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A multi-platform community media company

Johnston Press plc Annual Report and Accounts 2007

A multi-platform 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.

318 newspaper publications

Printing from 11 regional print centres

Plus a wide variety of complementary publications to layer the market, give consumer choice and increase advertising reach.

- Lifestyle magazines
- Community newsletters
- Commuter newspapers
- Niche publications

323
local websites

Extending audience reach

87.3 million Page impressions per month

8.2 million Unique users per month

The Group remains committed to a strategy of optimising local coverage and advertising reach through a range of media in local communities

13 million+
readers

Print titles

Daily 18
Weekly 166
Weekly free 134

Readers per week

Daily 1 6 million
Weekly 5 3 million
Weekly free 6 6 million

Revenue	£607.5m
Operating profit* before non recurring items	£178.1m
Underlying EPS note 14	34.15p
Dividends	10.0p
Operating profit margin before non recurring items*	29.3%
Digital Revenues	£15.1m

*See pages 26 and 69

Financial Highlights

- Revenue up 1%
- Digital revenues up 34%
- External Printing revenues up 28%
- UK like for like operating margin 29 6% in 2007*
- Underlying cost base flat*
- Acquisitions in 2007 earnings accretive
- Dividend Per Share up 7 5%
- Cash generated from operations up 4%
- Net borrowings below £700 million

Operational Highlights

- Rate of advertising decline slowed during the year
- Additional £5 million invested in digital activities
- Acquisition of eight titles in Scotland
- Numerous new publications and supplements launched
- Growing online audience with unique users +24% and page impressions +53%
- New press hall at Portsmouth opened on time and within budget
- Full year benefit of press hall at Dinnington
- Continued investment for operational and cost efficiency

*See page 26

content...is king

Whether in our long standing newspapers or on our more recently acclaimed websites the key ingredient is their extensive content. We have a leading presence in our local markets with over 2,500 locally based journalists whose work is supported by numerous local contributions.

We also habitually break the big "local" stories first and can offer coverage and insight in an unrivalled way.

- **First for local news and sport**
- **Deep knowledge of what our readers/viewers want**
- **Working at the heart of the local community**
- **Trusted by readers and viewers alike**
- **Campaigning on what matters most to our readers/viewers**
- **Increasing reader generated content**

2nd most consumed media behind TV

In a fragmenting world our newspaper audience remains strong. Compared with the declines experienced by many sectors of the media, our audience was almost unchanged over the period 2001 - 2006. When combined with our rapidly growing online audience our relative penetration in local markets is greater than ever.

Regional press: the 2nd most consumed media
Q Types of media consumed nowadays?

Source *the wanted ads/Gfk NOP* Base all adults (sample 5,083)

2006 audiences versus 2001

Source TGI 2006 ITV/C4 avg hours per day, Commercial Radio listened 1x or more per week Magazines read 1 or more per month National/regional newspapers = average issue readership

Chairman's Statement

The fact that our results for 2007 exceeded City analysts' expectations is testament to the strength of our management team and the resilience of our local media franchises in what was a very difficult trading year for all local media companies

As one of the largest and leading local media companies in the UK and Ireland we cannot avoid the macro economic factors which have a direct influence on our performance Whilst we have experienced an improvement in trends as the year progressed, over the entire 12 months we have seen comparative revenue declines in all categories of advertising other than for property This reflects economic uncertainty throughout the period, a drop in consumer confidence and a reduction in the growth of employment in both the private and particularly the public sector

Results

Against this background total revenues were £608 million, 0 9% up on 2006 This increase was entirely driven by revenues from acquisitions in the year, digital revenues and contract print sales At £178 million, operating profit before non recurring items was 4 6% down, with the operating margin only 1 7% lower at 29 3% This shows how well the business, at all levels, has responded to reduced advertising demand at a time when we continue to invest in new media channels

Underlying earnings per share were 34 15p compared to 36 66p in 2006, a reduction of 6 8%, reflecting the difficult trading conditions

We generated some £54 million of cash during the year and as a result our net debt at 31 December 2007, as shown in note 22, reduced from £746 million in 2006 to £692 million

In total, non recurring items before tax were £12 7 million The majority related to a fundamental restructuring of some of our businesses to reduce the cost base of the backroom activities of the Group in the longer term, together with a goodwill adjustment of £5 9 million, which was purely an accounting entry to comply with International Financial Reporting Standards The balance related to the loss on sale of non core businesses, which was more than offset by the profit arising from the sale of some surplus properties

"The business of Johnston Press is to provide the local communities we serve with news, information and entertainment, and to create a local marketplace for businesses and individuals to trade in goods and services."

Roger Parry

Dividend
The Board proposes a final dividend of 6 7p per share, making a total of 10 0p per share for the year This represents a 7 5% increase, providing continued dividend growth within a policy of maintaining a realistic but prudent level of cover

Our Business
During 2007 we made only one modest acquisition so our trading closely reflects the organic operations of the business Our new printing facilities in Dinnington and Portsmouth are working well and have resulted in significant improvements in operating efficiency as well as generating additional contract printing revenues, primarily from News International

To maintain and expand our audience reach, we launched a number of new publications These are generally targeted at specific geographic and demographic market niches, with the overwhelming majority being monthly community newsletters serving small rural areas and well defined districts within larger urban and metropolitan communities The primary purpose of these launches is to layer our local markets with a range of complementary publications, which together are able to provide advertisers with high levels of audience reach Given that 73% of our revenues come from advertisers, this forms a fundamental and continuing part of our publishing strategy

We have also continued to invest heavily in content to ensure that our publications remain closely relevant to their local markets Part of this strategy has included the roll out of the converged newsroom template which was developed in our Preston publishing centre This has enabled our newsrooms to benefit from greatly increased audience interaction, which has in turn helped to provide an even clearer focus on content of the greatest relevance and interest to our communities

"We have also continued to invest heavily in content to ensure that our publications remain closely relevant to their local markets "

Our efforts in this regard have been rewarded through a number of awards for our publications, both in print and online Amongst these some of the more noteworthy achievements included the awards of campaigning weekly newspaper of the year for the Grantham Journal's campaign to save its local hospital, best free weekly newspaper in Northern Ireland to the Banbridge and District Weekender, and a number of individual awards to employees These included Photographer of the Year at the Regional Press Awards to Steve Cobb, a long standing member of staff at the West Sussex County Times, and best newspaper coverage of multicultural issues, which was won by Anne Sheridan of the Limerick Leader

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1 **Successful Jobs Today website www jobstoday co uk on average over 14,000 jobs every day**
2 **Grantham Journal's campaign to save its local hospital**

Alongside our investments in print, we doubled ongoing annual expenditure on developing our digital channels to £9 million The increased expenditure allowed us to substantially increase the size of our digital development team in Peterborough, open a digital only sales operation in London and devote greater resources to promoting our online brands During the year many of our sites were enhanced and a number of new revenue generating services were launched The pace of growth remained strong with digital revenues increasing by 34% and unique users by 24%

Strategy

The business of Johnston Press is to provide the local communities we serve with news, information and entertainment, and to create a local marketplace for businesses and individuals to trade in goods and services We have been doing this for many generations and now, like other local publishers around the world, we are managing a transition from being solely a print medium to a combined print, online and mobile media business This is enabling us to reach an even greater audience than hitherto and provides advertisers with enhanced reach

We are committed to the continued expansion of our digital media offering but we choose to do this primarily by organic investment rather than acquisition This does not mean that we are totally opposed to the idea of acquiring an internet business should we consider that it would accelerate the development of our digital activities and provide added shareholder value However, we are confident that our organic approach will achieve continued and rapid profitable growth We now operate 323 websites with a clear local focus and which are building on our core strength of local news resources and local advertising sales teams Across our numerous local markets we now have more than 8 million unique monthly users of whom a number are also amongst the 13 million readers we reach each week We estimate that our combined audience is in excess of 16 million

"We will continue to launch innovative new print products into our markets whilst in parallel building our digital capabilities."

We will continue to launch innovative new print products into our markets whilst in parallel building our digital capabilities Although acquisitive growth to expand our publishing footprint in the UK and Ireland remains a strategic objective, this will not be pursued unless we are convinced that it will add to long term shareholder value At the present time, the market valuation of newspaper publishing companies is at a level which is unlikely to encourage potential vendors to consider selling, particularly given the continuing profitable and cash generative nature of these businesses

Contract Print Revenues* up 28%

Digital Revenues up 34%

Board Changes
In December Non Executive Director Les Hinton resigned following his move to the USA as Chairman of The Dow Jones Company Les joined us in 2005 and has brought to Johnston Press extremely valuable insights into the likely future of media businesses The Board wishes him well with his new American challenge

At the AGM in April 2009, Peter Cawdron will stand down after ten years on the Board His role as Senior Independent Director will be taken over by Simon Waugh He handed over the Chairmanship of the Audit Committee to Ian Russell in August 2007

As has already been announced, Chief Executive Tim Bowdler plans to retire in 2009 and during 2008 we will start the process of seeking his successor, as well as identifying new non executives to replace those mentioned above

Employees
As mentioned earlier, 2007 was a challenging year The results achieved and the progress made in the business across a number of fronts owes a great deal to the commitment of our staff throughout the Group Their efforts are greatly appreciated

Prospects
In the early weeks of 2008, print advertising revenues were down on the same period in 2007 and have been volatile week to week During the same period digital revenues continued to grow strongly With the new presses in Dinnington and Portsmouth now fully operational, we will benefit from increased contract print revenues

Economic growth in the UK and Ireland for 2008 is expected to be slower than that achieved last year We will have the benefit of reduced newsprint prices during the year and expect to maintain a tight control over the other costs of the business, in part as a result of continued investment in IT systems to drive further operating efficiencies However, although we expect continued strong growth from our digital activities, the main factor influencing 2008 is expected to be a continued general lack of confidence which suggests that advertising markets will remain challenging

Roger Parry Chairman
5 March 2008

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1 The new press hall at Portsmouth under construction
2 The new press ready to print

traffic

Knowing what our readers and viewers want allows us to have extensive local market penetrations wherever we publish. Whether it is just a catch up on the local news, the breaking news story, the local sports results or even a nostalgic look back on recent history, the local community publisher is the first port of call for many whether it be in print or via digital channels.

Multi-Channel

In every newspaper market where we publish we are also offering our communities a variety of channels over which they can access the local information that matters most to them. This can be in our traditional newspapers, our ever developing web based presence or mobile platforms so that they can keep in touch on the move.

Market Layering

We continue to layer and further segment our markets by producing more ultra local publications and targeted niche products both in print and online. These can be for communities within communities such as Junior Football leagues or Kettering's Green Army, the local environmental campaigners, but all add to the traffic reading our publications.

Growing Audiences

Any decline in local newspaper circulations is being more than offset by our rapidly growing online and mobile audiences. Through these new channels and our strategy of layering our markets we are significantly growing our audience penetration levels, thereby maintaining our position as a leading provider of local news, sport and information.

Business Review

Our mission statement “Serving communities – first for news, information and advertising” provides a succinct summary of our purpose as a business. But, behind this simple statement lie a number of important initiatives and changes which together will shape Johnston Press in the years ahead

Whilst we envisage local and regional newspapers remaining at the heart of our activities for an indefinite period, our mission statement is quite deliberate in making no mention of specific media channels However, as now, we do anticipate that our newspapers will be read by millions of people for many years to come and, in turn, that they will continue to provide advertisers with a robust and effective means of promoting their goods and services in the numerous local markets which our publications serve

This fundamental belief in the importance and resilience of print is, of course, only part of the story Already today, the means by which we meet the news, information and advertising needs of our local marketplaces extend well beyond our considerable portfolio of newspapers and related print publications Great progress has been made throughout the organisation during the last year in fully embracing and developing the use of digital channels, both fixed and mobile, to complement the already high levels of audience reach which we have achieved in print for many generations past

In every one of our local markets, digital channels are an embedded component of our media mix with our local websites being regarded with equal importance by our editorial and advertising staff alike

We continue to place considerable emphasis on the fundamental importance of being focussed on local markets and their respective communities “Life is Local” still evokes a powerful sense of direction and purpose throughout the organisation However, our mission statement does not confine the description of community to being local Although our efforts to create wider “communities of interest” remain at an embryonic stage, the growth of our digital channels has opened up the potential to develop new revenue streams based on the creation of new communities bound by a common interest but dispersed across an extended geographic footprint

The bedrock of our publishing business continues to be in our long established and highly respected print publications

1 2 3

1 Tim Bowdler
2 Stuart Paterson
3 Danny Cammiade

The shape of our local publishing operations is, however, in the process of a fundamental transformation, changing from being newspaper publishers to becoming community media companies This change does not mean a reduction in the importance we place on our print publications, rather it extends our horizons by embracing and placing equal emphasis on a range of digital channels

Coupled with this transformation is an equally far reaching change in the focus of our publishing operations, from one which has placed primary emphasis on product and process, to one which is customer facing as its priority This change will in no way diminish the efforts we put into the continual improvement of business efficiency but, through a better knowledge of our local markets, including the creation of customer and reader databases, we aim to improve and extend the service we provide to readers, online users and advertisers alike and also to create new revenue generating opportunities by capitalising on the extensive information we have within our organisation

Underlying Strategy
The aim of our strategic plans is the successful delivery of the business vision which is described in the foregoing section of this report These plans have six component parts

1 Maintaining the core strength of our newspaper publishing activities by

- placing a clear organisational focus on what remains the principal revenue and profit generator for the business,
- investing in modern full colour printing capacity to produce high quality publications in the most cost efficient and environmentally friendly manner possible The completion of the £110 million investment in the press projects at Dinnington and Portsmouth provides clear evidence of this commitment and has enabled us to drive a significant increase in contract printing revenues, in addition to securing further printing efficiencies,
- rolling out common IT platforms and working practices across the Group to facilitate maximum operational efficiency in newspaper production, whilst also optimising revenue generating opportunities and customer service,
- maintaining a strong local journalistic and advertising presence in all of our markets, whilst continuing to streamline the "backroom" functions of the business to maximise operational efficiencies,
- fostering the highest editorial standards with commensurately strong newspaper content which is presented, marketed and distributed in a manner which optimises the market reach of all of our titles

2 Developing a fully integrated multi-media publishing capability by

- increasing investment in digital resources at a pace which reflects the Group's aspirations to maintain a high rate of growth in digital revenues, the digital audience and online usage,
- embedding digital channels in every one of our local publishing centres as an integral part of their media mix and ensuring that they are accorded an emphasis equal to our core print publications,
- restructuring our organisation to ensure that it is equipped to deliver on our digital aspirations The "newsroom of the future" project, which was initiated in Preston in 2006, and its subsequent roll-out across the Group demonstrates our commitment to such changes,
- introducing new digital channels such as the recent extension of our mobile phone services offering and exploring ways in which our digital platforms could be strengthened through initiatives such as partnering or acquisition

4

5

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4 Read all about it
5 Access online
6 Access via PDA

323 local websites

Extending our audience reach and advertiser response through a process of market layering and a combination of print and digital channels

Business Review continued

3. Extending our audience reach and advertiser response through a process of market layering and a combination of print and digital channels by

- launching new print publications to supplement the market reach of our main newspaper titles and to penetrate demographic and geographic market niches where current newspaper readership is weaker than the norm Over the past two years, we have launched over 200 new print publications in pursuit of this strategy,
- extending marketing initiatives throughout the Group based on the development of successful models at the local level which build on the strong brands and community links of our newspaper titles Examples include such activities as local exhibitions and reader holidays,
- proposing attractive advertising packages that combine print and digital platforms in a manner which maximises local market reach and provides additional online services to extend the overall effectiveness of our offering A typical example is online CV matching which provides recruiters with access to a pool of job seekers to supplement those who respond to an advertisement placed in paper and on our Jobs Today website

4 Investing in the creation of marketing databases across the organisation to improve the delivery of our services to advertisers, readers and online users, thereby establishing opportunities for new revenue streams by

- requiring all companies to collect, register and maintain customer and reader data in a prescribed format,
- creating a data warehouse to store such data in a form that is readily searchable and usable for both internal and external purposes,
- establishing external marketing initiatives which can be adopted around the Group to capitalise on the revenue opportunities which such data provides,
- ensuring that we build a more complete understanding of our markets including the needs and interests of our users, viewers and advertisers

5 Continuing to review the potential for acquisitive growth thereby extending our publishing footprint within the UK and Ireland in a manner which creates increased shareholder value by

- maintaining contact with key industry players to ensure that we remain aware of possible ownership changes,
- reviewing all potential acquisition opportunities within the local and regional newspaper publishing sector in the UK and Ireland

6. Ensuring that we have the organisational capability and competence to deliver our strategy and vision by

- keeping the organisation under continuous review to ensure that it is structured in a manner which is best placed to deliver our strategic objectives,
- ensuring that our succession planning processes recognise and respond to the evolving needs of the business,
- providing progressive training and development programmes to equip our staff in all areas of the business such that they are well equipped to meet the changing needs of our markets and to operate effectively across the full range of publishing channels including the new digital platforms

Market Position

Our publishing operations are spread across large parts of the United Kingdom and the Republic of Ireland as illustrated on the map shown on page 11 The geographic focus of our numerous publishing centres is local or regional, with each aiming to meet a wide range of news, information and advertising needs for the communities they serve

In each of our markets, we are generally the leading provider of such information, attracting a large audience as a consequence In the vast majority of our markets, we achieve high levels of audience reach and, in so doing, we provide advertisers with an extremely effective means of promoting their goods and services to those communities

Through our portfolios of related print and digital publications, we achieve high levels of household penetration, thereby providing advertisers with market leading levels of audience reach.

The marketplaces in which we publish vary considerably in their size, structure and nature but, with very few exceptions, they have a well defined local geographic focus Our publishing operations span widely varied communities ranging from rural areas, villages and small towns to larger urban and metropolitan centres With our portfolio of print and digital channels, we have the ability to reach extensively throughout the communities we serve, across the range of ages and demographics

Publishing Channels
In the vast majority of our markets, we publish the leading local or regional newspaper These are generally paid for daily or weekly titles with the dailies typically being located in the larger metropolitan areas and the weeklies in the smaller urban and rural markets The leading title, which almost invariably carries the principal newspaper brand in the area, is supplemented by a range of publications with the foremost secondary title most often being a free distribution newspaper Depending on the size of the local market, there may be other supporting paid for and free newspapers Together these provide a comprehensive coverage of the local area with resulting high levels of household penetration

In total, we publish 318 newspaper titles of which 18 are paid for dailies Amongst those, 3 are morning papers with a regional footprint including The Scotsman, The Yorkshire Post and the Newsletter in Northern Ireland We publish 2 Sunday newspapers with Scotland on Sunday being the most important Of the remainder, 164 are paid for weeklies and 134 free weeklies

Supplementing our mainstream newspaper titles is a growing range of targeted publications which address specific market niches, both geographic and demographic

Virtually all of these have been developed and launched by our various publishing centres Over the past two years, we have launched over 200 such publications with 126 of these being Community Newsletters which are typically free monthly pick up titles addressing communities of around 3,000 5,000 homes They carry very local news and advertising content and have been launched in both rural and metropolitan areas

Other such publications include a growing portfolio of high quality lifestyle magazines which carry aspirational content and advertising to reflect that This enables us to attract

Only through continually investing in new technologies and systems can we maintain our position of delivering industry leading margins.

Our investment of £60m in the new press facilities at Dinnington clearly demonstrates that commitment This first triple width press in the UK facilitated the closure of 5 old, inefficient and colour limited presses

Our investment in new systems has allowed the consolidation of pre press and credit control into regional centres of excellence

1 **Computerised control of press running and settings**
2 **Titles received from publishers electronically and ready to print**
3 **The press rolls!**

advertisers who are less likely to appear in our mainstream newspapers Most of our markets now include a lifestyle magazine in their publishing portfolio Over the past two years, we have also launched a number of free newspapers which target specific demographics such as young professionals in city centres or rail commuters travelling from outlying towns around London and Birmingham

Again as a result of a programme of launches, we now have 323 websites which supplement our print publications in each of our local markets These carry news, information and advertising relevant to each local market, including an increasing amount of user generated content and contributed audio visual material Embedded within each of our local websites, which are typically branded to reflect the leading local newspaper title in the area, is a range of classified advertising websites commonly branded across the entire Group It is a key objective of the Group for each of our local websites to be the leading local online portal in their area and for the classified sites to provide the richest content available for that community with functionality and brand awareness to match that

Building on the strength of our local publishing operations and utilising the market leading brands of our newspaper titles, we have also developed a range of complementary promotional platforms which in themselves provide further opportunities to generate additional revenue streams These activities include a range of local exhibitions such as wedding fairs, motor shows, jobs fairs and fashion shows We also utilise our newspaper distribution organisation to deliver advertising leaflets door to-door

Advertising Base

73% of our total revenues is derived from advertising Of this, the vast majority still comes from our print publications though our digital revenues are growing strongly, up 34% in 2007, albeit from a low base Revenues from the new advertising platforms launched in 2007 described above exceeded £1 million

Accounting for 29% of total advertising revenues, our most important advertising category is display advertising which encompasses both local and national customers, with around three quarters being derived from local clients This category is influenced by High Street activity and, in turn, consumer confidence The difficulties experienced in this category over the past 12 months are a broad reflection of the challenges being faced by the retail sector We are making considerable efforts to create new display advertising platforms to attract revenues from outside our traditional areas of business including enterprises engaged in activities such as travel, leisure, health and education

Employment advertising, which represented 23% of our advertising revenues in 2007, is the second most important category Around 15% of this is received from public sector employers at both national and local levels For several years, recruitment in the public sector has been weak, reflecting Government spending constraints This has been an important factor behind the recent lacklustre performance of this category although as the year progressed, relative performance improved against weaker comparatives with growth in the South of England resuming in the second half Apart from public sector spending plans, the key driver of employment advertising is the overall level of unemployment

20% of total advertising revenues comes from property advertising which has been our most successful category for several years Growth continued during 2007 though at a slowing rate as the year progressed partly due to the year on year comparatives becoming increasingly challenging Despite the increasing availability of online alternatives, property print advertising has remained robust from both estate agents and house builders For estate agents, this reflects the value of brand advertising in print which acts as a powerful means of attracting new instructions It also confirms our own market research which indicates the high value that vendors place on having their properties advertised in their local newspaper

Motors advertising, which accounts for 10% of our advertising mix, has been our most difficult category for several years with the main cause being continued industry consolidation This has created larger players who command a greater advertising spend which, in part, has been diverted to other media The use of websites, both generic and those operated by the industry itself, has also been a factor behind declining print revenues but not to the same extent as the process of industry consolidation Motor dealers themselves have also experienced difficult market conditions and, though new car sales have recently improved after several years of decline, their profit margins continue to be under pressure

The other classifieds category represented 18% of total advertising in 2007 and in performance was close to the previous year This category is made up of a number of different elements including entertainments, births marriages and deaths, public notices and trade services advertising The disparate nature of this category tends to mean that it is less volatile on a year to year basis The Group has initiatives in place to grow various parts of this category and the iAnnounce website launched in late 2007 should drive a significant increase in the births, marriages and deaths section Challenges are being experienced in cinema advertising which has moved online to a significant extent and there could potentially be downward pressure on public notices as the Government seeks to trim its spending The industry is lobbying Government regarding its obligation to adequately publicise such things as planning notices and to ensure that it does not rely on websites alone which would reduce public access to such vital information

Audience Reach
Our newspapers continue to achieve high levels of household penetration in the numerous areas of the UK and Ireland in which they circulate Whilst penetration levels are enhanced by the fact that we publish a range of paid for and free newspapers in almost all of our circulation areas, paid for newspapers alone still achieve significant reach in their markets

Taking our paid for daily newspapers, excluding our 3 morning titles which circulate across wide regions and therefore achieve lower penetration, typically we achieve household penetrations of around 25% with the best figures generally coming from those which circulate in smaller urban communities Whilst, in general, daily circulations have declined for some years, they continue to generate good advertiser response and in many cases we package advertising across a range of platforms, including print and digital, in which the paid for daily is just one element It is also worth noting that the principal reasons for circulation declines are to be found in lifestyle changes People have more choice for their leisure time pursuits and media sources as well as being increasingly time poor Changing distribution patterns with fewer newsagents being willing to home deliver is another challenge which we are addressing by establishing our own direct delivery arrangements These changes have resulted in a tendency to move away from a 6 day home delivered habit to casual purchase Although this has impacted adversely on circulations, it has had a lesser effect on readership and indeed industry research indicates an increasing trend in readers per copy

Over the past ten years, our weekly paid for newspapers have increased sale in seven and only in the past couple of years have we experienced modest declines In general, our weekly paid for titles are achieving household penetration rates in excess of 50%, sometimes much higher In turn, these titles also continue to provide advertisers with an excellent response, enhanced further when other print and digital channels are also utilised in the overall package

Our websites in contrast are continuing to produce rapid growth in the number of visitors they attract, in 2007 increasing by 24% over the previous year This is a reflection of the considerable investment we have made in our websites over the past 12 months, coupled with the restructuring of our newsrooms to operate on a multi media basis This has resulted in regular updating, several times a day even for our weekly newsrooms, more breaking news and the inclusion of audio visual content Our sites have also been upgraded during the year to improve design, navigability and functionality These improvements have also brought about a dramatic increase in audience engagement with high response rates to stories appearing online and, in many instances, members of our communities actively contributing news items and pictures including video images

We are also making increased use of the cross promotional opportunities which are available from the range of our print and digital platforms Indeed, during the year, there have been a number of instances when a strong story broken online has translated into an increased sale in the subsequently published newspaper In addition, and of particular relevance to advertisers, the combined reach of our print and digital channels has resulted in a considerable increase in our local market penetration and, given the ongoing growth of our digital activities, this should continue to expand

Business Risks
As do all businesses, Johnston Press faces a number of risks However, these need to be set in the context of a mature but profitable and cash generative newspaper publishing business coupled with an exciting digital growth opportunity In overall terms, the print publishing model continues to demonstrate considerable resilience despite the gloomy views of some commentators, due in no small part to the established market positions and well recognised and trusted brands of our newspapers Against this background, the principal risks facing the business are summarised below

Macro economic forecasts for 2008 suggest a weakening outlook with a number of key indicators expected to worsen Of particular relevance to local publishing businesses are the performance of GDP, the volume of property transactions, consumer confidence and unemployment levels Certainly, in the case of the first three, expectations are for a deterioration in these indicators and, should this be the case, it will undoubtedly have an adverse effect on advertising markets Newspaper advertising in general is a good barometer of economic activity and has historically tracked such movements closely Our expectation, subject to the comments below on other risk factors, is that this will continue to be the case with the principal short term remedy being actions to keep costs under close control

A key consideration for industry analysts in assessing prospects for the regional press has been the extent to which recent advertising revenue downturns have been due to cyclical or structural effects We have no doubt whatsoever that the primary influence has been cyclical and, to bring greater rigour to that analysis, we worked with the London Business School to build an econometric model of our business This demonstrated a close correlation between our advertising performance and that of the key macro-economic factors identified above It would, however be wrong to deny that there are structural changes taking place which are having an impact on our business

Whilst many observers might assume that the impact of competing websites would be the principal such threat, this should not be overstated There is evidence of the migration of some advertising revenues to the web but not at a significant rate Examples where this has occurred are the increasing reliance on websites for cinema advertising, the public sector's growing use of their own sites for job advertising and motor dealers using websites to list their stock of vehicles for sale However, the extent to which this has resulted in reduced print advertising is less than might be imagined, partly because the advertising we carry is extremely local, for example, jobs of a general and widespread nature are not easily targeted by searchers on the plethora of websites available And, of course, our own Jobs Today website contains a large number of such jobs of direct relevance to each of our local publishing areas

It is also illustrative to note the strengths of print property advertising at a time of strong growth in property websites These websites are excellent for property listings and active searching but, unlike print, they do not provide estate agents with brand prominence, vital for new instructions, nor do they attract the important browser market and, as mentioned earlier, market research makes clear that vendors typically want to see their houses advertised in the local paper

However, there are other structural changes which together have had a greater effect on our business Motor dealership consolidation, in part triggered by tough trading conditions for that sector, has resulted in a concentration of ownership which, in turn, has put downward pressure on advertising volumes and price Several years ago, public sector recruitment represented 25% of that advertising category, reflecting a high level of job creation by central and local Government More recently, that policy has changed markedly with the result that public sector recruitment advertising now accounts for little more than 15% of the job advertising category We see little prospect of a recovery to the position which existed several years ago But, of course, as indicated earlier, we are making strenuous efforts to build new advertising revenue streams in customer areas which have not historically been major advertisers in our medium

Internet businesses are not the most challenging competition which we face This is not to discount the seriousness which we place on such competition and, of course, the efforts we are devoting to building our own online capability reflect this However, the threat from other print publishers remains the most potent source of competition we face This has been a feature of our markets for many years and, during 2007, we experienced such competitive threats in a number of local markets

Some commentators express understandable concern at the continuing decline in newspaper circulations The challenge is greatest with our daily titles which have declined for a number of years and by 5 4% in 2007 The vast majority of our paid for newspapers are weekly titles and circulation of these has grown in 7 of the last 10 years, although in 2007 they fell by 2 8% Despite this, our newspapers achieve high levels of market penetration and continue to provide advertisers with a good response The principal concern in this regard is that at some point advertisers might experience a weakening response from their advertisements and react accordingly There is currently no evidence of this and, whilst we continue to pursue a variety of initiatives to combat these adverse circulation trends, we have also launched a large number of targeted niche publications to reach those parts of the community where newspaper sales are lower than the norm By packaging these with our main paid for titles we have extended local market reach, something which is further enhanced by utilising our websites

Our principal input costs are staff related and newsprint We expect staff costs to broadly reflect the level of inflation in the economy as has been the case for some time Newsprint costs are more volatile and are primarily influenced by the balance of supply and demand After several years of increases, 2008 pricing is reduced in comparison to the previous year Taking a longer term view, the expectation is for the producers to shut some of their older and more inefficient capacity which may cause supply to tighten with consequent upward pressure on price in 2009 That said, additional capacity is planned including a new UK mill in Kings Lynn built by Palm, a German producer

The recent turmoil in world financial markets has resulted in an increased cost of debt, although the direction of interest rates now appears to be heading downwards Our position in this regard is robust with the business operating well within its banking covenants and having ample headroom within our existing facilities, none of which is due for renegotiation for several years Coupled with the strong cash generative nature of the business our risk exposure in this regard is regarded as being low

The poor performance of our shares is disappointing and would clearly have adverse implications for any corporate activity on a significant scale were anything of that nature planned In fact, merger and acquisition activity in the sector is subdued apart from a few transactions of modest size as evidenced by the recent failed or partially failed auctions of regional newspapers by DMGT and Trinity Mirror In part, this reflects concerns about prospects for the sector, but it has not been helped by the tightening of debt markets However, perhaps the biggest restraint on large scale deal making at the present time is a mismatch between purchaser and vendor price expectations These businesses remain profitable and cash generative to the extent that vendors are unwilling to dispose of assets at the depressed valuations which the market is currently placing on them It may take some time for there to be an adjustment which results in relative expectations coming more closely into line, thereby causing a lull in the rate of corporate activity in the sector

Operational Review

Developing existing and new platforms both online and in print has been a key focus of the Group's operational activities during 2007. Our aim is to maximise our market position in print whilst at the same time reaching an increasing number of new users of our services through digital channels.

