Johnston Press plc Annual Report and Accounts 2006

A COMMUNITY MEDIA COMPANY >>> JOHNSTON PRESS - A COMMUNITY MEDIA COMPANY >>> JOHNSTON PRESS

DELIVERY OF LOCAL NEWS >>> MULTI-PLATFORM DELIVERY OF LOCAL NEWS >>> MULTI-PLATFORM DELIVERY OF

# A Community Media Company >

**Our aim is to serve local communities by meeting their needs for local news, information and advertising services through a range of media including print and digital channels which together achieve unparalleled levels of market reach.**

**309 newspaper publications**

PRINTING FROM 12 REGIONAL PRINT CENTRES

PRINT TITLES

DAILY - 18
WEEKLY 164
WEEKLY FREE 127

**reaching over 13 million readers**

**317 local websites**

EXTENDING AUDIENCE REACH

PAGE IMPRESSIONS
57.2 MILLION PER MONTH

UNIQUE USERS
6.6 MILLION PER MONTH

# Financial Highlights >

> TURNOVER UP 16%
> DIGITAL REVENUES UP 36%
> OPERATING PROFIT BEFORE NON RECURRING ITEMS UP 4%*
> LIKE-FOR LIKE OPERATING MARGIN 33.2% IN 2006*
> ACQUISITIONS IN 2005 AND 2006 EARNINGS ACCRETIVE
> LIKE-FOR-LIKE COST REDUCTIONS £14 MILLION*
> DIVIDEND PER SHARE UP 11%

| Turnover | Operating Profit before non recurring items* | Underlying EPS note 13 |
|---|---|---|
| £602.2m | £186.8m | 36.66p |

* See pages 28 and 64

# Operational Highlights >

> ACQUISITION OF THE SCOTSMAN PUBLICATIONS LTD
> RECORD NUMBER OF NEW PUBLICATIONS AND SUPPLEMENTS LAUNCHED
> GROWING AUDIENCE WITH UNIQUE USERS +63% AND PAGE IMPRESSIONS +53%
> DIGITAL NEWSROOM PROJECT BEING ROLLED OUT ACROSS THE GROUP
> DINNINGTON PRESS SITE OPENED AHEAD OF SCHEDULE AND WITHIN BUDGET
> CONTINUED INVESTMENT FOR OPERATIONAL AND COST EFFICIENCY

Dividends
9.3p

Operating Profit Margin before non recurring items*
31.0%

Digital Revenues
£11.3m

# Chairman's Statement >

**As shown in the Income Statement on page 64 Johnston Press achieved a profit before tax and non recurring items of £147 million in 2006. This was 6% below 2005 and mainly reflects a downturn in the advertising cycle which affected all advertising categories other than property and was experienced to varying degrees across our entire geographic footprint Recruitment advertising was worst affected, in part a result of the reduction in spending by local Government which itself is a reflection of Government policy.**

The Group remains committed to a strategy of optimising local coverage and advertising reach through a range of media in local communities and to this end during 2006 we focussed heavily on both developing websites and launching new print titles We also invested more than £60 million in new printing facilities and modern IT systems to improve our efficiency and customer service

Johnston Press owns more than 250 strong local media franchises and we are developing these rapidly to meet the changing needs of our customers and to respond to the opportunities presented by digital media

**THE GROUP REMAINS COMMITTED TO A STRATEGY OF OPTIMISING LOCAL COVERAGE AND ADVERTISING REACH THROUGH A RANGE OF MEDIA IN LOCAL COMMUNITIES**

**Results**

Total revenues for the year were £602 million, 16% up on 2005 due to the acquisitions in the second half of 2005 and The Scotsman Publications Ltd early in 2006 Again due to the benefit of these acquisitions, operating profit before non recurring items was £187 million, an increase of £7 million or 4% Underlying earnings per share were 36 66p compared to 38 72p in 2005, a reduction of 5%, reflecting the difficult trading conditions

Non recurring items amounted to £15 million

The new press investment programme is already exceeding expectations and this has allowed us to bring forward our printing consolidation plans and has resulted in an accelerated depreciation charge of £9 million which estimates the shortfall in sale proceeds from redundant equipment compared to current book values The remaining £6 million relates to the cost of restructuring the existing businesses, and those acquired in 2005 and 2006, offset by the profit on sale of three properties

**Dividend**

The Board proposes a final dividend of 6 2p per share, making a total of 9 3p per share for the year This represents a 11% increase and we believe this further above inflation rise of dividend is appropriate as it provides consistent dividend growth while maintaining a realistic but prudent level of cover

**Our Business**

Johnston Press serves the local media needs of numerous communities in the UK and Ireland We aim to be, and in the vast majority of cases are, the principal source of local news, information, entertainment and comment in those communities

**WE OPERATE 317 LOCAL WEBSITES TO EXTEND THE CONTENT AND REACH OF OUR PRINT PRODUCTS. THESE WEBSITES REACH AN ESTIMATED MONTHLY AUDIENCE OF ABOUT 6.6 MILLION.**

**IN 2006 WE LAUNCHED A TOTAL OF 150 NEW PUBLICATIONS OF WHICH 60 WERE MONTHLY FREE DISTRIBUTION COMMUNITY NEWSLETTERS.**

We currently provide our services through 18 daily newspapers, 291 weekly newspapers and a huge range of related specialist, locally focussed, print publications We operate 317 local websites to extend the content and reach of our print products These websites reach an estimated monthly audience of about 6 6 million

Our main source of income is advertising from providers of local goods and services wanting to reach our audiences Johnston Press offers such advertisers a highly effective means of reaching local consumers through our print and digital publications, a combination which is capable of delivering unparalleled levels of household penetration and advertiser response

At the start of 2006, we extended our business by completing the acquisition of The Scotsman Publications Limited (TSPL) We launched a total of 150 new publications of which 60 were monthly free distribution community newsletters

Our pilot project of a fully integrated digital newsroom in Preston, Lancashire has been very successful and attracted considerable interest from within the industry and the wider media sector Based on the knowledge gained in Preston the digital newsroom model is being rolled out to all of our primary publishing locations during 2007 This approach will enable us to offer our audiences a continuous news service through a combination of digital and print channels 24 hours a day with audio visual content as well as text and pictures

2006 saw one of our UK competitors Daily Mail & General Trust plc (DMGT) offer for sale its local newspaper business, Northcliffe Newspapers (Northcliffe), and then abandon the sale process At the end of the year, Trinity Mirror conducted and publicly reported a detailed strategic review which also envisages the sale of some of their regional newspapers In the USA, a number of significant ownership changes took place or are being contemplated, most notably, the sale of Knight Ridder to McClatchy These developments highlight the widespread state of flux in the regional newspaper industry which, we anticipate, will result in further consolidation opportunities both here in the UK and in Ireland over the longer term

**WE TAKE THE VIEW THAT LOCALLY FOCUSSED WEBSITES ARE NOT SIMPLY WEB VERSIONS OF NEWSPAPERS BUT ARE LOCAL MEDIA IN THEIR OWN RIGHT.**

**OUR APPROACH IS TO PROVIDE TRAINING AND CLEAR DIRECTION TO MAKE ALL OF OUR PUBLISHING CENTRES JUST AS SUCCESSFUL ONLINE AS THEY CONTINUE TO BE IN PRINT.**

**Our Strategy**

Over the past few years we have continued to observe and build a better understanding of the huge changes going on in the way that people in the UK, Europe and America use local media As broadband connections take the internet, potentially, into every home in the UK and Ireland, the nature of websites and the way that they are used as part of normal everyday life is undergoing dramatic change A technology that less than 10 years ago was a novelty in Northern California is now a fundamental part of most people's home as well as working lives This social revolution throws up huge challenges and opportunities for a local media company like Johnston Press.

We take the view that locally focussed websites are not simply web versions of newspapers but are local media in their own right We also believe that these burgeoning media require new and different skills but that many of our staff can make, and indeed have made, the transition so that they contribute to both our print and online media offerings Our approach is to provide training and clear direction to make all of our publishing centres just as successful online as they continue to be in print To give added impetus to this aspect of our business, we will increase expenditure on our digital operations in 2007 by £5 million

During 2006 we commissioned a major new printing facility at Dinnington near Sheffield, with a similar installation due to be completed in Portsmouth this year These investments will ensure that we remain at the leading edge of print technology, able to offer our readers and advertisers the quality of reproduction they demand In parallel with this we have also invested heavily in our digital activities to ensure that they too achieve best of class operating standards

As we move forward we expect to grow by extending the reach of the Group into new communities through the selective acquisition of existing local operators and by providing a growing range of digital services We will also invest in the equipment, systems and skills to continue to improve our operating efficiency

The Board is fully aware of the competitive pressures on print as a local medium but the evidence before us suggests that the changes will be slow and that, whilst local communities will turn in greater numbers to digital media for their needs, the fundamental requirement for local content and advertising channels will not change We believe we are well positioned to remain the principal local content provider and thereby to continue to offer advertisers the best means available of achieving high reach and response in local communities

**Board**
During 2006 there were no changes to the Board However, after the year end we welcomed Ian Russell as a Non Executive Director He was previously CEO of Scottish Power plc having joined as Finance Director in 1994 following a number of financial roles in the UK and Hong Kong He joined the Board on 9 January and was also immediately appointed to the Audit Committee Two of our longest serving Non Executive Directors, Harry Johnston and Jimmy Gordon, have decided to step down at the forthcoming AGM

Harry Johnston joined the Board in 1971 and was a former Managing Director of Johnston (Falkirk) Ltd Harry, as well as being a significant shareholder in the Group, has been a key member of the Board through the development of the Group from a small private business to the substantial publicly quoted company we are today I would like to thank him on behalf of the Board for his considerable contributions over the last 36 years

Jimmy Gordon has been a much valued member of the Johnston Press Board for 10 years, and from his background as one of the pioneers of commercial radio in the UK, has given us an extraordinary insight into the development of local media On behalf of the Board I extend to him all best wishes for his (very active) retirement and thanks for his invaluable contribution to the growth and development of Johnston Press

**Corporate Issues**
Throughout 2006, we have complied with the provisions of the 2003 Combined Code on Corporate Governance and the revised Turnbull guidance In addition, we have in place all the processes necessary to comply with the provisions of the 2006 Combined Code which became effective from 1 January 2007

**Prospects**
In the early weeks of 2007 income from advertising in print products is slightly down on the levels of the same period last year which reflects continued growth in property but further declines in motors, recruitment and display However, the rate of decline is reducing and accordingly the Board believes that we will continue to see an improvement in the year on year performance over the coming months Although migration of classified advertising to websites, both ours and competitors, remains small in proportion to total print revenues, it is clearly a factor which our strategy addresses Our online revenue continues to grow rapidly but from a small base In the broader context, we believe the main issues relating to advertising volumes are linked to overall economic conditions rather than online migration

The investments in our new print operations and ongoing enhancements to our operating systems will bring benefits during 2007 but overall we expect revenues to be at a similar level to 2006 With newsprint and other underlying costs rising, our efforts will continue to be focussed on maximising the efficiency of the business and pursuing initiatives to drive new revenue growth both in print and online

**Roger Parry**
Chairman
7 March 2007

# Multi-platform delivery >

THE AIM OF THE COMMUNITY MEDIA COMPANY SHOULD BE TO PROVIDE ITS AUDIENCE WITH ITS DESIRED CONTENT THROUGH THE CHANNEL OF ITS CHOICE.

>>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>>

THROUGH THE DIGITAL NEWSROOM PROJECT OUR NEWS CONTENT IS GATHERED IN A MEDIA NEUTRAL FORM AND THEN EDITED IN A MANNER APPROPRIATE TO ITS CHANNEL OF DELIVERY, WHETHER THAT IS IN PRINT, ONLINE OR VIA MOBILE PLATFORMS.

FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAS

RAPIDLY GROWING ONLINE USAGE DEMONSTRATES OUR SUCCESS IN REACHING A NEW AUDIENCE

**WITH OUR RANGE OF PRINT AND DIGITAL CHANNELS OUR AUDIENCES CAN NOW ACCESS A CONTINUOUS NEWS SERVICE 24 HOURS A DAY.**

› FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FL

**IN 2007 WE WILL INCREASE OUR ANNUAL EXPENDITURE ON DIGITAL ACTIVITIES BY £5 MILLION.**

T AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST AND EFFICIENT >>> FLEXIBLE, FAST A

**WITH THE DEEPENING PENETRATION OF BROADBAND TECHNOLOGY INTO OUR COMMUNITIES THE ATTRACTIVENESS OF AUDIO AND VISUAL CONTENT ON OUR WEBSITES IS EVER INCREASING. JOHNSTON PRESS IS AT THE FOREFRONT OF THIS DEVELOPMENT IN THE REGIONAL PRESS.**

From left to right.
Tim Bowdler Chief Executive Officer
Stuart Paterson Chief Financial Officer
Danny Cammiade Chief Operating Officer

# Business Review >

**Our Marketplace:**
The focus of our business is on meeting the wide ranging information needs of numerous local communities across many parts of the UK and Ireland By maintaining the position we generally hold of being the market leading provider of such information in the communities we serve, we also offer advertisers the primary means of reaching those communities to promote their goods and services Through our portfolios of related print and digital publications, we achieve extremely high levels of household penetration, thereby providing advertisers with unparalleled levels of market access

From our origins as a publisher of local newspapers, Johnston Press now offers an increasingly wide range of channels which encompass both print and digital media In a typical Johnston Press marketplace we publish a range of local newspapers, usually comprising both paid for and free formats, sometimes daily as well as weekly, with the market leading title heading our portfolio Our companies also publish a number of related print publications including free distribution community newsletters, lifestyle magazines, advertising only publications covering jobs, property, motor vehicles and general items for sale and special interest publications aimed at target groups such as the student population or particular activities like angling

**THROUGH OUR PORTFOLIOS OF RELATED PRINT AND DIGITAL PUBLICATIONS, WE ACHIEVE EXTREMELY HIGH LEVELS OF HOUSEHOLD PENETRATION, THEREBY PROVIDING ADVERTISERS WITH UNPARALLELED LEVELS OF MARKET ACCESS.**

Our digital operations comprise 317 local websites which cover the entire geographic spread of our print publications These websites, whilst reflecting the brands and content of our local newspapers, offer a far greater range of regularly updated local news and information in text, pictures and increasingly audio visual formats Embedded within these sites are our classified advertising websites operating under our "Today" brands which are used consistently throughout the Group, both online and in print The range of our digital services extends much further than this to include commonly branded local directories, auction services, personal announcements, communities of common interest, blogs (user generated web content) and chatrooms Additionally, we are making growing use of mobile communications to further extend the range of digital services we offer

The marketplaces in which we operate vary considerably in their size and structure but, with very few exceptions, they have a well defined local geographic focus We publish in numerous local communities throughout the UK and Ireland ranging from rural areas and small towns to larger urban and metropolitan centres The common thread in all these cases is our ability to reach all parts of the local community through the range of publishing channels we offer, irrespective of age or demographic Apart from 305 daily evening, weekly paid for and free newspapers targeted at such local communities, we also own The Scotsman, Scotland on Sunday, the Yorkshire Post and the (Belfast) News Letter, all paid for morning newspapers These are based out of three of our key local publishing centres but reach a much wider geographic audience with a distinct appeal to particular demographics and interest groups within their coverage area

**The Market Environment:**
As outlined above, our local publishing operations generally hold market leading positions in terms of the provision of local news and information and also in enabling advertisers to achieve high levels of local market reach However competition for our audience and our advertisers has been

# Development and investment >

**ONLY THROUGH CONTINUALLY INVESTING IN NEW TECHNOLOGIES AND SYSTEMS CAN WE MAINTAIN OUR POSITION OF DELIVERING INDUSTRY LEADING MARGINS.**

>>> INCREASING CUSTOMER DEMAND >>> MORE CHOICE >>> INCREASING CUSTOMER DEMAND >>> MORE CHOICI

**OUR INVESTMENT OF £60M IN THE NEW PRESS FACILITIES AT DINNINGTON CLEARLY DEMONSTRATES THAT COMMITMENT. THIS FIRST TRIPLE WIDTH WEB PRESS IN THE UK FACILITATED THE CLOSURE OF 5 OLD, INEFFICIENT AND COLOUR LIMITED PRESSES.**

GREATER SPEED >>> WIDER ACCESS >>> GREATER SPEED >>> WIDER ACCESS >>> GREATER SPEED >>> WIDER ACC

**OUR INVESTMENT IN NEW SYSTEMS HAS ALLOWED THE CONSOLIDATION OF PRE PRESS AND CREDIT CONTROL INTO REGIONAL CENTRES OF EXCELLENCE**

a consistent theme within our markets for many years and comes in an increasing variety of forms

In some of our markets we face direct competition from another established regional newspaper publishing group In a small number of such cases, we are the secondary publisher in the market but, in the main, our publications occupy the market leading position In a number of markets we face competition from independent newspaper publishers, usually, though not invariably, of free newspapers, some of which are relatively well established although others were only launched more recently With low barriers to entry, such start ups have not been uncommon in the history of our business and some have become established players in the market Despite the impact of these competitors, we have in all such cases retained market leadership Competition in the form of other print publications has been widespread for some years with numerous examples of advertising only publications aimed at the various classified advertising categories, lifestyle magazines and very local publications such as parish magazines Although many of these publications are individually owned, some are part of larger media organisations The presence of these publications has in part expanded the total market for advertising revenues, whilst also exerting competitive pressure

# Newsroom of the future >

**THE NEW EDITORIAL ONLINE TEMPLATE PIONEERED AT THE LANCASHIRE EVENING POST HAS SEEN SIGNIFICANTLY INCREASED CONTENT RESULTING IN A QUADRUPLING OF UNIQUE USERS AND PAGE IMPRESSIONS.**

**PRESTON >>> THE NEWSROOM OF THE FUTURE >>> PRESTON >>> THE NEWSROOM OF THE FUTURE >>> PRESTON**

**AS WELL AS THE INCREASED STORY COUNT AUDIO VISUAL CONTENT IS ROUTINELY AVAILABLE WITH POPULAR FEATURES BEING THE LEP.TV NEWS REPORTS AND CCTV FOOTAGE OF LOCAL INCIDENTS.**

More recently, and with increasing intensity, the emergence of the internet and various websites carrying news, information and advertising has been an increasing challenge From a news content standpoint, our focus on very local markets coupled with our first rate journalistic resource has enabled us to maintain a strong position, despite growing competition at the local level from a variety of sources including the BBC Of greater concern is the threat posed by websites aimed at our key advertising categories, particularly major online brands seeking classified advertising content, not least, Google Through the regular monitoring of market share movements against these online competitors as well as those in print, the available evidence does not suggest widespread migration of advertising content to the web although we are working hard to build an equivalent online capability of our own and to promote this as part of a unique local print and online package so that our advertisers can reach the largest possible local audience The concept of total audience, combining our various online and print platforms, is now deeply embedded in our commercial and marketing processes

In a wider context, the lack of hard evidence illustrating a major movement from our print based advertising to the web and the clearly evident cyclical changes in our markets points strongly to the principal cause of the advertising downturn witnessed in 2006 being the economic environment The main factors which have impacted

**IN 2007 THE "NEWSROOM OF THE FUTURE" PROJECT WILL BE ROLLED OUT ACROSS THE GROUP.**

**>>> THE NEWSROOM OF THE FUTURE >>> PRESTON >>> THE NEWSROOM OF THE FUTURE >>> PRESTON >>> THI**

**OUR STAFF HAVE BEEN TRAINED TO IMPROVE THEIR UNDERSTANDING OF DIGITAL SALES, PARTICULARLY FOR THE PROPERTY, MOTORS AND JOBS MARKETS.**

employment advertising volumes, the worst affected advertising category, include rising unemployment exacerbated by the influx of immigrant workers and both public and private sector employers regarding vacancies as an opportunity to reduce headcount The public sector in particular has witnessed a sharp reversal in its expansionary growth of recent years The geographic variations in our employment advertising also suggest a cyclical rather than structural effect, with the south of England suffering much earlier than the north and latterly exhibiting signs of stabilisation whilst the north still remains more subdued Elsewhere, new car sales have been down for the third year in succession and consumer confidence fell during the course of 2006 with some parts of the retail sector badly affected and as a consequence, reducing advertising spend

**Advertising Performance**

In this Review, reference to like for like compares the Group businesses excluding the acquisitions in the second half of 2005 and TSPL in 2006 It reflects the businesses that traded in the Group throughout the whole of 2005 and 2006

As indicated above, performance across England and Scotland did not follow a consistent pattern in the employment advertising category which in overall terms was down by 17% on a like for like basis In the south of England, the overall decline was 9% with the performance year on year much improved in the latter months The north of England did not experience any real improvement as the year progressed and ended 22% down On a like for like basis, Scotland performed much better, being down only 1% However at TSPL, the pattern was more closely aligned to our larger metropolitan centres in the north of England Whilst there was no clear evidence of strong migration away from print to the web, online employment advertising did grow strongly overall and there is a risk that the benefits of any upturn in performance could be taken disproportionately by the internet However, the fact that a large element of our employment advertising relates to very local jobs, which are primarily aimed at the lower demographic groupings, does offer a degree of resilience in the face of any online threat, as does our own differentiated offering which packages print and online thereby providing unparalleled levels of local market penetration

Property advertising was the one category which experienced growth across all divisions with increases ranging from 4% in the north to 14% in the north west of England The overall like for like increase of 7% reflects a marketplace in which transaction volumes have remained healthy but where vendors have had to work harder to sell their properties than was the case a year or two ago Consistent with that theme, the house builders also advertised more heavily during the period With print advertising volumes now at record highs, the year on year comparatives will make it much more difficult to achieve continued growth in 2007 However, in overall terms, market conditions remain satisfactory and we have made a positive start to the year Our Property Today website continues to be well supported by many estate agents with both unique users and page impressions growing strongly, especially since its relaunch during 2006 Our experience suggests that estate agents continue to value newspaper advertising

An overall like for like decline of 15% reflected continued difficulties in the motors market throughout 2006 With growth of 1%, Scotland was the only market to be ahead of the previous year South of the Border, decreases ranged from 12% to 21% reflecting the challenging market conditions faced by motor dealers with new car sales continuing to reduce and exacerbated by continuing dealer consolidation The expectations are for industry restructuring to continue into 2007 and for the market to remain difficult Our Motors Today website was also relaunched during the year and continues to carry more cars than its rivals in many of our local markets Our commercial strategy is based on working closely with local motor dealers, offering a combination of platforms including print and online

The "others" category of advertising, which was down by 6% like for like, suffered in the second half of 2006 due to the unrepeatable public notice revenues in the corresponding prior year period as a result of the introduction of new licensing laws in England With the remaining components of this category remaining relatively stable, overall performance ranged from declines of 2% to 9% with no discernable geographic pattern other than that associated with the licensing law change Although parts of the entertainments advertising component have experienced some online migration, particularly cinema advertising, this is not on a scale to suggest a major structural challenge The entry of Google into local search is a more significant development and one to which we are responding with our own searchable online directory initiative, described more fully on page 25 of this report

Display advertising suffered a difficult year across the board with an overall like for like decline of 8% and performances in each of the divisions being very close to that figure Difficult High Street trading for a number of our key advertisers, including some furniture retailers, was an important factor behind the decline Reduced Government advertising through the Central Office of Information was a further feature Performance was poorer from the major national advertising agencies, with a decline of 10% than it was locally, which fell by 7% Around three quarters of our display advertising is generated by our local sales teams who attribute the revenue shortfall to cutbacks by our retail customers rather than a switch of spending to other media 2007 will be measured against weaker comparatives but a positive change in consumer sentiment and in the performance of some of our key retail advertisers will be required if a real improvement is to be achieved

The overall decline in advertising of 8% can be broken down into a 1% reduction in volumes and a 7% reduction in the average yield The reduction in yield is mainly due to the mix of advertising where the growth in the lower yielding property and the decrease in higher yielding recruitment categories have distorted the year on year average comparison

In overall terms, advertising performance in Northern Ireland was better than the rest of the UK being down by 3 2%, but the lack of a reliable historic breakdown by advertising category, due to outdated systems, means that a detailed analysis of year on year performance is not possible In terms of current challenges, apart from the ongoing integration programmes, one of our principal concerns is the review of advertising expenditure being carried out by the Northern Ireland Executive in an effort to cut costs Whilst the final outcome is not expected for some months, this could well have a negative effect on their overall newspaper advertising spend Similarly in the Republic of Ireland, we do not have historic data at the category level but in overall terms this marketplace has remained buoyant with overall year on year growth of 7 5% Forecasts suggest that the Irish economy should remain strong with the challenges we face being more concerned with the integration process, the introduction of new systems and managing a series of new product launches to maximise our market position

Table 1 below provides a divisional analysis of advertising revenue movements by category This compares 2006 with the previous year excluding the effect of acquisitions made during those two years to provide meaningful like for like comparisons Table 2 breaks down the advertising revenue by category between the two half years

Table 1 Advertising Revenue by category by division Like for like

| | Employment | | | Property | | | Motors | | | Other Classified | | | Display | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 £'m | 2005 £'m | % | 2006 £'m | 2005 £'m | % | 2006 £'m | 2005 £'m | % | 2006 £'m | 2005 £'m | % | 2006 £'m | 2005 £'m | % | 2006 £'m | 2005 £'m | % |
| Scotland | 2 8 | 2 8 | (1) | 3 2 | 3 0 | 5 | 1 8 | 1 8 | 1 | 3 9 | 4 0 | (3) | 5 9 | 6 3 | (7) | 17 6 | 17 9 | (2) |
| North | 35 7 | 46 0 | (22) | 26 0 | 24 9 | 4 | 16 3 | 19 6 | (17) | 25 8 | 27 4 | (6) | 44 6 | 48 4 | (8) | 148 4 | 166 3 | (11) |
| Northwest | 8 8 | 10 1 | (13) | 7 3 | 6 4 | 14 | 4 7 | 5 9 | (21) | 9 2 | 10 1 | (9) | 14 2 | 15 3 | (7) | 44 2 | 47 8 | (7) |
| Midlands | 23 1 | 27 4 | (16) | 22 0 | 20 2 | 9 | 10 4 | 11 8 | (12) | 14 9 | 15 3 | (2) | 21 7 | 23 7 | (8) | 92 1 | 98 4 | (6) |
| South | 9 6 | 10 7 | (9) | 9 2 | 8 8 | 5 | 5 0 | 6 0 | (17) | 6 3 | 6 9 | (9) | 12 7 | 14 1 | (10) | 42 8 | 46 5 | (8) |
| **Total** | **80 0** | **97 0** | **(17)** | **67 7** | **63.3** | **7** | **38.2** | **45 1** | **(15)** | **60 1** | **63.7** | **(6)** | **99 1** | **107.8** | **(8)** | **345.1** | **376 9** | **(8)** |

Table 2 Advertising Revenue by category between the two half years

| | Half year to 31 December | | | Half year to 30 June | | |
|---|---|---|---|---|---|---|
| | 2006 £'m | 2005 £'m | Change % | 2006 £'m | 2005 £'m | Change % |
| Employment | 35 9 | 40 8 | (12) | 44 1 | 56 2 | (22) |
| Property | 31 8 | 29 8 | 6 | 35 9 | 33 5 | 7 |
| Motors | 17 8 | 20 9 | (15) | 20 4 | 24 2 | (16) |
| Other Classified | 28 9 | 31 7 | (9) | 31 2 | 32 0 | (3) |
| Total Classified | 114 4 | 123 2 | (7) | 131 6 | 145 9 | (10) |
| Display | 48 4 | 52 9 | (8) | 50 7 | 54 9 | (8) |
| | 162 8 | 176 1 | (8) | 182 3 | 200 8 | (9) |

**Audience Reach·**

The growing importance of our digital publishing activities was clearly evident from the substantial like for like increases we achieved in page impressions +53% and unique users +63% from our 317 local websites It is now standard practice for our sales teams to offer advertisers a package of publications which comprise both print based and online platforms This recognises the fact that our audience now extends well beyond the readers of our newspapers and, indeed, where we have research the increase in total audience in a daily evening centre can be as high as 50%

The "newsroom of the future" project in Preston has completely restructured the way in which that centre gathers, processes and disseminates news and related content, transforming it into a genuine multi media news operation The results have been hugely encouraging with a fourfold increase in unique visitors to their lep co uk website Based on this success, the Preston template will be rolled out across all of the Group's core news operations during 2007 with the objective of achieving further rapid growth in the number of people attracted to our local websites The Preston experience also suggests that far from damaging newspaper sales, there can be a positive benefit from the much increased interaction between newspaper and website The rate of decline in the sale of the Lancashire Evening Post fell from 8 1% in the first half to 6 4% in the second half of 2006, despite the substantially increased size of their online audience

**THE "NEWSROOM OF THE FUTURE" PROJECT IN PRESTON HAS COMPLETELY RESTRUCTURED THE WAY IN WHICH THAT CENTRE GATHERS, PROCESSES AND DISSEMINATES NEWS.**

The continued rapid growth we are experiencing in unique users and page impressions underlines the increasing importance of the internet to our communities as a news medium and communications platform, an opportunity which we are determined to capitalise upon At the same time, we have experienced a continued modest decline in the circulation of our paid for newspapers with our dailies down by 6 5% and 6 4% in the first and second halves respectively and our weeklies by 2 5% and 2 8%, over the same period A number of factors lie behind these declines, including the weaker advertising environment (advertising content is important to readers), distribution challenges (the closure of

**>>> THE UNIVERSITY OF CENTRAL LANCASHIRE >>> TRAINING TOMORROW'S JOURNALISTS >>>THE UNIVERSITY O**

# University of Central Lancashire>

**JOHNSTON PRESS HAS DEMONSTRATED ITS CLEAR COMMITMENT TO THE FUTURE OF COMMUNITY MEDIA BY ESTABLISHING THE CHAIR OF DIGITAL JOURNALISM AT THE UNIVERSITY OF CENTRAL LANCASHIRE.**

newsagents and a decline in the number of people willing to deliver newspapers), changes in people's shopping habits (particularly the growing importance of the major supermarkets), and to an extent the growth of internet usage However, the most important factor by far is changing lifestyles which have impacted most on the daily titles with frequency of purchase during the week diminishing at a significantly faster rate than the complete loss of readers Despite this, we remain totally confident that the newspaper will remain a central and durable part of the local media mix, reflecting its ongoing attraction to readers and continuing value to advertisers seeking to reach local communities However, we also recognise the vital importance of building a linked digital capability to extend and supplement the reach and content of our print publications

It is important to emphasise that many of our newspapers, daily as well as weekly, continue to achieve high levels of household penetration, delivering an excellent response to advertisers Additionally, during the year and in prior periods, we have launched a large number of other print publications providing advertisers with extended audience reach when packaged with our principal newspaper publications and, of course, further enhancements can be achieved by adding our rapidly growing access to the online community

The appointment of a Newspaper Sales and Marketing Director at the beginning of the year has done a great deal to focus efforts more closely on circulation performance and measures which can be adopted across the Group to bring about improvements

Reflecting the benefits of a progressive cover price increase strategy and despite modest circulation declines, overall like for like circulation revenues were up by 1 4% for the year with gains of 1 9% and 0 9% for the first and second halves Our experience suggests that regular cover price increases do not have a significantly adverse effect on newspaper sales, provided the quality and depth of content appeals to the target audience

**Other Revenues:**

The largest source of non publishing revenue comes from contract printing which accounts for 5% of total Group turnover This percentage only takes account of external printing revenues of £27 million but, in addition there is a further amount of £69 million of inter group print revenue not reflected in the Group's turnover Our contract print businesses include several of the UK's national newspapers, a number of regional newspapers and a range of specialist newspaper format magazine publications A number of these jobs are covered by long term agreements, in total accounting for around 60% of our total contract print revenue This percentage will grow over the next two years as we increase the volumes on the long term contracts we have secured to print the Sun and News of the World at Dinnington in South Yorkshire and at Portsmouth These contracts were won as a direct consequence of our decision to invest in major state of the art print works in these locations

**F CENTRAL LANCASHIRE >>> TRAINING TOMORROW'S JOURNALISTS >>>THE UNIVERSITY OF CENTRAL LANCASHIR**

**A SIGNIFICANT INVESTMENT IN TRAINING HAS TAKEN PLACE IN PARTNERSHIP WITH UCLAN**

# Business Review - continued

The market for contract printing is expected to become more competitive as a result of a number of new investments being made across the industry From a Johnston Press perspective, contract printing accounts for only 21% of our total capacity utilisation and if the work which is contracted on a long term basis is removed, this figure falls to just 8% Since our capacity has broadly been configured to meet our own printing requirements, the Group is not unduly exposed to short term commercial pressures in the contract printing market

Our publishing centres are involved in a range of activities which utilise the strengths of our local brands and operational infrastructure as well as being complementary to our main stream community media businesses The largest of these activities, much of which is managed by a specialist subsidiary known as Letterbox Direct, is the delivery of leaflets and inserts utilising our newspaper distribution capability Total revenues of £12 million represent a like for like reduction of 6% from 2005, reflecting the general downturn in advertising revenues Delivery volumes have not been helped by the fact that our distribution of free newspapers has fallen by 4% in the year resulting in less coverage This reduction is the result of a conscious decision, in part to reduce costs, especially of newsprint Leaflet distribution is a relatively mature activity and, whilst there are alternative distribution channels, no major variations in performance are anticipated

The second largest of these activities is Reader Holidays which accounts for more than £2 million of revenues and makes a strong profit contribution Promoted through the pages of our newspapers, these are holidays and events which are operated by third parties on our behalf Given the growth in the broad leisure market and a programme which is aimed at bringing best of class performance to all parts of the Group by process standardisation, utilisation of our websites and better coordination, we expect this activity to grow With revenues of around £1 5 million, Premium Lines is the next largest such area and is primarily aimed at assisting users in making social contacts but increasingly include voting lines and the provision of added value services such as text alerts Again, these services utilise the pages of our newspapers for promotional purposes The print based dating services, which are operated by a third party on our behalf, appear at best to have reached a plateau, however there is scope for developing related online revenues by utilising our websites

Sponsorship is an area of good growth, increasing by 7% like for like in 2006 to produce over £1 3 million revenue This involves the sponsorship of specific sections of our newspapers, related supplements or events by various third parties The success achieved by some of our companies suggests that this is an activity which can achieve further growth for the Group as a whole The organisation of local events and exhibitions produced around £1 2 million revenue in the year though this was down by 11% on the previous period, partly due to lost share to a new competitor in one of our larger markets but mainly due to lower exhibition revenues from Outbound Publishing Typical activities include Job Fairs, Fashion Shows, Wedding Fairs, and Motor Shows and, in general, we believe that there is scope for growth, in part by utilising the experience of our better performing centres as a template for others to follow

The syndication of our journalistic copy produced over £900k revenue in the year This performance is a direct result of negotiating Group arrangements with a limited number of news agencies and, by that means, extending the service across all of our titles Further growth should be possible now that the mechanisms are in place and working well

Apart from the various activities mentioned above, there are a number of similar initiatives contributing lesser amounts to overall turnover and thus very small in relation to the Group as a whole In addition, we have several specialist publishing businesses and the largest of these, with total revenues of more than £3 million, publishes the weekly Trials and Motor Cross News and the monthly Dirt Bike Rider Together these titles occupy the market leading position in the specialist off road biking sector and produce a valuable profit contribution The brands are extremely well established and highly respected in their industry, providing a solid foundation for future performance which should be enhanced by the development of a web based offering

