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

3 Accounting policies continued

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Accruals are made for legal costs in respect of libel litigation in progress and for estimated damages where it is judged probable that damages will be payable.
These accruals are included in current liabilities.

Share-based payments
The Group issues equity-settled benefits to certain employees.

In accordance with the transitional provisions of IFRS 2, the standard has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 3 January 2005. These equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a stochastic (Monte-Carlo binomial) model or a modified Black-Scholes calculation. The expected life used in the model has been adjusted, based on the directors' best estimates, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where the Group's own shares are purchased, the consideration paid including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Where such shares are cancelled, the nominal value of shares cancelled is shown in the capital redemption reserve. Where such shares are subsequently reissued or disposed of, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Dividend distributions
Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

Non-recurring items
Items which are deemed to be non-recurring by virtue of their nature or size are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the consolidated income statement to assist in understanding the financial performance of the Group.

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

Acquisitions and intangible assets
Judgements have been made in respect of the identification of intangible assets based on pre-acquisition forecasts and market analysis. The initial valuations of acquired intangible assets are reviewed for impairment at each reporting date, or more frequently if necessary.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

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

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

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

Notes to the consolidated financial statements continued

4 Revenue

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

5 Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and chief operating decision maker to allocate resources to the segments and to assess their performance. The Board and chief operating decision maker are not provided with an amount for total assets by segment.

The Group operates in three operating segments: Regionals, Nationals and Central. During the year our Scottish regionals business, which was previously included in the Regionals segment, was transferred to the Nationals segment following a change in management structure. The comparative segment results have been restated to reflect this change as explained in note 3.

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

The accounting policies used in the preparation of each segment's revenue and results are the same as the Group's accounting policies described in note 3.

Segment revenue and results

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

5 Operating segments continued

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

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

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

Notes to the consolidated financial statements continued

6 Result for the year

	2011 £m	2010 £m
Operating profit for the period is arrived at after (charging)/crediting:		
Staff costs	**(231.9)**	(244.4)
Cost of inventories recognised as a cost of sales	**(136.4)**	(116.8)
Depreciation of property, plant and equipment	**(33.3)**	(33.9)
Loss on disposal of fixed assets	**(0.8)**	–
Amortisation of intangible assets	**(2.8)**	(6.0)
Operating lease rentals payable:		
– property	**(6.4)**	(6.6)
– vehicles, plant and equipment	**(3.0)**	(3.3)
Trade receivables impairment	**(1.3)**	(1.6)
Net foreign exchange loss	**–**	(0.1)
Non-recurring items	**(9.3)**	20.7
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**(0.3)**	(0.3)
Fees payable to the Company's auditor for other services to the Group:		
– the audit of the Company's subsidiaries	**(0.4)**	(0.5)
Total audit fees	**(0.7)**	(0.8)
Non-audit fees payable to the Company's auditors for:		
– audit-related assurance services	**(0.1)**	(0.1)
– other taxation advisory services	**(0.2)**	(0.2)
– corporate finance services	**–**	(0.3)
Total non-audit fees	**(0.3)**	(0.6)

In addition to the amounts shown above, the auditors received fees of £nil (2010: £25,200) for the audit of two of the Group's pension schemes. There were no future services contracted at the reporting date (2010: £nil).

Fees payable to Deloitte LLP for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit & Risk Committee is set out in the Corporate governance report on pages 32 to 39 and includes an explanation of how auditors' objectivity and independence are safeguarded when non-audit services are provided by the auditors.

Total administrative expenses included in operating profit amounted to £171.6 million (2010: £150.2 million) including non-recurring items amounting to a charge of £9.3 million (2010: £20.7 million credit) and amortisation of intangible assets of £2.8 million (2010: £6.0 million).

Total share of results of associates amounted to a profit of £1.3 million (2010: £0.7 million).

Total foreign exchange gains during the period was £2.0 million (2010: £9.0 million loss) comprising a net foreign exchange amount of £nil (2010: £0.1 million loss) included in operating profit and a gain on the retranslation of borrowings of £2.0 million (2010: £8.9 million loss) included in finance costs.

7 Staff costs

The average number of persons, including executive directors, employed by the Group in the period was:

	2011 Number	2010 Number
Production and editorial	**3,001**	3,186
Sales and distribution	**1,738**	1,888
Administration	**1,503**	1,576
	6,242	6,650

All employees are employed in the United Kingdom and Republic of Ireland. The above excludes casual employees working for the Group during the period due to the impracticality of determining an average.

Staff costs, including directors' emoluments, incurred during the period were:

	2011 £m	2010 £m
Wages and salaries	**(195.4)**	(210.3)
Social security costs	**(19.9)**	(20.4)
Share-based payments in the period (note 32)	**(2.5)**	(2.1)
Pension costs – defined contribution pension schemes (note 33)	**(14.1)**	(7.0)
Pension costs – defined benefit pension schemes (note 33)	**–**	(4.6)
	(231.9)	(244.4)

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Services Authority are shown in the tables in the Remuneration report on pages 41 to 46 and form part of these consolidated financial statements.

8 Non-recurring items

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

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

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

(c) In 2010, the gain on acquisition of business consisted of an accounting gain of £28.4 million representing negative goodwill of £23.6 million together with a gain on a cancelled contract of £4.8 million less transaction costs of £1.1 million.

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

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

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

Notes to the consolidated financial statements continued

9 Investment revenues

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

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

10 Finance costs

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

11 Tax

	2011 £m	2010 £m
Current tax		
Corporation tax charge for the period	**(24.5)**	(25.9)
Prior period adjustment	**0.1**	4.7
Current tax charge	**(24.4)**	(21.2)
Deferred tax (note 21)		
Deferred tax credit for the period	**4.0**	0.1
Deferred tax rate change	**23.6**	11.4
Prior period adjustment	**0.2**	(0.7)
Deferred tax credit	**27.8**	10.8
Tax credit/(charge)	**3.4**	(10.4)

Reconciliation of tax credit/(charge)	2011 %	2010 %
Standard rate of corporation tax	**(26.5)**	(28.0)
Tax effect of items that are not deductible in determining taxable profit/(loss)	**(1.6)**	(1.4)
Deferred tax rate change	**31.7**	9.3
Prior period adjustment	**0.5**	3.2
Tax effect of share of results of associates	**0.5**	0.3
Utilisation of tax losses	**–**	0.9
Tax effect of items that are not taxable in determining taxable profit/(loss)	**–**	7.3
Tax credit/(charge) rate	**4.6**	(8.4)

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

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

The tax on actuarial (losses)/gains on defined benefit pension schemes taken to the statement of comprehensive income is a credit of £26.2 million (2010: £30.4 million charge) comprising a current tax credit of £8.2 million (2010: £6.2 million credit) and a deferred tax credit of £18.0 million (2010: £36.6 million charge).

12 Dividends

No dividend was declared for both 2011 and 2010.

13 Earnings per share

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

*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted result and the statutory result including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 37.

Weighted average number of ordinary shares	2011 Thousand	2010 Thousand
Weighted average number of ordinary shares for basic earnings per share	**247,933**	253,736
Effect of potentially dilutive ordinary shares in respect of share options	**25**	718
Weighted average number of ordinary shares for diluted earnings per share	**247,958**	254,454

Basic earnings per share is calculated by dividing profit attributable to equity holders of the parent by the weighted average number of ordinary shares during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. The number of potentially dilutive ordinary shares not currently dilutive was 10,889,717 (2010: 7,339,255).

Statutory earnings per share	2011 Pence	2010 Pence
Earnings per share – basic	**31.4**	44.6
Earnings per share – diluted	**31.4**	44.5

Adjusted* earnings per share	2011 Pence	2010 Pence
Earnings per share – basic	**27.0**	30.6
Earnings per share – diluted	**27.0**	30.5

*Adjusted items relate to the exclusion of non-recurring items, the amortisation of intangible assets, the retranslation of foreign currency borrowings, the impact of fair value changes on derivative financial instruments, the pension finance credit or charge and the impact of tax legislation changes. A reconciliation between the adjusted result and the statutory result including an explanation for the restatement of prior year profit before tax and earnings per share is provided in note 37.

The basic earnings per share impact for each category of non-recurring item disclosed in note 8 is as follows:

	2011 Pence	2010 Pence
Restructuring costs	**(3.0)**	(3.1)
Receipt from impairment of receivables	**0.4**	–
Gain on acquisition of business	**–**	12.3
Release of accruals	**–**	1.4
Profit on disposal of land and buildings	**–**	0.5
Defined benefit pension schemes	**–**	(0.1)
(Loss)/gain per share	**(2.6)**	11.0

Notes to the consolidated financial statements continued

14 Goodwill

	2011 £m	2010 £m
Opening balance	**74.5**	74.5
Addition (note 36)	**3.3**	–
Closing balance	**77.8**	74.5

Goodwill is allocated to cash-generating units. The carrying value of goodwill analysed by business segment is as follows:

	2011 £m	2010 £m
Regionals	**75.6**	72.3
Nationals	**2.2**	2.2
Total	**77.8**	74.5

The Regionals division comprises nine cash-generating units. The Nationals division comprises two cash-generating units.

The Group tests the carrying value of goodwill at the cash-generating unit level for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. At the period end reporting date, a review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections in respect of periods to 2016.

The impairment review of the carrying value of the Group goodwill performed at the period and reporting date indicated that no impairment was required (2010: no impairment). The impairment review was based on comparing carrying value with value in use.

The key assumptions used in the value in use calculations are those regarding the discount rate, revenue and cost growth rates and the level of capital expenditure required. The post-tax discount rate used at the period end reporting date was 7% (2010: 7%) reflecting a long-term equity and debt mix based on the period end enterprise value assuming a long-term debt to EBITDA ratio of 2.0 times. The equivalent pre-tax discount rate is 9% (2010: 9%). The Group prepares cash flow forecasts derived from the most recently detailed approved annual budget and two year projections for 2012 to 2014 and high level projections for 2015 and 2016. The cash flow forecasts reflect past experience of and the risk associated with each asset. Cash flows beyond 2016 are extrapolated based on estimated growth rates which do not exceed the average long-term growth rates for the relevant markets. Capital expenditure cash flows have been forecast to reflect the cycle of capital investment required, including printing press replacement.