Fundamental to this strategy is the effective use of technology and to ensure that this is achieved, we undertook a strategic review of information technology systems during the year This involved meetings with vendors, publishing technology experts and other media organisations to understand fully the system architecture necessary for a fully integrated multi media community publishing operation

As a result, the main Board approved a series of principles which will, over time, enable data to be captured in a variety of ways, stored in a common format and used by all platforms both print and digital This will be at the heart of the Group's traditional and emerging workflows and is central to our longer term development as a business and the achievement of our strategic objectives

Print Publications
2007 was a year of further progress and continued focus on the Group's core strength of newspaper publishing New publications provided further opportunities for our advertisers to expand their audience in their local communities An example is the launch of City Lite editions in Leeds and Sheffield These weekly newspapers contain a review of the week's news together with comprehensive entertainment information and are distributed free to city centre apartments, targeting younger professional and affluent readers who are typically less likely to purchase a daily newspaper We have also launched weekly newspapers in towns such as Aylesbury and Peterborough, targeted at the large numbers of railway commuters in these communities, again creating an opportunity for advertisers to connect with different types of readers and a larger audience

Our programme of new launches and developing existing community newsletters is continuing, with these publications now covering a range of towns and villages Typical examples include Lewes Today in East Sussex, Hampton News, a monthly newsletter for a modern housing development near Peterborough, and Ashton News, covering a rural community in Lancashire We now publish over 200 community newsletters, 35 lifestyle magazines and numerous niche publications The latter include our now well established advertising platforms such as Parent & Child, Food & Drink and The Good Life with common editorial, targeting new advertisers at both local and national level

Our portfolio of lifestyle magazines increased during the year with new launches in Sussex and Edinburgh, the latter providing a platform for entertainments and advertising targeted at the younger metropolitan reader These product launches and developments in print and online continue the process of layering the market, improving opportunities to reach a targeted audience and providing enhanced advertising response

Another area of development during the year came through the use of our strong local newspaper brands to grow new revenues Good examples are activities such as hosting business awards and exhibitions such as those successfully held on the Isle of Man and in Yorkshire With the sharing of best practice across the Group, it is expected that this business will grow further

Digital Publishing
Investment has continued in the Group's digital activities with total staffing in the central digital team reaching 63 during the year, an increase of 66%, and with plans to enlarge the team further during 2008 Total investment in our digital operation amounted to £9 million, more than double the level in 2006 Resources at the local publishing centre level have also been increased with additional advertising and editorial staff dedicated to our digital publishing strategy Each subsidiary company is now able to provide a regularly updated daily news service on its local website The newsroom of the future concept trialled in Preston, which places the digital platform as a news medium alongside the traditional printed product, has now been rolled out across the Group Its impact is evident in the 53% rise in website page views and the 24% increase in the number of viewers now reached by Group products

Extensive market research was undertaken during the year to ensure our editorial pages provide the best possible experience, and as a result further improvement of the sites is planned in 2008

Our Property and Jobs Today classified search engines, which were also subject to functionality improvements, were supported by extensive marketing campaigns

Operational Review continued

We continue to work closely with the University of Central Lancashire which has hosted the majority of our editors on a week long training programme to give them a thorough understanding of the Internet, both as a means of reaching a new audience and as an investigative tool to support journalists The Group has also benefited from the research undertaken by the Johnston Press sponsored Chair in Digital Journalism at the university, whose research into participants in online forums has given an insight into how local newspapers should engage with communities in online activities An example of the growing trend in viewer engagement can be found at scotsman com, where on average over a thousand people comment online every day about stories that have appeared in paper and on our website The Chair in Digital Journalism has been a positive association, helping to break new ground in these channels By utilising digital channels, local centres have been able to break news ahead of other media the tragic air show crash in Sussex, freak weather conditions in Peterborough when a tornado hit part of the town and a chemical explosion beside the M6 which brought travel chaos to the Preston area are examples

Digital advertising revenue continued to grow rapidly, by 34% in the year, supported by further progress in added value services for existing advertisers whilst also attracting new customers at the national level such as British Airways, Shell, Renault and Mercedes Mediaforce, our independently owned national sales operation, has continued to invest in their digital sales resource and revenue performance exceeded our expectations Our own national sales team for Jobs Today, created in 2007, is now attracting new advertisers to our Jobs Today portal

Jobs Today in particular benefited from a CV database of 23,000 active job seekers, an increase of 62% over 2006, which in turn improved revenues from that service by 32% The Group's online business directory, Local Pages, also performed strongly with revenues 38% up on 2006 With additional investments in functionality and content, this is expected to rise further in 2008 The launch of iAnnounce, a digital platform providing people with an interactive site for posting personal announcements such as births, deaths and marriages, has added a new dimension to newspapers' traditional notices and has been well received by our readers and viewers It allows them to share memories, pictures and messages relating to loved ones on happy family occasions or in the event of bereavement Early indications are that this will be a successful revenue stream for 2008

Advertising Performance

In this section all references to Group businesses are on a like-for like basis and exclude the former Archant Scottish titles acquired in April 2007, Farm Week which was disposed of in 2006 and Best Asian Media which was sold in August 2007

The table below shows the total like for like advertising performance for 2007 compared with 2006 broken down by category

Advertising Revenue	**2007 £'m**	2006 £'m	% vs Last Year
Employment	**93 9**	97 2	3 3
Property	**79 7**	75 6	5 4
Motors	**40 2**	43 7	8 2
Other Classified	**70 6**	71 4	1 1
Display	**117 1**	122 0	4 0
Total Ad revenue – in print	**401 5**	409 9	2 1
Digital	**15 1**	11 3	33 8
Total UK	**416 6**	421 2	1 1
Republic of Ireland	**20 7**	19 8	4 5
Total Group Advertising	**437 3**	441 0	0 8

A significant proportion of the Group's advertising revenue is generated from the UK and the next table analyses UK advertising revenue between the two half years This demonstrates an improving position in the year on year comparison as the year progressed This was largely as a result of weaker comparatives rather than any noticeable upward trend in revenues

Advertising Revenue	UK January to June			UK July to December		
	2007	2006	% vs	**2007**	2006	% vs
	£'m	£'m	Last Year	**£'m**	£'m	Last Year
Employment	**51 1**	53 4	4 3	**42 8**	43 8	2 1
Property	**43 0**	40 2	6 8	**36 7**	35 4	3 9
Motors	**21 4**	23 3	8 4	**18 8**	20 4	8 0
Other Classified	**36 2**	37 0	2 0	**34 4**	34 4	0 1
Display	**58 8**	62 8	6 4	**58 3**	59 2	1 5
Total Ad revenue – in print	**210 5**	216 7	2 9	**191 0**	193 2	1 1
Digital	**7 3**	5 5	33 5	**7 8**	5 8	34 5
Total UK advertising	**217 8**	222 2	2 0	**198 8**	199 0	0 1

This review of advertising performance reports on our businesses in the United Kingdom that traded throughout 2006 and 2007 and comments separately on the Group's Republic of Ireland operation

Looking at the main individual categories, recruitment advertising was 3% down overall with a reduction in public sector advertising particularly affecting the Group's Scottish division The Scottish division was 16% down and accounted for more than 80% of the total Group recruitment decline, partly because of higher comparatives in 2006 when titles north of the border performed better than the English divisions Recruitment advertising in Scotland was adversely affected by the Scottish parliamentary elections, when no government advertising is allowed for a specified period, then subsequently by the Scottish Government's policy to exercise tight control over spending and by the change in general economic market conditions In contrast Northern Ireland successfully maintained its public sector recruitment advertising and, in conjunction with more favourable trading conditions, this led to a 3% improvement in job advertising over 2006 The South and Midlands divisions also enjoyed a return to better employment markets and were 5% and 2% up on the previous year The North of England experienced more difficult market conditions, particularly in Yorkshire where there was a reduction in higher salary vacancies, and both North and Northwest divisions traded at levels lower than previous years Typically, the Group's newspapers carry local job advertising for the extensive blue and white collar sectors and along with improvements to our online jobs site, Jobs Today, this provides some resilience against the market changes taking place Unique users and page impressions for Jobs Today grew by 62% and 55% respectively and there are now on average 14,000 jobs on the site every day

Property advertising remained the one category where growth was achieved in every division despite high comparatives against 2006 and the fact that the market slowed towards the year end The overall increase of 5% was broadly consistent across all divisions except in Northern Ireland where new initiatives based on our Property Today online and in print branding led to a 47% increase in revenue, albeit from a small base The Group has enjoyed more than 10 years of continued growth in the property sector but it is evident that the market is becoming more difficult We have therefore taken a number of steps to minimise the impact on our overall volumes in anticipation of the more challenging market conditions that may well lie ahead That said, we expect our newspapers to continue to be the main source of promotional and marketing activity for the majority of estate agents, complementing our in print supplements with our Property Today online search engine

Whilst the rate of decline in motors advertising slowed compared with that in 2006, advertising volumes continued to face pressure, not only as a result of poor car sales, but also due to industry consolidation with the consequence that more dealerships are covered by composite advertisements and the consolidated organisations' buying power strengthens In Scotland however, performance remained strong with new advertising platforms lifting revenues to 8% ahead of 2006 In a number of divisions initiatives to improve private cars for sale by offering attractive geographical packages and combined in print and online solutions with our Motors Today search engine have increased volumes but with a negative impact on yields This can be seen in overall volume which is down 1% with yield minus 7%

The other classified category, which covers family announcements, public notices, entertainments and trade services advertising, was down 1% With a broad spectrum of advertisers, the category remained stable with little geographical variances although Scotland and Northern Ireland were the only two divisions to post positive results This was partly helped by election notices in Scotland and good public sector advertising in Northern Ireland Towards the end of 2007, we took deliberate steps to curtail the advertising of personal services by saunas and massage parlours and this will inevitably result in reduced revenues in the coming year Whilst this form of advertising was carried in only a proportion of our titles and made a relatively modest contribution to revenues, we considered it to be inappropriate content for our newspapers

Operational Review continued

Display advertising suffered a 4% decline, with local advertising falling at a greater rate than national, which benefited from increased activity in the grocery sector National display also benefited from the formation of a new digital sales team which attracted new advertising revenue from brand advertisers in the travel, technology and financial sectors, businesses which would not typically be users of a local advertising medium Local display continued to be challenging, although the development of our community newsletter strategy has helped to attract new smaller advertisers interested in reaching customers in highly targeted local communities The performance of this category improved in the second half of the year

The impact of increased property advertising and the launch of the growing number of targeted publications, both tending to be low yielding, has resulted in an overall decline in the Group's advertising yield

The Republic of Ireland advertising marketplace became more challenging as the year progressed, with evidence of the previously strong property market slowing in the second half of the year This had the effect of reducing related advertisers' expenditure in the display category which was marginally below last year Overall, the year was positive with revenues 5% greater than 2006 This performance was supported by strong revenue growth in recruitment advertising, up 42% on the previous year, and full year improvements in property up 12% and motors up 25%

During 2007, significant improvements were made to the systems and reporting procedures for our newspaper businesses in the Republic of Ireland Installation of these systems had a negative impact on short term performance but long term will considerably improve management controls, client services and the Republic of Ireland websites

IT Systems

During the year, we invested in new common systems for those companies acquired since 2005 in Northern Ireland, Scotland and the Republic of Ireland Work was also undertaken to ensure that all advertising and accounting systems across the Group adopted the same standard software, classification listings and customer interfaces This will simplify the introduction of new services which will improve the customer experience when contacting our publishing centres and provide an efficient and timely way of deploying new features and platforms, particularly in the area of digital publishing

Two further benefits of a common system strategy are the introduction of an electronic advertising voucher system, replacing the outdated practice of providing advertisers with a newspaper cutting for each advertisement printed, and the opportunity to capture our customers' details on a central database, which is the foundation for creating a number of new revenue opportunities

In conjunction with the digital newsroom of the future project, the central IT team has played a pivotal role in ensuring the availability of user friendly video and audio equipment, appropriately supported The growing use of video and audio content, coupled with increased viewings of the Group's 323 websites, has required improvements to the Wide Area Network

During the year, we restructured our Group IT resources to enable all subsidiary companies' needs to be managed centrally through an electronic helpdesk In recognition of the continued nuisance and threat of unsolicited email and virus attacks, improvements were made to network security We now deal with over 1 6 million emails every day

The deployment of a single newspaper sales system and the introduction of a voice over internet protocol (VOIP) telephone system across the Group were largely completed in 2007 Both projects improve the management of resource and information whilst providing operating efficiencies As part of the agreed IT strategy, plans are being developed for the eventual consolidation of data storage in two large databases These databases will have direct internet access and will enable our readers and viewers to interact with each of our companies in a timely and efficient way, improving the user experience and creating overall efficiencies

Acquisition Integration

Successful integration of the companies acquired at the end of 2005 (Score Press Limited and The Leinster Leader Limited) and at the beginning of 2006 (The Scotsman Publications Limited) has been accomplished with system installations and consolidation of backroom activities In difficult trading conditions each company has achieved its synergy and operational plan ahead of the objectives set prior to acquisition

In April 2007, the Group completed the acquisition of eight titles, 3 weekly paid for and 5 free, from Archant (Scotland) These newspapers, which complement our established titles at Johnston (Falkirk) Limited and Angus County Press Limited, have been fully integrated and are now part of advertising packages offered by these companies Total synergies anticipated at the time of acquisition have been exceeded The commercial printing company, P Scrogie Limited, which formed part of the acquisition was viewed by the Group as a non-core business and was sold to ScottasPress in August 2007

Printing

2007 saw further investment in the Printing Division with the completion of the new triple-width press installation at Portsmouth, an extension of the Caledonian Offset plant in Edinburgh, commencement of a new press hall in Northern Ireland, and additional colour capacity for the Goss Community press at Kilkenny in the Republic of Ireland

The new £50 million press installation at Portsmouth is the second stage of the investment in triple width technology Completion ahead of schedule and on budget follows the successful opening in 2006 of a similar but slightly larger press hall in Dinnington, South Yorkshire Each of the folders, there are five in total between the two sites, can print a minimum of 120 tabloid pages in full colour at over 80,000 copies per hour, with paginations reaching over 200 pages in full colour when required It is possible to print a combination of newspapers on each press line at any one time at these industry leading speeds The Portsmouth installation includes modern inserting, stitching and trimming facilities similar to Dinnington These two press halls account for 45% of Group printing capacity and, under long term contracts, also print The Sun and the News of the World for News International as well as work for other contract print customers

Caledonian Offset, acquired with The Scotsman Publications Limited in 2006, completed an investment programme inherited as part of the acquisition The publishing area has been refurbished and re-equipped to improve efficiency and additional units have been added to the existing press to increase colour capacity from 96 to 160 pages The refurbishment of the publishing area included inserting, stitching and trimming and the ability to add gloss produced front covers on magazines The former Archant (Scotland) titles have been integrated into the press schedule

As a result of the improvements at Caledonian Offset, the Falkirk press hall was closed In June 2007, planning permission was granted for a press hall extension at Carn, where our Northern Ireland print operation is based The building will accommodate a six unit full colour single-width press capable of printing 96 pages, in addition to the current press which is undergoing a major refurbishment to increase its colour capacity from 24 to 56 pages This project has helped secure a long term contract to print the Berliner format Guardian newspaper for Northern Ireland In the Republic of Ireland, an extension to the existing press at Kilkenny has increased colour capacity from 32 to 40 pages

Audience Delivery
Group audience reach of combined online and in print readers and viewers increased by 23% over the previous year This excludes The Scotsman where scotsman com, a longer established site, grew by 5 5% and reached over 3 1 million viewers in its own right On average, the Group reaches over 13 million readers each week and 8 2 million unique users view our websites every month This reflects the strength of our existing portfolio of newspapers and niche publications, the growing attraction of our local websites, and the overall position of the Group as a community media company

Of central importance to our portfolio mix is the strength of our paid-for newspapers, and we continue to place a high priority on their development and circulation performance Sales continue to be challenging, particularly for our daily titles where the trend of readers moving away from six days a week purchase to a casual buying pattern continues to have an adverse effect However, the performance of our daily titles is in line with the industry and, as a result of modest cover price increases, year-on year revenues remain marginally ahead Weekly newspapers continue to be more resilient and examples of strong sales increases include the Wakefield Express, the Doncaster Free Press and the Boston Standard We continue to invest in the provision of our own home delivered copy service, one of the best ways of retaining readers, with the total number of copies delivered to readers' homes increasing over last year as we approached the year end

Investment in market research also increased with 5 major projects undertaken around the Group to give a better insight into the behaviour and expectations of readers and viewers

The research confirms the importance of our local newspapers to their communities and the strength of our local newspaper brands, while highlighting areas of opportunity such as 'what's on', more in depth sport and entertainments coverage, as well as design improvements which make it easier for readers to locate key story points Additional research resource has been added to the central marketing team

Perhaps the most encouraging sign with regard to our total audience is the complementary nature and interactivity between online and in print There are numerous examples of stories being followed across media, with increased comments and participation from the community

Customer Relationship Management (CRM)
In order to meet our stated objective of using customer data to improve the delivery of our services and create new revenue opportunities, during 2007 we undertook a significant rebuild of our CRM database This involved engaging with experts from the data management sector and a year long project to re-create our CRM system in order that data can be collected and maintained across all areas of our organisation This information, which is now in a consistent format because of the common systems strategy, is being used for both internal and external purposes such as alerting individuals to stories relating to their particular interests, engaging potential customers with added value incentives, and using the data to create sales opportunities for specific advertisers

Staff Development and Welfare
A review of potential staff development needs within each discipline has been undertaken in order to ensure the Group has the capability and competence to deliver our strategy and vision As a result, we have revised our training programmes, increased the number of trainers both centrally and locally, and, where appropriate, partnered with other knowledge providers such as the University of Central Lancashire (UCLan) This has ensured our training meets the needs of the organisation In addition to those run at UCLan, 1,082 different courses were delivered, covering all aspects of our business This amounted to over 12,000 training days

Work continued to strengthen our relationship with our employees, with staff engagement surveys being successfully trialled in three centres and plans to roll these out across the Group in 2008 Staff retention also improved with advertising sales staff turnover, the area where this has historically presented the greatest challenge, improving by 2% to 31% This has been helped by the introduction of career development plans, improved incentive schemes and changes to selection and interview techniques

The Group continues to place the highest possible priority on health and safety This has resulted in a further reduction in the number of accidents across the Group, the statistics for which are reported on page 32 A number of initiatives have been instigated during the year to improve our employees' awareness of health and safety, particularly in the area of trips, slips and falls which account for 70% of all accidents This work, which has continued into 2008, is expected to reduce further accidents of this type

Performance Review

2007 has been a challenging year, with difficult advertising conditions as well as inflationary cost pressures. What has been pleasing is the business' ability to respond to these challenges with the result that there has only been a very modest reduction in margins.

In order to assess the underlying like-for like financial results of the Group in the UK and Republic of Ireland, the table below summarises the performance of the businesses operating at both the beginning and end of 2007 The businesses acquired in 2007 or disposed of during the course of either year are shown separately These columns then add to the total reported figure for the year The middle columns in the border show a like for like summary of 2007 compared to 2006

	2007					2006		
	Total £'m	**Republic of Ireland £'m**	**Acquisitions/ Disposals £'m**	**UK Like-for-like £'m**	UK Like-for like £ m	Acquisitions/ Disposals £ m	Republic of Ireland £ m	Total £ m
Print advertising	**425 8**	**20.7**	**3 6**	**401 5**	409 9	0 8	19 8	430 5
Newspaper sales	**102 4**	**6 1**	**0 2**	**96 1**	95 6	0 4	6 2	102 2
Digital	**15 1**	**—**	**—**	**15.1**	11 3	—	—	11 3
Printing	**35.0**	**3 9**	**0 7**	**30 4**	22 2	—	5 1	27 3
Other	**29 2**	**0.3**	**0 5**	**28 4**	30 7	—	0 2	30 9
Total revenues	**607 5**	**31 0**	**5 0**	**571 5**	569 7	1 2	31 3	602 2
Costs	**429 4**	**22 9**	**3 9**	**402 6**	391 9	0 9	22 6	415 4
Operating profit*	**178 1**	**8 1**	**1 1**	**168 9**	177 8	0 3	8 7	186 8
Operating margin*	**29.3%**	**26 1%**	**22 0%**	**29 6%**	31 2%	25 0%	27 8%	31 0%

*Pre non recurring items

In terms of like-for like performance, the existing Johnston Press businesses, when the higher production costs related to contract revenues, depreciation on the new presses and the increased digital investment (which totalled £10 7 million) are adjusted for, achieved an underlying flat cost base during the year This was despite cost of living increases to all staff, increased power costs and an increase in the price of newsprint over twice the rate of inflation There were modest cost savings associated with reduced head count in response to lower trading volumes and cost reductions of a structural nature which will deliver permanent benefits in coming years Within the structural cost savings was the full year effect of the presses closed in 2006, made possible by our investment in the new press at Dinnington in South Yorkshire Specific points to note are as follows

a) Despite increased newsprint prices, the Group's newsprint costs were essentially flat year-on-year This has been achieved through the closure of less efficient older presses and the benefits of the new presses which tend to produce lower wastage

b) A reduction in production costs of £2 5 million was achieved despite an overall increase in advertising volumes As mentioned previously, the strength of property advertising in the year contributed to the increase in volume but has resulted in a reduction in the overall yield as this tends to be the lowest priced advertising category The reduction in production costs was made possible by the further consolidation of pre-press operations into regional centres where greater efficiencies are possible The other benefits are those referred to previously being associated with the full year effect of the closure of several older inefficient presses in 2006

c) Overhead costs, excluding depreciation, increased by £7 8 million, with savings in the administration category being more than offset by inflationary pressures on power, editorial costs and distribution and transport, together with the additional £5m expenditure on the digital activities of the Group

The overall operating margin in the existing businesses decreased by 1 6% to 29 6%

Those businesses acquired since 2005 delivered varying results dependent on their geographic location As mentioned previously, the advertising environment in Scotland proved difficult in part as a result of the parliamentary election in May 2007 However, the acquisitions of The Scotsman Publications Limited and the ex Scottish Radio Holdings Limited titles have allowed us to build a much greater presence in the Scottish market, with the result that we have achieved significant cost savings across the enlarged division, as well as providing the Group with sufficient additional printing capacity to allow the closure of the old press at Falkirk The creation of this larger division enabled the Archant titles in Scotland to be integrated very quickly once their purchase was completed in April 2007 and resulted in the acquisition being earnings accretive for the 8 months of Johnston Press ownership during the year

The market conditions in Northern Ireland were more favourable than those experienced in Scotland and work continued to integrate these titles into the larger Johnston Press family This process will essentially be completed in 2008 with the installation of the ex Portsmouth refurbished single-width press at Carn This press was originally purchased in 2002

In the Republic of Ireland, as mentioned previously, the advertising environment changed significantly through the year and our planned introduction of new systems together with a re-structuring and re-organisation was later than originally planned, eventually taking place in quarter 4 of 2007 This work was, however, completed prior to year end and we expect to see the operational and financial benefits of this in 2008

In addition to the acquisition of the Archant titles in Scotland mentioned above, we disposed of several small non-core operations in August 2007 These included Best Asian Media, the commercial printing activities of the ex Archant Scottish titles and the commercial printing operation at Naas in the Republic of Ireland There was a net loss of £0 8 million on the disposal of these activities