Outbound Publishing, mentioned above, has a range of specialist newspapers aimed at potential emigrants to a number of foreign countries, mainly ex Commonwealth, and two publications which focus on overseas properties together with a series of related exhibitions The business has a turnover of more than £2 million and also makes a good profit contribution Outbound is the leading publisher in the emigration market which, in turn, is greatly influenced by the immigration policies of the countries concerned Due to several such adverse policy changes, this resulted in a revenue reduction in the year and suggests that significant growth will be difficult to achieve The recent launch of our Emigrate2 website is designed to enhance performance and initial results are encouraging The overseas property market is highly fragmented and very competitive Outbound is not one of the leading players and our strategy for growth is based on the development of a related online listings service with the promotional benefit of a connection to our Property Today website

# Generating new income >

**DURING THE YEAR WE LAUNCHED 60 NEW COMMUNITY NEWSLETTERS TARGETING ADVERTISERS AT THE ULTRA LOCAL LEVEL.**

>>> INCREASING CUSTOMER DEMAND >>> MORE CHOICE >>> INCREASING CUSTOMER DEMAND >>> MORE CHOICI

**ALTHOUGH PREMIUM LINE REVENUES FOR DATING SERVICES HAVE BEEN DECLINING AS USERS MIGRATE TO ONLINE PROVIDERS WE HAVE BEEN REPLACING IT WITH REVENUES FOR TEXT VOTING, TEXT ALERTS AND OTHER VALUE ADDED SERVICES.**

GREATER SPEED >>> WIDER ACCESS >>> GREATER SPEED >>> WIDER ACCESS >>> GREATER SPEED >>> WIDER ACC

**WE HAVE ENLARGED OUR FREE NEWSPAPER PORTFOLIO, WITH THE LAUNCH OF 14 NEW TITLES.**

# Group Strategy >

**The essence of Johnston Press' corporate strategy lies in the definition of our business as a community media company Our long held company slogan "Life is Local" indicates very clearly that we concentrate on meeting the news, content, information and advertising needs of local communities Our entire strategy is built on the premise that local communities will continue to demand locally focussed media services. Based on our very clear and deep understanding of local media markets, our central objective is to deliver best of class multi media services to those communities we serve and to be the pre eminent community media company, producing financial results which are commensurate with that**

**Multi Media Publishing:**
During the past twelve months, Johnston Press has made very considerable advances in the development of a genuine multi media offering to the numerous local communities in which we publish The rationale for pursuing this approach is to ensure that our portfolio of publications and services meets the changing needs of consumers and advertisers Whilst newspaper readership, which continues in modest decline as outlined above, remains strong with high household penetrations being achieved in very many of our local markets, there is no doubt that consumers are increasingly turning to the internet for a range of information and services In order to preserve our position of being able to offer advertisers the most effective means of achieving unparalleled market reach and high levels of response in local communities, it is essential that the Group harnesses the opportunities which digital publishing channels provide Indeed by doing so in an effective manner we will be able to achieve even higher levels of household penetration than hitherto

This objective can be achieved in two distinct ways which, in turn, should not be regarded as mutually exclusive These are by organic development of the required capability or by acquiring existing internet businesses which operate in the same marketplace Whilst not dismissing the future possibility of such acquisitions, the Johnston Press strategy is firmly dependent upon the organic development route The reasons for this are several

- The transition from newspaper publisher to community media company needs to happen in each and every one of our publishing centres, however small The new opportunities and channels must be embraced by the entire organisation This requires a major cultural shift which is underway but it can only be achieved by strong leadership and an extensive training programme It will not happen by simply grafting on an acquired business which anyway could be stifled if not given the freedom to develop in a manner which suits it best

- Given adequate investment and a clear vision of what needs to be achieved, the organic development route can be delivered with much greater certainty than the necessarily haphazard nature of an acquisition led

>>> EDITORIAL EXCELLENCE >>> EDITORIAL EXCELLENCE >>> EDITORIAL EXCELLENCE >>> EDITORIAL EXCEL

# Campaigning journalism >

**FROM TOPICAL ISSUES SUCH AS CAMPAIGNING TO MAINTAIN THE PROVISION OF HEALTH SERVICES OUTSIDE THE MAIN METROPOLITAN AREAS TO PROVIDING OUR 254TH GUIDE DOG FOR THE BLIND SINCE 1966 IN MANSFIELD, OUR PAPERS NEVER STOP CHAMPIONING WHAT IS IMPORTANT TO THE LOCAL COMMUNITIES WE SERVE.**

approach With clear milestones and close management, progress can be carefully monitored and when required, remedial action taken

- Whilst some acquisitions in this space may prove to be successful, many carry the real risk of destroying shareholder value Acquisition multiples are typically daunting and the target businesses generally immature with untested brand loyalty or resilience With low barriers to entry, there is a constant stream of new start up internet businesses which, in turn, could easily challenge existing online players and seriously undermine their performance and value A well judged organic development route will require significantly less cash to deliver and is more likely to create sustainable long term shareholder value

- Our organic approach is aimed at creating a differentiated business model which exploits our trusted brands as well as the unique relationship between our print and digital activities thereby producing a more resilient and robust outcome than would be possible in the online only world

In pursuit of this objective, we have significantly increased the scale of our digital publishing operation in Peterborough where the principal design, development and maintenance of our websites takes place We have upgraded and relaunched our key classified websites, consistent with our aim for these to represent best of class in their respective sectors We have successfully restructured our newsroom at the Lancashire Evening Post which is now a multi media operation capable of audio visual as well as text and picture news gathering This template with its new generation website is being rolled out across the entire Group during 2007 We have launched and are developing a variety of new web offerings and enhancements to our existing services in an ongoing process to ensure that our local digital offerings are regarded as the first choice destination for the range of local content which we carry And to sustain this continuing programme, we have rolled out a comprehensive Group wide training initiative in conjunction with the Department of Journalism at the University of Central Lancashire (UCLan) The achievements during the past year give us confidence that we are well placed to deliver the business transformation which this strategy envisages To accelerate progress in 2007, we will increase annual expenditure on our digital activities by £5 million which will be split between enhanced site development, more sales resource and greater marketing activity

**Market Layering:**
As indicated above, paid for daily newspaper circulations have been in modest decline for some years and although the weeklies have fared rather better, the long term trend is also downwards That said, in very many instances, local newspapers continue to achieve high household penetrations Johnston Press has pursued a strategy of layering our local markets with a range of print publications which extend the reach achieved by our principal titles By layering the market in this way and packaging a combination of these publications, advertisers can be assured of continuing high market penetration and commensurate response, a position which has recently

.LENCE >>> EDITORIAL EXCELLENCE >>> EDITORIAL EXCELLENCE >>> EDITORIAL EXCELLENCE >>> EDITORIAI

**WE ALSO HABITUALLY BREAK THE BIG "LOCAL" STORIES FIRST AND CAN OFFER COVERAGE AND INSIGHT IN AN UNRIVALLED WAY.**

## Group Strategy - continued

been further strengthened by the addition of our growing digital capability

**Operational Efficiency.**
A major element of the strategy which has enabled Johnston Press to produce consistent industry leading performance has been a willingness to invest in modern IT systems and production capability coupled with the determination and a clear plan to maximise the related opportunities which such investments afford This approach remains a consistent and fundamental part of the Johnston Press business approach

2006 was an especially important year for the Group in terms of the evolution of our printing strategy which has seen the progressive retirement of older, less capable colour limited presses and their replacement by fewer, larger modern print centres with full colour capability The Dinnington investment and developments elsewhere have resulted in a total of 7 of our older print centres closing during the year The resultant improvements in quality, waste, reliability, speed and colour availability have been of considerable benefit to the Group as a whole as well as assisting us in meeting our objectives in terms of increased efficiency and energy consumption

Equally important is our continuing strategy of upgrading our IT systems infrastructure and, through that process, achieving standardisation across the Group Systems advances have also enabled us to make it easier for advertisers to prepare and transmit their own advertising copy, improving accuracy and reducing errors whilst at the same time enabling later deadlines There are considerable opportunities for more progress in this aspect of our business

As we look ahead, there is no doubt whatsoever that a critical element in making further improvements in performance will be the extent to which we continue to exploit the advantages which modern IT systems and production capability provide Based on what we have achieved to date, we remain confident in our ability to do this

**Our Employees:**
The rapid transformation of our business and our ability to successfully grasp the opportunities which are offered by the new digital channels and advances in IT systems is entirely dependent upon our employees To ensure that our staff are equipped with the necessary skills and are well motivated, a high priority has been placed on a range of related initiatives which form part of a clear strategic HR programme

Central to this, is good communications We continue to improve the way in which our Employee Forums operate and to take a variety of additional steps to ensure that the Group's strategy is well understood and that there are open lines of communication on the full range of issues which are of interest and relevance to our staff Training is equally important and, in addition to the wide ranging suite of skill based courses which have operated within the Group for some time, we have developed a training programme in conjunction with UCLan which is being used to help all of our companies embrace the digital publishing initiatives which are in the process of being rolled out In that connection, Jane Singer, previously Associate Professor in the School of Journalism and Mass Communication at the University of Iowa, has now taken up her appointment to the Johnston Press Chair in Digital Journalism at UCLan and will be a valuable additional resource in helping to drive the transitional process

During the year, we have made continued progress with the full implementation and consistent use of the programmes we have for personal development We have taken further steps to address the perennial problem of advertising sales staff turnover We continue to encourage employee share ownership through our various share schemes, the Group's Share Incentive Plan paid out for the third year in succession, albeit at a reduced rate, reflecting the impact of the more difficult trading conditions on the outcome for the year We continue to pay close attention to ensuring that our remuneration levels are set fairly and that we have attractive and appropriate bonus arrangements in place In overall terms, we remain acutely conscious of the need to ensure that we have a clear HR strategy which recognises the need to enable our employees to reach their potential and to contribute in a positive manner to the overall objectives we have set ourselves That we have achieved so much in a difficult year, speaks volumes for the dedication and commitment which our staff have demonstrated

**Organisational Structure**
The management philosophy of Johnston Press is to maintain a flat, lean structure in which lines of communication are kept as short as possible The Executive Directors are actively involved in the Group's daily operations, travelling extensively around the operating centres and reviewing each of the Group's 55 businesses formally at least twice a year Informal communications are strong and authority levels are clearly defined with a culture of openness and rapid decision making

The fundamental management structure of the Group has remained broadly unchanged following the recent expansion through the acquisitions made in 2005 and 2006 The Head Office team has remained constant throughout the period and works closely across the full range of business issues The Group Management Board meets formally on a monthly basis and follows a fixed agenda to review overall performance After the end of the year, Nigel Eccles joined the Group Management Board in the Business Development Manager role replacing Simon Kennedy who had earlier moved to Northamptonshire Newspapers as General Manager

As a result of the acquisition of TSPL, the Scottish divisional management structure has been strengthened and is now based in Edinburgh Several new senior management appointments have been made to the management teams in our two Irish divisions In total we have seven publishing divisions These are supported by four senior functional heads responsible for HR, IT, Digital Publishing and Newspapers Sales & Marketing Divisional meetings chaired by the Chief Operating Officer take place monthly Each publishing division comprises a number of individual publishing companies with a managing director and functional reports

**Acquisitive Growth**

Over a number of years through the pages of our Annual Reports and elsewhere, we have consistently stated our view that industry consolidation is set to continue and the shape of the UK's regional press should not be regarded as being in its final form That view was fully vindicated by various events of 2006, with the ultimately abortive sale of Northcliffe by DMGT and the results of the Trinity Mirror strategic review which envisages the disposal of significant parts of their regional newspaper portfolio We continue to believe that further industry consolidation is inevitable and positive for readers and advertisers alike Given our clear focus on being a successful community media company, we remain interested in any opportunities for judicious growth Thus we will examine carefully all developments in our sector but pursue only those which make good operational and financial sense, focussing very clearly on the need for any acquisition to create additional shareholder value

In identifying the most attractive acquisition targets, we must be convinced of the quality of the business to be acquired and the sustainability of its revenues, we must be able to see how we can reliably improve the business to meet our investment hurdles

Whilst competition rules will continue to exert constraints, with only around 15% UK market share by number of copies sold or distributed, there will be future potential acquisitions which ought not to present difficulties with the regulator Indeed, over time, we would expect an easing of the regulatory view on market definition and the range of relevant competition, reflecting a better understanding of the competitive environment in which regional and local newspapers operate

Although we would not preclude venturing outside our existing boundaries of the UK and Ireland, this is not something which falls within our current strategic plans Nor, as indicated above, are we planning to acquire an internet business, but, again, we do not rule out this possibility in the event that we were to identify a target which would enhance our existing operations and represent a sensible use of our resources

Subsequent to the year end we have agreed to purchase eight Scottish titles from Archant, subject to clearance from the regulatory authorities The turnover multiple is less than two times with a consideration price of £11 2 million

# Operational Review >

**Print Publications·**

In pursuit of our policy of layering markets to extend advertisers' reach and grow our revenue, we launched 150 new publications during 2006 These included 60 community newsletters, 4 lifestyle magazines, 14 new free newspapers and 72 targeted publications covering specific subjects such as weddings, gardening and home improvements

Community newsletters are generally aimed at groups of around 4,000 6,000 homes in rural, urban and metropolitan areas where distinct geographic communities can be identified and these publications provide local High Street advertisers with the opportunity to reach a very local audience in an extremely cost effective manner Typical launch areas in 2006 were in Oundle near Peterborough, Kirkham in Lancashire and urban districts in Sheffield such as Dore, Totley and Bradway Our programme of providing these smaller communities with very localised news will continue during 2007 and newsletters have already been launched in a number of markets including the Bruntsfield and Morningside areas of Edinburgh We anticipate having around 180 such publications by the end of 2007 Each is monitored to ensure that it continues to make a positive contribution to profit

Typical lifestyle magazines include Image in Northampton, Lancashire Design and Living in the Northwest of England, Exclusive in the Midlands and 'Etc' in the South These publications create a high quality environment for advertisers, typically for up market and luxury items which would not normally be found in the pages of our newspapers Lifestyle magazines extend our reach by featuring content which attracts an audience that such advertisers are keen to target

During the year we also launched 14 free newspapers, including 10 titles in the Republic of Ireland under the Weekender brand and 2 in the Northern Ireland division A free weekly was added to our paid for weekly and related print portfolio in Market Harborough, and in Aylesbury the Commuter Herald was introduced for travellers to London, being distributed at railway stations in the area The latter has been particularly well received and provides a template for other centres to follow

Our focus on revenue growth has been assisted by regular meetings of senior advertising directors to ensure that new ideas and best practice are disseminated quickly around the Group Our Ads4U database, with more than 4,500 entries, enables our sales teams to provide a more professional service and to up sell by having access to an extensive database of high quality and creative advertising copy We also continued with our strategy of producing a number of common advertising platforms such as Food & Drink, Travel, Parent & Child, 50+ and an additional supplement for the 2006 World Cup These were inserted in a number of our newspapers around the UK and have created an opportunity for national brand advertising including, for example, Kellogg's, which we would not normally carry in our mainstream titles

During the year, the sales structures, bonus arrangements and overall remuneration packages of our advertising staff were reviewed and improved in order to ensure that our sales people are clearly focussed on revenue growth for our increasing range of print and digital publications

**Digital Publishing.**

Total expenditure in the year at our central Digital Publishing operation in Peterborough was £3 million, and staff was increased by 31% to a total of 38 Additionally, a number of new positions were created around the Group to give greater impetus to our digital publishing activities Specific training courses have been designed, and the majority of our sales staff have benefited from seminars to improve their understanding of digital sales and, in particular, the impact of the internet on the property, motors and jobs markets

Our relationship with UCLan has been invaluable in helping to create new multi media newsrooms capable of providing content both online and in print The digital "newsroom of the future project", which was successfully trialled in Preston, is now being rolled out across the Group and will be largely completed by the middle of 2007 with more than 50 newsrooms equipped with this new capability The key features of the newsroom are the ability to provide breaking news online, the opportunity to use video and audio to add another dimension to our local news offering as well as online only services covering topics not normally included in our local newspapers Numerous examples of these services include breaking stories such as the East Sussex firework factory fire which was extensively covered by our Lewes website and coverage of the helicopter disaster in the Northwest which was extensively reported on all our websites in the region

We have established a new digital only sales operation in London directed at obtaining new online revenues from recruitment agencies Mediaforce, our established independently owned national sales operation, has also created an online only sales team and our local centres have introduced sales units focussed on capturing new online revenues from advertisers who do not traditionally use our newspapers In terms of measurable milestones on a monthly basis we now reach 6 6 million unique users with over 57 million page impressions Encouragingly, our digital revenues grew by 36% with the benefit of scotsman com The greatest increase came from new services such as CV matching and Local Pages, the former growing by 80% year on year

Our CV matching service, which was launched in 2005, achieved revenues in excess of £2 million and we now have 80,000 registered users and 9,200 active CVs on our database This is proving to be extremely popular with advertisers and our sales systems automatically provide advertising staff with information on the number of relevant CVs to facilitate easier sale of the service to customers We plan further improvements during 2007, for example with jobseekers being able to upload their CVs electronically as opposed to inputting the relevant data

Following its launch in January 2006, the online directory service Local Pages achieved revenues of £1 2 million We have signed an agreement with Miva to enhance this service by incorporating a contextual search capability to generate pay click revenues from advertisers This will be part of a portfolio of directory services which will include a common print format across the Group, an online local directory and the ability to search locally for services and associated advertising

We have an extensive programme of digital developments in 2007, including the further enhancement of our jobs site, in part to ensure that we have fully structured data from all advertisers to enable comprehensive online searching A number of other developments are under way, including all of our local websites changing to an improved format, integration of dating services (print, mobile and online), further developments for motors and property sites (introducing new homes), and providing more services on mobile platforms such as job alerts

Albeit from a low level, digital revenues have been growing strongly for several years and given the increasing level of commitment across the Group, we anticipate further rapid growth

**Audience Delivery:**

2006 saw a radical shift in the way in which the Group is addressing local audiences, fundamentally as a direct result of the increasing success and growth of our websites As a result of this, the total audience we reach is growing at a rapid rate Whilst there is some duplication between newspaper readers and the users of the websites, our digital capability has enabled us to reach an entirely new audience

We naturally continue to place considerable emphasis on newspaper sales both of our weekly and daily titles A number of initiatives have been introduced as a direct consequence of the appointment of our Newspaper Sales & Marketing Director, including the establishment of best practice groups for daily and weekly newspaper sales, greater emphasis on high value reader offers and competitions and improved market research Amongst these initiatives, the increased professionalism and use of market research is having a significant beneficial impact on our newspapers, as is the growing interaction between print and digital platforms We have also seen benefits from the growth of user generated content and the development of citizen journalism All this activity enables editors to identify which stories have been of most interest to our readers, creating the opportunity to build upon this both in paper and online An important initiative has been building databases of our audience to enable us to target our publications better and stay close to changing media consumption habits

In addition to the growing importance of our websites, we are also making increasing use of mobile technology This enables us to send text alerts to inform our customers of forthcoming content as well as providing them with a further opportunity to give us feedback and contribute to the stories and features we have been running

**IT Systems**

Continued progress is being made on the use of modern IT systems to improve the efficiency of our operations and the services we offer to readers and advertisers During 2006, we made substantial progress in the introduction of a common advertising front end system across the entire Group and this exercise will be completed in 2007 The benefits include improved service levels to advertisers such as the ability to see instant examples of their proposed advertisements, the client's history being immediately available at the point of contact providing more information for our sales staff, and reduced costs for the Group with common training and system management now possible

A number of other key IT projects have been completed or are under way The introduction of a common newspaper sales system has greatly improved the management of the newspaper sales function and enabled best practice to be established across the Group We have consolidated the IT functions for both traditional and digital publishing to ensure that the digital function is an integrated part of our business and the introduction of a single Group helpdesk has removed duplication and improved internal management

The roll out of Voiceover IP Telephony will also be virtually complete by the end of 2007 allowing the Group to take advantage of the latest internet phone technology which both reduces costs and creates the opportunity over time for further improvements to voice and data transfer One of the principal benefits of our IT investment has been the consolidation of various backroom activities, including the closure of a number of pre press departments, the centralisation of credit control at a divisional level, a common approach to the planning of our newspapers and the benefit of a single knowledge base for the technology that we use As a direct result of these improvements there has been a headcount reduction in 2006 of over 300 in these areas

With the increasing emphasis on consolidation of infrastructure and the need to provide a robust platform for a rapidly expanding digital presence, all subsidiary companies' plans to meet any disruption to business were reviewed during the year In 2007, the Group will invest substantially at the hosting centres where data is stored to improve resilience and further enhancements will be made to the Group network allowing greater mobility of data both internally and online

Installation of equipment to enable our journalists to work in sound and video to provide multi media reports for our websites was completed for the daily centres by the end of 2006 All daily publications now have a digital newsroom which is fully integrated into our editorial publishing systems and IT staff have been trained to support the new initiative

**THE INTEGRATION OF ACQUISITIONS MADE DURING 2005 AND AT THE BEGINNING OF 2006 HAS MADE EXCELLENT PROGRESS, AND EACH BUSINESS HAS ACHIEVED THE OBJECTIVES SET OUT PRIOR TO ACQUISITION.**

**Acquisition Integration:**

The integration of acquisitions made during 2005 and at the beginning of 2006 has made excellent progress, and each business has achieved the objectives set out prior to acquisition

TSPL has been established as the hub of our enlarged divisional activities in Scotland Among the key changes are the appointment of a new divisional management team, the creation of a central function for IT, the separation of publishing and printing, the transfer of national advertising sales to the Group sales house, Mediaforce, and the integration of the award winning scotsman com website into the Group's digital publishing activities As a result of these changes, total headcount reduced by approximately 20%

In Northern Ireland, the consolidation of Morton Newspapers Limited, Century Newspapers Limited and the Derry Journal Limited has been completed, and the Group approach to common systems fully implemented in the first year of ownership Belfast News Letter journalists have been moved to a new city centre office and centralised backroom facilities relocated to Carn, the former base of Morton Newspapers allowing the closure of the Century Newspapers site on the outskirts of Belfast New free newspapers have been launched by the Derry Journal Ltd and Donegal Democrat Ltd and the organisational structure has been simplified with the formation of two operating companies

In the Republic of Ireland, the disparate operating companies acquired from Score Press and the Leinster Leader have been consolidated into three regional operating units with new management introduced at both senior and regional level New products and websites have been launched including a range of free newspapers which will complement the newspapers of record in each of the local communities served by our companies The websites include search engines for jobs, property and motors and whilst these are embryonic they have already proved successful in winning new business, particularly in Limerick, where Property Today has become the market leader for property advertising in print and online During 2007, we will introduce new advertising, editorial and accounting systems with the latter already integrated into the Group's central accounting function Good progress is also under way to introduce further new products with lifestyle magazines and niche publications planned for 2007

**Printing**

2006 was a major year for our Printing Division with the completion of the new £60 million press investment at Dinnington, the largest ever project undertaken by the Group, which came in ahead of schedule and under budget It is now fully operational, printing 68 titles and 3 external contracts, including Times Educational Supplement and titles for News International The new installation can print a maximum of 224 pages in colour at speeds of 40,000 copies per hour, or 120 pages in full colour at 86,000 copies per hour from each of its folders The versatility of a press with three folders means that a combination of newspapers can be printed at the same time Other major benefits include an increase in operating efficiency, with a productivity gain of 50%, and a very significant improvement in print quality In addition, inserting facilities with stitching and trimming provide opportunities for further revenue growth and the production of higher added value publications

As a result of this new installation and other work across the Group, we have been able to close five older and less capable pressrooms in Scarborough, Forfar, Wakefield, Hartlepool and Sheffield

A similar installation at Portsmouth will be completed during 2007, which will enhance our printing capability to the point where 90% of our total pages will be printed in full colour

In Northern Ireland, the ageing pressrooms, which came with acquisitions in 2005, in Belfast and at the Derry Journal were closed and plans to enhance our printing facilities in Carn are under way

During the year we improved the downstream publishing facilities at Leeds and also increased the colour capacity on the new full colour press at Peterborough by 32 to 160 pages through two additional colour towers The publishing area there was also refurbished, providing inserting, stitching and trimming capability for all products printed in the Midlands Work began at Caledonian Offset (Edinburgh) to increase colour capacity within the newly acquired press hall which will lead to additional revenue opportunities as well as further efficiencies

**2006 WAS A MAJOR YEAR FOR OUR PRINTING DIVISION WITH THE COMPLETION OF THE NEW £60 MILLION PRESS INVESTMENT AT DINNINGTON, THE LARGEST EVER PROJECT UNDERTAKEN BY THE GROUP, WHICH CAME IN AHEAD OF SCHEDULE AND UNDER BUDGET.**

**Staff Development and Welfare.**

Our focus on health and safety is given the highest priority and this has resulted in a 26% reduction in the annual accident rate, a 37% reduction in RIDDOR reportable accidents and a decline of 38% in working days lost

The development and training of our staff continues to play a vital part in our Human Resource strategy During the year we delivered 86 different courses to more than 4,000 staff, involving in excess of 12,000 training days Our training courses cover all aspects of our business, including Advertising Sales, Editorial, Newspaper Sales, Digital Media, Leadership & Management, Finance, Health & Safety, IT and HR The Group has introduced new Policies and Procedures and training to ensure that we comply with the new Age Discrimination legislation and initial steps have been taken towards the creation of a European Works Council as well as preparing for the introduction of new smoking restrictions in England and Northern Ireland in 2007

# Performance Review >

**In what has been an extremely challenging trading environment, the business has responded well and has managed to mitigate substantially the impact on our profit margins of the reduction in advertising revenues in the existing businesses which were part of the Group throughout 2005 and 2006 At the same time the businesses we acquired in 2005 and 2006 have all been earnings accretive. The turnover by division of the enlarged group is shown in Table 3**

**In order to assess the underlying like-for like performance of the Group, Table 4 summarises the businesses operating at the beginning of 2005, with additional columns for both 2005 and 2006 showing the acquisitions in those years adding to the reported total figure.**

Table 3
Turnover 2006 by Division

Table 4 Summary of 2006 and 2005 results on a like for like basis

| | 2006 | | | | 2005 | | |
|---|---|---|---|---|---|---|---|
| | | Acquisitions | | | | Acquisitions | |
| | Total £'m | 2006 £'m | 2005 £'m | Like-for like £'m | Total £'m | 2005 £'m | Like for like £'m |
| Advertising revenues | 430 5 | 40 9 | 44 5 | 345 1 | 387 5 | 10 6 | 376 9 |
| Newspaper sales | 102 2 | 14 6 | 17 1 | 70 5 | 73 6 | 3 9 | 69 7 |
| Contract printing | 27 3 | 0 1 | 8 3 | 18 9 | 21 1 | 2 3 | 18 8 |
| Digital | 11 3 | 1 3 | 0 1 | 9 9 | 8 3 | 0 1 | 8 2 |
| Other revenues | 30 9 | 3 6 | 1 4 | 25 9 | 29 7 | 0 4 | 29 3 |
| Total revenues | 602 2 | 60 5 | 71 4 | 470 3 | 520 2 | 17 3 | 502 9 |
| Costs | 415 4 | 49 7 | 51 6 | 314 1 | 340 0 | 12 0 | 328 0 |
| **Operating profit*** | 186 8 | 10 8 | 19 8 | 156 2 | 180 2 | 5 3 | 174 9 |
| **Operating margin*** | 31 0% | 17 9% | 27 7% | 33 2% | 34 6% | 30 6% | 34 8% |

*Pre non recurring items

In the like for like performance, the existing Johnston Press businesses managed to deliver cost reductions of £13 9m in the last year Although some of these cost savings relate to the reduced trading volumes, a significant proportion are "permanent" savings and reflect costs that have been removed from the business and will not return even with increased volumes Specific points to note are

a) The mitigation of increased newsprint costs The cost of newsprint increased by around 7 0% on the levels charged in 2005 but this has been offset by reductions in the weight and web width of paper used along with reduced wastage levels by closing older less efficient printing presses

b) The reduction in the production costs of £6 2m not only reflects the reduced volumes but also the fruits of the ongoing investment programmes which the Group has undertaken over recent years The opening of our new "state of the art" printing and distribution operation at Dinnington has facilitated older press closures, delivering labour savings of around £2 0m per annum The ongoing investment in production and operating systems has allowed the Group to continue with its streamlining and centralising of pre press operations whilst at the same time offering improved services to our advertisers

c) Overhead cost savings of £7 7m have been made despite inflationary pressures Reductions in headcount reflecting reduced advertising volumes have been further augmented by increased efficiencies in our back room activities Like most other industries we have had to contend with significantly increased utility costs and, despite the consolidation of our printing operations into more efficient presses referred to above, this is an increased cost the business has been forced to absorb The overall operating margin in the existing businesses has decreased by 1 6% points to 33 2%.

The businesses acquired in 2005 and 2006 performed well during 2006 Due to the influence of the Republic of Ireland, where advertising revenues grew by 7 5%, the pressure on the top line was not as great as in the existing businesses The proforma operating margin of these combined businesses prior to their acquisition was 22 4% and over the last year we have managed to increase this to 23 2% through benefits of being part of a larger group, better procurement, the introduction of new systems and the consolidation of back room activities This increase in margin has been achieved notwithstanding a decrease in total revenues

The acquisition of TSPL was completed on 4 January 2006 and in the period ended 31 December 2006 the business achieved an operating profit of £10 8m, a margin of 17 9%, compared to the profit of £8m achieved in 2005 at a margin of 12 5% These improvements have been made possible because of the speed of integration into our Scottish Division, with TSPL becoming the central hub of that enlarged business There have also been significant savings related to the consolidation of the back room activities within the enlarged Group

The above clearly demonstrates a very creditable performance in what have been extremely challenging market conditions across the sector The margins achieved by the Group are still the benchmark for the rest of the industry and have largely been protected despite the significant reductions in like for like turnover

The acquisitions have all exceeded the investment criteria which the Group has consistently applied, namely an acquisition should be earnings enhancing in its first full year, before any restructuring and integration costs, and, that any acquisition should be value enhancing by the end of the third full year such that the rate of return on the investment should exceed our weighted average cost of capital (WACC) In the year ended 31 December 2006, the first full year for the acquisitions, the incremental interest cost that the business incurred was £25 6m, £5m lower than the incremental operating profit generated by the acquired businesses

Looking forward the performance of the Group will be dependent on a number of factors

a) The advertising cycle and our ability to ensure that we maintain our market leadership at a local level
b) Our ability to grow new revenue streams in our existing markets This will certainly include digital media through our ever increasing internet based presence but will also include new print and related revenue streams through exploiting our penetration of local markets with well established and trusted brands
c) Our ability to find further acquisition opportunities within our current areas of operation which can add value to the Group and which can be suitably financed
d) Our ability to continue to improve the efficient operation of our business through appropriate investment in technology which improves both customer service and our methods of operation
e) Our ability to adapt to our consumers' needs in terms of how they wish to access and address their local media information needs in such a way that we continue to offer our advertisers an unparalleled penetration in the local market

**Non Recurring Items**

The Group incurred non recurring net costs in the year of £15 1m pre-tax These came from structural changes in four different aspects of the business

i) With the successful opening and ramp up of our new printing press at Dinnington, we have managed to accelerate ahead of our expectation the closure of some of our older presses This, together with the assumption that we can replicate this performance at our other new press investment in Portsmouth, has led the Directors to shorten their estimate of the remaining useful life of certain of our presses as well as reducing the net book value of those presses closer to their potential realisable value in the secondhand market This has led to a one off, non cash, incremental depreciation charge of £9 0m
ii) There have been one off costs associated with the closure of the older presses as well as structural changes in the existing business which have contributed to the cost savings disclosed above The total of these non recurring redundancy and reorganisation costs in the existing business was £5 0m

# Performance Review - continued

iii) During 2006 we also incurred a significant level of non recurring costs associated with the reorganisation and integration of the businesses acquired in 2005/06 The total costs associated with these changes, which in turn have led to the structural improvement in these businesses is £3 8m with a future benefit to operating margins This process of reorganisation and integration will continue into 2007 and we would expect a further cost associated with these changes of £3 £4m in the coming year

iv) Finally, the business disposed of three freehold properties which were excess to requirements having historically housed old presses which have closed These disposals resulted in gains of approximately £2 7m which partially offset the costs detailed above

**Finance Income/Costs**
Net finance income was £3 4m as the expected return on our pension fund assets exceeded the interest cost on our pension liabilities by that amount The level of expected return as detailed in note 23 has proved prudent in the last year with actual returns being £7 8m higher and these are recognised in the Group Statement of Recognised Income and Expense Finance costs in the year were £44 1m with a blended effective rate of 5 8%

**Tax Rate**
The Group tax rate for the year was 27 3% with the UK tax rate of 30% being reduced proportionately by the businesses in the Isle of Man and Republic of Ireland where the corporation tax rates are considerably lower, the Isle of Man rate now being zero The Group rate has also benefited because no tax has been provided on the profit on sale of properties because rollover relief will be claimed A significant element of this tax charge is in deferred tax as the capital allowances on our recent press investment programme are in excess of depreciation

**Earnings per Share/Dividends**
Basic earnings per share at 33 24p were well down on 2005 because of the significantly higher level of non recurring items detailed above Excluding those non recurring items, the earnings per share at the basic level was 36 66p down 5 3% on 2005 reflecting the difficult market environment experienced by the sector over the course of 2006 Subject to approval at the Annual General Meeting on 27 April 2007, the total dividend for the year will be 9 3p, an increase of 11% This increase will continue the move made last year to reduce the level of dividend cover which had grown to levels which the Board considered to be unnecessarily prudent

**Investment Strategy**
As mentioned above when reviewing the performance of our acquisitions, the Board has clearly defined criteria when evaluating such investments As well as considering the returns criteria (noted above) the Board also takes account of the alternative opportunities available when making any investment including the potential buy back of our own shares When looking at capital investment proposals, with the exception of those that represent replacement/maintenance capital, the Board consistently examines the payback period as well as the earnings impact and cash flows associated with any capital investment in excess of £250k All investments in excess of this are routinely reappraised one year after completion both locally and at Board level to ensure that the expected outcomes have been delivered

**Finance Strategy/Net Debt**
Group policy has been historically, and continues to be where possible, to finance all investments through debt This strategy has been followed because of the strong levels of cash generation within the business Periodically the Group does re examine lease versus buy options, especially where these have associated tax related benefits, to determine if there is any sustainable advantage to be gained The Group's policy continues to be that borrowings should be arranged at the lowest possible cost and with covenants within which it can comfortably operate The policy requires that a minimum of 50% of the debt should be hedged against potential movements in interest rates whilst the balance is kept under constant review At 31 December 2006, £440m of the debt was hedged or fixed for an average of 4 years The only other significant financial risk the Group faces is in relation to its investments in the Republic of Ireland which are obviously Euro denominated The debt drawn down to finance the acquisition of The Leinster Leader Group in December 2005 was in Euros, and this provides a natural hedge, whilst at the same time minimising our borrowing costs

In terms of working capital, the Group's largest investment is in Trade Debtors The management of Trade Debtors is therefore seen as a key task which is subject to both Executive reviews and forms part of local management incentive arrangements

Net debt at the end of the year, allowing for the fixed rate of our currency hedges, was £746m, a reduction of £37m from the peak debt of £783m immediately after the acquisition of The Scotsman Publications Limited on 4 January 2006 This reduction was achieved despite the higher than normal levels of capital expenditure in the year The acquisition was financed by a combination of an extension of our existing 5 year bank facilities and a new private placement loan note issue of £83m with terms varying between 8 and 10 years

**Financial Reporting**

There have been no significant changes in the Financial Reporting regulations which have materially impacted the Group this year, other than the format of this report We have endeavoured to comply with best practice through early adoption, in terms of content and structure, of the Business Review as outlined in the Companies Act