We have assumed our current projected performance for 2012 to 2014 and then growth rates in the 2015 and 2016 projections in the range between 0% and 7% which vary with management's view of the cash-generating units market position and maturity of the relevant market. The perpetuity growth rates used from 2016 vary between 0% and 2.5%.

The impairment review is sensitive to a change in key assumptions used, most notably the discount rate and the perpetuity growth rates. With the exception of the online specialist national recruitment and property cash-generating units, based on the Group's sensitivity analysis, a modest change in a single factor will not result in a material impairment in any of the Group's cash-generating units. With the exception of the online specialist national recruitment and property cash-generating units, a reasonably possible change of 1% in the discount rate or 1% in the perpetuity growth rates would not change the conclusions of the impairment review. The online specialist national recruitment and property cash-generating units have minimal headroom at the reporting date, and consequently a reasonably possible change of less than 1% in the discount rate of 7.0% or a reduction in the forecast growth rate would eradicate the headroom.

15 Other intangible assets

	Publishing rights and titles £m	Other intangible assets £m	Group total £m
Cost			
At 3 January 2010	1,822.8	41.4	1,864.2
Additions	30.0	–	30.0
At 2 January 2011	1,852.8	41.4	1,894.2
Additions (note 36)	–	5.3	5.3
At 2 January 2011	**1,852.8**	**46.7**	**1,899.5**
Accumulated amortisation			
At 3 January 2010	(965.0)	(27.8)	(992.8)
Amortisation	–	(6.0)	(6.0)
At 2 January 2011	(965.0)	(33.8)	(998.8)
Amortisation	–	(2.8)	(2.8)
At 1 January 2012	**(965.0)**	**(36.6)**	**(1,001.6)**
Carrying amount			
At 2 January 2011	887.8	7.6	895.4
At 1 January 2012	**887.8**	**10.1**	**897.9**

The Group tests the carrying value of publishing rights and titles with indefinite economic lives at the cash-generating unit level for impairment at each reporting date or more frequently if there are indications that publishing rights and titles might be impaired. The directors consider publishing rights and titles have indefinite economic lives due to the historic longevity of the brands and the ability to evolve the brands in the ever changing media landscape. It is not practicable to review individual publishing rights and titles due to the interdependencies of the inflows within the cash-generating units.

The other intangible assets included above have estimated useful lives of between five and 10 years and are tested at the cash-generating unit level for impairment at each reporting date or more frequently if there are indications that other intangible assets might be impaired.

The carrying value of other intangible assets analysed by business segment is as follows:

	Publishing rights and titles £m	**Other intangible assets £m**	**Total 2011 £m**	Publishing rights and titles £m	Other intangible assets £m	Total 2010 £m
Regionals	**193.9**	**10.1**	**204.0**	240.8	7.6	248.4
Nationals	**693.9**	**–**	**693.9**	647.0	–	647.0
Total	**887.8**	**10.1**	**897.9**	887.8	7.6	895.4

The Regionals division comprises nine cash-generating units. The Nationals division comprises two cash-generating units. Nationals now include the Scottish regionals cash-generating unit following the change in management reporting described in note 5.

At the period end reporting date a review was undertaken to determine value in use to assess whether the carrying value of publishing rights and titles and other intangible assets were supported. Value in use was based on net present value of future cash flows derived from those assets, using cash flow projections in respect of periods to 2016.

The impairment review of the carrying value of the Group's publishing rights and titles and other intangible assets performed at the period end reporting date indicated that no impairment was required (2010: no impairment). The impairment review was based on comparing carrying value with value in use.

The key assumptions used in the value in use calculations are those regarding the discount rate, revenue and cost growth rates and the level of capital expenditure required. The post-tax discount rate used at the period end reporting date was 7% (2010: 7%) reflecting a long-term equity and debt mix based on the period end enterprise value assuming a long-term debt to EBITDA ratio of 2.0 times. The Group prepares cash flow forecasts derived from the most recently approved detailed annual budget and two year projections for 2012 to 2014 and high level projections for 2015 and 2016. The equivalent pre-tax discount rate is 9% (2010: 9%). The cash flow forecasts reflect past experience of and the risk associated with each asset. Cash flows beyond 2016 are extrapolated based on estimated growth rates which do not exceed the average long-term growth rates for the relevant markets. Capital expenditure cash flows have been forecast to reflect the cycle of capital investment required including printing press replacement.

Notes to the consolidated financial statements continued

15 Other intangible assets continued

We have assumed our current projected performance for 2012 to 2014 and then revenue growth rates in the 2015 and 2016 projections in the range between 0% and 7% which vary with management's view of the cash-generating units market position and maturity of the relevant market. The perpetuity growth rates used from 2016 vary between 0% and 2.5%.

The sensitivity of the impairment review to changes in key assumptions is set out in note 14.

16 Property, plant and equipment

	Land and buildings				
	Freehold £m	Leasehold £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost					
At 3 January 2010	211.2	21.9	315.7	9.9	558.7
Additions	1.0	–	9.3	2.7	13.0
Acquisition of business	2.8	0.1	7.4	–	10.3
Disposals	(0.3)	(3.1)	–	–	(3.4)
Reclassification	(2.0)	0.1	9.8	(8.8)	(0.9)
Write-off of assets	(0.3)	(0.1)	(29.9)	–	(30.3)
At 2 January 2011	212.4	18.9	312.3	3.8	547.4
Additions	0.3	–	3.4	1.5	5.2
Acquisition of subsidiary	–	–	0.3	–	0.3
Disposals	(0.5)	–	(0.5)	–	(1.0)
Reclassification	–	1.7	1.4	(3.1)	–
Write-off of assets	–	–	(3.8)	–	(3.8)
At 1 January 2012	**212.2**	**20.6**	**313.1**	**2.2**	**548.1**
Accumulated depreciation and impairment					
At 3 January 2010	(26.5)	(4.6)	(104.4)	–	(135.5)
Charge for the period	(4.3)	(0.8)	(28.8)	–	(33.9)
Disposals	0.2	1.8	–	–	2.0
Write-off of assets	0.3	0.1	29.9	–	30.3
At 2 January 2011	(30.3)	(3.5)	(103.3)	–	(137.1)
Charge for the period	(5.2)	(0.8)	(27.3)	–	(33.3)
Disposals	0.1	–	0.1	–	0.2
Write-off of assets	–	–	3.8	–	3.8
At 1 January 2012	**(35.4)**	**(4.3)**	**(126.7)**	**–**	**(166.4)**

Carrying amount					
At 2 January 2011	182.1	15.4	209.0	3.8	410.3
At 1 January 2012	**176.8**	**16.3**	**186.4**	**2.2**	**381.7**

	2011 £m	2010 £m
Capital commitments		
Expenditure contracted for but not provided in the consolidated financial statements	**0.1**	0.3

17 Investment in associates

The Group has a 21.54% interest in PA Group Limited, a news agency incorporated in England and Wales.

	2011 £m	2010 £m
Opening balance	**5.4**	6.3
Share of results of associates:		
Results recognised in the consolidated income statement	**1.3**	0.7
Share of other comprehensive income	**0.5**	(1.6)
Closing balance	**7.2**	5.4

PA Group Limited	2011 £m	2010 £m
Total assets	**66.1**	58.0
Total liabilities	**(32.5)**	(32.6)
Net assets	**33.6**	25.4
Group's share of net assets	**7.2**	5.4
Revenue	**100.5**	82.8
Profit for the period	**5.9**	3.4
Group's share of results for the period	**1.3**	0.7

The financial statements of PA Group Limited are made up to 31 December each year. For the purposes of applying the equity method of accounting, the audited financial statements of PA Group Limited for the year ended 31 December 2010 together with the management accounts up to the end of December 2011 have been used with appropriate year end adjustments made.

18 Inventories

	2011 £m	2010 £m
Raw materials and consumables	**9.7**	7.3

The Group consumed £136.4 million (2010: £116.8 million) of inventories during the period.

19 Other financial assets

Trade and other receivables	2011 £m	2010 £m
Gross trade receivables	**88.1**	84.5
Allowances for doubtful receivables	**(6.2)**	(6.0)
Net trade receivables	**81.9**	78.5
Prepayments and accrued income	**18.9**	19.5
Other receivables	**1.0**	1.4
	101.8	99.4

Net trade receivables

Trade receivables net of allowances for doubtful receivables at the reporting date amounted to £81.9 million (2010: £78.5 million).

The average credit period taken on sales of goods is 43 days (2010: 40 days). No interest is charged on the receivables. The Group has provided fully for all receivables over 120 days because historical experience is such that these receivables are generally not recoverable. Trade receivables less than 60 days and between 60 days and 120 days are provided for based on specific circumstances and by reference to past default experience.

Before accepting any new customers, the Group, where appropriate, uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed during the period where appropriate. There are two customers who individually represent more than 10% of net trade receivables in either period.

Included in net trade receivables balance are debtors with a carrying amount of £2.7 million (2010: £2.9 million) which are past their due date at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 81 days (2010: 78 days).

Notes to the consolidated financial statements continued

19 Other financial assets continued

Ageing of past due but not impaired receivables	2011 £m	2010 £m
60–90 days	**2.2**	2.6
90–120 days	**0.5**	0.3
Total	**2.7**	2.9

Movement in allowance for doubtful debts	2011 £m	2010 £m
Opening balance	**6.0**	5.6
Impairment losses recognised	**1.3**	1.6
Acquisition of businesses	**–**	0.8
Utilisation of provision	**(1.1)**	(2.0)
Closing balance	**6.2**	6.0

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, there is no further credit provision required in excess of the allowance for doubtful debts.