For the first time last year, we reported those factors which are most likely to influence the Group's future performance As expected, these have not changed significantly in the last year The key influence of the economic cycle on our business was evidenced, as mentioned earlier, by work performed on our behalf by the London Business School This demonstrated the historic link between advertising revenues and four key macro economic indicators, which in declining level of influence were growth in Gross Domestic Product, change in the unemployment rate, change in interest rates and the number of property transactions We would expect these factors to remain an important influence over our performance in the future In addition, there are a number of other factors worthy of mention which are unchanged from those detailed last year and are summarised below

a) Our ability to ensure that we maintain market leadership at a local level at all stages of the advertising cycle whilst recognising the influence of the economic indicators noted above

b) Our success in growing new revenue streams in our existing markets The most significant are those associated with our digital and internet presence but these also include new print and related initiatives through building on the position of our well established and trusted brands in local markets

c) The extent to which we are able to secure further acquisition opportunities within and around our current areas of operation and whether they can be suitably financed thereby creating long term shareholder value

d) Our ability to continually improve the efficient operation of our business through appropriate investment in technology, which improves both customer service and our methods of operation

e) Our success in adapting to our customers' requirements in terms of the ways in which they wish to access and address their local media information needs in such a way that we continue to offer our advertisers high levels of local market penetration

Non-Recurring Items
The Group's results include a non recurring profit in the year of £15 0 million It is easiest to break this down into two major components The first of these relates to the change in the UK corporation tax rate from 30% to 28% Including the goodwill adjustment of £5 9 million associated with this change in tax rate, the net impact was a profit of £20 3 million This £20 3 million is, in turn, made up of two elements The first element relates to the deferred tax balance created under the transitional arrangements in place during the implementation of IFRS and IAS 12 in particular This required that deferred tax be provided against the carrying value of our publishing titles as at 1 January 2005, with the offset being against retained earnings As the tax rate has been reduced by 2% to 28%, this notional deferred tax liability, for which the Board cannot foresee any circumstance under which it might become payable, requires to be adjusted The impact of this represents a credit to the tax charge of £20 3 million Although the original adjustment in relation to publishing titles was taken against reserves, IAS 12 requires this reversal to flow through the Income Statement

The second element relates to the deferred tax booked on acquisitions made after 1 January 2005 Under the IFRS rules, the equal and opposite offset to the notional deferred tax was to create an intangible goodwill asset As stated in the interim accounts, all logic and base accounting principles would dictate that any reduction in the deferred tax balance because of the tax rate change should be mirrored in a reduction of the associated goodwill However, the rules of IAS 12 require that this release is also flowed through the Income Statement, the impact being a credit of £5 9 million This leaves the Group with an unmatched goodwill balance, which was only created by the booking of the deferred tax, and we have no option but to write this off as a £5 9 million charge against operating profit Although this might appear to be inconsistent with accepted accounting principles and practice, we had no alternative but to book the entries noted above in strict compliance with the rules based standard

Non Recurring Items continued
The balance of the non-recurring items is a net cost after tax of £5 3 million and relates to either fundamental re structuring within the business or disposal of certain non-core operations As mentioned above, there were three operations disposed of during the course of the year, with a net loss on disposal of £0 8 million There were also costs totalling £7 9 million relating to the actions we have taken to fundamentally re-structure the business for the future and include the closure of old presses in Falkirk, Peterhead and Portsmouth, and the pre press departments in Falkirk, Chesterfield and Scarborough There was also a significant cost arising from the fundamental re-organisation which took place in the Republic of Ireland in the last quarter of the year Offsetting these costs were gains of £1 9 million on the disposal of surplus properties The tax credit in relation to these items amounted to £1 5 million

If the current proposals for changes to capital allowances on industrial buildings are enacted, we anticipate another non-recurring tax adjustment in 2008 This adjustment would be a tax charge of £10 million if the legislation is progressed in line with current proposals

Finance Income/Costs
Net finance income on pension assets/liabilities was £4 5 million 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 in 2007, as detailed in note 24, was greater than actual returns for the first time in the last 3 years With actual returns being £4 9 million lower, these are recognised in the Group Statement of Recognised Income and Expense Finance costs for the year were £45 9 million with a blended effective interest rate of 6 4% These costs were higher than anticipated due to the abnormally high margin between LIBOR (London Inter Bank Offer Rate), on which the Group's borrowing costs are based, and base rate in the second half of 2007 This is discussed further later in this review

Tax Rate
The Group tax rate for the year, excluding non recurring items, was 28 3%, with the UK tax rate of 30% being reduced proportionately by the businesses in the Republic of Ireland and the Isle of Man where the Corporation Tax rates are considerably lower at 12 5% and zero respectively 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 39 36p was well up on 2006 because of the non recurring tax adjustments as detailed above Excluding those non recurring items, earnings per share at the basic level was 34 15p, down 6 8% on 2006, reflecting the continuing difficult market environment experienced by the sector during 2007 Subject to approval at the Annual General Meeting on 25 April 2008, the total dividend for the year will be 10 0p, an increase of 7 5% This increase reflects the strength of cash flows within the Group and the Board's continued desire to reduce the dividend cover from its current levels

Investment Strategy
As discussed in last year's report, the Board has clearly defined criteria when evaluating investments As well as considering returns both in terms of earnings per share and cost of capital, the Board takes into account the alternative opportunities available when making any investment, including the potential buy back of our own shares When looking at capital investment proposals in excess of £250k, with the exception of those that represent replacement or maintenance capital, the Board consistently examines alternatives including subcontracting and the pay back period, as well as the earnings impact and cash flows All such investments are routinely re appraised 1 year after the completion, both locally and at a Board level to ensure that the expected outcomes have been delivered

Finance Strategy/Net Debt
Due to the strong levels of cash generation within the business, Group policy has been historically, and continues to be, to finance all investments through debt Over the last year, we have re-examined lease versus buy options, especially where these have associated tax related benefits to determine whether there might be any sustainable advantage to be gained without compromising the Group's overall tax position

As has been the case in prior years, our policy continues to be for borrowings to be arranged at the lowest possible cost, and with covenants within which the Group 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 This policy helped to protect us during the last quarter of 2007 when there was a significant divergence between LIBOR and base rates The balance of debt that was not hedged was exposed to the increased LIBOR rates and, in an effort to minimise the cost of this, over the last quarter of 2007 and into the first quarter of 2008 we have been rolling over that element of our debt on a weekly basis This has enabled us to mitigate a portion of the costs, because the divergence between weekly LIBOR rates and base rates was less than the divergence on monthly rates It is estimated that the increase in LIBOR rates from the norm has cost the Group £0 5 million in 2007 At 31 December 2007, £350 million of the debt was hedged or fixed for an average period of 3 5 years

The only other financial risk the Group faces is in relation to its investments in the Republic of Ireland which are Euro denominated The debt drawn down to finance the acquisition of the Leinster Leader Group in December 2005 was made in Euros which provides a hedge against foreign currency fluctuations in the net investment in the foreign operations, whilst at the same time minimising our borrowing costs The Group's borrowings at 31 December were impacted by the sterling/euro exchange rate The average exchange rate for the whole of 2007 was 1 46206 but the rate fell sharply in the last quarter to 1 3571 at the year end This unexpected movement increased borrowings by £10 million

From the date of the acquisition of the Group's Irish businesses up to the end of September 2007, the exchange rate had not moved in any material way However, the sharp fall in the last quarter has resulted in the retranslation of the Group's valuation of publishing titles and goodwill in the Republic of Ireland at 31 December 2007 as seen in note 15 This has also resulted in an adjustment to deferred tax at the Irish rate of 20% The increase in borrowings of £10 million is offset by increases in goodwill and publishing titles with the balances recorded in the hedging and translation reserve

At 31 December 2007, the Group's largest investment in working capital was in trade debtors Levels of inventory were run down at the year end in anticipation of the reduction in newsprint prices in 2008 The management of trade debtors is therefore seen as a key task and is subject both to Executive and local management reviews Local incentive arrangements are also in place to ensure timely collection of all debts

Net debt at the end of the year, reflecting the fixed rate of our currency hedges and the £10 million adverse impact of the sterling/euro exchange rate, was £692 million, a reduction of £54 million over the course of the year This reduction was achieved in a year when capital expenditure was still well above depreciation Capital expenditure payments in the year totalled £31 0 million, this was £6 0 million lower than we had anticipated as some of the final payments on the Portsmouth press project were not made until early 2008 The Group continues to be financed through 5 year bank facilities put in place during 2005 and private placement loan notes which have outstanding terms between 5 and 9 years

Financial Reporting

The only significant change in the financial reporting regulations to have impacted this report is the introduction of IFRS 7 The disclosures relating to this standard are significant and are shown in the accounting policies, notes 21, 22 and especially note 35

Pensions

Despite the volatile market conditions, the pension trustees' investment strategy and the Group's efforts in recent years to address the pension fund deficit continue to bear fruit and this has seen a reduction in the overall pension deficit of £32 3 million in the year

Control Processes

As discussed in the Corporate Governance Statement, the Group operates rigorous internal control processes that assist in the efficient operation of our business The general ledgers, fixed asset registers, expenses, payables system and payroll are controlled through our shared service centre in Peterborough so that we can ensure a consistently high level of control right across our geographically spread operations Our recent move to consolidate credit control into our larger regional centres and all cash processing into a single centre in Leeds should further improve performance and control in these areas

The Executive Directors
5 March 2008

revenue

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

In a fragmenting media world our strategy of focussing on content to drive traffic to deliver revenues has borne fruit. In a challenging market for many sectors of the media, total advertising revenues for the Group were only down by 1% in 2007 with revenues from our digital platforms growing by 34%.

The depth of content and audience penetration in our local markets that we can offer our advertisers is the key to future revenues.

Advertising Revenue by Division

Advertising Revenue by Category

The today story

Building on our original classified portals of Jobs Today, Property Today and Motors Today, we are continuing to develop new platforms to support activities in our local communities. Local Pages Today, Buy and Sell Today and 'What's On' are the latest additions to be rolled out across the entire Group during 2008.

Corporate Social Responsibility

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

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 contracts of employment

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, wholly 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 issued to employees with supporting guidance 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, other stakeholders 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

Table 1

	2007	2006	2005
Total employees in Group (Full time equivalent)	7,664	7,849	6,992
Employees involved in accidents			
Publishing	3 8%	5 0%	6 0%
Printing	17 8%	19 0%	30 0%
Total	5 3%	5 4%	7 3%
Employees with RIDDOR reportable accidents			
Publishing	0 4%	0 3%	0 6%
Printing	1 5%	1 9%	2 4%
Total	0 5%	0 4%	0 7%
Total working days lost through accidents	718	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	512	535
Lost days per person	0 09	0 23

Specific responsibility for environmental issues has been delegated to the Chief Financial Officer, who also chairs the Group's Carbon Footprint Taskforce

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 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 February 2008 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, and is a specific item 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 undertakes 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 3 years it is possible to report some meaningful statistics and comparisons Our reporting procedures ensure that every accident, including the most minor laceration or abrasion, is reported, hence the high percentages recorded for our printing operations It should, however, be noted that the vast majority of these are not reportable under RIDDOR requirements

As can be seen to the left, we continue to make progress across the Group in reducing the number of accidents There has been a reduction in the number of employees involved in accidents in both our printing and publishing operations when compared to 2006 and overall the percentage of employees involved in accidents reduced to 5 3% With improved categorisation of accident reporting in 2007, we know that 70% of the total number of accidents recorded relate to slips, trips, falls, manual handling and bumps All of these categories will be the subject of increased focus from our Health & Safety Committees in 2008 through training and awareness programmes RIDDOR reportable accidents in our publishing activities increased due to a number of incidents related to our newspaper delivery operations Unfortunately a number of these resulted in injuries associated with long term absences which increased the working days lost when compared to 2006

Whilst there was an increase in total working days lost in 2007, we are still operating well below the national average For 2007 we have also been able to include our first full year of statistics for the Republic of Ireland

The Group also has a rolling programme of independent audit visits covering property and Health & Safety risks These visits are targeted at 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

Employees

We employ over 8,000 employees in the UK and Republic of Ireland and this section is about how we manage, develop and reward all of our people Whilst we operate a de centralised approach, our aims are common – we want to attract, retain and engage the best people in a challenging and supportive culture that drives business performance

Employment Policies

It is important that all of our managers and employees understand what is expected of them in terms of their behaviour and standards This is set out in our Value Statements, Personnel Policies & Procedures, Employee Handbook, Codes of Conduct and Contracts of Employment Our grievance and whistleblowing procedures also allow any employee to report behaviour that is contrary to our policies or is in any way concerning to them

Employee Representation

All of our employees have the right to freedom of association and, in a number of cases, we recognise trade unions at a subsidiary level in both the UK and in the Republic of Ireland Recently we have entered into preliminary discussions on the formation of a Group wide European Employee Works Council for an information and consultation process Employee Forums already exist at a subsidiary level for the purposes of local communication and consultation

Diversity

The Group recognises that a diverse workforce adds clear value to our employees, our customers, our shareholders and the communities we serve We fully support the principle of equal opportunity for all and oppose all forms of illegal and unfair discrimination Our Group Diversity Manager and Diversity Co-ordinators meet on a regular basis, with the aim of reviewing our workforce composition and taking positive action to address any imbalance We continue to support a Bursary Scheme, which gives financial support to those from ethnic minorities or deprived backgrounds who wish to follow a career in journalism All of our Personnel Policies & Procedures, practices and training programmes are regularly reviewed to ensure that they fully comply with the equality legislation in both the UK and the Republic of Ireland

Employee Engagement

Understanding our employees and engaging them in the achievement of our organisation's objectives is of paramount importance In 2007 we piloted a confidential Engagement Survey in three subsidiary business units, the pilot was successful and will be rolled out across the Group in early 2008 The survey allows us to benchmark levels of employee engagement and identify areas for improvement

Learning & Development

The growth of our people remains a priority and we continue to deliver a wide range of learning and development programmes In 2007 we delivered 1,082 programmes and in excess of 12,000 training days covering all aspects of our business including Advertising, Editorial, Digital Media, Newspaper Sales, Finance, Health & Safety, IT and HR In 2007 we invested heavily in editorial programmes in support of our multi platform publishing strategy

Identifying, developing and succession planning leadership talent at all levels will continue to be a priority In support of this we developed and delivered a wide range of managerial and leadership development programmes

Workforce Statistics

Our total workforce is represented by 55 4% male and 44 6% female and our age profile is as follows

Over 60	5 1%
50 – 59	17 4%
40 – 49	22 0%
30 – 39	25 1%
Under 30	30 4%

Reward & Recognition

Our subsidiary businesses have differing pay structures based on the size of the organisation and local market conditions Progression within these pay structures is based on competence and performance We also operate bonus schemes for executive and sales staff In 2007 we developed a new Sales Compensation and Career Path which will be introduced Group-wide through 2008 In 2007 the Share Incentive Plan awarded 52 free shares to the value of £218 to each eligible full time employee, part time employees received a pro-rated award The total cost of the free shares delivered was £1 1 million

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 employees or 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 stakeholders Reflecting the importance of our digital publishing activities, the Group develops its core internet sites to WAI single 'A' Standards All pages are created using XHTML and CSS 2 0, this method provides support for our users accessing our sites via screen readers All our newspaper sites have a sitemap that enables easy navigation on screen The Group also supports the "Talking Newspapers" charity as one of its nominated charities The Group has a Disability Access policy which is included in our policy and procedures manual

Community Involvement

Green issues have been at the forefront of a number of news stories and campaigns spearheaded by Johnston Press titles during 2007

The Scotsman's masthead went green for a day to launch 'Let's Go Green Together' – a joint campaign with the Scottish Government – aimed at persuading people to adopt a more environmentally friendly lifestyle Scots are being asked to sign up to one or more of ten pledges such as installing low energy light bulbs, driving and flying less often, recycling more and re using carrier bags when shopping Among the campaign backers were celebrities including singer KT Tunstall, chef Nick Nairn and writer Alexander McCall Smith

Former US Vice President Al Gore put his weight behind the Peterborough Evening Telegraph s Go Green campaign He was in nearby Cambridge for an environmental conference and took the opportunity to support the paper's initiative The paper, in partnership with the city council, highlighted ways readers could change their lives and was in support of Peterborough's campaign to become the UK's environment capital

The Northants Evening Telegraph ran a Green Army campaign aimed at helping readers reduce energy consumption More than 2,500 people – including schools, businesses and public bodies – signed up to a 'Big Switch

Off' day when people were encouraged to turn off computers, lights and other electrical equipment that wasn't in use

The Sheffield Telegraph also ran environmental awards culminating in a gala dinner

As you would expect, the majority of Johnston Press newspapers and websites have been involved in campaigns to improve communities, raise cash for worthy causes or right wrongs during the year

One of the most unusual campaigns resulted in the return to the borough of the famous Portrush station clock, the largest free standing grandfather clock in the world, thanks to the Coleraine Times and a local businessman The Derry Journal played a major role in setting one of the weirdest world records – for the number of Santas gathered in one place A total of 13,000 were together for the event in December

The Yorkshire Post continued its campaigning stance calling for a 'Fair Deal for Farmers', pressurising the Government over the plight of rural communities and strengthening bonds at the same time A 'Road to Ruin' campaign also called for a better deal for transport in the county

The campaigning Portsmouth News continued its work opposing the closure of the naval base, successfully called for the reinstatement of the city's world famous bells peal which had fallen silent for five years because of structural problems, opposed Post Office closures and encouraged readers to donate toys for needy children at Christmas
The paper also hosted a series of community awards projects

The Sheffield Star's Gridlock campaign for a better roads network resulted in the formation of a Motorists' Forum to advise the city council Motorists refusing to wear seatbelts were targeted by police following a campaign in the Halifax Evening Courier The Southern Reporter also ran a road safety campaign

Our three major Scottish newspapers all continued campaigns The Edinburgh Evening News opposed the plan to close 22 schools and community centres and campaigned to save vital hospital cancer services, Scotland on Sunday campaigned and ran an online petition resulting in Edinburgh University withdrawing Robert Mugabe s honourary doctorate, won support from Prime Minister Gordon Brown in its call for organ donation laws to be changed and spotlighted the rising number of teenage road deaths
The Scotsman's campaign for a new Forth Road Bridge culminated with the Scottish Government signing off the £4 2 billion project It also campaigned for improvements to Scotland's marine environment and against prescription charges for long term illnesses It also held roadshows and debates all over Scotland discussing the future of the nation, marking the 300th anniversary of the Act of Union

The Limerick Leader led a drive to regenerate housing estates – one of the biggest projects in Europe The Belfast based Newsletter was at the centre of intense political activity which culminated in the historic power sharing agreement and the unique role of the paper was marked during Northern Ireland's most memorable celebrations when Prime Minister Tony Blair and First Minister Ian Paisley took time out to officially open the title s new offices
The paper celebrated its 270th anniversary in September with a supplement looking back at some of the momentous events covered by the paper since 1737

1 2

1 The Scotsman's masthead went green to launch "Let's Go Green Together!"
2 The new coronary care unit opens at the Royal Lancaster Infirmary

'Read on Wakefield' was the title of a scheme launched by the Wakefield Express after news broke that 1,600 adults in the town could not read more than their own name It resulted in reading workshops and other initiatives

Protests at post office closures were led by a number of titles including the Northants Evening Telegraph, the Grantham Journal, Louth Leader and Harrogate Advertiser

Campaigns against health service cuts were a continuing theme throughout the year A march by 15,000 people through the streets, led by Rolling Stone Keith Richards, was the highlight of the Chichester Observer's campaign to save the threatened St Richard's Hospital, while the sister title Worthing Herald fought the closure of its hospital with protest marches, a 100,000 name petition and a 'human chain' protest around the grounds of the building There was a similar campaign in Haywards Heath led by the Mid Sussex Times to save the Queen Alexander Hospital The Eastbourne Herald campaigned to save a maternity unit and the Hastings Observer ran a similar campaign

The Grantham Journal's continuing campaign to save services at its hospital ended in success and the Lurgan Mail's 'Save Our Services' campaign ended with two wards being closed, but an assurance being given that the town's hospital was secure in the long term

There was a U turn over plans for huge hospital cuts after a protest by the Scarborough Evening News and health officials in Derbyshire changed their minds and kept a maternity unit open after protests led by the Derbyshire Times and Matlock Mercury

In Dublin, the Tallaght Echo spearheaded a campaign to improve local hospital and health services In a smaller, but equally important stance, Sunderland Echo readers were encouraged to carry donor cards

A campaign by the Blackpool Gazette over the Government's siting of a supercasino was backed by MPs, Lords and 11,500 readers and resulted in a protest to Downing Street The Prime Minister later blocked the plans

The Melton Times was also at Number Ten with a petition arguing for a bypass for the town

A 'Live in Hope' campaign by the Lancashire Evening Post raised £15,000 along with awareness for the Preston Women's Refuge Youngsters will get improved football facilities thanks to a 'Pitch In For Kids' spotlight by the Shields Gazette The Burnley Express teamed up with Lancashire Police to launch 'Don't Do Damage' designed to fight juvenile crime resulting in a 40% drop in nuisance crime in the 3 months after the launch The Tyrone Times ran a campaign against town centre vandals in Coalisland

The east coast resort of Hunstanton has a new lifeboat thanks to £150,000 raised during a campaign by the Lynn News

The sad story of paratrooper Ben Parkinson, terribly injured in a landmine explosion in Afghanistan, prompted the Doncaster Free Press to launch an appeal to raise cash to buy his family a wheelchair adapted people carrier And the plight of Kevin Connolly, from Pendle, who is going blind was highlighted by the Nelson Leader which spearheaded a £5,000 fund raising campaign to train a guide dog for him

It was a Happy Christmas after all for two housebound residents who had not received postal gifts sent by far off relatives, thanks to the Morpeth Herald And children at a

1

hospital got presents thanks to readers of the St Helens Reporter

A couple who have fostered hundreds of children got a reward thanks to the Bridlington Free Press and then went on to win a National Pride in Britain award

An incredible £200,000 was raised to send two year-old Emma Louise Clittie to America for pioneering brain tumour treatment after the case was highlighted by the Wigan Evening Post Another £30,000 was raised by the Harborough Mail to build a cycle path in memory of a boy who was tragically killed in a lorry accident

Cancer charities benefited in major ways from fund raising work supported by our titles The Burnley Express was the media partner for the town's Race for Life which raised £100,000 for Cancer Research, the Chorley Guardian set out to raise £8,000 for four local charities, but ended up after 9 months with the total smashing through the £50,000 barrier The Lanarkshire Extra helped raise more than £2 million for a new cancer care centre The Grantham Journal raised more than £20,000 for an appeal to give bereavement counselling to children whose parents have died of cancer

Other health campaigns included the Lancaster Guardian raising £580,000 to build a new coronary care unit at the Royal Lancaster Infirmary, the Donegal Democrat group headed a €100,000 fundraiser for an x-ray scanner and €600,000 for cancer services

Five year old Lisburn girl Georgia Cocking, suffering a rare form of leukaemia, got a life saving transplant thanks to the Ulster Star highlighting the need for bone marrow donors The Yorkshire Post's Half and Half appeal, which raises money for two hospices in Leeds, celebrated its 25th anniversary by passing through the £2 5 million barrier And the Edinburgh Evening News raised £100,000 to equip a new Barnardo's centre Meanwhile Scotland on Sunday's sightsavers campaign, including a 'bring 50p to work day, raised £50,000 for a charity battling blindness in the Third World

Staff at the Clitheroe Advertiser were at the heart of a cash raising effort to turn the town's museum into a 21st century £3 2m visitor centre and the Leamington Courier supported a swimathon which raised £11,000 A Comic Relief stunt saw Rob Gibbard, editor of the Buckingham Advertiser, 'jailed' behind bars in a supermarket, with customers being asked to make donations to free him

The death of a 15 year old in a road accident after he had been drinking brought about a Falkirk Herald campaign to highlight the dangers of alcohol It received backing at Prime Minister's Question Time

The Northampton Chronicle & Echo, Suffolk Free Press and Milton Keynes Citizen all ran pride in their town campaigns The Wigan Observer's 'Wigan We Love it' campaign reached a climax when Prime Minister Tony Blair visited the town and wore one of its promotional badges Isle of Man Newspapers ran awards for excellence And the Garstang Courier backed the town's entry in Britain in Bloom The Leinster Express, honoured by Laois County Council with a civic reception to mark its 175th anniversary, ran 'People of the Year awards', with thousands of votes from readers Achievers awards were also run by our English south coast titles in Eastbourne, Hastings and Bexhill

The countrywide series of websites set up by Johnston Press to enable newspapers to break news around the clock

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1. The new lifeboat at Hunstanton thanks to the readers of the Lynn News
2 Edinburgh News readers helped the Barnardo's Caem Project
3 Emma-Louise Clittie who went to America for pioneering brain tumour treatment

contributed significantly to the way major news stories were broken by our titles

An air crash at the Shoreham airshow in which the pilot of a WW2 Hurricane died was broken online and included video footage shot by a trainee reporter Sam Woodman's coverage included the explosion and the aftermath It was online a clear 30 minutes ahead of the story appearing on major TV networks and websites

The Chichester Observer was responsible for breaking news of TV star Billie Piper's wedding online

A major fire at a Skegness seaside attraction was broken online by the Group's Skegness reporters

Flooding which hit Sheffield and South Yorkshire was covered extensively in paper and online As the waters rose the Sheffield website carried continual overnight updates Two weeks later a book was published about the disaster, completing the multi media package of coverage A similar online service was provided by the Banbury Guardian when flooding hit the town

The first details of 'back from the dead' canoeist John Darwin walking into a London police station were revealed on the Hartlepool Mail's website

Reader pictures and videos also proved invaluable contributions The Eastbourne Herald's website was able to bring first news of a parachutist crash landing at the town's Airbourne event thanks to video supplied by a reader

The Avian Bird flu outbreak prompted the Diss Express to devote a whole section of its site to details about the disease At the Suffolk Free Press, staff were able to help a man find his long lost daughter thanks to a website appeal

Biggest scoop of the year for the Lancashire Evening Post and its website www lep co uk was the first interview with the most senior officer ever charged with war crimes, secured through close links with the Queens Lancashire Regiment

The murder of a teenage boy at a Halloween Party in Horsham was broken by the County Times website www wscountytimes co uk An online condolences message board attracted thousands of visitors with his girlfriend leading the tributes The site also featured a unique video of the dead boy

The murder of a police constable in Luton was broken on the website at least 40 minutes ahead of other major broadcasters getting the story

The Milton Keynes editorial team were also the first to cover a visit from the Queen to the town with constant picture updates on the website, followed by comprehensive coverage in paper

The Peterborough website broke the news of a helicopter crash that claimed the lives of four people as they returned from a Champions League football match between Chelsea and Liverpool

Good old fashioned newspaper exclusives were also in abundance during the year Stories broken by the Yorkshire Post included news that a children's DVD glorifying suicide bombing was on sale in Britain and that inmates at one Yorkshire prison, suffering from overcrowding and under staffing, had been given their own cell keys

The Scotsman revealed that two Scottish Cabinet ministers held substantial share portfolios in possible conflict with their briefs and that a council chief executive was in line for voluntary redundancy on top of a retirement package The Wigan Observer ran an exclusive interview with the family of a toddler who drowned in a pond while two police community support officers looked on