This is our second Annual Report and Accounts under International Financial Reporting Standards and therefore the year on year impact of any changes is limited As mentioned last year, under the requirements of International Accounting Standard 12 (IAS 12) the Group is required to provide for deferred tax on the value of the intangible assets (publishing titles) acquired The acquisition of TSPL increased the Group's intangible assets by £143 3m which necessitates an increase in our deferred tax balance of £43 0m with the offset in goodwill This increases the deferred tax balance related to the value attributed to Publishing titles acquired to £397 4m As mentioned in last year's report, the Board believes it is important to communicate to shareholders and to the wider investment and financial community that we do not agree with the logic of this adjustment and the Board would ensure that, other than any enforced disposals, any titles sold would be within a company structure This would result in no tax being payable

As permitted under the relevant accounting standard, the Group has taken the opportunity to re state certain of the fair value entries made in regard of the acquisition of Score Press Limited and Local Press Limited At the time of last year's accounts, the value of publishing titles acquired had not been broken down to an individual title level Now that this exercise has been completed the deferred tax position as noted above in relation to IAS 12 requires to be re stated at the date of acquisition for those titles in the Republic of Ireland where the tax rates applicable are lower The adjustment made is purely between deferred tax and the offsetting goodwill adjustment with no impact on net assets or net income in the period

**Pensions**

Aided by improved market conditions, the steps taken by the Group in recent years to address the pension fund deficit continue to bear fruit and, allowing for taking on the deficit of £6 0m in The Scotsman Pension Plan, the overall pension deficit has reduced by £15 8m in the year

**Control Processes**

As discussed in the Directors' report the Group operates what it views as rigorous internal control processes which assist in the efficient operation of our business With all the General Ledgers, Fixed Asset Registers, Expenses, Payables Systems and Payrolls being controlled through our shared service centre in Peterborough, we can ensure a consistently high level of control right across our geographically spread operations This is further augmented by our recent moves to consolidate our credit control and cash processing into larger regional centres of excellence

# Group Management Board >

**From left to right:**
Richard Cooper Company Secretary
Stuart Paterson Chief Financial Officer
Tim Bowdler Chief Executive Officer
Danny Cammiade Chief Operating Officer
Malcolm Vickers Director of Human Resources
Nigel Eccles Business Development Manager
Alex Green Director of Digital Publishing

# Divisional Managing Directors >

**From left to right:**
Nick Mills Midlands
*Margaret Hilton* Northwest
Chris Pennock Newspaper Sales and Marketing
Barry Brennan Republic of Ireland
John Bradshaw Digital Publishing
Michael Johnston Scotland
David Crow Printing
Chris Green North
Jean Long Northern Ireland
Gary Fearon South
Roger Davies IT

# Board of Directors >

**From left to right**

**H C M Johnston** Non Executive (60)
Joined the Board in 1971 Former Managing Director Johnston (Falkirk) Ltd
hjohnston@johnstonpress co uk

**S J Waugh** Non Executive (49)
Joined the Board in 2003 Chairman of Remuneration Committee Member of Audit Committee Group Chief Executive of AWD plc Director of ISBA, Life Fellow of Marketing Society and Institute of Direct Marketing
swaugh@johnstonpress co uk

**P E B Cawdron** Non Executive (63)
Joined the Board in 1998 Senior Independent Director Chairman of Audit Committee Member of Remuneration and Nomination Committees Former Group Strategy Development Director of Grand Metropolitan PLC Chairman of GCap Media plc and Punch Taverns plc Non Executive Director of Capita Group plc and Prostrakan Group plc
pcawdron@johnstonpress co uk

**R G Parry** Non Executive Chairman (53)
Joined the Board in 1997 Chairman of Nomination Committee Non Executive Chairman of Future plc, Mobile Streams plc and YouGov plc Chairman at Shakespeare's Globe Trust
rparry@johnstonpress co uk

**F P M Johnston, CBE** Non Executive (71)
Joined the Board in 1959 Former Managing Director and Chairman of the Group Former Non Executive Director of the Scottish Mortgage Investment Trust plc and Lloyds TSB Scotland plc Former President of the Newspaper Society
fjohnston@johnstonpress co uk

**P R Cooper, ACA** Company Secretary (50)
Appointed Company Secretary in 1996 Chartered Accountant Former Finance Director of Yorkshire Weekly Newspaper Group Limited
rcooper@johnstonpress co uk

**Lord Gordon of Strathblane, CBE** Non-Executive (70)
Joined the Board in 1996 Member of Nomination Committee Former Chairman of Scottish Radio Holdings plc Non Executive Director of Active Capital Trust plc Former Chairman of the Scottish Tourist Board and a member of the Scottish Development Agency
jgordon@johnstonpress co uk

**L F Hinton** Non Executive (63)
Joined the Board in 2005 Executive Chairman of News International Ltd Member of the News Corporation Executive Committee Director of the Press Association in Britain and Chairman of the Newspaper and Magazine Publishing Industry's Code of Practice Committee
lhinton@johnstonpress co uk

**D Cammiade** Chief Operating Officer (46)
Joined the Board in 2005 Joined the Group in 1992 through its acquisition of TR Beckett Ltd Appointed Managing Director of West Sussex County Times Ltd in 1994 and held various Divisional Managing Director roles until appointed Director of Operations in 2001 Chairman of the Newspaper Society Marketing Committee
dcammiade@johnstonpress co uk

**T J Bowdler, CBE, BSc, MBA** Chief Executive Officer (59)
Joined the Board in 1994 Former Managing Director of Cape Architectural & Building Products Ltd, a division of Cape plc Non Executive Director of The Miller Group Ltd and The Press Association Ltd Chairman of the Press Standards Board of Finance Former President of the Newspaper Society
tbowdler@johnstonpress co uk

**I S M Russell, CBE,** Non Executive (54)
Joined the Board in 2007 Member of the Audit Committee Former Chief Executive and Finance Director of Scottish Power plc Director of JP Morgan Fleming Mercantile Trust plc and Business in the Community Ltd Chair of Remploy
irussell@johnstonpress co uk

**S R Paterson, MA, CA** Chief Financial Officer (49)
Joined the Board in 2001 Chartered Accountant Former Finance Director of Aggreko plc Non Executive Director of Devro plc and Mirago plc
spaterson@johnstonpress co uk

**M A King** Non Executive (46)
Joined the Board in 2003 Member of the Remuneration and Audit Committees Former Managing Director, Country Operations Europe, at Yahoo! UK Ltd Non Executive Director of Capita Group plc, IMD plc and Prince's Trust Trading Board Chairman of Radio Advertising Bureau
mking@johnstonpress co uk

# Group's Newspaper Titles >

| Scotland | | Circulation |
|---|---|---|
| **Johnston Falkirk** | | |
| The Falkirk Herald | Weekly | 30,849 |
| Falkirk, Linlithgow & Grangemouth Advertiser | Free | 54,358 |
| Cumbernauld News & Kilsyth Chronicle | Weekly | 11,981 |
| Cumbernauld & Kilysth Advertiser | Free | 17,978 |
| Kirkintilloch & Bishopbriggs Herald | Weekly | 11,911 |
| Strathkelvin Advertiser | Free | 22,486 |
| Linlithgowshire Journal & Gazette | Weekly | 8,843 |
| Carluke & Lanark Gazette | Weekly | 12,348 |
| Glasgow East News | Free | 7,277 |
| Milngavie & Bearsden Herald | Weekly | 6,794 |
| Motherwell Times & Bellshill Speaker | Weekly | 14,266 |
| **Strachan & Livingston** | | |
| Fife Free Press | Weekly | 18,530 |
| Fife Leader South | Free | 44,956 |
| Fife Leader North | Free | 20,477 |
| Fife Herald & Post | Free | 45,942 |
| East Fife Mail | Weekly | 11,117 |
| Glenrothes Gazette | Weekly | 6,188 |
| Fife Herald & St Andrews Citizen | Weekly | 13,503 |
| **Tweeddale** | | |
| Southern Reporter | Weekly | 18,570 |
| Berwick Gazette | Free | 10,000 |
| Berwick Advertiser | Weekly | 7,971 |
| East Lothian Times, Peebles Times & Midlothian Times | Free | 48,904 |
| Berwickshire News & East Lothian Herald | Weekly | 5,774 |
| Hawick News & Scottish Border Chronicle | Weekly | 5,227 |
| Selkirk Weekend Advertiser | Weekly | 1,844 |
| Midlothian Advertiser | Weekly | 7,009 |
| East Lothian News Series | Weekly | 4,205 |
| **Angus County Press** | | |
| Brechin Advertiser | Weekly | 3,051 |
| The Buteman | Weekly | 3,139 |
| Deeside / Donside Piper & Inverurie Herald | Weekly | 8,892 |
| Forfar Dispatch & Kirriemuir Herald | Weekly | 5,962 |
| Kincardineshire Observer | Weekly | 1,112 |
| Mearns Leader | Weekly | 4,486 |
| Car Mart | Free | 14,000 |
| Montrose Review | Weekly | 5,247 |
| The Arbroath Herald | Weekly | 10,063 |
| **Galloway Gazette** | | |
| Carrick Gazette | Weekly | 3,294 |
| Galloway Gazette | Weekly | 6,621 |
| **Stornoway Gazette** | | |
| Stornoway Gazette & West Coast Advertiser | Weekly | 12,658 |
| **The Scotsman Publications** | | |
| Edinburgh Evening News | Evening | 56,503 |
| Edinburgh Herald & Post | Free | 134,281 |
| Scotland on Sunday | Sunday | 68,632 |
| The Scotsman | Morning | 57,468 |
| West Lothian Herald & Post | Free | 42,246 |

| North | | Circulation |
|---|---|---|
| **Northeast** | | |
| Sunderland Echo | Evening | 43,496 |
| Sunderland Star | Free | 35,521 |
| Shields Gazette | Evening | 19,899 |
| Washington Star | Free | 17,336 |
| Seaham Star | Free | 8,986 |
| Peterlee Star | Free | 17,517 |
| Hartlepool Mail | Evening | 19,199 |
| Hartlepool Star | Free | 25,585 |
| Northumberland Gazette | Weekly | 11,090 |
| News Post Leader | Free | 67,461 |
| North Shields & Whitley Bay News Guardian | Free | 59,965 |
| South Tyne Star | Free | 26,439 |
| Morpeth Herald | Weekly | 3,080 |
| Houghton Star | Free | 11,056 |
| **Yorkshire Post** | | |
| Yorkshire Post | Morning | 45,069 |
| Leeds Weekly News | Free | 129,919 |
| Yorkshire Evening Post | Evening | 59,206 |
| Wharfe Valley Times | Free | 41,985 |
| The Yeller | Weekly | 5,138 |
| Pudsey Times | Free | 21,912 |
| Yorkshire Sport | Weekly | 6,304 |
| **Ackrill Newspapers** | | |
| Harrogate Advertiser | Weekly | 16,821 |
| Harrogate Herald | Free | 41,405 |
| North Yorkshire News | Free | 31,574 |
| Ripon Gazette | Weekly | 6,339 |
| Wetherby News | Weekly | 5,340 |
| Knaresborough Post | Weekly | 3,594 |
| Pateley Bridge & Nidderdale Herald | Weekly | 1,922 |
| Northallerton, Thirsk & Bedale Times | Weekly | 584 |
| **The Halifax Courier** | | |
| Halifax Evening Courier | Evening | 22,244 |
| Calderdale News | Free | 28,560 |
| Brighouse Echo | Weekly | 6,721 |
| Todmorden News & Advertiser | Weekly | 4,271 |
| Hebden Bridge Times | Weekly | 3,447 |
| **Yorkshire Weekly Newspaper Group** | | |
| Wakefield Express | Weekly | 32,389 |
| The Weekly Advertiser | Free | 40,926 |
| Pontefract & Castleford Express | Weekly | 24,512 |
| Wakefield Extra Series (inc Rothwell and Oulton Extra) | Free | 44,749 |
| Hemsworth & South Elmsall Express | Free | 16,397 |
| Selby Times | Weekly | 9,309 |
| Pontefract & Castleford Extra | Free | 39,277 |
| Dewsbury Reporter | Weekly | 12,451 |
| Selby Chronicle | Free | 13,240 |
| Batley News | Weekly | 8,974 |
| Morley Observer & Advertiser | Weekly | 5,307 |
| Ossett & Horbury Observer | Free | 11,748 |
| Spenborough Guardian | Weekly | 8,135 |
| **Yorkshire Regional Newpapers** | | |
| Scarborough Evening News | Evening | 14,431 |
| Malton & Pickering Mercury | Weekly | 3,000 |
| Filey & Hunmanby Mercury | Weekly | 2,915 |
| Whitby Gazette | Weekly | 18,095 |
| Beverley Guardian | Free | 19,434 |
| Bridlington Gazette & Herald | Free | 13,785 |

The circulation figures relate to the half year ending 31 December 2006 Most of these circulations have been audited

| | | |
|---|---|---|
| Trader & Weekly News | Free | 32,256 |
| Bridlington Free Press | Weekly | 15,505 |
| Driffield Times | Weekly | 5,191 |
| Driffield Post | Weekly | 4,771 |
| Pocklington Post | Weekly | 4,364 |

**Sheffield Newspapers**

| | | |
|---|---|---|
| Sheffield Weekly Gazette | Free | 102,602 |
| Sheffield & Doncaster Star | Evening | 59,852 |
| Angling Star | Weekly | 10,221 |
| Sheffield Telegraph | Weekly | 23,814 |
| Sheffield Journal | Free | 56,249 |

**Wilfred Edmunds**

| | | |
|---|---|---|
| Chesterfield Express | Free | 35,258 |
| Derbyshire Times | Weekly | 41,076 |
| Buxton Advertiser | Weekly | 13,030 |
| Ripley & Heanor News | Weekly | 10,852 |
| Eastwood & Kimberley Advertiser | Weekly | 4,190 |
| Chesterfield Advertiser | Free | 53,710 |
| Alfreton & Ripley Echo | Free | 13,461 |
| Dronfield Advertiser | Free | 10,214 |
| Bolsover Advertiser | Free | 11,259 |
| High Peak Courier | Free | 20,846 |
| Ilkeston Shopper | Free | 15,372 |
| Eastwood Shopper | Free | 11,942 |
| Belper News | Weekly | 3,937 |
| Ilkeston Advertiser | Weekly | 8,421 |
| Matlock Mercury | Weekly | 8,161 |
| Peak Times | Free | 12,963 |
| Mansfield Chad | Weekly | 47,383 |
| Mansfield & Ashfield Observer | Free | 55,933 |
| Alfreton Chad | Free | 15,730 |
| Eckington Leader | Free | 21,405 |
| Buxton Times | Free | 5,500 |
| Hucknall & Bulwell Dispatch | Weekly | 8,560 |

**South Yorkshire Newspapers**

| | | |
|---|---|---|
| Worksop Trader | Free | 29,388 |
| Retford & Bantry Trader Guardian | Free | 22,802 |
| Dinnington & Maltby Trader | Free | 20,771 |
| Worksop & Dinnington Guardian | Weekly | 17,984 |
| Doncaster Free Press | Weekly | 34,722 |
| Doncaster Advertiser Series (Including Deane Advertiser) | Free | 79,940 |
| South Yorkshire Times | Weekly | 6,071 |
| Goole, Thorne & Howden Courier | Free | 15,588 |
| Epworth Bells | Weekly | 3,087 |
| Gainsborough Standard | Weekly | 4,175 |
| Gainsborough News | Free | 14,364 |
| Thorne Gazette | Free | 14,846 |
| Entertainer | Free | 9,765 |

| **Northwest** | | **Circulation** |
|---|---|---|

**Lancashire Evening Post**

| | | |
|---|---|---|
| Lancashire Evening Post | Evening | 33,461 |
| Wigan Evening Post | Evening | 9,695 |
| Chorley Guardian | Weekly | 13,787 |
| Preston & Leyland Reporter | Free | 63,716 |
| Garstang Courier | Weekly | 5,130 |
| Longridge News | Weekly | 3,390 |

**Lancashire Publications**

| | | |
|---|---|---|
| St Helens, Prescot & Knowsley Reporter | Free | 78,978 |
| Wigan Reporter & Property Scene | Free | 61,720 |
| Leigh Reporter | Free | 60,915 |
| Wigan Observer | Weekly | 17,735 |
| Ashton News | Free | 10,500 |
| Standish Village News | Free | 9,603 |

**Blackpool Gazette & Herald**

| | | |
|---|---|---|
| The Blackpool Gazette | Evening | 31,509 |
| The Blackpool Reporter | Free | 63,987 |
| Lytham St Annes Express | Weekly | 9,873 |
| Fleetwood Weekly News | Weekly | 5,940 |

**Lancaster & Morecambe Newspapers**

| | | |
|---|---|---|
| Lakeland Echo | Free | 13,000 |
| Lancaster & Morecambe Reporter | Free | 45,640 |
| Lancaster Guardian | Weekly | 17,171 |
| Morecambe Visitor Series | Weekly | 13,939 |

**Offroad Portfolio**

| | | |
|---|---|---|
| Trials and Motorcross News | Weekly | 21,005 |

**East Lancashire Newspapers**

| | | |
|---|---|---|
| Burnley Express | Weekly | 30,917 |
| Clitheroe Advertiser & Times | Weekly | 9,294 |
| Nelson Leader Series | Weekly | 15,683 |
| The Reporter Series | Free | 58,385 |

**Isle of Man Newspapers**

| | | |
|---|---|---|
| Isle of Man Courier | Free | 36,366 |
| Isle of Man Examiner | Weekly | 13,767 |
| Manx Independent | Weekly | 12,667 |

**Best Asian Media**

| | | |
|---|---|---|
| Asian Leader | Fortnightly | 23,750 |

| **Midlands** | | **Circulation** |
|---|---|---|

**East Midlands Newspapers**

| | | |
|---|---|---|
| Peterborough Evening Telegraph | Evening | 19,272 |
| Peterborough Citizen | Free | 51,705 |
| Peterborough on Sunday | Sunday | 6,830 |
| Fenland Citizen | Free | 41,165 |
| Lynn News | Weekly | 50,013 |
| Norfolk Citizen | Free | 39,881 |
| Rutland Times | Weekly | 1,500 |
| Bourne Local | Weekly | 1,500 |
| Stamford, Bourne & The Deepings Citizen | Free | 11,116 |
| Rutland & Stamford Mercury | Weekly | 21,243 |
| Spalding Guardian | Weekly | 15,181 |
| Lincs Free Press | Weekly | 18,876 |

**Lincolnshire Newspapers**

| | | |
|---|---|---|
| Lincolnshire Citizen | Free | 52,154 |
| Boston Standard | Weekly | 11,855 |
| Louth Leader | Weekly | 10,300 |
| Sleaford Standard | Weekly | 4,129 |
| Skegness Standard | Weekly | 11,051 |
| Market Rasen Mail | Weekly | 4,569 |
| Horncastle News | Weekly | 5,678 |
| Melton Times | Weekly | 13,378 |
| Grantham Journal | Weekly | 21,110 |
| Melton Citizen | Free | 9,528 |
| Grantham Citizen | Free | 14,913 |

## Group's Newspaper Titles - continued

| | | Circulation |
|---|---|---|
| **Anglia Newspapers** | | |
| Bury Free Press | Weekly | 28,483 |
| Suffolk Free Press | Weekly | 9,937 |
| Diss Express | Weekly | 8,709 |
| Bury Citizen | Free | 24,626 |
| Newmarket Journal | Weekly | 10,657 |
| Haverhill Echo | Weekly | 5,203 |
| **Northampton Newspapers** | | |
| Chronicle & Echo | Evening | 21,827 |
| Northants Evening Telegraph | Evening | 24,018 |
| Northants Citizen Group | Free | 48,656 |
| Northants Mercury | Free | 48,615 |
| Northants on Sunday | Free | 66,134 |
| Harborough Mail | Weekly | 13,122 |
| Harborough Citizen | Free | 6,704 |
| **Premier Newspapers** | | |
| Mid Beds Times & Citizen | Free | 18,872 |
| Milton Keynes Citizen | Free | 102,496 |
| Milton Keynes Review | Free | 10,550 |
| Leighton Buzzard & Linslade Citizen | Free | 15,287 |
| Leighton Buzzard Observer | Weekly | 7,660 |
| Tuesday Citizen | Free | 87,120 |
| Luton & Dunstable Herald & Post | Free | 90,526 |
| Luton News Kempston | Weekly | 10,303 |
| Bedfordshire Times & Citizen | Free | 58,583 |
| Biggleswade Chronicle | Weekly | 10,397 |
| Dunstable Gazette | Weekly | 4,523 |
| Town Crier West Cambridgeshire Series | Free | 44,302 |
| **Central Counties Newspapers** | | |
| Bucks Herald | Weekly | 19,620 |
| Buckingham & Winslow Advertiser | Weekly | 10,151 |
| Hemel Hempstead Gazette | Weekly | 14,781 |
| Bucks Advertiser/Thane Gazette | Free | 42,209 |
| Bicester Review | Free | 9,221 |
| Hemel Herald Express | Free | 53,358 |
| Banbury Citizen | Free | 34,155 |
| Leamington Review | Free | 39,029 |
| Banbury & District Review | Free | 33,382 |
| Banbury Guardian | Weekly | 17,988 |
| Rugby Advertiser | Weekly | 11,477 |
| Daventry Express | Weekly | 9,475 |
| Leamington Courier Series | Weekly | 14,247 |
| Kenilworth Weekly News | Weekly | 4,012 |
| Commuter Herald | Free | 4,800 |

| **South** | | Circulation |
|---|---|---|
| **Portsmouth Publishing & Printing** | | |
| The Portsmouth News | Evening | 55,444 |
| Hayling Islander | Free | 12,400 |
| Portsmouth Journal Series | Free | 136,755 |
| Petersfield & Bordon Post | Weekly | 8,298 |
| **T R Beckett** | | |
| Hastings Observer | Weekly | 21,042 |
| Bexhill Observer | Weekly | 9,580 |
| Rye & Battle Observer | Weekly | 6,614 |
| Eastbourne Herald | Weekly | 25,697 |
| Eastbourne Gazette (Including Hailsham and Seaford Gazettes) | Weekly | 11,939 |
| Hastings & Bexhill News | Free | 46,157 |
| Eastbourne Advertiser | Free | 44,287 |
| **Sussex Newspapers** | | |
| West Sussex County Times | Weekly | 22,323 |
| Mid Sussex Times | Weekly | 12,847 |
| Crawley Observer | Weekly | 8,993 |
| Horsham Advertiser | Free | 20,976 |
| Mid Sussex Citizen | Free | 25,291 |
| Weekend Herald | Free | 36,078 |
| Sussex Express & County Herald | Weekly | 15,178 |
| Bognor Regis Guardian Series | Free | 36,592 |
| Chichester, Bognor Regis and Midhurst & Petworth Observer | Weekly | 36,865 |
| Ems Valley Gazette | Free | 4,342 |
| West Sussex Gazette & South of England Advertiser | Weekly | 9,437 |
| Worthing Advertiser | Free | 68,125 |
| Shoreham Herald | Weekly | 4,178 |
| Worthing Guardian | Free | 35,435 |
| Littlehampton Gazette | Weekly | 9,897 |
| Worthing Herald | Weekly | 17,739 |

| **Northern Ireland** | | Circulation |
|---|---|---|
| **Mortons Newspapers** | | |
| Belfast News Letter | Evening | 26,668 |
| Belfast News | Free | 50,466 |
| Portadown Times | Weekly | 10,486 |
| Lurgan Mail | Weekly | 8,614 |
| Dromore Leader | Weekly | 1,714 |
| Banbridge Leader | Weekly | 1,841 |
| Ulster Star | Weekly | 10,245 |
| Mid Ulster Mail | Weekly | 11,076 |
| Tyrone Times | Weekly | 3,346 |
| Ballymena & Antrim Times | Weekly | 4,590 |
| Larne, Carrick & Newtonabbey Times | Weekly | 10,722 |
| Londonderry & Roe Valley Sentinel | Weekly | 5,141 |
| Coleraine & Ballymoney Times | Weekly | 7,619 |
| Craigavon Echo | Free | 18,596 |
| Lisburn Echo | Free | 22,523 |
| Mid Ulster Echo | Free | 11,469 |
| East Antrim Advertiser | Free | 18,142 |
| North West Echo | Free | 33,359 |
| Banbridge & District Weekender | Free | 9,807 |
| **Derry Journal** | | |
| Derry Journal | Weekly | 41,961 |
| Foyle News | Weekly | 2,663 |
| Coleraine Journal | Weekly | 773 |
| Sunday Journal (Incorporating Donegal on Sunday) | Weekly | 6,503 |
| City News | Free | 34,933 |
| **Donegal Democrat** | | |
| Donegal Democrat | Weekly | 24,987 |
| Letterkenny People | Free | 5,000 |
| Letterkenny Weekender | Free | 8,792 |

| **Republic of Ireland** | | Circulation |
|---|---|---|
| **Midlands & South Leinster** | | |
| Leinster Leader | Weekly | 13,200 |
| Leinster Leader Weekender | Free | 14,000 |
| Kilkenny People | Weekly | 17,204 |
| Kilkenny People Weekender | Free | 13,500 |
| Leinster Express | Weekly | 12,800 |
| Leinster Express Weekender | Free | 10,000 |
| Offaly Express | Weekly | 3,200 |
| Offaly Express Weekender | Free | 6,000 |
| **Munster** | | |
| Limerick Leader | Weekly | 28,617 |
| Limerick Leader Weekender | Free | 25,000 |
| The Nationalist | Weekly | 14,636 |
| The Nationalist Weekender | Free | 8,000 |
| Tipperary Star | Weekly | 9,681 |
| Tipperary Star Weekender | Free | 5,000 |
| **Northern** | | |
| Longford Leader | Weekly | 9,650 |
| Longford Leader Weekender | Free | 6,000 |
| Leitrim Observer | Weekly | 9,350 |
| Leitrim Observer Weekender | Free | 6,000 |
| Dundalk Democrat | Weekly | 7,000 |
| Dundalk Life | Free | 11,000 |
| Tallaght Echo | Weekly | 10,798 |

# Websites by Division >

**Johnston Newspapers (Scotland)**
www arbroathtoday co uk
www bearsdentoday co uk
www bellshilltoday co uk
www berwickshiretoday co uk
www berwicktoday co uk
www bonesstoday co uk
www borderlifetoday co uk
www brechintoday co uk
www butemantoday co uk
www carluketoday co uk
www carnoustietoday co uk
www carricktoday co uk
www cumbernauldtoday co uk
www deesidetoday co uk
www donsidetoday co uk
www dundalktoday com
www eastlothiantoday co uk
www edinburghnews com
www falkirkherald co uk
www fifetoday co uk
www forfartoday co uk
www gallowaytoday co uk
www hawicktoday co uk
www inverurietoday co uk
www isleofbutetoday co uk
www isleoflewistoday co uk
www kilsythtoday co uk
www kincardineshiretoday co uk
www kirkintillochtoday co uk
www kirriemuirtoday co uk
www lanarktoday co uk
www linlithgowtoday co uk
www mearnstoday co uk
www midlothiantoday co uk
www milngavietoday co uk
www montrosetoday co uk
www motherwelltoday co uk
www queensferrytoday co uk
www scotsman com
www stornowaytoday co uk
www thesouthernreporter co uk
www westernislestoday co uk

**Johnston Newspapers (North)**
www alwoodleytoday co uk
www armleytoday co uk
www ashfieldtoday co uk
www aytontoday co uk
www bakewelltoday co uk
www barnsleytoday co uk
www batleytoday co uk
www beestontoday co uk
www belpernews co uk
www berkhamstedtoday co uk
www beverleytoday co uk
www birstalltoday co uk
www brackleyandtowcestertoday co uk
www bramleytoday co uk
www bridlingtontoday co uk
www brighousetoday co uk
www burnistontoday co uk
www buxtontoday co uk
www calverleytoday co uk
www chapelallertontoday co uk
www chesterfieldtoday co uk
www cloughtontoday co uk
www cookridgetoday co uk
www crossgatestoday co uk
www dewsburytoday co uk
www dinningtontoday co uk
www doncasterfreepress co uk
www driffieldtoday co uk
www eastfieldtoday co uk
www eastwoodadvertiser co uk
www eskvalleytoday co uk
www farminginyorkshire co uk
www fileytoday co uk
www flamboroughtoday co uk
www garforthtoday co uk
www goolecourier co uk
www guiseleytoday co uk
www halifaxcourier co uk
www harehillstoday co uk
www harrogatetoday co.uk
www hartlepoolmail co uk
www headingleytoday co uk
www hebdenbridgetoday co uk
www helmsleytoday co uk
www hemsworthandsouthelmsalltoday co uk
www horsforthtoday co uk
www hucknalltoday co uk
www hunmanbytoday co uk
www huttoncranswicktoday co uk
www ilkestonadvertiser co uk
www ilkleytoday co uk
www kippaxtoday co uk
www kirkbymoorsidetoday co uk
www kirkstalltoday co uk
www knaresboroughtoday co uk
www levenandbrandesburtontoday co uk
www locallifetoday co uk
www lutterworthmail co uk
www maltontoday co uk
www mansfieldtoday co uk
www marketweightontoday net
www matlockmercury co uk
www meanwoodtoday co uk
www middletontoday co uk
www mirfieldtoday co uk
www moortowntoday co uk
www morleytoday co uk
www morpethherald co uk
www naffertontoday co uk
www newfarnleytoday co uk
www newsguardian co uk
www newspostleader co uk
www nidderdaletoday co uk
www northallertontoday co uk
www northtynesidetoday co uk
www northumberlandgazette co uk
www nortontoday co uk
www ollertontoday co uk
www peterleetoday co uk
www pickeringtoday co uk
www pocklingtontoday co uk
www pontefractandcastlefordtoday co uk
www retfordtoday co uk
www ripleytoday co uk
www ripontoday co uk
www robinhoodsbaytoday co uk
www roevalleytoday co uk
www rotherhamtoday co uk
www rothwelltoday co uk
www roundhaytoday co uk
www scarborougheveningnews co uk
www seacrofttoday co uk
www selbytoday co uk
www shieldsgazette co uk
www shoestyleuk com
www sleightstoday co uk
www southtyorkshiretimes co uk
www spenboroughtoday co uk
www staithesandhinderwelltoday co uk
www stamfordbridgetoday co uk
www sunderlandecho co uk
www thestar co uk
www thornegazette co uk
www thornton le daletoday co uk
www todmordentoday co uk
www tringtoday co uk
www wakefieldexpress co uk
www wetherbytoday co uk
www whitbytoday co uk
www woodhousetoday co uk
www woodlesfordtoday co uk
www worksoptoday co uk
www wortleytoday co uk
www yeadontoday co uk
www yellerfreeads co uk
www yorkshireeveningpost co uk
www yorkshirepost co uk

**Johnston Newspapers (North West)**
www asianleader co uk
www blackpoolgazette co uk
www burnleyexpress net
www chorleytoday co uk
www clitheroetoday co uk
www fleetwoodtoday co uk
www garstangtoday co uk
www gotoblackpooltoday co uk
www iomtoday co im
www lakelandtoday co uk
www lancasterguardian co uk
www leightoday co uk
www lep co uk
www leylandtoday co uk
www longridgetoday co uk
www lythamtoday co uk
www pendletoday co uk
www sthelenstoday net
www thevisitor co uk
www wigantoday net

# Websites by Division - continued

**Johnston Newspapers (Midlands)**
www bucksherald co uk
www banburytoday co uk
www bedfordtoday co uk
www bicestertoday co uk
www biggleswadetoday co uk
www bostontoday co uk
www bournetoday co uk
www brackleyandtowcestertoday co uk
www buckinghamtoday co uk
www buryfreepress co uk
www classifiedgold org uk
www commuterherald co uk
www corbytoday co uk
www daventrytoday co uk
www disstoday co uk
www dunstabletoday co uk
www fenlandtoday co uk
www gainsboroughstandard co uk
www granthamjournal co uk
www harboroughmail co uk
www haverhilltoday co uk
www hemelgazette co uk
www horncastletoday co uk
www huntingdontoday co uk
www kenilworthtoday co uk
www leamingtoncourier co uk
www leightonbuzzardonline co uk
www lincolntoday co uk
www louthtoday co uk
www lutontoday co uk
www lynnnews co uk
www marketrasentoday co uk
www meltontoday co uk
www miltonkeynes co uk
www moretonhalltoday co uk
www newmarkettoday co uk
www northamptontoday co uk
www northantset co uk
www otleytoday co uk
www peterboroughtoday co uk
www rugbytoday co uk
www rushdentoday co uk
www rutlandtoday co uk
www skegnesstoday co uk
www sleafordtoday co uk
www spaldingtoday co uk
www stamfordtoday co uk
www stowmarkettoday co uk
www sudburytoday co uk
www thametoday co uk
www warwicktoday co uk
www wellingboroughtoday co uk

**Johnston Newspapers (South)**
www bexhilltoday co uk
www bognor co uk
www chichester co uk
www crawleytoday co uk
www eastbournetoday co uk
www hailshamtoday co uk
www hastingstoday co uk
www haylingislandtoday co uk
www heathfieldtoday co uk
www hornseatoday co uk
www lewestoday co uk
www littlehamptongazette co uk
www midhurstandpetworth co uk
www midsussextoday co uk
www newhaventoday co uk
www petersfieldtoday co uk
www portsmouth co uk
www ryeandbattletoday co uk
www seafordtoday co uk
www shorehamherald co uk
www thepompeypages co uk
www uckfieldtoday co uk
www westsussextoday co uk
www worthingherald co uk
www wscountytimes co uk

**Johnston Newspapers (Northern Ireland)**
www antrimtoday co uk
www ballycastletoday com
www ballymenatoday co uk
www ballymoneytoday co uk
www banbridgetoday co uk
www carrickfergustoday co uk
www carrickonshannontoday com
www colerainetoday co uk
www craigavontoday co uk
www derrytoday co uk
www donegaltoday com
www dromoretoday co uk
www larnetoday co uk
www letterkennytoday com
www limavadytoday co uk
www lisburntoday co uk
www londonderrytoday co uk
www lurgantoday co uk
www midulstertoday co uk
www moyletoday co uk
www newsletter co uk
www newtownabbeytoday co uk
www portadowntoday co uk
www tyronetoday co uk

**Johnston Newspapers (Republic of Ireland)**
www countyleitrimtoday ie
www dundalktoday ie
www kildaretoday ie
www kilkennytoday ie
www laoistoday ie
www limericktoday ie
www longfordtoday ie
www munstertoday ie
www naastoday com
www newbridgetoday com
www offalytoday ie
www portlaoisetoday com
www southdublintoday ie
www tipperarytoday ie

**JP Ventures**
www daysoutuk com
www dirtbikerider co uk
www letterboxdirect co uk
www outboundpublishing com
www tmxnews co uk
www trialsworld co uk

**Central Sites**
www cvmatch net
www equestriantoday co uk
www free adstoday co uk
www goingouttoday co uk
www jobstoday co uk
www jobstoday ie
www johnstonpress co uk
www johnstonprinting co uk
www localpagestoday co uk
www lot24 7 co uk
www motorstoday co uk
www motorstoday ie
www photostoday co uk
www propertytoday co uk
www studentstoday co uk

# Corporate Governance

The Company is committed to the principles of Corporate Governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders

**Statement of Compliance with The Code of Best Practice**
The Company has complied throughout the year with the Provisions of The Code set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 and the Revised Turnbull guidance which became effective in 2006 In addition the Company already has in place processes that comply with the provisions of the 2006 Combined Code which applies to all accounting years starting on or after 1 November 2006