There are no significant amounts included in the allowance for doubtful debts relating to impaired trade receivables which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Ageing of impaired receivables	2011 £m	2010 £m
Less than 60 days	**0.9**	1.2
60–90 days	**1.9**	2.3
90–120 days	**1.1**	0.8
120+ days	**2.3**	1.7
Total	**6.2**	6.0

The carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents	2011 £m	2010 £m
Cash and cash equivalents	**15.5**	116.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of one week or less. The carrying amount of these assets approximates their fair value.

20 Other financial liabilities

Trade and other payables	2011 £m	2010 £m
Trade payables	**(16.8)**	(11.2)
Social security and other taxes	**(8.4)**	(8.6)
Accruals and deferred income	**(71.4)**	(78.7)
Other payables	**(8.6)**	(8.0)
	(105.2)	(106.5)

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2010: 36 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amount of trade payables approximates to their fair value.

21 Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Accelerated tax depreciation £m	Other short-term timing differences £m	Rolled-over and held-over gains £m	Intangibles £m	Retirement benefit obligations £m	Share-based payments £m	Total £m
At 3 January 2010 (at 28% tax rate)	(70.7)	(2.7)	(1.4)	(244.0)	83.0	0.4	(235.4)
Change of tax rate applying to deferred tax:							
Credit to income	2.5	0.1	0.1	8.7	–	–	11.4
Credit to equity	–	–	–	–	(2.9)	(0.1)	(3.0)
At 3 January 2010 (at 27% tax rate)	(68.2)	(2.6)	(1.3)	(235.3)	80.1	0.3	(227.0)
Acquisition of business	0.2	(2.4)	–	(8.1)	–	–	(10.3)
Credit/(charge) to consolidated income statement	(0.6)	(1.6)	–	1.6	–	–	(0.6)
Credit to equity	–	–	–	–	(36.6)	–	(36.6)
At 2 January 2011 (at 27% tax rate)	**(68.6)**	**(6.6)**	**(1.3)**	**(241.8)**	**43.5**	**0.3**	**(274.5)**
Change of tax rate applying to deferred tax:							
Credit to income	5.1	0.5	0.1	17.9	–	–	23.6
Credit to equity	–	–	–	–	(3.2)	–	(3.2)
At 2 January 2011 (at 25% tax rate)	**(63.5)**	**(6.1)**	**(1.2)**	**(223.9)**	**40.3**	**0.3**	**(254.1)**
Acquisition of subsidiary	–	–	–	(1.3)	–	–	(1.3)
Credit/(charge) to consolidated income statement	2.2	1.9	–	0.7	(0.8)	0.2	4.2
Charge to equity	–	–	–	–	18.0	–	18.0
At 1 January 2012	**(61.3)**	**(4.2)**	**(1.2)**	**(224.5)**	**57.5**	**0.5**	**(233.2)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances in the consolidated balance sheet:

	2011 £m	2010 £m
Deferred tax liabilities	**(291.2)**	(318.3)
Deferred tax assets	**58.0**	43.8
	(233.2)	(274.5)

At the reporting date, the Group has unused tax losses of £20.8 million (2010: £20.8 million) available for offset against future profits.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely. The Group also has unrecognised capital losses of £34.6 million (2010: £35.9 million) at the reporting date.

Notes to the consolidated financial statements continued

22 Provisions

	Share-based payments £m	Property £m	Restructuring £m	Total £m
At 3 January 2010	(1.2)	(10.4)	(5.7)	(17.3)
Charged to consolidated income statement	(0.1)	(3.8)	(12.1)	(16.0)
Released to consolidated income statement	–	0.2	1.0	1.2
Utilisation of provisions	–	3.9	13.7	17.6
At 2 January 2011	(1.3)	(10.1)	(3.1)	(14.5)
Charged to consolidated income statement	(0.2)	(3.3)	(10.7)	(14.2)
Utilisation of provisions	–	3.7	10.9	14.6
At 1 January 2012	**(1.5)**	**(9.7)**	**(2.9)**	**(14.1)**

The provisions have been analysed between current and non-current as follows:

	2011 £m	2010 £m
Current	**(5.8)**	(6.4)
Non-current	**(8.3)**	(8.1)
	(14.1)	(14.5)

The share-based payments provision relates to National Insurance obligations attached to the future crystallisation of awards.

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 restructuring provision relates to the non-recurring restructuring severance incurred in the delivery of cost reduction measures. This provision is expected to be utilised during the next period.

23 Principal subsidiaries

A list of the principal subsidiaries, including name, country of incorporation, principal activity and proportion of ordinary shares held is given in note 14 in the notes to the parent company financial statements.

24 Notes to the consolidated cash flow statement

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

*Including a non-recurring charge of £0.4 million in 2010 described in note 8.

25 Borrowings

	2011 £m	2010 £m
Loan notes	**(226.8)**	(363.9)
Derivative financial instruments (note 26)	**(2.4)**	(2.2)
	(229.2)	(366.1)
The borrowings are repayable as follows:		
On demand or within one year	**(68.3)**	(140.0)
In the second year	**(51.7)**	(65.8)
In the third year	**(42.7)**	(51.5)
In the fourth year	**–**	(42.7)
In the fifth year	**–**	–
After five years	**(66.5)**	(66.1)
	(229.2)	(366.1)
The borrowings are included in the consolidated balance sheet as follows:		
Amount included in non-current liabilities	**(160.9)**	(226.1)
Amount included in current liabilities	**(68.3)**	(140.0)
	(229.2)	(366.1)

The amount included in non-current liabilities represents borrowings of £160.9 million (2010: £226.1 million) and in current liabilities represents borrowings of £65.9 million (2010: £137.8 million) and derivative financial instruments of £2.4 million (2010: £2.2 million). Non-current assets include £13.0 million (2010: £12.6 million) relating to derivative financial instruments which is deducted from borrowings to calculate net debt in note 27.

	2011 £m	2010 £m
Loan notes movement in the period:		
Opening balance	**(363.9)**	(355.0)
Foreign exchange gain/(loss) on retranslation	**2.0**	(8.9)
Repayments	**135.1**	–
Closing balance	**(226.8)**	(363.9)

	2011 £m	2010 £m
Composition of loan notes:		
US$350 million loan notes	**(51.8)**	(173.3)
US$252 million loan notes	**(165.0)**	(164.6)
£22 million loan notes	**–**	(16.0)
£10 million loan notes	**(10.0)**	(10.0)
	(226.8)	(363.9)

The US private placement loan notes totalling US$602 million and £32 million were issued in 2001 and 2002. On the issue date the capital repayments and fixed rate interest on the US$ denominated loan notes were swapped into floating rate Sterling through the use of cross-currency interest rate swaps. As hedge accounting under IAS 39 has not been applied, the loan notes and cross-currency swaps are shown separately in accordance with IAS 39. The loan notes are disclosed at amortised cost and translated into Sterling at the reporting date exchange rate and the cross-currency interest rate swaps are disclosed at fair value at the reporting date. These values do not represent the amounts required to repay the loan notes or cancel the related cross-currency interest rate swaps.

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

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

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

Notes to the consolidated financial statements continued

25 Borrowings continued

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

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

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

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

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

The fair value of other financial assets and liabilities, excluding derivative financial instruments in note 26, are not materially different from the book values and are not repeated in this analysis.

26 Derivative financial instruments

The movement in the derivative financial instruments is as follows:

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

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

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

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

27 Net debt

The statutory net debt for the Group is as follows:

	2010 £m	Cash flow £m	Derivative financial instruments* £m	Foreign exchange gain* £m	Loans repaid £m	Transfer to current £m	2011 £m
Non-current liabilities							
Loan notes	(226.1)	–	–	1.0	–	64.2	**(160.9)**
	(226.1)	**–**	**–**	**1.0**	**–**	**64.2**	**(160.9)**
Current liabilities							
Loan notes	(137.8)	–	–	1.0	135.1	(64.2)	**(65.9)**
Derivative financial instruments	(2.2)	–	(7.3)	–	10.3	(3.2)	**(2.4)**
	(140.0)	**–**	**(7.3)**	**1.0**	**145.4**	**(67.4)**	**(68.3)**
Non-current assets							
Derivative financial instruments	12.6	–	(2.8)	–	–	3.2	**13.0**
	12.6	**–**	**(2.8)**	**–**	**–**	**3.2**	**13.0**
Current assets							
Cash and cash equivalents	116.2	44.7	–	–	(145.4)	–	**15.5**
	116.2	**44.7**	**–**	**–**	**(145.4)**	**–**	**15.5**
Statutory net debt	**(237.3)**	**44.7**	**(10.1)**	**2.0**	**–**	**–**	**(200.7)**

*The impact on the loan notes of translation into Sterling at the settlement date or at the reporting date exchange rate and the impact on the derivative financial instruments of being stated at fair value at the settlement date or at the reporting date are included in the consolidated income statement within finance costs as set out in note 10.