Details of the police corruption raid on Portsmouth Football Club was revealed first by The News as was information that Zurich Insurance was to quit the city with the relocation of 600 jobs The Nelson Leader carried the first news of a Pendle bin man threatened with the sack for wearing a St George cross bandanna at work because it was not deemed politically correct The Clitheroe Advertiser was responsible for the breaking news that the nurse of the year was quitting because of disillusionment with the NHS The story of baby Graiden Eldred, born at 23 weeks and weighing just 1lb, was an exclusive in the Peterborough Evening Telegraph The Scarborough Evening News had first details of the country's first prosecution of a man for smoking in a pub

On a light hearted note, the Sleaford Standard was first with the news that a 102 year old woman had posed nude for a charity calendar

By way of a summary, the Group has facilitated fund raising campaigns that have raised £3 0 million in the last year, have given free space to community or environmental campaigns to the value of £0 9 million and have given discounts to charity advertisers of £0 2 million

Johnston Press titles and staff won a number of awards during 2007

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

Newspaper Society	
Campaigning Weekly Newspaper of the year	Grantham Journal
Best event	Blackpool Gazette
Best promotion	Blackpool Gazette
Best value added product	Lytham St Annes Express
Best free weekly in Northern Ireland	Banbridge and District Weekender
Free weekly newspaper sports photographer of the year	Gemma Marriner, Whitely Bay News Guardian
Best Single Copy sales initiative	The Scotsman
Best in paper reader offer	Scotland on Sunday
Best multi media campaign	Edinburgh Evening News
Advertisement of the Year (weekly) Gold award	Lancashire Publications
Motors Advertisement of the year Gold award	Yorkshire Post
Regional Press Awards	
Photographer of the year (weekly)	Steve Cobb, West Sussex County Times
Sports Photographer of the year (weekly)	Marie Caley, South Yorkshire Newspapers
EDF Media Awards	
East of England feature writer of the year	Gemma Walton, Peterborough Evening Telegraph
Northern reporter of the year	Sophie Hazan, Yorkshire Evening Post
Scottish feature writer of the year	Catherine Deveney, Scotland on Sunday
Scottish Sports feature writer of the year	Tom English, Scotland on Sunday
South East reporter of the year	Emily Pykett, Portsmouth News
National Council for Training of Journalists	
Best newspaper practice paper	Matt Gaw, Crawley Observer
Yorkshire Press Awards	
Leader writer of the year	John Furbisher, Halifax Courier
Photographer of the year	Doug Jackson, Yorkshire Regional Newspapers
Weekly News reporter of the year	Chris Walker, Doncaster Free Press
Columnist of the year	Rod McPhee, Yorkshire Evening Post
News reporter of the year	Charles Heslett, Yorkshire Evening Post
Front page of the year	Yorkshire Evening Post
Photographer of the year	Simon Hume, Yorkshire Post
Campaign of the year	Wakefield Express
Other	
Racing Post/Coral's champion tipster	Steve Simpson, Blackpool Gazette
Private Eye Paul Foot award for investigative journalism	Deborah Wain, Doncaster Free Press
Scottish Investment Journalist	Rosemary Gallagher, The Scotsman
Johnson & Johnson New Beauty Writer	Jessica Kiddle, The Scotsman
Metro Eireann media and multicultural awards, best newspaper coverage	Anne Sheridan, Limerick Leader

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 where independent organisations interact with our business to provide feedback on our processes and procedures

The Group has also developed a series of customer service related metrics which are in place across the organisation and subject to review by the Executive Directors at the twice yearly business reviews undertaken with every operation The improvement of these metrics forms part of executive's KPIs for bonus purposes 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 our terms of trade are published in the Group's newspapers as well as being linked to all of the Group's websites Equal attention is paid to the service that we provide to our readers and viewers 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 Complaints Commission Code of Practice

Environmental

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 with the new press in Dinnington qualifying for CCLT rebate from the fourth quarter of 2007 In an effort to seek further savings, we are currently evaluating the potential installation of voltage optimisers that will ensure equipment and plant are not over supplied These optimisers project a reduction in energy consumption of up to 13%

In terms of energy management, 2007 saw increased focus for Johnston Press with initiatives put in place to engage every employee

Over the period of 2005 and early 2006 the Group grew significantly by acquisition and therefore the total energy consumption of the Group increased However, as the last of the significant acquisitions took place on 4 January 2006 we can make direct comparisons between 2006 and 2007 but any comparison with periods prior to 2006 needs to be adjusted to reflect the increase in the Group's level of activity Table 3 below summarises the consumption of energy

Starting with electricity, the Group's total consumption for the year was 60 8m kWh, an increase of 2 1% This is not surprising as in 2007 we have had a full year of the new press in Dinnington, South Yorkshire and the ramp up of the new press in Portsmouth This is evidenced by the Group's throughput in terms of tonnes of newsprint increasing by 22 4% to 175,515 tonnes The total electricity consumed by the print centres increased by 2 4m kWh to 32 3m kWh but the kWh per tonne of newsprint processed reduced by 11 7% to 184 2 kWh/tonne, a number still above the 2005 levels due to the recent press investment programme The energy consumption of our non printing sites reduced by 4 0% despite the acquisition of Archant's titles in Scotland in April 2007 The consumption at the non printing offices is being targeted by the Carbon Footprint Taskforce (see page 42) with several initiatives currently being trialled

Total gas consumption for the enlarged Group increased by 1 1% with the majority of the increase related to the acquisitions made in the year Reflecting a decision to improve our performance we are reviewing several of the boiler installations at our older facilities to ensure they are still "fit for purpose" and operating in an efficient manner The gas consumption in the print division for the year decreased by only 0 6% but because of the significantly increased throughput the gas kWh per tonne reduced by 18 9% to 77 5 kWh/tonne, an excellent result

Table 3 Consumption of energy

	2007	2006	%	2005	%	2004	%	2003	%
Electricity									
kWh	**60,789,592**	59,556,816	+2 1						
print centres kWh/tonne	**184.2**	208 6	11 7	170 3	+22 5	166 8	+2 0	201 1	17 1
Gas									
kWh	**31,258,224**	30,924,562	+1 1						
print centres kWh/tonne	**77 5**	95 6	18 9	86 2	+10 9	96 7	10 9	137 4	29 6
Water									
m^3	**105,362**	121,453	13 2						
print centres m^3/tonne	**0 32**	0 55	-41 8	0 59	-6 8	0 61	3 3	0 66	7 6

* Prior periods adjusted to remove publishing consumption on shared sites

Table 4 Motor Vehicle data

	2007	2006	%	2005*	%	2004	%	2003	%
Total Fleet (No of vehicles)	**2,057**	2,109	2 5	1,960	0 0	1,852	1 6	1,817	1 9
Total Fleet CO² rating	**338,154**	355,145	4 8	337,726	2 3	325,237	3 4	325,223	—
Average CO² rating	**164**	168	2 4	172	2 3	176	2 3	179	1 7

* Adjusted to include acquisitions completed in December 2005

The total consumption of water for the Group continues to drop with a 13 2% reduction in 2007 to 105 4km³ This is the lowest consumption for the Group since we started to keep records in 2002, despite the fact that the Group is now significantly larger The total consumption of water in the non printing activities increased by 13 7% and reflects both the acquisitions in the year and a move to filtered mains water for drinking purposes, away from previously bottled supplies which were not measured as part of this process Projects are under evaluation such as "dry urinals" to seek to reduce this going forward and, if successful, will be rolled out across the Group The water consumption in the printing division has been significantly reduced by the recycling operations on the new presses and has reduced by 28 0% to 56 7km³ This has meant that the m³/tonne has reduced very significantly to 0 32m³/tonne, a 41 8% reduction

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, allowing for increased volumes in the business, electricity consumption is down 12 4%, gas is down 51 6% and water is down 51 5% Given that we have already achieved our original 2010 targets, a new target has been established seeking a further 10% reduction of energy consumption between 2007 and 2010 Budgets for 2008 have been set encompassing a year on year improvement

Following on from 2004 when we undertook the first review of our motors fleet, progress has continued to be made in 2007 The details of this are set out in Table 4 above

The total fleet reduced during the year by 52 cars despite the acquisition of the Archant titles in Scotland We have also continued to make progress in terms of our fleet purchasing arrangements with the result that the average CO_2 rating for our fleet dropped by 4 or 2 4% Over the last 4 years, which is the timescale during which our fleet will have been completely renewed, we have on a like-for like basis reduced our fleet by 82 cars and have reduced the average CO_2 rating by 6 8%

We have also, as mentioned later in this report, through the activities of the Carbon Footprint Taskforce switched Group supplied diesel to bio-diesel

New Initiatives

Energy consumption and waste generation within the Group's printing operation continued to be targeted throughout the year The successful new press installation at Dinnington has been repeated at Portsmouth with a similar new press line being commissioned in June As at Dinnington the new installation allowed the Group to decommission two less efficient presses during the year as well as relocating another to Northern Ireland to address capacity requirements in that market At Portsmouth, the latest energy reducing drive technology has been employed and again the press has been housed in a new building designed to maximise natural light and minimise power consumption An on site chemistry re-cycling plant is reducing the waste levels at the Portsmouth operation, and reusable newsprint reel cores have been introduced

The installation of two additional printing units at Caledonian Offset in Edinburgh allowed the Group to decommission two older less efficient sites in Scotland This consolidation has already had a positive effect on waste levels and energy consumption in this operation

Energy saving initiatives at the new site at Dinnington have proved to be worthwhile with the plant's energy consumption per tonne in its first year being 28% below the average of the Group's other centres

Newsprint

Since 1991 the industry, through the Newspaper Society, has agreed targets with the Government on the recycled content of British newspapers The target for the year 2000 was 40 0% and has been raised each year since to the current level of 70 0% The industry has consistently surpassed these targets and currently 80 6% of all newsprint in the UK comes from recycled paper

The average recycled content of standard newsprint bought by Johnston Press in 2007 was 75% The reason that this number is behind the industry average, while still well ahead of the Government target, is that certain of our older press rooms run more effectively on virgin paper

Newspapers cannot be recycled indefinitely due to the process requiring some virgin fibre to maintain paper strength All virgin fibre comes from an environmentally sound, renewable resource which is monitored and certificated, mainly softwood coniferous forests, where, for every tree cut down, two or more are planted Newspapers are not responsible for rainforest devastation as the hardwoods from such forests are not used for newsprint manufacture

Emissions to Air
The Group's sole heatset press housed at Caledonian Offset continues to operate well within the emissions requirements as stated in the Pollution Prevention and Control Act 1999 The Katec Oxidiser used to remove pollutants from the ink drying process is independently measured each year In 2007 the unit had a 99 8% removal efficiency, and continues to be a very effective operation The process was also inspected by the Scottish Environmental Protection Agency (SEPA) in 2007 and passed successfully

The company continues to have a good relationship with SEPA and during the year began a new collaboration of continuous improvement to reduce the amount of volatile organic compounds (VOCs) in the production process

Waste
Audits of the Group's printing waste management performance began this year, with the aim of implementing greater segregation of the waste streams allowing for more efficient disposal This initiative is expected to further improve the Group's waste management in the coming year

The Group is committed to ensure that its recycled newsprint goes into the production of new newsprint

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

Carbon Footprint
During the course of the year the Group launched its Carbon Footprint Taskforce under the Chairmanship of Stuart Paterson, our Chief Financial Officer This taskforce developed the Group's environmental policy and is responsible for co-ordinating the Group's activities in this area The Group's environmental policy is as follows

We will ensure that every aspect of our activities is conducted in accordance with sound environmental practices We will achieve this by

- Minimising the consumption of natural resources and energy, whilst consuming material goods in moderation All newsprint consumed in the printing of our newspapers will either be from recycled sources or from sustainable managed forests The objective is to have at least 75% of our consumption from recycled sources

- Pursuing our Energy Policy in which, as stated earlier, our original aim was to reduce our consumption of energy on a like-for like basis by 7% between 2003 and 2010 Between 2003 and 2006 we achieved an 18% reduction in terms of kwh and the Group is now seeking to reduce by a further 10% over 2007 to 2010

- Reducing the creation of waste by the adoption of improved operating practices and by the recycling of materials whenever practical

- Ensuring all waste and effluent is disposed of in a safe and responsible manner

- Ensuring all emissions to air comply with relevant current and planned legislation and that at least 99 5% of all Volatile Organic Compounds are removed during the process

- Complying with all environmental legislation

Johnston Press aims to foster among its staff, suppliers, customers, shareholders, other stakeholders and communities local to its operations an understanding of environmental issues in the context of its business Our collective task is to ensure that we continually improve the environmental impact of our activities

By this policy Johnston Press recognises its responsibility towards the protection of the environment, and issues this statement as a commitment of both management and employees to minimising the environmental impact of its operations

Many of the Carbon Footprint Taskforce initiatives, which are designed to reduce our impact on the environment, are implemented through the Employee Forums which operate at all of our publishing centres Reducing the environmental impact of our operations has been an initiative that has been embraced by the forums and has resulted in many local projects

The aims of the Carbon Footprint Taskforce are as follows

- Establish Group Policy and objectives
- Promote the general aims of "reduce, reuse, recycle"
- Work through the established Employee Forums
- Co-ordinate Group wide initiatives
- Agree under the auspices of the Newspaper Society a standard method of measuring the Carbon Footprint (Scope 2) and seek to reduce this (base year 2006) by 25% over the next 5 years
- Run an annual Group Environmental Award

The achievements of the Taskforce to date are as follows

- A Group-wide survey of every publishing and printing centre has been carried out to determine current projects, level of engagement and status
- All photocopier, fax and internal use paper has moved onto recycled stock
- The Group's first environmental policy has been published
- With the Group Technical Committee we have worked to establish best practice with regard to reducing power consumption of all IT equipment
- Group supplied fuel has been moved to bio-diesel
- Provided all our Employee Forums with a Top Ten Tips to kick start the initiative

The Group-wide survey focused on our actions and reactions both internally and in relation to the communities within which we publish

In terms of our involvement with the community, 84% of our publishing centres have actively promoted "green" issues in their newspapers and 46% have also done this on their websites In fact, a fifth of our titles now run a regular column to support these initiatives Looking towards 2008, three quarters of our titles already have editorial campaigns planned and more than two thirds have advertising initiatives linked to these

84%

of our publishing centres have actively promoted "green" issues in their newspapers

80%

of all our locations have energy saving procedures in place

77%

of our offices now have recycling initiatives in place

Internally, 70% of our Employee Forums have environmental issues as a standard agenda item at their meetings and we aim for this to be 100% by the end of 2008 57% of our sites display posters/information on the key initiatives of "reduce, reuse, recycle", in fact 77% of our offices now have recycling initiatives in place and again we aim to increase this in the course of 2008 All of our print centres have energy monitoring systems in place along with reduction targets and this is a practice now being more widely adopted by our publishing centres with more than 80% of all our locations having energy saving procedures in place

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

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Group Management Board

Tim Bowdler
Chief Executive Officer

Danny Cammiade
Chief Operating Officer

Stuart Paterson
Chief Financial Officer

Richard Cooper
Company Secretary

Malcolm Vickers
Director of Human Resources

Andrew Richardson
Business Development Manager

Lori Cunningham
Digital Strategy Director

Divisional Managing Directors

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

Board of Directors

1 3 5

2 4 6

1 R G Parry
Non Executive Chairman (54)
Joined the Board in 1997 Chairman of Nomination Committee Executive Chairman of Media Square plc Non Executive Chairman of Future plc, Mobile Streams plc and YouGov plc Chairman at Shakespeare's Globe Trust
rparry@johnstonpress co uk

2 T J Bowdler CBE, BSc, MBA
Chief Executive Officer (60)
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

3 D Cammiade
Chief Operating Officer (47)
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

4 S R Paterson MA, CA
Chief Financial Officer (50)
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

5 F P M Johnston CBE
Non Executive (72)
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

6 M A King
Non Executive (47)
Joined the Board in 2003 Member of the Remuneration, Audit and Nomination Committees Former Managing Director, Country Operations Europe, at Yahoo! UK Ltd Non-Executive Director of Capita Group plc and IMD plc Chairman of Radio Advertising Bureau
mking@johnstonpress co uk

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7 S J Waugh
Non Executive (50)
Joined the Board in 2003 Chairman of Remuneration Committee Member of Audit and Nomination Committees Chairman of AWD Group plc Director of CMC Capital Markets plc Life Fellow of Marketing Society and Institute of Direct Marketing
swaugh@johnstonpress co uk

8 P E B Cawdron
Non Executive (64)
Joined the Board in 1998 Senior Independent Director Member of Nomination Committee Former Group Strategy Development Director of Grand Metropolitan PLC Chairman of Punch Taverns plc Non Executive Director of GCap Media plc, Capita Group plc, BUPA and Prostrakan Group plc
pcawdron@johnstonpress co uk

9 I S M Russell CBE
Non Executive (55)
Joined the Board in 2007 Chairman of the Audit Committee Member of Remuneration and Nomination Committees Former Chief Executive and Finance Director of Scottish Power plc Advisor to 3i, Director of JP Morgan Fleming Mercantile Trust plc, Chair of Advanced Power AG and Chair of Remploy Ltd
irussell@johnstonpress co uk

10 P R Cooper ACA
Company Secretary (51)
Appointed Company Secretary in 1996 Chartered Accountant Former Finance Director of Yorkshire Weekly Newspaper Group Limited
rcooper@johnstonpress co uk

Group's Newspaper Titles

Scotland		Circulation
Johnston Falkirk		
The Falkirk Herald	Weekly	28,779
Falkirk, Linlithgow & Grangemouth Advertiser	Free	51,805
Cumbernauld News & Kilsyth Chronicle	Weekly	11,853
Cumbernauld & Kilsyth Advertiser	Free	17,716
Kirkintilloch & Bishopbriggs Herald	Weekly	11,775
Paisley & Renfrewshire Extra Series	Free	34,335
Motherwell & Hamilton Extra	Free	34,425
Glasgow South & Eastwood Extra	Free	52,276
Bearsden/Milngavie & Westend Extra	Free	24,382
Ayrshire Extra Series	Free	52,039
Strathkelvin Advertiser	Free	20,782
Linlithgowshire Journal & Gazette	Weekly	8,632
Carluke & Lanark Gazette	Weekly	12,363
Glasgow East News	Free	6,462
Milngavie & Bearsden Herald	Weekly	6,622
Motherwell Times & Bellshill Speaker	Weekly	13,718
Strachan & Livingston		
Fife Free Press	Weekly	17,739
Fife Leader South	Free	49,140
Fife Leader North	Free	24,043
Fife Herald & Post	Free	44,877
East Fife Mail	Weekly	10,789
Glenrothes Gazette	Weekly	6,133
Fife Herald & St Andrews Citizen	Weekly	13,116
Tweeddale		
Southern Reporter	Weekly	18,310
Berwick Gazette	Free	10,106
Berwick Advertiser	Weekly	7,931
East Lothian Times, Peebles Times & Midlothian Times	Free	48,838
Berwickshire News & East Lothian Herald	Weekly	5,957
Hawick News & Scottish Border Chronicle	Weekly	5,462
Selkirk Weekend Advertiser	Weekly	1,898
Midlothian Advertiser	Weekly	7,126
East Lothian News Series	Weekly	4,726
Carrick Gazette	Weekly	2,893
Galloway Gazette	Weekly	6,296
Angus County Press		
Brechin Advertiser	Weekly	2,931
The Buteman	Weekly	3,225
Deeside / Donside Piper & Inverurie Herald	Weekly	8,578
Forfar Dispatch & Kirriemuir Herald	Weekly	5,674
Kincardineshire Observer	Weekly	1,112
Mearns Leader	Weekly	4,450
Car Mart	Free	13,101
Montrose Review	Weekly	5,105
The Arbroath Herald	Weekly	10,156
Ellon Times & East Gordon Advertiser	Weekly	2,257
Fraserburgh Herald	Weekly	5,572
Buchan Observer	Weekly	8,421
Stornoway Gazette		
Stornoway Gazette & West Coast Advertiser	Weekly	13,006
The Scotsman Publications		
Edinburgh Evening News	Evening	50,847
Edinburgh Herald & Post	Free	121,871
Scotland on Sunday	Sunday	69,223
The Scotsman	Morning	55,162
West Lothian Herald & Post	Free	42,650

North		Circulation
Northeast Press		
Sunderland Echo	Evening	42,910
Sunderland Star	Free	32,229
Shields Gazette	Evening	18,726
Washington Star	Free	17,230
Seaham Star	Free	8,906
Peterlee Star	Free	17,371
Hartlepool Mail	Evening	18,223
Hartlepool Star	Free	25,585
Northumberland Gazette	Weekly	10,815
News Post Leader	Free	69,534
North Shields & Whitley Bay News Guardian	Free	59,976
South Tyne Star	Free	26,486
Morpeth Herald	Weekly	2,947
Houghton Star	Free	10,944
Yorkshire Post Newspapers		
Yorkshire Post	Morning	49,031
Leeds Weekly News	Free	124,533
Yorkshire Evening Post	Evening	55,732
Wharfe Valley Times	Free	41,963
The Yeller	Weekly	4,787
Pudsey Times	Free	21,905
Yorkshire Sport	Weekly	7,320
City Lite	Free	6,165
Ackrill Newspapers		
Harrogate Advertiser	Weekly	16,046
Harrogate Herald	Free	41,311
North Yorkshire News	Free	31,574
Ripon Gazette	Weekly	6,088
Wetherby News	Weekly	5,159
Knaresborough Post	Weekly	3,528
Pateley Bridge & Nidderdale Herald	Weekly	1,782
Northallerton, Thirsk & Bedale Times	Weekly	511
The Halifax Courier		
Halifax Evening Courier	Evening	19,956
Calderdale News	Free	28,525
Brighouse Echo	Weekly	6,629
Todmorden News & Advertiser	Weekly	4,049
Hebden Bridge Times	Weekly	3,349
Yorkshire Weekly Newspaper Group		
Wakefield Express	Weekly	32,642
Reporter Extra	Free	42,760
Pontefract & Castleford Express	Weekly	24,117
Wakefield Extra Series (inc Rothwell and Oulton Extra)	Free	40,882
Hemsworth & South Elmsall Express	Weekly	6,453
Selby Times	Weekly	8,926
Pontefract & Castleford Extra	Free	36,059
Dewsbury Reporter	Weekly	11,468
Selby Chronicle	Free	13,152
Batley News	Weekly	8,551
Morley Observer & Advertiser	Weekly	5,027
Ossett & Horbury Observer	Free	11,366
Spenborough Guardian	Weekly	7,743
Wakefield Star (Including Pontefract & Castleford Star)	Free	9,500
Yorkshire Regional Newpapers		
Scarborough Evening News	Evening	13,626
Malton & Pickering Mercury	Weekly	2,884
Filey & Hunmanby Mercury	Weekly	2,969
Whitby Gazette	Weekly	18,302
Beverley Guardian	Free	19,427
Bridlington Gazette & Herald	Free	13,785

North continued		Circulation
Yorkshire Regional Newpapers continued		
Trader & Weekly News	Free	32,256
Bridlington Free Press	Weekly	15,458
Driffield Times	Weekly	5,211
Driffield Post	Weekly	4,658
Pocklington Post	Weekly	4,605
Sheffield Newspapers		
Sheffield Weekly Gazette	Free	103,896
Sheffield & Doncaster Star	Evening	56,119
Angling Star	Weekly	9,294
Sheffield Telegraph	Weekly	22,162
Sheffield Journal	Free	56,889
Sheffield Lite	Free	4,000
Sheffield Profile	Magazine	14,689
Wilfred Edmunds		
Chesterfield Express	Free	34,842
Derbyshire Times	Weekly	40,241
Buxton Advertiser	Weekly	13,022
Ripley & Heanor News	Weekly	10,394
Eastwood & Kimberley Advertiser	Weekly	4,189
Chesterfield Advertiser	Free	53,265
Dronfield Advertiser	Free	10,286
Bolsover Advertiser	Free	11,412
High Peak Courier	Free	21,053
Ilkeston Shopper	Free	14,985
Eastwood Shopper	Free	11,316
Belper News	Weekly	3,632
Ilkeston Advertiser	Weekly	8,488
Matlock Mercury	Weekly	8,192
Peak Times	Free	12,875
Mansfield Chad	Weekly	44,993
Mansfield & Ashfield Observer	Free	58,599
Alfreton Chad	Free	16,104
Eckington Leader	Free	21,332
Buxton Times	Free	5,532
Hucknall & Bulwell Dispatch	Weekly	8,426
South Yorkshire Newspapers		
Worksop Trader	Free	29,511
Retford & Bantry Trader Guardian	Free	23,286
Dinnington & Maltby Trader	Free	21,142
Worksop & Dinnington Guardian	Weekly	17,788
Doncaster Free Press	Weekly	34,029
Doncaster Advertiser Series (Including Deane Advertiser)	Free	79,926
South Yorkshire Times	Weekly	5,862
Goole, Thorne & Howden Courier	Free	15,418
Epworth Bells	Weekly	3,136
Gainsborough Standard	Weekly	4,209
Gainsborough News	Free	14,258
Thorne Gazette	Free	14,951

Northwest

Lancashire Evening Post		
Lancashire Evening Post	Evening	30,467
Wigan Evening Post	Evening	8,761
Chorley Guardian	Weekly	13,664
Preston & Leyland Reporter	Free	64,110
Garstang Courier	Weekly	5,026
Longridge & Ribble Valley News & Advertiser	Weekly	3,289
Lancashire Publications		
St Helens, Prescot & Knowsley Reporter	Free	78,751
Wigan Reporter & Property Scene	Free	61,277
Leigh Reporter	Free	61,041
Wigan Observer	Weekly	17,181
Ashton News	Free	10,005
Standish Village News	Free	9,595

Northwest continued		Circulation
Blackpool Gazette & Herald		
The Blackpool Gazette	Evening	29,189
The Blackpool Reporter	Free	64,544
Lytham St Annes Express	Weekly	9 663
Fleetwood Weekly News	Weekly	5,833
Lancaster & Morecambe Newspapers		
Lakeland Echo	Free	12,000
Lancaster & Morecambe Reporter	Free	45,846
Lancaster Guardian	Weekly	16,306
Morecambe Visitor Series	Weekly	13,030
Offroad Portfolio		
Trials and Motorcross News	Weekly	18,514
Dirtbike Rider	Magazine	12,541
East Lancashire Newspapers		
Burnley Express	Weekly	29,258
Clitheroe Advertiser & Times	Weekly	9,170
Nelson Leader Series	Weekly	15,329
The Reporter Series	Free	56,118
The Valley	Magazine	10,500
Isle of Man Newspapers		
Isle of Man Courier	Free	36,318
Isle of Man Examiner	Weekly	13,276
Manx Independent	Weekly	12,255