**Statement of Application of The Principles of Good Governance**
The Company has applied The Principles of Good Governance set out in Section 1 of the 2003 Combined Code as reported above Further explanation of how the Principles have been applied is set out below and, in connection with directors' remuneration, in the Directors' Remuneration Report

**Board Effectiveness**
The Board considers that it has shown its commitment to leading and controlling the Company by meeting nine times in the year, but can meet when necessary for any matters which may arise The Remuneration Committee met on six occasions and the Audit and Nomination Committees three times

The Board sets the strategic aims and objectives of the Group, ensuring that the Group has sufficient financial and human resources to meet its objectives The Board also sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met Management are responsible for the application of the aims and objectives on a day to-day basis, as well as monitoring the financial achievements of the business The Board reviews the performance of management in meeting the agreed objectives and goals, plans the succession of key executives, and determines appropriate remuneration levels

At least one Board meeting each year is wholly devoted to strategy and to the consideration of a plan for the long term growth and development of the Group This is reviewed and discussed as appropriate at the other Board meetings held during the year

In addition to the normal agenda at Board meetings, which is described below, the directors consider one operational or special topic at each meeting During the last twelve months this has included an update on the 2006 Companies Act and Corporate Governance changes, circulation and audience reach of paid for newspapers, future printing strategy, pension scheme developments, national sales, digital publishing and human resources trends and issues

**Board Meeting Agenda**
The Board receives a formal schedule of matters specifically reserved to it for decision, such as future strategy, acquisitions and disposals, dividend policy, approval of the Annual Report and Accounts, capital expenditure, trading and capital budgets and Group borrowing facilities The Board considers monthly reports from the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and Minutes of the Board and Committees are circulated to all Board members It has also made the Company Secretary responsible to the Board for the timeliness and quality of information

**Board Responsibilities**
The Board acknowledges the division of responsibilities for running the Board and managing the Company's business with Mr R G Parry as Non Executive Chairman, Mr P E B Cawdron as Senior Independent Director and Mr T J Bowdler as the Company's Chief Executive Officer

Mr P E B Cawdron is available to address any concerns that shareholders may have, which have not been resolved through the normal communication channels of the Chairman or Executive Directors

The Chairman of the Remuneration, Audit and Nomination Committees are Mr S J Waugh, Mr P E B Cawdron, who is a chartered accountant, and Mr R G Parry respectively

**Board Attendance**
During 2006, every director attended all meetings with the exception that Mr H C M Johnston was unable to attend the January and August meetings, Mr P E B Cawdron and Mrs M A King the April meeting and Mr F P M Johnston the June meeting In advance of the formal Board meeting in October, led by the Senior Independent Director, the Non Executive Directors met and, as part of the agenda of that meeting, appraised the performance of the Chairman The Board has also met during the year without the Executive Directors and Company Secretary being present

The meetings of the Remuneration, Audit and Nomination Committees were attended by all members either personally or by telephone

**Board Balance**
Of the Company's current twelve Directors, three are Executive and the remainder Non Executive, of whom six are regarded as independent, excluding the Chairman

Other than the Chairman, those who are regarded as non independent are Mr F P M Johnston and Mr H C M Johnston, who have significant shareholdings in the Company and have previously served the Group in an executive role It is the view of the Board that such circumstances do not lessen the value of the contributions made by these two Non Executive Directors Mr H C M Johnston has decided to stand down from the Board at the 2007 Annual General Meeting

The Board determines that Lord Gordon of Strathblane is independent despite serving on the Board for more than nine years He is highly respected for his wealth of media experience and his totally impartial and professional approach to his role He will retire from the Board at the 2007 Annual General Meeting when he will be 70

Mr R G Parry has served for more than nine years on the Board The Board is unanimously of the view that he should continue to serve as a Director and Chairman The recent Board evaluation process concluded that Mr R G Parry has all the appropriate skills and credentials to continue to lead the Company as Chairman

Mr P E B Cawdron will have served nine years on the Board in August 2007 The unanimous view of the Board is that his experience and professional knowledge is invaluable to the Board, and that he continues to be independent This was confirmed during the 2006 Board evaluation process

All Directors who have served for more than nine years will retire at the Annual General Meeting and, other than Lord Gordon and Mr H C M Johnston, will be seeking re election

At least half the Board, excluding the Chairman, comprises Non Executive

## Corporate Governance - continued

Directors determined by the Board to be independent

**Nomination Committee**
The Nomination Committee is chaired by Mr R G Parry, and also comprises Mr P E B Cawdron, Lord Gordon of Strathblane and Mr L F Hinton Reporting to the Board, its duty is to seek suitably skilled and experienced candidates, with sufficient time to devote to the role, as Non Executive Directors and to oversee all Board appointments Once the role of a vacancy has been determined, the Committee appoints external recruitment consultants to assist with the search

The terms of reference of the Committee are displayed on the Company's website in the Investor Relations section

The Board evaluation process at the end of 2005 confirmed the unanimous view of the Board that Lord Gordon should be replaced on his retirement from the Board in 2007 The Committee took account of the need to plan for a successor to chair the Audit Committee when Mr P E B Cawdron stands down from that role The Committee prepared a detailed brief and appointed external recruitment consultants to assist in the process Several candidates were interviewed but the unanimously preferred candidate was Mr I S M Russell, a qualified accountant, and he was appointed to the Board and the Audit Committee on 9 January 2007

It has been decided that Mr H C M Johnston will not be replaced when he steps down as a Director at the forthcoming Annual General Meeting

The Committee has also commenced a consideration of succession to the Chief Executive Officer who is due to retire in 2009 In addition, the Committee has started to discuss the appropriate Board balance when Mr F P M Johnston steps down from the Board

**Information and Professional Development**
The Chairman has arranged a detailed induction process for Mr I M Russell, including meetings and discussions with advisers and senior management where appropriate, together with the preparation of a full induction pack and external courses A similar process will be undertaken when any new Non Executive Director is appointed

All Board members have access to independent advice on any matters relating to their responsibilities as directors and as members of the various Committees of the Board The Company Secretary is available to all directors and he is responsible for ensuring that all Board procedures are complied with

**Board Performance Evaluation**
During the last year, the Board has conducted a rigorous evaluation of its own performance This involved the completion of an assessment questionnaire by all directors covering the performance of the Board, individual directors, the Company Secretary and Board Committees Other topics included the conduct of meetings, the provision of information, training and the overall effectiveness of the Board There was a further emphasis this year on a scoring system for assessing individual, Committee and Board performance together with a focus on the future strategy of the Group especially in the area of digital publishing The completed questionnaires were submitted to the Company Secretary who prepared a summary of the conclusions which was presented to the Board meeting in January 2007 Separately, the Secretary produced a detailed report summarising any individual recommendations for the consideration of the Chairman This was followed up by meetings as appropriate with individual directors

Training is undertaken as required during the year The feedback from the recent questionnaires will assist in the training plan for the forthcoming year The Board arranges for its Non Executive Directors to visit the Group's principal locations at certain intervals to discuss the operations with local management In addition, at least one Board meeting is held at one of the Group's centres where the Board receives a presentation from the local Managing Director and a tour of the business Individual directors attend a range of seminars presented by professionals throughout the year

**Board Re election**
It is the policy of the Board that all directors are subject to election at the first Annual General Meeting after their appointment and thereafter to re-election every three years All directors who have served nine years or more retire annually

The Chairman has, following the formal evaluation process described above, considered the performance of the directors subject to re election at the 2007 Annual General Meeting and is satisfied that the individuals' performance continues to be effective and that they have demonstrated a clear commitment to the role

**Financial Reporting**
The Board has shown its commitment to presenting appropriate information about the Group's financial position by complying with best practice and all standards issued by the International and UK Accounting Standards Boards relating to the disclosures which are included in this Annual Report

**Statement of Directors' Responsibilities**
The Directors are responsible for preparing the Annual Report and the financial statements The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that financial statements present fairly, for each financial year, the Group's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards Directors are also required to

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985

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

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

**Internal Control**
The Board has applied principle C 2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance) The Board is responsible for the Group's system of internal control and for reviewing its effectiveness Such a system is 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

In compliance with Provision C 2 1 of the Combined Code, the Board regularly reviews the effectiveness of the Group's system of internal control The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring The Board has also performed a specific assessment for the purpose of this annual report This assessment considers all significant aspects of internal control arising during the period covered by the report including work of the Internal Financial Control Committee The Audit Committee assists the Board in discharging its review responsibilities

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant Therefore a confirmation in respect of necessary actions has not been considered appropriate The key elements of the ongoing continuous process during the period under review have been

- Formal Board reporting on a monthly basis by the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer on the Group's performance and on any emerging risks and issues The monthly management accounts break down the results of the Group's operations by individual business performance and all significant variations against budget and the previous year are fully examined The day to-day responsibility for managing each of the Group's operations rests with local experienced Senior Executives and the Group has a clear organisational structure which includes appropriate delegation of authority The Executive Directors ensure that regular contact is maintained with all Senior Executives The Group Management Board, comprising the Executive Directors, the Company Secretary, the Director of Human Resources, the Director of Digital Publishing and the Business Development Manager, meets every month to review financial and operational issues as well as the risks facing the Group

- Formal Board approval for capital expenditure over £250k and for other investment decisions Approval was granted for all acquisitions and disposals submitted after due enquiry

- Formal Board approval of the annual budget for the forthcoming financial year This includes detailed and comprehensive budgets covering each operating business

- Review by the Audit Committee on a six monthly basis of the work performed by the Internal Financial Control Committee (IFCC) based on a programme of work agreed in advance The IFCC is chaired by the Company Secretary who is responsible for the conduct of control reviews in selected locations by members of the Committee who are independent of the location visited The IFCC is also responsible for the review of detailed financial control checklists submitted by each operation to head office monthly This work is strongly supported by the Group's financial accounting centre which ensures a consistent and compliant approach to the processing of transactions and ensures a uniform control process across the Group's operations

- Review by the Audit Committee of the conclusions of the Group's external auditors in their annual audit and review of the half year results These reviews include discussion of any control weaknesses or issues identified by the auditors

- The conduct of risk assessment involving all senior managers of the Group's businesses in addition to the Executive Directors A risk matrix is reviewed on a regular basis both in the local operations and by the Group Management Board One risk is discussed at every monthly executive meeting both locally and at Group level The results of these assessments are summarised and reported to the entire Board These risk assessment sessions will continue at each operation and will evaluate and address the risks identified During 2006, the Group Management Board has focused particularly on job advertising trends, customer market intelligence, disaster recovery plans in fewer, larger prepress and press centres, management succession, digital strategy, management stretch, changes to employment legislation and corporate strategy

Steps are being taken to embed best practice into all the operations of the business and to deal with areas of improvement which come to management's and the Board's attention

In addition, the Group Management Board has the ongoing responsibility to set policies, procedures and standards as detailed in the Group's policy guidelines These have been reviewed and revised during the year and a tailored version released for all the businesses in the Republic of Ireland The guidelines include policies on

- Finance
- Cash/treasury controls
- Trading
- Customer service
- Commercial and competition
- Technology
- Property management
- Human resources including pension administration, disability and health and safety
- Environmental issues and energy management
- Legal and regulatory compliance
- Business continuity

The Directors at the Board meeting on 26 January 2007 reviewed the need for an internal audit department and concluded that they did not believe it necessary for the Group to maintain such a department given the very effective role played by the IFCC and the current independent review and monitoring procedures in operation

**Audit Committee**
The Audit Committee is chaired by Mr P E B Cawdron, a chartered accountant, and throughout 2006 has included Mrs M A King and Mr S J Waugh Mr I M Russell joined the Committee on 9 January 2007 All are independent Non Executive Directors

The Committee has written terms of reference that outline its authority and duties This is displayed on the Company's website in the Investor Relations section The terms include a review of the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas

The Committee meets once during the year with the Company's external auditors to discuss and agree the audit programme for the forthcoming year, together with any proposed non audit work The planning meeting in 2006 considered in detail the Revised Turnbull provisions and the requirement of section 234ZA of the Companies Act 1985

The two other meetings follow the interim financial review and the year-end audit They cover a comprehensive report from the external auditors on their work and their conclusions The Committee focuses in particular on the areas of financial judgement by the Group It also reviews the summary of the Group's key business risks and discusses any revisions The Committee is actively involved in the ongoing review of internal controls by the main Board

In addition, these two meetings consider a report on the work of the IFCC Its work is described in the Internal Control section and, given the detail and comfort included in the report, the Committee regards this approach as the most effective way to review the financial controls in the business rather than establish an internal audit function

The Audit Committee meetings to consider the financial results of the Group are attended by the Chief Financial Officer and the Company Secretary, who acts as Secretary to the Committee, with minutes being circulated to all Board members The Chairman, Chief Executive Officer and Chief Operating Officer are also invited to attend if required to do so by the Committee Towards the close of both meetings, all Executives leave in order for the Committee to have a private discussion with the auditors The Chairman also has a private meeting with the audit partner during the course of the year to discuss any relevant issues

At the meeting to review the Annual Report and Accounts, the Committee formally considers the non audit services provided by the Group's external auditors and the effectiveness of the audit process These are fully explored and discussed and the Committee is satisfied that the objectivity and independence of the external audit is safeguarded Any material fees are discussed with the Audit Committee before being committed During 2006 the Committee agreed the appointment of a professional firm other than the external auditors to be responsible for the taxation compliance and advisory work in the Republic of Ireland

As explained on page 42, the Board undertook an evaluation of its performance during the year This included a review of the effectiveness of this Committee considering its composition, chairmanship, whether it fulfilled its role as outlined in the terms of reference, its reporting and overall performance This evaluation process was undertaken by the Committee itself as well as by all members of the Board The results of this process were positive and confirmed the effectiveness of the Committee

The Committee oversaw the appointment of Deloitte & Touche LLP in 2002 and have a primary responsibility for the appointment, re appointment and removal of auditors

The Audit Partner at Deloitte rotates at the conclusion of the 2006 audit

**Dialogue with Institutional Shareholders**
The Board encourages and seeks to build a mutual understanding of objectives between the Company and its institutional shareholders As part of this process, the Chief Executive Officer and Chief Financial Officer make twice yearly presentations to institutional shareholders and meet with shareholders to discuss any issues of concern and to obtain feedback In addition, they communicate regularly throughout the year with those shareholders who request a meeting

The Chairman and the Senior Independent Director personally contact the leading shareholders in the Company on a yearly basis to address any concerns and discuss any issues During 2006 this contact instigated a dialogue with a number of shareholders The Board receives a report on any discussion with shareholders and the written feedback that follows the half yearly presentations is circulated to the Board Brokers' reports and analysts' briefings are included in the Board papers sent to the directors every month

The Board receives a quarterly update on the shareholder register with a summary of the main movements in shareholdings since the previous report

Members of the Board have met with institutional shareholders during the year to consider Corporate Governance matters All the Non Executive Directors are prepared to meet with shareholders to understand more fully their views

**Annual General Meeting**
The Board seeks to encourage shareholders to attend its Annual General Meeting Directors are present to answer any questions from shareholders It is the policy of the Board that all Directors should attend the Annual General Meeting It uses the Annual General Meeting to communicate with private investors and encourages their participation

# Corporate Social Responsibility

**Business Ethics**
The Board of Johnston Press has made a clear commitment to operating all of the Group's business activities to the highest standards of business ethics and integrity These principles are not only contained in the Group's Corporate Social Responsibility Statement but it is also policy to include them in employment contracts

The code of ethics specifically requires adherence to all legal requirements It has a clear policy and procedure for addressing issues such as bribery, corruption, conflicts of interest, espionage and the giving and receiving of gifts The Group opposes all forms of oppression and is a supporter of all human rights

The Group's entire business is in Europe, the vast majority being in the UK and Republic of Ireland

An acceptable use policy has been developed for all of the company's assets including but not restricted to computer equipment, email facilities and use of the Internet This policy is required to be signed by every employee and is designed to protect both the employee and employer

The Group has the absolute objective of always acting as a fair and reasonable employer We also acknowledge, and are keenly aware of, our responsibilities to the many communities we serve, our readers, customers, suppliers, shareholders, and to the environment

Because of our key role in the community, a separate section is incorporated within this report detailing some of the many community orientated activities in which the Group's companies are involved

**Board Responsibility**
The Board has delegated the day to day responsibility for all matters related to Corporate Social Responsibility and social issues to the Executive Directors They are assisted by the Company Secretary who is generally the first point of contact for any issues of this nature

Specific responsibility for environmental issues has been delegated to the Chief Financial Officer

Whilst recognising that the practices of recruitment, employment and training are the responsibility of all managers within the Group, responsibility for formulating, updating and ensuring adherence to Group policies and relevant legislation has been delegated to the Director of Human Resources who is responsible to the Chief Operating Officer

Each local Managing Director has responsibility within their operation for relationships with customers, suppliers and the community These relationships are subject to review by the Chief Operating Officer who is responsible to the Chief Executive Officer Certain materials and services are sourced centrally such as newsprint and legal and professional services and these arrangements are subject to review by either the Chief Operating Officer or the Chief Financial Officer, depending on the nature of the supply

As part of the main Board's review of Corporate Governance at its January 2007 meeting, the Directors also reviewed the Corporate Social Responsibility Policy

**Health & Safety**
As discussed in the Business Review, the Group has rigorous Health & Safety management and reporting processes in place Health & Safety is at the core of our operations, with it being the first topic on all business agendas at the local, regional, group and board levels There are health and safety committees in every Group Company and the Chief Operating Officer chairs the Group Health and Safety Committee, which undertake audit visits, monitors compliance with Group policies and spreads best practice

With our improved and consistent reporting processes now having been in place for more than 2 years, it is possible to report some meaningful statistics and comparisons as detailed below

As can be seen in Table 1 we have made significant improvements in every category measured and, without nationally available statistics for the publishing and printing industries, the most meaningful comparisons are with the national averages for the UK

Table 1

| | **2006** | **2005** |
|---|---|---|
| Total employees in Group (FTE) | 7,849 | 6,992 |
| Employees involved in accidents | | |
| Publishing | 5 0% | 6 0% |
| Printing | 19 0% | 30 0% |
| Total | 5 4% | 7 3% |
| Employees with RIDDOR reportable accidents | | |
| Publishing | 0 3% | 0 6% |
| Printing | 1 9% | 2 4% |
| Total | 0 4% | 0 7% |
| Total working days lost through accidents | 538 | 865 |

Table 2

| | **Accident Rates per 100,000 employees** | |
|---|---|---|
| | **JP Group** | **National Average** |
| Fatal accidents | 0 | 0 7 |
| Major accidents with over 3 days absence | 382 | 562 |
| Lost days per person | 0 07 | 0 26 |

# Corporate Social Responsibility - continued

The Group also has a rolling programme of independent audit visits covering property and Health & Safety risks These visits are targeted on the locations which have the highest risk profile along with a sample of other sites Detailed reports and recommendations are produced after each visit which require follow up and implementation by local management This process is monitored by the Group Management Board

**Employee Involvement**
It is the policy of the Group to encourage and develop all members of staff to realise their maximum potential The Group's policy is that, wherever possible, job vacancies are advertised on the Group intranet and internal notice boards so that we maximise the number of positions filled from within the Group and create adequate opportunities for internal promotion

The Group recognises that a diverse, involved and engaged workforce adds clear value to our employees, our business, our customers, our shareholders and the communities we serve

The Group fully supports the principle of equal opportunity for all and opposes all forms of illegal or unfair discrimination In 2006 a Group Diversity Manager and local Diversity Co ordinators were appointed with the aim of having a workforce that reflects the communities they serve We have already improved links with ethnic minorities and introduced a bursary scheme which aims to give financial support to those from deprived backgrounds or ethnic minorities who wish to follow a career in journalism Discrimination on the basis of age has also been specifically addressed following the introduction of UK legislation We have introduced a new Age Discrimination Policy, revised existing policies, delivered management training and briefed employees to ensure we meet our legal obligations

It is also the policy of the Group to give full and fair consideration to the recruitment of disabled persons Where disabled persons are employed, their training, including training for alternative work of employees that become disabled, and development for promotion are encouraged and assisted Expert advice is taken on the needs of disabled employees and special equipment is provided where appropriate

Open and continuous communication is an important part of the engagement process and this is achieved through a variety of channels – six monthly presentations, functional meetings, workshops and conferences as well as digital and written forms of communication Collective involvement is achieved through local forums and meetings with recognised unions

As a result of the acquisition of companies in the Republic of Ireland in 2006, we are about to elect a Special Negotiating Body in order to establish a European level communication and consultation process

The development of our people remains a priority and we have continued to invest heavily in off the job training programmes and side by side coaching In 2006 we delivered 86 different courses and in excess of 12,000 training days covering all aspects of our business, including Advertising Sales, Editorial, Digital Media, Leadership & Management, Finance, Health & Safety, IT and HR In 2006, we trebled the number of dedicated Commercial Trainers and in order to achieve our Digital Strategy committed to a significant investment in Editorial training Each year the Group recruits and trains approximately 100 trainee journalists and places them on a 2 year training programme in order to achieve full NCTJ certification

Leadership capability at all levels of the business is important to our future success and we continue to succession plan and develop our leadership talent in order to ensure we meet our current and future needs

In order to measure the level of employee engagement across the Group, we have piloted an Engagement Survey and this will be rolled out in 2007 The purpose of the survey is to measure the level of employee engagement and to identify areas for improvement at a departmental, company and Group level

The Group continues to prioritise employee retention and in order to gain a better understanding of staff turnover in our Advertising Departments we have introduced a detailed and structured electronic exit interviewing process to gather information on a Group wide basis

The overall staff turnover for the Group has increased marginally from 17 1% in 2005 to 17 3% in 2006

Group personnel policies are designed to ensure that all employees are made aware on a regular basis of the Group's policies, programmes and progress Extensive use is made of the Group intranet and notice boards with an e newsletter being published to coincide with the publication of the Annual Report and Accounts The Company operates a number of share schemes as outlined in the Directors' Remuneration Report on pages 52 to 59

**Disability Access**
As part of our ongoing property and Health & Safety audits we continually review the provisions made at all of our locations to ensure that we do not discriminate in terms of access against disabled customers Solutions have been put in place involving modification, removal, avoidance or circumvention of potential barriers at all of our locations We also ensure that any refurbishment or upgrading to our premises, where practical, takes into account the need to enhance access for all of our disabled customers With reference to the increased importance of our digital publishing activities, the Group develops its core internet sites to W3CA Disability Standards and this is authenticated through Watchfire All pages are developed to W3C XHML standard In addition to W3CA standards, we avoid table layout and use CSS 2 0 to improve readability for screen readers Every internet newspaper site has a sitemap that enables easy navigation on screen readers The Group has a Disability Access policy which has been added to our policy and procedures manual

**Community Involvement**

Readers rely on local newspapers being at the heart of their communities breaking major stories, campaigning on a wide variety of issues and spearheading fund raising initiatives Johnston Press titles together with their websites are at the heart of local affairs, representing the interests of their local communities and acting as a catalyst for hundreds of charity campaigns

The work of Johnston Press newspapers and websites in the communities they serve is epitomised by the example of the Mansfield Chad – which this year provided its 274th dog to guide a blind person The paper set up its Guide Dogs for the Blind fund in 1963, asking readers to help it raise the £250 needed at that time to provide and train one dog So successful was the appeal, the paper decided to keep the fund going Since then the cost for each dog has gradually increased and now stands at £2,500 Chris Dyson, Special Projects Manager for the Guide Dogs for the Blind, said "We would like to say a huge thank you to the Chad and its readers The fantastic fundraising effort helped pay for the training of guide dogs – transforming the freedom, mobility and independence of many blind and partially sighted people"

Each year our newspapers get involved in a wide range of charitable fund raising campaigns, having raised millions of pounds over the years for good causes Backed by their websites, the local publishing centres not only support good causes, they also campaign on issues on behalf of their communities standing up for the wronged and leading by example The enormous support local newspapers give to charities was demonstrated in a letter sent to the Harrogate Advertiser from the chief executive of the local hospice on his retirement He wrote "Good publicity is our lifeblood and you have kept us in the public eye throughout To my personal thanks for responding so positively and consistently, I would add those of the many patients and relatives – they are really indebted to you"

The emerging importance of websites has come to the fore with a number of them being involved in community initiatives One example was the Preston site run by the Lancashire Evening Post being used for a news idol competition with the winner reading the news on our own channel, LEP TV

Our larger Scottish titles have all been involved in major issues The Scotsman launched a successful campaign to get the Scottish Executive to commit to a new River Forth Crossing and was at the heart of the Spirit of Scotland Awards which voted the then Scotland football manager Walter Smith "the Top Scot" Musician Paolo Nutini, writer Alan Spence and TV chef Gordon Ramsay were among the other winners Scotland on Sunday ran a Backing Burns campaign to save the historic Alloway cottage Like the Scotsman, the paper has major plans to be at the centre of this year's elections to the Scottish Parliament and, in particular, the vitally important debate over the future relationship between Scotland and England The Edinburgh Evening News – named Scottish Newspaper of the Year at the Scottish Press awards ran campaigns over parking costs, council playing fields and the expense of councillors' taxi bills

Health issues provide a major source of community campaigns The Sunderland Echo got parliamentary support for its campaign to protect 999 crews from assaults More than 4,000 people marched in protest and 6,000 signed a petition against plans to move the National Children's Hospital in Dublin – a campaign spearheaded by the Tallaght Echo The Hemel Gazette supported a bed push protest against cuts and the Buckingham Advertiser joined forces with sister paper the Bucks Herald to petition Health Secretary Patricia Hewitt over planned cuts At Leamington Spa the Courier fought a proposal to close a baby unit The Stamford Mercury also ran a successful campaign against hospital closure plans as did the Ripon Gazette Similar campaigns were launched by our papers in West Sussex, Grantham and Burnley

The Burnley Express also successfully fought plans to axe one of the two fire engines at Padiham The sister title at Nelson was also instrumental in saving local fire stations from closure

The Bedford Times & Citizen ran a campaign to ensure the continued provision of accident and emergency services at its hospital Five Morton Newspaper titles in Northern Ireland joined forces to run a campaign for the Southern Area Hospice The editor of the Hastings Observer was among a delegation who met Prime Minister Tony Blair expressing concerns about plans to downgrade the town's hospital More than 40,000 people signed a petition and 7,000 attended a protest rally Save our Services was the message from the Hartlepool Mail, out to protect services at the University Hospital in the town and backed by a 34,000 name petition Another successful campaign against the closure of a respite centre was run by the Lancashire Evening Post

Road issues – particularly involving safety – formed the basis for campaigns run by a number of titles The Sheffield Star's campaign to ease the city's traffic gridlock resulted in the editor being asked to get involved in an official group drawing up an action plan There was a change in the law as a result of the Northants Evening Telegraph's campaign to get tougher sentences on drivers who cause death by careless driving following the death of a teenage girl The death of a schoolgirl in a road accident prompted a successful campaign by the Kilsyth Chronicle for a pedestrian crossing Staff at the Leitrim Observer also ran a major road safety campaign as did the Fenland Citizen, the Wetherby News and the St Helens Reporter The Suffolk Free Press was singled out for praise by a top fire officer for a similar road safety effort

At the Kirkintilloch Herald, staff fought to save the town hall, a popular community venue which was under threat There was support from every political group for an Ulster Star campaign to save a specialist school and The Portsmouth News – hard on the heels of winning a national Arctic Star campaign medal for war veterans – has been campaigning against possible cuts at the Portsmouth Naval base

## Corporate Social Responsibility - continued

Two tons of luxury items squeezed into 900 shoeboxes was sent out to Lancashire soldiers based in Iraq and Afghanistan over Christmas as a result of an appeal by the Blackpool Gazette in conjunction with the Royal Marine Association

Readers of the Hemel Gazette were urged to Dig Deep – supporting a campaign to fund a new hospice in Berkhamsted So far £375,000 has been raised A 'Light for a Life Appeal' backed by the Wigan and Leigh Reporters supported the good work of a hospice as well The Worksop and Dinnington Guardian – the winner of two Newspaper Society circulation awards was involved in similar action, supporting a children's hospice The weekly Sheffield Telegraph backed an event which raised £150,000 in less than 12 weeks to safeguard the future of a local cancer care centre This was also supported by the former Home Secretary, David Blunkett, who handed over the cash on the paper's behalf The Bury Free Press is also involved in raising £18,000 for a hospice

Around £60,000 was raised by the Lynn News to fund a floodlit helipad for the local air ambulance to use Having done that the paper has embarked on another campaign, to raise £125,000 to buy a faster lifeboat for the RNLI at Hunstanton

In Leeds, the Yorkshire Evening Post raised more than £40,000 for two hospices And the Edinburgh Evening News helped sick children by raising £100,000 for a drop in centre Lancaster Guardian readers helped raise £500,000 towards the building of a new cardiac unit at the Royal Lancaster Infirmary

Two year old Kelan Cassidy from Lennoxtown was born with a rare brain condition and was able to go to America for specialist treatment after Kirkintilloch Herald readers raised more than £10,000 Terminally ill Anna Cahoon (nine) got a specialised powered wheelchair as a result of a £17,000 fund raising campaign by the Larne Times and the Lurgan Mail ran a similar campaign for a local child with cerebral palsy The Derry Journal helped a baby in need of a life saving bone marrow transplant get to Germany for the operation

The Luton Herald & Post's fundraising campaign for Luton and Dunstable Hospital raised £320,000 The Cumbernauld News forged a partnership with a bank to sponsor community projects with cash and The Falkirk Herald ran a youth project with Falkirk FC In Eastbourne, the Herald led the way in helping the local MS society raise £11,000 for a new mini bus

Many of our titles have been involved in highlighting positive issues The Sunderland Echo ran a Wear 1 campaign to celebrate all that is good about the area Wigan entertainment legend George Formby now has a statue in his hometown after a campaign by the Wigan Observer and the decision to end 129 years of tradition and close Blackpool's North Pier theatre provoked strong opposition by the Gazette Scarborough's historic seafront theatre The Futurist was saved from abandonment by the local council thanks to the issue being highlighted by the Evening News, which also launched a 'Fix It' campaign backed by Sir Jimmy Savile The Whitby Gazette, Dewsbury Reporter and Milton Keynes Citizen all ran pride in their town events, The Limerick Leader ran Limerick Person of the Year awards, Leinster Express staff celebrated the paper's 175th anniversary with People of the Year awards and the Longford Leader launched a shop front challenge with awards to the best looking properties

Halifax Town's Shay football ground was saved from being sold after club supporters backed an Evening Courier campaign

The Daventry Express campaigned against graffiti resulting in five arrests

A Gardening for Gold campaign by the Garstang Courier got the town a gold medal in the Britain in Bloom competition The Derbyshire Times supported a similar initiative

The Yorkshire Post which fought to protect 'real' Wensleydale cheese, warning against cheap imitations, was also behind a major campaign to get a fair deal for farmers, prompting Government action

At Doncaster a joint initiative between the Free Press and local police has involved naming and shaming kerb crawlers – a move that has won support from residents, whilst the Shields Gazette stopped the illegal use of local roads in a 'minimoto menace' campaign

The Northampton Chronicle & Echo used a website vote to run a major community campaign to transform the town's Racecourse open space Its sister paper, the Northants Evening Telegraph, ran a highly interactive reader campaign asking people to choose from a list of the seven worst anti social issues affecting their lives As a result Corby Council spent £40,000 clearing away fly tipping rubbish In Bridlington, the Free Press ran a similar campaign to 'Build a Better Brid'

The Market Rasen Mail marked its 150th anniversary with a community hero awards and presentation ceremony

The Wakefield Express is behind an effort to encourage reading across the city to address poor literacy levels

The Limerick Leader was the first paper in the Republic of Ireland to start an ethnic notes page, printing stories each week in Polish, Slovakian, Chinese, Spanish, African, Romanian and French

The Biggleswade Chronicle ran a project with schools in the run up to the World Cup finals Isle of Man Newspapers hosted its own version of the World Cup attracting representative teams from across the world

The plight of the victims of the Farepak Christmas saving club sparked a fund raising effort by Isle of Man Newspapers, raising more than £11,000 to provide cheer for 54 victims The Whitby Gazette, backed by the Lions organisation, raised £30,000 The Kilkenny People organised an attempt to hold the world's biggest carol concert and set a European record with 3,800 people attending – raising 15,000 euros for charity

The Dundalk Democrat backed a climb of Mount Kilimanjaro raising 100,000 euros for local charities The Peterborough Evening Telegraph raised £30,000 to help quake victims in Pakistan

Johnston Press newspapers continued to be at the forefront of breaking news stories during 2006 The Newsletter in Belfast was at the heart of the political debate as the British and Irish governments struggled to restore the Northern Ireland assembly Paramilitary Michael Stone, who staged a violent assault on the Stormont Assembly, subsequently wrote to the Newsletter from prison to justify his actions

The Yorkshire Post was first to reveal that one of the men accused of the murder of a Bradford police officer had fled the country wearing a veil and using his sister's passport

Websites featured prominently in the way editors broke exclusive stories during the year One of the website successes of the year was the Lancashire site at Preston which won the Digital Innovation Award at the Newspaper Society's Advertising and Digital Media Wards Pictures of a fireworks factory explosion in Sussex were first revealed on a website as was the Irish Sea helicopter crash tragedy which claimed six lives, including three from Lancashire A scaffolding collapse which resulted in workers being trapped was first revealed on the Milton Keynes site A visit by the Queen to Biggleswade got similar online treatment and was backed up in the weekly paper Pictures of a tornado which hit a village were first shown on the Stamford site

One of the major personal achievements of the year was completed by Belfast Newsletter feature writer Geoff Hill, who completed a 16,000 mile motorbike journey from Chile to Alaska, having written a series of articles on the way

By way of summary, the Group has facilitated fund raising campaigns that have raised £3 6m in the last year, have given free space to community or environmental campaigns to the value of £1 5m and have given discounts to charity advertisers of £0 3m

**Customer Services**

It is Group policy to provide the highest standard of service to all of our customers Each operating company has staff appointed to respond to all customer enquiries There are strict procedures for resolving customer complaints or queries regarding service and these are carefully monitored by management

Local management in each operation are responsible for ensuring that their companies and all their employees comply with the requirements of all customer and competition related legislation It is Group policy that the interests of Johnston Press only ever require strict compliance and no one in the Group has authority to give any order or direction that would result in a violation of this policy To monitor this and for training purposes, the Group undertakes mystery shopping exercises

The Group has also developed a series of customer service related metrics which are being rolled out across the Group We have also commissioned independent audits of our customer services in an effort to drive continual improvement The Group Sales Charter introduced in 2004 has become enshrined in our operations to ensure that our customers and advertisers are always dealt with in a fair and equitable manner and the terms of trade are published in the Group's newspapers Equal attention is paid to the service that we provide to our readers with each editor directly responsible for any complaints The Editorial Review Group, a body of senior Group editors, also meets regularly to discuss editorial policy and issues related to content The Group also conforms to the Press Complaint Commission guidelines

**Environmental Policy**

The Group acknowledges that the protection of the environment is one of its key corporate responsibilities We aim to comply with all relevant regulations and see the identification, management and control of environmental risks as being an implicit requirement for adherence to the Corporate Governance Combined Code

Back in 2002 a scoring methodology and audit programme was developed by independent environmental risk consultants to facilitate the ongoing monitoring and control of our policies and procedures Extensive training was carried out and a rolling programme of internal audits of environmental impacts and risks was introduced Additionally audits by external independent consultants have continued in order to verify the findings of these internal reviews Detailed reports are produced after each visit and the implementation of all recommendations is monitored by management

The Group continues to benefit from its investment in more energy efficient equipment as well as the time and effort put into the monitoring and control of energy consumption The equipment introduced for this control has enabled the Group to continue to benefit from rebates against the Climate Change Levy Tax