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

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

	2010 £m	Cash flow £m	Loans repaid £m	Transfer to current £m	2011 £m
Non-current liabilities					
Loan notes	(236.7)	–	–	69.7	**(167.0)**
	(236.7)	**–**	**–**	**69.7**	**(167.0)**
Current liabilities					
Loan notes	(145.4)	–	145.4	(69.7)	**(69.7)**
	(145.4)	**–**	**145.4**	**(69.7)**	**(69.7)**
Current assets					
Cash and cash equivalents	116.2	44.7	(145.4)	–	**15.5**
	116.2	**44.7**	**(145.4)**	**–**	**15.5**
Contracted net debt	**(265.9)**	**44.7**	**–**	**–**	**(221.2)**

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

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

Notes to the consolidated financial statements continued

28 Share capital and reserves

	Share capital £m	Share redemption premium £m	Capital redemption reserve £m	Retained earnings and other reserves £m	Total £m
At 3 January 2010	(25.8)	(1,120.5)	(4.3)	661.4	(489.2)
Total comprehensive income for the period	–	–	–	(190.8)	(190.8)
Credit to equity for equity-settled share-based payments	–	–	–	(2.0)	(2.0)
Purchase of own shares	–	–	–	3.5	3.5
Refund of VAT on share issue costs	–	(1.1)	–	–	(1.1)
At 2 January 2011	(25.8)	(1,121.6)	(4.3)	472.1	(679.6)
Total comprehensive costs for the period	–	–	–	3.5	3.5
Credit to equity for equity-settled share-based payments	–	–	–	(2.3)	(2.3)
Purchase of own shares	–	–	–	3.0	3.0
At 1 January 2012	**(25.8)**	**(1,121.6)**	**(4.3)**	**476.3**	**(675.4)**

The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled under share buy-back programmes.

Shares purchased by the Trinity Mirror Employees' Benefit Trust ('the Trust') are included in retained earnings and other reserves at £14.1 million (2010: £12.8 million), classified as Treasury Shares. During the period the Trust purchased 6,339,118 shares for a consideration of £3.0 million. The Trust received a payment of £3.0 million from the Company to purchase these shares. During the period 699,273 shares were released to senior managers relating to the grant made in 2008 under the Deferred Share Award Plan approved in 2006.

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

29 Called-up share capital

	2011 Number	2011 £m	2010 Number	2010 £m
Authorised				
Ordinary shares of 10 pence each	**450,000,000**	**(45.0)**	450,000,000	(45.0)

	2011 Number	2011 £m	2010 Number	2010 £m
Allotted, called-up and fully paid ordinary shares of 10 pence each				
Opening balance and closing balance	**257,690,520**	**(25.8)**	257,690,520	(25.8)

The Company has one class of share capital, being ordinary shares with a nominal value of 10 pence each. The Company's ordinary shares give the shareholders equal rights to vote, receive dividends and to the repayment of capital. There are no restrictions on these shares in relation to the distribution of dividends and the repayment of capital.

An employee benefit trust administered by the trustee Barclays Wealth Trustees (Guernsey) Limited holds shares of the Company for subsequent transfer to employees under a restricted share plan. At 1 January 2012 the trust held 90,855 shares (2010: 90,855 shares) with a carrying value of £445,523 (2010: £445,523) and a market value of £43,610 (2010: £63,144) in the Company, none of which (2010: none) had options granted over them under the restricted share plan. Dividends on the shares are payable at an amount of 0.01 pence (2010: 0.01 pence) per share in the event that the Group declares any dividends. Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

The lowest closing price of the shares during the year was 37.5 pence (2010: 64.5 pence) and the highest closing price was 93.0 pence (2010: 171.5 pence). The closing share price as at the reporting date was 48.0 pence (2010: 69.5 pence).

29 Called-up share capital continued

Share option schemes

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

Scheme	Grant dates	Number of shares	Exercise prices	Exercise dates
Executive approved	2000–2003	41,412	396–471p	May 2003–Aug 2013
Executive unapproved	2000–2003	603,730	396–471p	May 2003–Aug 2013

Long Term Incentive Plan and Deferred Share Award Plan

The Long Term Incentive Plan (LTIP) was approved by shareholders at the Annual General Meeting on 6 May 2004 and the Trinity Mirror Employee Benefit Trust ('the Trust') was established in Jersey and is administered by the trustee Appleby Trust (Jersey) Limited. An amendment to the LTIP rules was approved by shareholders at the Annual General Meeting on 4 May 2006 and a new plan, the Deferred Share Award Plan (DSAP), was also approved. At the reporting date the Trust holds shares of the Company for subsequent transfer to employees under the terms of the LTIP as Performance Share awards if they vest on 3 April 2012, 28 May 2013 and 1 March 2014 and under the terms of the DSAP as Deferred Share awards if they vest on 3 April 2012, 28 May 2013 and 1 March 2014. The exercise price of the granted awards is £1 for each block of awards granted.

At the reporting date, the Trust held 11,054,337 shares (2010: 5,414,484 shares) with a carrying value of £14,134,154 (2010: £12,761,217) and a market value of £5,306,082 (2010: £3,763,066). In addition, the Trust holds cash to purchase future shares of £7,830 (2010: £7,866). The costs associated with the Trust are included in the consolidated income statement as they accrue. Shares held by the Trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

30 Share premium account

	2011 £m	2010 £m
Opening balance	**(1,121.6)**	(1,120.5)
Refund of VAT on share issue costs	**–**	(1.1)
Closing balance	**(1,121.6)**	(1,121.6)

In 2010, £1.1 million was credited to share premium for a cash receipt relating to a VAT refund on share issue costs relating to prior periods.

31 Operating lease commitments

Total commitments under non-cancellable operating leases:

	Vehicles, plant and equipment 2011 £m	**Property 2011 £m**	Vehicles, plant and equipment 2010 £m	Property 2010 £m
Within one year	**(2.6)**	**(9.8)**	(2.5)	(10.1)
Later than one and less than five years	**(2.8)**	**(33.4)**	(3.1)	(35.2)
After five years	**–**	**(11.0)**	–	(19.1)
	(5.4)	**(54.2)**	(5.6)	(64.4)

Total future minimum lease receipts from tenants under non-cancellable property operating leases:

	2011 £m	2010 £m
Within one year	**1.7**	1.9
Later than one and less than five years	**5.4**	5.0
After five years	**1.4**	2.6
	8.5	9.5

Notes to the consolidated financial statements continued

32 Share-based payments

The charge related to share-based payments during the period was £2.5 million (2010: £2.1 million).

Executive share option scheme

The Company operates an existing share option scheme under which executive directors and senior management are granted options. Following the introduction of the Long Term Incentive Plan in 2004, no further options have been granted under this scheme. The Group has applied the requirements of IFRS 2 in accordance with the transitional provisions to all grants of equity instruments after 7 November 2002 that had not vested as of 3 January 2005.

Options are exercisable between three and 10 years from the date of grant subject to the continued employment of the participant and achievement of earnings per share performance. In addition, 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 on the date of grant. The other 50% is subject to a comparison of total shareholder return with a group of about 20 other media companies. No vesting of options will take place unless the Company's ranking is at least median.

Movements in share options granted pre 7 November 2002 are as follows:

	2011 Number of options	2010 Number of options
Options outstanding at start of period	**469,826**	798,680
Lapsed during the year	**(9,032)**	(328,854)
Options outstanding at end of period	**460,794**	469,826

The weighted average share price at the date of lapse for share options lapsed during the period was 48.3 pence (2010: 103.7 pence). The options outstanding at 1 January 2012 had a weighted average exercise price of 470.5 pence (2010: 470.5 pence) and a weighted average contractual life of one year (2010: one year). There were no share options exercised during the current or prior period.

Details of the share options outstanding and the weighted average exercise price of options granted post 7 November 2002 are as follows:

	Number of options	Exercise price
Granted post 7 November 2002:		
– 28 February 2003	184,348	395.5p

There were no movements in share options granted post 7 November 2002 for both 2011 and 2010.

The options outstanding at 1 January 2012 had a weighted average exercise price of 395.5 pence (2010: 395.5 pence) and a weighted average contractual life of one year (2010: two years). No share options were exercised and none lapsed during the current or prior period.

The estimated fair values at the date of grant of the share options granted on 28 February 2003 was £375,145. The fair value was calculated using a stochastic (Monte-Carlo binomial) model at the date of grant. The inputs to the model were: expected volatility 27.0%, expected life 6.0 years, expected dividend yield 4.4% and risk-free rate 3.9%. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period prior to the grant date that is commensurate with the length of the expected life of the option. The expected life of the options used in the model is a weighted average driven by simulated share price movements in the model.

32 Share-based payments continued

Long Term Incentive Plan and Deferred Share Award Plan

Under these schemes, the Remuneration Committee can recommend the grant of awards of shares to an eligible employee. From 2006, awards have taken the form of Performance Shares or Deferred Shares. Prior to 2006 awards took the form of Performance Shares and Matching Shares. All awards prior to 2009 have lapsed. Full details of how the schemes operate are explained on page 42 of the Remuneration report.

The vesting period is three years and is subject to continued employment of the participant. The Performance Shares granted in 2009, 2010 and 2011 vest if targets measuring the Company's total shareholder return against the performance of a comparator group of companies are met. The Deferred Shares have no performance conditions.

The movement in the number of Performance Shares and Deferred Shares during the period was:

	2011 Deferred Shares	**2011 Performance Shares**	2010 Deferred Shares	2010 Performance Shares
Awards outstanding at start of period	**2,304,878**	**4,362,146**	1,008,452	3,301,407
Granted during the period	**3,660,097**	**2,212,444**	1,629,900	1,724,886
Lapsed during the period	**(191,537)**	**(1,607,343)**	(22,620)	(664,147)
Exercised during the period	**(699,273)**	–	(310,854)	–
Awards outstanding at end of period	**5,074,165**	**4,967,247**	2,304,878	4,362,146

The share price at the date of grant for both the Performance Shares and the Deferred Shares was 78.8 pence (2010: 99.8 pence). The weighted average share price at the date of lapse for awards lapsed during the period was 51.3 pence (2010: 141.6 pence).

The weighted average share price at the date of exercise for awards exercised during the period was 46.1 pence (2010: 120.1 pence).