Midlands

East Midlands Newspapers		
Peterborough Evening Telegraph	Evening	18,053
Peterborough Citizen	Free	49,259
Fenland Citizen	Free	41,075
Lynn News	Weekly	48,609
Norfolk Citizen	Free	39,906
Rutland Times	Weekly	4,562
Bourne Local	Weekly	3,506
Stamford, Bourne & The Deepings Citizen	Free	10,113
Rutland & Stamford Mercury	Weekly	20,490
Spalding Guardian	Weekly	14,849
Lincs Free Press	Weekly	18,222
Peterborough City Lite	Free	8,000
Lincolnshire Newspapers		
Lincolnshire Citizen	Free	41,885
Boston Standard	Weekly	12,049
Louth Leader	Weekly	10,326
Sleaford Standard	Weekly	4,158
Skegness Standard	Weekly	11,145
Market Rasen Mail	Weekly	4,550
Horncastle News	Weekly	5,583
Melton Times	Weekly	12,926
Grantham Journal	Weekly	20,579
Melton Citizen	Free	6,923
Grantham Citizen	Free	14,499
Anglia Newspapers		
Bury Free Press	Weekly	27,159
Suffolk Free Press	Weekly	9,596
Diss Express	Weekly	8,486
Bury Citizen	Free	26,329
Newmarket Journal	Weekly	10,186
Haverhill Echo	Weekly	4,927
Northampton Newspapers		
Chronicle & Echo	Evening	20,070
Northants Evening Telegraph	Evening	22,451
Northants Citizen Group	Free	49,503
Northants Mercury	Free	48,653
Northants on Sunday	Free	51,422
Harborough Mail	Weekly	12,552
Harborough Citizen	Free	6,148

Group's Newspaper Titles continued

Midlands continued		Circulation
Premier Newspapers		
Mid Beds Times & Citizen	Free	17,652
Milton Keynes Citizen	Free	103,078
Milton Keynes Review	Free	10,550
Leighton Buzzard & Linslade Citizen	Free	16,178
Leighton Buzzard Observer	Weekly	7,114
Tuesday Citizen	Free	86,518
Luton & Dunstable Herald & Post	Free	89,083
Luton News Kempston	Weekly	9,874
Bedfordshire & Kempston Times & Citizen	Free	60,690
Biggleswade Chronicle	Weekly	10,094
Dunstable Gazette	Weekly	4,442
Town Crier West Cambridgeshire Series	Free	43,550
Central Counties Newspapers		
Bucks Herald	Weekly	17,964
Buckingham & Winslow Advertiser	Weekly	9,730
Hemel Hempstead Gazette	Weekly	13,455
Bucks Advertiser/Thame Gazette	Free	39,850
Bicester Review	Free	9,402
Hemel Herald Express	Free	49,427
The Courier Midweek	Free	40,173
Banbury & District Review	Free	33,003
Banbury Guardian	Weekly	17,135
Rugby Advertiser	Weekly	10,891
Daventry Express	Weekly	9,323
Leamington Courier Series	Weekly	13,413
Kenilworth Weekly News	Weekly	3,727
Commuter Herald	Free	4,800
The Review	Free	42,948
South		
Portsmouth Publishing & Printing		
The Portsmouth News	Evening	52,531
Hayling Islander	Free	11,300
Portsmouth Journal Series	Free	132,839
Petersfield & Bordon Post	Weekly	8,218
T R. Beckett		
Hastings Observer	Weekly	20,436
Bexhill Observer	Weekly	9,623
Rye & Battle Observer	Weekly	6,419
Eastbourne Herald	Weekly	24,528
Eastbourne Gazette (Including Hailsham and Seaford Gazettes)	Weekly	10,975
Hastings & Bexhill News	Free	45,196
Eastbourne Advertiser	Free	43,500
Sussex Newspapers		
West Sussex County Times	Weekly	21,614
Mid Sussex Times	Weekly	12,539
Crawley Observer	Weekly	8,804
Horsham Advertiser	Free	19,785
Mid Sussex Citizen	Free	25,245
Weekend Herald	Free	30,986
Sussex Express & County Herald	Weekly	14,779
Bognor Regis Guardian Series	Free	32,090
Chichester, Bognor Regis and Midhurst & Petworth Observer	Weekly	35,161
Ems Valley Gazette	Free	5,000
West Sussex Gazette & South of England Advertiser	Weekly	8,683
Worthing Advertiser	Free	71,395
Shoreham Herald	Weekly	4,296
Worthing Guardian	Free	37,149

South continued		Circulation
Sussex Newspapers continued		
Littlehampton Gazette	Weekly	9,839
Worthing Herald	Weekly	17,612
Northern Ireland		
Mortons Newspapers		
Belfast News Letter	Morning	23,829
Belfast News	Free	34,982
Portadown Times	Weekly	10,401
Lurgan Mail	Weekly	8,632
Dromore Leader	Weekly	1,816
Banbridge Leader	Weekly	1,962
Ulster Star	Weekly	9,767
Mid Ulster Mail	Weekly	10,176
Tyrone Times	Weekly	2,947
Ballymena & Antrim Times	Weekly	4,428
Larne, Carrick & Newtonabbey Times	Weekly	9,943
Londonderry & Roe Valley Sentinel	Weekly	4,784
Coleraine & Ballymoney Times	Weekly	7,387
Craigavon Echo	Free	20,687
Lisburn Echo	Free	23,101
Mid Ulster Echo	Free	9,683
East Antrim Advertiser	Free	19,005
North West Echo	Free	31,726
Banbridge & District Weekender	Free	10,831
Derry Journal		
Derry Journal	Weekly	39,952
Foyle News	Weekly	2,621
Sunday Journal (Incorporating Donegal on Sunday)	Weekly	7,096
City News	Free	32,916
Donegal Democrat		
Donegal Democrat	Weekly	22,640
Republic of Ireland		
Midlands & South Leinster		
Leinster Leader	Weekly	12,100
Leinster Leader Weekender	Free	10,000
Kilkenny People	Weekly	16,113
Kilkenny People Weekender	Free	13,500
Leinster Express	Weekly	12,368
Leinster Express Weekender	Free	8,000
Offaly Express	Weekly	2,950
Munster		
Limerick Leader	Weekly	21,619
Limerick Leader Weekender	Free	20,000
The Nationalist	Weekly	14,106
The Nationalist Weekender	Free	9,000
Tipperary Star	Weekly	9,223
Tipperary Star Weekender	Free	5,000
Limerick Leader Midweek	Weekly	5,575
Northern		
Longford Leader	Weekly	9,485
Longford Leader Weekender	Free	6,700
Leitrim Observer	Weekly	8,386
Leitrim Observer Weekender	Free	7,000
Dundalk Democrat	Weekly	6,017
Dundalk Life	Free	11,000
Tallaght Echo	Weekly	9,741
Tallaght Weekender	Free	10,000

Websites by Division

Johnston Newspapers (Scotland)
www arbroathherald co uk
www bearsdenherald co uk
www bellshillspeaker co uk
www berwickshire news co uk
www berwick advertiser co uk
www bonessjournal co uk
www bordercountiesadvertizer co uk
www brechinadvertiser co uk
www buchanobserver co uk
business scotsman com
www buteman co uk
www carlukegazette co uk
www carnoustietoday co uk
www carrickfergustimes co uk
www carricktoday co uk
www cumbernauld-news co uk
www deesidepiper co uk
www donsidepiper co uk
www dundalktoday com
www eastlothiannews co uk
www edinburgh festivals com
www edinburghnews com
www falkirkherald co uk
www fifetoday co uk
www forfardispatch co uk
www guideandgazette co uk
www gallowaygazette co uk
www hawick news co uk
heritage scotsman com
www inverurieherald co uk
www isleofbutetoday co uk
www isleoflewistoday co uk
www kilsythchronicle co uk
www kincardineshireobserver co uk
www kirkintilloch herald co uk
www kirriemuirherald co uk
www lanarkgazette co uk
www linlithgowgazette co uk
living scotsman com
www mearnsleader co uk
www midlothianadvertiser co uk
www milngavieherald co uk
www montrosereview co uk
www motherwelltimes co uk
news scotsman com
www queensferrygazette co uk
www scotsman com
scotlandonsunday scotsman com
www selkirkweekendadvertiser co uk
www thesouthernreporter co uk
sport scotsman com
www stornowaygazette co uk
www thesouthernreporter co uk
thescotsman scotsman com

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 batleynews co uk
www bearsdenherald co uk
www beestontoday co uk
www belpernews co uk
www beverleyguardian co uk
www birstallnews co uk
www bramleytoday co uk
www bridlingtonfreepress co uk
www brighouseecho co uk
www burnistontoday co uk
www buxtonadvertiser 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 derbyshiretimes co uk
www dewsburyreporter co uk
www dinningtonguardian 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 fileymercury 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 harrogateadvertiser net
www hartlepoolmail co uk
www headingleytoday co uk
www hebdenbridgetimes co uk
www helmsleytoday co uk
www.hemsworthandsouthelmsallexpress co uk
www horsforthtoday co uk
www hucknalldispatch co uk
www hunmanbymercury co uk
www huttoncranswicktoday co uk
www ilkestonadvertiser co uk
www ilkleytoday co uk
www kippaxtoday co uk
www kirbymoorsidetoday co uk
www kirkstalltoday co uk
www knaresboroughpost co uk
www levenandbrandesburtontoday co uk
www lutterworthmail co uk
www maltonmercury co uk
www chad co uk
www marketweightontoday net
www matlockmercury co uk
www meanwoodtoday co uk
www middletontoday co uk
www mirfieldreporter co uk
www moortowntoday co uk
www morleyobserver co uk
www morpethherald co uk
www naffertontoday co uk
www newfarnleytoday co uk
www newsguardian co uk
www newspostleader co uk
www nidderdaleherald co uk
www northallertontimes co uk
www northumberlandgazette co uk
www northtynesidetoday co uk
www nortontoday co uk
www ollertontoday co uk
www otleytoday co uk
www peterleemail co uk
www pickeringtoday co uk
www pocklingtonpost co uk
www pontefractandcastlefordexpress co uk
www pudseytoday co uk
www retfordtoday co uk
www ripleyandheanornews co uk
www ripongazette 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 sheffieldtelegraph co uk
www shieldsgazette com
www sleightstoday co uk
www southyorkshiretimes co uk
www spenboroughguardian co uk
www staithesAndHinderwelltoday co uk
www stamfordBridgetoday co uk
www sunderlandecho com
www thestar co uk
www thornegazette co uk
www thornton le-daletoday co uk
www todmordennews co uk
www tringtoday co uk
www wakefieldexpress co uk
www wetherbynews co uk

www whitbygazette co uk
www woodhousetoday co uk
www woodlesfordtoday co uk
www worksopguardian 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 blackpoolgazette co uk
www burnleyexpress net
www chorley guardian co uk
www clitheroeadvertiser co uk
www fleetwoodtoday co uk
www garstangcourier co uk
www gotoblackpooltoday co uk
www iomtoday co im
www lakelandecho co uk
www lancasterguardian co uk
www leighreporter co uk
www lep co uk
www leylandguardian co uk
www longridgenews co uk
www lythamstannesexpress co uk
www pendletoday co uk
www sthelensreporter co uk
www thevisitor co uk
www wigantoday net
www dirtbikerider co uk
www tmxnews co uk

Johnston Newspapers (Midlands)
www bucksherald co uk
www banburyguardian co uk
www bedfordtoday co uk
www bicestertoday co uk
www biggleswadetoday co uk
www bostonstandard co uk
www bournelocal 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 dissexpress co uk
www dunstabletoday co uk
www fenlandcitizen co uk
www gainsboroughstandard co uk
www granthamjournal co uk
www Harboroughmail co uk
www haverhillecho co uk
www hemeltoday co uk
www horncastlenews co uk
www towncriertoday co uk
www kenilworthweeklynews co uk
www leamingtoncourier co uk
www leightonbuzzardonline co uk
www louthleader co uk
www Lutontoday co uk
www lynnnews co uk
www marketrasenmail co uk
www meltontimes co uk
www miltonKeynes co uk
www moretonhalltoday co uk
www newmarketjournal co uk
www northamptonchron co uk
www northantset co uk
www peterboroughtoday co uk
www rugbytoday co uk
www rushdentoday co uk
www rutland times co uk
www skegnessstandard co uk
www sleafordstandard co uk
www spaldingtoday co uk
www stamfordmercury co uk
www stowmarkettoday co uk
www suffolkfreepress co uk
www thametoday co uk
www warwickcourier co uk
www wellingboroughtoday co uk

Johnston Newspapers (South)
www bexhillobserver net
www Bognor co uk
www Chichester co uk
www crawleyobserver co uk
www eastbourneherald co uk
www hailshamtoday co uk
www hastingsobserver co uk
www haylingtoday co uk
www heathfieldtoday co uk
www sussexexpress co uk
www Littlehamptongazette co uk
www Midhurstandpetworth co uk
www midsussextimes co uk
www newhaventoday co uk
www petersfieldpost co uk
www portsmouth co uk
www ryeandbattleobserver 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
www daysoutuk com
www outboundpublishing com

Johnston Newspapers (Northern Ireland)
www antrimtimes co uk
www ballycastletoday com
www ballymenatimes com
www ballymoneytimes co uk
www banbridgeleader co uk
www carrickfergustimes co uk
www carrickonshannontoday com
www colerainetimes co uk
www craigavontoday co uk
www derryjournal com
www donegalonsunday com
www dromoreleader co uk
www larnetimes co uk
www letterkennytoday com
www lisburntoday co uk
www londonderrysentinel co uk
www lurganmail co uk
www midulstermail co uk
www moyletoday co uk
www newsletter co uk
www newtownabbeytoday co uk
www portadowntimes co uk
www tyronetimes co uk
www ulsterstar co uk

Johnston Newspapers (Republic of Ireland)
www dundalkdemocrat ie
www echo ie
www kildaretoday ie
www kilkennypeople ie
www laoistoday ie
www leinsterleader ie
www leitrimobserver ie
www limerickleader ie
www longfordleader ie
www nationalist ie
www offalyexpress ie
www portlaoisetoday com
www tipperarystar ie

Central Sites
www letterboxdirect co uk
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 propertytoday ie
www studentstoday co uk

Corporate Governance

The Company is committed to the principles of Corporate Governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council ("The Code") 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 Code

Statement of Application of The Principles of Good Governance
The Company has applied the principles set out in Section 1 of The 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 seven occasions and the Audit and Nomination Committees three times each

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

The core values of the Board are integrity, independence and objectivity All Directors must take decisions in the interests of the Company

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 a review of the 2006 Companies Act, circulation and audience reach of paid for newspapers, the work of the Group's Editorial Review Group, the IT strategy, 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 (SID) 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 I S M Russell, who is a chartered accountant, and Mr R G Parry respectively Mr I S M Russell replaced Mr P E B Cawdron as Chair of Audit Committee in August 2007

Board Attendance
During 2007, every director attended all meetings with the exception that Mr H C M Johnston was unable to attend the January meeting, Mr F P M Johnston the June strategy meeting, Mr I S M Russell the June Board meeting, Mr S J Waugh the December meeting and Mr L F Hinton the January, August and October meetings In advance of the formal Board meeting in October, led by the Senior Independent Director, the Directors excluding the Chairman met and, as part of the agenda of that meeting, appraised the performance of the Chairman Also in October, the Board met 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 nine Directors, three are Executive and the remainder Non Executive, of whom four are regarded as independent, excluding the Chairman

Lord Gordon of Strathblane and Mr H C M Johnston retired at the Annual General Meeting in April 2007 and Mr L F Hinton resigned from the Board on 11 December 2007

Mr F P M Johnston is regarded as non-independent because he has a significant shareholding in the Company and 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 Mr F P M Johnston

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 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 He plans to retire from the Board at the AGM in 2009

All Directors who have served for more than nine years will retire at the Annual General Meeting and will be seeking re-election

At least half the Board, excluding the Chairman, comprises Non Executive Directors determined by the Board to be independent

Nomination Committee
The Nomination Committee is chaired by Mr R G Parry At the beginning of the year it comprised Mr P E B Cawdron, Lord Gordon of Strathblane and Mr L F Hinton After Lord Gordon of Strathblane retired at the 2007 AGM, it was decided that with the forthcoming Board changes, the Nomination Committee should comprise all the Non Executive Directors 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 Centre section

Mr I S M Russell was appointed to the Board on 9 January 2007, replacing Lord Gordon of Strathblane The appointment of a qualified accountant was a deliberate decision by the Committee in looking to provide a replacement for Mr P E B Cawdron as Chair of the Audit Committee As explained above, this change took place in August 2007

During the year, Mr P E B Cawdron decided that he would retire from the Board at the Annual General Meeting in 2009 In addition, Mr L F Hinton resigned from the Board in December 2007 The Committee is currently considering a detailed brief to replace both these Directors, together with a discussion about the appropriate Board balance when Mr F P M Johnston steps down from the Board It is expected that a new Non-Executive Director will be appointed in the first half of 2008 with at least one other appointment later in the year

The Annual Reports in 2005 and 2006 explained that Mr T J Bowdler, the Chief Executive Officer, is due to retire in 2009 The Committee interviewed a number of executive recruitment consultants and has now appointed a firm to assist with the search for a new Chief Executive Officer A detailed brief is being prepared together with a full job description The selection process will run through 2008 and it is expected that an appointment will be made in 2009

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

Information and Professional Development
The Chairman arranged a detailed induction process for Mr I S M Russell, including meetings and discussions with advisers and senior management where appropriate, together with the preparation of a full induction pack and seminars both internally and externally 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, relationships, strategy, training, and the overall effectiveness of the Board There was a continued emphasis 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 2008 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 or who are above age 70 are subject to re-election annually

The Chairman has, following the formal evaluation process described above, considered the performance of the directors subject to re-election at the 2008 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, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year The Directors are required by the IAS Regulation to prepare the group financial statements under IFRSs as adopted by the European Union The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company'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 IFRSs However, 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

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 the 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 Digital Strategy Director 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

- Formal Board reporting of the key functional department's future strategy as part of the operational topics considered at Board meetings during the year

- 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 2007, the Group Management Board has focused particularly on motor advertising trends, national advertising sales, disaster recovery plans in fewer, larger prepress and press centres, free daily newspapers, management succession planning, digital strategy, management stretch, banking covenants, daily newspaper sales and corporate strategy

On an ongoing basis, steps are 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 are reviewed and revised on an annual basis and a tailored version has been released for all the businesses in the Republic of Ireland The guidelines include policies on

- Finance
- Cash/treasury controls
- Authorisation levels
- 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 25 January 2008 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
Until August 2007 the Audit Committee was chaired by Mr P E B Cawdron, a chartered accountant, and throughout 2007 has included Mrs M A King, Mr S J Waugh and Mr I S M Russell In August 2007 Mr P E B Cawdron stepped down from the Committee and Mr I S M Russell, a chartered accountant, was appointed Chairman 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 Centre 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 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 As part of the main Board 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 2007 the Company has used several professional firms for different projects and the Republic of Ireland taxation compliance and advisory work is undertaken by a professional firm other than the Group's auditors

As explained on page 54, 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 rotated at the commencement of the 2007 interim review

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 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

All Directors attended the AGM in 2007

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 set out in the Combined Code 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 2007 comprised two other independent Non-Executive Directors Mrs M A King served for the whole year and Mr P E B Cawdron served until the third quarter and was replaced by Mr I S M Russell It is required to meet at least annually and as necessary During the period it met on seven 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 Sharesave Plan, 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 considered 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 changes to the Group's Remuneration policy at the beginning of 2007, the new 2007 Sharesave Plan approved by shareholders at the 2007 AGM and the review of the Chairman's fee NBSC also attended the meeting of the Committee in December 2007 but did not otherwise provide any other services to the Company in 2007 The terms of engagement between the Company and NBSC are displayed on the Company's website in the Investor Centre 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 54, 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 Centre section These are reviewed annually by the Board

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 maximising and protecting long term value to shareholders

The Committee has made no material changes to the Remuneration Policy of the Group for the forthcoming year

Throughout 2007 there were four main elements of the remuneration package for Executive Directors and senior management

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

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
Mrs M A King	25 April 2003
Mr S J Waugh	25 April 2003
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 Centre section

Directors' Remuneration Report continued

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 bonus 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 2007, Mr T J Bowdler and Mr S R Paterson held external non executive posts and received £65k and £35k in fees respectively

In reviewing Remuneration Policy, the Committee has the discretion to take into consideration corporate performance on environmental, social and governance (ESG) issues The Committee ensures that ESG risks are not raised by the incentive structure through inadvertently motivating irresponsible behaviour

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 were largely based on EPS growth The objective of this review was to ensure that the Group's incentive policy would motivate, incentivise and retain Executives going forward While there were no plans to change the terms of the outstanding awards, the Committee wished to recognise the difficult advertising environment, the transition that the business needed to undertake in terms of increased 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 maximising shareholder return

The Committee was keen to ensure that there would be no increase in the expected or target value of the remuneration packages of the Executive Directors The Committee was and remains satisfied that the revised targets are considered as demanding and challenging as the previously EPS related conditions were when they were first introduced

Full details are described below but, in essence, the long term incentive plans which included an EPS performance condition were either amended or suspended The EPS target in the Performance Share Plan was replaced by a Return on Capital Employed target It was felt by the Committee that an EPS based performance condition would not motivate Senior Executives for the foreseeable future The Share Matching Plan, which is entirely EPS based, has been suspended following the grants made on 30 March 2007 The other key change was to increase the level of annual bonus potential for the Executive Directors, with increased deferral in shares and forfeiture provisions for bad leavers The Committee felt that, in the current trading environment, it is easier to set meaningful, relevant and robust annual targets rather than long term ones

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 2008 the salaries of Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade were increased by 3% to £572,892, £360,720 and £323,592 respectively

Performance Related Bonus
The Committee considers and approves 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 2007 as part of the remuneration policy review referred to earlier and the targets for achievement of full bonus were stretched at the top end The maximum bonus level was increased from 100% to 150% of salary At the same time the level of compulsory deferral was increased to 50% of the bonus payable and a forfeiture clause was introduced for bad leavers

For the 2007 calendar year, of the 150% maximum bonus, 115% of salary was based on a profit target, which was set by the Board on the recommendation of the Remuneration Committee The remaining 35% of the bonus was based on individual key performance targets, which were specific and clearly measurable

Of the profit related bonus, 55% of salary was payable on achievement of a challenging target with additional sums payable on a sliding scale which was stretched at the top end to achieve maximum bonus If the target was not achieved, bonus would be lost at almost three times the rate of the sliding scale on the upside

Based on the actual profits achieved for the 2007 financial year, a proportion of the profit based element was paid, which amounted to 60 5% of salary

The individual key performance targets varied by Executive Director These included new revenue streams, total audience (in print and online), digital developments, cost management and cashflow, together with specific individual projects Of the maximum 35% of salary, the following percentages were achieved by the Executives

T J Bowdler	32 27%
S R Paterson	26 25%
D Cammiade	32 27%

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 2007

The same bonus structure will apply for the 2008 financial year

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 33 to the financial statements The Plan replaced an Executive Share Option Scheme which has a number of share options outstanding but it is not currently 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 current 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 No payment is made by the Executives for the award itself, nor for the shares that actually vest

For PSP awards made prior to the 2007 AGM to Senior Executives, 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

For awards after April 2007, the EPS performance condition was replaced by a target based on Return on Capital Employed (ROCE) The Committee chose this alternative to motivate the Executives to maximise the returns from capital invested in the business thereby ensuring that the financial efficiency of the business is optimised ROCE is defined as profit after tax but before interest, divided by shareholders funds plus net debt as determined by the Committee For the 2007 award, 25% of the ROCE related part of the award will vest if, on average over the six half years between 2007 to 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

The remaining 50% of the 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 The Committee has discretion to modify the group to take account of certain events, for example, a takeover 25% of this allocation will vest if the Group achieves 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

The Committee considers the TSR based performance measure will align the interests of directors with shareholders by requiring superior total shareholder return performance compared to the companies in the comparator group The Committee intends to make awards under the PSP on the same basis in 2008

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

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

b) The Executive Share Option Scheme was replaced by the PSP and no options have been granted under the Scheme since 30 June 2005 There are options outstanding and details are shown below and in note 33 All options were 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 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

All the Executive Share Options granted in 2004 lapsed in 2007 due to the performance conditions not being met It is expected that the same will happen to all the options granted in 2005

c) A SAYE Sharesave Plan for eligible employees under which options may be granted at a discount of up to 20% of market value, subject to the employee entering into a monthly savings contract, with a maximum aggregate savings equal to £250 per month Consistent with the legislation and normal practice, the SAYE Sharesave Plan does not require the imposition of performance conditions

A new ten year term Johnston Press 2007 Sharesave Plan was approved by shareholders at the 2007 AGM

A Scheme was introduced during 2006 to provide employees in the Republic of Ireland with a similar benefit The Irish scheme was based on the former 1997 UK Savings Related Share Option Scheme However, the new Johnston Press 2007 Sharesave Plan provides for a different calculation of the grant price based on the closing share price on the day before the invitation is issued to employees It is proposed to amend the Irish Scheme to ensure that the grant price calculation mirrors the UK Scheme Approval is being sought from the Irish Revenue authorities for this change

d) A Share Incentive Plan (SIP) for all eligible employees The SIP has been approved by HM Revenue and Customs and is in two parts, a Partnership Scheme, which allows employees to purchase shares in the Company, worth up to £1,500 in any tax year, 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 up to a maximum value The shares are held in a UK resident Trust, administered by Halifax plc, and after a period of five years the shares may be withdrawn free of any tax and national insurance Shares may be withdrawn from the Trust earlier in certain circumstances, although early withdrawal may result in a charge to tax and national insurance Employees who leave the Group as a bad leaver within three years of the shares being awarded forfeit the Free Shares 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 2007, 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

At the 2007 AGM, shareholders approved the Johnston Press Restricted Stock Unit Scheme (the "RSU Scheme"), for use in the Republic of Ireland, which mirrors as closely as possible the UK Free Shares Scheme However, the Irish Commissioner would not approve any scheme which includes a forfeiture provision if employees leave and, therefore, tax will be payable by Irish employees when beneficial ownership of shares acquired under the RSU Scheme passes to the employees after a period of five years

e) The Share Matching Plan was suspended on 1 January 2007 Previously it applied to the Executive Directors and certain Senior Executives Participants invested part of their annual bonus in buying shares in the Company and they had the prospect of receiving extra matching shares after three years, paid for by the Company The matching ratio ranged 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 Minimum and maximum levels of awards applied to participants

The Share Matching Plan 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 was approved, the Company ensured that there were 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 performance conditions for the matching awards granted in 2004 were not met and the awards have lapsed It is expected that the same will apply to the matching awards granted in 2005

The number of shares held by the Trust to meet the outstanding Matching Share grants and awards of Performance Shares on 31 December 2007 was 633,386

The Company Secretary is responsible for ensuring the exercise criteria are met for all the Share Schemes and this is verified by the Committee

Options under b) and c) 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 e) 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 2007 the total number of options and share awards granted, less lapsed, over new issuable shares under the Share schemes over the previous 10 years was 4 4% of the issued share capital with a maximum limit of 10%

Pension Arrangements
Throughout 2007, the Group operated one main pension scheme for UK employees, the Johnston Press Pension Plan (JPPP), with defined benefit and defined contribution sections The defined benefit section is closed to new members 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 benefits each year

Contributions to the JPPP (defined benefit section) are at a fixed annual amount, paid monthly, as agreed between the trustees of the JPPP and the Company 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 apart from a number of employees in the Scotsman section of the defined benefit scheme The employee and employer contributions were increased in 2005 to increase the funding level of the scheme which is currently in deficit

In addition to the JPPP, the Group participates in three final salary schemes in the Republic of Ireland Two are multi employer industry 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 also inherited a number of defined contribution schemes

The Group has launched a defined contribution scheme in the Republic of Ireland, the Johnston Press (Ireland) Pension Scheme (JPIPS) All employees not members of a pension scheme or those employees who are members of other defined contribution schemes have been invited to join the JPIPS