2006 was a significant year for Johnston Press in terms of ongoing efforts in the field of energy management

Looking first at electricity, the enlarged Group's annual consumption was 59 6m kWh Of this 14 6m kWh related to those businesses acquired in the second half of 2005 and in January 2006 On a like for like basis, as can be seen in the table below, our electricity consumption decreased by 2 6% Within that number there are two significant influences, firstly the one-off negative impact of establishing and building up volumes at our new press facility in Dinnington, inevitably this initial phase is inefficient, and secondly the ongoing benefit of closing the older inefficient presses that Dinnington replaces We should see the full benefit of this in 2007

If we were to include the acquired businesses, the total electricity consumption in our printing centres was 40 8m kWh During the year we processed 143 3k tonnes of newsprint through our major print centres with an average consumption of 284 8 kWh/tonne, an increase of 11 9% This apparent increase has been caused by a number of factors

During the course of the year we moved the majority of our printing onto 42 5gsm paper and standardised on a narrower web width This saved approximately 7 3% of our newsprint in terms of weight but did not reduce the number of pages processed through our presses Adjusted for this the kWh/tonne would have been 264 0, a 3 7% increase over 2005 As mentioned previously, this increase is the inevitable consequence of the inefficient start up and shut down of the presses associated with the transfer of work to Dinnington as well as the effect of limited energy efficiency programmes being in place at the acquired press centres

Gas consumption, both on an absolute and productivity basis, decreased sharply The closure in 2005 of the old heatset press in Portsmouth and its replacement with the more efficient press at TSPL helped this, as did removing the inefficient services at the closed press halls It should also be mentioned that the milder winters have contributed to this reduction

The Group also saw significant reductions in its usage of water which is directly attributable to two developments, firstly the Group's investment in computer to plate technology, which removes the need for the "old" imaging process which was a heavy user of water, and secondly the recycling developments at Dinnington, the details of which are below Energy consumption details are summarised in Table 3 below

The Group continues to make excellent progress in achieving the target set out in its Energy Management Policy, which was adopted in 2003, for a 7% reduction in consumption on a like for like basis over the period to 2010 In fact, electricity consumption on that basis since 2002 is already down by 6 7% Gas consumption in the same period is down by 36 3% Budgets for 2007 have been set to encompass a further 1% reduction in consumption

Following on from 2004 when we undertook the first review of our motors fleet, progress has continued to be made in 2006 The details of this are set out in Table 4 below

The increase in the fleet was mainly down to the acquisitions made in the year and although the fleet increased by 7 6% the CO2 rating only increased by 5 2% as we continue where practical to purchase lower rated cars The average CO2 rating of the fleet decreased by 2 3% to 168

**Dinnington/New Initiatives**
With the measurement and auditing of environmental impacts firmly in place, this year saw the launch of several new initiatives to actively reduce the consumption and waste generation at the Group's printing operations

The new printing centre at Dinnington was the first employer to move onto the multi environmental award winning former coalfield site As part of the coalfield regeneration plans, all the

Table 3 Consumption of energy on a like for like basis in 2006

| | 2006 | 2005 | % | 2004 | % | 2003 | % |
|---|---|---|---|---|---|---|---|
| **Electricity** | | | | | | | |
| kWh total Group | **44,950,859** | **46,141,152** | 2 6 | 46,662,532 | 1 1 | 47,558,773 | 1 9 |
| print centres kWh/tonne | **284.8** | **254.5** | +11 9 | 258 0 | 1 4 | 274 6 | -6 0 |
| **Gas** | | | | | | | |
| kWh | **21,651,744** | **29,423,242** | 26 4 | 31,564,320 | 6 8 | 33,974,515 | 7 1 |
| print centres kWh/tonne | **124.3** | **147 4** | 15 7 | 164 5 | 10 4 | 201 9 | 18 5 |
| **Water** | | | | | | | |
| $m^3$ | **109,695** | **121,587** | 9 8 | 123,923 | 1 9 | 118,751 | +4 4 |
| print centres $m^3$/tonne | **0 55** | **0 59** | 6 8 | 0 61 | 3 3 | 0 66 | 7 6 |

Table 4 Motor vehicle data

| | **Total 2006** | **Acquisitions 2006** | **Existing 2006** | 2005* | % | 2004 | Like for like % | 2003 | % |
|---|---|---|---|---|---|---|---|---|---|
| Total Fleet (No of vehicles) | **2,109** | **148** | **1,961** | 1,960 | 0 0 | 1,852 | 1 6 | 1,817 | 1 9 |
| Total Fleet $CO_2$ rating | **355,145** | **25,195** | **329,950** | 337,726 | 2 3 | 325,237 | 3 4 | 325,223 | – |
| Average $CO_2$ rating | **168** | **170** | **168** | 172 | 2 3 | 176 | 2 3 | 179 | 1 7 |

*Adjusted to include acquisitions completed in December 2005 environmental effects of 100 years of mining have been cleaned and new wildlife, leisure and industrial spaces created

The new press line at Dinnington, which was commissioned using the latest energy reducing drive technology has, as mentioned earlier, allowed five older less energy efficient press lines to be removed The building housing the new press was designed to maximise the use of natural light and heat, and again replaces five less efficient environments

Virtually all the paper processed at Dinnington comes from 100% recycled fibre, and the old cardboard reel cores have been replaced with reusable fibre cores that are returned to the paper mill after printing On site recycling equipment has been installed to allow water and solvents used in the printing process to be cleaned and reused In addition bulk storage of printing materials was included within the building design which has led to reduced raw material transport requirements

Dinnington along with other Group print centres is on course to achieve a 10% reduction in oil based ink usage through the installation of the latest computer controlled pre press technology Further investment in its mailroom activities has allowed the Group to continue to decrease its usage of plastic based packaging materials

**Newsprint**
As part of its ongoing commitment, as agreed with the Government, the industry, through the Newspaper Society, has continued to raise the target for the recycled content of newsprint used in the production of UK newspapers Against a target of 67%, the actual figure achieved was 80%

Newspapers cannot be recycled indefinitely due to the process requiring some virgin fibre to maintain paper strength All virgin fibre comes from renewable managed softwood coniferous forests, which themselves are carefully monitored and certified

**Emissions to Air**
The only emissions to air within the Group are associated with heatset presses To facilitate the expansion of our Portsmouth Printing operations, an old heatset press has been closed and that capacity within the Group has been replaced by a more modern heatset press at Caledonian Offset Limited (COL), which became part of the Group through acquisition of The Scotsman Publications Limited COL complies with and exceeds the requirements of its permit under the Pollution Prevention and Control Act 1999 Annual independent servicing and testing of the Katec Oxidiser used on the heatset press is carried out to ensure compliance with all regulations which are governed by the Scottish Environment Protection Agency (SEPA) SEPA also carries out regular inspections, the most recent being 28 September 2006 when no compliance issues were found and a favourable report achieved By way of comparison, the system employed at COL is significantly more efficient than that on the press now closed at Portsmouth It removes 99 96% of Volatile Organic Compounds (VOC) present in the process and VOC's emitted to air have been reduced by 36% compared to Portsmouth to 1 6mg/Nm$^3$ This compares very favourably to the regulatory requirements of 50mg/Nm$^3$

The operation continues to seek ways of reducing solvent usage as part of its Solvent Management Plan, testing and substituting whenever possible low solvent and non VOC products as they become available

**Waste**
The Group adheres to the requirements of the Producer Responsibility Obligations (Packaging Waste) Regulations 1997 The Group employs an industry recognised recycler to handle process waste and all non paper waste is handled through them This has been a very successful operation encompassing safe removal of waste with a transparent audit trail and an ISO 14001 accreditation

In addition, the paper based waste is now removed and recycled through a Group wide arrangement with one of our major newsprint suppliers Companies with no printing facilities are only required to account for any packaging utilised prior to delivery to the customer

The Group is committed to ensure that its recycled newsprint goes into the production of new newsprint and random audits confirm this position

All categories of waste are measured and monitored and systems are in operation, including an independent audit, to ensure that all waste is correctly disposed of Initiatives to reduce waste production are constantly evaluated Projects to re cycle press and pre press chemistry are underway, and the reduction of packaging has continued through further investment in recyclable fibre packaging and bulk raw material

**Acquisitions**
Recent acquisitions have been audited for energy efficiency and waste management The necessary investment is underway to bring them in line with Group standards

**Carbon Footprint**
Recognising the increased awareness of climate change and every corporation's responsibility to manage its carbon footprint, the Group has established a Carbon Footprint Task Force which will operate along similar lines to the Health & Safety Committee The remit of the Task Force will be to

i) Establish the extent of our current carbon footprint and introduce measurement and monitoring processes going forward
ii) Drive initiatives to reduce our carbon footprint across the Group
iii) Investigate and implement programmes which promote the use of sustainable resources
iv) Champion and communicate programmes to reduce energy consumption across the Group

The Committee will be chaired by the Chief Financial Officer

**Shareholders**
Members of the Board (Executive and Non Executive) have met a number of shareholders during the past year to discuss Corporate Social Responsibility matters and to address any questions raised by them

# Directors' Remuneration Report

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved

**The Remuneration Committee**
The Committee is chaired by Mr S J Waugh, an independent Non Executive Director, and in 2006 comprised two other independent Non Executive Directors, Mr P E B Cawdron and Mrs M A King It is required to meet at least annually and as necessary During the period it met on six occasions, four meetings being held by telephone All its members were present for each meeting

The Committee is charged with recommending the remuneration of the Chairman and Executive Directors as well as changes to employment conditions, the Executive Share Option Schemes, Share Incentive Plan, Long Term Incentive Plans and the Save as you Earn Scheme, together with the introduction of any new incentive or remuneration schemes The performance measurement of the Executive Directors and the determination of their annual remuneration packages are undertaken and approved by the Committee The Committee is consulted on, and notified of, all senior management appointments and related remuneration It is also consulted on major organisational changes

The remuneration of the Non Executive Directors, other than the Chairman, is determined by the Executive Directors and ratified by the Board

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day to-day involvement in running the business The Committee makes recommendations to the Board Other directors attend meetings when invited by the Committee and the Company Secretary acts as secretary to the Committee No director plays a part in any discussion about his or her own remuneration

The Committee has appointed New Bridge Street Consultants LLP (NBSC) to provide advice on structuring directors' remuneration packages NBSC advised the Committee on the adoption of the new Performance Share Plan and amendments to the Share Matching Plan as approved by shareholders at the 2006 AGM, but did not otherwise provide any services to the Company in 2006 NBSC also advised the Committee in connection with the changes to be made in 2007 The terms of engagement between the Company and NBSC are displayed on the Company's website in the Investor Relations section

There is an ongoing training programme for the Committee which consists of an annual update on any changes in regulations and also best practice In addition, each member of the Committee attends various seminars throughout the year Other specific training is arranged as required

As explained on page 42, the Board undertook an evaluation of its performance during the year This included a review of the effectiveness of this Committee considering its composition, chairmanship, whether it fulfilled its role as outlined in the terms of reference, its reporting and overall performance This evaluation process was undertaken by the Committee itself as well as by all members of the Board The results of this process were positive and confirmed the effectiveness of the Committee

The terms of reference of the Committee are displayed on the Company's website in the Investor Relations Section

**Remuneration Policy**
Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's strong market position and to reward them for enhancing long term value to shareholders

Throughout 2006 there were five main elements of the remuneration package for Executive Directors and senior management

- Basic annual salary and benefits,
- Performance related bonuses,
- Performance Share Plan,
- Share Matching Plan,
- Pension arrangements

As explained below, the Share Matching Plan was suspended with effect from 1 January 2007

The Executive Directors have a one-year rolling contract The most recently executed contracts for Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade are dated 27 June 2003, 24 May 2001 and 27 February 2006 respectively In the event of termination, the Executive Directors would be entitled to remuneration for the notice period, subject to mitigation

Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the Annual General Meeting

The appointments of Non Executive Directors of the Company are terminable at will, subject to a three month notice period It is the Committee's policy that any future Board appointments will be made on the same terms The Non-Executive Directors have letters of appointment dated

| | |
|---|---|
| Mr R G Parry | 27 June 2003 |
| Mr P E B Cawdron | 25 January 2002 |
| Mr F P M Johnston | 25 January 2002 |
| Mr H C M Johnston | 25 January 2002 |
| Lord Gordon of Strathblane | 25 January 2002 |
| Mrs M A King | 25 April 2003 |
| Mr S J Waugh | 25 April 2003 |
| Mr L Hinton | 16 March 2005 |
| Mr I S M Russell | 14 January 2007 |

A copy of the standard letter of appointment for the Chairman and Non Executive Directors is displayed on the Company's website in the Investor Relations section

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related As described below, Executive Directors may earn annual incentive payments together with the benefits of participation in share schemes

Executive Directors are entitled to accept up to two Non Executive appointments outside the Company providing the Chairman's permission is obtained The Remuneration Committee decides whether any fees are retained by the director In addition, the Executive Directors are entitled to accept any positions connected with the newspaper industry or any businesses in which the Company holds an investment

In 2006, Mr T J Bowdler and Mr S R Paterson held external non-executive posts and received £73k and £29k in fees respectively

During 2005, with the assistance of NBSC, the Committee conducted a full review of the remuneration of the Executive Directors and of the incentive arrangements for all executives, taking into account the Company's circumstances and objectives, market practice in both the media sector and in companies of similar market capitalisation, investor guidelines and changes in accounting standards Full details of the review were provided in the Directors' Remuneration Report in the 2005 Report and Accounts This Report was approved at last year's Annual General Meeting and fully implemented

At the beginning of 2007 the Committee met to review the remuneration policy in the light of the difficult trading conditions facing regional newspaper groups due to the downturn in advertising revenues and its impact on the existing arrangements, which are largely based on EPS growth The objective of this review was to ensure that the Group's incentive policy will motivate, incentivise and retain Executives going forward While there are no plans to change the terms of the outstanding awards, the Committee wished to recognise the difficult advertising environment, the transition that the business needs to undertake in terms of investment in digital publishing whilst at the same time seeking to align the long term interests of the Executive with those of the investors in terms of required returns

The remuneration policy in 2006 is outlined below after which there is a section that details the changes that have been made for 2007 It is important to stress that there will be no increase in the expected or target value of the remuneration packages of the Executive Directors The Committee is satisfied that the revised targets are considered as demanding and challenging as the previously EPS related conditions were when they were first introduced

**Basic Salary**
An Executive Director's basic salary is determined by the Committee prior to the beginning of each calendar year and when an individual changes position or responsibility In deciding appropriate levels, the Committee considers the Group as a whole and relies on objective research carried out by its external consultants which gives up to-date information on comparator groups of companies As a benchmark, it aims to pay broadly at the median level

In addition to basic salary, the Executive Directors receive certain benefits in kind, principally a car or a cash buyout and private medical insurance

With effect from 1 January 2007 the salaries of Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade were increased by 3% to £556,200, £350,208 and £314,160 respectively

**Performance Related Bonus**
The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid In setting the appropriate bonus parameters the Committee, having taken advice, takes into account the Company's internal budgets and analysts' expectations for the forthcoming year The Committee believes that this ties any incentive payments to the interests of shareholders The structure of the bonus scheme was revised from 1 January 2006 to make the bonus potential more comparable with companies of a similar size, but with tougher targets than previously The maximum bonus level was increased to 100% of salary Effective from the same date, all Executive Directors are required to invest at least 40% but no more than 60% of their bonus in the Share Matching Plan

For the 2006 calendar year, 75% of the bonus was based on a profit target, which was set by the Board on the recommendation of the Remuneration Committee The remaining 25% of the bonus was based on individual key performance targets, which were specific and clearly measurable

Half the profit related bonus was payable on achievement of a challenging target with additional sums payable on a sliding scale up to the maximum of 75% of salary If the target was not achieved, bonus would be lost at twice the rate of the sliding scale on the upside

Given the projected difficult trading conditions at the beginning of the year, the target was set by the Board to maximise cost savings that would not impact the long term future of the Group An element of non recurring costs was assumed and it was agreed that any additional costs of this nature would be excluded in assessing performance

A proportion of the profit based element was paid, which amounted to 24 7% of salary

The individual key performance targets varied by Executive Director These included revenue, circulation, digital developments, performance of the acquired businesses, cost savings and cashflow, together with specific individual projects Of the maximum 25% of salary, the following percentages were achieved by the Executives

| | |
|---|---|
| T J Bowdler | 19 0% |
| S R Paterson | 23 4% |
| D Cammiade | 19 0% |

The Board retains the discretion to recognise performance outside this arrangement where exceptional circumstances apply, but any such discretion is restricted to a total bonus, including the performance related element, of 25% of salary No discretion was applied in 2006

**Share Schemes**
The Company operates a number of Share Schemes and these are described below

a) A Performance Share Plan (PSP) with awards being shown below and in note 32 to the financial statements The first awards were made after shareholders approved the Plan at the Annual General Meeting in April 2006 The Plan replaced an Executive Share Option Scheme which has a number of share options outstanding but it is not proposed to approve any further grants under this Scheme

Under the rules of the PSP, Performance Shares may be granted over a three year performance period to the Executive Directors and Senior Executives on an annual basis With regard to the Executive Directors, the initial maximum value of Performance Shares awarded is 100% of salary, but the scheme rules permit 125% as a normal maximum and 150% of salary in exceptional circumstances

50% of the initial award of Performance Shares will vest based on compound real growth in the Group's underlying earnings per share (EPS) 25% of this allocation will vest on an EPS growth of RPI plus 3% per annum up to 100% of the allocation for an EPS growth of RPI plus 8% per annum, with a sliding scale between the lower and upper limits

The remaining 50% of the initial award of Performance Shares will vest based on TSR performance relative to the FTSE 350 Media Companies The comparator group is specified in the rules of the Scheme and comprises the following companies, Aegis Group, British Sky Broadcasting Group, Daily Mail, Emap, EMI Group, Euromoney Institutional Investor, GCap Media, Informa, ITV, Pearson, Reed Elsevier, Reuters Group, Taylor Nelson Sofres, Trinity Mirror, United Business Media, WPP Group and Yell Group 25% of this allocation will vest if the Group achieves

# Directors' Remuneration Report - continued

the median TSR performance of the comparator group over the three year period with a 100% allocation if the Group achieves upper quartile performance and a sliding scale between the two levels

Following the vesting of any awards, a payment in shares and/or cash will be made equivalent to the dividend that would have been paid on the shares that vest during the performance period

When an award of Performance Shares is approved, the Company ensures that sufficient shares are purchased by the Johnston Press plc Employee Share Trust, administered by Lloyds TSB Offshore in Jersey, to meet the projected number of shares required at the end of the performance period

The other shares held by the Trust relate to the grant of Matching Shares referred to in c) below and the award of Restricted Shares to Mr T J Bowdler referred to in the pension arrangements section below

The number of shares held by the Trust to meet the outstanding Matching Share grants and awards of Performance Shares on 31 December 2006 was 635,594 In addition, the shares held by the Trust under the Restricted Share Award at 31 December 2006 amounted to 60,680

In the event of a change in control, all PSP awards will vest early to the extent that the performance conditions have, or would have, in the opinion of the Remuneration Committee, been satisfied up to the date of the relevant event Awards will also be pro rated to reflect the reduced period of time between the commencement of the performance period and the date of vesting relative to a period of three years, unless the Committee determines that a pro-rata reduction would be inappropriate in the circumstances

Options outstanding in the Executive Share Option Scheme are shown below and in note 32 to the financial statements All options are granted for nil consideration These options are only capable of being exercised if the compound real growth in the Group's underlying earnings per share is between 3% to 5% depending on the level of the grant In order to exercise a grant above 0 5 times or above 1 times salary, the growth in the Group's underlying earnings per share must exceed the growth in the retail price index by more than 4% or 5% points per annum respectively The Committee has decided that there will be no retesting of performance on any options granted after 1 January 2004 and performance will be measured over a single three year period For options granted prior to 31 December 2003, performance is always tested from a fixed base over a period of at least three years and may not be retested after the fifth anniversary of the option grant

The Company's policy has been to grant options at the discretion of the Committee taking into account the Group and individual performance The grant of options to the Executive Directors and all participants in the Scheme in any year has been based on a percentage of salary for achieving the Group profit target and an individual profit target, with the allocation increasing for performance above target up to a maximum level The maximum annual grants previously approved in this scheme were 1 5 times salary for Mr T J Bowdler and 1 2 times salary for Mr S R Paterson and Mr D Cammiade

The exercise price of the options granted under the Executive Share Option Scheme is equal to the market value of the Company's shares at the time when the options were granted

In the event of a change in control of the Company, any options granted are exercisable within one month of the option holders being notified of the change in control In such circumstances the performance conditions will apply However, in exceptional circumstances the Committee may, at its discretion, treat the performance condition as satisfied taking into account the underlying performance of the Company up until the relevant event

b) A SAYE Share Option Scheme for eligible employees under which options may be granted at a discount of up to 20% of market value Consistent with the legislation and normal practice, the SAYE Option Scheme does not require the imposition of performance conditions

The ten year term of the Johnston Press Group 1997 Savings Related Share Option Scheme has come to an end A proposal to introduce a new ten year Scheme will be considered at the Annual General Meeting and full details are outlined in the circular to shareholders dated 7 March 2007 The terms of the new Scheme mirror the existing scheme but updated to reflect best practice and current regulation

A Scheme was introduced during 2006 to provide employees in the Republic of Ireland with a similar benefit

c) A Share Matching Plan which applies to the Executive Directors and certain Senior Executives Participants must invest part of their annual bonus in buying shares in the Company and they have the prospect of receiving extra matching shares after three years, paid for by the Company The matching ratio ranges from 0 5 times to 2 times the number of shares that could have been acquired with the pre tax equivalent of the annual bonus invested, subject to achieving compound real growth in the Group's underlying earnings per share of between 3% to 8% per annum over a fixed three year period The Executive Directors are currently required by the Committee to invest at least 40% but no more than 60% of their annual bonus into the Plan

Amendments to the Share Matching Plan were approved by shareholders at the 2006 AGM that permitted a payment to be made (in cash or shares) on the vesting of an award equivalent to the dividends that would have been paid on the shares that vest during the performance period

When any grant of matching shares is approved, the Company ensures that there are sufficient shares to cover the projected number of shares required to meet the maximum match for the current year, together with the number of shares required to cover previous awards based on performance to date within the vesting period and projections for the coming year These shares are held in the Johnston Press plc Employee Share Trust The number of shares held by the Trust relating to the Share Matching Plan on 31 December 2006 was 235,594

d) A Share Incentive Plan (SIP) for all eligible employees The SIP is in two parts, a Partnership Scheme, which allows employees to purchase shares in the Company on a monthly basis in a tax efficient manner The second element is a Free Shares Scheme, which provides employees who have joined the Scheme with free shares The shares are held in a Trust, administered by Halifax plc, and after a period of five years the shares will be available to be held beneficially by employees free of any tax and national insurance For Free Shares, the Committee sets a minimum Group profit target and a base fund to be utilised to purchase shares in the Company Performance above the target generates additional amounts payable into the fund on a sliding scale up to a maximum payout The Free Shares are allocated to employees based on hours worked and are not pro rata to salary In 2006, the profit achievement did not meet the maximum target set by the Committee and therefore a restricted award was made

It is not possible to invite employees based in the Republic of Ireland to participate in the SIP A proposal to consider a scheme as close as possible to the Free Share Scheme will be considered at the Annual General Meeting Full details are outlined in the circular to shareholders dated 7 March 2007

The Company Secretary is responsible for ensuring the exercise criteria are met for all the Share Schemes and this is verified by the Committee The EPS performance criteria, which applies to all Executive Directors to whom options have been granted under the Schemes (except the SAYE Share Option Scheme) and to awards granted under the Share Matching Plan and one half of an award under the Performance Share Plan, was chosen as it requires significant improvement in financial performance before options / awards can vest The Committee will ensure that EPS is calculated on as consistent a basis as feasible The other half of an award granted to Executive Directors under the Performance Share Plan is subject to a TSR based performance measure, which the Committee considers align the interests of directors with shareholders by requiring superior total shareholder return performance compared to the companies in the comparator group

Options under b) above are satisfied by the issue of new shares As indicated above, the Company's Employee Share Trust currently holds shares purchased in the open market sufficient to meet awards under a) and c) Shares are purchased in the open market to satisfy the Free Shares award within d)

Executive Directors are expected to retain 50% of shares which vest under executive share plans, after allowing for sufficient sales of shares to meet tax liabilities, until a holding to the value of 100% of salary has been achieved

At 31 December 2006 the total amount of options granted, less lapsed, over new issuable shares under all option schemes over the previous 10 years was 4 0% of the issued share capital with a maximum limit of 10%

**Pension Arrangements**
Throughout 2006, the Group operated one main pension scheme for employees, the Johnston Press Pension Plan (JPPP), with defined benefit and defined contribution sections The defined benefit section is closed to new members Two schemes were transferred into the JPPP during the year On 3 January 2006, following a change in regulations, the remainder of the Regional Independent Media Pension Plan, representing deferred and pensioner members, was merged into the JPPP and on 1 November 2006 The Scotsman Pension Plan was likewise merged This latter scheme was inherited by the Group when it purchased The Scotsman Publications Ltd on 4 January 2006 The assets of the JPPP are totally separate from the assets of the Company and of the Group, and are invested by independent fund managers

A professional independent trustee and member nominated trustees are appointed to the pension scheme A firm of external actuaries and consultants act as advisers Pension scheme members receive a report from the trustees and a statement of their actuarial benefits each year The same was true of those schemes that have now merged into JPPP

Contributions to the JPPP (defined benefit section) are at a rate of 17% for all members with the exception of the members transferred from The Scotsman Pension Plan where a rate of 15 5% applies The executive section of the Plan provides for a retirement age of 62, a maximum pension of two thirds of salary based on either a 45th accrual rate or a full 2/3rds at retirement date, a member's contribution of 10 5% of salary with a spouse's pension of a third of pensionable salary in the event of death in service There are no provisions for beneficial rights on early retirement The employee and employer contributions were increased in 2005 to increase the funding level of the scheme which is currently in deficit

Mr T J Bowdler participates in the JPPP for a pension of two thirds of the scheme specific salary limit He also receives a contribution which is a total cost to the Company of 50% of salary per annum including the tax cost For the first quarter of 2006 this contribution was paid to an unapproved scheme, which after the tax cost was equivalent to a contribution of 27% of salary per annum For the rest of the year the contribution was paid to a defined contribution scheme up to the revised pension contribution cap effective from 6 April 2006 and as a salary supplement for the contribution above that cap These pension provisions were revised during 2002 and in order to compensate Mr Bowdler for the changes to his detriment, the Annual General Meeting in that year approved an award of 169,896 Restricted Shares to Mr Bowdler He is entitled to acquire a proportion of these shares every six months for a cost of £1 until 2009 No performance conditions apply to the Restricted Shares as they were granted to replace reduced pension rights Mr Cammiade is a member of the executive section of the JPPP Mr S R Paterson does not participate in the JPPP and the Company has agreed instead to make a contribution equivalent to 20% of his basic salary into his private pension scheme This contribution increases to 25% from his 50th birthday With effect from 1 January 2005, the Company has also agreed to match any additional annual contribution made by Mr S R Paterson, up to a maximum of 5% of salary

The changes to the pension regime which came into effect in April 2006 have not resulted in an increase in the overall cost of pension provision for the Group

Following the acquisitions in 2005, there are three final salary schemes in the Republic of Ireland Two are industry wide schemes and the third is for a small number of employees in Limerick There are no financial implications to the Group if these schemes are terminated The Group's obligation to these schemes is included in Long Term Provisions in note 26 The Group also inherited a number of defined contribution schemes

During 2006 the Group received approval for a new defined contribution scheme for the Republic of Ireland and all employees in that country were invited to join

**Non Executive Directors**
All Non Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non executive directors of similar companies The basic

annual fee paid to each Non Executive Director is £35,000 The Non Executives receive further fees for additional work performed for the Company in respect of the chairing of the Remuneration Committee and Audit Committee, together with the responsibilities as Chairman and Senior Independent Director Non Executive Directors cannot participate in the bonus plans or in any of the Company's Share Schemes and are not eligible to join the Company's pension schemes

**Senior Executives Below Board Level**
The five elements of the remuneration package are described on page 52 The salaries are determined by the Executive Directors after consultation with the Remuneration Committee based on individual roles and responsibilities The targets for the performance related bonuses are primarily profit related but also include personal performance based targets The maximum bonus for 2006 was 75% of salary Most of the Executives are members of the defined benefit section of the JPPP The Company contributes a maximum of 12% of salary to those who are members of the defined contribution scheme The Performance Share Plan and Share Matching Plan benefits are as described for the Executive Directors except the maximum level of PSP awards made in 2006 was 50% of salary The other difference applying to Senior Executives is that a minimum of 20% and maximum of 60% of the performance related bonus must be invested in the Share Matching Plan

**Changes in 2007**
As explained on page 53, following consultation with major investors, the Committee is making a number of changes to the remuneration policy for 2007 The first of the three changes is to suspend the operation of the Share Matching Plan, which is entirely EPS based and which the Committee considers will not motivate Senior Executives for the foreseeable future The second is to increase the level of annual bonus potential for Executive Directors with an increased deferral in shares Forfeiture provisions have been added for bad leavers The level of bonus and compulsory deferral has been increased to 150% and 50% respectively Of the 150% maximum bonus, for 2007, 35% of salary will be based on individual key performance targets The remaining bonus will be profit related and less than 50% of this element will now be payable for achieving a target set by the Board on the recommendation of the Remuneration Committee The remaining 50% of the profit related bonus will be payable for above target performance and the Committee has stretched the targets for achievement of full bonus In the current trading environment, the Committee considers that it will be easier to set meaningful relevant and robust annual targets rather than long term ones

The other change relates to the EPS target within the Performance Share Plan The TSR element of the PSP described above will remain The EPS related element of the PSP will be replaced with a target based on Return on Capital Employed (ROCE) The Committee has chosen this alternative to motivate the Executives to maximise the returns from the capital invested in the business and that the financial efficiency of the business is optimised ROCE is defined as profit net of tax but before interest divided by shareholders funds plus net debt For the 2007 award, 25% of the ROCE related part of the award will vest if, on average over the six half years in 2007 2009, ROCE exceeds the Company's Weighted Average Cost of Capital (WACC) by 2% For full vesting, average ROCE must exceed WACC by 4%, with there being pro rata vesting for intermediate performance In 2006 the Company's ROCE exceeded WACC by 2%

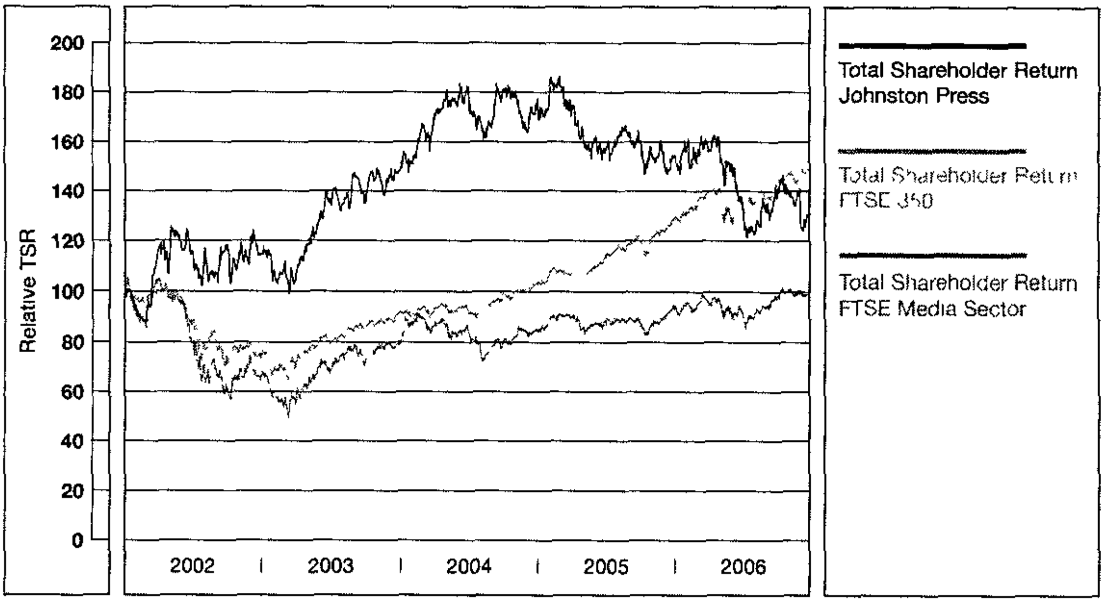
The Committee wishes to reserve the flexibility to change the ROCE targets for subsequent awards but they must be considered not materially less challenging in the circumstances than the ones set out above and will only be applied after consultation with major investors In addition, the Committee may vary the targets applying to existing awards to take account of exceptional events, including changes to accounting standards and significant acquisitions, provided that the Committee considers that the amended targets are fair and reasonable and that the targets are not materially less challenging than the original ones would have been but for the event in question

The structure of the ROCE based element will also apply to certain key Senior Executives and the maximum bonus and deferral for these Executives has been increased to 100% and 30% but this will depend on the level of seniority

**Performance Graph**

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE 350 and FTSE Media Sector also measured by total shareholder return The FTSE 350 and FTSE Media Sector have been selected for this comparison because the former measures the performance of stocks in general and the latter measures the performance of companies operating in the same sector as the Group

**5 Year Return Index for Johnston Press as at 31 December 2006**




**Directors' Remuneration Audited Section**

a) The total amounts for Directors' remuneration and other benefits were as follows

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Emoluments | **2,128** | 1,614 |
| Gains on exercise of share options* | **722** | 658 |
| Money purchase contributions | **284** | 190 |
| | **3,134** | 2,462 |

*All of the gains on the exercise of share options were "cashless" with the gain, after taxation, being converted into increased shareholdings for the executive directors

b) Directors' Emoluments

| | Salary/Fees | | Taxable Benefits | | Performance Related Bonus | | Total Emoluments | |
|---|---|---|---|---|---|---|---|---|
| | **2006 £'000** | 2005 £'000 | **2006 £'000** | 2005 £'000 | **2006 £'000** | 2005 £'000 | **2006 £'000** | 2005 £'000 |
| **Chairman** | | | | | | | | |
| R G Parry | **100** | 100 | – | – | – | – | **100** | 100 |
| **Executive Directors** | | | | | | | | |
| T J Bowdler | **540** | 490 | **24** | 19 | **236** | 113 | **800** | 622 |
| S R Paterson | **340** | 300 | **1** | 1 | **164** | 69 | **505** | 370 |
| D Cammiade appointed 16 March 2005 | **305** | 211 | **17** | 1 | **133** | 49 | **455** | 261 |
| **Non Executive Directors** | | | | | | | | |
| P E B Cawdron | **50** | 50 | – | – | – | – | **50** | 50 |
| Lord Gordon of Strathblane | **35** | 38 | – | – | – | – | **35** | 38 |
| L F Hinton appointed 16 March 2005 | **35** | 28 | – | – | – | – | **35** | 28 |
| H C M Johnston | **35** | 35 | – | – | – | – | **35** | 35 |
| F P M Johnston | **35** | 35 | – | – | – | – | **35** | 35 |
| M A King | **35** | 35 | – | – | – | – | **35** | 35 |
| S J Waugh | **43** | 40 | – | – | – | – | **43** | 40 |
| | **1,553** | 1,362 | **42** | 21 | **533** | 231 | **2,128** | 1,614 |