The estimated fair values at the date of grant of the shares awarded are as follows:

	Awarded in 2011 £	Awarded in 2010 £	Awarded in 2009 £
Deferred Shares	**2,882,000**	1,627,000	9,000
Performance Shares	**1,098,000**	1,054,000	194,000

The fair values for the Performance Shares were calculated using a stochastic (Monte-Carlo binominal) model and for the Deferred Shares a modified Black-Scholes calculation at the date of grant. The inputs to the model for awards from 2009 were as follows:

	Performance award 2011	**Deferred award 2011**	Performance award 2010	Deferred award 2010	Performance award 2009	Deferred award 2009
Expected volatility (%)	**69.0**	**–**	101.5	–	80.5	–
Expected life (years)	**3.0**	**3.0**	3.0	3.0	3.0	3.0
Risk-free (%)	**1.7**	**–**	1.4	–	2.1	–

Expected volatility has been determined by calculating the historical volatility of the Company's share price over the three year period prior to the grant date. The exercise price used in the model is £nil as the exercise price of the granted awards is £1 for each block of awards granted.

Notes to the consolidated financial statements continued

33 Retirement benefit schemes

Defined benefit pension schemes

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

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

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

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

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

For the purposes of the Group's annual consolidated financial statements, valuations have been performed in accordance with the requirements of IAS 19 with scheme liabilities calculated using a consistent projected unit valuation method and compared to the value of the scheme assets at 30 December 2011, the last day prior to the reporting date for which such values were available.

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

	Old Scheme/ Past Service Scheme £m	**MGN Scheme £m**	**Trinity Scheme £m**	**MIN Scheme £m**
Present value of scheme liabilities	(757.4)	(409.7)	(307.2)	(177.8)
Fair value of scheme assets	546.9	337.0	367.8	154.0
Scheme (deficit)/surplus	**(210.5)**	**(72.7)**	**60.6**	**(23.8)**

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

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

33 Retirement benefit schemes continued

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

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

	Future life expectancy (years) for a pensioner currently aged 65		Future life expectancy (years) at age 65 for a non-pensioner currently aged 55	
	Male	Female	Male	Female
At 30 December 2007	20.1	23.0	21.6	24.4
At 28 December 2008	21.4	23.8	23.2	25.6
At 3 January 2010	21.6	24.0	23.4	25.7
At 2 January 2011	21.7	24.1	23.5	25.8
At 1 January 2012	**21.8**	**24.2**	**23.5**	**25.9**

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

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

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

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

Notes to the consolidated financial statements continued

33 Retirement benefit schemes continued

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of comprehensive income since adoption of IFRS is losses of £163.5 million (2010: £58.7 million).

Pension schemes assets include neither direct investments in the Company's ordinary shares nor any property assets occupied nor other assets used by the Group for any year.

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

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

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

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

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

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

33 Retirement benefit schemes continued

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

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

Defined contribution pension schemes

The Group operates two defined contribution pension schemes for qualifying employees, the Southnews Money Purchase Scheme which is closed to new members and is now in the process of being wound up and the Trinity Mirror Pension Plan. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The current service cost charged to the consolidated income statement of £14.1 million (2010: £7.0 million) represents contributions payable to these schemes by the Group at rates specified in the scheme rules. Contributions that were due have been paid over to the schemes at all reporting dates.

34 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through an optimal balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings (note 25), cash and cash equivalents (note 19) and equity attributable to equity holders of the parent comprising share capital and reserves (note 28).

Gearing ratio

The Board reviews the capital structure, including the level of gearing and interest cover, as required. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio and interest cover at the reporting date were as follows:

	2011 £m	2010 £m
Net debt (note 27)	**(200.7)**	(237.3)
EBITDA	**128.5**	177.9
Net debt to EBITDA	**1.6**	1.3
Operating profit (note 37)	**104.5**	123.3
Total interest expense (note 10)	**(13.3)**	(16.1)
Interest cover	**7.9**	7.7

Net debt is defined as long-term and short-term borrowings and includes derivative financial instruments less cash and cash equivalents. EBITDA is stated after non-recurring items with the exception of the impairments of intangible assets and fixed assets. Operating profit is before non-recurring items and amortisation.

For 2011, the financial covenants attached to the bank facility are a minimum interest cover of 2.75 times and a maximum net debt to EBITDA ratio of 3.50 times.

The financial covenants in respect of the US private placement loan notes were the minimum interest cover of 2.0 times and for net debt to EBITDA a maximum cover of 4.0 times.

During 2011, the Group generated net cash before repayment of borrowings of £44.7 million which together with the cash balance held at the beginning of the year of £116.2 million was used to repay £145.4 million of US$ private placement loan notes in October 2011. The cash held at the end of the year was £15.5 million.

Notes to the consolidated financial statements continued

34 Financial instruments continued

Externally imposed capital requirement
The Group is subject to externally imposed capital requirements based on net worth covenants under the US private placement loan notes as well as in respect of the £178.5 million bank facility.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3.

Categories of financial instruments
The Group's significant financial assets are cash and trade and other receivables which are classified as loans and receivables and are accordingly held at amortised cost. Trade and other payables, bank overdrafts and loan notes are all designated as other financial liabilities and held at amortised cost. The Group's derivative financial instruments are classified as fair value through the consolidated income statement.

Financial risk management objectives
The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through regular meetings with the Group Finance Director analysing exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments where appropriate to hedge these exposures. The use of financial derivatives is governed by policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's Treasury function provides a monthly report to the Board covering compliance with covenants and other Treasury related matters.

Market risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group has entered into specific derivative financial instruments to manage its exposure to interest rate and foreign currency risk primarily in respect of the US private placement loan notes as set out in note 26.

Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Euro	**–**	–	**1.4**	1.6
US$	**(206.2)**	(327.5)	**0.2**	0.4

Foreign currency sensitivity analysis
The Group is mainly exposed to the Euro and US$.

The Euro exposure arises on sales of newspapers in Europe. The Euro sales represent less than 1% (2010: 1%) of Group revenue.

The Euros are kept on deposit and used to fund Euro costs. When Euros on deposit build to a target balance they are converted into Sterling. The Group does not hedge the Euro income or deposits because the risk of foreign exchange movements is not deemed to be significant.

The US$ exposure arises on the US private placement loan notes which are mainly US$ denominated and fixed interest. At the time of the US private placement loan notes issue, the Group entered into cross-currency interest rate swaps to change the US$ principal and US$ fixed interest profile of the debt to Sterling principal and Sterling floating interest. The timing of the swaps exactly match every private placement principal and interest payment due. As a result the Group is not subject to any US$ foreign exchange exposure on its US private placement loan notes and matching swaps. The Group's consolidated balance sheet shows the US private placement loan notes converted to Sterling at the reporting date currency rate. The matching swaps are carried at fair value which represents the value of the fixed to floating swap, the currency element of the principal payments due and the currency element of the interest payments due. The difference between the valuation approaches gives rise to a charge or credit to the consolidated income statement.

34 Financial instruments continued

The following tables detail the Group's sensitivity to a 10% increase and decrease in the Sterling rate against the Euro and US$ in the current and prior period. A 10% movement in exchange rates based on the level of foreign currency denominated monetary assets and liabilities represent the assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items including external loans that are unhedged.

	Euro currency impact		US$ currency impact	
10% strengthening of Sterling	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Decrease in profit	**(0.1)**	(0.2)	**–**	–
Decrease in equity	**–**	–	**–**	–

	Euro currency impact		US$ currency impact	
10% weakening of Sterling	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Decrease in profit	**0.1**	0.2	**–**	–
Decrease in equity	**–**	–	**–**	–

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts only to cover specific foreign currency payments such as significant capital expenditure. During the current and prior period no contracts were entered into.

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through interest rate cycles.

The Group's exposures to interest rates on the financial assets and liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared using the Group's monthly cash forecasting model. A 2% increase in interest rates has been used and represents the assessment of a reasonably possible change.

If interest rates had been 2% higher/lower and all other variables were held constant, the Group's profit for the period would decrease/increase by £6.6 million (2010: £7.6 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of the interest rate swaps at the reporting date is determined by discounting the future cash flows using yield curves at the reporting date and the credit risk inherent in the contract and is disclosed below.

In October 2008, an interest rate swap was entered into which converted the floating rate interest payments on £180.0 million of principal into fixed for a period of 12 months to October 2009. In April 2009, it was agreed with the counterparties in respect of £135.0 million of principal to extend the settlement date until October 2010. In October 2009, the swap in respect of £45.0 million principal was settled on the due date. In October 2010, the swap in respect of £135.0 million principal was settled on the due date. The fair value change from the prior period end up to the settlement date has been included in the movement in fair value.

In August 2011, an interest rate swap was entered into which converted the floating rate interest payments on £54.5 million of principal into fixed for a period of six months from October 2011 to April 2012 and in interest rate swap was entered into which converted the floating rate interest payments on £172.2 million of principal into fixed for a period of six months from December 2011 to June 2012.

Other price risks

The Group has no listed equity investments and is not directly exposed to equity price risk. The Group does not actively trade these investments. The Group has indirect exposure through its defined benefit pension schemes.

Credit risk management

Credit risk refers to the risk that a counterparty with the Group will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group only transacts with financial institutions that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and, if not, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and credit ratings of its counterparties are reviewed by the Board at appropriate times and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread across diverse sectors. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Notes to the consolidated financial statements continued

34 Financial instruments continued

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit risk with a single counterparty is limited by reference to the long-term credit ratings assigned for that counterparty by Standard and Poor's. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The table below shows the internal credit limit and amount on deposit with the Group's major counterparties at the reporting date using the Standard and Poor's credit rating symbols:

Financial Institution	Location	Rating	**2011 Credit limit £m**	**2011 Balance £m**	2010 Credit limit £m	2010 Balance £m
Santander UK	London	AA–	**50.0**	**–**	75.0	15.2
Lloyds TSB Bank plc	London	A	**5.0**	**4.4**	25.0	88.2
National Westminster Bank	London	A	**5.0**	**8.7**	25.0	7.1
Royal Bank of Scotland plc	London	A	**5.0**	**2.4**	25.0	4.2
Ulster Bank plc	Dublin	BBB+	**–**	**–**	5.0	1.5

The Board has agreed that due to the risk profile of Lloyds TSB Bank plc and Nat West plc with substantial Government shareholdings in each bank that the Group could hold surplus cash in these two banks, subject to continued review.