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 Throughout 2007, this contribution has been paid by way of a salary supplement taking account of the employer NIC cost 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 If the share price is less than 284 57p when Mr Bowdler retires, the Company is required to make an additional payment to Mr Bowdler to cover the difference Mr Cammiade is an uncapped 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 increased 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

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 was £35,000 up to 30 June 2007 when it was increased to £40,000 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 Following independent research undertaken by NBSC, the Committee decided to increase the Chairman's fee from £100,000 to £130,000 per annum

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 four elements of the remuneration package are described on page 57 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 2007 was 100% of salary with a compulsory deferral of 30% of the bonus 75% of the 100% maximum bonus relates to the profit based element and 25% for KPI's 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 other share scheme benefits and performance conditions are as described for the Executive Directors except the maximum level of PSP awards to date has been 50% of salary

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 2007

Directors' Remuneration Audited Section

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

	2007 £'000	2006 £'000
Emoluments	**2,750**	2,128
Gains on exercise of share options*	**90**	722
Money purchase contributions	**88**	284
	2,928	3,134

*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	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £ 000
Chairman								
R G Parry	**115**	100	—	—	—	—	**115**	100
Executive Directors								
T J Bowdler	**556**	540	**16**	24	**516**	236	**1,088**	800
S R Paterson	**350**	340	**1**	1	**304**	164	**655**	505
D Cammiade	**314**	305	**15**	17	**291**	133	**620**	455
Non-Executive Directors								
P E B Cawdron	**53**	50	—	—	—	—	**53**	50
Lord Gordon of Strathblane resigned 27 April 2007	**12**	35	—	—	—	—	**12**	35
L F Hinton resigned 11 December 2007	**37**	35	—	—	—	—	**37**	35
H C M Johnston resigned 27 April 2007	**12**	35	—	—	—	—	**12**	35
F P M Johnston	**37**	35	—	—	—	—	**37**	35
M A King	**37**	35	—	—	—	—	**37**	35
S J Waugh	**45**	43	—	—	—	—	**45**	43
I S M Russell appointed 9 January 2007	**39**	—	—	—	—	—	**39**	—
	1,607	1,553	**32**	42	**1,111**	533	**2,750**	2,128

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 06 £'000	Increase in accrued pension during year £'000	Transfer value of increase £'000	Total accrued pension at **31 12 07** **£'000**	Transfer value of total accrued pension at 31 12 06 £'000	Transfer value of total accrued pension at **31 12 07** **£'000**	Increase in value of pension during year £'000
T J Bowdler	14	64	6	49	**70**	1,152	**1,324**	172
D Cammiade	17	121	10	32	**131**	1,712	**1,877**	165
H C M Johnston	12	18	—	3	**18**	299	**307**	8

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 61 In addition to the above, the Group funded £87,500 into a defined contribution scheme for Mr S R Paterson and paid a salary supplement to Mr Bowdler, the total cost to the Group being £278,000 All Executive Directors have life cover of four times basic salary

d) Share Schemes

	At 01.01 07	Number of options during the year: Granted/ Awarded	Exercised	Lapsed	**At 31 12 07**	Market price p	On exercise Gains **2007** **£'000**	2006 £'000
Executive Share Option Scheme								
T J Bowdler	**260,500**	—	—	116,883	**143,617**	—	—	226
S R Paterson	**120,188**	—	—	55,658	**64,530**	—	—	89
D Cammiade	**131,907**	—	—	31,539	**100,368**	—	—	114
Savings Related Scheme								
T J Bowdler	**2,355**	—	—	—	**2,355**			
S R Paterson	**2,285**	3,114	—	—	**5,399**			
D Cammiade	**6,362**	5,944	—	—	**12,306**			
Restricted Share Scheme								
T J Bowdler	**60,680**	—	24,272	—	**36,408**	369 00	**90**	106
Share Matching Plan								
T J Bowdler	**53,396**	20,793	—	26,861	**47,328**	—	—	131
S R Paterson	**29,322**	14,410	—	14,390	**29,342**	—	—	56
D Cammiade	**26,770**	11,744	—	13,007	**25,507**			
Performance Share Plan								
T J Bowdler	**117,711**	125,200	—	—	**242,911**			
S R Paterson	**74,114**	78,831	—	—	**152,945**			
D Cammiade	**66,485**	70,717	—	—	**137,202**			

The above options are exercisable as follows

T J Bowdler

Executive Share Option Scheme
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
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
3,114 at a price of 308 25p — between 01 11 2010 and 30 04 2011

D Cammiade

Executive Share Option Scheme
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
5,944 at a price of 308 25p — between 01 11 2014 and 30 04 2015

Directors' Remuneration Report continued

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 under 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

37,242	between 21 03 2008 and 20 03 2015	market price on award on 21 March 2005 540 00p
17,988	between 30 05 2009 and 29 05 2016	market price on award on 30 May 2006 453 00p
46,947	between 30 03 2010 and 29 03 2017	market price on award on 30 May 2007 451 50p

The awards within the Performance Share Plan are exercisable at nil cost at the end of the three year vesting period The breakdown by individual is shown above and the total awards to the Executive Directors for each year are as follows

258,310	awards will vest on 06 06 2009	market price on award on 06 06 2006 458 75p
274,748	awards will vest on 05 06 2010	market price on award on 05 06 2007 444 25p

The options, matching awards and performance shares listed above, other than those in the Restricted Share Scheme and the Savings Related 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 2007	392 50p	Highest price during year 490 50p
On 31 December 2007	275 00p	Lowest price during year 246 00p

This Report was approved by the Board of Directors on 5 March 2008 and signed on its behalf by

Simon Waugh

Directors' Report
Year ended 31 December 2007

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 mobile technologies

Review of Business
The results for the year 2007 are set out in the Group Income Statement on page 69 The Group profit for the year before taxation was £124,714,000 (2006 £131,554,000) which results in a profit for the year of £113,555,000 (2006 £95,655,000) 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 12 to 29

Dividends
The Directors recommend a final dividend of 6 7p per share making a total dividend of 10 0p per share for the year Subject to approval by members, the final dividend will be paid on 9 May 2008 to those Ordinary Shareholders on the register at 25 April 2008

Share Capital
Details of Share Capital are shown in note 28

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 £136,000 (2006 £133,000) 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 2007 were equivalent to 27 days purchases (2006 20 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 21 to 23 and note 35, these also including 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

Forward-looking Statements
Where the Directors' Report (including the performance highlights, company performance overview, business review and governance report) contains forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report These statements will not be updated or reported upon further Consequently such statements should be treated with caution due to the inherent uncertainties including both economic and business risk factors, underlying such forward looking statements or information

Directors and their Interests
Under the Company's Articles of Association, each director is subject to retirement every three years Mr T J Bowdler and Mr D Cammiade are due to retire at this year's Annual General Meeting In addition Mr F P M Johnston, Mr R G Parry and Mr P E B Cawdron retire annually due to their years of service on the Board All being eligible, offer themselves for re-election

Directors' Report

Year ended 31 December 2007 continued

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

Ordinary Shares of 10p each

	% of Share capital	31 December 2007	31 December 2006
R G Parry	—	**116,618**	113,992
T J Bowdler	0 2	**516,039**	504,884
S R Paterson	—	**108,653**	108,179
D Cammiade	—	**81,645**	81,928
P E B Cawdron	—	**9,800**	9 800
L F Hinton			1,800
F P M Johnston	4 4	**12,717,696**	12,717,696
H C M Johnston			12,000,000
M A King	—	**1,800**	1,800
Lord Gordon of Strathblane			47,310
S J Waugh	—	**4,405**	—
I S M Russell	—	**7,710**	

Mr I S M Russell was appointed a director on 9 January 2007 Lord Gordon of Strathblane and Mr H C M Johnston resigned as directors at the Annual General Meeting on 27 April 2007 and Mr L F Hinton resigned on 11 December 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 669,793 (2006 696,274) shares by virtue of their status as potential beneficiaries of the Johnston Press Employee Share Trust

Since 31 December 2007, Mr T J Bowdler, Mr S R Paterson and Mr D Cammiade have each purchased 108 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

Structure of Shares

Details of the authorised and issued chare capital, together with details of the movements in the company's issued share capital during the year are shown in note 28 The company has one class of ordinary shares which carry no right to fixed income Each share carries the right to one vote at general meetings of the company The redeemable cumulative preference shares carry 13 75% interest but do not carry voting rights The percentage of the issued nominal value of the ordinary shares is 96% of the total issued nominal value of all share capital

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation The Directors are not aware of any agreements between holders of the Company s shares that may result in restrictions on the transfer of securities or on voting rights

Details of employee share schemes are set out in note 33

No person has any special rights of control over the Company's share capital and all issued shares are fully paid With regard to the appointment and replacement of Directors, the company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation The Articles themselves may be amended by special resolution of the shareholders The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on pages 53 to 56

Under its Articles of Association, the Company has authority, given at the last Annual General Meeting, to issue 95,648,694 ordinary shares

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

	% Holding	Ordinary Shares of 10p each Number	Nature of Holding
H C M Johnston	4 2	12,000,000	Direct
J C M Johnston	2 2	6,380,635	Direct
The trustees of H C M Johnston's children's trusts	3 9	11,197,460	Direct
M F Johnston	2 4	6,907,309	Direct
R T Johnston	2 4	6,959,491	Direct
FMR Corp	4 9	14,150,927	Indirect
Lloyds TSB Group of Companies	4 0	11,394,988	Direct (10,646,028)
Legal & General Group of Companies	4 1	11,870,825	Direct
The Capital Group Companies	6 1	17,474,953	Indirect
Harris Associates LP	8 0	22,986,430	Direct
Sprucegrove Investment Management Ltd	6 0	17,197,740	Indirect

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

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

Change of Control
In the event of a change in control the Group s lenders, both the Private Placement note holders and the various Banks, have the option to declare all amounts outstanding repayable

Directors' Liability
As permitted by the Companies Act 2006, 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
Four resolutions are set out under special business in the notice of this year's Annual General Meeting The first of these resolutions will be proposed as an ordinary resolution and the rest as special resolutions

The purpose of the first of these resolutions is to renew the Directors' authority to allot shares up to a maximum nominal amount of £9,612,688 representing 33 33% of the existing issued ordinary share capital The Directors have, however, no current intention of exercising that authority

The second 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 third 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

The final item is a Special Resolution to consider and, if thought fit, to approve the changes to the Company's Articles of Association as outlined in the circular to shareholders dated 5 March 2008 These changes relate in the main to the provisions of the 2006 Companies Act

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
5 March 2008

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 2007 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Reconciliation of Shareholders' Equity, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 46 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 2006 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 2007 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 2007,
- 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
5 March 2008

Group Income Statement

For the year ended 31 December 2007

	Notes	2007 Before non-recurring items £'000	2007 Non-recurring items £'000	2007 Total £'000	2006 Before non recurring items £ 000	2006 Non recurring items £'000	2006 Total £'000
Revenue	6	**607,504**	**—**	**607,504**	602,221	—	602,221
Cost of sales	6	**(311,756)**	**—**	**(311,756)**	(304,806)	—	(304,806)
Gross profit		**295,748**	**—**	**295,748**	297,415	—	297,415
Operating expenses	6/7	**(117,606)**	**(6,829)**	**(124,435)**	(110,642)	(15,143)	(125,785)
Goodwill adjustment	15	**—**	**(5,874)**	**(5,874)**	—	—	—
Total operating expenses		**(117,606)**	**(12,703)**	**(130,309)**	(110,642)	(15,143)	(125,785)
Operating profit	8	**178,142**	**(12,703)**	**165,439**	186,773	(15,143)	171,630
Investment income	10	**607**	**—**	**607**	583	—	583
Net finance income on pension assets/liabilities	11a	**4,514**	**—**	**4,514**	3,382	—	3,382
Finance costs	11b	**(45,922)**	**—**	**(45,922)**	(44,101)	—	(44,101)
Share of results of associates	18	**76**	**—**	**76**	60	—	60
Profit before tax		**137,417**	**(12,703)**	**124,714**	146,697	(15,143)	131,554
Tax	12	**(38,876)**	**27,717**	**(11,159)**	(41,204)	5,305	(35,899)
Profit for the year		**98,541**	**15,014**	**113,555**	105,493	(9,838)	95,655
Earnings per share (p)							
Earnings per share Basic	14	**34 15**	**5 21**	**39 36**	36 66	(3 42)	33 24
Earnings per share Diluted	14	**34.09**	**5 20**	**39 29**	36 54	(3 41)	33 13

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 2007

	Revaluation Reserve £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Profit for the year	—	—	**113,555**	**113,555**
Actuarial gain on defined benefit pension schemes (net of tax)	—	—	**16,063**	**16,063**
Revaluation adjustment	**(63)**	—	**63**	—
Exchange differences on translation of foreign operations	—	**2,245**	—	**2,245**
Change in fair value of interest rate swaps	—	**(2,406)**	—	**(2,406)**
Change in fair value of cross currency swaps	—	**4,691**	—	**4,691**
Deferred taxation	—	**(686)**	—	**(686)**
Change in deferred tax rate to 28%	—	**175**	**(338)**	**(163)**
Total recognised income and expense	**(63)**	**4,019**	**129,343**	**133,299**

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 interest rate swaps	—	8,266	—	8,266
Change in fair value of cross currency swaps	—	1,483	—	1,483
Deferred taxation	—	(1,941)	—	(1,941)
Total recognised income and expense	**(65)**	**7,434**	**104,498**	**111,867**

The accompanying notes are an integral part of these financial statements

Group Reconciliation of Shareholders' Equity

For the year ended 31 December 2007

	Share Capital £'000	Share Premium £'000	Share-based Payments Reserve £'000	Revaluation Reserve £'000	Own Shares £'000	Hedging and Translation Reserve £'000	Retained Earnings £'000	Total £'000
Opening balances	29,893	331,289	4,265	2,522	(1,628)	4,112	203,360	573,813
Total recognised income and expense	**—**	**—**	**—**	**(63)**	**—**	**4,019**	**129,343**	**133,299**
Recognised directly in equity								
Dividends (note 13)	—	—	—	—	—	—	(27,456)	(27,456)
New share capital subscribed	51	1,461	—	—	—	—	—	1,512
Provision for share-based payments (note 33)	—	—	2,607	—	—	—	—	2,607
Reclassification	—	—	1,807	—	(1,807)	—	—	—
Net changes directly in equity	51	1,461	4,414	—	(1,807)	—	(27,456)	(23,337)
Total movements	51	1,461	4,414	(63)	(1,807)	4,019	101,887	109,962
Equity at the end of the year	**29,944**	**332,750**	**8,679**	**2,459**	**(3,435)**	**8,131**	**305,247**	**683,775**

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 £'000	Retained Earnings £'000	Total £'000
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 13)	—	—	—	—	—	—	(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 33)	—	—	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**

The accompanying notes are an integral part of these financial statements

Group Balance Sheet

At 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Goodwill	15	**130,010**	130,271
Other intangible assets	15	**1,373,614**	1,353,462
Property, plant and equipment	16	**273,381**	268,342
Available for sale investments	17	**2,712**	2,712
Interests in associates	18	**39**	33
Trade and other receivables	21	**31**	467
Derivative financial instruments	23/35	**4,192**	6,598
		1,783,979	1,761,885
Current assets			
Inventories	20	**4,334**	5,776
Trade and other receivables	21	**89,533**	81,877
Cash and cash equivalents		**17,470**	24,636
		111,337	112,289
Total assets		**1,895,316**	1,874,174
Current liabilities			
Trade and other payables	21	**77,120**	73,670
Tax liabilities		**17,612**	7,993
Obligations under finance leases	26	**—**	5
Retirement benefit obligation	24	**3,300**	4,272
Borrowings	22	**15,714**	2,290
		113,746	88,230
Non-current liabilities			
Borrowings	22	**672,834**	750,753
Derivative financial instruments	23/35	**16,082**	18,137
Retirement benefit obligation	24	**9,843**	41,167
Deferred tax liabilities	25	**395,320**	399,174
Trade and other payables	21	**2,094**	431
Long term provisions	27	**1,622**	2,469
		1,097,795	1,212,131
Total liabilities		**1,211,541**	1,300,361
Net assets		**683,775**	573,813
Equity			
Share capital	28	**29,944**	29,893
Share premium account		**332,750**	331,289
Share-based payments reserve		**8,679**	4,265
Revaluation reserve		**2,459**	2,522
Own shares		**(3,435)**	(1,628)
Hedging and translation reserve		**8,131**	4,112
Retained earnings		**305,247**	203,360
Total equity		**683,775**	573,813

The financial statements were approved by the Board of Directors and authorised for issue on 5 March 2008

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 2007

	Notes	**2007 £'000**	2006 £'000
Cash generated from operations	31	**193,846**	187,140
Income tax paid		**(20,211)**	(37,489)
Net cash from operating activities		**173,635**	149,651
Investing activities			
Interest received		**607**	583
Dividends received from associated undertakings		**70**	75
Proceeds on disposal of property, plant and equipment		**5,461**	8,738
Proceeds on disposal of businesses	30	**114**	3,277
Purchases of property, plant and equipment		**(31,027)**	(65,040)
Acquisition of businesses	29	**(11,413)**	(165,535)
Net cash in businesses acquired	29	**1**	5,225
Net cash in subsidiaries sold	30	**(10)**	—
Net cash used in investing activities		**(36,197)**	(212,677)
Financing activities			
Dividends paid		**(27,456)**	(25,113)
Interest paid		**(46,538)**	(42,918)
Interest paid on finance leases		**(5)**	(15)
Repayments of borrowings		**(77,830)**	(29,685)
Repayment of loan notes		**(8,272)**	—
New borrowings		**—**	163,043
Arrangement fees on new borrowings		**—**	(548)
Principal payments under finance leases		**—**	(52)
Issue of shares		**1,512**	3,973
Purchase of own shares		**—**	(1,665)
Increase/(decrease) in bank overdrafts		**13,985**	(4,472)
Net cash (used in)/from financing activities		**(144,604)**	62,548
Net decrease in cash and cash equivalents		**(7,166)**	(478)
Cash and cash equivalents at the beginning of year		**24,636**	25,114
Cash and cash equivalents at the end of year		**17,470**	24,636

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 5 and in the Business Review on pages 12 to 29

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 3

2 Adoption of new and revised Standards

In the current year, the Group has adopted IFRS 7 'Financial Instruments Disclosures', which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 'Presentation of Financial Statements' The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see notes 21 to 23 and 35) Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period These are IFRIC 7 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies', IFRIC 8 'Scope of IFRS 2 , IFRIC 9 'Reassessment of Embedded Derivatives', and IFRIC 10 'Interim Financial Reporting and Impairment' The adoption of these interpretations has not led to any changes in the Group's accounting policies

In addition, the Group has elected to adopt early IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009) The revisions made to IAS 23 have had no impact on the Group's accounting policies The principal change to the Standard, which was to eliminate the previously available option to expense all borrowing costs as incurred, has no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets

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

IFRS 8 Operating Segments
IFRIC 11 IFRS 2 Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009

3 Significant Accounting Policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by 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

3 Significant Accounting Policies (continued)

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

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

Goodwill can also arise as an equal and opposite offset to deferred tax on publishing titles acquired after 1 January 2005 under the technical provisions of IAS12

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

3 Significant Accounting Policies (continued)

Foreign currencies (continued)
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
Mailroom equipment	6 67% straight line basis
Pre press systems	20% straight line basis
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

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

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

Financial assets
Investments are recognised and derecognised on the trade date in accordance with the terms of the purchase or sale contract and are initially measured at fair value, net of transaction costs

Subsequent to initial recognition, investments in subsidiaries are measured at cost and investments in associates are accounted for using the equity method in the Group financial statements and the cost method in the company financial statements Therefore, the Group financial statements include the Group's share of the profit and net assets of associated undertakings

Available for sale financial assets
Listed and unlisted investments are shown as available for sale and are stated at fair value Fair value of listed investments is determined with reference to quoted market prices Fair value of unlisted investments is determined by the Directors Gains and losses arising from changes in fair value are recognised directly in equity, with the exception of impairment losses which are

3 Significant Accounting Policies (continued)

recognised directly in the Income Statement Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the Income Statement for the period

Dividends on available for sale equity investments are recognised in the Income Statement when the Group's right to receive the payment is established

Trade receivables
Trade receivables do not carry any interest They are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts 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 Other trade receivables are provided for on an individual basis where there is evidence that an amount is no longer recoverable

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts Changes in the carrying value of this allowance are recognised in the Income Statement

Derivative financial instruments
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 enters into a number of derivative financial instruments to manage its exposure to these risks, including interest rate swaps, cross currency swaps and forward foreign exchange contracts The Group does not use derivative financial instruments for speculative purposes

The Group designates certain derivatives as either hedges of the fair value of recognised liabilities (fair value hedges) or hedges of foreign currency risk (cash flow hedges)

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re measured at fair value at each reporting date The accounting treatment of the resulting gain or loss of fair value hedges and cash flow hedges is discussed below

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or liability if the remaining maturity of the hedge relationship is less than 12 months

Embedded derivatives
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 measured at fair value with changes in fair value recognised in profit or loss

Hedge accounting
The Group designates its hedging instruments as either fair value hedges or cash flow hedges

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions Furthermore, at the inception of the hedge and on a six monthly basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement immediately as they arise, together with any change in the fair value of the hedged item that is attributable to the hedged risk

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

3 Significant Accounting Policies (continued)

Cash flow hedge
The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss

Hedges of net investments in foreign operations
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the translation reserve The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line of the income statement

Gains and losses deferred in the translation reserve are recognised in profit or loss on disposal of the foreign operation

Debt and equity instruments issued by the company
Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

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

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

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

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 the tax expected to be payable or recoverable 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

3 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

4 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 3, 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 £377,656,000 at 31 December 2007 (2006 £397,383,000), 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 Included in the total above is an amount of £5,389,000 (2006 £5,774,000) relating to the deferred tax on the value of properties

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 technical provisions of the standard

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007 continued

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Valuation of publishing titles on acquisition
During the year the Group completed the acquisition and disposals described in notes 29 and 30 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 2007 are set out in note 29 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 33 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 £130,010,000 at 31 December 2007 and the carrying amount of publishing titles was £1,373,614,000 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 15

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 2007 are set out in note 24

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

5 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

6 Segmental Analysis

a) Revenue
An analysis of the Group's revenue is as follows

	2007 £'000	2006 £'000
Newspaper publishing	**572,488**	574,897
Contract printing	**35,016**	27,324
Revenue sub total	**607,504**	602,221
Investment Income	**607**	583
Total revenue	**608,111**	602,804

The printing revenues excludes inter group revenue of £86 million (2006 £69 million) The revenues include £4,082,000 and £1,259,000 relating to the acquisitions and disposals respectively, referred to in notes 29 and 30

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

	2007 £'000	2006 £'000
Newspaper publishing	**158,060**	177,494
Contract printing	**7,379**	(5,864)
	165,439	171,630

Operating profit above is net of non recurring items including the goodwill adjustment of £5,874,000 Operating profit includes a profit of £661,000 and a loss of £917,000 relating to the acquisitions and disposals respectively, referred to in notes 29 and 30

The 2006 results for contract printing were impacted by a non recurring write down of the value of presses amounting to £9 million

c) Cost of sales and operating expenses

		2007 £'000	2006 £ 000
Cost of sales		**311,756**	304,806
Operating expenses			
Distribution costs		**46,156**	45,580
Administrative expenses before non recurring		**71,450**	65,062
		117,606	110,642
Non-recurring	administrative expenses	**6,829**	15,143
	goodwill adjustment (note 15)	**5,874**	—
		130,309	125,785

6 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 2007 £'000	**Contract printing 2007 £'000**	**Consolidated Total 2007 £'000**	Newspaper publishing 2006 £'000	Contract printing 2006 £ 000	Consolidated Total 2006 £'000
Additions to property, plant and equipment	**5,074**	**26,341**	**31,415**	16,413	44,826	61,239
Depreciation expense	**11,793**	**12,259**	**24,052**	12,718	17,067	29 785
Balance sheet						
Assets						
Intangibles	**1,503,624**	**—**	**1,503,624**	1,483,733	—	1,483,733
Property, plant and equipment	**79,538**	**193,843**	**273,381**	91,490	176,852	268 342
Interests in associates	**39**	**—**	**39**	33	—	33
Inventories	**525**	**3,809**	**4,334**	1,170	4,606	5,776
Trade and other receivables	**83,622**	**5,942**	**89,564**	77,601	4,743	82,344
Cash and cash equivalents	**17,453**	**17**	**17,470**	24,573	63	24,636
	1,684,801	**203,611**	**1,888,412**	1,678,600	186,264	1,864,864
Unallocated corporate assets						
Available for sale investments			**2,712**			2,712
Derivative financial instruments			**4,192**			6,598
Total consolidated assets			**1,895,316**			1,874,174
Liabilities						
Trade and other payables	**69,425**	**9,789**	**79,214**	65,903	8,198	74,101
Obligations under finance leases	**—**	**—**	**—**	5	—	5
	69,425	**9,789**	**79,214**	65,908	8,198	74,106
Unallocated corporate liabilities						
Tax liabilities			**17,612**			7 993
Borrowings			**688,548**			753,043
Derivative financial instruments			**16,082**			18,137
Retirement benefit obligations			**13,143**			45,439
Provisions			**1,622**			2,469
Deferred tax liability			**395,320**			399,174
Total consolidated liabilities			**1,211,541**			1,300,361

7 Non Recurring Items

An analysis of structural changes is as follows

	2007 £'000	2006 £ 000
Restructuring costs of acquired businesses	**502**	2,109
Restructuring costs of existing business	**7,361**	6,717
Write down of value of presses in existing businesses	**—**	9,000
Profit on sale of property in existing business	**(1,884)**	(2,683)
Loss on disposal of businesses see note 30	**850**	—
	6,829	15,143

8 Operating Profit

	2007 £'000	2006 £'000
Operating profit is shown after charging/(crediting)		
Depreciation of property, plant and equipment (note 16)	**24,052**	29,785
Profit on disposal of property, plant and equipment	**(2,103)**	(3,175)
Movement in allowance for doubtful debts (note 21)	**592**	(307)
Redundancy costs	**9,166**	10,768
Staff costs (note 9)	**209,466**	206,369
Auditors' remuneration		
Audit services		
Group	**40**	40
Subsidiary companies	**325**	310
Operating lease charges		
Plant and machinery	**989**	1,266
Other	**5,030**	5,122
Net foreign exchange (gains)/losses	**(168)**	32
Cost of inventories recognised as expense	**65,540**	62,847

Staff costs shown above included £3,545,000 (2006 £2,798,000) 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

	2007 £'000	2006 £'000
Review of Interim Financial Statements	**37**	33
Audit of circulation and distribution figures of the Group's newspaper titles	**278**	267
Taxation compliance	**86**	82
Taxation advisory	**59**	38
	460	420

In addition, an amount of £22,000 (2006 £22,000) was paid to the external auditors for the audit of the Group's pension schemes

9. Employees

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

	2007 No	2006 No
Editorial and photographic	**2,555**	2,570
Sales and distribution	**3,625**	3,620
Production	**1,520**	1,742
Administration	**830**	891
	8,530	8,823
	£'000	£ 000
Staff costs		
Wages and salaries	**179,489**	176,448
Social security costs	**16,878**	16,668
Other pension costs (note 24)	**10,492**	10,972
Cost of share-based awards (note 33)	**2,607**	2,281
	209,466	206,369