Taxable benefits include car, telephone, life insurance and health insurance

c) Pension Benefits

The following Directors had accrued pension benefits under the Group's defined benefit scheme

| | Years of pensionable service | Total accrued pension at 31 12 05 £'000 | Increase in accrued pension during year £'000 | Transfer value of increase £'000 | Total accrued pension at **31 12 06** **£'000** | Transfer value of total accrued pension at 31 12 05 £'000 | Transfer value of total accrued pension at **31.12 06** **£'000** | Increase in value of pension during year £'000 |
|---|---|---|---|---|---|---|---|---|
| T J Bowdler | 13 | 59 | 5 | 41 | **64** | 991 | **1,152** | 161 |
| D Cammiade | 16 | 103 | 18 | 196 | **121** | 1,426 | **1,712** | 286 |
| H C M Johnston | 12 | 17 | 1 | 4 | **18** | 285 | **299** | 14 |

Mr Cammiade and Mr H C M Johnston were members of the Group Pension Schemes before the introduction of the pensionable salary cap in May 1989 The pension arrangements for Mr T J Bowdler were varied in 2002 and the above figures now only represent his total final salary benefit Further details of his pension provision are explained on page 55 In addition to the above, the Group funded £199,000 and £85,000 into defined contribution schemes for Mr T J Bowdler and Mr S R Paterson respectively All Executive Directors have life cover of four times basic salary

d) Share Schemes

| | At 01 01 06 | Number of options during the year Granted/ Awarded | Number of options during the year Exercised | At 31 12 06 | Market price p | On exercise Gains **2006** **£'000** | On exercise Gains 2005 £'000 |
|---|---|---|---|---|---|---|---|
| **Executive Share Option Scheme** | | | | | | | |
| T J Bowdler | **430,277** | — | 169,777 | **260,500** | 480 00 | **226** | 487 |
| S R Paterson | **187,430** | — | 67,242 | **120,188** | 480 00 | **89** | 62 |
| D Cammiade | **202,064** | — | 70,157 | **131,907** | 491 00 | **114** | 11 |
| **Savings Related Scheme** | | | | | | | |
| T J Bowdler | **2,355** | — | — | **2,355** | | | 6 |
| S R Paterson | **2,285** | — | — | **2,285** | | | |
| D Cammiade | **6,632** | — | — | **6,362** | | | |
| **Restricted Share Scheme** | | | | | | | |
| T J Bowdler | **84,951** | — | 24,271 | **60,680** | 436 00 | **106** | 92 |
| **Share Matching Plan** | | | | | | | |
| T J Bowdler | **72,896** | 8,354 | 27,854 | **53,396** | 453 00 | **131** | |
| S R Paterson | **36,026** | 5,115 | 11,819 | **29,322** | 453 00 | **56** | |
| D Cammiade | **22,251** | 4,519 | — | **26,770** | | | |
| **Performance Share Plan** | | | | | | | |
| T J Bowdler | — | 117,711 | — | **117,711** | | | |
| S R Paterson | — | 74,114 | — | **74,114** | | | |
| D Cammiade | — | 66,485 | — | **66,485** | | | |

The above options are exercisable as follows

T J Bowdler

| | | |
|---|---|---|
| **Executive Share Option Scheme** | | |
| 116,883 | at a price of 539 00p | between 26 04 2007 and 25 04 2014 |
| 143,617 | at a price of 470 00p | between 30 06 2008 and 29 06 2015 |
| **Savings Related Scheme** | | |
| 2,355 | at a price of 397 00p | between 01 11 2008 and 30 04 2009 |

S R Paterson

| | | |
|---|---|---|
| **Executive Share Option Scheme** | | |
| 55,658 | at a price of 539 00p | between 26 04 2007 and 25 04 2014 |
| 64,530 | at a price of 470 00p | between 30 06 2008 and 29 06 2015 |
| **Savings Related Scheme** | | |
| 2,285 | at a price of 414 50p | between 01 11 2007 and 30 04 2008 |

D Cammiade

| | | |
|---|---|---|
| **Executive Share Option Scheme** | | |
| 31,539 | at a price of 539 00p | between 26 04 2007 and 25 04 2013 |
| 48,983 | at a price of 541 00p | between 17 03 2008 and 16 03 2015 |
| 51,385 | at a price of 470 00p | between 30 06 2008 and 29 06 2015 |
| **Savings Related Scheme** | | |
| 6,362 | at a price of 279 00p | between 01 11 2009 and 30 04 2010 |

d) Share Schemes (continued)

The share options within the Restricted Share Scheme are exercisable six monthly between 16 May 2003 and 16 May 2009 in equal tranches at a price of £1 on each exercise

The matching awards granted within the Share Matching Plan are exercisable for a nominal total payment of £1 as shown below
The matching factor ranges from 0 5 times to 1 5 times the number of shares granted for awards made before 2006 and from 2006 onwards the matching factor ranges from 0 5 times to 2 times The exercises from this scheme during the year were matched at 1 5 times the number of shares granted

| | | |
|---|---|---|
| 54,258 | between 22 03 2007 and 21 03 2014 | market price on grant 498 25p |
| 37,296 | between 21 03 2008 and 20 03 2015 | market price on grant 540 00p |
| 17,988 | between 30 05 2009 and 29 05 2016 | market price on grant 453 00p |

The awards within the Performance Share Plan are exercisable at nil cost at the end of the three year vesting period as shown below

| | | |
|---|---|---|
| 258,310 | awards will vest on 06 06 09 | market price on 06 06 06 458 75p |

The options, matching awards and performance shares listed above, other than those in the Restricted Share Scheme, are only exercisable subject to the level of achievement of the performance criteria denoted in the Directors' Remuneration Report

The middle market price of the Ordinary Shares was as follows

| | | |
|---|---|---|
| On 1 January 2006 | 465 50p | Highest price during year 496 25p |
| On 31 December 2006 | 392 50p | Lowest price during year 370 00p |

This Report was approved by the Board of Directors on 7 March 2007 and signed on its behalf by

Simon Waugh

# Directors' Report
## Year ended 31 December 2006

**Principal Activities**
The Group's main activities are the publishing of local and regional weekly, evening and morning newspapers, both paid for and free, together with associated websites, as well as specialist publications in paper, online or via SMS

**Review of Business**
The results for the year 2006 are set out in the Group Income Statement on page 64 The Group profit for the year before taxation was £131,554,000 (2005 £151,363,000) which results in a profit for the year of £95,655,000 (2005 £107,791,000) Details of the business activities during the year, the financial results, the financial position and the principal risks and uncertainties facing the Group are set out in the Business Review on pages 10 to 31

**Dividends**
The Directors recommend a final dividend of 6 2p per share making a total dividend of 9 3p per share for the year Subject to approval by members the final dividend will be paid on 11 May 2007 to those Ordinary Shareholders on the register at 27 April 2007

**Share Capital**
Details of Share Capital are shown in note 27

**Environmental Policy**
The Board acknowledges that environmental protection is one of the Company's business responsibilities It aims for a continuous improvement in the Company's environmental performance and to comply with all relevant regulations Following an internal audit and an assessment by external advisors, the Group put in place, and there is in force, a documented environmental policy to monitor performance and to take action where appropriate Further details of this policy are provided in the Corporate Social Responsibility statement

**Donations**
Charitable donations amounted to £133,000 (2005 £119,000) There were no payments for political purposes

**Supplier Payment Policy**
The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment Trade creditors of the Group at 31 December 2006 were equivalent to 20 days purchases (2005 16 days), based on the average daily amount invoiced by suppliers during the year

**Financing policy and derivatives**
The Group's policies are set out in notes 20 to 22, together with details of financial instruments and derivatives

**Auditors**
Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/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 s234ZA of the Companies Act 1985

**Directors and their Interests**
Under the Company's Articles of Association, each director is subject to retirement every three years Mr S R Paterson, Ms M A King and Mr S J Waugh are due to retire at this year's Annual General Meeting In addition Mr F P M Johnston and Mr R G Parry retire annually due to their years of service on the Board All being eligible, offer themselves for re-election

Mr I S M Russell, who was appointed a director on 9 January 2007, retires in accordance with the Articles of Association and offers himself for election

Lord Gordon of Strathblane and Mr H C M Johnston have both decided to step down from the Board at the forthcoming Annual General Meeting

The Directors during the year and their interests in the share capital of the Company were as follows

Ordinary Shares of 10p each

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| R G Parry | 113,992 | 113,992 |
| T J Bowdler | 504,884 | 433,704 |
| S R Paterson | 108,179 | 83,656 |
| D Cammiade | 81,928 | 65,516 |
| P E B Cawdron | 9,800 | 9,800 |
| L Hinton | 1,800 | 1,800 |
| F P M Johnston | 12,717,696 | 12,717,696 |
| H C M Johnston | 12,000,000 | 12,000,000 |
| M A King | 1,800 | 1,800 |
| Lord Gordon of Strathblane | 47,310 | 47,310 |
| S J Waugh | — | — |

Mr I M Russell was appointed a director on 9 January 2007

In addition to the shareholdings shown above, which are all held beneficially, Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade hold an interest in 696,274 (2005 395,117) shares by virtue of their status as potential beneficiaries of the Johnston Press Employee Share Trust

Since 31 December 2006, Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade have each purchased 62 shares through the Share Incentive Plan

No Director had any material interest in any contract, other than a service contract, with the Company or any subsidiary at any time during the year

**Substantial Shareholdings**

So far as the Directors are aware the only holders of 3% or more of the Ordinary Share Capital of the Company and any other major shareholders, other than Directors, as at the date of this report are as follows

| | No of Ordinary Shares of 10p each |
|---|---|
| J C M Johnston | 6,380,635 |
| The trustees of H C M Johnston's children's trusts | 11,197,460 |
| M F Johnston | 6,905,437 |
| R T Johnston | 6,959,491 |
| FMR Corp | 14,304,108 |
| Lloyds TSB Group of Companies | 10,844,243 |
| Legal & General Group of Companies | 10,152,607 |
| The Capital Group Companies | 16,964,733 |
| Harris Associates LP | 26,346,756 |
| Sprucegrove Investment Management Ltd | 17,241,731 |

**Employee Involvement**

It is the policy of the Group to encourage and develop all members of staff to realise their maximum potential Wherever possible, vacancies are filled from within the Group and adequate opportunities for internal promotion are created The Board is committed to a systematic training policy

The Group supports the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on the grounds of race, age, nationality, religion, ethnic or national origin, sexual orientation, gender or gender reassignment, marital status or disability

It is also the policy of the Group, where possible, to give sympathetic consideration to disabled persons in their application for employment within the Group, and to protect the interests of existing members of the staff who are disabled

The Group is committed to a comprehensive training and development programme creating the opportunity for employees to maintain and improve their performance and to develop their potential to a maximum level of attainment In this way, staff will make their best possible contribution to the organisation's success

# Directors' Report
## Year ended 31 December 2006 - continued

**Close Company Status**
So far as the Directors are aware the Company is not a close company for taxation purposes

**Directors' Liability**
As permitted by the Companies Act 1985, the Company has insurance cover for the Directors against liabilities in relation to the Group

**Electronic voting**
The Company has made provision for shareholders to vote electronically on the Resolutions to be considered at the Annual General Meeting and full instructions are included on the Form of Proxy enclosed with this Annual Report

**Special Business**
Five resolutions are set out under special business in the notice of this year's Annual General Meeting The first three of these resolutions will be proposed as ordinary resolutions and the fourth and fifth as special resolutions

The purpose of the first resolution is to approve the Johnston Press 2007 Sharesave Plan The second is to seek authority to implement a Restricted Stock Unit Scheme in the Republic of Ireland to match as closely as possible the Free Shares Scheme available to UK employees Further information relating to these first two resolutions is to be found in the circular dated 7 March 2007 sent to shareholders with the Annual Report and Accounts

The purpose of the third of these resolutions is to renew the Directors' authority to allot shares up to a maximum nominal amount of £9,595,774 representing 33 33% of the existing issued ordinary share capital The Directors have, however, no current intention of exercising that authority

The fourth resolution relates to the limited power given to the Directors to allot equity securities for cash representing up to 5% of the existing issued ordinary share capital, without the statutory pre-emption provisions of the Companies Act 1985 applying This power, which accords with normal practice, expires on the date of this year's Annual General Meeting The purpose of the resolution is to renew this power for a further year

The fifth item of special business is the renewal of the authority of the Company to purchase its own ordinary shares as permitted under its Articles of Association This resolution will, if passed, give authority to make such purchases in the market The Directors have no immediate intention of using such authority and would do so only when they consider it to be in the best interests of shareholders generally and an improvement in earnings per share would result This Resolution specifies the maximum number of ordinary shares which may be purchased (representing approximately 10% of the Company's existing issued ordinary share capital) and the minimum and maximum prices at which they may be bought, reflecting the requirements of the Companies Act 1985 and the Financial Services Authority

**Auditors**
A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting

By Order of the Board

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh
EH3 7EG
7 March 2007

# Independent Auditors' Report to the members of Johnston Press plc

We have audited the group and parent company financial statements (the "financial statements") of Johnston Press plc for the year ended 31 December 2006 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Reconciliation of Shareholders' Equity and the related notes 1 to 43 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors' 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 auditors**
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Group and Company Statements of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Review of Business section of the Directors' Report

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

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

**Opinion**
In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006,
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

**Deloitte & Touche LLP**
Chartered Accountants and Registered Auditors
Edinburgh
United Kingdom
7 March 2007

# Group Income Statement
## For the year ended 31 December 2006

| | Notes | 2006 Before non recurring items £'000 | 2006 Non recurring items £'000 | 2006 Total £'000 | 2005 Before non recurring items £'000 | 2005 Non recurring items £'000 | 2005 Total £'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 5 | **602,221** | **–** | **602,221** | 520,154 | – | 520,154 |
| Cost of sales | | **(304,806)** | **–** | **(304,806)** | (244,781) | – | (244,781) |
| **Gross profit** | | **297,415** | **–** | **297,415** | 275,373 | – | 275,373 |
| Operating expenses | 6 | **(110,642)** | **(15,143)** | **(125,785)** | (95,163) | (2,614) | (97,777) |
| **Operating profit** | 7 | **186,773** | **(15,143)** | **171,630** | 180,210 | (2,614) | 177,596 |
| *Investment income* | 9 | **583** | **–** | **583** | 371 | – | 371 |
| Net finance income on pension assets/liabilities | 10a | **3,382** | **–** | **3,382** | 521 | – | 521 |
| Finance costs | 10b | **(44,101)** | **–** | **(44,101)** | (25,538) | (1,668) | (27,206) |
| Share of results of associates | | **60** | **–** | **60** | 81 | – | 81 |
| **Profit before tax** | | **146,697** | **(15,143)** | **131,554** | 155,645 | (4,282) | 151,363 |
| Tax | 11 | **(41,204)** | **5,305** | **(35,899)** | (44,857) | 1,285 | (43,572) |
| **Profit for the year** | | **105,493** | **(9,838)** | **95,655** | 110,788 | (2,997) | 107,791 |
| **Earnings per share (p)** | | | | | | | |
| Earnings per share Basic | 13 | 36 66 | 3 42 | 33 24 | 38 72 | 1 05 | 37 67 |
| *Earnings per share Diluted* | 13 | 36 54 | 3 41 | 33 13 | 38 47 | 1 04 | 37 43 |

All of the above revenue and profit is derived from continuing operations

The accompanying notes are an integral part of these financial statements

# Group Statement of Recognised Income and Expense
## For the year ended 31 December 2006

| | Revaluation Reserve £'000 | Hedging and Translation Reserve £'000 | Retained Earnings £'000 | Total £'000 |
|---|---|---|---|---|
| Profit for the year | – | – | 95,655 | 95,655 |
| Actuarial gain on defined benefit pension schemes (net of tax) | – | – | 8,778 | 8,778 |
| Revaluation adjustment | (65) | – | 65 | - |
| Exchange differences on translation of foreign operations | – | (374) | – | (374) |
| Change in fair value of financial instruments | – | 9,749 | – | 9,749 |
| Deferred taxation | – | (1,941) | – | (1,941) |
| **Total recognised income and expense** | **(65)** | **7,434** | **104,498** | **111,867** |

**For the year ended 31 December 2005**

| | Revaluation Reserve £'000 | Hedging and Translation Reserve £'000 | Retained Earnings £'000 | Total £'000 |
|---|---|---|---|---|
| Profit for the year | – | – | 107,791 | 107,791 |
| Actuarial loss on defined benefit pension schemes (net of tax) | – | – | (803) | (803) |
| Revaluation adjustment | (249) | – | 249 | – |
| Exchange differences on translation of foreign operations | – | (43) | – | (43) |
| Change in fair value of financial instruments | – | 12,990 | – | 12,990 |
| **Total recognised income and expense** | **(249)** | **12,947** | **107,237** | **119,935** |

The accompanying notes are an integral part of these financial statements

# Group Reconciliation of Shareholders' Equity
## For the year ended 31 December 2006

| | Share Capital £'000 | Share Premium £'000 | Share based Payments Reserve £'000 | Revaluation Reserve £'000 | Own Shares £'000 | Hedging and Translation Reserve Restated Note 21 £'000 | Retained Earnings £'000 | Total Restated Note 21 £'000 |
|---|---|---|---|---|---|---|---|---|
| Opening balances as previously reported | 29,772 | 327,437 | 2,770 | 2,587 | (749) | (9,277) | 123,975 | 476,515 |
| Adjustment in respect of prior year note 21 | – | – | – | – | – | 5,955 | – | 5,955 |
| Revised opening balances | 29,772 | 327,437 | 2,770 | 2,587 | (749) | (3,322) | 123,975 | 482,470 |
| **Total recognised income and expense** | **–** | **–** | **–** | **(65)** | **–** | **7,434** | **104,498** | **111,867** |
| Recognised directly in equity | | | | | | | | |
| Dividends (note 12) | – | – | – | – | – | – | (25,113) | (25,113) |
| New share capital subscribed | 121 | 3,852 | – | – | – | – | – | 3,973 |
| Own shares purchased | – | – | – | – | (1,665) | – | – | (1,665) |
| Amounts written off | – | – | – | – | 786 | – | – | 786 |
| Provision for share based payments (note 32) | – | – | 1,495 | – | – | – | – | 1,495 |
| Net changes directly in equity | 121 | 3,852 | 1,495 | – | (879) | – | (25,113) | (20,524) |
| Total movements | 121 | 3,852 | 1,495 | (65) | (879) | 7,434 | 79,385 | 91,343 |
| **Equity at the end of the year** | **29,893** | **331,289** | **4,265** | **2,522** | **(1,628)** | **4,112** | **203,360** | **573,813** |

**For the year ended 31 December 2005**

| | Share Capital £'000 | Share Premium £'000 | Share based Payments Reserve £'000 | Revaluation Reserve £'000 | Own Shares £'000 | Hedging and Translation Reserve Restated Note 21 £'000 | Retained Earnings £'000 | Total Restated Note 21 £'000 |
|---|---|---|---|---|---|---|---|---|
| Opening balances pre IAS 39 adjustment | 29,638 | 323,670 | 1,474 | 2,836 | (795) | – | 38,564 | 395,387 |
| IAS 39 adjustment | – | – | – | – | – | (16,269) | – | (16,269) |
| Revised opening balances | 29,638 | 323,670 | 1,474 | 2,836 | (795) | (16,269) | 38,564 | 379,118 |
| **Total recognised income and expense** | **–** | **–** | **–** | **(249)** | **–** | **12,947** | **107,237** | **119,935** |
| Recognised directly in equity | | | | | | | | |
| Dividends (note 12) | – | – | – | – | – | – | (21,826) | (21,826) |
| New share capital subscribed | 134 | 3,767 | – | – | – | – | – | 3,901 |
| Own shares purchased | – | – | – | – | (567) | – | – | (567) |
| Amounts written off | – | – | – | – | 613 | – | – | 613 |
| Provision for share based payments (note 32) | – | – | 1,296 | – | – | – | – | 1,296 |
| Net changes directly in equity | 134 | 3,767 | 1,296 | – | 46 | – | (21,826) | (16,583) |
| Total movements | 134 | 3,767 | 1,296 | (249) | 46 | 12,947 | 85,411 | 103,352 |
| **Equity at the end of the year** | **29,772** | **327,437** | **2,770** | **2,587** | **(749)** | **(3,322)** | **123,975** | **482,470** |

The accompanying notes are an integral part of these financial statements

# Group Balance Sheet
## At 31 December 2006

| | Notes | 2006 £'000 | 2005 Restated Notes 14/21 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Goodwill | 14 | **130,271** | 87,257 |
| Other intangible assets | 14 | **1,353,462** | 1,213,186 |
| Property, plant and equipment | 15 | **268,342** | 222,178 |
| Available for sale investments | 16 | **2,712** | 2,712 |
| Interests in associates | 17 | **33** | 48 |
| Trade and other receivables | 20 | **467** | 893 |
| | | **1,755,287** | 1,526,274 |
| **Current assets** | | | |
| Inventories | 19 | **5,776** | 4,861 |
| Trade and other receivables | 20 | **81,877** | 70,204 |
| Cash and cash equivalents | | **24,636** | 25,114 |
| | | **112,289** | 100,179 |
| **Total assets** | | **1,867,576** | 1,626,453 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **73,670** | 73,351 |
| Tax liabilities | | **7,993** | 16,854 |
| Obligations under finance leases | 25 | **5** | 60 |
| Retirement benefit obligation | 23 | **4,272** | 4,350 |
| Borrowings | 21 | **2,290** | 47,604 |
| | | **88,230** | 142,219 |
| **Non current liabilities** | | | |
| Borrowings | 21 | **750,753** | 588,821 |
| Obligations under finance leases | 25 | **—** | 12 |
| Derivative financial instruments | 22 | **11,539** | 9,234 |
| Retirement benefit obligation | 23 | **41,167** | 50,839 |
| Deferred tax liabilities | 24 | **399,174** | 347,530 |
| Trade and other payables | 20 | **431** | 2,821 |
| Long term provisions | 26 | **2,469** | 2,507 |
| | | **1,205,533** | 1,001,764 |
| **Total liabilities** | | **1,293,763** | 1,143,983 |
| **Net assets** | | **573,813** | 482,470 |
| **Equity** | | | |
| Share capital | 27 | **29,893** | 29,772 |
| Share premium account | | **331,289** | 327,437 |
| Share based payments reserve | | **4,265** | 2,770 |
| Revaluation reserve | | **2,522** | 2,587 |
| Own shares | | **(1,628)** | (749) |
| Hedging and translation reserve | | **4,112** | (3,322) |
| Retained earnings | | **203,360** | 123,975 |
| **Total equity** | | **573,813** | 482,470 |

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2007

They were signed on its behalf by

T J Bowdler, Chief Executive Officer    S R Paterson, Chief Financial Officer

The accompanying notes are an integral part of these financial statements

# Group Cash Flow Statement
## For the year ended 31 December 2006

| | Notes | Year ended 2006 £'000 | Year ended 2005 £'000 |
|---|---|---|---|
| Cash generated from operations | 30 | **187,140** | 182,055 |
| Income tax paid | | **(37,489)** | (44,564) |
| **Net cash from operating activities** | | **149,651** | 137,491 |
| **Investing activities** | | | |
| Interest received | | **583** | 371 |
| Dividends received from associated undertakings | | **75** | 91 |
| Proceeds on disposal of property, plant and equipment | | **8,738** | 2,221 |
| Proceeds on disposal of business | 29 | **3,277** | – |
| Proceeds on disposal of available for sale investments | | **–** | 28 |
| Purchases of property, plant and equipment | | **(65,040)** | (63,642) |
| Acquisition of businesses | 28 | **(165,535)** | (308,356) |
| Net cash in businesses acquired | 28 | **5,225** | 9,931 |
| **Net cash used in investing activities** | | **(212,677)** | (359,356) |
| **Financing activities** | | | |
| Dividends paid | | **(25,113)** | (21,826) |
| Interest paid | | **(42,918)** | (23,955) |
| Interest paid on finance leases | | **(15)** | (15) |
| Repayments of borrowings | | **(29,685)** | (157,679) |
| New borrowings | | **163,043** | 443,604 |
| Arrangement fees on new borrowings | | **(548)** | (1,505) |
| Principal payments under finance leases | | **(52)** | (16) |
| Issue of shares | | **3,973** | 3,901 |
| Purchase of own shares | | **(1,665)** | (567) |
| Decrease in bank overdrafts | | **(4,472)** | (5,082) |
| **Net cash from financing activities** | | **62,548** | 236,860 |
| Net (decrease)/increase in cash and cash equivalents | | **(478)** | 14,995 |
| Cash and cash equivalents at the beginning of year | | **25,114** | 10,119 |
| **Cash and cash equivalents at the end of year** | | **24,636** | 25,114 |

The accompanying notes are an integral part of these financial statements

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006

### 1.General information

Johnston Press is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on the back page The nature of the Group's operations and its principal activities are set out in note 4 and in the Business Review on pages 10 to 31

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates Foreign operations are included in accordance with the policies set out in note 2

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 7 Financial instruments Disclosures, and the related amendment to IAS 1 on capital disclosures
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of embedded derivatives
IFRIC 10 Interim reporting and impairments
IFRIC 11 IFRS 2 Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007

### 2 Significant Accounting Policies

**Basis of accounting**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments The principal accounting policies adopted are set out below

**Basis of consolidation**
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the Group Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

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

**Business combinations**
The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, including publishing titles, are recognised at their fair value at the acquisition date, except for non current assets (or disposal groups) that are classified as held for resale in accordance with *IFRS 5 Non Current Assets Held for Sale and Discounted Operations*, which are recognised and measured at fair value less costs to sell

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

**2 Significant Accounting Policies (continued)**

**Investments**
Listed investments are shown as available for sale, initially recorded at cost in the period of acquisition and subsequently measured at fair value Gains and losses on the fair value of available for sale investments are recognised in equity On disposal or impairment of the investment, all relevant gains and losses are included in the Income Statement

Other investments are shown at cost less provisions for impairment, except for investments in associates In the Group financial statements, investments in associated undertakings are accounted for using the equity method and therefore the Group financial statements include the Group's share of the profit and net assets of associates

**Publishing titles**
The Group's principal intangible assets are publishing titles The Group does not capitalise internally generated goodwill or publishing titles Titles separately acquired after 1 January 1989 are stated at cost and titles owned by subsidiaries acquired after 1 January 1996 are recorded at directors' valuation at the date of acquisition These publishing titles have no finite life and consequently are not amortised Every six months impairment tests are undertaken, as outlined with goodwill, to determine any diminution in the recoverable amount below carrying value The recoverable amount is the higher of the fair value less costs to sell and the value in use based on the net present value of estimated future cash flows discounted at the Group's pre tax weighted average cost of capital Any impairment loss is recognised as an expense immediately

**Goodwill**
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate 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 Goodwill which is recognised as an asset is reviewed for impairment at least every six months Any impairment is recognised immediately in profit or loss and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination Cash-generating units to which goodwill has been allocated are tested for impairment every six months, or more frequently when there is an indication that the unit may be impaired 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, second to the value of publishing titles and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

**Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes

Advertising revenue is recognised on publication and circulation revenue is recognised at the point of sale Printing revenue is recognised when the service is provided

The trading for both years comprised 52 weeks

## 2. Significant Accounting Policies (continued)

**Foreign currencies**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency) For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period Exchange differences arising on the retranslation of non monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non monetary items in respect of which gains and losses are recognised directly in equity For such non monetary items, any exchange component of that gain or loss is also recognised directly in equity

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the period Exchange differences arising, if any, are classified as equity and transferred to the Group's hedging and translation reserve Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

**Property, plant and equipment**

Property, plant and equipment balances are shown at cost, net of depreciation and any provision for impairment In certain cases the amounts of previous revaluations of properties conducted in 1996 or 1997 or the fair value of the property at the date of the acquisition by the Group have been treated as the deemed cost on transition to IFRSs Depreciation is provided on all property, plant and equipment, excluding land, at varying rates calculated to write-off cost over the useful lives The principal rates employed are

| | |
|---|---|
| Heritable and freehold property (excluding land) | 2 5% on written down value |
| Leasehold land and buildings | equal annual instalments over lease term |
| Web offset presses (excluding press components) | 5% straight line basis |
| Pre-press systems | 20% straight line basis |
| Other plant and machinery | 15% on written down value<br>6 67%, 10%, 20%, 25% and 33% straight line basis |
| Motor vehicles | 25% straight line basis |

**Inventories**

Inventories are stated at the lower of cost and net realisable value as follows

Cost incurred in bringing materials to their present location and condition comprises, (a) raw materials and goods for resale at purchase cost on a first in first-out basis, and (b) work in progress at cost of direct materials, labour and certain overheads Net realisable value comprises selling price less any further costs expected to be incurred to completion and disposal

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee Assets held under the finance leases are capitalised within property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Income Statement over the period of the leases on the effective interest method All other leases are classified as operating leases and rentals are charged on a straight line basis over the lease term

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 2 Significant Accounting Policies (continued)

**Development grants**
Development grants for revenue expenditure are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense Grants relating to property, plant and equipment are treated as deferred income and released to the Income Statement over the expected useful lives of the related assets

**Operating profit**
Operating profit is stated after charging restructuring or other non recurring costs but before investment income, other finance income, finance costs and the share of the results of associates

**Financial instruments**
Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of that instrument

The Group's activities and funding structure give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates The Group uses interest rate swaps and cross currency interest rate swaps to hedge these exposures The Group does not use derivative financial instruments for speculative purposes

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting, and changes in the fair value of fair value hedges, are recognised in the Income Statement as they arise

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Income Statement

**Trade receivables**
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts

**Trade payables**
Trade payables are not interest bearing and are stated at their nominal value

**Borrowings**
Interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premia payable on settlement or redemption and direct issue costs, are charged to the 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

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from profit before tax as reported in the 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 Balance Sheet date

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax based values 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 Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

## 2 Significant Accounting Policies (continued)

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 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 equity

On transition to IFRS, a deferred tax liability has been recorded in respect of publishing titles and properties that do not qualify for any tax allowances that were acquired through business combinations Given that the Group elected, under IFRS 1, not to restate pre-transition business combinations under IFRS 3, this pre transition deferred tax element was charged against retained earnings Any such fair value on future business combinations will form part of the goodwill on acquisition and both the goodwill and related deferred tax liability will be included in any impairment test in relation to the relevant cash generating unit

Deferred tax assets and liabilities are offset when the relevant requirements of IAS 12 are satisfied

**Retirement benefit costs**
The Group provides pensions to employees through various schemes

Payments to defined contribution retirement benefit schemes are charged to the Income Statement as an expense as they fall due Payments made to the industry wide retirement benefit schemes in the Republic of Ireland are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date Actuarial gains and losses are recognised in full in the period in which they occur They are recognised outside the Income Statement and presented in the Statement of Recognised Income and Expense Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme

**Share based payments**
The Group issues equity settled share based benefits to certain employees The Group has elected to apply IFRS 2 to all share based awards and options granted post 7 November 2002 but not vested at 31 December 2004 These share based payments are measured at their fair value at the date of grant and the fair value of share options is expensed to the Income Statement on a straight line basis over the vesting period Fair value is measured by use of the Black Scholes model, as amended to take account of the Directors' best estimate of probable share vesting and exercise

**Dividends**
Dividends payable to the Company's shareholders are recorded as a liability in the period in which the dividends are approved In the Company's financial statements, dividends receivable from subsidiaries are recognised as assets in the period in which the dividends are approved

## 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

**Critical judgements in applying the group's accounting policies**
In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below)

**Deferred tax balances on publishing titles and properties not eligible for tax allowances**
Deferred tax amounting to £397,383,000 at 31 December 2006 (2005 restated £355,352,000), has been provided pursuant to IAS 12 (Income Taxes) on the values of the publishing titles in the Group's Balance Sheet and the value of properties that are not eligible for tax allowances Management has considered it appropriate to provide this balance in order to comply with the technical requirements of IAS 12 despite the fact that management cannot foresee any future circumstances in which such a tax liability would arise

Management has no intention at the present time to dispose of any of the assets concerned but, even if such a decision was to be taken at some future date, it is unlikely that the titles or properties would be sold separately from the legal entities that own the assets As such, management is confident that this tax provision will never be required to be paid Representations have been made to the IASB on this matter, but in the meantime the deferred tax balance has been provided in order to comply with the standard

**Valuation of publishing titles on acquisition**
During the year the Group completed the acquisition and disposal described in notes 28 and 29 The Group's policies require that a fair value at the date of acquisition be attributed to the publishing titles owned by each acquired entity The Group's management uses its judgement to determine the fair value attributable to each acquired publishing title taking into account the consideration paid, the earnings history and potential of the title, any recent similar transactions, industry statistics such as average earnings multiples and any other relevant factors The fair values attributed to the titles acquired in 2006 are set out in note 28 and these values will be reviewed for impairment at a minimum twice annually in the future

**Valuation of share based payments**
The Group estimates the expected value of share based payments and this is charged through the Income Statement over the vesting periods of the relevant payments The cost is estimated using a Black Scholes valuation model The Black Scholes calculations are based on a number of assumptions that are set out in note 32 and are amended to take account of estimated levels of share vesting and exercise This method of estimating the value of the share based payments is intended to ensure that the actual value transferred to employees is provided in the share-based payments reserve by the time the payments are made

**Key sources of estimation uncertainty**
The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet 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 publishing titles**
Determining whether goodwill or publishing titles are impaired requires an estimation of the value in use of the cash generating units to which these assets are allocated The value in use calculation requires the Group to identify appropriate cash generating units, to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value The carrying amount of goodwill was £130,271,000 at 31 December 2006 and the carrying amount of publishing titles was £1,353,462,000 at the same date No impairment losses have been identified or provided Details of the impairment reviews that the Group performs are provided in note 14

## 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

**Valuation of pension liabilities**

The Group records in its Balance Sheet a liability equivalent to the deficit on the Group's defined benefit pension schemes This liability is determined with advice from the Group's actuarial advisers each year and can fluctuate based on a number factors some of which are out with the control of management The main factors that can impact the valuation include

- the discount rate used to discount future liabilities back to the present date This is determined each year based on the yield on corporate bonds
- the actual returns on investments experienced as compared to the expected rates used in the previous pension scheme valuation
- the actual rates of salary and pension increase as compared to the expected rates used in the previous valuation
- mortality assumptions

Details of the assumptions used to determine the liability at 31 December 2006 are set out in note 23

**Bad debt allowance**

The trade debtors balances recorded in the Group's Balance Sheet comprise large numbers of comparatively small balances An allowance is made for the estimated irrecoverable amounts from debtors and this is determined by reference to past default experience

## 4 Business and Geographical Segments

For management purposes the Group has two business segments, newspaper publishing (in print and online) and contract printing

The business operates in two geographical segments which are the United Kingdom and the Republic of Ireland Revenue, profit and the carrying value of assets in the Republic of Ireland are less than 10 per cent in both the current year and prior year and so have not been disclosed separately

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 continued

### 5. Segmental Analysis

**a) Revenue**

An analysis of the Group's revenue is as follows

| | Existing £'000 | Acquisitions £'000 | **Total 2006 £'000** | Total 2005 £'000 |
|---|---|---|---|---|
| Newspaper publishing | 515,757 | 60,384 | **576,141** | 499,041 |
| Contract printing | 25,986 | 94 | **26,080** | 21,113 |
| Revenue sub total | 541,743 | 60,478 | **602,221** | 520,154 |
| Investment Income | 452 | 131 | **583** | 371 |
| Total revenue | 542,195 | 60,609 | **602,804** | 520,525 |

The printing revenues excludes inter group revenue of £69 million (2005 £60 million)

**b) Operating profit**

An analysis of the Group's operating profit is as follows

| | Existing £'000 | Acquisitions £'000 | **Total 2006 £'000** | Total 2005 £'000 |
|---|---|---|---|---|
| Newspaper publishing | 168,849 | 8,645 | **177,494** | 173,195 |
| Contract printing | (5,864) | – | **(5,864)** | 4,401 |
| | 162,985 | 8,645 | **171,630** | 177,596 |