Liquidity risk management

Liquidity risk results from having insufficient financial resources to meet day-to-day fluctuations in working capital and cash flow. Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both principal and interest cash flows. Where the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 year £m	**1–2 years £m**	**2–3 years £m**	**3–4 years £m**	**4–5 years £m**	**More than 5 years £m**
2011						
Non-derivative financial instruments:						
Sterling variable interest rate	**–**	**–**	**–**	**–**	**–**	**–**
Sterling fixed interest rate	**0.7**	**0.7**	**10.4**	**–**	**–**	**–**
Non-Sterling fixed interest rate	**78.8**	**62.3**	**38.1**	**4.8**	**4.8**	**66.7**
Derivative financial instruments:						
Financial assets	**78.8**	**62.3**	**38.1**	**4.8**	**4.8**	**66.7**
Financial liabilities	**(75.0)**	**(60.5)**	**(37.4)**	**(2.6)**	**(2.6)**	**(69.6)**
2010						
Non-derivative financial instruments:						
Sterling variable interest rate	–	–	–	–	–	–
Sterling fixed interest rate	17.9	0.7	0.7	10.4	–	–
Non-Sterling fixed interest rate	145.3	78.2	61.8	37.8	4.7	71.0
Derivative financial instruments:						
Financial assets	145.3	78.2	61.8	7.8	4.7	71.0
Financial liabilities	(136.2)	(73.5)	(57.6)	(35.6)	(2.9)	(68.3)

34 Financial instruments continued

The non-derivative financial instruments include the US private placement loan notes and the bank facility. The non-Sterling fixed interest rate liabilities arise on the Group's US private placement loan notes. The related swaps are shown under derivative instruments.

Swaps are gross settled and each leg of the swap is split into either a financial asset or liability. The weighted average effective interest rate is set out in note 25.

The Group has access to financial facilities of which the total unused amount is £178.5 million (2010: £178.5 million) at the reporting date. The Group expects to meet its other obligations from cash held on deposit, operating cash flows and its committed financing facilities.

Fair value of financial instruments

The fair value of the Group's financial liabilities are set out in note 25.

35 Related party transactions

The immediate parent and controlling party of the Group is Trinity Mirror plc. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with the retirement benefit schemes are disclosed in note 33. Details of other related party transactions are disclosed below.

Trading transactions

The Group traded with the following associated undertakings and joint ventures: PA Group Limited and fish4 Limited (up to 13 October 2010). This trade generated revenue of £nil (2010: £nil) and the Group incurred charges for services received of £5.7 million (2010: £4.5 million).

Sales of goods and services to related parties were made at the Group's usual list prices less average volume discounts. Purchases were made at market prices discounted to reflect volume purchase and the relationship between the parties. Any outstanding amounts will be settled by cash payment.

Compensation of key management personnel

Key management personnel of the Group comprise the non-executive directors and members of the Executive Committee (which includes all of the executive directors) and their remuneration during the period was as follows:

	2011 £m	2010 £m
Short-term employee benefits	**(3.6)**	(5.1)
Retirement benefits	**(0.7)**	(0.7)
Share-based payments in the period	**(1.4)**	(1.2)
	(5.7)	(7.0)

The remuneration of directors and other key executives is determined by the Remuneration Committee having regard to competitive market position and performance of individuals. Further information regarding the remuneration of individual directors is provided in the Remuneration report on pages 41 to 46.

36 Acquisitions of subsidiary undertaking

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

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

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

Notes to the consolidated financial statements continued

36 Acquisitions of subsidiary undertaking continued

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

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

Net cash outflow arising on acquisition is as follows:

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

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

37 Reconciliation of statutory results to adjusted results

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

52 weeks ended 1 January 2012

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

52 weeks ended 2 January 2011

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

(a) Details of non-recurring items are set out in note 8.

(b) Amortisation of other intangible assets.

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

(d) Pension finance credit or charge.

(e) Tax legislation changes relate to the change in the corporation tax rate on the opening deferred tax position.

Parent company accounts

Independent auditor's report to the members of Trinity Mirror plc

We have audited the parent company financial statements of Trinity Mirror plc for the 52 weeks ended 1 January 2012 which comprise parent company balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

– give a true and fair view of the state of the Company's affairs as at 1 January 2012;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and

– the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Trinity Mirror plc for the 52 weeks ended 1 January 2012.

Kate Houldsworth
(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
15 March 2012

Parent company balance sheet

at 1 January 2012 (2 January 2011) Company registration number 82548

	Notes	2011 £m	2010 £m
Fixed assets			
Investments	4	**1,574.4**	1,572.9
		1,574.4	1,572.9
Current assets			
Debtors			
– due within one year	5	**2,137.9**	1,897.0
– due after more than one year	5	**13.0**	12.6
Cash at bank and in hand		**4.3**	82.3
		2,155.2	1,991.9
Creditors: amounts falling due within one year			
Borrowings	7	**(68.3)**	(140.0)
Other creditors	8	**(2,269.6)**	(1,945.9)
		(2,337.9)	(2,085.9)
Net current (liabilities)		**(182.7)**	(94.0)
Total assets less current liabilities		**1,391.7**	1,478.9
Creditors: amounts falling due after more than one year			
Borrowings	7	**(160.9)**	(226.1)
Deferred tax liabilities	6	**(4.9)**	(7.3)
		(165.8)	(233.4)
Net assets before pension scheme assets		**1,225.9**	1,245.5
Pension scheme assets	9	**0.5**	2.9
Net assets		**1,226.4**	1,248.4
Equity capital and reserves			
Called-up share capital	10	**25.8**	25.8
Share premium account	11	**1,121.6**	1,121.6
Capital redemption reserve	12	**4.3**	4.3
Profit and loss account	12	**74.7**	96.7
Equity shareholders' funds		**1,226.4**	1,248.4

These parent company financial statements were approved by the Board of directors and authorised for issue on 15 March 2012.
They were signed on its behalf by:

Sly Bailey
Chief Executive

Vijay Vaghela
Group Finance Director

Notes to the parent company financial statements

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

1 Accounting policies

The parent company financial statements are presented as required by the Companies Act 2006. As permitted, the parent company financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The particular accounting policies adopted are described below and have been applied on a consistent basis in the current and prior period.

The Company has taken advantage of the exemption contained in FRS 1 and has not produced a cash flow statement. The Company has also taken advantage of the exemption contained in FRS 8 and has not reported transactions with fellow Group undertakings. The Company, as a parent company of a group drawing up consolidated financial statements that meet the requirements of IFRS 7, is exempt from disclosures that comply with the United Kingdom Generally Accepted Accounting Practice equivalent FRS 29.

In the current year certain minor amendments to UK financial reporting standards were issued by the UK Accounting Standards Board. The adoption of these amendments has not had any material impact on the parent company financial statements.

Amendments to FRS 29 have not been applied but were in issue but not yet effective and have therefore not been applied and their adoption will have no material impact on the parent company financial statements.

Basis of preparation

These parent company financial statements have been prepared on a going concern basis as set out on page 35 of the Corporate governance report.

Basis of accounting

These parent company financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards of the United Kingdom Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Income from shares in Group undertakings

These amounts represent dividends from investments. The dividends are recognised in the period in which the dividend is declared.

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment. An impairment review is undertaken at each reporting date or more frequently when there is an indication that the recoverable amount is less than the carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use the estimated future cash flows of the income-generating units relating to the investment are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of the income-generating units relating to the investment is estimated to be less than its carrying amount, the carrying value of the investment is reduced to its recoverable amount. An impairment loss is recognised in the income statement in the period in which it occurs and may be reversed in subsequent periods.

Deferred taxation

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. No provision is made for deferred tax on investment revaluations. A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The Company has elected not to discount the deferred tax assets and liabilities.

Retirement benefits

Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus or deficit is split between operating and financing items in the profit and loss account. The full service cost of the pension provision is charged to operating profit. Any difference between the expected return on assets and that actually achieved is reflected in other recognised gains and losses in the period.

Foreign currency

Transactions denominated in foreign currencies are translated at the rates of exchange prevailing on the date of the transactions. Exchange differences are taken through the profit and loss account.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Capital instruments

Capital instruments are accounted for in accordance with the principles of FRS 26 and are classified as equity share capital, non-equity share capital, minority interest or debt as appropriate.

Financial instruments

Financial instruments are accounted for in accordance with the principles of FRS 26. Any premium or discount associated with the purchase of interest rate and foreign exchange 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.

Employee share option schemes

Shares held within employee share option schemes are dealt with in the balance sheet as a deduction from equity shareholders' funds in accordance with FRS 20.

2 Result for the period

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the period. The Company reported a retained loss for the period of £17.9 million (2010: £0.9 million). The audit fees relating to the Company are disclosed in note 6 in the notes to the consolidated financial statements and are borne by another Group company.

Notes to the parent company financial statements continued

3 Staff costs

The average number of persons, including directors, employed by and charged to the Company in the period was:

	2011 Number	2010 Number
Administration	**8**	8

A number of employees (not directors) who have contracts of employment with the Company are charged to other Group companies and their staff costs are disclosed in those companies' statutory accounts.

All employees are employed in the United Kingdom.

Staff costs, including directors' emoluments, incurred during the period were:

	2011 £m	2010 £m
Wages and salaries	**2.8**	3.3
Social security costs	**0.5**	0.6
Share-based payments	**0.9**	0.7
Pension costs	**0.5**	0.5
	4.7	5.1

Disclosure of individual directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Services Authority are shown in the tables in the Remuneration report on pages 41 to 46 and form part of these parent company financial statements.