Full details of the Directors' emoluments, pension benefits and share options are included in the audited part of the Directors' Remuneration Report on pages 57 to 64

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

10 Investment Income

	2007 £'000	2006 £'000
Income from fixed asset investments	**53**	79
Interest receivable	**554**	504
	607	583

11 Finance Costs

	2007 £'000	2006 £'000
a) Net finance income on pension assets/liabilities		
Interest on pension liabilities	**21,303**	19,217
Expected return on pension assets	**(25,817)**	(22,599)
	(4,514)	(3,382)
b) Finance costs		
Interest on bank overdrafts and loans	**45,532**	43,752
Interest on obligations under finance leases	**1**	15
Amortisation of term debt issue costs	**389**	334
	45,922	44,101

12 Tax

	2007 £'000	2006 £'000
Current tax	**29,849**	28,528
Deferred tax (note 25)		
Charge for year	**7,515**	7,371
Credit relating to change in tax rate on titles held on adoption of IFRS and other timing differences	**(20,331)**	—
Credit relating to change in tax rate on titles acquired since 1 January 2005	**(5,874)**	—
	11,159	35,899

UK corporation tax is calculated at 30% (2006 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

	2007 £'000	**2007 %**	2006 £'000	2006 %
Profit before tax	**124,714**	**100 0**	131,554	100 0
Tax at 30%	**37,414**	**30 0**	39,466	30 0
Tax effect of share of results of associate	**23**	**—**	(18)	—
Tax effect of expenses that are non deductible in determining taxable profit	**2,085**	**1 7**	137	0 1
Tax effect of investment income	**(16)**	**—**	(24)	—
Effect of different tax rates of subsidiaries	**(1,558)**	**(1 2)**	(2,677)	(2 1)
Gain on sale of properties rolled over	**(565)**	**(0 5)**	(805)	(0 6)
Over provision in prior years	**(19)**	**—**	(180)	(0 1)
Effect on reduction in deferred tax rate to 28%	**(26,205)**	**(21 0)**	—	—
Tax expense for the year and effective rate	**11,159**	**9 0**	35,899	27 3

13 Dividends

Amounts recognised as distributions to equity holders in the period	2007 £'000	2006 £'000
Final dividend for the year ended 31 December 2006 of 6 2p (2005 5 6p)	**17,818**	16,072
Interim dividend for the year ended 31 December 2007 of 3 3p (2006 3 1p)	**9,486**	8,889
Preference Dividends		
13 75% Cumulative Preference Shares	**104**	104
13 75% "A" Preference Shares	**48**	48
	27,456	25,113

The proposed dividend to be considered by shareholders at the Annual General Meeting is 6 7p per share making a total for the year of 10 0p (2006 9 3p)

14 Earnings per Share

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

	2007 £'000	2006 £'000
Earnings		
Profit for the year	**113,555**	95,655
Preference dividend	**(152)**	(152)
Earnings for the purposes of basic and diluted earnings per share	**113,403**	95,503
Non recurring items (after tax)	**(15,014)**	9,838
Earnings for the purposes of underlying earnings per share	**98,389**	105,341

	2007 No of shares	2006 No of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**288,105,346**	287,327,428
Effect of dilutive potential ordinary shares share options	**534,146**	954,185
Number of shares for the purposes of diluted earnings per share	**288,639,492**	288,281,613
Earnings per share (p)		
Basic	**39 36**	33 24
Underlying	**34 15**	36 66
Diluted	**39 29**	33 13

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

As explained in note 28, 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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2007 continued

15 Goodwill and Other Intangible Assets

	Goodwill £'000	Publishing Titles £'000
Cost		
Opening balance	130,271	1,353,462
Acquisition of business (note 29)	3,102	10,341
Disposal of business (note 30)	(534)	(114)
Non recurring adjustment see note below	(5,874)	—
Exchange movements	3,045	9,925
At 31 December 2007	**130,010**	**1,373,614**
Accumulated impairment losses		
At 1 January 2007 and 31 December 2007	—	—
Carrying amount		
At 31 December 2007	**130,010**	**1,373,614**
At 31 December 2006	130,271	1,353,462

The non recurring adjustment of £5,874,000 relates to the reduction in the rate of corporation tax to 28% in the 2007 Finance Act Deferred tax provided on the value of publishing titles in all acquisitions since 1 January 2005 has been offset by an equal and opposite entry in goodwill With the reduction in the deferred tax provision to 28%, IAS12 requires the tax adjustment to be flowed through the Income Statement This leaves an unmatched goodwill balance which was only created by the original deferred taxation provision and, in line with IFRS, must be written off against operating profit This non recurring adjustment of £5,874,000 is offset by an equal and opposite deferred tax credit as shown in note 12 The adjustment in no way reflects any reduction in the underlying value of the Group's trading assets

The Sterling/Euro exchange rate remained very static during 2006 and in 2007 until the last quarter when it dropped sharply to an exchange rate of 1 3571 at 31 December 2007 The exchange movement above reflects the impact of this exchange rate on the valuation of goodwill and publishing titles at the balance sheet date £1,985,000 of the £3,045,000 relates to the deferred tax adjustment, see note 25

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	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £ 000
Newspaper and contract printing segment CGUs				
Scotland Newspaper Division	**52,857**	53,530	**198,516**	188,175
North Newspaper Division	**107**	114	**449,138**	449,138
Northwest Newspaper Division	**—**	534	**163,000**	163,114
Midlands Newspaper Division	**864**	926	**176,592**	176,592
South Newspaper Division	**—**	—	**132,549**	132,549
Northern Ireland Newspaper Division	**33,459**	35,273	**115,380**	114,299
Republic of Ireland Newspaper Division	**42,723**	39,894	**138,439**	129,595
	130,010	130,271	**1,373,614**	1,353,462

The Northeast and North Newspaper Divisions, which were shown separately in the 2006 accounts, have been combined purely for operational reasons

15 Goodwill and Other Intangible Assets (continued)

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 2007 was 7 98% (2006 7 83%) The growth rates are based on consistent 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 was assumed in the value of these calculations up to 31 December 2006 The assumptions were amended in 2007 to incorporate a residual value Both the previous cash flow forecast model and the revised including a residual value confirmed there was no impairment at 31 December 2007

16 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 2006	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
Additions	3,953	110	23,259	4,093	31,415
Acquisition of subsidiaries	310	—	78	—	388
Asset reclassification	123	(123)	—	—	—
Disposals	(804)	(1)	(4,043)	(7,410)	(12,258)
Disposal of subsidiary	—	—	—	(20)	(20)
Exchange differences	46	55	635	27	763
At 31 December 2007	**101,124**	**5,460**	**309,182**	**23,503**	**439,269**
Depreciation					
At 1 January 2006	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
Disposals	—	—	(1,826)	(7,074)	(8,900)
Charge for the year	1,886	169	18,279	3,718	24,052
Asset reclassification	20	(20)	—	—	—
Disposal of subsidiary	—	—	—	(9)	(9)
Exchange differences	5	4	82	15	106
At 31 December 2007	**8,144**	**1,494**	**140,856**	**15,394**	**165,888**
Carrying amount					
At 31 December 2007	**92,980**	**3,966**	**168,326**	**8,109**	**273,381**
At 31 December 2006	91,263	4,078	164,932	8,069	268,342

Freehold land amounting to £12,401,000 (2006 £13,149,000) has not been depreciated

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

16 Property, Plant and Equipment (continued)

	2007 **£'000**	2006 £'000
a) Freehold land and buildings comprise		
At valuation	**37,126**	37,451
At cost	**63,998**	60,045
	101,124	97,496

Professional valuations were carried out by members of the Royal Institution 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

	2007 **£'000**	2006 £'000
b) Historical cost figures for freehold buildings are		
Cost	**96,911**	93,281
Depreciation	**(8,966)**	(7 204)
	87,945	86,077

	£'000
c) Assets in the course of construction	
Plant and machinery	
At 1 January 2006	37,300
Additions	17,391
Press plant commissioned	(46,819)
At 31 December 2006	7,872
Additions	9,852
Press plant commissioned	(17,217)
At 31 December 2007	**507**

The Group plant additions include £507,000 (2006 £7,872,000) relating to progress payments in respect of new press plants Depreciation is only charged from the date when these become available for commercial operations

17 Available for Sale Investments

The Group's available for sale investments are

	2007 £'000	2006 £'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

18 Interests in Associates

The Group's associated undertakings at 31 December 2007 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

	2007 £'000	2006 £'000
Total assets	**120**	133
Total liabilities	**(15)**	(20)
Revenues	**215**	170
Profit	**76**	60

19 Investments in Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion owned, is given in note 39 to the Company's separate financial statements

20 Inventories

	2007 £'000	2006 £'000
Raw materials	**4,097**	5,483
Work in progress	**1**	2
Goods for resale	**236**	291
	4,334	5,776

21 Other Financial Assets and Liabilities

Trade and other receivables

	2007 £'000	2006 £'000
Current		
Trade receivables	**84,301**	77,704
Allowance for doubtful debts	**(7,802)**	(7,210)
	76,499	70,494
Prepayments	**5,994**	5,633
Other debtors	**7,040**	5,750
	89,533	81,877
Non current		
Trade receivables	**30**	41
Prepayments	**1**	426
	31	467

Trade receivables

The average credit period taken on sales is 53 days (2006 50 days) No interest is charged on the trade receivables The Group has provided for estimated irrecoverable amounts in accordance with its accounting policy described in note 3

Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the potential customer's credit quality and then defines credit terms and limits on a by-customer basis These credit terms are reviewed regularly In the case of one-off customers or low value purchases, pre payment for the goods is required under the Group's policy The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, that the credit quality of these amounts at the balance sheet date has not deteriorated since the transaction was entered into and so considers the amounts recoverable Regular contact is maintained with all such customers and, where necessary, payment plans are in place to further reduce the risk of default on the receivable

Included in the Group's trade receivable balance are debtors with a carrying amount of £43 5 million (2006 £37 2 million) which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable The Group does not hold any security over these balances The weighted average age of these receivables is 31 days (2006 28 days)

Ageing of past due but not impaired trade receivables

	2007 £'000	2006 £ 000
0 30 days	**27,451**	25,305
30 60 days	**10,779**	8,754
60 90 days	**3,337**	2,510
90+ days	**1,892**	654
Total	**43,459**	37,223

Movement in the allowance for doubtful debts

	2007 £'000	2006 £'000
Balance at the start of the year	**7,210**	7,517
Increase/(decrease) in the allowance recognised in the Income Statement (note 8)	**592**	(307)
Total	**7,802**	7,210

21 Other Financial Assets and Liabilities (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date The concentration of credit risk is limited due to the customer base being large and unrelated Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £38,000 (2006 £35,000) which have been placed in liquidation These amounts have been provided for in full

Ageing of impaired trade receivables
Impaired trade receivables are those that have been provided for under the Group's bad debt provisioning policy, as described in the accounting policy in note 3 The ageing of impaired trade receivables is shown below

	2007 £'000	2006 £'000
Current	**135**	57
0 30 days	**452**	561
30 60 days	**463**	604
60 90 days	**592**	1,560
90+ days	**6,160**	4,428
Total	**7,802**	7,210

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

Cash and cash equivalents
Cash and cash equivalents totalling £17,470,000 (2006 £24,636,000) comprise cash held by the Group and short term bank deposits with an original maturity of three months or less The carrying amount of these assets approximates their fair value

Trade and other payables

	2007 £'000	2006 £'000
Current		
Trade creditors and accruals	**69,186**	67,676
Other creditors	**7,934**	5,994
	77,120	73,670
Non current		
Trade and other creditors	**2,094**	431

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 27 days (2006 20 days) The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms

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

22 Borrowings

	2007 £'000	2006 £'000
Bank overdrafts	**16,104**	2,119
Bank loans Sterling	**352,000**	439,000
Bank loans Euro denominated	**126,446**	107,408
Guaranteed loan stock	**—**	8,272
2003 Private placement of 10 year senior notes	**117,578**	118,701
2006 Private placement of 8 and 10 year senior notes	**77,605**	79,118
Term debt issue costs	**(1,185)**	(1,575)
Total borrowings	**688,548**	753,043

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

22 Borrowings (continued)

The borrowings are disclosed in the financial statement as

	2007 £'000	2006 £'000
Current borrowings	**15,714**	2,290
Non current borrowings	**672,834**	750,753
	688,548	753,043

The Group's net debt is

	2007	2006
Gross borrowings as above	**688,548**	753,043
Finance leases	**—**	5
Cash and cash equivalents	**(17,470)**	(24,636)
Impact of currency hedge contracted rates	**20,645**	18,009
Net debt at currency hedge contracted rates	**691,723**	746,421

Analysis of borrowings by currency

At 31 December 2007

	Total £'000	Sterling £'000	Euros £ 000	US Dollars £'000
Bank overdrafts	16,104	16,104	—	—
Bank loans	478,446	352,000	126,446	—
2003 Private placement of 10 year senior notes	117,578	60,000	—	57,578
2006 Private placement of 8 and 10 year senior notes	77,605	—	—	77,605
Term debt issue costs	(1,185)	(1,185)	—	—
	688,548	**426,919**	**126,446**	**135,183**

At 31 December 2006

	Total	Sterling	Euros	US Dollars
Bank overdrafts	2,119	2,119	—	—
Bank loans	546,408	439,000	107,408	—
Guaranteed loan stock	8,272	171	8,101	—
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
Term debt issue costs	(1,575)	(1,575)	—	—
	753,043	499,715	115,509	137,819

Bank overdrafts

The Group's bank overdraft facility is £30 million and is repayable on demand Interest payable is determined based on base rate plus 1%

Bank loans

The Group has Credit Facilities with a number of banks The total facility is £630 million (2006 £630 million) of which £152 million is unutilised at the balance sheet date (2006 £75 million) The initial principal amounts were taken out on 20 October 2005 with additional funding being taken out on 15 June 2006 Repayment of principal amounts is due in full on 30 September 2010 The loans carry interest at 1% above LIBOR, with adjustments dependent on financial ratios Maturity intervals can be weekly, monthly, quarterly or half yearly

In accordance with the Credit Agreements in place, the Group hedges a portion of the bank loans via interest rate swaps exchanging floating rate interest for fixed rate interest Borrowings of £350 million (2006 £440 million) were arranged at fixed rates and expose the Group to fair value interest rate risk Further details on all of the Group's hedging arrangements can be found in note 35

22 Borrowings (continued)

Guaranteed loan stock
All Guaranteed Loan stock has been repaid during the year

In the prior year, the Guaranteed Loan Stock comprised £171,000 due in relation to the acquisition of Best Asian Media Limited with the balance of £8,101,000 inherited when the Group acquired Score Press Limited The interest rates paid on the loan notes were 3 5% in relation to Best Asian Media and 12 months LIBOR less a margin (as defined in the agreement which varies over the term of the loan stock) in relation to Score Press Limited

2003 Private Placement of 10 year senior notes
The 2003 Private Placement of 10 year Senior Notes is made up of £60 million at a fixed rate of 6 3% and US $115 million at a fixed rate of 5 75% The latter tranche has been swapped into floating Sterling to hedge the Group's exposure to US dollar interest rates

2006 Private Placement of 8 and 10 year Senior notes
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 US dollar interest rates

Interest rates
The weighted average interest rates were paid as follows

	2007	2006
	%	%
Bank overdrafts	**6 6**	5 6
Bank loans	**6 4**	5 8
Guaranteed loan stock	**5 3**	5 3
2003 Private placement of 10 year senior notes	**6 8**	6 2
2006 Private placement of 8 and 10 year senior notes	**6 1**	5 6
	6 4	5 8

23 Derivative Financial Instruments
Derivatives that are designated and effective as hedging instruments carried at fair value are as follows

	Non-current	
	2007	2006
	£'000	£'000
Interest rate swaps (non-current assets)	**4,192**	6,598
Cross currency swaps (non current liabilities)	**(16,082)**	(18,137)
	(11,890)	(11,539)

The above amounts have been shown gross in the balance sheet and the prior year presentation has been amended accordingly Further details of derivative financial instruments are provided in note 35

24 Retirement Benefit Obligation

Throughout 2007 the Group operated the Johnston Press Pension Plan (JPPP), together with the following schemes

- A defined contribution scheme for the Republic of Ireland, the Johnston Press (Ireland) Pension Scheme
- 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 contributions are fixed annual amounts with the intention of eliminating the deficit within 10 years As the defined benefit section has been closed to new members for a considerable period the last active member is scheduled to retire in 38 years with, at current mortality assumptions, the last pension paid in 60 years On a discounted basis the duration of the pension liabilities is circa 20 years The financial information provided below relates to the defined benefit element of the JPPP

The composition of the trustees of the JPPP is made up of an independent Chairman, a number of member nominated (by ballot) trustees and several Company appointed trustees The majority are nominated by members of the JPPP, both current and past employees The trustees appoint their own advisors and the administrators of the Plan Discussions take place with the Executive Directors of the Company to agree matters such as the contribution rates Over the past few years the trustees have reduced the risk exposure to UK equities from a level of 75% of the Plan to 60% at 31 December 2007

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

	2007	2006
	£'000	£'000
Defined benefit schemes	**3,977**	5,194
Defined contribution schemes and Irish schemes	**6,515**	5,778
	10,492	10,972

Major assumptions

	Valuation at 2007	Valuation at 2006
Discount rate	**5 8%**	5 1%
Expected return on scheme assets	**6 9%**	6 9%
Expected rate of salary increases	**4 1%**	3 8%
Future pension increases	**3 1%**	2 8%
Life expectancy		
Male	**18 1 years**	18 1 years
Female	**21 0 years**	21 0 years

The valuation of the defined benefits funding position is dependent on a number of assumptions and is therefore sensitive to changes in the assumptions used The impact of variations in the key assumptions are detailed below

- A change in the discount rate of 0 1% pa would change the value of liabilities by 2% or £7 6 million
- A change in the life expectancy by one year would change liabilities by around 3% or £12 million

24 Retirement Benefit Obligation (continued)

Amounts recognised in the Income Statement in respect of defined benefit schemes:

	2007 £'000	2006 £'000
Current service cost	**3,977**	5,194
Interest cost	**21,303**	19,217
Expected return on scheme assets	**(25,817)**	(22,599)
	(537)	1,812

Of the current service cost for the year, £3,080,000 (2006 £3,866,000) has been included in cost of sales and £897,000 (2006 £1,328,000) has been included in operating expenses Actuarial gains and losses have been reported in the Group Statement of Recognised Income and Expense

Amounts included in the Balance Sheet

	2007 £'000	2006 £'000
Present value of defined benefit obligations	**406,900**	420,913
Fair value of scheme assets	**393,757**	375,474
Deficit in scheme	**13,143**	45,439
Past service cost not yet recognised in balance sheet	**—**	—
Total liability recognised in balance sheet	**13,143**	45,439
Amount included in current liabilities	**(3,300)**	(4,272)
Amount included in non current liabilities	**9,843**	41,167

Movements in the present value of defined benefit obligations

	2007 £'000	2006 £'000
At 1 January	**420,913**	364,727
Service costs	**3,977**	5,194
Interest costs	**21,303**	19,217
Contribution from scheme members	**4,949**	4,504
Changes in assumptions underlying the defined benefit obligations	**(30,179)**	(2,547)
Benefits paid	**(14,063)**	(11,564)
Liabilities assumed in a business combination	**—**	41,382
At 31 December	**406,900**	420,913

Movements in the fair value of scheme assets:

	2007 £'000	2006 £'000
At 1 January	**375,474**	309,538
Expected return on scheme assets	**25,817**	22,599
Actual return less expected return on scheme assets	**(4,895)**	7,828
Contributions from the sponsoring companies	**6,475**	7,219
Contributions from scheme members	**4,949**	4,504
Benefits paid	**(14,063)**	(11,564)
Assets acquired in a business combination	**—**	35,350
At 31 December	**393,757**	375,474

24 Retirement Benefit Obligation (continued)

Analysis of the scheme assets and the expected rate of return

	Expected return		Fair value of assets	
	2007	2006	**2007**	2006
	%	%	**£'000**	£'000
Equity instruments	**7 8%**	7 6%	**236,254**	262,832
Debt instruments	**5 3%**	4 9%	**98,439**	63,831
Property	**6 3%**	6 1%	**31,501**	30,038
Other assets	**5 5%**	5 8%	**27,563**	18,773
	6 9%	6 9%	**393,757**	375,474

History of experience adjustments

	2007	2006	2005	2004
	£'000	£'000	£'000	£'000
Present value of defined benefit obligations	**406,900**	420,913	364,727	312,194
Fair value of scheme assets	**393,757**	375,474	309,538	241,608
Deficit in the scheme	**13,143**	45,439	55,189	70,586
Experience adjustments on scheme liabilities				
Amount (£'000)	**30,179**	2,547	(37,623)	(15,202)
Percentage of scheme liabilities (%)	**7 4%**	0 6%	(10 3%)	(4 9%)
Experience adjustments on scheme assets				
Amounts (£'000)	**(4,895)**	7,828	36,454	5,073
Percentage of scheme assets (%)	**(1 2%)**	2 1%	11 8%	2 1%

The estimated amounts of contributions expected to be paid to the scheme during 2008 is £6,900,000

25 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 £'000	Pension balances £'000	Share based payments £'000	Other timing differences £ 000	Total £'000
At 1 January 2006	17,264	355,352	(22,099)	(831)	(2,156)	347,530
Adjustment	216	38	—	—	—	254
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
Disposal of business	—	(983)	—	—	755	(228)
At 31 December 2006	19,814	397,383	(18,154)	(409)	540	399,174
Charge/(credit) to income	4,008	—	4,092	404	(989)	7,515
Debit to equity	—	—	8,994	—	686	9,680
Acquisition of businesses	—	3,102	—	—	(60)	3,042
Disposal of business	—	(34)	—	—	—	(34)
Reduction in tax rate	(1,588)	(24,780)	338	—	(12)	(26,042)
Currency movements	—	1,985	—	—	—	1,985
At 31 December 2007	**22,234**	**377,656**	**(4,730)**	**(5)**	**165**	**395,320**

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

	2007 £'000	2006 £'000
Deferred tax liabilities	**400,055**	417,737
Deferred tax assets	**(4,735)**	(18,563)
	395,320	399,174

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 £25,747,000 (2006 £20,810,000) 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

26 Obligations Under Finance Leases

	Present value of minimum lease payments	
	2007 £'000	2006 £'000
Amounts payable under finance leases		
Within one year	—	5
	—	5
Less amounts due for settlement within one year (shown under current liabilities)	—	(5)
Amount due for settlement after one year	—	—

The amount of future finance charges is nil Previously all lease obligations were denominated in sterling and were secured by the lessor's rights over the leased assets

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For the year ended 31 December 2007 continued

27 Long Term Provisions

	Unfunded pensions £'000	Post retirement health costs £'000	Obligations to industry sponsored pension schemes £'000	Total £'000
At 1 January 2007	1,220	431	818	2,469
Exchange differences	—	—	1	1
Paid during the year	—	(48)	—	(48)
Adjustment	—	—	(800)	(800)
At 31 December 2007	**1,220**	**383**	**19**	**1,622**

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 An adjustment was made to the obligations to the industry sponsored pension schemes against an equal and opposite prepayment held by the Group

28 Share Capital

	2007 £'000	2006 £'000
Authorised		
390,000,000 Ordinary Shares of 10p each (2006 390,000,000)	**39,000**	39,000
756,000 13 75% Cumulative Preference Shares of £1 each (2006 756,000)	**756**	756
415,000 13 75% "A' Preference Shares of £1 each (2006 415,000)	**415**	415
	40,171	40,171
Issued		
288,380,658 Ordinary Shares of 10p each (2006 287,873,223)	**28,838**	28,787
756,000 13 75% Cumulative Preference Shares of £1 each (2006 756,000)	**756**	756
349,600 13 75% "A' Preference Shares of £1 each (2006 349,600)	**350**	350
	29,944	29,893

During the year ended 31 December 2007, 507,435 Ordinary Shares of 10p each were issued and allotted as follows

	£'000
132,126 shares under the terms of the executive share option schemes for a consideration of £429,741	**13**
375,309 shares under the terms of the save as you earn scheme for a consideration of £1,081,948	**38**
Total at 31 December 2006	**28,787**
Total at 31 December 2007	**28,838**

Details of options outstanding are shown in note 33

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 IAS32

29 Acquisition of Businesses

On 23 April 2007, the Group acquired eight weekly newspaper titles in Scotland from Archant Limited for a cash consideration of £11,205,000 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	—	10,341	10,341
Property plant and equipment	111	277	388
Inventories	59	(33)	26
Trade and other receivables	901	(17)	884
Cash and cash equivalents	1	—	1
Trade and other payables	(102)	(196)	(298)
Deferred tax and corporation tax asset	—	81	81
Deferred tax liability on publishing titles	—	(3,102)	(3,102)
	970	7,351	8,321
Goodwill			3,102
Total consideration			**11,423**
Satisfied by.			
Cash			11,205
Directly attributable costs			218
			11,423

Net cash flows arising on acquisition

Cash consideration including costs settled on acquisition	11,413
Cash and cash equivalents acquired	(1)
Net cash flow arising on acquisition	**11,412**

All the post acquisition revenue and profit before tax for the eight titles acquired from Archant Limited for the 2007 financial year is incorporated in the results of the Group

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

30 Disposal of Businesses

On 15 August 2007 the Group sold the entire share capital of Best Asian Media Ltd to its Managing Director for a sum of £10,000 less legal fees of £14,000 As a consequence goodwill and publishing titles valued on acquisition of the business amounting to £500,000 and £114,000 respectively have been written off and form part of the loss on sale of businesses referred to in note 7 The sale included fixed assets of £11,000 and a bank balance of £10,000, with the total loss arising on sale amounting to £633,000 The Group has retained the rights to the publishing titles and associated websites of Best Asian Media Limited and will receive a royalty based on future revenues

Also in August, the Group sold two small non-core commercial printing businesses The first was a business trading under the name Scrogie, based at Peterhead This was acquired as part of the acquisition referred to in note 29 Stock and debtors amounting to £132,000 were sold for a net consideration of £48,000, with a loss of £84,000 The second was the Naas commercial printing operation acquired as part of the acquisition of the Leinster Leader Group in 2005 Stock and debtors amounting to £203,000 were sold for a net consideration of £70,000, with a loss of £133,000 The total loss on sale reflected in these financial statements is

	£'000
Best Asian Media	633
Scrogie	84
Naas Commercial	133
	850

31 Notes to the Cash Flow Statement

	2007 £'000	2006 £'000
Operating profit	**165,439**	171,630
Adjustments for		
Depreciation of property, plant and equipment	**24,052**	29,785
Currency differences	**473**	(328)
Cost of share based payments	**2,607**	2,281
Profit on disposal of property, plant and equipment	**(2,103)**	(3,175)
Movement on pension provision	**(2,724)**	(1,652)
Loss on disposal of businesses	**850**	—
Goodwill adjustment (note 15)	**5,874**	—
Operating cash flows before movements in working capital	**194,468**	198,541
Decrease/(increase) in inventories	**1,357**	(151)
Increase in receivables	**(6,560)**	(5,405)
Increase/(decrease) in payables	**4,581**	(5,845)
Cash generated by operations	**193,846**	187,140