Operating profit above is net of non-recurring items

**c) Cost of sales and operating expenses**

| | Existing £'000 | Acquisitions £'000 | **Total 2006 £'000** | Total 2005 £'000 |
|---|---|---|---|---|
| Cost of sales | 266,358 | 38,448 | **304,806** | 244,781 |
| **Operating expenses** | | | | |
| Distribution costs | 40,935 | 4,645 | **45,580** | 41,009 |
| Administrative expenses before non recurring | 58,431 | 6,631 | **65,062** | 54,154 |
| | 99,366 | 11,276 | **110,642** | 95,163 |
| Non recurring administrative expenses | 13,034 | 2,109 | **15,143** | 2,614 |
| | 112,400 | 13,385 | **125,785** | 97,777 |

## 5 Segmental Analysis (continued)

### d) Other information

An analysis of the Balance Sheet and property, plant and equipment information by segments is as follows

| | **Newspaper publishing 2006 £'000** | **Contract printing 2006 £'000** | **Consolidated Total 2006 £'000** | Newspaper publishing Restated Note 14/21 2005 £'000 | Contract printing 2005 £'000 | Consolidated Total Restated Note 14/21 2005 £'000 |
|---|---|---|---|---|---|---|
| Additions to property, plant and equipment | **16,413** | **44,826** | **61,239** | 14,096 | 59,323 | 73,419 |
| Depreciation expense | **12,718** | **17,067** | **29,785** | 11,279 | 8,644 | 19,923 |
| **Balance sheet** | | | | | | |
| **Assets** | | | | | | |
| Intangibles | **1,483,733** | **–** | **1,483,733** | 1,300,443 | – | 1,300,443 |
| Property, plant and equipment | **91,490** | **176,852** | **268,342** | 87,687 | 134,491 | 222,178 |
| Interests in associates | **33** | **–** | **33** | 48 | – | 48 |
| Inventories | **1,170** | **4,606** | **5,776** | 1,630 | 3,231 | 4,861 |
| Trade and other receivables | **77,601** | **4,743** | **82,344** | 68,417 | 2,680 | 71,097 |
| Cash and cash equivalents | **24,573** | **63** | **24,636** | 25,112 | 2 | 25,114 |
| | **1,678,600** | **186,264** | **1,864,864** | 1,483,337 | 140,404 | 1,623,741 |
| **Unallocated corporate assets** | | | | | | |
| Available for sale investments | | | **2,712** | | | 2,712 |
| Total consolidated assets | | | **1,867,576** | | | 1,626,453 |
| **Liabilities** | | | | | | |
| Trade and other payables | **65,903** | **8,198** | **74,101** | 64,469 | 11,703 | 76,172 |
| Obligations under finance leases | **5** | **–** | **5** | 72 | – | 72 |
| | **65,908** | **8,198** | **74,106** | 64,541 | 11,703 | 76,244 |
| **Unallocated corporate liabilities** | | | | | | |
| Tax liabilities | | | **7,993** | | | 16,854 |
| Borrowings | | | **753,043** | | | 636,425 |
| Derivative instruments | | | **11,539** | | | 9,234 |
| Retirement benefit obligations | | | **45,439** | | | 55,189 |
| Provisions | | | **2,469** | | | 2,507 |
| Deferred tax liability | | | **399,174** | | | 347,530 |
| **Total consolidated liabilities** | | | **1,293,763** | | | 1,143,983 |

## 6 Non Recurring Items

An analysis of structural changes is as follows

| | **2006 £'000** | 2005 £'000 |
|---|---|---|
| Restructuring costs of acquired businesses | **2,109** | 591 |
| Restructuring costs of existing business | **6,717** | 2,925 |
| Write down of value of presses in existing businesses | **9,000** | – |
| Profit on sale of property in existing business | **(2,683)** | (902) |
| | **15,143** | 2,614 |

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 7 Operating Profit

| | 2006<br>£'000 | 2005<br>£'000 |
|---|---|---|
| Operating profit is shown after charging/(crediting) | | |
| Depreciation of property, plant and equipment (note 15) | **29,785** | 19,923 |
| Profit on disposal of property, plant and equipment | **(3,175)** | (891) |
| Redundancy costs | **10,768** | 4,280 |
| Staff costs (note 8) | **205,583** | 169,137 |
| Auditors' remuneration | | |
| Audit services | | |
| Group | **40** | 40 |
| Subsidiary companies | **310** | 469 |
| Operating lease charges | | |
| Plant and machinery | **1,266** | 845 |
| Other | **5,122** | 2,609 |
| Net foreign exchange losses | **32** | 119 |
| Cost of inventories recognised as expense | **62,847** | 50,621 |

Staff costs shown above included £2,798,000 (2005 £2,091,000) relating to emoluments of directors and key management personnel

In addition to the auditors' remuneration shown above, the auditors received the following fees for non audit services

| | Year ended<br>2006<br>£'000 | Year ended<br>2005<br>£'000 |
|---|---|---|
| Review of Interim Financial Statements | **33** | 31 |
| Corporate activity | **–** | 56 |
| Audit of circulation and distribution figures of the Group's newspaper titles | **267** | 220 |
| Taxation compliance | **82** | 85 |
| Taxation advisory | **38** | 23 |
| | **420** | 415 |

In addition, an amount of £22,000 (2005 £24,000) was paid to the external auditors for the audit of the Group's pension schemes

### 8 Employees

The average monthly number of employees, including executive directors, key management personnel and the acquired businesses on a pro rata basis, was

| | Year ended<br>2006<br>No. | Year ended<br>2005<br>No |
|---|---|---|
| Editorial and photographic | **2,570** | 2,122 |
| Sales and distribution | **3,620** | 3,412 |
| Production | **1,742** | 1,621 |
| Administration | **891** | 779 |
| | **8,823** | 7,934 |
| | **£'000** | £'000 |
| Staff costs | | |
| Wages and salaries | **176,448** | 145,049 |
| Social security costs | **16,668** | 13,763 |
| Other pension costs (note 23) | **10,972** | 9,028 |
| Cost of share based awards | **1,495** | 1,297 |
| | **205,583** | 169,137 |

Full details of the Directors' emoluments, pension benefits and share options are included in the audited part of the Directors' Remuneration Report on pages 52 to 59

## 9 Investment Income

| | Year ended 2006 £'000 | Year ended 2005 £'000 |
|---|---|---|
| Income from fixed asset investments | **79** | 265 |
| Interest receivable | **504** | 106 |
| | **583** | 371 |

## 10 Finance Costs

| | Year ended 2006 £'000 | Year ended 2005 £'000 |
|---|---|---|
| **a) Net finance income on pension assets/liabilities** | | |
| Interest on pension liabilities | **19,217** | 16,505 |
| Expected return on pension assets | **(22,599)** | (17,026) |
| | **(3,382)** | (521) |
| **b) Finance costs** | | |
| Interest on bank overdrafts and loans | **43,752** | 24,553 |
| Interest on obligations under finance leases | **15** | 17 |
| Amortisation of term debt issue costs | **334** | 968 |
| | **44,101** | 25,538 |
| Non recurring | | |
| Write off of term debt issue costs on old bank facility repaid | **–** | 1,668 |
| | **44,101** | 27,206 |

## 11 Tax

| | Year ended 2006 £'000 | Year ended 2005 £'000 |
|---|---|---|
| Current tax | **28,528** | 36,806 |
| Deferred tax (note 24) | **7,371** | 6,766 |
| | **35,899** | 43,572 |

UK corporation tax is calculated at 30% (2005 30%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction

The tax charge for the year can be reconciled to the profit per the income statement as follows

| | Year ended 2006 £'000 | Year ended 2006 % | Year ended 2005 £'000 | Year ended 2005 % |
|---|---|---|---|---|
| Profit before tax | **131,554** | **100 0** | 151,363 | 100 0 |
| Tax at 30% | **39,466** | **30 0** | 45,409 | 30 0 |
| Tax effect of share of results of associate | **(18)** | **–** | (24) | – |
| Tax effect of expenses that are non deductible in determining taxable profit | **137** | **0.1** | 102 | 0 1 |
| Tax effect of investment income | **(24)** | **–** | (32) | – |
| Effect of different tax rates of subsidiaries | **(2,677)** | **(2 1)** | (1,004) | (0 7) |
| Gain on sale of properties rolled over | **(805)** | **(0 6)** | – | – |
| Over provision in prior years | **(180)** | **(0 1)** | (879) | (0 6) |
| Tax expense for the year and effective rate | **35,899** | **27 3** | 43,572 | 28 8 |

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 continued

### 12 Dividends

| Amounts recognised as distributions to equity holders in the period | **Year ended 2006 £'000** | Year ended 2005 £'000 |
|---|---|---|
| Final dividend for the year ended 31 December 2005 of 5 6p (2004 4 8p) | **16,072** | 13,695 |
| Interim dividend for the year ended 31 December 2006 of 3 1p (2005 2 8p) | **8,889** | 7,979 |
| Preference Dividends | | |
| 13 75% Cumulative Preference Shares | **104** | 104 |
| 13 75% "A" Preference Shares | **48** | 48 |
| | **25,113** | 21,826 |

The proposed dividend to be considered by shareholders at the Annual General Meeting is 6 2p per share making a total for the year of 9 3p

### 13 Earnings per Share

The calculation of earnings per share is based on the following profits and weighted average number of shares

| | **Year ended 2006 £'000** | Year ended 2005 £'000 |
|---|---|---|
| **Earnings** | | |
| Profit for the year | **95,655** | 107,791 |
| Preference dividend | **(152)** | (152) |
| Earnings for the purposes of basic and diluted earnings per share | **95,503** | 107,639 |
| Non recurring items (after tax) | **9,838** | 2,997 |
| Earnings for the purposes of underlying earnings per share | **105,341** | 110,636 |

| | **2006 No of shares** | 2005 No of shares |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 287,327,428 | 285,762,958 |
| Effect of dilutive potential ordinary shares share options | 954,185 | 1,826,349 |
| Number of shares for the purposes of diluted earnings per share | 288,281,613 | 287,589,307 |
| **Earnings per share (p)** | | |
| Basic | 33 24 | 37 67 |
| Underlying | 36 66 | 38 72 |
| Diluted | 33 13 | 37 43 |

Underlying figures are presented to show the effect of excluding non recurring items from earnings per share

As explained in note 27, the preference shares are considered to be equity under IAS 32 In line with IAS 33, the preference dividend and the number of preference shares are excluded from the calculation of earnings per share The 2005 calculations have been amended to reflect this but the difference is immaterial

## 14. Goodwill and Other Intangible Assets

| | Goodwill Restated £'000 | Publishing Titles £'000 |
|---|---|---|
| **Cost** | | |
| Opening balance as previously reported | **101,635** | **1,213,186** |
| Adjustment in respect of prior year see below | **(14,378)** | **–** |
| Revised opening balances | **87,257** | **1,213,186** |
| Acquisition of subsidiaries (note 28) | **42,976** | **143,253** |
| Disposal of business (note 29) | **–** | **(3,277)** |
| Adjustments | **38** | **300** |
| **At 31 December 2006** | **130,271** | **1,353,462** |
| **Accumulated impairment losses** | | |
| At 1 January 2006 and 31 December 2006 | – | – |
| Carrying amount | | |
| **At 31 December 2006** | **130,271** | **1,353,462** |
| At 31 December 2005 | 87,257 | 1,213,186 |

The adjustment in respect of the prior year reduces goodwill by £14,378,000 and relates to an amendment to the provisional fair value accounting of the overseas publishing titles acquired in 2005 Deferred taxation was provided at the UK rate of 30% until the split of the value of the publishing titles acquired was finalised This has been completed in 2006 and the adjustment reflects the impact of the reduced rate of taxation on the value of the titles acquired in the Republic of Ireland in line with IAS 12 A corresponding adjustment has been made to the opening deferred tax balance in note 24

The adjustment in 2006 to publishing titles and goodwill relates to a minor amendment to the fair value accounting on the acquisition of the overseas publishing titles in 2005 The adjustment increases publishing titles and goodwill by £300,000 and £38,000 respectively There is also an impact on deferred taxation amounting to £216,000, part of the £300,000 adjustment, and £38,000 being the corresponding entry to goodwill, as shown in note 24

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination The carrying value of goodwill and publishing titles by CGU is as follows

| | Goodwill | | Publishing Titles | |
|---|---|---|---|---|
| | **2006 £'000** | 2005 Restated £'000 | **2006 £'000** | 2005 £'000 |
| **Newspaper and contract printing segment CGUs** | | | | |
| Scotland Newspaper Division | **53,530** | 10,554 | **188,175** | 44,922 |
| Northeast Newspaper Division | **–** | – | **63,812** | 63,812 |
| North of England Newspaper Division | **114** | 114 | **385,326** | 385,326 |
| Northwest Newspaper Division | **534** | 534 | **163,114** | 163,114 |
| Midlands Newspaper Division | **926** | 926 | **176,592** | 176,592 |
| South of England Newspaper Division | **–** | – | **132,549** | 132,549 |
| Northern Ireland Newspaper Division | **35,273** | 35,273 | **114,299** | 117,576 |
| Republic of Ireland Newspaper Division | **39,894** | 39,856 | **129,595** | 129,295 |
| | **130,271** | 87,257 | **1,353,462** | 1,213,186 |

The Group tests goodwill and publishing titles every six months for impairment, or more frequently if there are indications that they might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs The discount rate used in 2006 was 7 83% (2005 7 27%) The growth rates are based on industry growth forecasts Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for the following 20 years based on estimated growth rates that do not exceed the average long term growth rate for the relevant markets No residual value or perpetuity factor is currently assumed in the value of these calculations

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 15. Property, Plant and Equipment

| | Freehold land and buildings £'000 | Leasehold buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2005 | 51,999 | 4,656 | 181,600 | 20,961 | 259,216 |
| Additions | 20,327 | 1 | 49,247 | 3,844 | 73,419 |
| Acquisitions of subsidiaries | 6,210 | 168 | 6,670 | 241 | 13,289 |
| Disposals | (997) | – | (222) | (464) | (1,683) |
| Exchange differences | (2) | (2) | (29) | – | (33) |
| At 31 December 2005 | 77,537 | 4,823 | 237,266 | 24,582 | 344,208 |
| Additions | 18,532 | 6 | 40,000 | 2,701 | 61,239 |
| Acquisition of subsidiaries | 6,564 | – | 13,838 | – | 20,402 |
| Asset reclassification | (613) | 601 | (18) | 30 | – |
| Disposals | (4,514) | – | (1,724) | (497) | (6,735) |
| Exchange differences | (10) | (11) | (109) | (3) | (133) |
| **At 31 December 2006** | **97,496** | **5,419** | **289,253** | **26,813** | **418,981** |
| **Depreciation** | | | | | |
| At 1 January 2005 | 5,314 | 1,021 | 84,326 | 11,813 | 102,474 |
| Disposals | (134) | – | (191) | (28) | (353) |
| Charge for the year | 935 | 146 | 15,502 | 3,340 | 19,923 |
| Exchange differences | (1) | (1) | (12) | – | (14) |
| At 31 December 2005 | 6,114 | 1,166 | 99,625 | 15,125 | 122,030 |
| Disposals | (1,090) | – | (2) | (80) | (1,172) |
| Charge for the year | 1,209 | 176 | 24,701 | 3,699 | 29,785 |
| Exchange differences | – | (1) | (3) | – | (4) |
| **At 31 December 2006** | **6,233** | **1,341** | **124,321** | **18,744** | **150,639** |
| **Carrying amount** | | | | | |
| **At 31 December 2006** | **91,263** | **4,078** | **164,932** | **8,069** | **268,342** |
| At 31 December 2005 | 71,423 | 3,657 | 137,641 | 9,457 | 222,178 |

Freehold land amounting to £13,149,000 (2005 £13,047,000) has not been depreciated

## 15. Property, Plant and Equipment (continued)

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| a) Freehold land and buildings comprise | | |
| At valuation | **31,510** | 36,024 |
| At cost | **65,986** | 41,513 |
| | **97,496** | 77,537 |

Professional valuations were carried out by members of the Royal Institute of Chartered Surveyors on certain of the Group's buildings at 31 December 1997 Valuations were also carried out at 31 December 1996 by professional valuers on those properties acquired from Emap plc and Newsquest Media Group Ltd The valuations were prepared on an existing use basis The freehold properties acquired from Regional Independent Media Holdings Ltd and from the various acquisitions in 2005 and 2006 were valued by the directors following advice from a firm of Chartered Surveyors as part of the fair value accounting

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| b) Historical cost figures for freehold buildings are | | |
| Cost | **93,281** | 74,382 |
| Depreciation | **(7,204)** | (6,412) |
| | **86,077** | 67,970 |

| | £'000 |
|---|---|
| c) Assets in the course of construction | |
| Plant and machinery | |
| At 1 January 2005 | 7,009 |
| Movement in the year | 30,291 |
| At 31 December 2005 | 37,300 |
| Additions | 17,391 |
| Press plant commissioned | (46,819) |
| **At 31 December 2006** | 7,872 |

d) The Group plant additions include £7,872,000 (2005 £37,300,000) relating to progress payments in respect of new press plants Depreciation is only charged from the date when these become available for commercial operations

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 16 Available for sale investments

The Group's available for sale investments are

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Listed investments at fair value | **2** | 2 |
| Unlisted investments | | |
| Cost | **4,494** | 4,494 |
| Provision for impairment | **(1,784)** | (1,784) |
| Unlisted investments carrying amount | **2,710** | 2,710 |
| Total investments | **2,712** | 2,712 |

### 17 Interests in associates

The Group's associated undertakings at 31 December 2006 are

| Name | Place of incorporation and operation | Proportion of ownership interest | Proportion of voting power held | Method of accounting for investment |
|---|---|---|---|---|
| Classified Periodicals Ltd | England | 50% | 50% | Equity method |
| Free Admart Ltd | England | 25% | 25% | Equity method |

The aggregate amounts relating to associates are

| | Year ended 2006 £'000 | Year ended 2005 £'000 |
|---|---|---|
| Total assets | **133** | 149 |
| Total liabilities | **(20)** | (21) |
| Revenues | **170** | 222 |
| Profit | **69** | 105 |

### 18. Investments in subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion owned, is given in note 36 to the Company's separate financial statements

## 19 Inventories

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Raw materials | **5,483** | 4,572 |
| Work in progress | **2** | 2 |
| Goods for resale | **291** | 287 |
| | **5,776** | 4,861 |

## 20. Other Financial Assets and Liabilities

**Trade and other receivables**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Current | | |
| Trade debtors | **70,494** | 61,014 |
| Prepayments | **5,633** | 4,611 |
| Other debtors | **5,750** | 4,579 |
| | **81,877** | 70,204 |
| Non current | | |
| Trade debtors | **41** | 30 |
| Prepayments | **426** | 863 |
| | **467** | 893 |

The average credit period taken on sales is 50 days (2005 49 days) No interest is charged on the debtors An allowance has been made for the estimated irrecoverable amounts from the sale of goods and services of £7,210,000 (2005 £7,517,000) This allowance has been determined by reference to past default experience

The directors consider that the carrying amount of trade and other receivables approximates their fair value

**Bank balances and cash** comprise cash held by the Group with an original maturity of three months or less The carrying amount of these assets approximates their fair value

**Credit Risk**
The Group's principal assets subject to credit risk are bank balances and cash, trade and other debtors and investments

The Group's credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of allowances for doubtful debtors An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

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

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 20. Other Financial Assets and Liabilities (continued)

**Trade and other payables**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Current | | |
| Trade creditors and accruals | **67,676** | 68,437 |
| Other creditors | **5,994** | 4,914 |
| | **73,670** | 73,351 |
| Non current | | |
| Trade and other creditors | **431** | 2,821 |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 20 days (2005 16 days)

The directors consider that the carrying amount of trade payables approximates their fair value

### 21 Borrowings

| | 2006 £'000 | 2005 Restated £'000 |
|---|---|---|
| Bank overdrafts | **2,119** | 6,591 |
| Bank loans | **546,408** | 443,604 |
| Guaranteed loan stock | **8,272** | 60,761 |
| 2003 Private placement of 10 year senior notes | **118,701** | 126,830 |
| 2006 Private placement of 8 and 10 year senior notes | **79,118** | — |
| | **754,618** | 637,786 |

**The borrowings are repayable as follows**

| | 2006 £'000 | 2005 Restated £'000 |
|---|---|---|
| On demand or within one year | **2,686** | 47,892 |
| In the second year | **—** | — |
| In the third to fifth years inclusive | **554,113** | 463,064 |
| After five years | **197,819** | 126,830 |
| | **754,618** | 637,786 |
| Less amount due for settlement within one year | **(2,686)** | (47,892) |
| Amount due for settlement after one year | **751,932** | 589,894 |

The borrowings are shown in the balance sheet net of term debt issue costs of £1,575,000 of which £396,000 is deducted from current liabilities (2005 £1,361,000 of which £288,000 is deducted from current liabilities)

**The Group's net debt is**

| | 2006 £'000 | 2005 Restated £'000 |
|---|---|---|
| Gross borrowings as above | **754,618** | 637,786 |
| Finance leases | **5** | 72 |
| Term debt issue costs | **(1,575)** | (1,361) |
| Cash and cash equivalents | **(24,636)** | (25,114) |
| Impact of currency hedge contracted rates | **18,009** | 5,955 |
| Net debt at currency hedge contracted rates | **746,421** | 617,338 |

In the prior year the dollar denominated senior notes were translated at the hedge contracted rate The opening balances for these senior notes and the related hedging translation reserve have been restated at the applicable year end rate There is no impact on net income reported in the prior period

## 21. Borrowings (continued)

### Analysis of borrowings by currency

At 31 December 2006

| | Total £'000 | Sterling £'000 | Euros £'000 | US Dollars £'000 |
|---|---|---|---|---|
| Bank overdrafts | 2,119 | 2,119 | – | – |
| Bank loans | 546,408 | 439,000 | 107,408 | – |
| Guaranteed loan stock | 8,272 | – | 8,272 | – |
| 2003 Private placement of 10 year senior notes | 118,701 | 60,000 | – | 58,701 |
| 2006 Private placement of 8 and 10 year senior notes | 79,118 | – | – | 79,118 |
| | 754,618 | 501,119 | 115,680 | 137,819 |

At 31 December 2005

| | Total £'000 | Sterling £'000 | Euros £'000 | US Dollars £'000 |
|---|---|---|---|---|
| Bank overdrafts | 6,591 | 6,403 | 188 | – |
| Bank loans | 443,604 | 348,215 | 95,389 | – |
| Guaranteed loan stock 1996/2006 | 38,557 | 38,557 | – | – |
| Other guaranteed loan stock | 22,204 | 2,745 | 19,459 | – |
| 2003 Private placement of 10 year senior notes | 126,830 | 60,000 | – | 66,830 |
| | 637,786 | 455,920 | 115,036 | 66,830 |

### Interest rates

The weighted average interest rates were paid as follows:

| | **Year ended 2006 %** | Year ended 2005 % |
|---|---|---|
| Bank overdrafts | **5.6** | 5.5 |
| Bank loans | **5.8** | 5.9 |
| Guaranteed loan stock 1999/2006 | **5.3** | 5.8 |
| 2003 Private placement of 10 year senior notes | **6.2** | 6.3 |
| 2006 Private placement of 8 and 10 year senior notes | **5.6** | – |
| | **5.8** | 6.0 |

Borrowings of £440,000,000 (2005: £250,000,000) were arranged at fixed interest rates and expose the Group to fair value interest rate risk. In May 2007 hedge arrangements totalling £100,000,000 will commence to replace expiring hedges of £190,000,000. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The Group's foreign currency borrowings are retranslated at the prevailing year end exchange rate. The Group has in place cross currency swaps which are included in note 22 which hedge the fair value of the currency movement in these Group borrowings.

The floating rate overdrafts and loans bear interest at Libor plus or minus an agreed margin fixed at maturity intervals which can be monthly, quarterly or half yearly. The margin is based on the following:

| | |
|---|---|
| a) Overdraft | 1% above Libor |
| b) Loan stock 2000/2010 | Libor |
| c) Revolving Credit Facilities | 1% above Libor with adjustments dependent on financial ratios |

The hedging arrangements described in note 22 all relate to the Revolving Credit Facilities and the Private Placement of Senior Notes. They were a requirement of the Revolving Credit Facilities.

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 21. Borrowings (continued)

At 31 December 2006, the Group had Revolving Credit Facilities of £630 million with a number of banks maturing in 2010, together with a £30 million overdraft facility and two Private Placements of Senior Notes amounting to £216 million The undrawn element of the Facilities at 31 December 2006 amounted to £75 million The Guaranteed Loan Stock is part of the £630 million Revolving Credit Facilities and any redemptions over £1 million are funded from additional drawdowns from the Term Loan Facility

The 2003 Private Placement of 10 year Senior Notes is made up of £60 million at a fixed rate of 6 3% and $115 million at a fixed rate of 5 75% Using hedging agreements, the latter tranche was swapped back into floating sterling to hedge the Group's exposure to dollar interest rates The Private Placement of 2006 Senior Notes is made up of $55 million at a fixed rate of 6 18% and $100 million at a fixed rate of 6 28% The total amount of $155 million has been swapped back into fixed sterling of £40 million and floating sterling of £43 million, again to hedge the Group's exposure to dollar interest rates

### 22 Derivative Financial Instruments

The Group has applied hedge accounting in accordance with the provisions of IAS 39

| **Cross currency and other interest rate swaps fair value** | **Year ended 2006 Liabilities £'000** |
|---|---|
| Opening balance at 1 January 2006 | (9,234) |
| Movement in fair value during the period | (2,305) |
| Closing balance at 31 December 2006 | (11,539) |
| 31 December 2006 | |
| Current | – |
| Non current | (11,539) |
| 31 December 2005 | |
| Current | – |
| Non-current | (9,234) |

**Currency derivatives**
The Group utilises currency derivatives to hedge significant future transactions and cash flows The Group is a party to a number of foreign currency forward contracts and options in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of the Group's overseas subsidiaries and in US dollars in order to hedge the risks associated with the US dollar denominated senior loan notes At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below

| | **2006 £'000** | 2005 £'000 |
|---|---|---|
| Forward foreign exchange contracts | **155,828** | 72,785 |

## 22 Derivative Financial Instruments (continued)

The hedging arrangements are designed to address significant exchange exposures related to the senior loan notes and other commitments that exist at 31 December 2006 The arrangements are regularly reviewed and updated as required

No amounts have been transferred to the Income Statement in respect of contracts matured during the period or in respect of changes in the fair value of non hedging currency derivatives (2005 nil)

The Group's currency derivatives are used to hedge the fair value of the exchange exposure on the US $ denominated senior notes

**Interest rate swaps**

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings Contracts with nominal values of £190 million have fixed interest payments at an average rate of 5 15 per cent for periods up until 2007 Contracts with a nominal value of £100 million have fixed interest payments at an average rate of 4 59 per cent for periods up to the beginning of 2011 Contracts with nominal values of €70 million have fixed interest payments at an average rate of 3 09 per cent for periods up to 2009 In addition, at the balance sheet date, the Group had entered into further interest rate swaps with a nominal value of £100 million with fixed interest payments at an average of 4 49 per cent for the period from 2007 to 2010

The fair value of swaps entered into at 31 December 2006 is estimated at a liability of £11,539,000 (2005 £9,234,000) These amounts are based on market values of equivalent instruments at the balance sheet date All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been recognised directly in equity

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 continued

### 23. Retirement Benefit Obligation

Throughout 2006 the Group operated the Johnston Press Pension Plan (JPPP), together with the following schemes for all or part of the year

- The Scotsman Publications Pension Plan was inherited with the acquisition of The Scotsman Publications Ltd on 4 January 2006 This continued as a separate scheme until it was merged with the JPPP on 1 November 2006
- The Group received approval for a new defined contribution scheme for the Republic of Ireland, the Johnston Press (Ireland) Pension Scheme This was launched in the Autumn and all Republic of Ireland employees were invited to join
- Through the acquisitions in the Republic of Ireland in the second half of 2005, the Group inherited three final salary schemes Two are industry wide schemes and the third is for a small number of employees in Limerick There are no additional financial implications to the Group if these schemes are terminated Consequently, the Group's obligations to these schemes is included in Long Term Provisions and the details shown below exclude these schemes

The JPPP is in two parts, a defined contribution scheme and a defined benefit scheme The latter is closed to new members The assets of the schemes are held separately from those of the Group The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method The financial information provided below relates to the defined benefit element of the JPPP

The defined contribution schemes provide for employee contributions between 2 5% dependent on age, with higher contributions from the Group In addition, the Group bears the majority of the administration costs and also life cover There are also executive sections of the scheme with increased contribution rates from both the employee and employer

The pension cost charged to the Income Statement was as follows

| | **2006 £'000** | 2005 £'000 |
|---|---|---|
| Defined benefit schemes | **5,194** | 4,161 |
| Defined contribution schemes and Irish schemes | **5,778** | 4,867 |
| | **10,972** | 9,028 |

**Major assumptions:**

| | **Valuation at 2006** | Valuation at 2005 |
|---|---|---|
| Discount rate | **5 1%** | 4 7% |
| Expected return on scheme assets | **6 9%** | 6 5% |
| Expected rate of salary increases | **3 8%** | 3 5% |
| Future pension increases | **2 8%** | 2 5% |
| Life expectancy | | |
| Male | **18 1 years** | 18 1 years |
| Female | **21 0 years** | 21 0 years |

**Amounts recognised in the Income Statement in respect of defined benefit schemes.**

| | **Year ended 2006 £'000** | Year ended 2005 £'000 |
|---|---|---|
| Current service cost | **5,194** | 4,161 |
| Interest cost | **19,217** | 16,505 |
| Expected return on scheme assets | **(22,599)** | (17,026) |
| | **1,812** | 3,640 |

Of the current service cost for the year, £3,866,000 (2005 £3,287,000) has been included in cost of sales and £1,328,000 (2005 £874,000) has been included in operating expenses Interest cost and expected return on scheme assets are included in finance costs Actuarial gains and losses have been reported in the Group Statement of Recognised Income and Expense

## 23 Retirement Benefit Obligation (continued)

### Amounts included in the balance sheet

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Present value of defined benefit obligations | **420,913** | 364,727 |
| Fair value of scheme assets | **375,474** | 309,538 |
| Deficit in scheme | **45,439** | 55,189 |
| Past service cost not yet recognised in balance sheet | **–** | – |
| Total liability recognised in balance sheet | **45,439** | 55,189 |
| Amount included in current liabilities | **(4,272)** | (4,350) |
| Amount included in non current liabilities | **41,167** | 50,839 |

### Movements in the present value of defined benefit obligations

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| At 1 January | **364,727** | 312,194 |
| Service costs | **5,194** | 4,161 |
| Interest costs | **19,217** | 16,505 |
| Contribution from scheme members | **4,504** | 3,830 |
| Changes in assumptions underlying the defined benefit obligations | **(2,547)** | 37,623 |
| Benefits paid | **(11,564)** | (9,586) |
| Liabilities assumed in a business combination | **41,382** | – |
| At 31 December | **420,913** | 364,727 |

### Movements in the fair value of scheme assets

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| At 1 January | **309,538** | 241,608 |
| Expected return on scheme assets | **22,599** | 17,026 |
| Actual return less expected return on scheme assets | **7,828** | 36,454 |
| Contributions from the sponsoring companies | **7,219** | 20,206 |
| Contributions from scheme members | **4,504** | 3,830 |
| Benefits paid | **(11,564)** | (9,586) |
| Assets acquired in a business combination | **35,350** | – |
| At 31 December | **375,474** | 309,538 |

### Analysis of the scheme assets and the expected rate of return

| | Expected return | | Fair value of assets | |
|---|---|---|---|---|
| | 2006 % | 2005 % | 2006 £'000 | 2005 £'000 |
| Equity instruments | **7 6%** | 7 1% | **262,832** | 226,341 |
| Debt instruments | **4.9%** | 4 5% | **63,831** | 45,890 |
| Property | **6 1%** | 5 6% | **30,038** | 28,286 |
| Other assets | **5.8%** | 6 1% | **18,773** | 9,021 |
| | **6 9%** | 6 5% | **375,474** | 309,538 |

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 continued

### 23 Retirement Benefit Obligation (continued)

**History of experience adjustments**

| | 2006 £'000 | 2005 £'000 | 2004 £'000 | 2003 £'000 |
|---|---|---|---|---|
| Present value of defined benefit obligations | **420,913** | 364,727 | 312,194 | 277,800 |
| Fair value of scheme assets | **375,474** | 309,538 | 241,608 | 212,400 |
| Deficit in the scheme | **45,439** | 55,189 | 70,586 | 65,400 |
| Experience adjustments on scheme liabilities | | | | |
| Amount (£'000) | **2,547** | (37,623) | (15,202) | (13,954) |
| Percentage of scheme liabilities (%) | **0 6%** | (10 3%) | (4 9%) | (5 0%) |
| Experience adjustments on scheme assets | | | | |
| Amounts (£'000) | **7,828** | 36,454 | 5,073 | 17,831 |
| Percentage of scheme assets (%) | **2 1%** | 11 8% | 2 1% | 8 4% |

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £6,900,000

### 24. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period

| | Accelerated tax depreciation £'000 | Intangible assets Restated Note 14 £'000 | Pension balances £'000 | Share based payments £'000 | Other timing differences £'000 | Total Restated Note 14 £'000 |
|---|---|---|---|---|---|---|
| At 1 January 2005 | 13,192 | 283,595 | (24,751) | (442) | (1,022) | 270,572 |
| Charge/(credit) to income | 4,378 | – | 3,069 | (389) | (292) | 6,766 |
| Credit to equity | – | – | (325) | – | – | (325) |
| Acquisition of subsidiaries | (306) | 86,135 | (92) | – | (842) | 84,895 |
| At 31 December 2005 as previously reported | **17,264** | **369,730** | **(22,099)** | **(831)** | **(2,156)** | **361,908** |
| Adjustment in respect of prior year (note 14) | – | (14,378) | – | – | – | (14,378) |
| Revised balance at 31 December 2005 | 17,264 | 355,352 | (22,099) | (831) | (2,156) | 347,530 |
| Adjustment (note 14) | 216 | 38 | – | – | – | 254 |
| Disposal of business | – | (983) | – | – | 755 | (228) |
| Charge/(credit) to income | 3,163 | – | 3,786 | 422 | – | 7,371 |
| Debit to equity | – | – | 1,969 | – | 1,941 | 3,910 |
| Acquisition of subsidiaries | (829) | 42,976 | (1,810) | – | – | 40,337 |
| **At 31 December 2006** | **19,814** | **397,383** | **(18,154)** | **(409)** | **540** | **399,174** |

## 24. Deferred Tax (continued)

Certain deferred tax assets and liabilities have been offset The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes'

| | **2006 £'000** | 2005 Restated Note 14 £'000 |
|---|---|---|
| Deferred tax liabilities | **417,737** | 372,616 |
| Deferred tax assets | **(18,563)** | (25,086) |
| | **399,174** | 347,530 |

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £20,810,000 (2005 £11,940,000) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

Temporary differences arising in connection with interests in associates are insignificant

## 25. Obligations Under Finance Leases

| | **Present value of minimum lease payments** | |
|---|---|---|
| | **2006 £'000** | 2005 £'000 |
| **Amounts payable under finance leases** | | |
| Within one year | **5** | 60 |
| In the second to fifth years inclusive | **–** | 12 |
| | **5** | 72 |
| Less amounts due for settlement within one year (shown under current liabilities) | **(5)** | (60) |
| Amount due for settlement after one year | **–** | 12 |