4 Investments

Shares in Group undertakings	**£m**
Cost	
At 2 January 2011	1,952.9
Share-based payments debit in subsidiary undertakings	1.5
At 1 January 2012	**1,954.4**
Provisions for impairment	**(380.0)**
Net book value	
At 2 January 2011	1,572.9
At 1 January 2012	**1,574.4**

At the period end reporting date an impairment review was undertaken which indicated that no impairment was required (2010: no impairment). The impairment review was performed using the same assumptions as used in the impairment review performed in relation to the Group's goodwill and other intangible assets and are disclosed in notes 14 and 15 in the notes to the consolidated financial statements.

The impairment review is sensitive to a change in key assumptions used, most notably the discount rate and the perpetuity growth rates. A reasonably possible change of 1% in the discount rate or 1% in the perpetuity growth rates could result in an impairment of certain of the fixed asset investments.

5 Debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**2,137.1**	1,896.7
Other debtors	**0.8**	0.3
	2,137.9	1,897.0
Amounts falling due after more than one year:		
Derivative financial instruments	**13.0**	12.6
	13.0	12.6

The details of the Company's derivative financial instruments are the same as those of the Group and are disclosed in note 26 in the notes to the consolidated financial statements.

6 Deferred tax liabilities

	2011 £m	2010 £m
Opening liability	**(7.3)**	(4.9)
Change of tax rate applying to deferred tax	**0.5**	0.2
Revised opening liability	**(6.8)**	(4.7)
Tax credit/(charge)	**1.9**	(2.6)
Closing liability	**(4.9)**	(7.3)

7 Borrowings

	Due within one year 2011 £m	Due after more than one year 2011 £m	Due within one year 2010 £m	Due after more than one year 2010 £m
Loan notes	**(65.9)**	**(160.9)**	(137.8)	(226.1)
Derivative financial instruments	**(2.4)**	**–**	(2.2)	–
	(68.3)	**(160.9)**	(140.0)	(226.1)

	2011 £m	2010 £m
Loan notes comprise:		
US$350 million unsecured loan notes	**(51.8)**	(173.3)
US$252 million unsecured loan notes	**(165.0)**	(164.6)
£22 million unsecured loan notes	**–**	(16.0)
£10 million unsecured loan notes	**(10.0)**	(10.0)
	(226.8)	(363.9)

Syndicated unsecured bank loan

At the period end there was no drawing (2010: £nil) on the bank facility of £178.5 million (2010: £178.5 million) which is committed until June 2013.

US$350 million unsecured loan notes

On 24 October 2001, the Group issued unsecured loan notes totalling US$350 million and £22 million through a private placing in the United States and United Kingdom respectively. The outstanding balance of the loan notes consist of US$80 million 7.19% fixed rate Series C notes due 24 October 2013.

All the notes are repayable in full on maturity. Both the capital repayments and interest payments under the US$ denominated loan notes have been swapped into floating rate Sterling through the use of cross-currency interest rate swaps. At 1 January 2012, £51.8 million (2010: £189.3 million) (net of costs) remains outstanding under these loan notes. The costs of the issue are being written off over the term of the notes.

US$252 million and £10 million unsecured loan notes

On 20 June 2002, the Group issued unsecured loan notes totalling US$252 million and £10 million through a private placing in the United States and United Kingdom respectively. The outstanding balance of the loan notes consist of:

US$102 million 7.17% Series A notes due 20 June 2012
US$50 million 7.27% Series B notes due 20 June 2014
US$100 million 7.42% Series C notes due 20 June 2017
£10 million 7.14% Series D notes due 20 June 2014

All the loan notes are repayable in full on maturity. Both the capital repayment and interest payments under the US$ denominated loan notes have been swapped into floating rate sterling through the use of cross-currency interest rate swaps. At 1 January 2012, £175.0 million (2010: £174.6 million) (net of costs) remains outstanding under these loan notes. The costs of the issue are being written off over the term of the notes.

Derivative financial instruments

The details of the Company's derivative financial instruments are the same as those of the Group and are disclosed in note 26 in the notes to the consolidated financial statements.

Notes to the parent company financial statements continued

8 Other creditors

	2011 £m	2010 £m
Amounts owed to subsidiary undertakings	**(2,261.0)**	(1,936.4)
Other creditors	**(0.6)**	(0.6)
Accruals and deferred income	**(8.0)**	(8.9)
	(2,269.6)	(1,945.9)

9 Pension scheme assets and liabilities

The Company contributed (up to 31 March 2010) to a number of the Group's defined benefit pension schemes which operate for employees of a number of Group companies. The Group announced the closure of all defined benefit schemes to future accrual from 31 March 2010. The Company is the sponsoring company for the Trinity Mirror plc Retirement Plan (the 'Scheme') and accounts for the Scheme in these parent company financial statements. For the schemes where the Company is not the sponsoring company, it is impracticable for the Company to identify its share of the underlying assets and liabilities and under FRS 17 the actual cost of providing pensions to these schemes is charged to the profit and loss account as incurred during the period.

The pension credit before tax in the Company's profit and loss account in the period was £0.1 million (2010: £0.3 million).

Based on actuarial advice, the financial assumptions used in calculating the Scheme's liabilities under FRS 17 are:

	2011 %	2010 %	2009 %	2008 %	2007 %
Inflation rate	**3.05**	3.45	3.50	2.75	3.30
Discount rate	**4.90**	5.40	5.70	6.50	5.80
Expected return on Scheme's assets	**4.70**	4.90	5.80	6.20	5.80
Expected rate of salary increases	**–**	–	3.75	3.25	4.35
Rate of pension increases in payment: pre 6/04/97 pensions	**3.70**	3.75	3.75	3.50	3.80
Rate of pension increases in payment: post 6/04/97 pensions	**3.70**	3.75	3.75	3.50	3.80
Rate of pension increase in deferment	**1.85**	2.70	3.50	2.75	3.30

Mortality rates are as follows:

	2011 Years	2010 Years	2009 Years	2008 Years	2007 Years
Future life expectancy for a pensioner currently aged 65:					
– male	**21.8**	21.7	21.6	21.4	20.1
– female	**24.2**	24.1	24.0	23.8	23.0
Future life expectancy at age 65 for a non-pensioner currently aged 55:					
– male	**23.5**	23.5	23.4	23.2	21.6
– female	**25.9**	25.8	25.7	25.6	24.4

Expected contributions and deficit payments for 2012 are £nil and £0.1 million respectively.

The amount included in the balance sheet in respect of the Scheme is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of the Scheme's assets	**23.2**	24.3	17.1	15.8	16.7
Actuarial value of the Scheme's liabilities	**(22.6)**	(20.3)	(12.7)	(11.2)	(14.5)
Net surplus/(deficit)	**0.6**	4.0	4.4	4.6	2.2
Irrecoverable surplus	**–**	–	(4.4)	(4.6)	(2.2)
Deferred tax	**(0.1)**	(1.1)	–	–	–
Net surplus	**0.5**	2.9	–	–	–

The movement in liabilities during the prior period included a £0.5 million benefit due to the government announced change in state pension increases being linked to CPI instead of RPI which impacted deferred pensions in the Scheme.

9 Pension scheme assets and liabilities continued

The movement in the surplus/(deficit) during the period is analysed below:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Opening surplus/(deficit) in the Scheme	**4.0**	4.4	4.6	2.2	(1.1)
Current service cost	**–**	–	(0.1)	(0.2)	(0.2)
Contributions	**1.1**	0.5	1.2	2.1	2.8
Pension finance credit	**0.1**	0.3	0.3	0.2	–
Actuarial (losses)/gains	**(4.6)**	(1.2)	(1.6)	0.3	0.7
Net surplus	**0.6**	4.0	4.4	4.6	2.2

The expected rates of return on each class of assets and the market value of assets, in the Scheme are:

	Expected rate of return at 2011 %	**Market value at 2011 £m**	Expected rate of return at 2010 %	Market value at 2010 £m	Expected rate of return at 2009 %	Market value at 2009 £m	Expected rate of return at 2008 %	Market value at 2008 £m	Expected rate of return at 2007 %	Market value at 2007 £m
UK equities	**7.50**	**–**	8.10	2.9	8.00	2.9	7.90	2.7	7.90	4.4
US equities	**7.50**	**–**	8.10	–	8.00	–	7.90	–	7.90	–
Other overseas equities	**7.50**	**–**	8.10	1.2	8.00	1.3	7.90	1.3	7.90	1.8
Property	**5.75**	**–**	6.30	–	6.40	–	7.00	–	6.50	–
Corporate bonds	**4.90**	**–**	5.40	6.4	5.70	7.1	6.50	7.6	5.80	0.5
Fixed interest gilts	**2.80**	**–**	4.20	–	4.50	–	3.90	–	4.60	4.9
Index linked gilts	**2.85**	**0.5**	4.00	7.0	4.20	5.7	4.20	3.9	4.50	3.8
Insurance contracts	**4.90**	**22.6**	–	–	–	–	–	–	–	–
Cash	**2.70**	**0.1**	4.10	6.8	4.40	0.1	3.60	0.3	4.35	1.3
		23.2		24.3		17.1		15.8		16.7

The movement in the fair value of Scheme's assets during the period is analysed below:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Opening fair value of Scheme's assets	**24.3**	17.1	15.8	16.7	13.6
Expected return on Scheme's assets	**1.2**	0.9	1.0	1.0	0.8
Actuarial (loss)/gains on Scheme's assets	**(1.8)**	1.2	1.4	(2.7)	0.2
Contributions	**1.1**	0.5	1.2	2.1	2.8
Benefits paid	**(1.6)**	(1.4)	(2.3)	(1.3)	(0.7)
Annuity contract	**–**	6.0	–	–	–
Closing fair value of Scheme's assets	**23.2**	24.3	17.1	15.8	16.7

The profit and loss account is analysed below:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Profit and loss account excluding pension scheme	**74.2**	93.8	96.8	115.3	608.9
Pension scheme	**0.5**	2.9	–	–	–
Profit and loss account	**74.7**	96.7	96.8	115.3	608.9

Notes to the parent company financial statements continued

10 Called-up share capital

The details of the Company's called-up share capital are disclosed in note 29 in the notes to the consolidated financial statements. Dividends are disclosed in note 12 in the notes to the consolidated financial statements.