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

32 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 2007 was £989,000 (2006 £1,266,000) In addition, the Group leases certain land and buildings on short term and long term operating leases The annual rental on these leases was £5,030,000 (2006 £5,122,000) 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

	2007	2006
	£'000	£ 000
The total amounts payable under the foregoing leases are as follows		
Plant		
Within one year	**451**	535
Between two and five years	**245**	632
	696	1,167
Land and buildings		
Within one year	**4,593**	3,946
Between two and five years	**15,264**	13,793
After five years	**38,611**	24,425
	58,468	42,164
b) Capital commitments		
Contracted for but not provided	**4,436**	14,063

c) Assets Pledged as Security

None of the Group's assets are specifically pledged as security A guarantee 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 This decision was appealed to the High Court and in March 2007 the Judge upheld the decision of the Special Commissioner An appeal has been lodged with the Court of Appeal and this was heard at the end of February 2008 A decision is awaited The Group understands UBM remains confident of an eventual successful outcome and no provision has been made in these financial statements In the event of proven liability the Group holds a full tax indemnity from UBM

33 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

	2007		2006	
	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	**1,929,313**	**506**	2,660,221	430
Lapsed/forfeited during the period	**(731,497)**	**532**	(44,438)	504
Exercised during the period	**(132,126)**	**325**	(686,470)	347
Outstanding at the end of the period	**1,065,690**	**453**	1,929,313	506
Exercisable at the end of the period	**322,717**	**353**	483,245	333

The weighted average share price at the date of exercise for share options exercised during the period was 325p The options outstanding at 31 December 2007 had a weighted average exercise price of 453p, and a weighted average remaining contractual life of 4 4 years No options were granted in 2006 or 2007

Previous grants were valued using the Black Scholes model As far as the assumptions were concerned, 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 £1,459,000 and £1,495,000 related to equity settled share-based payment transactions in 2007 and 2006 respectively

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 2007

Option Grant Date	Number of Shares	Issue price per Share
29 09 00	33,103	310 67p
27 09 01	33,706	274 65p
27 09 02	624,452	279 00p
26 09 03	243,936	345 50p
29 09 04	389,642	414 50p
29 09 05	486,039	397 00p
29 09 06	810,808	306 00p
29 09 06	159,645	311 50p
27 09 07	16,376	299 75p
27 09 07	909,177	308 25p

33 Share-based Payments (continued)

Apart from the 909,177 options granted on 27 September 2007, 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, 1 September 2006 and 3 September 2007 respectively The 909,177 options granted on 27 September 2007 were granted at the closing mid market price on the day prior to the invitation being sent to employees on 3 September 2007 This follows the approval of the revised Sharesave Scheme at the Annual General Meeting in April 2007 A discount of 20% to the average mid market price was applied to the issues in 2002 and thereafter

Awards outstanding under Share Matching Plan at 31 December 2007

Date	Matching Awards	Market Price on Award	Vesting Dates
21 03 05	63,596	540 00p	21 03 08 to 20 03 15
30 05 06	17,988	453 00p	30 05 09 to 29 05 16
30 03 07	63,701	451 50p	30 03 10 to 29 03 17

The Group recognised total expenses of £189,000 and £453,000 related to equity settled share based payment transactions in 2007 and 2006 for the Share Matching Plan

Awards outstanding under Performance Share Plan at 31 December 2007

Date	PSP Awards	Market Price on Award	Vesting Dates
06 06 06	816,011	458 75p	06 06 09
05 06 07	1,006,992	444 25p	05 06 10

The Group recognised total expenses of £959,000 and £333,000 related to equity settled share based payment transactions in 2007 and 2006 for the Performance Share Plan

34 Related Party Transactions

The Group undertook transactions, all of which were on an arms' length basis, and had balances outstanding at 31 December 2007 and 2006 with related parties as shown below

	Purchases		Creditors		Sales		Debtors	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Related party	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Classified Periodicals Ltd	**57**	58	**15**	1	**55**	43	**16**	2
Free Admart Ltd	**95**	95	**31**	23	**—**	—	**—**	—

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

The remuneration of the Directors, who are the key management personnel of the Group, is set out in the audited section of the Directors' Remuneration Report

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007 continued

35 Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 28 and in the Group Reconciliation of Shareholders' Equity

The Board of Directors reviews the capital structure formally twice each year and when considering any corporate transaction As part of this review, the Board considers the cost of capital and the risks associated with each class of capital Based on the recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt The Group is not subject to externally imposed capital requirements

The Group's overall strategy remains unchanged from 2006

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements

(c) Categories of financial instruments

	2007 £'000	2006 £ 000
Financial assets (current and non-current)		
Derivative instruments in designated hedge accounting relationships	**4,192**	6,598
Trade receivables	**76,529**	70,535
Cash and cash equivalents	**17,470**	24,636
Available for sale financial assets	**2,712**	2,712
Financial liabilities (current and non-current)		
Derivative instruments in designated hedge accounting relationships	**(16,082)**	(18,137)
Trade payables	**(19,158)**	(18,278)
Borrowings	**(688,548)**	(753,043)

(d) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business and monitors and manages the financial risks relating to the operations of the Group through assessment of the exposures by degree and magnitude of risk These risks include market risk (including currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures The use of financial derivatives is governed by the Group's policies approved by the Board and requirements of the bank loan and private placement funding agreements, which provide guidelines which must be operated within The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes

The Corporate Treasury function reports regularly to the Executive Directors and the Board

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to section (f)) and interest rates (refer to section (g)) The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including

- Currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings, namely the US Dollar denominated private placement senior notes,
- Borrowings in Euros to manage the foreign currency risk associated with the Group's net investment in its foreign operations, and
- Interest rate swaps to mitigate the risk of rising interest rates

At a Group and company level, market risk exposures are assessed using sensitivity analyses

35 Financial Instruments (continued)

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risk

(f) Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise The Group utilises currency derivatives to hedge significant future transactions and cash flows The Group is a party to a number of cross currency interest rate swaps at the year end and, during the year, a foreign currency forward contract, in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of the Group's overseas subsidiaries (namely Euros) and in US dollars in order to hedge the risks associated with the US dollar denominated senior loan notes There were no open foreign currency forward contracts at the year end (2006 none)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	Liabilities		Assets	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Euro				
Trade receivables	**—**	—	**9,520**	7,627
Cash and cash equivalents	**—**	—	**4,168**	3,946
Trade payables	**(1,114)**	(777)	**—**	—
Borrowings	**(126,446)**	(115,509)	**—**	—
US Dollar				
Borrowings	**(135,183)**	(137,819)	**—**	—

Foreign currency sensitivity
As noted above, the Group is mainly exposed to movements in Euros and US dollars rates The following table details the Group's sensitivity to a 5% change in pounds sterling against the Euro and a 5% change in pounds Sterling against the US Dollar These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period All hedges are assumed to be 100% effective A positive number indicates an increase in profit or loss and other equity where pounds sterling strengthens against the respective currency For a 5% weakening of the Sterling against the relevant currency, there is an equal and opposite impact on profit or loss and other equity, and the balances below reverse signs

	Euro currency impact		US Dollar currency impact	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Profit or loss	(398)	(403)	—	—
Other equity	5,981	4,642	—	—

Of the impact on other equity an increase of £6,021,000 (2006 £4,684,000) relates to the retranslation of the Group's Euro denominated borrowings and so would never materialise as it is hedged by a non financial asset

The movement in the magnitude of the impact on profit or loss in 2006 and 2007 is not significant With regard to the magnitude of the impact on other equity, the increased impact is driven by the fair values of the Euro denominated interest rate swaps which were in the Group's favour but not to the same extent at the end of 2007 as at the end of 2006

(g) Interest rate risk management
The Group is exposed to interest rate risk as the parent company borrows funds at both fixed and floating interest rates The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts Hedging activities are evaluated regularly to align interest rate views, defined risk appetite and the requirements of the funding agreements in place, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or interest expense through different interest rate cycles

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the balance sheet date For floating rate liabilities, the analysis is prepared assuming the amount of the liability

35 Financial Instruments (continued)

outstanding at the balance sheet date was outstanding for the whole year A 50 basis points decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates

At the reporting date, if interest rates had been 50 basis points lower and all other variables were held constant, the Group's

- Net profit would increase by £1,702,000 (2006 £1,582,000) The increase in the current year is mainly due to the impact of the Group's fair value hedges, and
- Other equity reserves would decrease by £3,433,000 (2006 £3,680,000) as a result of the changes in the fair value of the Group's cash flow hedges

The Group's sensitivity to interest rates has increased during the current period mainly due to the turmoil in financial markets that led to significant differentials between LIBOR and base rates in the second half of the year

For an increase of 50 bps, the numbers shown above would have the opposite sign

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued floating rate debt held

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date The average interest rate is based on the outstanding balances at the end of the financial year In the tables below, positive values in the fair value columns denote financial assets and negative values denote financial liabilities

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contract fixed interest		Notional principal amount		Fair value	
	2007	2006	**2007**	2006	**2007**	2006
	%	%	**£'000**	£'000	**£'000**	£'000
Within 1 year	**—**	5 31	**—**	190,000	**—**	88
2 to 5 years	**4 44**	4 47	**291,762**	287,314	**4,133**	5,853
	4 44	4 80	**291,762**	477,314	**4,133**	5,941

Contracts with nominal values of €70 million have fixed interest payments at an average rate of 3 09% for periods up to 2009, contracts with a nominal value of £100 million have fixed interest payments at an average of 4 59% for periods up to the beginning of 2011, contracts with a nominal value of £100 million with fixed interest payments at an average of 4 49% for the period to 2010 and contracts with a nominal value of $75 million have fixed interest payments at an average rate of 5 72% for the period to 2016

The interest rate swaps settle on a quarterly basis with interest being paid weekly/monthly on the underlying principal amount The floating rate on the interest rate swaps is 3 months LIBOR for the Sterling denominated principal amounts and 3 months EURIBOR for the Euro denominated principal amounts The Group settles the difference between the fixed and floating interest rates on a net basis All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest rate amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings

Fair value hedges

Outstanding receive fixed pay floating contracts	Average contract fixed interest		Notional principal amount		Fair value	
	2007	2006	**2007**	2006	**2007**	2006
	%	%	**£'000**	£'000	**£'000**	£'000
5+ years	**5 93**	5 93	**115,646**	115,646	**(16,023)**	(17,480)
			115,646	115,646	**(16,023)**	(17,480)

35 Financial Instruments (continued)

The interest rate swaps settle on a quarterly/six monthly basis The average floating rate on the interest rate swaps is 3 month LIBOR + 1 37% and 6 month LIBOR + 0 71% The Group settles the difference between the fixed and floating interest rates on a net basis

(h) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults The Group's policy on dealing with trade customers is described in notes 3 and 21

The Group's exposure and the credit ratings of its counterparties are continuously monitored As far as possible, the aggregate value of transactions is spread across a number of approved counterparties

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas Ongoing credit evaluation is performed on the financial condition of accounts receivable

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, the latter being defined as connected entities, other than with some of the larger advertising agencies In the case of the latter, a close relationship exists between the Group and the agencies and appropriate allowances for doubtful debts are in place 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 following table shows the total exposure to credit risk for all of the Group's financial assets, excluding trade receivables which are discussed in note 21

	2007		2006	
	Carrying value £'000	**Exposure to credit risk £'000**	Carrying value £'000	Exposure to credit risk £ 000
Available for sale investments	**2,712**	—	2,712	—
Cash and cash equivalents	**17,470**	—	24,636	—
Derivative instruments in designated hedge accounting relationships	**4,192**	—	6,598	—
	24,374	—	33,946	—

(i) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities Included in note 22 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk

Liquidity and interest risk tables
The following tables detail the Group's remaining contractual maturity for its non derivative financial liabilities The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay The table includes both interest and principal cash flows

35 Financial Instruments (continued)

Year ended 31 December 2007

	Bank overdraft £'000	Bank loans £'000	Guaranteed loan stock £'000	2003 Private Placement £'000	2006 Private Placement £'000	Finance leases £'000	Trade payables £'000	Total £'000
Within 1 year	16,104	27,699	—	7,091	4,846	—	19,158	74,898
In 1 2 years	—	25,111	—	7,091	4,846	—	—	37,048
2 3 years	—	497,622	—	7,091	4,846	—	—	509,559
3-4 years	—	—	—	7,091	4,846	—	—	11,937
4 5 years	—	—	—	7,091	4,846	—	—	11,937
5+ years	—	—	—	121,123	91,163	—	—	212,286
	16,104	**550,432**	**—**	**156,578**	**115,393**	**—**	**19,158**	**857,665**

Year ended 31 December 2006

	Bank overdraft £'000	Bank loans £'000	Guaranteed loan stock £'000	2003 Private Placement £'000	2006 Private Placement £ 000	Finance leases £ 000	Trade payables £'000	Total £'000
Within 1 year	2,119	35,493	879	7,155	4,941	5	18,278	68,870
1 2 years	—	31,960	305	7,155	4,941	—	—	44,361
2 3 years	—	28,941	314	7,155	4,941	—	—	41,351
3-4 years	—	568,521	8,022	7,155	4,941	—	—	588,639
4 5 years	—	—	—	7,155	4,941	—	—	12,096
5+ years	—	—	—	129,434	97,880	—	—	227,314
	2,119	664,915	9,520	165,209	122,585	5	18,278	982,631

The maturity profile of the Group's financial derivatives (which include interest rate and foreign currency exchange swaps), using undiscounted cash flows, is as follows

	2007 Payable £'000	**2007** Receivable £'000	2006 Payable £'000	2006 Receivable £'000
Within 1 year	**20,226**	**21,058**	21,465	21,622
1 2 years	**18,656**	**18,248**	15,740	15,869
2 3 years	**16,180**	**15,567**	14,171	13,707
3 4 years	**10,529**	**9,404**	13,956	13,365
4 5 years	**9,336**	**8,163**	10,529	9,563
5+ years	**168,608**	**169,472**	177,944	178,059
	243,535	**241,912**	253,805	252,185

The Group has access to financial facilities, the total unused amount of which is £152 million (2006 £75 million) at the balance sheet date The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets

(j) Fair value of financial instruments
The fair values of financial assets and financial liabilities are provided by the counterparty to the instrument and are sense checked by the Group using an on line toolkit available from the Royal Bank of Scotland plc

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

Company Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping proper accounting records that 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 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 2007

	Notes	2007 £'000	2006 Restated Note 44 £'000
Fixed Assets			
Tangible	38	**895**	831
Investments	39	**1,100,698**	1,100,698
		1,101,593	1,101,529
Current assets			
Stocks	40	**253**	311
Debtors due within one year	41	**80,019**	77,820
due after more than one year	41	**445,671**	448,240
Cash at bank and in hand		**1,319**	1,861
		527,262	528,232
Creditors amounts falling due within one year	42	**(95,614)**	(56,134)
Net current assets		**431,648**	472,098
Total assets less current liabilities		**1,533,241**	1,573,627
Creditors amounts falling due after more than one year	43	**(688,916)**	(760,789)
Provisions for liabilities	45	**(1,220)**	(1,220)
Net assets		**843,105**	811,618
Capital and reserves			
Called up share capital	28		
Ordinary		**28,838**	28,787
Preference		**1,106**	1,106
		29,944	29,893
Reserves	46	**813,161**	781,725
Shareholders' funds		**843,105**	811,618

The financial statements were approved by the Board of Directors on 5 March 2008 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

36 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 The Company's profit for the year, determined in accordance with the Act was £52,539,000 (2006 £64,561,000) The financial statements have been prepared on the historical cost basis except for the revaluation of certain fixed assets and derivative financial instruments The principal accounting policies adopted are set out below The opening balances have been restated to reflect the inclusion of the actual dollar/sterling exchange rate at 31 December 2006 and the fair value of the related derivative instruments in accordance with FRS26 The impact of this in the prior year is a recognised gain of £6,470,000 as shown in note 46

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

36 Significant Accounting Policies (continued)

Financial Instruments
Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of that instrument

The Company'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 Company uses interest rate swaps and cross currency interest rate swaps to hedge these exposures The Company does not use derivative financial instruments for speculative purposes

Changes in the fair value of derivative financial instruments are recognised directly in a hedging and translation reserve

Retirement Benefit Obligations
The Company participates in a Group-wide scheme, the Johnston Press Pension Plan, which has a defined benefit section (providing benefits based on final pensionable pay) and a defined contribution section The assets of the scheme are held separately from those of the Company The pension costs for the defined contribution section are charged to the profit and loss account on the basis of contributions due in respect of the financial year In relation to the defined benefit section of the scheme, the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reliable basis and therefore, as required by FRS 17, the Company accounts for this scheme as a defined contribution scheme As a result, the amount charged to the profit and loss account in respect of the defined benefit section represents the contributions payable to the scheme in respect of the year

37 Staff Costs

	2007 No	2006 No
Average Number of Employees		
Sales	**1**	2
Production	**7**	8
Administration	**24**	27
	32	37

	2007 £'000	2006 £'000
Employee Costs		
Wages and salaries	**3,591**	3,147
Social security costs	**325**	322
Other pension costs	**569**	540
	4,485	4,009

38 Tangible Fixed Assets

	Freehold buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2006	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
Additions	—	—	56	97	153
Disposals	—	—	(77)	(84)	(161)
At 31 December 2007	**590**	**400**	**246**	**72**	**1,308**
Depreciation					
At 1 January 2006	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
Disposals	—	—	(76)	(63)	(139)
Charge for year	12	8	28	19	67
At 31 December 2007	**132**	**89**	**181**	**11**	**413**
Carrying amount					
At 31 December 2007	**458**	**311**	**65**	**61**	**895**
At 31 December 2006	470	319	38	4	831

	2007 £'000	2006 £'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

	2007 £'000	2006 £'000
b) Historical cost figures for freehold buildings are		
Cost	**542**	542
Depreciation	**(133)**	(126)
	409	416

Notes to the Company Financial Statements

For the year ended 31 December 2007 continued

39 Investments

	Subsidiary Undertakings £'000	Unlisted investments £ 000	Total £'000
Cost			
At 1 January 2007 and 31 December 2007	**1,098,956**	**3,526**	**1,102,482**
Provisions for impairment			
At 1 January 2007 and 31 December 2007	—	1,784	1,784
Net book value			
At 31 December 2007	**1,098,956**	**1,742**	**1,100,698**
Net book value			
At 1 January 2007	1,098,956	1,742	1,100,698

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
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
Lincolnshire 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
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
*Lancashire Evening Post Ltd	England	100%	Newspaper publishers
*Lancashire Publications Ltd	England	100%	Newspaper publishers
*Lancaster & Morecambe Newspapers Ltd	England	100%	Newspaper publishers

39. Investments (continued)

Name of company	Country of incorporation and operation	Proportion of ownership interest	Nature of Business
*Blackpool Gazette & Herald Ltd	England	100%	Newspaper publishers
*East Lancashire Newspapers 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
*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
*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

*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

40 Stocks

	2007 £'000	2006 £'000
Raw materials	**16**	18
Work in progress	**1**	2
Goods for re sale	**236**	291
	253	311

41 Debtors

	2007 £'000	2006 Restated Note 44 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**64,693**	63,242
Corporation tax recoverable	**15,105**	14,505
Trade and other debtors and prepayments	**221**	73
	80,019	77,820
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	**440,401**	440,401
Derivative financial instruments see note 23	**4,192**	6,598
Deferred tax asset see below	**1,078**	1,241
	445,671	448,240

Notes to the Company Financial Statements
For the year ended 31 December 2007 continued

41 Debtors (continued)

The following are the major deferred tax assets recognised by the Company and movements thereon during the year

	Accelerated tax depreciation £'000	Pension balances £'000	Share based payments £'000	Other timing differences £'000	Total £'000
At 31 December 2006	(46)	(366)	(409)	(420)	(1,241)
Charge/(credit) to profit	14	—	404	(331)	87
Reduction in tax rate	2	24	—	50	76
At 31 December 2007	**(30)**	**(342)**	**(5)**	**(701)**	**(1,078)**

42 Creditors amounts falling due within one year

	2007 £'000	2006 £'000
Borrowings	**19,466**	10,173
Amounts owed to subsidiary undertakings	**67,830**	36,169
Corporation tax	**126**	—
Other taxes and social security costs	**217**	513
Accruals and deferred income	**7,962**	9,210
Other creditors	**13**	69
	95,614	56,134

43 Creditors. amounts falling due after more than one year

	2007 £'000	2006 Restated Note 44 £'000
Borrowings	**672,834**	742,652
Derivative financial instruments see note 23	**16,082**	18,137
	688,916	760,789

44. Borrowings

The company's bank overdrafts and loans comprise	**2007 £'000**	2006 Restated £'000
Bank overdrafts	**19,856**	10,002
Bank loans Sterling	**352,000**	439,000
Bank loans Euro denominated	**126,446**	107,408
Guaranteed loan stock	**—**	171
2003 Private placement of 10 year senior notes	**117,578**	118,701
2006 Private placement of 8 and 10 year senior notes	**77,605**	79,118
	693,485	754,400

44 Borrowings (continued)

The borrowings are repayable as follows	2007 £'000	2006 £'000
On demand or within one year	**19,856**	10,569
Within one to two years	**—**	—
Within two to five years	**478,446**	546,012
More than five years	**195,183**	197,819
	693,485	754,400
Less amount due for settlement within one year	**(19,856)**	(10,569)
Amount due for settlement after one year	**673,629**	743,831

The borrowings are shown in the balance sheet net of term debt issue costs of £1,185,000 of which £390,000 is deducted from current liabilities (2006 £1,575,000 of which £396,000 is deducted from current liabilities)

The 2006 borrowings denominated in dollars have been restated at the dollar/sterling exchange rate at 31 December 2006 in accordance with FRS26 The impact of this in the prior year is a recognised gain of £6,470,000 as shown in note 46

Other details relating to the bank overdrafts and loans are set out in note 22

45 Provisions for liabilities

	Unfunded pensions £'000
At 31 December 2006 and 31 December 2007	1,220

46 Reserves

	Share Premium £ 000	Share-based Payments Reserve £ 000	Revaluation Reserve £'000	Hedging and Translation Reserve Restated Note 44 £ 000	Retained Earnings £ 000	Other Reserves £ 000	Own Shares £ 000	Total Restated Note 44 £ 000
Opening balance as previously reported	331,289	4,265	50	—	421,769	19,510	(1,628)	775,255
Adjustment in respect of prior year note 44	—	—	—	6,470	—	—	—	6,470
Revised opening balance	331,289	4,265	50	6,470	421,769	19,510	(1,628)	781,725
Profit for the year	—	—	—	—	52,539	—	—	52,539
Revaluation adjustment	—	—	(1)	—	1	—	—	—
Dividends	—	—	—	—	(27,456)	—	—	(27,456)
Share premium on new share capital subscribed	1,461	—	—	—	—	—	—	1,461
Reclassification	—	1,807	—	—	—	—	(1,807)	—
Provision for share based payments	—	2,607	—	—	—	—	—	2,607
Change in fair value of financial instruments	—	—	—	2,285	—	—	—	2,285
At 31 December 2007	**332,750**	**8,679**	**49**	**8,755**	**446,853**	**19,510**	**(3,435)**	**813,161**

Further details of share-based payments are shown in note 33

Group Five Year Summary

	UK GAAP	IFRS			
	2003 £'000	2004 £'000	2005 £'000	2006 £'000	**2007 £'000**
Income Statement					
Revenue	491,843	519,299	520,154	602,221	**607,504**
Operating profit on ordinary activities	163,033	178,211	180,210	186,773	**178,142**
Share of associates' operating profit	581	174	81	60	**76**
Non recurring items	(2,452)	(769)	(2,614)	(15,143)	**(12,703)**
Profit before interest and taxation	161,162	177,616	177,677	171,690	**165,515**
Net interest payable	(33,210)	(27,817)	(26,314)	(40,136)	**(40,801)**
Profit before taxation	127,952	149,799	151,363	131,554	**124,714**
Taxation	(38,264)	(43,187)	(43,572)	(35,899)	**(11,159)**
Profit for the year	89,688	106,612	107,791	95,655	**113,555**
Statistics					
Basic earnings per share	31 57p	37 41p	37 67p	33 24p	**39 36p**
Underlying earnings per share	32 36p	37 77p	38 72p	36 66p	**34 15p**
Operating profit to turnover	33 3%	34 4%	34 6%	31 0%	**29 3%**
Balance Sheet					
Intangible assets	927,557	927,557	1,300,443	1,483,733	**1,503,624**
Property, plant and equipment	156,972	156,742	222,178	268,342	**273,381**
Investments	3,980	2,798	2,760	2,745	**2,751**
Derivative financial instruments	—	—	—	6,598	**4,192**
	1,088,509	1,087,097	1,525,381	1,761,418	**1,783,948**
Net current assets/(liabilities)	(64,500)	(84,836)	(41,147)	24,526	**(2,378)**
Total assets less current liabilities	1,024,009	1,002,261	1,484,234	1,785,944	**1,781,570**
Non current liabilities	(372,750)	(264,002)	(600,888)	(769,321)	**(691,010)**
Long term provisions	(16,327)	(342,872)	(400,876)	(442,810)	**(406,785)**
Net Assets	634,932	395,387	482,470	573,813	**683,775**
Shareholders' Funds					
Ordinary Shares	28,399	28,532	28,666	28,787	**28,838**
Preference Shares	1,106	1,106	1,106	1,106	**1,106**
Reserves	605,427	365,749	452,698	543,920	**653,831**
Capital Employed	634,932	395,387	482,470	573,813	**683,775**

The 2004 year was a 53 week period

Notice of Meeting

Notice is hereby given that the seventy ninth Annual General Meeting of the Company will be held in The Wallace Suite, The Sheraton Hotel, 1 Festival Square, Edinburgh on 25 April 2008 at 12 00 noon to transact the following business of the Company

1 To receive the Accounts for the year ended 31 December 2007 and the reports of the Directors and Auditors thereon

2 To receive the Directors' Remuneration Report for the year ended 31 December 2007

3 To declare a dividend

4 To re-elect Mr R G Parry, Mr F P M Johnston, Mr P E B Cawdron, Mr T J Bowdler and Mr D Cammiade as Directors 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 number 6 will be proposed as an Ordinary Resolution and numbers 7 to 9 will be proposed as Special Resolutions

Ordinary Resolution

6 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 £9,612,688 This authority shall expire on 25 April 2013 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

7 That, subject to the passing of Resolution 6 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 £1,441,903

This power shall expire, unless previously revoked or varied, on the date of the Annual General Meeting of the Company held in 2009 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

8 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

Notice of Meeting continued

9 That the Articles of Association be and are hereby altered as set out in the Appendix to the Circular to Shareholders dated 5 March 2008 circulated with the Notice of Annual General Meeting

By Order of the Board

P R Cooper, ACA
Secretary
53 Manor Place
Edinburgh
EH3 7EG
5 March 2008

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 to exercise all or any of his rights to attend and to speak and to vote on his behalf at the Meeting An Ordinary Shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Ordinary Shareholder 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 Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the Member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights

E The statement of the rights of Shareholders in relation to the appointment of proxies in Notes B and C above does not apply to Nominated Persons The rights described in these paragraphs can only be exercised by Ordinary Shareholders of the Company

F 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

G Copies of all Directors' Service Contracts and letters of appointment of non-executive directors 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

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