The amount of future finance charges are not significant All lease obligations are denominated in sterling and the above obligations are secured by the lessor's rights over the leased assets

## 26. Long Term Provisions

| | Unfunded pensions £'000 | Post retirement health costs £'000 | Obligations to industry sponsored pension schemes £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2006 | 1,220 | 452 | 835 | 2,507 |
| Exchange differences | – | – | (17) | (17) |
| Paid during the year | – | (21) | – | (21) |
| **At 31 December 2006** | **1,220** | **431** | **818** | **2,469** |

The unfunded pension provision is assessed by a qualified actuary at each year end The post retirement health costs represent management's estimate of the liability concerned The obligations to industry sponsored pension schemes were assessed by actuarial advisors

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 continued

**27. Share Capital**

| | **2006** | 2005 |
|---|---|---|
| | **£'000** | £'000 |
| Authorised | | |
| 390,000,000 Ordinary Shares of 10p each (2005 390,000,000) | **39,000** | 39,000 |
| 756,000 13 75% Cumulative Preference Shares of £1 each (2005 756,000) | **756** | 756 |
| 415,000 13 75% "A" Preference Shares of £1 each (2005 415,000) | **415** | 415 |
| | **40,171** | 40,171 |
| Issued | | |
| 287,873,223 Ordinary Shares of 10p each (2005 286,668,718) | **28,787** | 28,666 |
| 756,000 13 75% Cumulative Preference Shares of £1 each (2005 756,000) | **756** | 756 |
| 349,600 13 75% "A" Preference Shares of £1 each (2005 349,600) | **350** | 350 |
| | **29,893** | 29,772 |

During the year ended 31 December 2006, Ordinary Shares of 10p each were issued and allotted as follows

| | £'000 |
|---|---|
| 686,470 shares under the terms of the executive share option schemes for a consideration of £2,382,149 | 69 |
| 518,035 shares under the terms of the save as you earn scheme for a consideration of £1,589,566 | 52 |
| Total at 31 December 2005 | 28,666 |
| **Total at 31 December 2006** | **28,787** |

Details of options outstanding are shown in note 32

The Company has only one class of ordinary shares which has no right to fixed income All the preference shares carry the right, subject to the discretion of the Company to distribute profits, to a fixed dividend of 13 75% and rank in priority to the ordinary shares Given the discretionary nature of the dividend right, the preference shares are considered to be equity under IAS 32

## 28 Acquisition of Subsidiaries

### The Scotsman Publications Limited

On 4 January 2006, the Group acquired 100 per cent of the issued share capital of The Scotsman Publications Limited for cash consideration of £95,008,000 The Scotsman Publications Limited is the parent company of a group of companies involved in newspaper publishing This transaction has been accounted for by the purchase method of accounting

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Net assets acquired | | | |
| Publishing titles | 97,219 | 46,034 | 143,253 |
| Property plant and equipment | 23,165 | (2,763) | 20,402 |
| Inventories | 851 | (87) | 764 |
| Trade and other receivables | 5,842 | 128 | 5,970 |
| Cash and cash equivalents | 5,225 | – | 5,225 |
| Trade and other payables | (75,687) | (339) | (76,026) |
| Deferred tax (liabilities)/assets | 1,810 | 829 | 2,639 |
| Deferred tax liability on publishing titles | – | (42,976) | (42,976) |
| Retirement benefit obligation | (6,032) | – | (6,032) |
| | 52,393 | 826 | 53,219 |
| Goodwill | | | 42,976 |
| **Total consideration excluding debt** | | | **96,195** |
| **Satisfied by.** | | | |
| Cash | | | 95,008 |
| Directly attributable costs | | | 1,187 |
| | | | **96,195** |

### Net cash flows arising on acquisition

| | |
|---|---|
| Cash consideration including costs settled on acquisition | 96,195 |
| Net debt settled at acquisition | 69,340 |
| | 165,535 |
| Cash and cash equivalents acquired | (5,225) |
| Net cash flow arising on acquisition | **160,310** |

All of The Scotsman Publications Limited's post acquisition revenue and profit before tax for the 2006 calendar year is incorporated in the results of the Group There was no profit generated in the first four days of trading of 2006

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 29 Disposal of Business

On 18 December 2006, the Group sold the Farm Week newspaper title in Northern Ireland to a subsidiary of Irish News Ltd It was an asset sale agreement which included all the employees associated with the title Farm Week was originally acquired as part of the Group's acquisition of Score Press Ltd in August 2005 and its disposal followed discussions with The Office of Fair Trading

The consideration received net of all costs and commissions was £3 3 million A disposal of a title outside a group company is exceptionally rare but, given the circumstances of this sale, a tax liability is due on the sale The Group has losses available in a dormant company that will cover most of the liability as shown in note 24

### 30 Notes to the Cash Flow Statement

| | 2006<br>£'000 | 2005<br>£'000 |
|---|---|---|
| **Operating profit** | **171,630** | 177,596 |
| Adjustments for | | |
| Depreciation of property, plant and equipment | **29,785** | 19,923 |
| Currency differences | **(328)** | 41 |
| Own shares written off | **786** | 613 |
| Cost of share based payments | **1,495** | 1,296 |
| Profit on disposal of property, plant and equipment | **(3,175)** | (891) |
| Movement on pension provision | **(1,652)** | (16,566) |
| Operating cash flows before movements in working capital | **198,541** | 182,012 |
| (Increase)/decrease in inventories | **(151)** | 371 |
| (Increase)/decrease in receivables | **(5,405)** | 3,890 |
| Decrease in payables | **(5,845)** | (4,218) |
| Cash generated by operations | **187,140** | 182,055 |

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less

### 31. Guarantees and Other Financial Commitments

a) Lease commitments

The Group has entered into non cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of years The total annual rental for 2006 was £1,266,000 (2005 £845,000) In addition, the Group leases certain land and buildings on short term and long term operating leases The annual rental on these leases was £5,122,000 (2005 £2,609,000) The rents payable under property leases are subject to renegotiation at various intervals specified in the leases The Group pays insurance, maintenance and repairs of these properties

| | **2006** | 2005 |
|---|---|---|
| | **£'000** | £'000 |
| The total amounts payable under the foregoing leases are as follows | | |
| Plant | | |
| Within one year | **535** | 378 |
| Between two and five years | **632** | 414 |
| | **1,167** | 792 |
| Land and buildings | | |
| Within one year | **3,946** | 3,365 |
| Between two and five years | **13,793** | 11,258 |
| After five years | **24,425** | 16,475 |
| | **42,164** | 31,098 |
| b) Capital commitments | | |
| Contracted for but not provided | **14,063** | 32,552 |

c) Bank guarantees

A guarantee is is in place with the Group's bankers and Private Placement Senior Note holders which requires a specific proportion of the Group's assets and profits to be held within the guarantor group of companies

d) Contingent liability

In March 2004, HMRC issued a tax assessment for £86 million against one of the RIM Group companies Johnston Press acquired in 2002 With interest the potential liability now exceeds £100 million The assessment relates to the sale of the RIM companies by United Business Media Plc (UBM) in 1998 At a Special Commissioner's hearing in 2006, the Chairman ruled in favour of HMRC but this decision has been appealed In the event of proven liability the Group holds a full tax indemnity from UBM and accordingly no provision for any liability is reflected in these financial statements

# Notes to the Consolidated Financial Statements
## For the year ended 31 December 2006 - continued

### 32. Share based Payments

**Equity settled share option scheme**
Options over ordinary shares are granted under the Executive's Share Option Scheme Options are exercisable at a price equal to the closing quoted market price of the Company's shares on the day prior to the date of grant The vesting period is 3 years If the options remain unexercised after a period of 10 years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before the options vest

**Details of the share options outstanding during the year**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price (in p)** | Number of share options | Weighted average exercise price (in p) |
| Outstanding at beginning of period | **2,660,221** | **430** | 2,394,702 | 382 |
| Granted during the period | **–** | **–** | 817,336 | 497 |
| Forfeited during the period | **(44,438)** | **504** | (27,502) | 392 |
| Exercised during the period | **(686,470)** | **347** | (524,315) | 318 |
| Outstanding at the end of the period | **1,929,313** | **506** | 2,660,221 | 430 |
| Exercisable at the end of the period | **483,245** | **333** | 335,379 | 311 |

The weighted average share price at the date of exercise for share options exercised during the period was 347p The options outstanding at 31 December 2006 had a weighted average exercise price of 506p, and a weighted average remaining contractual life of 7 3 years In 2006, no options were granted In 2005, options were granted on 17 March, 27 April and 30 June and the aggregate of the estimated fair values of the options granted on that date is £1 1 million

**Inputs into the Black-Scholes model**

| | **2006** | 2005 |
|---|---|---|
| Weighted average share price | **–** | 497p |
| Weighted average exercise price | **–** | 497p |
| Expected volatility | **–** | 35% |
| Expected life | **–** | 3 years |
| Risk free rate | **–** | 5% |
| Expected annual dividend yield | **–** | 1% |

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 1 year The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations

The Group recognised total expenses of £1,495,000 and £1,296,000 related to equity settled share based payment transactions in 2006 and 2005 respectively

## 32 Share based Payments (continued)

**Group Savings Related Share Option Scheme**
The Company operates a Group savings related share option scheme This has been approved by the Inland Revenue and is based on eligible employees being granted options and their agreeing to save weekly or monthly in a sharesave account with Halifax plc for a period of either 3, 5 or 7 years The right to exercise is at the discretion of the employee within six months following the end of the period of saving

**Options outstanding under savings related scheme at 31 December 2006**

| Option Grant Date | Number of Shares | Issue price per Share |
|---|---|---|
| 29 09 99 | 11,883 | 278 25p |
| 29 09 00 | 38,184 | 310 67p |
| 27 09 01 | 41,340 | 274 65p |
| 27 09 02 | 987,799 | 279 00p |
| 26 09 03 | 302,879 | 345 50p |
| 29 09 04 | 445,556 | 414 50p |
| 29 09 05 | 601,481 | 397 00p |
| 29 09 06 | 961,898 | 306 00p |
| 29 09 06 | 159,645 | 311 50p |

The above options were issued to employees at a price equivalent to the average mid market price for the 30 days prior to 6 September 1999, 4 September 2000, 3 September 2001, 30 August 2002, 29 August 2003, 27 August 2004, 2 September 2005 and 1 September 2006 respectively A discount of 20% to the average mid market price was applied to the issues in 2002 and thereafter

## 33. Related Party Transactions

The Group undertook transactions, all of which were on an arms' length basis, and had balances outstanding at 31 December 2006 and 2005 with related parties as shown below

| | Purchases | | Creditors | | Sales | | Debtors | |
|---|---|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| Related party | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| Classified Periodicals Ltd | **58** | 73 | **1** | – | **43** | 54 | **2** | 2 |
| Free Admart Ltd | **95** | 101 | **23** | 24 | – | – | – | – |

Classified Periodicals Ltd is an associated undertaking of Johnston Press plc, which re publishes in a separate publication classified advertisements which appear in the Group's titles and those of certain other publishers Free Admart Ltd publishes a separate title in conjunction with other newspaper publishers The Group provided certain administrative, distribution and production services to Classified Periodicals Ltd

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties

# Company Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements The Directors have chosen to prepare the financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985

In preparing those 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 accounting standards have been followed, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for the system of internal controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# Company Balance Sheet
## At 31 December 2006

| | Notes | 2006 £'000 | 2005 Restated Note 42 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible | 35 | **831** | 904 |
| Investments | 36 | **1,100,698** | 953,563 |
| | | **1,101,529** | 954,467 |
| **Current assets** | | | |
| Stocks | 37 | **311** | 299 |
| Debtors due within one year | 38 | **77,820** | 52,162 |
| due after more than one year | 38 | **441,642** | 441,981 |
| Cash at bank and in hand | | **1,861** | 6,337 |
| | | **521,634** | 500,779 |
| **Creditors** amounts falling due within one year | 39 | **(56,134)** | (117,550) |
| **Net current assets** | | **465,500** | 383,229 |
| **Total assets less current liabilities** | | **1,567,029** | 1,337,696 |
| **Creditors** amounts falling due after more than one year | 40 | **(760,661)** | (575,365) |
| **Provisions for liabilities** | 42 | **(1,220)** | (1,220) |
| **Net assets** | | **805,148** | 761,111 |
| **Capital and reserves** | | | |
| Called up share capital | 27 | | |
| Ordinary | | **28,787** | 28,666 |
| Preference | | **1,106** | 1,106 |
| | | **29,893** | 29,772 |
| Reserves | 43 | **775,255** | 731,339 |
| **Shareholders' funds** | | **805,148** | 761,111 |

The financial statements were approved by the Board of Directors on 7 March 2007 and were signed on its behalf by

T J Bowdler, Chief Executive Officer

S R Paterson, Chief Financial Officer

The accompanying notes are an integral part of these financial statements

# Notes to the Company Financial Statements
## For the year ended 31 December 2006

### 34. Significant Accounting Policies

The separate financial statements of the Company are presented as required by the Companies Act 1985 As permitted by that Act, the separate financial statements have been prepared in accordance with United Kingdom Applicable Accounting Standards No profit and loss account is presented as permitted by section 230 of the Companies Act 1985 Of the Group profit for the year, £64,561,000 (2005 £96,835,000 ) is dealt with in the financial statements of the parent company The financial statements have been prepared on the historical cost basis except for the revaluation of certain fixed assets The principal accounting policies adopted are set out below

**Tangible fixed assets**
Tangible fixed asset balances are shown at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all property, plant and equipment, excluding land, at varying rates calculated to write-off cost over the useful lives The principal rates employed are

| | |
|---|---|
| Heritable and freehold property (excluding land) | 2 5% on written down value |
| Leasehold land and buildings | equal annual instalments over lease term |
| Other plant and machinery | 15% on written down value |
| | 6 67%, 10%, 20%, 25% and 33% straight line basis |
| Motor vehicles | 25% straight line basis |

**Investments**
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment Listed investments are shown at current market valuation Upward revaluations are credited to the revaluation reserve Downward revaluations in excess of any previous upward revaluations are taken to the Profit and Loss Account

**Stocks**
Stocks are stated at the lower of cost and net realisable value as follows
Cost incurred in bringing materials to their present location and condition comprises, (a) raw materials and goods for resale at purchase cost on a first in first-out basis, and (b) work in progress at cost of direct materials, labour and certain overheads Net realisable value comprises selling price less any further costs expected to be incurred to completion and disposal

**Borrowings**
Interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premia payable on settlement or redemption and direct issue costs, are charged to the Profit and Loss Account 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

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the Profit and Loss Account 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the 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 timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which such assets can be utilised Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

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 Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

**Share based payments**
The Company issues equity settled share-based benefits to certain employees These share based payments are measured at their fair value at the date of grant and the fair value of expected shares is expensed to the Profit and Loss Account on a straight line basis over the vesting period Fair value is measured by use of the Black Scholes model, as amended to take account of the Directors' best estimate of probable share vesting and exercise

**Dividends**
Dividends payable to the Company's shareholders are recorded as a liability in the period in which the dividends are approved
In the Company's financial statements, dividends receivable from subsidiaries are recognised as assets in the period in which the dividends are approved

## 35. Tangible Fixed Assets

| | Freehold buildings £'000 | Leasehold buildings £'000 | Plant and machinery £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2005 | 1,320 | 400 | 437 | 78 | 2,235 |
| Additions | – | – | 12 | 25 | 37 |
| Disposals | (730) | – | (189) | (15) | (934) |
| **At 31 December 2005** | **590** | **400** | **260** | **88** | **1,338** |
| Additions | – | – | 7 | – | 7 |
| Transfers | – | – | – | (25) | (25) |
| Disposals | – | – | – | (4) | (4) |
| **At 31 December 2006** | **590** | **400** | **267** | **59** | **1,316** |
| **Depreciation** | | | | | |
| At 1 January 2005 | 214 | 65 | 373 | 33 | 685 |
| Disposals | (134) | – | (189) | (6) | (329) |
| Charge for year | 28 | 8 | 22 | 20 | 78 |
| **At 31 December 2005** | **108** | **73** | **206** | **47** | **434** |
| Disposals | – | – | – | (2) | (2) |
| Transfers | – | – | – | (10) | (10) |
| Charge for year | 12 | 8 | 23 | 20 | 63 |
| **At 31 December 2006** | **120** | **81** | **229** | **55** | **485** |
| **Carrying amount** | | | | | |
| **At 31 December 2006** | **470** | **319** | **38** | **4** | **831** |
| At 31 December 2005 | 482 | 327 | 54 | 41 | 904 |

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| a) Freehold land and buildings comprise | | |
| At valuation | **590** | 590 |
| At cost | **–** | – |
| | **590** | 590 |

Professional valuations were carried out by members of the Royal Institute of Chartered Surveyors on certain of the Company's buildings at 31 December 1997

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| b) Historical cost figures for freehold buildings are | | |
| Cost | **542** | 542 |
| Depreciation | **(126)** | (112) |
| | **416** | 430 |

# Notes to the Company Financial Statements
## For the year ended 31 December 2006 - continued

**36 Investments**

| | Subsidiary Undertakings £'000 | Unlisted investments £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2006 | 951,821 | 3,526 | 955,347 |
| Acquisitions | 167,135 | – | 167,135 |
| Group transfer | (20,000) | – | (20,000) |
| At 31 December 2006 | 1,098,956 | 3,526 | 1,102,482 |
| **Provisions for impairment** | | | |
| At 1 January 2006 and 31 December 2006 | – | 1,784 | 1,784 |
| **Net book value** | | | |
| **At 31 December 2006** | 1,098,956 | 1,742 | 1,100,698 |
| Net book value | | | |
| At 1 January 2006 | 951,821 | 1,742 | 953,563 |

Effective from 1 January 2006 the Company transferred its investment in Leinster Leader Ltd to an Irish based subsidiary for a consideration of new shares and a loan note amounting to £20 million

**The company's principal subsidiary undertakings are as follows:**

| Name of company | Country of incorporation and operation | Proportion of ownership interest | Nature of Business |
|---|---|---|---|
| Johnston Publishing Ltd | England | 100% | Newspaper publishers |
| *Johnston Press (Ireland) Ltd | Republic of Ireland | 100% | Newspaper publishers |
| Johnston (Falkirk) Ltd | Scotland | 100% | Newspaper publishers and printers |
| Strachan & Livingston Ltd | Scotland | 100% | Newspaper publishers |
| Wilfred Edmunds Ltd | England | 100% | Newspaper publishers |
| North Notts Newspapers Ltd | England | 100% | Newspaper publishers |
| Yorkshire Weekly Newspaper Group Ltd | England | 100% | Newspaper publishers |
| Sussex Newspapers Ltd | England | 100% | Newspaper publishers |
| T R Beckett Ltd | England | 100% | Newspaper publishers |
| *Halifax Courier Ltd | England | 100% | Newspaper publishers |
| *Isle of Man Newspapers Ltd | Isle of Man | 100% | Newspaper publishers and printers |
| South Yorkshire Newspapers Ltd | England | 100% | Newspaper publishers |
| Yorkshire Regional Newspapers Ltd | England | 100% | Newspaper publishers |
| *East Midlands Newspapers Ltd | England | 100% | Newspaper publishers |
| Welland Valley Newspapers Ltd | England | 100% | Newspaper publishers |
| Anglia Newspapers Ltd | England | 100% | Newspaper publishers |
| Northamptonshire Newspapers Ltd | England | 100% | Newspaper publishers |
| Central Counties Newspapers Ltd | England | 100% | Newspaper publishers |
| Premier Newspapers Ltd | England | 100% | Newspaper publishers |
| Bedfordshire Newspapers Ltd | England | 100% | Newspaper publishers |

## 36 Investments (continued)

| Name of company | Country of incorporation and operation | Proportion of ownership interest | Nature of Business |
|---|---|---|---|
| Peterboro' Web Ltd | England | 100% | Contract printers |
| *Northampton Web Ltd | England | 100% | Contract printers |
| *Portsmouth Publishing & Printing Ltd | England | 100% | Newspaper publishers and printers |
| *Northeast Press Ltd | England | 100% | Newspaper publishers and printers |
| *The Tweeddale Press Group Ltd | Scotland | 100% | Newspaper publishers |
| *Yorkshire Post Newspapers Ltd | England | 100% | Newspaper publishers and printers |
| *Ackrill Newspapers Ltd | England | 100% | Newspaper publishers |
| *The Reporter Ltd | England | 100% | Newspaper publishers |
| *Sheffield Newspapers Ltd | England | 100% | Newspaper publishers and printers |
| *Lancashire Evening Post Ltd | England | 100% | Newspaper publishers |
| *Lancashire Publications Ltd | England | 100% | Newspaper publishers |
| *Lancaster & Morecambe Newspapers Ltd | England | 100% | Newspaper publishers |
| *Blackpool Gazette & Herald Ltd | England | 100% | Newspaper publishers |
| *East Lancashire Newspapers Ltd | England | 100% | Newspaper publishers |
| *Best Asian Media Ltd | England | 100% | Newspaper publishers |
| *Thorne Gazette Ltd | England | 100% | Newspaper publishers |
| *Ashwell Associates Ltd | England | 100% | Newspaper publishers |
| Score Press Ltd | Scotland | 100% | Holding Company |
| *Morton Newspapers Ltd | Northern Ireland | 100% | Newspaper publishers and printers |
| *Kilkenny People Publishing Ltd | Republic of Ireland | 100% | Newspaper publishers and printers |
| *Angus County Press Ltd | Scotland | 100% | Newspaper publishers |
| *Galloway Gazette Ltd | Scotland | 100% | Newspaper publishers |
| *Stornoway Gazette Ltd | Scotland | 100% | Newspaper publishers |
| *Longford Leader Ltd | Republic of Ireland | 100% | Newspaper publishers |
| *Leitrim Observer Ltd | Republic of Ireland | 100% | Newspaper publishers |
| *Leinster Leader Ltd | Republic of Ireland | 100% | Newspaper publishers and printers |
| *Leinster Express Ltd | Republic of Ireland | 100% | Newspaper publishers |
| *Dundalk Democrat Ltd | Republic of Ireland | 100% | Newspaper publishers |
| *Limerick Leader Ltd | Republic of Ireland | 100% | Newspaper publishers and printers |
| *Tallaght Publishing Ltd | Republic of Ireland | 100% | Newspaper publishers |
| *Leader Print Ltd | Republic of Ireland | 100% | Newspaper publishers |
| Local Press Ltd | Northern Ireland | 100% | Newspaper publishers |
| *Derry Journal Ltd | Northern Ireland | 100% | Newspaper publishers |
| *Century Newspapers Ltd | Northern Ireland | 100% | Newspaper publishers |
| *Donegal Democrat Ltd | Republic of Ireland | 100% | Newspaper publishers |
| The Scotsman Publications Ltd | Scotland | 100% | Newspaper publishers and printers |

*Held through subsidiary

There is no difference in the proportions of ownership interest shown above and the voting power held All investments in subsidiary undertakings are held at cost, less, where appropriate, provisions for impairment

# Notes to the Company Financial Statements
## For the year ended 31 December 2006 continued

### 37. Stocks

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Raw materials | **18** | 10 |
| Work in progress | **2** | 2 |
| Goods for re-sale | **291** | 287 |
| | **311** | 299 |

### 38 Debtors

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Amounts owed by subsidiary undertakings | **63,242** | 43,684 |
| Corporation tax recoverable | **14,505** | 8,342 |
| Trade and other debtors and prepayments | **73** | 136 |
| | **77,820** | 52,162 |
| **Amounts falling due after more than one year** | | |
| Amounts owed by subsidiary undertakings | **440,401** | 440,401 |
| Deferred tax asset note 42 | **1,241** | 1,580 |
| | **441,642** | 441,981 |

### 39 Creditors amounts falling due within one year

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Borrowings | **10,173** | 48,462 |
| Amounts owed to subsidiary undertakings | **36,169** | 59,415 |
| Other taxes and social security costs | **513** | 432 |
| Accruals and deferred income | **9,210** | 9,124 |
| Other creditors | **69** | 117 |
| | **56,134** | 117,550 |

## 40 Creditors amounts falling due after more than one year

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Borrowings | **760,661** | 575,316 |
| Other creditors | **—** | 49 |
| | **760,661** | 575,365 |

## 41 Borrowings

| The company's bank overdrafts and loans comprise | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Bank overdrafts (secured) | **10,002** | 7,448 |
| Bank loans | **546,408** | 443,604 |
| Guaranteed loan stock | **171** | 41,302 |
| 2003 Private placement of 10 year senior notes | **132,785** | 132,785 |
| 2006 Private placement of 8 and 10 year senior notes | **83,043** | — |
| | **772,409** | 625,139 |

**The borrowings are repayable as follows.**

| | | |
|---|---|---|
| On demand or within one year | **10,569** | 48,750 |
| Within one to two years | **—** | — |
| Within two to five years | **546,012** | 443,604 |
| More than five years | **215,828** | 132,785 |
| | **772,409** | 625,139 |
| Less amount due for settlement within one year | **(10,569)** | (48,750) |
| Amount due for settlement after one year | **761,840** | 576,389 |

The borrowings are shown in the balance sheet net of term debt issue costs of £1,575,000 of which £396,000 is deducted from current liabilities (2005 £1,361,000 of which £288,000 is deducted from current liabilities)

Other details relating to the bank overdrafts and loans are set out in note 21

# Notes to the Company Financial Statements
## For the year ended 31 December 2006 - continued

### 42. Provisions for liabilities

| | Deferred Tax £'000 | Unfunded Pensions £'000 | Total £'000 |
|---|---|---|---|
| At 31 December 2005 as previously reported | (1,580) | 1,220 | (360) |
| Transfer deferred taxation to debtors | 1,580 | – | 1,580 |
| At 1 January 2006 | – | 1,220 | 1,220 |
| Credit to profit | – | – | – |
| At 31 December 2006 | – | 1,220 | 1,220 |

To improve the balance sheet presentation, the deferred tax asset, which exceeds the unfunded pensions liability, has been transferred to debtors due after more than one year

The following are the major deferred tax assets recognised by the Company and movements thereon during the year see note 38

| | Accelerated tax depreciation £'000 | Pension balances £'000 | Share based payments £'000 | Other timing differences £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 31 December 2005 | (53) | (366) | (831) | (330) | (1,580) |
| Charge/(credit) to profit | 7 | – | 422 | (90) | 339 |
| **At 31 December 2006** | **(46)** | **(366)** | **(409)** | **(420)** | **(1,241)** |

### 43. Reserves

| | Share Premium £'000 | Share-based Payments Reserve £'000 | Revaluation Reserve £'000 | Retained Earnings £'000 | Other Reserves £'000 | Own Shares £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2006 | 327,437 | 2,770 | 51 | 382,320 | 19,510 | (749) | 731,339 |
| Profit for the year | – | – | – | 64,561 | – | – | 64,561 |
| Revaluation adjustment | – | – | (1) | 1 | – | – | – |
| Dividends | – | – | – | (25,113) | – | – | (25,113) |
| Share premium on new share capital subscribed | 3,852 | – | – | – | – | – | 3,852 |
| Own shares purchased | – | – | – | – | – | (1,665) | (1,665) |
| Amounts written off | – | – | – | – | – | 786 | 786 |
| Provision for share based payments | – | 1,495 | – | – | – | – | 1,495 |
| **At 31 December 2006** | **331,289** | **4,265** | **50** | **421,769** | **19,510** | **(1,628)** | **775,255** |

Further details of share-based payments are shown in note 32

# Group Five Year Summary

| | UK GAAP | | IFRS | | |
|---|---|---|---|---|---|
| | 2002 £'000 | 2003 £'000 | 2004 £'000 | 2005 £'000 | **2006 £'000** |
| **Income Statement** | | | | | |
| Revenue | 428,394 | 491,843 | 519,299 | 520,154 | **602,221** |
| Operating profit on ordinary activities | 131,217 | 163,033 | 178,211 | 180,210 | **186,773** |
| Share of associates' operating profit | 401 | 581 | 174 | 81 | **60** |
| Non recurring items | (6,185) | (2,452) | (769) | (2,614) | **(15,143)** |
| Profit before interest and taxation | 125,433 | 161,162 | 177,616 | 177,677 | **171,690** |
| Net interest payable | (32,708) | (33,210) | (27,817) | (26,314) | **(40,136)** |
| Profit before taxation | 92,725 | 127,952 | 149,799 | 151,363 | **131,554** |
| Taxation | (26,861) | (38,264) | (43,187) | (43,572) | **(35,899)** |
| Profit for the year | 65,864 | 89,688 | 106,612 | 107,791 | **95,655** |
| **Statistics** | | | | | |
| Basic earnings per share | 24 65p | 31 57p | 37 41p | 37 67p | **33 24** |
| Underlying earnings per share | 26 75p | 32 36p | 37 77p | 38 72p | **36 66** |
| Operating profit to turnover | 30 7% | 33 3% | 34 4% | 34 6% | **31 0%** |
| **Balance Sheet** | | | | | |
| Intangible assets | 927,557 | 927,557 | 927,557 | 1,300,443 | **1,483,733** |
| Property, plant and equipment | 154,084 | 156,972 | 156,742 | 222,178 | **268,342** |
| Investments | 4,663 | 3,980 | 2,798 | 2,760 | **2,745** |
| | 1,086,304 | 1,088,509 | 1,087,097 | 1,525,381 | **1,754,820** |
| Net current assets/(liabilities) | (46,828) | (64,500) | (84,836) | (41,147) | **24,526** |
| Total assets less current liabilities | 1,039,476 | 1,024,009 | 1,002,261 | 1,484,234 | **1,779,346** |
| Non current liabilities | (472,559) | (372,750) | (264,002) | (600,888) | **(762,723)** |
| Long term provisions | (5,952) | (16,327) | (342,872) | (400,876) | **(442,810)** |
| **Net Assets** | 560,965 | 634,932 | 395,387 | 482,470 | **573,813** |
| Shareholders' Funds | | | | | |
| Ordinary Shares | 28,339 | 28,399 | 28,532 | 28,666 | **28,787** |
| Preference Shares | 1,106 | 1,106 | 1,106 | 1,106 | **1,106** |
| Reserves | 531,520 | 605,427 | 365,749 | 452,698 | **543,920** |
| **Capital Employed** | 560,965 | 634,932 | 395,387 | 482,470 | **573,813** |

The 2004 year was a 53 week period

# Notice of Meeting

Notice is hereby given that the seventy eighth Annual General Meeting of the Company will be held in The Wallace Suite, The Sheraton Hotel, 1 Festival Square, Edinburgh on 27 April 2007 at 12 00 noon to transact the following business of the Company

1 To receive the Accounts for the year ended 31 December 2006 and the reports of the Directors and Auditors thereon

2 To receive the Directors' Remuneration Report for the year ended 31 December 2006

3 To declare a dividend

4 To re elect Mr RG Parry, Mr SR Paterson, Ms MA King, Mr SJ Waugh and Mr FPM Johnston as Directors of the Company and to elect Mr ISM Russell as a Director of the Company

5 To re appoint Deloitte & Touche LLP, Chartered Accountants and Registered Auditors, as auditors of the Company and to authorise the Directors to fix their remuneration

As special business, to consider and, if thought fit, pass the following Resolutions of which numbers 6 to 8 will be proposed as Ordinary Resolutions and numbers 9 and 10 will be proposed as Special Resolutions

**Ordinary Resolutions**

6 That the rules of the Johnston Press 2007 Sharesave Plan (the "Plan") referred to in the Chairman of the Board's letter to shareholders dated 7 March 2007 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to

(a) make such modifications to the Plan as they may consider appropriate to take account of the requirements of HM Revenue and Customs, best practice and for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Plan, and

(b) establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Plan

7 That the rules of the Johnston Press Restricted Stock Unit Scheme (the "RSUS") referred to in the Chairman of the Board's letter to shareholders dated 7 March 2007 and produced to this meeting and, for the purposes of identification, signed by the Chairman, be and are hereby approved and the Directors be and are hereby authorised to adopt and implement the RSUS, including making any modifications they consider appropriate to take account of best practice and any specific local considerations that apply in the Republic of Ireland

8 That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (as defined for the purpose of that section) up to a maximum nominal amount of £9,595,774 This authority shall expire on 27 April 2012 save that the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after it expires All previous general authorities under Section 80 of the Act shall cease to have effect

**Special Resolutions**

9 That, subject to the passing of Resolution 8 set out in the notice of this meeting, the Directors be and are hereby empowered pursuant to the provisions of Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority granted by that Resolution for cash, as if sub section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited

(i) to the allotment of such equity securities in connection with a rights issue in favour of Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in, any territory, and

(ii) to the allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities up to an aggregate nominal value of £1,439,366

This power shall expire, unless previously revoked or varied, on the date of the Annual General Meeting of the Company held in 2008 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

10 That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the Company ('Ordinary Shares') PROVIDED THAT

(i) the maximum number of Ordinary Shares hereby authorised to be acquired is 28,000,000,

(ii) the maximum price which may be paid for any such Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and the minimum price which may be paid for any such share is 10p (in each case exclusive of associated expenses), and

(iii) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 12 months from the date of the passing of this resolution, whichever is the earlier, but a contract of purchase may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract

By Order of the Board

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh
EH3 7EG
7 March 2007

**Notes**

A In accordance with the Articles of Association, only holders of Ordinary Shares of the Company are entitled to attend and vote at the Meeting

B An Ordinary Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him A proxy need not be a member of the Company

C A form of proxy is enclosed for Ordinary Shareholders which, to be valid, must be completed in accordance with the instructions printed thereon and be lodged with the Company's Registrars not later than 48 hours before the time of the Meeting

D The Register of Directors' interests in the share capital of the Company maintained under section 325 of the Companies Act 1985, will be available for reference at the place of the Meeting from 11 30am until its conclusion

E Copies of all Directors' Service Contracts will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the Meeting and on that date at the place of the Meeting from 11 30am until its conclusion

F A copy of the draft rules of the Johnston Press 2007 Sharesave Plan will be available for inspection at the offices of New Bridge Street Consultants LLP, 20 Little Britain, London EC1A 7DH during normal business hours on any weekday (Saturdays and English public holidays excluded) until the close of the Annual General Meeting and at the place of the Annual General Meeting on that date from 11 30am and during the Annual General Meeting

# Advisors

**Solicitors**
MacRoberts
152 Bath Street
Glasgow
G2 4TB

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

**Auditors**
Deloitte & Touche LLP
Chartered Accountants
and Registered Auditors
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

**Investment Bankers**
Citigroup
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

**Stockbrokers**
Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London
EC2N 2DB

**Principal Bankers**
The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Lloyds TSB Scotland plc
Henry Duncan House
120 George Street
Edinburgh
EH2 4LH

Barclays Bank plc
Luton Corporate Banking Centre
1 Capability Green
Luton
LU1 3US

National Australia Bank
88 Wood Street
London
EC2V 7QQ

**Registrars**
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

This report is printed on recycled paper which is certified to the environmental management system ISO 14001

Designed and produced by corporate**prm** Edinburgh and London www.corporateprm.co.uk

A COMMUNITY MEDIA COMPANY >>> JOHNSTON PRESS A COMMUNITY MEDIA COMPANY >>> JOHNSTON PRESS

Johnston Press plc

53 Manor Place
Edinburgh EH3 7EG

Tel 0131 225 3361
Fax 0131 225 4580
e mail enquiries@johnstonpress co uk
Web Site http //www johnstonpress co uk

Registration number 15382

TI PLATFORM DELIVERY OF LOCAL NEWS >>> MULTI PLATFORM DELIVERY OF LOCAL NEWS >>> MULTI PLATFORM