11 Share premium account

The details of the Company's share premium account are disclosed in note 30 in the notes to the consolidated financial statements.

12 Other reserves

	Capital redemption reserve £m	Profit and loss account £m
Opening balance	4.3	96.7
Transfer of retained loss for the period	–	(17.9)
Other net recognised losses in the period	–	(3.4)
Share-based payments credit	–	2.3
Purchase of own shares	–	(3.0)
Closing balance	**4.3**	**74.7**

The capital redemption reserve represents the nominal value of the shares purchased and subsequently cancelled as part of share buy-back programmes.

13 Operating lease commitments

The Company has annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2011 £m	2010 £m
On operating leases which expire:		
After five years	**6.9**	6.7

The Company had contracted with tenants for the following future minimum lease payments:

	2011 £m	2010 £m
On operating leases which expire:		
Within one year	**0.1**	0.1
In second to fifth years	**0.4**	0.4
After five years	**1.0**	1.0
	1.5	1.5

14 Principal subsidiaries

Details of the Company's principal subsidiaries, all of which are incorporated in the United Kingdom, at 1 January 2012 are as follows:

	Principal activity	Proportion of ordinary shares held %
Subsidiary undertakings		
MGL2 Limited	Holding company	100.00*
Trinity Mirror Regionals plc	Holding Company	100.00*
Trinity Mirror Digital Limited	Holding Company	100.00*
MGN Limited	Newspaper publishing	100.00*
Scottish Daily Record and Sunday Mail Limited	Newspaper publishing	100.00*
Gazette Media Company Limited	Newspaper publishing	100.00*
NCJ Media Limited	Newspaper publishing	100.00*
Trinity Mirror Southern Limited	Newspaper publishing	100.00*
Media Wales Limited	Newspaper publishing	100.00*
Trinity Mirror North West & North Wales Limited	Newspaper publishing	100.00*
Trinity Mirror Cheshire Limited	Newspaper publishing	100.00*
Trinity Mirror Merseyside Limited	Newspaper publishing	100.00*
Trinity Mirror North Wales Limited	Newspaper publishing	100.00*
Trinity Mirror Huddersfield Limited	Newspaper publishing	100.00*
Trinity Mirror Midlands Limited	Newspaper publishing	100.00*
Scottish and Universal Newspapers Limited	Newspaper publishing	100.00*
MEN Media Limited	Newspaper publishing	100.00*
AMRA Limited	National advertising sales house	100.00*
Trinity Mirror Printing Limited	Contract printers	100.00*
Trinity Mirror Printing (Blantyre) Limited	Contract printers	100.00*
Trinity Mirror Printing (Cardiff) Limited	Contract printers	100.00*
Trinity Mirror Printing (Midlands) Limited	Contract printers	100.00*
Trinity Mirror Printing (Newcastle) Limited	Contract printers	100.00*
Trinity Mirror Printing (Oldham) Limited	Contract printers	100.00*
Trinity Mirror Printing (Saltire) Limited	Contract printers	100.00*
Trinity Mirror Printing (Teesside) Limited	Contract printers	100.00*
Trinity Mirror Printing (Watford) Limited	Contract printers	100.00*
Trinity Mirror Digital Recruitment Limited	Online recruitment	100.00*
Trinity Mirror Digital Property Limited	Online property	100.00*
Rippleffect Studio Limited	Digital marketing services	100.00*
The Communicator Corporation Limited	Digital marketing services	100.00*
fish4 Limited	Online recruitment	90.67**

*Owned directly by the Company
**Controlled by the Group

In addition to the companies shown above, the Company also holds investments in a number of other subsidiary undertakings, which in the directors' opinion do not significantly affect the figures in the consolidated financial statements. In accordance with section 410(2)(a) of the Companies Act 2006, a full list of subsidiaries was annexed to the 2011 annual return and submitted to Companies House. A full list of subsidiaries will be submitted to Companies House during 2012.

Group five year summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Income statement					
Revenue	**747**	762	763	872	971
Operating profit before non-recurring items	**102**	117	98	138	190
Operating profit/(loss) after non-recurring items	**92**	138	87	(88)	30
Pension finance credit/(charge)	**3**	(7)	(10)	11	12
Finance costs net of investment revenues	**(21)**	(7)	(35)	4	(21)
Continuing operations profit/(loss) before tax	**74**	124	42	(73)	21
Discontinued operations profit before tax	**–**	–	–	–	136
Tax credit/(charge)	**4**	(11)	(13)	14	46
Profit/(loss) for the period	**78**	113	29	(59)	203
Basic earnings per share before non-recurring items	**34.0p**	33.6p	14.5p	38.4p	56.6p
Non-recurring items continuing and discontinued	**(2.6)p**	11.0p	(3.0)p	(61.0)p	13.3p
Basic earnings/(loss) per share of total operations	**31.4p**	44.6p	11.5p	(22.6)p	69.9p
Dividends per share	**–**	–	–	3.2p	21.9p
Balance sheet					
Intangible assets	**976**	970	946	957	1,149
Property, plant and equipment	**382**	410	423	449	447
Other assets and liabilities	**(482)**	(463)	(580)	(522)	(496)
	876	917	789	884	1,100
Net debt	**(201)**	(237)	(300)	(349)	(248)
Net assets	**675**	680	489	535	852
Total equity	**(675)**	(680)	(489)	(535)	(852)

Shareholder information

Registered office
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United Kingdom
Telephone: +44 (0) 207 293 3000
Company website: www.trinitymirror.com

Registered in England and Wales No. 82548

Annual General Meeting
The Notice of Meeting sets out the resolutions being proposed at the Annual General Meeting which will be held at 11.30 am on Thursday 10 May 2012 at the Hilton London Canary Wharf, Marsh Wall, London E14 9SH.

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrars
Equiniti Limited
Aspect House, Spencer Road
Lancing West Sussex BN99 6DA

Telephone: 0871 384 2235*
For Overseas Shareholders: +44 121 415 7047

If you have any queries regarding your shareholding, please contact the registrars.

* Calls to this number are charged at 8 pence per minute from a BT landline. Calls from other telephone providers may vary. Lines are open from 8.30 am to 5.30 pm Monday to Friday.

Share price information
As well as using the Trinity Mirror website to view details of the current and historical share price, shareholders can find share prices listed in most national newspapers. For a real-time buying or selling price, you should contact a stockbroker.

Share dealing and Shareview
Shareholders can buy and sell shares through Shareview Dealing, a telephone and internet service provided by Equiniti. Shareview, a website operated by Equiniti, allows shareholders to view the details of their shareholding, register for e-communications and send voting instructions electronically if they have received a voting form with an electronic reference or signed up for Shareview. For more information on both services log on to www.shareview.co.uk or call 08456 037037** for Shareview Dealing.

**Calls to this number are charged at 8 pence per minute from a BT landline. Calls from other telephone providers may vary. Lines are open Monday to Friday from 8.00 am to 4.30 pm for Shareview Dealing and until 6.00 pm for any other Shareview Dealing enquiries.

ADRs
Trinity Mirror has a sponsored Level 1 American Depositary Receipt (ADR) programme for which BNY Mellon acts as Depositary. Each ADR is equivalent to two Trinity Mirror Group ordinary shares. Dividends are paid in US Dollars via the Depositary. Details of the ADR programme are as follows:

Exchange: OTC (Over-The-Counter)
Symbol: TNMRY CUSIP: 89653Q105 Ratio (ADR: Ord) 1:2

For more information, contact:

BNY Mellon
Shareholder Services P.O. Box 358516
Pittsburgh PA 15252-8516
USA

Toll free for US domestic callers: 1-888-BNY-ADRs
International: 1-201-680-6825
Email: shrrelations@bnymellon.com

Warning to shareholders – boiler room scams
Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas based ‘brokers’ who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice:

– Make sure you get the correct name of the person and organisation.
– Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/pages/register.
– Report the matter to the FSA either by calling 0300 500 5000 or visiting www.moneymadeclear.fsa.gov.uk.
– If the calls persist, hang up.

Analysis of share register at 1 January 2012
As at 1 January 2012, there were 15,524 holders of ordinary shares whose shareholdings are analysed below:

Range	Number of holdings	Percentage of total holders	Total number of shares	Percentage of ordinary shares
1 – 50	412	2.65%	12,297	0.00%
51 – 100	5,509	35.49%	409,542	0.16%
101 – 500	6,800	43.80%	1,450,108	0.56%
501 – 1,000	1,032	6.65%	756,018	0.29%
1,001 – 10,000	1,432	9.23%	4,076,774	1.58%
10,001 – 50,000	151	0.97%	3,570,167	1.39%
50,001 – 100,000	49	0.31%	3,684,766	1.43%
100,001 – 500,000	71	0.46%	16,421,118	6.37%
500,001 – 1,000,000	22	0.14%	14,598,350	5.67%
1,000,001 +	46	0.30%	212,711,380	82.55%
Totals	**15,524**	**100.00%**	**257,690,520**	**100.00%**

Investor relations

We communicate with the financial community on a regular and ongoing basis to support our stakeholders in their investment decision process. While the investor relations programme is driven by statutory reporting requirements, it also contains a strong element of additional communication in the form of meetings and presentations.

Key dates in 2012

15 March 2012 Preliminary Results Announcement

10 May 2012 Annual General Meeting

10 May 2012 Interim Management Statement

2 August 2012 Interim Results Announcement

8 November 2012 Interim Management Statement

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